

# COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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(Business Address No. Street City/Town/Province)

ATTY. MARK HADRIAN P. GAMO
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Contact Person

+ (632) 3499-4001/ +639189633797
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Company Telephone Number

1	2
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Month

3	1
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Day

Fiscal Year

Definitive Information Statement

2	0	-	I	S
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FORM TYPE

0	5
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Month

1	4
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Day

2<sup>nd</sup> Tuesday of May  
Annual General Meeting  
as per By-Laws

CERTIFICATE OF PERMIT TO OFFER SECURITIES FOR SALE DATED 14 OCTOBER 2016
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Secondary License Type, If Applicable

M	S	R	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

315 (as of 31 March 2024)
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Total No. of Stockholders

32,827,000,000
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Domestic

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Foreign

Total Amount of Borrowings

**To be accomplished by SEC Personnel concerned**

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Document I. D.

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<b>STAMPS</b>
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SHELL PILIPINAS CORPORATION  
(formerly Pilipinas Shell Petroleum Corporation)  
NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of the stockholders of SHELL PILIPINAS CORPORATION (the "Corporation"), formerly Pilipinas Shell Petroleum Corporation, will be **conducted virtually through Shell Operated Webcast** at **2:00 p.m. on 14 May 2024 (Tuesday)**, for the following purposes:

**A G E N D A**

- (1) Call to Order
- (2) Certification of Service of Notice and Quorum
- (3) Approval of Minutes of the Special Meeting of the Stockholders held on 21 November 2023
- (4) Chairman's Report
- (5) President's Report
- (6) Financial Updates
- (7) Approval of Certain Acts of the Board, Board Committees and Management
  - (a) Appointment of External Auditors
  - (b) Amendment of By-Laws: Increase of Quorum Requirement for Board Meetings
- (8) Election of Directors
- (9) Other Matters
- (10) Adjournment

The 17<sup>th</sup> day of April 2024 has been fixed as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting. The holders of record of shares of Common Stock as of the record date will be entitled to vote on the proposed corporate actions set out in Items 3, 7 and 8 above.

Stockholders may participate in the meeting in person or by remote communication and by voting through the Chairman of the Board as proxy. Please send your proxy letter, a sample of which is attached to this Information Statement as **Annex "A"**, to the Office of the Corporate Secretary of the Corporation's email at [\*\*PSPC-Governance@shell.com\*\*](mailto:PSPC-Governance@shell.com) **on or before 27 April 2024**.

On the day of the annual stockholders' meeting, **14 May 2024**, stockholders may also vote *in absentia* or by remote communication in accordance with the procedure set forth in **Annex "B"** and as posted in the website of the Corporation at <https://pilipinas.shell.com.ph/>. This will be subject to validation procedure and the final results published in our website.

The Corporation will be using alternative mode for distributing and providing copies of the notice of meeting, Definitive Information Statement and other documents in connection with the holding of the 2024 Annual Stockholders' Meeting.

Taguig City, 25 March 2024.

FOR THE BOARD OF DIRECTORS



**MARK HADRIAN P. GAMO**

Corporate Secretary

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**WE ARE NOT SOLICITING YOUR PROXY.  
YOU NEED NOT SEND US A PROXY.**

**BRIEF DISCUSSION OF THE AGENDA  
OF THE 2024 ANNUAL STOCKHOLDERS' MEETING**

**I. Call to Order**

The Chairman of the Board of Directors (or the Chairman of the meeting, as the case may be) (the "Chairman") will call the meeting to order.

**II. Report on Attendance and Quorum**

The Corporate Secretary (the "Secretary") will certify the date when the notice of the Annual Stockholders' Meeting was sent to the stockholders as of record date of 17 April 2024. The Secretary will likewise certify the presence of a quorum. Under the By-Laws of the Corporation, the holders of a majority of the issued and outstanding capital stock of the Corporation entitled to vote shall, if present in person or by proxy, constitute a quorum for the transaction of business.

Pursuant to Sections 23, 49 and 50 of the Revised Corporation Code, shareholders may participate through remote communication and *in absentia*. During the Annual Stockholders' Meeting and the Organizational and Regular Board Meeting held on 07 May 2019, the shareholders and the Board of Directors of the Corporation approved the amendment of its By-laws to allow stockholders to vote *in absentia* or via remote communication. The Securities and Exchange Commission approved the amendment on 15 March 2023, thereby allowing stockholders to also participate and vote through *in absentia* or via remote communication. Said stockholders shall be deemed present for purposes of quorum.

Please refer to Annex "B" for the procedure to participate or vote *in absentia* or via remote communication. This is similar to the registration and voting process in the previous year.

**III. Review and Approval of the Minutes of the Previous Stockholders' Meeting**

The draft of the minutes of the Special Stockholders' Meeting held on 21 November 2023 has been posted on the Corporation's website (<http://pilipinas.shell.com.ph/investors/stockholders-meeting-information.html>). This will also be part of the materials to be distributed through alternative mode (as authorized by the Securities and Exchange thru its Notice (issued in February 2024) to stockholders together with the Definitive Information Statement and relevant attachments. The stockholders will be requested to approve the draft of the Minutes of the Special Stockholders' meeting held on 21 November 2023, a copy of which is attached as **Annex "C"**.

**IV. Chairman's Report**

The Chairman of the Board of the Corporation will render his report.

**V. President's Report**

The President and Chief Executive Officer of the Corporation will render her report.

**VI. Financial Updates**

The financial updates will be discussed by the Vice President-Finance, Treasurer and Chief and Risk Officer. Duly authorized representatives of SGV & Co. ("SGV"), the external auditor for 2023, will be present at the Annual Stockholders' Meeting to respond to appropriate questions concerning the 2023 Audited Financial Statements of the Corporation.

## **VII. Approval of Certain Acts of the Board, Board Committees and Management**

The acts and resolutions of the Board of Directors are reflected in the minutes of meetings, the material contents of which are disclosed to the Securities and Exchange Commission and the Philippine Stock Exchange and posted on the Corporation's website. A list of such acts and resolutions will also be set out in the Definitive Information Statement for the Annual Stockholders' Meeting.

The items for approval of the stockholders are:

### **(a) Appointment of External Auditors**

The Board Audit and Risk Oversight Committee recommended to the Board of Directors the appointment of an external auditor who will examine the accounts of the Corporation for 2024. The Board of Directors, at its meeting held on 21 March 2024, approved the endorsement of the Board Audit Committee for the re-appointment of SGV as the external auditor of the Corporation for 2024. In 2023, Ms. Editha Estacio has been assigned by SGV as the partner in-charge of auditing the Corporation.

The stockholders will be requested to approve the re-appointment.

### **(b) Amendment of By-Laws: Increase of Quorum Requirement for Board Meetings**

During its meeting on 21 March 2024, the Board has approved the amendment of Article III, Section 4 of the Corporation's By-Laws in order to increase the quorum requirement for Board Meetings to two-thirds (2/3) of the total Board seats.

The stockholders will be requested to approve said amendment of the By-Laws.

## **VIII. Election of Directors**

Pursuant to the Code of Corporate Governance for Publicly Listed Companies and the Corporation's Revised Manual on Corporate Governance, the Nomination Committee evaluated the qualifications of the nominees and recommended the final list of nominees qualified for election as directors/independent directors.

During the Annual Stockholders' Meeting, the Secretary will announce the names of the persons nominated for election as directors/independent directors of the Corporation for the ensuing year. The Secretary will report on the votes received by each nominee from the stockholders and the Chairman will declare the eleven (11) nominees who received the highest number of votes as the duly elected directors, including the four (4) qualified independent directors.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE  
SECURITIES REGULATION CODE

1. Check the appropriate box  
 Preliminary Information Sheet  
 Definitive Information Sheet
2. Name of Registrant as specified in its Charter:  
**Shell Pilipinas Corporation (formerly Pilipinas Shell Petroleum Corporation)**
3. Province, country and other jurisdiction of incorporation or organization:  
**Taguig City, Metro Manila, Philippines**
4. SEC Identification Number:  
**14829**
5. BIR Tax Identification Code:  
**000-164-757**
6. Address of principal office:  
**41st Floor, The Finance Centre, 26th Street corner 9th Avenue, Bonifacio Global City, Brgy. Fort Bonifacio, Taguig City, Metro Manila, 1635, Philippines**
7. Registrant's telephone number, including area code:  
**(632) 3 499 4001**
8. Date, time and place of the meeting of security holders  

Date	<b>14 May 2024 (Tuesday)</b>
Time	<b>2:00 p.m.</b>
Place	<b>Virtual Meeting through Shell Operated Webcast</b>
9. Approximate date on which the Information Statement, Management Report, Annual Report and other pertinent reports will be published through alternative mode of distribution through the Corporation's website and PSE Edge:  
**15 April 2024**
10. In case of Proxy Solicitations:  
Name of Person Filing the Statement/Solicitor: [N/A]  
Address and Telephone No.: [N/A]

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding</u>
<b>Common</b>	<b>1,613,444,202</b>

12. Are any or all *registrant's* securities listed in a Stock Exchange?

✓ Yes No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

Philippine Stock Exchange Common Stock

## PART I.

### INFORMATION REQUIRED IN INFORMATION STATEMENT

#### **A. GENERAL INFORMATION**

##### **Item 1. Date, Time and Place of Meeting of Security Holders**

- (a) The Annual Stockholders' Meeting (the "Meeting") of Shell Pilipinas Corporation (the "Corporation"), formerly Pilipinas Shell Petroleum Corporation, for the year 2024 has been set on the date, time and place indicated below:

Date: 14 May 2024 (Tuesday)  
Time: 2:00 p.m.  
Place: Virtual Meeting through Shell Operated Webcast

Based on Section 1, Article II of the By-Laws of the Corporation, its annual shareholders' meeting shall be held "on the second Tuesday in May of each year." For 2024, said date falls on 14 May.

The mailing address of the principal office of the Corporation is:

Shell Pilipinas Corporation  
41st Floor, The Finance Centre, 26th Street corner 9th Avenue  
Bonifacio Global City, Brgy. Fort Bonifacio  
Taguig City, Metro Manila, 1635, Philippines

The approximate date on which the Information Statement, Management Report, Annual Report, Annual and Sustainability Report and other pertinent reports will be published **through alternative mode of distribution** through the Corporation's website (<https://pilipinas.shell.com.ph/>) and PSE Edge is on 15 April 2024.

**Proxy Solicitation: We are not soliciting for proxy.**

##### **Item 2. Dissenter's Right of Appraisal**

There are no matters or proposed corporate actions which may give rise to a possible exercise by stockholders of their appraisal rights under Sections 41 and 80 of the Revised Corporation Code of the Philippines ("RCC").

##### **Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

- (a) No current director or officer of the Corporation, or nominee for election as director of the Corporation and, to the best knowledge of the Board of Directors (the "Board") and management of the Corporation, no associate of any of the foregoing persons has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the Meeting, other than election to office.
- (b) No director has informed the Corporation in writing that he/she intends to oppose any action to be taken by the Corporation at the Meeting.



## **B. CONTROL AND COMPENSATION INFORMATION**

### **Item 4. Voting Securities and Principal Holders Thereof**

#### *(a) Voting Securities*

As of the date of this Information Statement, the total number of outstanding common shares of the Corporation is 1,613,444,202.

#### *(b) Record Date*

All stockholders of record holding common shares as of 17 April 2024 (the “Record Date”) are entitled to notice and to vote at the Meeting. Each common share is entitled to one vote.

#### *(c) Manner of Voting*

Under the Corporation’s By-Laws, during the election of directors the common shares shall be voted as stated in the RCC which provides for cumulative voting in the election of directors. Thus, a stockholder may distribute his/her/its shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of common shares he/she/it has, or he/she/it may distribute them on the same principle among as many candidates as he/she/it shall see fit; provided, that the total number of votes cast by him/her/it shall not exceed the number of shares owned by him/her/it as shown in the stock and transfer books of the Corporation multiplied by the number of directors to be elected.

Pursuant to Sections 23, 49 and 50 of the RCC, shareholders may participate *in absentia* or via remote communication. During the Annual Stockholders’ Meeting and the Organizational and Regular Board Meeting held on 07 May 2019, the shareholders and the Board of Directors of the Corporation approved the amendment of its By-laws to allow stockholders to vote *in absentia* or via remote communication. The amendment was approved by the Securities and Exchange Commission on 15 March 2023, thereby allowing stockholders to participate and vote *in absentia* or via remote communication. Said stockholders shall be deemed present for purposes of quorum.

#### *(d) Security Ownership of Certain Record and Beneficial Owners and Management*

- 1) The following table sets forth the record owners and beneficial owners of more than five percent (5%) of the Corporation’s outstanding common shares, the number of shares owned by, and the percentage of shareholders of each of the stockholders of the Corporation **as of 31 December 2023**:

<b>Title of Class</b>	<b>Name, Address of Record Owner and Relationship with Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizen ship</b>	<b>No. of Shares</b>	<b>Percent</b>
Common	Shell Overseas Investments B.V.  Carel van Bylandtlaan 30, 2596 HR The Hague The Netherlands  - Parent Company	Beneficial and Record Owner	Dutch	890,860,233	55.21%
Common	The Insular Life Assurance Company, Ltd. The Insular Life Bldg., Ayala Avenue cor. Paseo de Roxas, Makati City  - Shareholder	Beneficial and Record Owner	Filipino	265,465,395	16.45%

Common	PCD Nominee Corporation (Filipino) 37th Floor Tower 1 The Enterprise Center 6766 Ayala Avenue corner Paseo de Roxas, Makati City  - Shareholder	PCD Nominee Corporation	Filipino	215,371,547	13.35%
Common	PCD Nominee Corporation (Non-Filipino) 37th Floor Tower 1 The Enterprise Center 6766 Ayala Avenue corner Paseo de Roxas, Makati City  - Shareholder	PCD Nominee Corporation	Foreign	129,753,713	8.04%

The stockholders who hold more than five percent (5%) ownership are:

(i) Shell Overseas Investments B.V.

Shell Overseas Investments B.V. operates as a holding company and is based in The Hague, the Netherlands. It is 100% owned by Shell Petroleum N.V. (SPNV).

Mr. Carlo Zandueta, *failing whom*, Ms. Candy Arroyo-Lagdameo, *failing whom*, Mr. Bernd Krukenberg, is the proxy holder who shall vote the shares of this stockholder unless the proxy is issued in favor of another individual in due course.

(ii) The Insular Life Assurance Company Limited

The Insular Life Assurance Company Limited is engaged in carrying out the business of life assurance in all its branches and in particular, the grant or effect of assurances of all kinds for payment of money by way of single payment or by several payments or by way of immediate or deferred annuities upon the death of or upon the attainment of a given age by any person or persons or upon the birth or failure of issue or subject to or upon a fixed or certain date irrespective of any such event or contingency

The President and Chief Executive Officer of Insular Life Assurance Company Limited, Mr. Raoul Antonio E. Littaua, is the proxy holder who shall vote the shares of this stockholder unless the proxy is issued in favor of another individual in due course.

(iii) PCD Nominee Corporation

PCD Nominee Corporation (“PCD”), is the registered owner of shares held by participants in the Philippine Depository and Trust Co. (“PDTC”), a private company organized to implement an automated book entry system of handling securities transactions in the Philippines. Under the PDTC procedures, when an issuer of a PDTC-eligible issue will hold a stockholders’ meeting, the PDTC will execute a pro-forma proxy in favor of its participants for the total number of shares in their respective principal securities account as well as for the total number of shares in their client securities account. For the shares held in the principal securities account, the participant concerned is appointed as proxy with full voting rights and powers as registered owner of such shares. For the shares held in the client securities account, the participant concerned is appointed as proxy, with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by such clients.

Based on available information, no owner of the Corporation's common shares registered under the name of PCD owns more than five percent (5%) of the Corporation's outstanding common stock as of the Record Date.

Except as stated above, the Board and Management of the Corporation have no knowledge of any other person, who, as of the date of this Information Statement, was directly or indirectly the beneficial owner of, or who has voting power with respect to, shares comprising more than five percent (5%) of the Corporation's outstanding common shares.

- 2) The security ownership of directors and executive officers of the Corporation as of **31 December 2023** is as follows:

TYPE OF CLASS	NAME OF BENEFICIAL OWNER	POSITION	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	NATIONALITY	PERCENTAGE
Common	Min Yih Tan	Non-Executive Director/ Chairman of the Board	Indirect: 1	Singaporean	0%
Common	Cesar A. Buenaventura	Independent Director	Direct: 200,001	Filipino	0.01240%
Common	Lydia B. Echauz	Independent Director	Direct: 2,000 Indirect: 1	Filipino	0.00012%
Common	Fernando Zobel de Ayala	Independent Director	Direct: 1	Filipino	0%
Common	Amando M. Tetangco, Jr.	Independent Director	Direct: 1	Filipino	0%
Common	Nina D. Aguas	Non-Executive Director	Direct: 164,357 Indirect: 0	Filipino	0.01019%
Common	Lorelie Q. Osial	Director/ President/ Chief Executive Officer	Direct: 0 Indirect: 1	Filipino	0%
Common	Reynaldo P. Abilo	Director/ Treasurer/ Vice President - Finance/Chief Risk Officer	Direct: 16,000 Indirect: 1	Filipino	0.00099%
Common	Randolph T. Del Valle	Executive Director/ Vice President - Mobility	Direct: 0 Indirect: 1	Filipino	0%
Common	Stuart Chaplin	Non-Executive Director	Indirect: 1	British	0%
Common	Luis C. la Ó	Non-Executive Director	Indirect: 1	Filipino	0%
Common	Sergio C. Bernal, Jr.	Vice President - Corporate Relations	Direct: 4,290	Filipino	0.00027%
Common	Paulo Angelo N. Arias	Vice President - Human Resources	None	Filipino	Not Applicable
Common	Jacqueline Famorca	Vice President - Lubricants	None	Filipino	Not Applicable
Common	Kit Arvin M. Bermudez	Vice President - Supply and Distribution	Direct: 0 Indirect: 1,600	Filipino	0.0001%
Common	Albert A. Lim	Vice President - Wholesale Commercial Fuels	Direct: 4,290	Filipino	0.00027%
Common	Erwin R. Orocio	Chief Compliance Officer/	Direct: 6,290	Filipino	0.00039%

TYPE OF CLASS	NAME OF BENEFICIAL OWNER	POSITION	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	NATIONALITY	PERCENTAGE
		Managing Counsel			
Common	Ralph Gabrielle D. Del Rosario	Assistant Corporate Secretary	None	Filipino	0%
Common	Mark Hadrian P. Gamo	Corporate Secretary	Direct: 3,000	Filipino	0.0002%
Common	Erwin R. Riñon	Corporate Audit and Assurance Manager	None	Filipino	Not Applicable
<b>Security Ownership of all Directors and Officers</b>			<b>Direct: 400,229</b> <b>Indirect: 1,608</b>		<b>0.02491%</b>

None of the members of the Corporation's directors and management owns two percent (2.0%) or more of the outstanding capital stock of the Corporation.

3) Voting Trust Holders of Five Percent (5%) or More

The Corporation is not aware of any person holding more than five percent (5%) of the Corporation's common shares under a voting trust or similar agreement.

4) Changes in Control

The Corporation is not aware of any change in control or arrangement which may result in a change in control of the Corporation.

**Item 5. Directors and Executive Directors**

*(a) Incumbent Directors and Executive Officers*

There are eleven (11) members of the Board, four (4) of whom are independent directors. The members of the Board are elected at the general meeting of stockholders, and shall hold office for a term of one (1) year or until their successors shall have been elected and qualified. A director who was elected to fill any vacancy holds office only for the unexpired term of his predecessor.

The officers of the Corporation, unless removed by the Board, shall serve as such until their successors are elected or appointed.

The following are the incumbent directors and officers of the Corporation as of 29 February 2024:

Name	Citizenship	Position
Min Yih Tan	Singaporean	Non-Executive Director/Chairman of the Board
Cesar A. Buenaventura	Filipino	Independent Director
Fernando Zobel de Ayala	Filipino	Independent Director
Lydia B. Echauz	Filipino	Independent Director
Amando M. Tetangco, Jr.	Filipino	Independent Director
Luis C. la Ó	Filipino	Non-Executive Director
Nina D. Aguas	Filipino	Non-Executive Director
Stuart Chaplin	British	Non-Executive Director

Reynaldo P. Abilo	Filipino	Director/Treasurer/Vice President - Finance/ Chief Risk Officer
Lorelie Q. Osial	Filipino	Director/President/Chief Executive Officer
Randolph T. Del Valle	Filipino	Director/Vice President - Mobility
Sergio C. Bernal, Jr.	Filipino	Vice President – Corporate Relations
Paulo Angelo N. Arias	Filipino	Vice President - Human Resources
Jacqueline Famorca	Filipino	Vice President - Lubricants
Kit Arvin M. Bermudez	Filipino	Vice President – Supply and Distribution
Albert A. Lim	Filipino	Vice President - Wholesale Commercial Fuels
Atty. Erwin R. Orocio	Filipino	Chief Compliance Officer/ Managing Counsel
Erwin R. Riñón	Filipino	Corporate Audit and Assurance Manager
Atty. Mark Hadrian P. Gamo	Filipino	Corporate Secretary and Legal Counsel
Atty. Ralph Gabrielle D. Del Rosario	Filipino	Assistant Corporate Secretary and Legal Counsel

Since the date of the last annual meeting of stockholders, no director has resigned or declined to stand for re-election for the Board due to any disagreement with the Corporation relative to the Corporation’s operations, policies and practices.

Below is the attendance of each director at each of the meetings of the Board and its Committees in 2023:

<u>Name of Director</u>	<b>23 March (Regular)</b>	<b>09 May (Regular and Organizational)</b>	<b>09 May (ASM)</b>	<b>09 May (NED Meeting)</b>	<b>11 August (Regular)</b>	<b>14 November (Regular)</b>
Cesar A. Buenaventura	Present	Present	Present	Present	Present	Present
Fernando Zobel de Ayala	Present	Present	Present	Present	Present	Present
Lydia B. Echauz	Present	Present	Present	Present	Present	Present
Luis C. La’ O	Present	Present	Present	Present	Present	Present
Nina D. Aguas	Present	Present	Present	Present	Present	Present
Min Yih Tan	Present	Present	Present	Present	Present	Present
Lorelie Q. Osial	Present	Present	Present	N/A	Present	Present
Amando M. Tetangco, Jr.	Present	Present	Present	Present	Present	Present
Reynaldo P. Abilo	Present	Present	Present	N/A	Present	Present
Randolph T. Del Valle	Present	Present	Present	N/A	Present	Present
Stuart Chaplin	Present	Present	Present	Absent	Present	Present

<u>Name of Director</u>	<u>No. of Meetings Attended</u>	<u>Percentage Present</u>
Cesar A. Buenaventura	6/6	100%
Fernando Zobel de Ayala	6/6	100%
Lydia B. Echauz	6/6	100%
Luis C. La’ O	6/6	100%
Nina D. Aguas	6/6	100%
Min Yih Tan	6/6	100%

Lorelie Q. Osial	5/5	100%
Amando M. Tetangco, Jr.	6/6	100%
Reynaldo P. Abilo	5/5	100%
Randolph T. Del Valle	5/5	100%
Stuart Chaplin	5/6	86%

(b) *Nominees for Election as Members of the Board*

The following persons have been nominated for election as Members of the Board of Directors for the ensuing calendar year:

<b>Directors</b>	<b>Independent Directors</b>
Min Yih Tan	Edgar O. Chua
Lorelie Q. Osial	Fernando Zobel de Ayala
Reynaldo P. Abilo	Lydia B. Echauz
Nina D. Aguas	Amando M. Tetangco, Jr.
Stuart Chaplin	
Michael Ramolete	
Luis C. la Ó	

On 06 February 2024, the Corporation invited its shareholders to submit nominations to the Board for the 2024 Annual Shareholders' Meeting of the Corporation. No new nominations have been received. The Nomination Committee endorsed the incumbent independent directors to be nominated for election to the Board of Directors.

The Nomination Committee has determined that each of the nominees for election as directors/independent directors at the Meeting, possesses all the qualifications and none of the disqualifications to be elected as directors as set out in applicable laws and regulations, the Corporation's Revised Manual on Corporate Governance and Amended By-Laws. In addition, the Nomination Committee has determined that each of the independent director-nominees meets the independence criteria set out in SRC Rule 38 and the Securities and Exchange Commission (SEC) Memorandum Circular No. 19 (SEC MC 19), Recommendation No. 5.2, the Corporation's Revised Manual on Corporate Governance and Amended By-Laws. The Nomination Committee, then composed of Mr. Cesar A. Buenaventura (Independent Director), Ms. Lorelie Q. Osial (President, Chief Executive Officer and Chairperson of the Nomination Committee), Atty. Erwin R. Orocio (Managing Counsel and Chief Compliance Officer) and Paulo Angelo Arias (VP-Human Resources and Non-Voting Member), endorsed the above nominees for election as directors at the Meeting.

The Corporation likewise submits herewith, as **Annexes "D" to "D-3"**, the Certifications of Qualification for the Independent Directors. The number of independent directors is four (4).

Since the previous Annual Stockholders' Meeting, an independent director of the Corporation, Mr. Fernando Zobel de Ayala, has served his twelfth (12<sup>th</sup>) year. Under SEC Memorandum Circular No. 4, Series of 2017, independent directors can be extended beyond nine years as independent directors so long as the Board of Directors can provide meritorious justification for the re-election of the independent directors and that the extension or their re-election is approved by the shareholders during a meeting for this purpose. Shareholders may re-elect an independent director who has served for more than nine years.

In its meeting on 27 February 2024, the Nomination Committee endorsed the extension of the term of Mr. Fernando Zobel de Ayala as independent director on the following meritorious grounds:

- a) Said independent director, by himself and in coordination with other directors and officers, continues to play an important role in maintaining the Corporation's external capabilities and support;

- b) The extended independent director possesses the wealth of experience and expertise and external network necessary for the Corporation to navigate during this challenging period, as we emerge from the pandemic and manage its full effect;
- c) The extended independent director has consistently proven, and continue to prove, his value to the Board and the Corporation;
- d) There must be a viable transition that ensures continuity as we transcend beyond the pandemic;
- e) The length of time that the extended independent director sat on the Board has not and will not impair said director's ability to act independently and objectively;
- f) The extended independent director remains independent, being an internationally respected and recognized leader in his own right apart from the Corporation and its substantial shareholders; and
- g) His profound knowledge and extensive understanding of the history, culture, operations and direction of the country, the economy, and the Corporation places him in a unique position to provide invaluable inputs during Board meetings.

The Board in its meeting on 21 March 2024 supported the endorsement with the approval of the minutes of the Nomination Committee.

None of the current members of the Board of Directors and nominees to the Board seats is employed by the Republic of the Philippines. Attached as **Annex "E"** is a Certification dated 22 March 2024 issued by the Corporate Secretary.

Below are the profiles of the nominees to the Board seats:

**Reynaldo P. Abilo (Filipino)** was first appointed Director of the Corporation with effect on 01 January 2021. He is likewise the Vice President-Finance, Treasurer and Chief Risk Officer of the Corporation. Prior to his current role, he was appointed the Corporate Assurance and Audit Manager of the corporation. Mr. Abilo joined Shell in 2009 as the Retail Economics Manager in Philippines where he distinguished himself by winning the 2012 CFO award for site profitability analysis and 2013 Downstream Director Award for Dealer Operated platform strategy. Prior to Shell, he worked in Ernst & Young and Colgate-Palmolive for a number of years in various finance positions in supply chain, sales and marketing. He is a Certified Public Accountant with over 18 years of experience in audit, accounting, economics, strategy development, business performance management, and commercial decision support. Prior to this assignment, he was Special Projects Advisor supporting the Global Downstream Marketing Growth Strategy. He was also Global Planning & Appraisal Manager for Marine Lubricants as well as Project & Economics Lead for Shell's Global B2B businesses based in Singapore where he successfully managed the various planning, appraisal, and reporting processes for Marine and capital investments in Global B2b. He graduated Cum Laude from the University of the Philippines (Diliman) with a Bachelor's degree in Business Administration and Accountancy. He placed 11th in the October 2004 CPA Board examinations. From 2017 to 2023, he attended seminars on corporate governance.

**Nina D. Aguas (Filipino)** was appointed Non-Executive Director of the Corporation on 10 August 2021 and previously held directorship of the Corporation from 2016 to 2018. She is the Executive Chairperson of the Board of Trustees of The Insular Life Assurance Co., Ltd. and its subsidiaries: Insular Health Care, Inc. and Insular Foundation, Inc. She is the first woman Executive Chairperson and was the first woman Chief Executive Officer (CEO) of the Insular Life after more than a century of its operations, appointed in January 2018 and January 2016, respectively. She holds directorship at Monde Nissin Corporation and Union Bank of the Philippines and is a Trustee of Insurance Institute for Asia and Pacific. She is a business leader with over 35 years in retail, wealth, investments, and private banking. She managed global, regional, and country level businesses and operations in large international companies in developed and emerging markets in the Asia Pacific and the US. She was Chairman of the Board of Bank of Florida from 2019 to 2021 and a Member of the World Bank Group's Advisory Council on Gender and Development from 2018 to 2021. She holds a Bachelor of Science in Commerce, Accounting degree from the University of Santo Tomas and is a Certified Public Accountant. In 2022 and 2023, she attended a seminar on corporate governance.

**Fernando Zóbel de Ayala (Filipino)** is currently an Independent Director of the Corporation. Mr. Zobel de Ayala is part of the seventh generation in the family overseeing Ayala Corporation. He currently serves as Chairman of the Board at AC Health, Director of Ayala Corporation and the Bank of the Philippine Islands, and as a Special Advisor to the Board of Ayala Land Inc. He previously served as Ayala Corporation's President and COO for 15 years, before assuming the role of CEO until 2022. He serves as Director of Shell Pilipinas Corporation and Vice Chairman and Director of the Fort Bonifacio Development Corporation. He also serves on several civic boards and advisory groups including as Chairman of Ayala Foundation, member of the Board of Trustees of Georgetown University, Caritas Manila, Pilipinas Shell Foundation, and Asia Society. He is also a member of the Asia Philanthropy Circle, The Metropolitan Museum International Council, TATE Asia Pacific Acquisitions Committee and Habitat for Humanity International's Asia Pacific Development Council. Mr. Zobel de Ayala holds a liberal arts degree from Harvard College and a CIM from INSEAD, France. From 2015 to 2023, he attended seminars on corporate governance.

**Stuart Chaplin** (British) was appointed Non-Executive Director of the Corporation and member of the Board Audit and Risk Oversight and Sustainability Committees on 10 August 2022. He is currently the Vice President – Finance of Shell LNG Marketing & Trading and Global Shipping & Maritime. He is a former Chief Risk Officer of Shell Trading & Supply, and a trustee of Shell Foundation and a member of its audit and investment committees. He has also held the following positions in the Shell Group: Global Commercial Finance Manager & Director Shell Brand International; Global Head of Business Accounting & Analysis; Senior Manager, M&A and Financing; among others. He is currently a director of Cleantech Solar, a solar developer based in Singapore and operating across India & Southeast Asia, and FueLNG, a joint venture between Keppel Offshore & Marine and Shell, providing safe, cost-efficient and reliable solutions in LNG bunkering and LNG distribution. Mr. Chaplin earned his MA in Economics & Management at the University of St. Andrews, United Kingdom. He is a fellow of the Chartered Institute of Management Accountants (CIMA) and the Association of Corporate Treasurers (AMCT). He is previously the Deputy Chair of the Accountants in Business Committee of the International Federation of Accountants, and member of the Energy Oversight Committee, Global Association of Risk Professionals and CIMA Thought Leadership & Business Ethics Committee. He attended a seminar on corporate governance in 2022 and 2023.

**Edgar O. Chua**, Filipino, is currently an independent director of Metropolitan Bank and Trust Company, First Gen Corp, Philcement, JGSummit Olefins Corp and PHINMA Corp. He is also in the advisory boards of Mitsubishi Motors Philippines Corporation and Coca Cola Bottlers Corp. He is currently the CEO of Amber Kinetics Inc. He used to be an independent director of Energy Development Corp and Integrated Micro-Electronics, Inc. He is the Chairman of the Makati Business Club, University of St. La Salle Bacolod, and the Philippine Eagle Foundation. He is also President of De La Salle Philippines. He is also a trustee of various civic and business organizations. He was the Country Chairman of the Shell Companies in the Philippines from September 2003 to October 2016. He had corporate responsibility for the various Shell companies in the exploration, manufacturing and marketing sector of the petroleum business. Likewise, he also oversaw the Shared Services operations and various Shell holding companies. Outside the Philippines, he held senior positions as Transport Analyst in Group Planning in the UK and as General Manager of the Shell Company of Cambodia. Mr. Chua earned his Bachelor of Science Degree in Chemical Engineering from De La Salle University in 1978 and attended various international seminar and courses including the senior management course in INSEAD, France. He has an honorary doctorate degree from De La Salle Araneta University.

**Michael P. Ramolete (Filipino)** is a seasoned business leader with 29 years of experience in various global/local roles in Shell Business Operations (SBO), Retail Sales & Ops, Global Site Ops Excellence, Network Planning & Development and Strategy Implementation. He is strategic and deliberate, with strong customer focus, commercial mindset, business partnering, and passion to develop people. In his recent role as Head/GM of SBO Centre Manila, he grew the Centre by >20% to 4600 employees from 2019-23 and made it into a highly engaged Centre despite the challenges and uncertainties brought about by the pandemic. SBO Manila is a Shell Shared Services Centre supporting and partnering with more than 150 Shell companies globally in over 50 countries. He also has 25 years of solid Retail experience. As a District Manager, he led Metro Manila as the Top Sales District for 5 years and was the 1st back-to-back Global District Manager



(2013/14) in the Annual Smiling Stars in Beijing and Paris. As Cluster Network Manager, he covered various markets in Asia including NMEs (India, China, Vietnam) and as Lead for Strategic Choices (Strategy), he implemented Operator Platform Change in Asia/Oceania working with many stakeholders to deliver his agenda. He also led a project to integrate global/local and cross-business initiatives into a comprehensive plan to position the PH Retail business for competitiveness and growth. As the global Peak Performance Manager, he developed & enabled the sales frontliners to deliver the Retail proposition and make them commercially focused. Mike is a strong advocate of gender balance and is the Senior Sponsor of the WIDEN network (gender balance) for Shell Companies in the Philippines. He is also active externally in the Global Business Services (GBS) industry association and served as a member of the Board of Trustees of GICC PH. He has a BS Civil Engineering degree from University of the Philippines and an MBA degree from the Ateneo de Manila University. He also took up a Shell Executive Leadership program in INSEAD.

**Lydia B. Echauz (Filipino)** is an Independent Director of the Corporation since 16 May 2017. Dr. Echauz currently holds directorships in publicly listed companies Meralco and D&L Industries, Inc.; as well as PLDT Beneficial Trust Fund, Tahanan Mutual Building and Loan Association, Inc., Philstar Group, Riverside College Inc., NBS College, Inc. and Fern Realty Corp. Dr. Echauz is also Trustee of the Henry Sy Foundation, Inc., SM Foundation, Inc., Felicidad T. Sy Foundation, Inc., De La Salle College of St. Benilde, Mano Amiga Academy, Museo del Galeon, Inc. and Akademyang Filipino Association, Inc. She was 10-year President of Far Eastern University (PLC), FEU Silang, FEU Diliman, and FEU East Asia College. She served as Director of Development Bank of the Philippines from 2013 to 2016. She was 16-year Dean of the Graduate School of Business, De La Salle University, Associate Director of the Ateneo de Manila Graduate School of Business and faculty member of the University of the East College of Business Administration. She earned her AB Major in Economics and Mathematics from St. Theresa's College, MBA from Ateneo de Manila University and DBA from De La Salle University. From 2017 to 2023, she attended seminars on corporate governance.

**Luis C. la Ó (Filipino)** is a Non-Executive Director of the Corporation since 03 May 2018. He is the Non-Executive Vice Chairman of the Board of The Insular Life Assurance Co., Ltd. Before he became the Chairman of Insular Life, he first joined as a Non-Executive Trustee on 22 January 2015. He was a former Chairman of the Board of Directors of MAPFRE INSULAR Insurance Corporation. He previously occupied the following roles: Regional Vice President for Asia of the MAPFRE Group- Spain, President of Provident Insurance Corporation of the Soriano Group and Senior Vice President of Universal Reinsurance Corporation of the Ayala Group. He obtained his Bachelor of Science degree in Management at Ateneo de Manila University. He completed his Master's degree in Business Management from De La Salle University. He also finished a course on General Insurance from the College of Insurance, Chartered Institute of London, United Kingdom. From 2018 to 2023, he attended seminars on corporate governance.

**Lorelie Q. Osial (Filipino)** was appointed the President and Chief Executive Officer of the Corporation on 1 December 2021, the first woman to lead the corporation since its incorporation. She is concurrently the Vice President – Finance Process Expenditure of Shell Shared Services (Asia) B.V. since 2019. Ms. Osial has 20 years of experience with Shell having previously worked at Pepsi-Cola and Jargine/United Logistics. She joined Shell Philippines Exploration B.V. and since then, has worked in various business-facing Finance roles in production, projects, regional, shareholder and joint venture environments in Upstream and Midstream Asia, Middle East and North Africa. Prior to her return to the Philippines in 2016, she was the Finance Manager for Projects in Iraq South Gas Projects/Basrah Gas Company, the world's largest flare reduction project and one of the toughest external environments within the Shell portfolio. After that, she took on the role of Finance Director Upstream and Country Controller in the Philippines. She is Chairperson of the Board of Trustees in two pension funds and was formerly a member of the Board of Directors of the British Chamber of Commerce in the Philippines. Ms. Osial has a degree in Bachelor of Science in Accountancy from Silliman University (Cum Laude) and is a Certified Public Accountant in the Philippines. She also holds a Master of Business Administration degree from the University of Western Australia. In 2022 and 2023, she attended a seminar on corporate governance.

**Min Yih Tan (Singaporean)** is the Chairman of the Board of Shell Pilipinas Corporation (formerly Pilipinas Shell Petroleum Corporation) starting 01 January 2020. As the Senior Vice President of Shell's Global Mobility Network, Mr. Tan oversees a global portfolio of over 46,000 stations and 100,000 charge points operating on different operating platforms in 80 countries – this is more outlets around the world than

McDonald's and Starbucks combined. His responsibility is wide-ranging. He oversees enterprise acquisitions and the life cycle management of Shell's global retail footprint, from planning, investment and divestment to construction and maintenance of the locations. With energy transition, building low carbon fuels infrastructure and developing e-mobility capabilities at pace with evolving customer missions and societal needs are now his key priorities. With a global team of over 600 colleagues, they answer fundamental questions such as "what do Shell customers want, and where do they want it?". Mr. Tan, who is also a Director of Shell Eastern Petroleum, has worked in a diverse number of countries including the UK, USA, Thailand and Singapore. He is passionate about championing diversity and developing talents in Shell. Mr. Tan has also held various other General Manager positions in the Retail, Commercial Fuels and Lubricants business in Asia Pacific previously. Prior to joining Shell, Mr. Tan worked in ExxonMobil where he held a series of commercial, operational and staff leadership roles in downstream businesses spanning Retail, Marine, Lubricants, Commercial Vehicles & Cards and Technology, including a stint based in Fairfax, Virginia as Global Planning Advisor. Mr. Tan holds a B. Engineering (Mechanical) and an MBA. Married with two sons, he enjoys golf, tennis, softball, reading and travelling. Mr. Tan is presently based in Singapore after working in London for almost 8 years. From 2020 to 2023, he attended seminars on corporate governance.

**Amando Tetangco, Jr. (Filipino)** is an Independent Director of the Corporation and was elected to its Board in May 2021. He was a career central banker for over four decades. He served as the Governor of the Bangko Sentral ng Pilipinas and Chairman of the Monetary Board for two consecutive terms (July 2005 - July 2017). He held other government positions, such as Chairman of the Anti-Money Laundering Council, the Financial Stability Coordination Council and the Philippine International Convention Center. He was the Governor for the Philippines at the International Monetary Fund and Alternate Governor at the World Bank (WB) and the Asian Development Bank (ADB). Prior to his appointment as Governor, he was Deputy Governor in-charge of the Banking Services Sector, Economic Research and Treasury of the BSP. He worked at the Management Services Division of SGV and Co. in 1973 - 1974. Currently, he also serves as independent director in various companies in the property development, resort and leisure, telecommunications, auto, hotel, health care and credit information sectors, and is a trustee in foundations involved in education, environment and other social services. Mr. Tetangco graduated from the Ateneo de Manila University with an AB Economics degree and obtained his Masters in Public Policy and Administration (Development Economics) from the University of Wisconsin-Madison, USA. He attended various training programs at different institutions including the Harvard Business School and the New York Institute of Finance.. In 2021 - 2023, he attended a seminar on corporate governance.

(c) *Final List of Nominees for Appointment as Corporate and By-Laws Executive Officers for 2024 to 2025:*

The final list of nominees for appointment as Corporate/By-Laws Executive Officers for the ensuing year are as follows:

Min Yih Tan*	Non-Executive Chairman of the Board	Singaporean
Lorelie Q. Osial*	President and Chief Executive Officer	Filipino
Reynaldo P. Abilo*	Vice President – Finance/Treasurer/Chief Risk Officer	Filipino
Michael P. Ramolete	Vice President – Mobility	Filipino
Sergio C. Bernal, Jr.	Vice President – Corporate Relations	Filipino
Paulo Angelo Arias	Vice President – Human Resources	Filipino
Erwin R. Orocio	Managing Counsel & Chief Compliance Officer	Filipino
Albert A. Lim	Vice President – Wholesale Commercial Fuels	Filipino
Jacqueline Famorca	Vice President – Lubricants	Filipino
Kit Arvin M. Bermudez	Vice President – Supply and Distribution	Filipino
Erwin R. Riñon	Corporate Audit and Assurance Manager	Filipino
Mark Hadrian P. Gamo	Corporate Secretary	Filipino
Ralph Gabrielle D. Del Rosario	Assistant Corporate Secretary	Filipino

\*Member of the Board of Directors

Below are the profiles of incumbent and new nominee/s for appointment as Corporate/By-Laws Executive Officers who are not directors/nominees to the Board:

**Kit Arvin M. Bermudez (Filipino)** was appointed Vice President – Supply and Distribution on 10 August 2021. He has been with Shell for more than 25 years with experience in the Downstream – Retail, Strategy, Trading and Supply. His career stamps are founded on strong operational delivery focus, HSSE and high achievement track records, delivering high performance results in teams handled across different positions, cultures, and geographies to include base country Philippines and extending to Europe (Italy), Middle East (Oman), and Asia (Singapore). He started as a Retail Convenience Store Operations Executive when he joined us from San Miguel Corporation in 1997. He then became a Territory Manager before being posted to Milan, Italy for a business development role where he won a European VP Award for his contribution to Retail Italy’s pricing strategy. He came back to the local Retail Business as a District Manager (DM) and then moved to the Operations Manager (OM) role. He was then posted to Oman for three years as the National Sales and Operations Manager before transferring to Singapore as a member of the Strategy and Portfolio Team. He led the Downstream Integrated Strategy Review for the Philippines in 2013 and the Chemical Logistics Project in Bukom which eventually won the Downstream Strategy and Portfolio (DX) EVP Award for Creativity and Innovation. He was also a part of the Chief Executive Review for 2013 Portfolio work stream that also won another DX EVP Award. He came back to Retail (now Mobility) to support the growth of Retail East’s convenience retailing business as the Regional Convenience Retail Manager before returning to the Philippines to take up his role as the Marketing Delivery Manager. In 2019, he was appointed as a National Sales Manager. He has been a consistent high performer and has significantly progressed the growth and development of the Mobility business in the Philippines. As the VP for Supply and Distribution since 2021, Kit plays a crucial role in the overall Shell value chain in the Philippines and is a key enabler in the delivery of Shell’s fuel products to customers. He leads the local organization in the execution of programs and processes to operate and maintain assets that: 1) supply terminals and facilities 2) store and handle products 3) transport products to users 4) record, reconcile and bill product deliveries. In his sustained pursuit to competitive and agile business for PSPC and Shell, Kit has garnered 2 T&S Ops VP Awards for CIPAG: Continuous Improvement for PSPC’s Accelerated Growth and Project Nostradamus: A Pre-disruption Management Playbook. Kit earned his BS Marketing Management and BA Political Science from De La Salle University. He was the university’s Editor in Chief, a Student Leadership Awardee, and was One of the Ten Outstanding Young Men Awardee in 1933.

**Sergio C. Bernal, Jr. (Filipino)** was appointed as the new Vice President for External Relations on 08 August 2019. He started his career in sales before taking up roles including Business Development, Training and Marketing in local, regional and global posts. Serge was the JV General Manager for LPG from 2009-2011, when the JV achieved remarkable volume and revenue targets and HSSE performance. He then moved back to Shell Philippines, taking up sales and marketing leadership roles in lubricants, where Serge led teams to achieve over 110% sales growth and at same time built a strong high-performing team, winning global recognition. Serge himself was a recipient of 2 Global EVP awards for Project Pearl and Project Kindle. Serge graduated from De La Salle University in Manila with a Bachelor’s degree in Industrial Management Engineering. Serge is married and has 3 kids. He is an avid motorcyclist and a middle distance runner. From 2019 to 2020 and in 2022, he attended seminars on corporate governance.

**Mark Hadrian P. Gamo (Filipino)** was appointed as the new Corporate Secretary of the Corporation effective 01 January 2023. He is currently a Legal Counsel of the Corporation. Prior to his current role, he was with Shell Global Litigation Asia Pacific Team, a position he occupied since joining the Corporation in June 2012. In said capacity, he managed various litigation matters of Shell in the Philippines and in some other countries in the Asia Pacific region. Prior to joining the Corporation, he was a Senior Associate at the Litigation Department of Villaraza Cruz Marcelo & Angangco. He obtained his Juris Doctor degree from the Ateneo De Manila School of Law in 2006 where he graduated with honors and in the top 20 of his class. In 2002, he graduated from Ateneo De Manila University with a Bachelor of Arts degree in Economics. In 2021 and 2022, he attended a seminar on corporate governance.

**Ralph Gabrielle D. Del Rosario (Filipino)** was appointed as Assistant Corporate Secretary of the Corporation effective 10 May 2023. He joined the Corporation's Legal Team in April 2023. Prior to joining the Corporation, he undertook private practice specializing in corporate law for over six years, where he handled mergers, acquisitions, and corporate structuring, including corporate secretarial work, and advising regarding protests on tax assessments and tax refunds. A CPA-Lawyer, he holds a Juris Doctor degree (2016) and a Bachelor of Science in Business Administration and Accountancy degree (2011), both from the University of the Philippines.

**Albert A. Lim (Filipino)** was appointed Vice President – Wholesale Commercial Fuels on 10 August 2021. Mr. Lim joined the Corporation in 1998 as a commercial sales account manager and eventually moved to a marketing role for the Philippines and thereafter, for East (Asia Pacific). He is a well-rounded Shell Commercial Fuels leader with over 20 years of experience both locally and globally. He headed the implementation of global and regional projects and pioneered initiatives in Commercial Fuels on hedging and exposure management, integrated planning and portfolio optimization activities. Prior to his new role, Mr. Lim was the Corporation's Business Development and Pricing Manager. He holds a degree in Management Engineering from the Ateneo De Manila University. In 2021, he attended a seminar on corporate governance.

**Erwin R. Orocio (Filipino)** is the Chief Compliance Officer and Member of the Corporate Governance and Nomination Committees of the Corporation since 10 November 2020. Effective 01 November 2022, he is the Head of Legal of the Shell companies in the Philippines. He is likewise the Managing Counsel for Philippines and Thailand with over 25 years of legal experience. He was previously the Corporate Secretary of the Corporation and various Shell companies in the Philippines. He ensured the delivery of the 2016 Initial Public Offering of the Corporation and its evolution as a publicly listed company whose governance practices are now being recognized internationally. He is a director of Shell Energy Philippines, Inc., Shell Chemicals Philippines, Inc., and Shell Solar Philippines Corporation. He is also a trustee of Pilipinas Shell Foundation, Inc. He was a former trustee, Vice President and Treasurer of the Shell Employees' Savings and Loan Association, Inc., a financial institution regulated by the Bangko Sentral ng Pilipinas. Erwin is a Fellow of the Institute of Corporate Directors. He joined the Legal department as a Legal Counsel in November 1997 and has since advised all businesses and functions. Prior to that, he served as managing partner of the Garcia Ines Villacarlos Garcia Recina & Orocio Law Office. He first joined the Corporation as an accountant in 1991 and left in January 1996 to complete his Juris Doctor degree from the Ateneo De Manila School of Law. He graduated from the De La Salle University in 1989 with a Bachelor of Arts (Major in Economics) and Bachelor of Science (Major in Accountancy). He placed 13th in the Accounting Board exams of May 1990. From 2015 to 2022, he attended seminars on corporate governance.

**Jacqueline B. Famorca (Filipino)** is the recently appointed Vice President for Lubricants. Jackie graduated from Miriam College with a degree in B.S. Psychology. She started her career in then Shell Retail (now Mobility) as part of Fleet Card Customer Service in 2002, before taking on sales and operational roles. Jackie has a strong track record with over 20 years of experience in local and regional roles, having managed Mobility B2C and B2B businesses, and in various capacities including Contracts & Procurement, Category Management, Service Delivery, Operational Excellence, Sales & Business Manager. In her current capacity as Mobility District Manager, she has led the growth and business recovery of Metro Manila. Metro Manila was the only district which grew volume by 3% vs PY, was the top district for Shell GO+ Loyalty penetration, had double digit growth in Non-Fuels Retail (NFR), and was the top district for operational excellence. She was also the Top 2 District Manager for Q2 and Q3 2022. Prior to her District Manager role, Jackie led the Fleet Solutions B2B team and successfully turned the business around in 3 years by delivering a 70% increase in operating profit. She was recognized for two first-time wins in the Philippines: [1] The first Global PMTDR for Fleet Solutions in the Philippines as Sales Team Manager of the Year (2019), and [2] through an EVP Award for Twin to Win Competition during its first launch in 2018.

**Erwin R. Riñon (Filipino)** was the Finance Transition Lead, Controller/Planning, Appraisal, Reporting (PAR) Adviser of Shell Philippines Exploration B.V. ("SPEX"). He is a former Governance, Risk, Assurance (GRA) Officer of SPEX and Retail Finance Advisor of the Corporation. He was appointed the Finance Transition Lead for the SPEX divestment, and led engagements with buyers, banks, advisory firms, government agencies, and JV Partners. In the area of controllership, he headed a team of accountants, who

delivered high quality, credible, and timely insights for both internal and external stakeholders. In his previous role as SPEX's GRA Officer, he ensured that a fit-for-purpose governance and risk control process and risk-based assurance framework were in place. His key accomplishments included a consistent 100% controls effectiveness, more transparent and focused risk management discussion and actions, digitalization initiatives, and controls rationalization. He led the Integrity Initiative and Extractive Industries Transparency Initiative (EITI) activities that helped SPEX gain external recognition from MAP, FINEX, and the DOF. He is recognized as a trusted business partner by internal and external stakeholders, high in curiosity on macro environment, opportunities, and risks and collaboration with teams to anticipate value opportunities and risks, leading to decision points and interventions. Erwin is a CPA of the Philippines and the New York State. He placed 6th in the 1997 PH CPA licensure exam. He earned his Bachelor of Science in Accountancy degree from the University of Nueva Caceres, Naga City, Philippines. In 2022, he attended a seminar on corporate governance.

**Paulo Angelo Arias (Filipino)** is a global HR leader with a career that spans more than 30 years, working in six countries and across the technical, commercial and HR functions. A mechanical engineer by background, Mr. Arias spent the first half of his career in business roles in Manufacturing, Contracts and Procurement and Health and Safety. As an HR professional, he has held several HR business partner roles such as HR General Manager for Shell Downstream in Dubai and Oman and as Regional HR Manager for APAC for Shell Chemicals. He has also held several roles in global HR center of excellence such as Global Policy Adviser for Upstream and as International Mobility Policy Manager. In his most recent role, Mr. Arias was the Global Head of International Mobility and Reward Operations of Shell Shared Services (Asia) B.V., Philippines. Globally, he led the international mobility, reward, quality assurance and systems operations function of the Shell group with an organizational size of 300 staff across Shell business operations centers in the Philippines, Malaysia and Poland. Concurrently, he was also the Center Lead for HR Operations in the Philippines with 550 staff. Mr. Arias earned his BS Mechanical Engineering degree from the University of the Philippines and his MBA from the University of New South Wales (NSW). He also underwent the Strategic HR Management Program from the IMD. In 2022, he attended a seminar on corporate governance.

*(d) Significant Employees*

There is no significant employee or personnel who is not an executive officer. Each employee is expected to make a significant contribution to the business.

*(e) Family Relationship*

The Corporation has no director or officer related to any other director or officer up to the fourth degree of consanguinity.

*(f) Involvement in Certain Legal Proceedings*

To the best knowledge and belief and after due inquiry, none of the Directors, nominees for election as directors, or By-Laws' executive officers of the Corporation and affiliates have in the five-year period preceding this report: (1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time; (2) convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses; (3) subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or (4) found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

*(g) Certain Relationships and Related Transactions*

The Corporation, in the regular course of trade or business, enters into transactions with affiliated companies. For details on these transactions, please refer to the 2023 Audited Financial Statements that will be attached to the Definitive Information Statement.

Bank of the Philippines Islands is about 31% owned by the Ayala Corporation. Mr. Fernando Zobel de Ayala, who serves as an independent director of the Corporation, is a Director of both Ayala Corporation and Bank of the Philippine Islands. Bank of the Philippine Islands is a significant lender of the Corporation.

Transactions with related parties consist of (a) importation of crude oil, petroleum products, materials and supplies; (b) exportation of locally refined petroleum products; (c) reimbursement of expenses; (d) entering into lease agreements; (e) placing short-term placements; and (f) royalty fees arrangement. Purchases from and sales to related parties are consummated at competitive market rates and arm's length basis. Settlement and collection of outstanding related party payables and receivables are generally made within 30 to 60 days from the date of each transaction.

Since the Initial Public Offering (IPO), the Corporation has established a Related Party Transaction (RPT) Board Committee that performs oversight functions over related party transactions of the Corporation. The Corporation also has a Related Party Transaction Policy that provides guidelines on the governance and control processes for RPT transactions.

Below are the material related party transactions of the Corporation:

- i. The Corporation purchases crude and other petroleum products from Shell International Eastern Trading Co. (SIETCO), an entity under common shareholdings. Until May 2020, the Corporation's crude purchases were being processed through its refinery in Batangas. The Corporation no longer purchases crude. On 10 November 2021, the Board of Directors approved the contracts of the Corporation with Shell International Eastern Trading Company (SIETCO), trading arm of the Shell Group, after a favorable endorsement from the Related Party Transaction Committee. An external independent party evaluated the fairness of the contract terms and this resulted in a favorable result of the assurance procedures.
- ii. Shell International Petroleum Company (SIPC) of the United Kingdom and Shell Global Solutions International B.V. (SGS) of The Netherlands provide management advisory, business support, and research and development and technical support services to the Corporation under certain terms and conditions.
- iii. The Corporation leases from Tabangao Realty, Inc. (TRI) land for several depots and retail sites located around the country. Lease term ranges from 3 to 50 years and is renewable, thereafter.
- iv. Shell Brands International AG (SBI), an entity under common shareholdings, entered into Trade Marks and Manifestation License Agreement with the Corporation pursuant to which SBI, the licensor, grants the Corporation, the licensee, a non-exclusive right to reproduce, use, apply and display the Shell trade mark and other manifestation. In consideration, the Corporation shall pay a royalty fee computed as certain percentage of sales. Royalty rate varies from 0.68% to 6.83% depending on product type. This agreement can be terminated by either party without any penalty.
- v. The Corporation receives billings from entities under common shareholdings for group-shared expenses related to IT maintenance, shared services, personnel and other administrative costs. On the other hand, the Corporation charges entities under common shareholdings for group-shared expenses related to personnel and other administrative costs and other services.
- vi. The Corporation has loans from Bank of Philippines (BPI), an entity with common director.
- vii. SPC has five common members between its Board of Directors and Board of Trustees of Pilipinas Shell Foundation Inc. SPC has contributed towards donations and program recovery expenses.

Except for the foregoing instances, no other transaction was undertaken by the Corporation in which any Director or Executive Officer was involved or had a direct or indirect material interest. During the last three (3) years, there were no transactions to which the Corporation was a party concerning transactions with:

- (a) Any director/executive director

- (b) Any nominee for election as director
- (c) Any security holder of certain record, beneficial owner or Management
- (d) Any member of the immediate family of subpar (a), (b) or (c) of this paragraph.

(h) *Parent Company*

Shell Overseas Investments B.V. owns 55.21% of the total issued and outstanding capital stock of the Corporation as of 31 December 2023.

**Item 6. Compensation of Directors and Executive Officers**

- (a) The table below sets forth the aggregate amount of compensation paid in 2022 and 2023 and the estimated amount of compensation to be paid in 2024 to the executive officers and directors of the Corporation:

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (In Million PhP)</b>	<b>Bonus (In Million PhP)</b>	<b>Other Annual Compensation (In Million PhP)</b>
1. Lorelie Q. Osial President and Chief Executive Officer				
2. Randolph T. Del Valle Vice President - Mobility (until 31 March 2024)  Michael P. Ramolete Vice President - Mobility (effective 01 April 2024)				
3. Sergio C. Bernal Jr. Vice President – Corporate Relations				
4. Paulo Angelo N. Arias Vice President – Human Resources				
5. Kit Arvin Bermudez Vice President – Supply and Distribution				
President and the four most highly compensated executive officers named above	Actual 2022	Php 35.27 million	Php 19.21 million	None
	Actual 2023	Php 36.22 million	Php 16.07 million	None
	Projected 2024	Php 38.26 million	Php 10.42 million	None
All other directors (including Honoraria & Retainers) and all other by-laws officers as a group	Actual 2022	Php 24.05 million	Php 9.90 million	Php 26.6 million
	Actual 2023	Php 39.29 million	Php 15.79 million	Php 26.6 million
	Projected 2024	Php 41.65 million	Php 9.55 million	Php 26.6 million

*\*Projected total annual compensation*

- (b) The total annual compensation were all paid in cash. The total annual compensation of officers includes the basic salary and other variable pay.

The following amounts are payable to Board Members:

Non-Executive Chairman's and Non-Executive Director's Honorarium for attendance in Board Meetings is PhP200,000.00 per meeting

Non-Executive Chairman's Annual Retainer is PhP1,800,000.00

A Non-Executive Director's Annual Retainer is PhP1,200,000.00

A Non-Executive Chairman and Non-Executive Directors' Honorarium for attendance at Board Committee Meetings is PhP100,000.00 per director

Messrs. Min Yih Tan and Stuart Chaplin are not paid the above amounts.

- (c) The Corporation has a registered, non-contributory retirement plan. All regular employees are covered by the said retirement plan. The Executive Officers are regular employees of the Corporation.

The Corporation has no standard arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as herein stated.

There are no other actions to be taken with regard to any bonus, profit sharing, pension/retirement plan granting of extension of any option, warrant or right to purchase any securities.

There are no outstanding warrants or options being held by the various Executive Officers and Directors, singly or as a group.

## **Item 7. Independent Public Accountants**

- (a) SyCip Gorres Velayo & Co. (SGV), a member firm of Ernst & Young Global Limited, is the independent auditor of the Corporation for the calendar year 2023. In 2023, Ms. Editha Estacio has been assigned by SGV as the partner in-charge of auditing the Corporation.

SGV was recommended for re-appointment at the Board Meeting on 21 March 2024, subject to final approval by the stockholders during the annual meeting, for almost the same remuneration as in the previous year.

The Board Audit and Risk Oversight Committee (BARC), which recommended the appointment of the audit firm SGV is composed of Amando M. Tetangco, Jr. (Chairperson), Cesar A. Buenaventura (Member), Lydia B. Echauz (Member), Luis C. la Ó (Member), and Stuart Chaplin (Member).

Duly authorized representatives of SGV will be present at the Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions concerning the 2023 Audited Financial Statements of the Corporation.

### **Disagreements with Accountants on Accounting and Financial Disclosures**

The Corporation has not had any material disagreements on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure during the periods these independent auditors have been engaged as such by the Corporation.

- (b) External Audit Fees



a) Audit and Other Fees

Audit of the annual financial statements or services that are normally provided in connection with statutory and regulatory filings or engagements:

2021:	10.9 million pesos
2022:	10.7 million pesos
2023:	10.8 million pesos

Other assurance and related services reasonably related to the performance of the audit or review of the financial statements:

2021:	nil
2022:	nil
2023:	nil

There are no tax-related fees and any other fees.

BARC performs oversight functions over the Corporation's internal and external auditors and approves their engagement, scope of work and fees during BARC meetings. BARC has ensured that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions. Moreover, BARC has decided on the required non-audit work of the external auditor, and thereafter conducted review of non-audit fees in relation to their significance to the Corporation's overall consultancy expenses. In deciding, BARC should disallow any non-audit work that will conflict with the duties of an external auditor or may pose a threat to his independence.

b) The BARC's responsibilities in connection with the external audit of the Corporation are as follows:

1. Performs oversight functions over the Corporation's internal and external auditors. It shall ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
2. Prior to the commencement of the audit, discusses with the external auditor the nature, scope, and expenses of the audit, and ensures proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
3. Monitors and evaluates the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;
4. Reviews the report submitted by the external auditors;
5. Reviews and approves the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
  - a. Any change/s in accounting policies and practices;
  - b. Major judgmental areas;
  - c. Significant adjustments resulting from the audit;
  - d. Going concern assumptions;
  - e. Compliance with accounting standards; and
  - f. Compliance with tax, legal, and regulatory requirements;
6. Coordinates, monitors, and facilitates compliance with laws, rules and regulations;

7. Evaluates and determines the non-audit work, if any, of the external auditor, and reviews periodically non-audit fees paid to the external auditor in relation to their significance to the Corporation's overall consultancy expenses. BARC shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Corporation's Annual Report and Integrated-Annual Corporate Governance Report;
8. Reviews the disposition of the recommendations in the External Auditor's management letter;
9. Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the SEC, who undertakes an independent audit of the Corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders; and
10. Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the BARC.

The above are included in the Revised Manual on Corporate Governance duly approved by the Board and submitted to the SEC.

#### **Item 8. Compensation Plans**

There is no action that will be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

### **C. ISSUANCE AND EXCHANGE OF SECURITIES**

#### **Item 9. Authorization or Issuance of Securities Other than for Exchange**

No action is to be taken with respect to the authorization or issuance of any class of securities of the Corporation.

#### **Item 10. Modification or Exchange of Securities**

No action is to be taken with respect to the modification of any class of securities of the Corporation, or the issuance of authorization for issuance of one class of securities of the Corporation in Exchange for outstanding securities of another class.

#### **Item 11. Financial and Other Information**

(a) The Audited Financial Statements as of 31 December 2023 approved by the Board of Directors on 21 March 2024 will be attached as **Annex "F"** to the Definitive Information Statement for alternative mode of distribution to the stockholders on 15 April 2024, and to be presented during the Annual Stockholders Meeting on 14 May 2024.

## (b) Management's Discussion and Analysis

### 2023 vs 2022 Financial Condition

#### Current assets

Shell Pilipinas' current assets decreased from Php49,833.3 million as of 31 December 2022 to Php43,435.7 million as of 31 December 2023 primarily due to the following:

*Trade and other receivables* decreased by Php3,227.2 million, or 16.4% from Php19,690.8 million as of 31 December 2022 to Php16,463.6 million as of 31 December 2023 primarily driven by the decrease in sales and fuel products prices globally.

*Inventories* decreased by Php3,085.9 million, or 17.2% from Php17,939.9 million as of 31 December 2022 to Php14,854.1 million as of 31 December 2023 primarily driven by decrease in average global fuel prices for petroleum products such as gasoline, diesel, fuel oil, aviation fuel from ~\$116/bbl as of 31 December 2022 to ~\$96/bbl by 31 December 2023 and optimization of inventory volume.

*Prepayments and other current assets* increased by Php1,161.5 million, or 12.7% from Php9,143.5 million as of 31 December 2022 to Php10,305.0 million as of 31 December 2023 mainly driven by prepaid corporate income tax, creditable withholding tax and advance payment for leases.

*Cash* decreased by Php1,160.4 million, or 39.2 % from Php2,957.2 million as of 31 December 2022 to Php1,796.8 million as of 31 December 2023 resulted from a deliberate action to minimize the amount of cash on hand.

*Current financial assets* decreased by Php85.7 million or 84.1% from Php101.9 million as of 31 December 2022 to Php16.2 million as of 31 December 2023 mainly driven by the fair value of the derivative assets from outstanding commodity forward contracts.

#### Non-Current Assets

Shell Pilipinas' non-current assets increased from Php67,203.2 million as of 31 December 2022 to Php72,486.5 million as of 31 December 2023 primarily due to the following:

*Property, plant and equipment, net* increased by Php3,836.4 million, or 14.1% from Php27,262.7 million as of 31 December 2022 to Php31,099.1 million as of 31 December 2023 due to additional mobility stations built during the year, upgrades made to existing mobility sites and enhancement of the supply chain network.

*Long-term receivables, rentals and investments, net* increased by Php1,002.3 million, or 8.9% from Php11,305.3 million as of 31 December 2022 to P12,307.6 million as of 31 December 2023 mainly due to increase in excise duty claims.

*Right to use assets net*, increased by Php479.7 million, or 2.4% from Php20,113.3 million as of 31 December 2022 to Php20,593.0 million as of 31 December 2023 due to additions and renewal of lease contracts.

*Other assets* increased by Php 186.6 million, or 4.0% from Php4,641.3 million as of 31 December 2022 to Php4,828.0 million as of 31 December 2023 mainly driven by increase in pension asset.

*Investment at FVOCI* increase by Php161.0 million, or 19.7% from Php816.9 million as of December 2022 to Php977.8 million as of December 2023 mainly driven by proprietary club shares and equity securities which are carried at fair value.

*Deferred income tax assets, net*, decreased by Php387.0 million, or 12.7% from Php3,037.5 million as of 31 December 2022 to Php2,650.5 million as of 31 December 2023 primarily due to utilization of MCIT from prior years.

### **Current Liabilities**

Shell Pilipinas' current liabilities decreased from Php59,770.8 million as of 31 December 2022 to Php47,849.0 million as of 31 December 2023 primarily due to the following:

*Trade and other payables* decreased by Php9,384.7 million, or 28.5% from Php32,926.0 million as of 31 December 2022 to Php23,541.4 million as of 31 December 2023 primarily driven by decrease in overall global fuel product prices.

*Short-term loans* increased by Php6,463.0 million, or 36.3% from Php17,827.0 million as of 31 December 2022 to Php24,290.0 million as of 31 December 2023 primarily due to higher working capital requirements.

*Current portion of loans payable* decreased by Php9,000.0 million, or 100.0% from 9,000.0 million as of 31 December 2022 to nil as of 31 December 2023 due to the replacement of a maturing loan with a new medium-term loan drawn in February 2023.

### **Non-Current Liabilities**

Shell Pilipinas' non-current liabilities increased from Php28,336.2 million as of 31 December 2022 to Php37,791.6 million as of 31 December 2023 primarily due to the following:

*Long term debt* increased by Php9,000.0 million, or 150.0% from Php6,000.0 million as of 31 December 2022 to Php15,000.0 million as of 31 December 2023 due to the new medium-term loan drawn last February 2023 with a 5-year duration.

*Lease liabilities*, increased by Php139.8 million, or 0.8% from Php18,126.3 million as of 31 December 2022 to Php18,266.1 million as of 31 December 2023 primarily driven by additions and renewals of lease contracts.

*Provisions* increased by Php140.7 million, or 3.9% from Php3,625.9 million as of 31 December 2022 to Php3,766.6 million as of 31 December 2023 primarily driven by remeasurement of asset retirement obligation due to changes in discount and inflation rate.

### **Equity**

Shell Pilipinas' total equity increased from Php28,929.4 million as of 31 December 2022 to Php30,281.7 million as of 31 December 2023 primarily due to the following:

*Retained earnings* increased by Php1,182.9 million, or 31.2% from Php3,788.2 million of 31 December 2022 to Php4,971.1 million as of 31 December 2023 primarily driven by the earnings for the period.

*Other reserves* increased by Php125.3 million, or 13.8% from Php910.0 million as of 31 December 2022 to Php1,035.3 million as of 31 December 2023 due to increase in fair value of equity instruments.

## 2022 vs 2021 Financial Condition

### Current Assets

Shell Pilipinas's current assets increased from Php36,475.6 million as of 31 December 2021 to Php49,833.3 million as of 31 December 2022 primarily due to the following:

*Trade and other receivables* increased by Php7,111.7 million, or 44.6% from Php15,940.1 million as of 31 December 2021 to Php23,051.8 million as of 31 December 2022 primarily driven by the increase in sales and finished products prices globally.

*Inventories* increased by Php2,086.4 million, or 13.2% from Php15,853.5 million as of 31 December 2021 to Php17,939.9 million as of 31 December 2022 primarily driven by increase in average global fuel prices for petroleum products such as gasoline, diesel, fuel oil, aviation fuel from ~\$82/bbl as of 31 December 2021 to ~\$94/bbl by 31 December 2022.

*Prepayments and other current assets* increased by Php2,886.5 million, or 96.3% from Php2,997.8 million as of 31 December 2021 to Php5,884.3 million as of 31 December 2022 mainly driven by prepaid corporate income tax and increase in input VAT credit from higher importations.

*Cash* increased by Php1,272.9 million, or 75.6 % from Php1,684.3 million as of 31 December 2021 to Php2,957.2 million as of 31 December 2022 primarily as a result of stronger cash generation from operations and financing activities partially offset by dividends paid during the year and strategic spend on capital projects to increase its mobility network and enhance its supply chain. and.

### Non-Current Assets

Shell Pilipinas's non-current assets increased from Php58,673.6 million as of 31 December 2021 to Php67,203.2 million as of 31 December 2022 primarily due to the following:

*Right to use assets net*, increased by Php2,148.8 million, or 12.0% from Php17,964.5 million as of 31 December 2021 to Php20,113.3 million as of 31 December 2022 owing to additions and renewal of lease contracts.

*Long-term Receivables, rentals and investments, net* increased by Php3,451.0 million, or 43.8% from Php 7,880.5 million as of 31 December 2021 to P11,331.5 million as of 31 December 2022 mainly due to increase in excise duty claims including the second tranche of payment under protest of alleged excise tax on importation of alkylate.

*Property, plant and equipment, net* increased by Php3,843.3 million, or 16.4% from Php23,419.4 million as of 31 December 2021 to Php27,262.7 million as of 31 December 2022 due to additional mobility stations built during the year, upgrades made to existing mobility sites and enhancement of the supply chain network.

*Deferred income tax assets, net*, decreased by Php1,093.1 million, or 26.5% from Php4,130.7 million as of 31 December 2021 to Php3,037.5 million as of 31 December 2022 primarily due to utilization of NOLCO from prior years.

*Other assets* increased by Php 179.6 million, or 3.4% from Php5,278.6 million as of 31 December 2021 to Php5,458.2 million as of 31 December 2022 mainly driven by increase in fair value of equity securities and proprietary club shares.

### Current Liabilities

Shell Pilipinas's current liabilities increased from Php32,704.3 million as of 31 December 2021 to Php59,770.8 million as of 31 December 2022 primarily due to the following:

*Trade and other payables* increased by Php8,458.6 million, or 34.6% from Php24,467.5 million as of 31 December 2021 to Php32,926.0 million as of 31 December 2022 primarily driven by increase in overall global petroleum product prices and depreciation of Philippine peso.

*Short-term loans* increased by Php9,607.0 million, or 116.9% from Php8,220.0 million as of 31 December 2021 to Php17,827.0 million as of 31 December 2022 primarily due to higher working capital requirements driven by the increase in global fuel product prices, Peso depreciation, and high inflation.

*Current portion of loans payable* increased by Php9,000.0 million, or 100.0% million from nil as of 31 December 2021 to Php9,000.0 million as of 31 December 2022 due to the reclassification of the portion of long-term debt that will mature within three-months from 31 December 2022. This has been replaced with a Php 9,000.0 million new Medium-Term Loan drawn in February 2023, which was split equally between BPI and Metrobank.

### **Non-Current Liabilities**

Shell Pilipinas's non-current liabilities decreased from Php36,273.4 million as of 31 December 2021 to Php28,336.2 million as of 31 December 2022 primarily due to the following:

*Long term debt* decreased by Php9,000.0 million, or 60.0% from Php15,000.0 million as of 31 December 2021 to Php6,000.0 million as of 31 December 2022 due to the reclassification of the portion of long-term debt that will mature within three-months from 31 December 2022. A new Medium-Term Loan of Php 9,000.0 million was drawn in February 2023; it was split equally between BPI and Metrobank.

*Lease liabilities*, increased by Php2,197.1 million, or 13.8% from Php15,929.2 million as of 31 December 2021 to Php18,126.3 million as of 31 December 2022 primarily driven by additions and renewals of lease contracts.

*Provision and other liabilities* decreased by Php1,134.3 million, or 21.2% from Php5,344.2 million as of 31 December 2021 to Php4,209.9 million as of 31 December 2022 primarily driven by remeasurement of asset retirement obligation due to changes in discount and inflation rate.

### **Equity**

Shell Pilipinas's total equity increased from Php26,171.5 million as of 31 December 2021 to Php28,929.4 million as of 31 December 2022 primarily due to the following:

*Retained earnings* increased by Php2,462.3 million, or 185.7% from Php1,325.9 million of 31 December 2021 to Php3,788.2 million as of 31 December 2022 primarily due to the increase in profits during the year. This increase is net of dividends paid amounting to P1,613.4 million.

## **2021 vs. 2020 Financial Condition**

### **Current assets**

PSPC's current assets increased from P29,902.6 million as of 31 December 2020 to P34,305.8 million as of 30 September 2021, primarily due to the following:

*Cash* decreased by P4,821.5 million, or 77% from P6,290.5 million as of 31 December 2020 to P1,469.0 million as of 30 September 2021 primarily driven by settlement of short-term borrowings and partial payment of contractual obligations from cessation of refinery operations.

*Receivables* increased by P2,209.6 million or 18.8% from P11,732.6 million as of 31 December 2020 to P13,942.2 million as of 30 September 2021 primarily driven by the increase in finished products prices in the region.

*Inventories, net* increased by P5,349.1 million, or 53.4% from P10,016.4 million as of 31 December 2020 to P15,365.5 million as of 30 September 2021 primarily driven by finished product prices in the region which increased from ~\$53/bbl as of 31 December 2020 to ~\$80/bbl by end of September 2021.

*Prepayments and other current assets* increased by P1,666.0 million, or 89.4% from P1,863.1 million as of 31 December 2020 to P3,529.1 million as of 30 September 2021 mainly driven by the increase in prepaid corporate taxes, input VAT credit and prepaid excise taxes for imports.

### **Non-Current Assets**

PSPC's non-current assets decreased from P56,647.6 million as of 31 December 2020 to P56,032.6 million as of 30 September 2021 primarily due to the following:

*Right of use assets* increased by P1,304.0 million, or 9.0% from P14,507.5 million as of 31 December 2020 to P15,811.5 million as of 30 September 2021 mainly driven by the renewal of lease contracts.

*Deferred income tax assets, net*, decreased by P2,370.1 million, or 38.8% from P6,102.8 million as of 31 December 2020 to P3,732.7 million primarily due to the reduction in Regular Corporate Income Tax Rate (RCIT) from 30% to 25% effective 01 July 2020, and adjustments in the provisions related to the cessation of refinery operations.

### **Current Liabilities**

PSPC's current liabilities increased from P33,394.3 million as of 31 December 2020 to P34,017.3 million as of 30 September 2021 primarily due to the following:

*Short-term loans* increased by P724.0 million from P13,000.0 million as of 31 December 2020 to P13,724.0 million as of 30 September 2021 primarily due to working capital requirements driven by the increase in product prices in the market.

### **Non-Current Liabilities**

PSPC's non-current liabilities decreased from P29,524.0 million as of 31 December 2020 to P29,066.9 million as of 30 September 2021 primarily due to the following:

*Provision and other liabilities* decreased by P1,876.6 million from P7,505.2 million as of 31 December 2020 to P5,628.6 million as of 30 September 2021 primarily driven by provision reversal for decommissioning and restoration costs of the refinery equipment due to asset sales and adjustment on provisions related to cessation of refinery operations

*Lease liabilities* increased by P1,419.6 million from P13,018.8 million as of 31 December 2020 to P14,438.3 million as of 30 September 2021 mainly due to renewal of lease contracts.

### **Equity**

PSPC's total equity increased from P23,631.8 million as of 31 December 2020 to P27,254.1 million as of 30 September 2021 due to profits earned during the period mainly driven by strong marketing earnings and inventory gains

## 2020 vs 2019 Financial Condition

### Current assets

PSPC's current assets decreased from Php47,469.4 million as of 31 December 2019 to Php29,902.6 million as of 31 December 2020 primarily due to the following:

*Cash* increased by Php1,511.6 million, or 31.6% from Php4,778.9 million as of 31 December 2019 to Php6,290.5 million as of 31 December 2020 driven by strong cash flow from operations in the latter part of the year as a result of strong performance from marketing business and various cash conservation strategies.

*Trade and other receivables* decreased by Php4,035.0 million, or 25.6% from Php15,767.6 million as of 31 December 2019 to Php11,732.6 million as of 31 December 2020 primarily driven by general decrease in global oil prices for petroleum products and decline in volumes due to the pandemic.

*Inventories* decreased by Php15,406.3 million, or 60.6% from Php25,422.7 million as of 31 December 2019 to Php10,016.4 million as of 31 December 2020 primarily driven by the Company' decision to sell all the pumpable crude oil stock in 2020, as a result of cessation of refining operations in Tabangao. The Company does not hold any remaining marketable crude oil stock as at 31 December 2020.

*Prepayments and other current assets* increased by Php362.9 million, or 24.2% from Php1,500.2 million as of 31 December 2019 to Php1,863.1 million as of 31 December 2020 mainly driven by increase in prepaid corporate taxes arising from unutilized credits, which is partially offset by decrease in prepaid excise taxes as a result of cessation of refining operations.

### Non-Current Assets

PSPC's non-current assets increased from Php55,450.1 million as of 31 December 2019 to Php56,647.5 million as of 31 December 2020 primarily due to the following:

*Long-term Receivables, rentals and investments, net* increased by Php982.4 million, or 21.3% from Php4,622.8 million as of 31 December 2019 to P5,605.2 million as of 31 December 2020 mainly due to increase in excise duty claims.

*Right to use assets*, increased by Php1,858.4 million, or 14.7% from Php12,649.1 million as of 31 December 2019 to Php14,507.5 million as of 31 December 2020 owing to additions and renewal of lease contracts.

*Property, plant and equipment* decreased by Php7,790.8 million, or 25.2% from Php30,925.8 million as of 31 December 2019 to Php23,135.0 million as of 31 December 2020 due to impairment of refinery assets as a result of cessation of refining operations in Tabangao.

*Other assets* increased by Php44.8 million, or 0.6% from Php7,252.3 million as of 31 December 2019 to Php7,297.1 million as of 31 December 2020 mainly driven by increase in fair value of pension assets, which is partially offset by decrease in value of intangible assets as a result of impairment of refinery assets.

### Current Liabilities

PSPC's current liabilities decreased from Php39,453.2 million as of 31 December 2019 to Php33,394.3 million as of 31 December 2020 primarily due to the following:



*Trade and other payables* decreased by Php9,307.0 million, or 31.4% from Php29,684.2 million as of 31 December 2019 to Php20,377.2 million as of 31 December 2020 primarily driven by the decline in demand owing to the pandemic, decrease in general crude oil prices and increase in provision for decommissioning and restoration owing to the cessation of the refining operations.

*Short-term loans* increased by Php3,248.0 million, or 33.3% from Php9,752.0 million as of 31 December 2019 to Php13,000.0 million as of 31 December 2020 primarily due to higher short-term bridge financing requirements.

### **Non-Current Liabilities**

PSPC's non-current liabilities increased from Php23,637.9 million as of 31 December 2019 to Php29,524.0 million as of 31 December 2020 primarily due to the following:

*Lease liabilities*, increased by Php2,541.3 million, or 24.3% from Php10,477.4 million as of 31 December 2019 to Php13,018.7 million as of 31 December 2020 primarily driven by additions and renewals of lease contracts.

*Deferred Tax* moved from a net liability position of Php1,000.1 million as of 31 December 2019 to a net asset position of Php6,102.8 million as of 31 December 2020.

*Provision and other liabilities* increased by Php4,344.8 million, or 137.5% from Php3,160.4 million as of 31 December 2019 to Php7,505.2 million as of 31 December 2020 primarily due to increase in asset retirement obligations and provisions for onerous contracts due to cessation of refining operations.

### **Equity**

PSPC's total equity decreased from Php39,828.3 million as of 31 December 2019 to Php23,631.9 million as of 31 December 2020 primarily due to the following:

*Retained earnings* decreased by Php16,242.1 million from Php11,938.0 million as of 31 December 2019 to Php4,304.1 million deficit as of 31 December 2020. The reduction in retained earnings is primarily attributable to the net loss realized in the current year amounting to P16,182.7 million owing to the pandemic impact on decline in demand, decrease in crude oil prices and one-off charges related to the impairment and its associated costs due to the cessation of refining operations.

*Other reserves* increased by Php45.6 million, or 8.2% from Php554.6 million as of 31 December 2019 to Php600.2 million as of 31 December 2020 due to increase in fair value of equity instruments.

### **2019 vs 2018 Financial Condition**

#### **Current assets**

PSPC's current assets increased from Php40,778.6 million as of 31 December 2018 to Php47,469.4 million as of 31 December 2019 primarily due to the following:

*Trade and other receivables* increased by Php2,774.8 million, or 21.4% from Php12,992.8 million as of 31 December 2018 to Php15,767.6 million as of 31 December 2019 primarily driven by higher sales volumes and imposition of higher excise tax on petroleum products.

*Cash* increased by Php323.8 million, or 7.3% from Php4,455.1 million as of 31 December 2018 to Php4,778.9 million as of 31 December 2019 as a result of stronger net income and decrease in cash used from financing. This was partially offset by working capital movements.

*Inventories* increased by Php5,779.9 million, or 29.4% from Php19,642.8 million as of 31 December 2018 to Php25,422.7 million as of 31 December 2019 primarily driven by general increase in crude oil prices.

*Prepayments and other current assets* decreased by Php2,187.6 million, or 59.3% from Php3,687.8 million as of 31 December 2018 to Php1,500.2 million as of 31 December 2019 mainly driven by utilization of input VAT and decrease in rental prepayments and recognition of right to use assets as a result PFRS 16 implementation.

### **Non-Current Assets**

PSPC's non-current assets increased from Php39,387.8 million as of 31 December 2018 to Php55,450.1 million as of 31 December 2019 primarily due to the following:

*Right to use assets*, of Php 12,649.1 million as of 31 December 2019 is due to the implementation of PFRS 16 starting January 1, 2019. This was previously under prepayments and long-term receivables as per PAS 17 and asset retirement obligations under PAS 16.

*Property, plant and equipment* increased by Php2,797.1 million, or 9.9% from Php28,128.7 million as of 31 December 2018 to Php30,925.8 million as of 31 December 2019 primarily due to additional retail stations built during the year, implementation of growth projects in the refinery, and enhancement of the supply chain network.

*Other assets* increased by Php652.2 million, or 9.9% from Php6,600.1 million as of 31 December 2018 to Php7,252.3 million as of 31 December 2019 mainly driven by increase in fair value of pension assets and equity instruments during the year.

### **Current Liabilities**

PSPC's current liabilities increased from Php28,456.8 million as of 31 December 2018 to Php39,453.2 million as of 31 December 2019 primarily due to the following:

*Trade and other payables* increased by Php4,504.0 million, or 17.9% from Php25,180.1 million as of 31 December 2018 to Php29,684.2 million as of 31 December 2019 primarily due to general increase in crude oil prices and lease liabilities due to PFRS 16 implementation.

*Dividends payable* increased by Php1.5 million, or 9.6% from Php15.6 million as of 31 December 2018 to Php17.1 million as of 31 December 2019 primarily due to cash dividend declared during the year which remain uncollected at 31 December 2019.

*Short-term loans* increased by Php6,491.0 million, or 199.0% from Php3,261.0 million as of 31 December 2018 to Php9,752.0 million as of 31 December 2019 primarily due to higher short-term borrowings for working capital requirements.

### **Non-Current Liabilities**

PSPC's non-current liabilities increased from Php12,737.8 million as of 31 December 2018 to Php23,637.9 million as of 31 December 2019 primarily due to the following:

*Lease liabilities*, of Php10,477.4 million as of 31 December 2019 is due to implementation of PFRS 16.

*Deferred income tax liabilities, net* increased by Php306.5 million, or 44.2% from Php693.6 million as of 31 December 2018 to Php1,000.1 million as of 31 December 2019 primarily due to government claims and retirement benefits. This is partially offset by deferred tax asset arising from implementation of PFRS 16.

*Provision and other liabilities* increased by Php116.2 million, or 3.8% from Php3,044.2 million as of 31 December 2018 to Php3,160.4 million as of 31 December 2019 primarily due to increase in asset retirement obligations.

## **Equity**

PSPC's total equity increased from Php38,971.8 million as of 31 December 2018 to Php39,828.3 million as of 31 December 2019 primarily due to the following:

*Retained earnings* increased by Php863.1 million from Php11,074.9 million as of 31 December 2018 to Php11,938.0 million as of 31 December 2019 primarily driven by increase in profits during the year.

*Other reserves* decreased by Php6.6 million, or 1.2% from Php561.2 million as of 31 December 2018 to Php554.6 million as of 31 December 2019 due to decrease in fair value of equity instruments.

## **2023 vs 2022 Results of Operation**

*Net sales* decreased by Php38,166.5 million, or 13.1%, from Php291,482.6 million for the year ended 31 December 2022 to Php253,316.1 million for the year ended 31 December 2023 mainly driven by the decrease in sales and lower pump prices due to the general decrease in global oil prices.

*Cost of sales* decreased by Php32,943.1 million, or 12.4% from Php266,119.8 million for the year ended 31 December 2022 to Php233,176.7 million for the year ended 31 December 2023 driven by decrease in global fuel prices for petroleum product from ~\$116/bbl as of 31 December 2022 to ~\$96/bbl by end of 31 December 2023 and decrease in sales volume.

*Gross profit* decreased by Php5,223.4 million, or 20.6% from Php25,362.9 million for the year ended 31 December 2022 to Php20,139.4 million for the year ended 31 December 2023 primarily as result of decrease in marketing volumes and inventory holding loss as a result of decrease in global oil prices.

*Selling, General and Administrative expenses* increased by Php692.4 million, or 4.2% from Php16,679.6 million for the year ended 31 December 2022 to Php17,372.0 million for the year ended 31 December 2023 primarily as a result of increased spending on outside services, higher depreciation, and logistics and transshipment, partially offset by lower repair and maintenance cost, lower spend on advertising and promotions, communications and utilities, and travel and transportation.

*Impairment reversal* increased by Php977.0 million, or 100.0%, from nil for the year ended 31 December 2022 to Php977.0 million for the year ended 31 December 2023 primarily as a result of reversal of asset impairment previously booked due to an evaluation of pathways in the Tabangao terminal as a competitive import facility.

*Other operating losses (income) net* increased by Php1,276.9 million, or 41,660.0%, from Php3.1 million loss for the year ended 31 December 2022 to Php1,273.8 million income for the year ended 31 December 2023 primarily driven by the commodity hedging net mark to market gain in 2023 as compared to 2022 due to the oil price and market premium volatility globally and appreciation of the Philippine Peso.

*Finance expense* increased by Php1,657.5 million, or 80.2%, from Php2,067.6 million for the year ended 31 December 2022 to Php3,725.2 million for the year ended 31 December 2023 mainly driven by increase in interest and finance charges.

*Other income (charges)* increased by Php1,447.4 million, or 126.3%, from Php1,146.3 million loss for the year ended 31 December 2022 to Php301.1 million income for the year ended 31 December 2023, mainly due to reversal of provision and help in foreign currency gain during the year.

*Net Income After Tax for the period* reduced by Php2,892.8 million or 71.0% from an income of Php4,075.7 million for the year ended 31 December 2022 to an income of Php1,182.9 million for the year ended 31 December 2023. This is primarily driven by decrease in sales, increase in borrowing costs and inventory holding loss.

*Core income* decreased by Php515 million, or 18.2% from Php2,824 million for the year ended 31 December 2022 to Php2,309 million for the year ended 31 December 2023. Significant improvement in marketing earnings delivery is overshadowed by increase in borrowing costs.

*EBITDA decreased* by Php1,347.9 million, or 11.3% from a profit of Php11,952.0 million for the year ended 31 December 2022 to a profit of Php10,604.0 million for 31 December 2023 mainly due to impact of pre-tax inventory holding gain of Php2,072.7 million in 2022 that reversed into a pre-tax inventory holding loss of Php2,362.7 million in 2023.

## **2022 vs 2021 Results of Operation**

*Net sales* increased by Php114,325.8 million, or 64.5 %, from Php177,156.9 million for the year ended 31 December 2021 to Php291,482.6 million for the year ended 31 December 2022 mainly driven by the increase in sales and higher pump prices due to the general increase in global oil prices.

*Cost of sales* increased by Php111,707.1 million, or 72.3% from Php154,412.7 million for the year ended 31 December 2021 to Php266,119.8 million for the year ended 31 December 2022 driven by increase in global fuel prices for petroleum product from ~\$82/bbl as of 31 December 2021 to ~\$94/bbl by end of 31 December 2022 and increase in sales volume.

*Gross profit* increased by Php2,618.7 million, or 11.5% from Php22,744.2 million for the year ended 31 December 2021 to Php25,362.9 million for the year ended 31 December 2022 primarily as result of increase in marketing volumes and inventory gains as a result of increase in global oil prices.

*Selling, General and Administrative expenses* increased by Php1,331.9 million, or 8.7% from Php15,347.7 million for the year ended 31 December 2021 to Php16,679.6 million for the year ended 31 December 2022 primarily as a result of increased spending on logistics and transshipment, higher depreciation, communication and utilities, employee benefits and outside services, partially offset by repair and maintenance cost.

*Impairment losses* decreased by Php300.4 million, or 100.0%, from Php300.4 million for the year ended 31 December 2021 to nil for the year ended 31 December 2022 due to the completion of impairment activities in the former refinery.

*Other operating income/expense net* decreased by Php1,917.9 million, or 100.2%, from Php1,914.8 million income for the year ended 31 December 2021 to Php3.1 million loss for the year ended 31 December 2022 primarily driven by oil price and market premium volatility globally and depreciation of Philippine Peso leading to commodity hedging net mark to market loss in 2022 as compared to 2021. This is partially offset by the growth in non-fuel retail business.

*Finance income* increased by Php114.4 million, or 3,732.8%, from Php3.1 million for the year ended 31 December 2021 to Php117.5 million for the year ended 31 December 2022, mainly due to help in unrealized foreign currency gain during the year.

*Finance expense* increased by Php1,083.5 million, or 48.2%, from Php2,248.0 million for the year ended 31 December 2021 to Php3,331.4 million for the year ended 31 December 2022 mainly driven by increase in realised foreign exchange loss due to weakening of Peso against other foreign currencies.

*Net Income After Tax for the period* improved by Php220.0 million or 5.7% from an income of Php3,855.7 million for the year ended 31 December 2021 to an income of Php4,075.7 million for the year ended 31

December 2022. This is primarily driven by stronger marketing performance supported by volume growth and inventory holding gains offset by loss from mark to market and foreign exchange.

*Core income* increased by Php503 million, or 21.7% from Php2,321.0 million profit for the year ended 31 December 2021 to Php2,824 million for the year ended 31 December 2022 primarily driven by stronger marketing delivery with 10% increase in volumes tempered by the impact of foreign exchange loss due to material depreciation of the Philippine Peso.

*EBITDA decreased* by Php413.3 million, or 3.3% from a profit of Php12,365.3 million for the year ended 31 December 2021 to a profit of Php11,952.0 million for 31 December 2022 mainly due to impact of decrease in pre-tax inventory holding gain, from inventory holding gain of Php4,859.5 million in 2021 down to Php2,072.7 million in 2022.

## **2021 vs. 2020 Results of Operation**

*Net sales* increased by P16,425.6 million, or 15.2% primarily due to higher pump prices driven by the general increase in global oil prices.

*Gross profit* increased by P25,452.6 million or 312.0% mainly due to higher premium fuel penetration, and inventory gains as a result of increase in global oil prices, and lower costs as a result of the cessation of refinery operations.

*Selling, General and Administrative expenses* increased by P664.2 million, or 6.6% from P10,047.9 million for the year ended 30 September 2020 to P10,712.1 million for the year ended 30 September 2021 as a result of increase in business activities in marketing and supply chain.

*Other operating income/expense, net* increased by P1,362.0 million from net operating expense of P203.2 million for the period ended 30 September 2020 to net operating income of P1,158.8 million for the period ended 30 September 2021 primarily driven by increase in market prices leading to commodity hedging net mark to market gain in 2021 as compared to net mark to market loss in 2020.

*EBITDA* increased by P24,527.7 million or 166.9% from loss of P14,696.2 million for the period ended 30 September 2020 to profit of P9,831.4 million for the period ended 30 September 2021 mainly due to the significant recovery of core earnings from prior year loss position and impact of post-tax inventory holding gains of P1,866.7 million in YTD 3Q 2021 against losses of P5,720.5 million in YTD 3Q 2020.

*Core earnings* increased by P2,702.4 million from loss of P659.1 million for the period ended 30 September 2020 to P2,043.3 million for the period ended 30 September 2021, mainly driven by resilient marketing earnings and lower costs from the cessation of refining operations. Core earnings represents net profits after excluding inventory holding gains and losses (2021 – P1,866.7 million income, 2020 –P5,720.5 million loss post-tax), and other one-off items (2021 CREATE adjustment on deferred taxes of ~ P1.0 billion and post-tax one of manufacturing expenses amounting to P0.2 billion).

## **2020 vs 2019 Results of Operation**

*Net sales* decreased by Php61,451.1 million, or 28.1%, from Php218,403.0 million for the year ended 31 December 2019 to Php156,951.8 million for the year ended 31 December 2020 mainly driven by decline in global oil prices and lower marketing volumes due to lockdowns implemented by the government as a measure to prevent the spread of the pandemic. Starting August, the Government relaxed the imposition of community lockdowns to improve the economic activity in the country.

*Cost of sales* decreased by Php41,661.4 million, or 21.4% from Php194,952.6 million for the year ended 31 December 2019 to Php153,291.2 million for the year ended 31 December 2020 due to lower purchase prices on account of decline in global crude prices and lower volumes as a result of COVID-19 pandemic.

*Gross profit* decreased by Php19,789.7 million, or 84.4% from Php23,450.3 million for the year ended 31 December 2019 to Php3,660.6 million for the year ended 31 December 2020 primarily as result of decline in sales volumes due to mobility restrictions imposed to prevent the spread of the pandemic and one off charges associated to the cessation of refining operations.

*Selling, General and Administrative expenses* decreased by Php725.8 million, or 5.0% from Php14,448.6 million for the year ended 31 December 2019 to Php13,722.8 million for the year ended 31 December 2020 primarily as a result of reduced spending on repairs and maintenance, logistics and transshipment, advertising expenses and travel expenses in line with the various cash preservation initiatives and strategies implemented.

*Other operating income* decreased by Php210.6 million, or 54.2%, from Php388.4 million for the year ended 31 December 2019 to Php177.8 million for the year ended 31 December 2020 primarily due to decrease in non-fuel retail income as a result of mobility restrictions and higher notional net mark to market loss in 2020 as compared 2019, primarily driven by decline in market prices. When there is a downward trend for market prices, commodity hedging may result in mark-to-market losses, which is offset by the lower cost of materials.

*Impairment losses* amounting to Php11,124.5 represents the losses on impairment of refinery assets and decommissioning and demolition expenses due to cessation of refining operations.

*Finance income* decreased by Php231.6 million, or 45.3%, from Php511.7 million for the year ended 31 December 2019 to Php280.1 million for the year ended 31 December 2020, mainly due to decrease in foreign currency exposure during the year as a result of weakening of Peso against other foreign currencies.

*Finance expense* increased by Php418.8 million, or 22.3%, from Php1,880.6 million for the year ended 31 December 2019 to Php2,299.4 million for the year ended 31 December 2020, mainly driven by increase in interest on lease liabilities as a result of additions and renewals of lease contracts.

*Net Income After Tax for the period* reduced by Php21,803.8 million or 387.9% from a profit of Php5,621.2 million for the year ended 31 December 2019 to a loss of Php16,182.7 million for the year ended 31 December 2020. The loss reported during the period consists of 73% or Php12 billion of one-off charges related to the cessation and transformation of the refinery into a World-Class import facility, while Php4.8 billion is due to the drastic decline in crude prices.

*EBITDA Adjusted for COSA* decreased by Php22,009.4 million, or 178.8% from profit of Php12,311.3 for the year ended 31 December 2019 to loss of Php9,698.1 million for the year ended 31 December 2020 primarily driven by the lower demand on oil products arising from the COVID-19 pandemic. The Company's core earnings have shown a strong rebound by end of 2020 by Php1.1 billion or 157.1% from a loss of Php0.7 billion as of Q3 to a profit of Php0.4 as of Q4 due to the improved market conditions.

*EBITDA decreased significantly* by Php30,753.8 million, or 215.8% from a profit of Php14,252.3 million for the year ended 31 December 2019 to loss of Php16,501.5 million for 31 December 2020 mainly due to impact of increase in pre-tax inventory holding gains from Php1,941.0 inventory holding gain in 2019 vs inventory holding loss of Php6,803.4 million in 2020.

### **2019 vs. 2018 Results of Operation**

*Net sales* marginally decreased by Php465.7 million, or 0.2%, from Php218,868.7 million for the year ended 31 December 2018 to Php218,403.0 million for the year ended 31 December 2019 despite a 3% increase in sales volume primarily due to the lower average pump prices as influenced by the marginal decrease in global oil prices.

*Gross profit* increased by Php1,155.5 million, or 5.2% from Php22,294.8 million for the year ended 31 December 2018 to Php23,450.3 million for the year ended 31 December 2019 primarily as result of strong marketing delivery and increased premium fuel penetration. This is supported by marginal decrease in average oil prices and lower logistics costs.

*Selling, General and Administrative expenses* increased by Php62 million, or 0.4% from Php14,386.6 million for the year ended 31 December 2018 to Php14,448.6 million for the year ended 31 December 2019 primarily driven by PFRS 16 implementation partially offset by the reduction in logistics costs.

*Other operating income* decreased by Php195.5 million, or 33.5%, from Php583.9 million for the year ended 31 December 2018 to Php388.4 million for the year ended 31 December 2019 primarily due to disposal of property, plant and equipment coupled with remediation activities. This is partially offset by growth in non-fuel retail business.

*Finance income* increased by Php466.6 million, or 1,034.6%, from Php45.1 million for the year ended 31 December 2018 to Php511.7 million for the year ended 31 December 2019, mainly due to improved foreign currency exposure during the year as a result of strengthening of Peso against other foreign currencies.

*Finance expense* increased by Php635.6 million, or 51.1%, from Php1,245.0 million for the year ended 31 December 2018 to Php1,880.6 million for the year ended 31 December 2019, mainly driven by increase in interest and finance charges due to implementation of PFRS 16, offset by net foreign exchange gain in 2019 vs net foreign exchange loss realized in 2018.

*Net Income After Tax for the period* improved by Php544.9 million or 10.7% from Php5,076.3 million for the year ended 31 December 2018 to Php5,621.2 million for the year ended 31 December 2019. This is primarily driven by stronger marketing performance supported by volume growth and higher premium fuel penetration, refinery cost savings, and inventory holding gains. This is against the backdrop of lower refinery margins. Inventory gain contributed Php1,364.3 million to 2019 net income vs post-tax inventory holding loss of Php39.8 million in 2018.

*EBITDA Adjusted for COSA* increased by Php2,265.7 million, or 22.6% from Php10,045.6 for the year ended 31 December 2018 to Php12,331.3 million for the year ended 31 December 2019. This is primarily driven by robust delivery from the marketing businesses and implementation of PFRS 16. This was partially offset by lower refinery margins and the impact of planned maintenance of Tabango refinery. EBITDA adjusted for COSA or the period ended 31 December 2019 under PAS 17 would have resulted to Php8,556.9 million.

*EBITDA* increased significantly by Php4,263.7 million, or 42.7% from Php9,988.6 million for the year ended 31 December 2018 to Php14,252.3 million for 31 December 2019 mainly due to impact of increase in pre-tax inventory holding gains from Php56.9 million inventory holding loss in 2018 vs inventory holding gain of Php1,941.0 million in 2019 and strong marketing delivery.

**STATEMENTS OF INCOME:**

In PhP millions	2023	2022	2021	2020	2019	2018
Net Sales	253,316	291,483	177,157	156,952	218,403	218,869
Cost of Sales	233,177	266,120	154,413	153,291	194,953	196,574
Gross profit	20,139	25,363	22,744	3,661	23,450	22,295
Operating Expenses, net	(15,101)	(16,683)	(13,733)	(24,669)	(14,060)	(13,775)
Income/(Loss) from Operations	5,038	8,680	9,011	(21,008)	9,390	8,492
Other non-operating income/ (Expense)	301	(1,146)	-	-	-	-
Finance Income (costs), net	(3,725)	(2,068)	(2,245)	(2,019)	(1,369)	(1,200)
Income/(Loss) Before Provision for Income Tax	1,614	5,466	6,766	(23,028)	8,021	7,292
(Provision for)/ Benefit from Income Tax	(431)	(1,391)	(2,910)	6,846	(2,400)	(2,216)
<b>Net Income/(Loss) for the Year</b>	<b>1,183</b>	<b>4,076</b>	<b>3,856</b>	<b>(16,183)</b>	<b>5,621</b>	<b>5,076</b>
<b>Earnings Per Share</b>	<b>0.73</b>	<b>2.53</b>	<b>2.39</b>	<b>(10.03)</b>	<b>3.48</b>	<b>3.15</b>

In %	2023	2022	2021	2020	2019	2018
Net Sales	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Cost of Sales	92.05%	91.30%	87.16%	97.67%	89.26%	89.81%
Gross profit	7.95%	8.70%	12.84%	2.33%	10.74%	10.19%
Operating Expenses, net	-5.96%	-5.72%	-7.75%	-15.72%	-6.44%	-6.29%
Income/(Loss) from Operations	1.99%	2.98%	5.09%	-13.38%	4.30%	3.88%
Other non-operating income/ (Expense)	0.12%	-0.39%	0.00%	0.00%	0.00%	0.00%
Finance Income (costs), net	-1.47%	-0.71%	-1.27%	-1.29%	-0.63%	-0.55%
Income/(Loss) Before Provision for Income Tax	0.64%	1.88%	3.82%	-14.67%	3.67%	3.33%
Provision for Income Tax	-0.17%	-0.48%	-1.64%	4.36%	-1.10%	-1.01%
<b>Net Income/(Loss) for the Year</b>	<b>0.47%</b>	<b>1.40%</b>	<b>2.18%</b>	<b>-10.31%</b>	<b>2.57%</b>	<b>2.32%</b>



Change (year-on-year)	2023 v 2022	2022 v 2021	2021 v 2020	2020 v 2019	2019 v 2018
Net Sales	(38,166.5)	114,325.8	20,205.0	(61,451.0)	(466.0)
Cost of Sales	(32,943.1)	111,707.1	1,122.0	(41,662.0)	(1,621.0)
Gross profit	(5,223.4)	2,618.7	19,083.0	(19,789.0)	1,155.0
Operating Expenses, net	1,581.4	(2,949.3)	10,936.0	(10,609.0)	(285.0)
Income/(Loss) from Operations	(3,642.0)	(330.6)	30,019.0	(30,398.0)	898.0
Other non-operating income/ (Expense)	1,447.4	(1,146.3)	-	-	-
Finance Income (costs), net	(1,657.5)	177.3	(225.0)	(650.0)	(169.0)
Income/(Loss) Before Provision for Income Tax	(3,852.1)	(1,299.7)	29,794.1	(31,049.4)	729.0
Provision for Income Tax	959.3	1,519.7	(9,755.8)	9,246.0	(184.0)
<b>Net Income/(Loss) for the Year</b>	<b>(2,892.8)</b>	<b>220</b>	<b>20,039.0</b>	<b>(21,804.0)</b>	<b>545.0</b>
<b>Earnings Per Share</b>	<b>(1.79)</b>	<b>0.14</b>	<b>12.4</b>	<b>(13.5)</b>	<b>0.3</b>

% Change (year-on-year)	2023 v 2022	2022 v 2021	2021 v 2020	2020 v 2019	2019 v 2018
Net Sales	-13%	65%	13%	-28%	0%
Cost of Sales	-12%	72%	1%	-21%	-1%
Gross profit	-21%	12%	521%	-84%	5%
Operating Expenses, net	-9%	21%	-44%	75%	2%
Income/(Loss) from Operations	-42%	-4%	-143%	-324%	11%
Other non-operating income/ (Expense)	80%	-8%	-	-	-
Finance Income (costs), net	7%	43%	11%	47%	14%
Income/(Loss) Before Provision for Income Tax	-70%	-19%	-129%	-387%	10%
Provision for Income Tax	-69%	-52%	-143%	-385%	8%
<b>Net Income/(Loss) for the Year</b>	<b>-71%</b>	<b>6%</b>	<b>-124%</b>	<b>-388%</b>	<b>11%</b>
<b>Earnings Per Share</b>	<b>-71%</b>	<b>6%</b>	<b>-124%</b>	<b>-388%</b>	<b>11%</b>

**BALANCE SHEETS:**

In PhP millions	2023	2022	2021	2020	2019	2018
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	1,797	2,957	1,684	6,291	4,779	4,455
Receivables, net	16,464	19,691	15,940	11,733	15,768	12,993
Inventories, net	14,854	17,940	15,853	10,016	25,423	19,643
Current financial assets	16	102				
Prepayments and other current assets	10,305	9,143	2,998	1,863	1,500	3,688
<b>Total Current Assets</b>	<b>43,436</b>	<b>49,833</b>	<b>36,476</b>	<b>29,903</b>	<b>47,469</b>	<b>40,779</b>
<b>NON-CURRENT ASSETS</b>						
Long-term receivables, advance rentals and investments, net	12,308	11,305	7,881	5,605	4,623	4,659
Property, plant and equipment, net	31,099	27,263	23,419	23,135	30,926	28,129
Right to use assets	20,593	20,113	17,964	14,507	12,649	0
Deferred income tax assets	4,828	3,038	4,131	6,103	0	0
Other assets	2,651	4,641	5,279	7,297	7,252	6,600
Investment at FVOCI	978	817				
Investments in associates	31	26				
<b>Total non-current assets</b>	<b>72,487</b>	<b>67,203</b>	<b>58,674</b>	<b>56,648</b>	<b>55,450</b>	<b>39,389</b>
<b>TOTAL ASSETS</b>	<b>115,922</b>	<b>117,036</b>	<b>95,149</b>	<b>86,550</b>	<b>102,919</b>	<b>80,166</b>
<b>LIABILITIES &amp; STOCKHOLDERS EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable & accrued expenses	23,541	32,926	24,467	20,377	29,684	25,180
Short-term borrowings	24,290	17,827	8,220	13,000	9,752	3,261
Dividends payable	18	18	17	17	17	16
Current portion of Loans payable	-	9,000	-	-	-	-
<b>Total current liabilities</b>	<b>47,849</b>	<b>59,771</b>	<b>32,704</b>	<b>33,394</b>	<b>39,453</b>	<b>28,457</b>
<b>NON-CURRENT LIABILITIES</b>						
Long-term loans payable	15,000	6,000	15,000	9,000	9,000	9,000
Lease liabilities	18,266	18,126	15,929	13,019	10,477	0
Deferred income tax liabilities, net	-	-	-	-	1,000	694
Provisions and other liabilities	4,526	4,210	5,344	7,505	3,160	3,044
<b>Total non-current liabilities</b>	<b>37,792</b>	<b>28,336</b>	<b>36,273</b>	<b>29,524</b>	<b>23,638</b>	<b>12,738</b>
<b>Total Liabilities</b>	<b>85,641</b>	<b>88,107</b>	<b>68,978</b>	<b>62,918</b>	<b>63,091</b>	<b>41,195</b>
<b>STOCKHOLDERS' EQUITY</b>	<b>30,282</b>	<b>28,929</b>	<b>26,172</b>	<b>23,632</b>	<b>39,828</b>	<b>38,972</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>115,922</b>	<b>117,036</b>	<b>95,149</b>	<b>86,550</b>	<b>102,919</b>	<b>80,166</b>

In %	2023	2022	2021	2020	2019	2018
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	1.55%	2.53%	1.77%	7.27%	4.64%	5.56%
Receivables, net	14.20%	16.82%	16.75%	13.56%	15.32%	16.21%
Inventories, net	12.81%	15.33%	16.66%	11.57%	24.70%	24.50%
Current financial assets	0.01%	0.09%				
Prepayments and other current assets	8.89%	7.81%	3.15%	2.15%	1.46%	4.60%
Total current assets	37.47%	42.58%	38.34%	34.55%	46.12%	50.87%
<b>NON-CURRENT ASSETS</b>						
Long-term receivables, advance rentals and investments	10.62%	9.66%	8.28%	6.48%	4.49%	5.81%
Property, plant and equipment, net	26.83%	23.29%	24.61%	26.73%	30.05%	35.09%
Right to use assets, net	17.76%	17.19%	18.88%	16.76%	12.29%	0.00%
Deferred income tax assets	4.16%	2.60%	4.34%	7.05%	0.00%	0.00%
Other assets	2.29%	3.97%	5.55%	8.43%	7.05%	8.23%
Investment at FVOCI	0.84%	0.70%				
Investments in associates	0.03%	0.02%				
Total non-current assets	62.53%	57.42%	61.67%	65.45%	53.88%	49.13%
<b>TOTAL ASSETS</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>LIABILITIES &amp; STOCKHOLDERS EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable & accrued expenses	20.31%	28.13%	25.71%	23.54%	28.84%	31.41%
Short-term borrowings	20.95%	15.23%	8.64%	15.02%	9.48%	4.07%
Dividends payable	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%
Current portion of Loans payable	0.00%	7.69%	0.00%	0.00%	0.00%	0.00%
Total current liabilities	41.28%	51.07%	34.37%	38.58%	38.33%	35.50%
<b>NON-CURRENT LIABILITIES</b>						
Long-term loans payable	12.94%	5.13%	15.76%	10.40%	8.74%	11.23%
Lease liabilities	15.76%	15.49%	16.74%	15.04%	10.18%	0.00%
Deferred income tax liabilities, net	0.00%	0.00%	0.00%	0.00%	0.97%	0.87%
Provisions and other liabilities	3.90%	3.60%	5.62%	8.67%	3.07%	3.80%
Total non-current liabilities	32.60%	24.21%	38.12%	34.11%	22.97%	15.89%
Total Liabilities	73.88%	75.28%	72.49%	72.70%	61.30%	0.00%
<b>STOCKHOLDERS' EQUITY</b>	26.12%	24.72%	27.51%	27.30%	38.70%	48.61%
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Change (year-on-year)	2023 vs 2022	2022 v 2021	2021 v 2020	2020 v 2019	2019 v 2018
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	(1,160)	1,273	(4,607)	1,512	324
Receivables, net	(3,227)	7,112	4,207	(4,035)	2,775
Inventories, net	(3,086)	2,086	5,837	(15,407)	5,780
Current financial assets	(86)				
Prepayments and other current assets	1,162	2,887	1,135	363	(2,188)
Total Current Assets	(6,938)	13,357	6,573	(17,566)	6,690
<b>NON-CURRENT ASSETS</b>					
Long-term receivables, advance rentals and investments	1,002	3,451	2,276	982	(36)
Property, plant and equipment, net	3,836	3,843	284	(7,791)	2,797
Right to use assets, net	480	2,149	3,457	1,858	12,649
Deferred income tax assets	1,790	(1,093)	(1,972)	6,103	-
Other assets	(1,991)	180	(2,018)	45	652
Investment at FVOCI	161				
Investments in associates	4				
Total non-current assets	5,283	8,530	2,026	1,198	16,061
<b>TOTAL ASSETS</b>	(1,114)	21,887	8,599	(16,369)	22,753
<b>LIABILITIES &amp; STOCKHOLDERS EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable & accrued expenses	(9,385)	8,459	4,090	(9,307)	4,504
Short-term borrowings	6,463	9,607	(4,780)	3,248	6,491
Dividends payable		1	-	-	1
Current portion of Loans payable	(9,000)	9,000	-	-	-
Total Current Liabilities	(11,922)	27,066	(690)	(6,059)	10,996
<b>NON-CURRENT LIABILITIES</b>					
Long-term loans payable	9,000	(9,000)	6,000	-	-
Lease liabilities	140	2,197	2,910	2,542	10,477
Deferred income tax liabilities, net	-	-	-	(1000)	306
Provisions and other liabilities	316	(1,134)	(2,161)	4,345	116
Total non-current liabilities	9,455	(7,937)	6,749	5,886	10,900
Total Liabilities	(2,467)	19,129	6,060	(173)	1,453
<b>STOCKHOLDERS' EQUITY</b>	1,352	2,758	2,540	(16,196)	856
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	(1,114)	21,887	8,599	(16,369)	22,753

% Change (year-on-year)	2023 vs 2022	2022 v 2021	2021 v 2020	2020 v 2019	2019 v 2018
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	-39%	76%	-73%	32%	7%
Receivables, net	-16%	45%	36%	-26%	21%
Inventories, net	-17%	13%	58%	-61%	29%
Current financial assets	-84%				
Prepayments and other current assets	13%	96%	61%	24%	-59%
Total Current Assets	-13%	37%	22%	-37%	16%
<b>NON-CURRENT ASSETS</b>					
Long-term receivables, advance rentals and investments	9%	44%	41%	21%	-1%
Property, plant and equipment, net	14%	16%	1%	-25%	10%
Right to use assets, net	2%	12%	24%	15%	
Deferred income tax assets	59%	-27%	-32%		
Other assets	-43%	3%	-28%	1%	10%
Investment at FVOCI	20%				
Investments in associates	17%				
Total non-current assets	8%	15%	4%	2%	41%
<b>TOTAL ASSETS</b>	-1%	23%	10%	-16%	28%
<b>LIABILITIES &amp; STOCKHOLDERS EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable & accrued expenses	-29%	35%	20%	-31%	18%
Short-term borrowings	36%	117%	-37%	33%	199%
Dividends payable	-1%	6%	0%	0%	6%
Current portion of Loans payable	-100%	100%			
Total Current Liabilities	-20%	83%	-2%	-15%	39%
<b>NON-CURRENT LIABILITIES</b>					
Long-term loans payable	150%	-60%	67%	0%	0%
Lease liabilities	1%	14%	22%	24%	
Deferred income tax liabilities, net	4%	-	-	-100%	44%
Provisions and other liabilities	7%	-21%	-29%	138%	4%
Total Non-Current Liabilities	33%	-22%	23%	25%	86%
Total Liabilities	-3%	28%	10%	0%	53.2%
<b>STOCKHOLDERS' EQUITY</b>	5%	11%	11%	-41%	2%
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	-1%	23%	10%	-16%	28%

## Key financial ratios

	2018	2019	2020	2021	2022	2023
Current ratio <sup>1</sup>	1.4	1.2	0.9	1.1	0.8	0.9
Debt to equity ratio <sup>2</sup>	0.2	0.4	0.7	0.8	1.1	1.3
Debt ratio <sup>3</sup>	9.7%	13.6%	18.2%	22.6%	26%	30%
Return on assets <sup>4</sup>	6.3%	5.5%	(18.7)%	4.1%	3.5%	1.0%
Return on equity <sup>5</sup>	13.2%	14.3%	(70.3)%	15.1%	14.6%	4.0%
Return on average capital employed <sup>6</sup>	14.8%	16.3%	(39.8)%	17.5%	13.6%	8.1%

<sup>1</sup> Current ratio is computed by dividing current assets over current liabilities.

<sup>2</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>3</sup> Debt ratio is computed as net debt divided by total assets.

<sup>4</sup> Return on assets is computed as profit (loss) for the period divided by total assets.

<sup>5</sup> Return on equity is computed as profit (loss) for the period divided by equity (exclusive of other reserves).

<sup>6</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.

## Key operating data

	2019	2020	2021	2022	2023
Nameplate capacity (thousand barrels per day (kbpd)) <sup>1</sup>	110	110	N/A	N/A	N/A
Refinery utilization rate (%) <sup>2</sup>	63.5%	56.3%	N/A	N/A	N/A
Mobility volumes sold (million litres) <sup>3</sup>	3,175	2,312	2,184	2,158	2,241
Commercial volumes sold (million litres) <sup>4</sup>	2,084	1,748	1,582	1,996	1,755
Others (million litres) <sup>5</sup>	570	1,022	65	44	48

Note:

<sup>1</sup> 110,000 bpd is nameplate capacity on a calendar basis.

<sup>2</sup> Refinery utilization rate is calculated as the ratio of total product output to the calendar day nameplate capacity. The refinery ceased operations in August 2020.

<sup>3</sup> Retail volumes sold indicates the total volume of fuels and lubricants sold through the retail business for the period.

<sup>4</sup> Commercial volumes sold indicates the total volume of wholesale commercial fuel, jet fuel, lubricants and specialties sold for the period.

<sup>5</sup> Others volume sold indicates the total volume of manufacturing and supply for the period.

## OTHER FINANCIAL DATA

4Q 2023	4Q 2022		Financial year 2023	Financial year 2022
63,051,928	78,229,943	Net sales	253,316,128	291,482,629
(59,276,760)	(73,256,400)	Cost of sales	(233,176,703)	(266,119,767)
3,775,168	4,973,543	Gross profit	20,139,425	25,362,862
(5,304,162)	(5,202,100)	Selling, general and administrative expenses	(17,372,037)	(16,679,594)
997,008	-	Asset Impairment reversal (losses)	997,008	-
45,379	288,595	Other operating income (losses), net	1,273,814	(3,065)
(486,607)	60,038	Income from operations	5,038,210	8,680,203
(882,611)	(583,431)	Finance expense	(3,725,170)	(2,067,642)
238,697	117,328	Other income (charges)	301,101	(1,146,285)
(1,130,521)	(406,065)	Income before income tax	1,614,141	5,466,275
258,566	74,925	Provision for (benefit from) income tax	(431,239)	(1,390,528)
(871,955)	(331,140)	Net income	1,182,902	4,075,747
(0.54)	(0.21)	Earnings per share – Basic and Diluted	0.73	2.53

### **Known trends, demands, developments, commitments, events or uncertainties that will have a material impact on the issuer's liquidity**

#### *Commodity price risk*

The Corporation is exposed to price volatility of certain commodities such as crude oil and petroleum products. To minimize the Corporation's risk of potential losses due to volatility of international crude and product prices, the Corporation may implement commodity hedging for crude and petroleum products.

#### *Liquidity risk*

The Corporation is exposed to the possibility that adverse changes in the business environment or its operations could result in substantially higher working capital requirements and consequently, suitable sources of funding for the Corporation's activities may be difficult to obtain or unavailable. The Corporation manages its liquidity risk by monitoring rolling forecasts of the Corporation's liquidity reserve on the basis of expected cash flow. Additionally, Shell Treasury Centre East centrally monitors bank borrowings, foreign exchange requirements and cash flow position. The Corporation has access to sufficient external debt funding sources to meet currently foreseeable borrowing requirements. Furthermore, surplus cash is invested into a range of short-dated money market instruments, time deposits and other assets, which seek to ensure the security and liquidity of investments while optimizing yield.

### **Any events that will trigger direct or contingent financial obligation that are material to the Corporation, including any default or acceleration of an obligation.**

There are no material or significant events during the reporting period that will trigger direct or contingent financial obligation that are material to the Corporation except for the cases enumerated under the section 'Legal Proceedings'.

**Material off-balance-sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period.**

The Corporation does not have any material off-balance sheet arrangements with unconsolidated entities.

**Capital Expenditures**

For the year 2023, a budget of approximately P5 to 6 billion has been allotted for capital expenditures, subject to additional spend deemed necessary by the Corporation in order to accelerate growth and enhance supply chain operations. Bulk of the capital expenditures will be allocated to build new mobility stations and growth projects, and the improvement of existing supply and distribution facilities.

**Known trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on Net Sales/Income from continuing operations**

Global developments, particularly volatility in oil prices and foreign exchange, will continue to impact PSPC's financial performance.

**Any significant elements of income or loss that did not arise from the registrant's continuing operations**

There are no material elements of income or loss that did not arise from the registrant's continuing operations during the period.

**Any seasonal aspects that had material effect on the financial condition or results of operations**

There are no seasonal aspects that have material effect on the financial condition or results of operations during the period.

**(c) Description of the General Nature and Scope of Business**

Shell Pilipinas Corporation's ("Shell Pilipinas", the "Corporation" or the "Company") (*formerly Shell Pilipinas Corporation*) presence in the Philippines began as early as 1914 when Asiatic Petroleum Co. (Philippine Islands) Ltd. opened for business in the Philippines selling motor gasoline and kerosene to the growing Philippine market. In the 1940's, Asiatic Petroleum Co. (Philippine Islands) Ltd. was renamed as The Shell Company of the Philippine Islands, Inc.

In the 1950's, the National Economic Council of the Philippines required a minimum Filipino ownership of 25% in large industrial ventures. This led to the formation of the Shell Refining Company (Philippines), which was incorporated on 09 January 1959 with 25% Filipino ownership and 75% foreign ownership. In November 1970, the Shell Refining Company (Philippines) was renamed to Shell Philippines, Inc. In 1973, the Company was again renamed to Pilipinas Shell Petroleum Corporation. In February 1987, Filipino ownership in the Company stood at 33.33%, while foreign ownership at 66.67%.

On 18 August 2015, Shell Pilipinas received approval from the Securities and Exchange Commission ("SEC") for its application for increase in authorized capital stock from Php1 billion divided into 1 billion shares with par value of Php1.00 each to Php2.5 billion divided into 2.5 billion shares with par value of Php1.0 each. Out of the 1.5 billion increase in Shell Pilipinas's authorized capital stock, a total of 0.9 billion shares were offered to existing shareholders as of 12 May 2015 at Php20 per share. 99.41% of the said 0.9 billion shares were subscribed to and paid for by stockholders who exercised their pre-emptive rights.

The increase in percentage ownership of shares held by major shareholders post the rights issue are as follows: Shell Overseas Investments B.V. increased from 67.12% to 68.18%; Insular Life Assurance Company, Ltd. increased from 19.49% to 19.55% and Spathodea Campanulata, Inc. increased from 5.06% to 5.14%.



In compliance with the provisions of the Downstream Oil Industry Deregulation Act of 1998 which requires entities engaged in the oil refinery business to make a public offering of at least 10% of its common stock through the stock exchange, Shell Pilipinas was listed in the Philippine Stock Exchange, Inc. (“PSE”) on 03 November 2016 with the stock symbol “SHLPH”. Initially offered at Php 67.00 per share, the Company offered 291 million shares (Primary Offer of 27,500,000 shares and Secondary Offer of 247,500,000 Shares with an Over-allotment Option of up to 16,000,000 Common Shares) for the IPO.

The decrease in percentage ownership of shares held by major shareholders immediately post IPO are as follows: Shell Overseas Investments B.V. decreased from 68.18% to 55.21%; Insular Life Assurance Company, Ltd. decreased from 19.55% to 15.83% and Spathodea Campanulata, Inc. decreased from 5.14% to 4.16%.

Shell Pilipinas celebrates its 109 years in the Philippines in 2022. Throughout history, the Company has been committed in partnering with the country in nation-building and powering progress in the Philippines.

On August 10, 2022, the Board has approved the change in corporate name of the Company to “Shell Pilipinas Corporation” and the amendment and broadening of the Corporation’s Secondary Purpose to include retail trade as it aims to grow its non-fuel retail segment.

Moreover, in its virtual Special Stockholders’ Meeting on 26 September 2022 through Shell Operated Webcast, stockholders representing at least 79.1% of the total issued and outstanding capital approved the change in corporate name from “Pilipinas Shell Petroleum Corporation” to “Shell Pilipinas Corporation” and the new Secondary Purpose to allow retail trade. This introduces the Company’s wider future forward approach towards energy transition that will reposition it beyond petroleum, shifting towards sustainable and cleaner energy solutions. The SEC approval was obtained on 15 March 2023.

As at 31 December 2023, Shell Pilipinas is not subject of any bankruptcy, receivership or similar proceedings. It is also not involved in any material reclassification, merger, consolidation or purchase or sale of a significant amount of assets not in the ordinary course of business.

## **2023 Operational Highlights**

In 2023, Shell Pilipinas has shown resilience amidst fluctuating oil prices, sustained high interest rates and high inflation by delivering Php1.2 billion of net income and generating strong cash flows from operations of Php4.3 billion.

Shell Pilipinas’ mobility network continued to expand with 36 new mobility sites opened in 2023, bringing the nationwide count to more than 1,100 Shell-branded stations. Mobility also launched the new and improved formulation of Shell V-Power fuels during the year.

Recognizing the evolving needs of customers, the Company continued to expand its non-fuel retailing business. Shell Café was launched in 2023, in 13 locations to attract more customers to mobility destinations with its more premium offering of coffee, fresh food, and baked goods menu. Affordable food choices and other products are made available in its more than 239 Select shops, 103 Deli2go stores and over 390 quick service restaurants, lifestyle brands, and clip-ins present on the sites. The Company has also put up 218 Select Express stations nationwide – a smaller version of the typical Select shops. Other services such as oil change and car maintenance are also offered through its more than 480 SHOC+ and Helix Service Centers (HSC).

During the year, Shell Pilipinas stayed true to its commitment to integrate sustainability in its operations as well as in the products and services that it offers to customers. Two new Shell Recharge stations were opened in 2023, one at the Shell Mobility TPLEX junction in Rosario, La Union and the other one in the Neo Building at the Bonifacio Global City. In addition, Shell Pilipinas has partnered with SUN Mobility, a leading provider of energy infrastructures and services for electric vehicles, to explore the pilot deployment of an advanced battery-swapping technology for two and three-wheeled electric vehicles.

Shell Pilipinas continued elevating customer journey and experience. In 2023, Lubricants introduced the Shell Advantage Rewards App (SHARE), a transformative loyalty program that extends benefits to thousands of mechanics and retail staff across partner workshops nationwide. In addition to this, the Shell Fleet App was launched in April, which is a digital platform built to provide a digital solution for SMEs to help them manage their fleet more conveniently.

Wholesale Commercial Fuels remained to be a leading supplier of quality products and services to resilient industry sectors such as manufacturing, marine, and power. Lubricants had an outstanding year in increasing its customer base with new products and services, maintaining its market leadership. Construction & Road business has sustained growth by successfully capturing the expansion of construction projects nationwide. Aviation improved its earnings performance through winning new key customers and renegotiating contracts.

**Amount Spent on Research and Development:**

Under existing agreement with Shell International Petroleum Company (“SIPC”) an entity under common control, SIPC provides research and development services to the Corporation.

<b>R &amp; D Costs</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Amount (in Million Php)	162.84	91.78	133.89
Net Sales	253,316	291,483	177,157
	0.06%	0.03%	0.08%

**Effect of existing or probable governmental regulations on the business**

**Mandatory Fuel Marking**

On 19 December 2017, the Philippine government has enacted R.A. 10963 (Tax Reform for Accelerated Inclusion) which included a provision on mandatory marking of fuel products to curb oil smuggling. Implementing rules and regulations from the government on the fuel marking program were released on 05 July 2019 through Joint Circular No 001.2019 by the Department of Finance, Bureau of Internal Revenue and Bureau of Customs. The Joint Circular mandates the marking of refined, manufactured and imported gasoline, diesel and kerosene after duties and taxes have been paid. As confirmed with the fuel marking consortium, the Tabangao refinery is the first refinery to be marked in the country and NMIF is the first import terminal to be marked in Mindanao.

The government commenced conducting random field testing and confirmatory testing on fuel to check its compliance towards the mandatory fuel marking requirement in 2020. This initiative is targeted to help curb smuggling.

Data gathered by the government consortium in 2021 identified homogeneity issues of the fuel marker in storage tanks for several oil industry players resulting to a deferment of the program’s enforcement phase. The government has identified terminals/locations where fuel marking operations are instructed to shift from vertical tanks dosing to truck/lorry marking to immediately address the homogeneity issues.

The automated injection system fuel marking facility for SHIFT, which is funded by the Department of Finance as part of the fuel marking program, has been completed and on-line from September 2022. The Subic terminal shifted their marking operations to truck marking in December 2022. Shell Pilipinas has also proposed to the Department of Finance to upgrade its own fuel marking facility at Shell North Mindanao Import Facility to an automated injection system (AIS) technology to minimize the homogeneity risks identified in the present fuel marking dosing operations by the consortium. The target implementation/completion of this project is Q1 2024.

## **Biofuels Act**

The Biofuels Act of 2006 was implemented with the aim of reducing dependence on imported fuels. It also aimed to develop and utilize indigenous renewable and sustainable clean energy sources to reduce dependence on imported oil; to mitigate toxic and greenhouse gas (GHG) emissions; to increase rural employment and income; and to ensure the availability of alternative and renewable clean energy without any detriment to the natural ecosystem, biodiversity and food reserves of the country.

Shell Pilipinas currently blends diesel with 2% coconut methyl ester (CME) and gasoline with 10% ethanol as mandated in the current PNS.

On December 2021, the Department of Energy Technical Committee on Petroleum Products and Additives (TCPPA) has finalized the draft national standards for 3%, 4% and 5% CME blend into diesel and were endorsed to the Bureau of Product Standards. The implementation of these new standards are subject to the DOE's implementation plan for the succeeding years. Mandatory implementation of B3 (3% CME) to replace B2 (2% CME) is expected to start in October 2024.

## **Euro IV(PH) Equivalent Specifications**

On 07 September 2010, the DENR issued a DENR Administrative No 2010-23 on Revised Emission Standards for Motor Vehicles Equipped with Compression Ignition and Spark Ignition Engines, mandating compliance of all new passenger and light duty motor vehicles with Euro IV (PNS) emission limits subject to fuel availability, starting 01 January 2016.

Euro IV vehicle emission technology requires a more stringent fuel quality, *i.e.* 50 ppm sulfur content for both diesel and gasoline. In 2012, the DOE spearheaded discussions on the development of a Euro IV PNS fuel specification to support DENR DAO 2010-23. PSPC, as a regular permanent member of the Technical Committee on Petroleum Products and Additives (TCPPA), was actively involved and supportive of the development of Euro IV PNS fuel specifications.

The DTI promulgated and released the PNS for gasoline and diesel which mandates the introduction of Euro IV PNS fuels not later than 01 January 2016. PSPC successfully completed its Refinery upgrade and is producing and supplying Euro IV-compliant fuels since 01 January 2016. All Shell terminals and retail stations supply Euro IV-compliant fuels since 01 January 2016.

## **Clean Water Act**

Republic Act No. 9275, otherwise known as the Philippine Clean Water Act of 2004, aims to protect the country's water bodies from pollution from land-based sources (industries and commercial establishments, agriculture and community/household activities). All owners or operators of facilities that discharge wastewater are required to get a permit to discharge from the DENR or the Laguna Lake Development Authority, and to report the quality of effluents on a regular basis.

No further impact from the effect of Clean Water Act towards the Company's Shell Mobility stations is expected. No major change from the Pollution Head Accreditation Board has been received. All sites continue to comply with the quarterly SMRs and Discharge Permit to DENR or LLDA.

## **Parity Tax Treatment Between Indigenous and Imported Fuel Sources for Power Generation**

The Electric Power Industry Reform Act (EPIRA) provides for parity tax treatment among imported oil and indigenous fuels. Prior to the said law, indigenous fuels were imposed with higher taxes largely due to royalties to the government.

## Compensation for Oil Pollution Damage

The Oil Pollution Compensation proposes the imposition of liability for oil pollution damage. It proposes to require entities, which receive more than 150,000 tons of oil in a year from all ports or terminals in the Philippines to contribute to the International Oil Compensation Fund (IOPC) in accordance with the provisions of the 1992 Fund Convention. Republic Act No. 9483, otherwise known as the Oil Pollution Compensation Act of 2007, proposes to collect a fee of ten (10) centavo/liter from owners and operators of tankers and barges hauling oil and/or petroleum products in Philippine waterways and coast wise shipping routes. This new fund, named the Oil Pollution Management Fund (“OPMF”), will be on top of the requirement under the 1992 CLC and 1992 Fund Conventions and will be administered by the Maritime Industry Authority (“MARINA”). The circular was published in November 2021, and the imposition of the 10 centavos/liter fee has taken into effect starting 10 December 2021.

## Oil Spill Prevention and Control

The Oil Pollution Compensation Act seeks to require oil companies to install oil spill prevention and control liabilities in their tankers and to undertake immediate cleaning operations in the event of oil spill within the country’s territorial waters.

The Philippine Coast Guard **MC 01-2005** provides implementing guidelines pursuant to PD No. 600, PD No. 979 as rationalized in accordance with the International Convention for the Prevention of Pollution from Ships, MARPOL 73/78. This MC applies to oil marine pollution in all bodies of water within the territorial jurisdiction of the Philippines including ports, coastlines, lakes, rivers and their tributaries.

Under the Policies of this MC, below are some of the requirements:

- Oil refineries/terminals/depots and tanker owners engaged in black products and persistent oil shall be provided with at least complete set of oil containment and recovery equipment, sorbent dispersants and other MARPOL combating accessories duly accredited by the PCG sufficient to prevent, control, and mitigate a medium discharge.
- Oil companies and tanker owners shall submit to CPCG their respective contingency plans for approval and execution in case of oil spillages in their areas and conduct regular team training on managing oil spill operations, handling and operations, handling and operation of MARPOL combating equipment. A dedicated oil spill response team shall be organized to react to land and ship originated oil spills.

## Cost and Effects of Complying with Environmental Laws:

Compliance with various environmental laws entails costs on the part of Shell Pilipinas, resulting in higher production costs and operating expenses. In 2023, Shell Pilipinas’s provision for environmental remediation is Php59.6 million.

### (d) Securities of the Registrant

#### 1) Market Price

The Corporation’s common shares are listed and traded in the Philippine Stock Exchange as “SHLPH”.

As of 29 February 2024, the total number of stockholders of the Corporation was 315.

The high and low sale prices of its shares per quarter from its listing until 31 December 2023 are as follows:

FROM	TO	HIGH (Php)	LOW (Php)
03 November 2016	31 December 2016	73.00	66.60
01 January 2017	31 March 2017	80.00	70.65
01 April 2017	30 June 2017	73.95	64.20
01 July 2017	30 September 2017	69.35	65.95

01 October 2017	31 December 2017	68.00	57.30
01 January 2018	31 March 2018	66.50	54.35
01 April 2018	30 June 2018	54.95	48.10
01 July 2018	30 September 2018	59.50	51.20
01 October 2018	31 December 2018	54.00	46.05
01 January 2019	31 March 2019	51.25	46.25
01 April 2019	30 June 2019	49.65	37.30
01 July 2019	30 September 2019	39.95	31.35
01 October 2019	31 December 2019	34.25	31.8
01 January 2020	31 March 2020	35.00	17.50
01 April 2020	30 June 2020	22.30	16.30
01 July 2020	30 September 2020	19.20	16.00
01 October 2020	31 December 2020	23.30	14.52
01 January 2021	31 March 2021	23.00	19.00
01 April 2021	30 June 2021	22.30	19.98
01 July 2021	30 September 2021	21.05	17.50
01 October 2021	31 December 2021	24.50	18.90
01 January 2022	31 March 2022	21.00	17.00
01 April 2022	30 June 2022	19.38	16.02
01 July 2022	30 September 2022	22.25	16.70
01 October 2022	31 December 2022	18.02	16.50
01 January 2023	31 March 2023	18.70	16.06
01 April 2023	30 June 2023	17.12	14.00
01 July 2023	30 September 2023	14.88	13.50
01 October 2023	31 December 2023	13.92	10.78

As of 22 March 2024, the last traded price for SHLPH stocks was Php 11.06.

## 2) Holders

The top twenty (20) stockholders of the Corporation as of **31 December 2023** are as follows:

SH NAME	Shares	Percentage
1 SHELL OVERSEAS INVESTMENTS B.V.	890,860,212.00	55.214814
2 The Insular Life Assurance Company, Ltd.	265,465,395	16.45
3 PCD NOMINEE CORP - FILIPINO	215,371,547	13.35
4 PCD NOMINEE CORP - NON FILIPINO	129,753,713.00	8.042033
5 Spathodea Campanulata Inc.	67,184,265.00	4.164028
6 Rizal Commercial Banking Corporation	28,863,475.00	1.788935
7 VICTORIA L. ARANETA PROPERTIES, INC	2,312,245.00	0.143311
8 PAN MALAYAN MANAGEMENT & INVESTMENT CORPORATION	1,298,536.00	0.080482
9 Gregorio Araneta III	1,177,720.00	0.072994
10 CAROUSEL HOLDINGS, INC.	1,000,000.00	0.061979
11 Miguel P. De Leon	817,447.00	0.050665
12 Nieva Paz L. Erana	665,970.00	0.041276
13 HOMER LEE ANTE AND/OR SARA JEM MAGGAY ANTE	500,000.00	0.03099
14 Maria Lina A. de Santiago	467,541.00	0.028978
15 E. Zobel Inc.	329,785.00	0.02044
16 Margarita J. Ortoll	298,500.00	0.018501
17 TERESA VELASQUEZ FERNANDEZ	294,057.00	0.018225

18	LEON, MIGUEL P. DE	272,459.00	0.016887
19	HENRY O. CHUSUEY	215,000.00	0.013326
20	JOSE ARANETA ALBERT	203,877.00	0.012636

\* For (2), including shares held under PCD Nominee.

\* For (3), excluding shares held by Insular Life.

### 3) Dividends

On 10 August 2022, the Corporation declared dividend of PhP1.00 from its unrestricted retained earnings as of 30 June 2022 (17-Q results), acting on the endorsement of the Board Audit and Risk Oversight Committee, details as below:

Date of Approval by Board of Directors	10 August 2022
Type	Regular
Amount of Cash Dividend Per Share	PhP1.00
Record Date	15 August 2022
Payment Date	19 September 2022

At the same time, the Dividend Policy of the Corporation was amended to change the frequency of its dividend declaration from annual to semi-annual with the same basis of 75% of the net income after tax during the relevant period and provided that it has sufficient unrestricted retained earnings.

On 24 March 2021, the Corporation has negative unrestricted retained earnings as of 2021 Audited Financial Statements, making it unable to declare dividends.

On 12 August 2020, the Board of Directors decided to take a more prudent approach to preserve cash and consequently cancel dividends for 2020 was induced by the continuous uncertainties due to the impact of COVID-19 pandemic, including the reinstatement of modified enhanced community quarantine (MECQ) from 04 to 18 August 2020. The Corporation recorded a deficit in its 2020 Audited Financial Statements.

Previously, at the Regular Meeting of the Board held on 21 March 2019, the Board approved the distribution of a cash dividend from the unrestricted retained earnings as of 31 December 2018 to stockholders of record amounting to P4.84 billion, with details as follows:

Cash Dividend (per share)		
Percent/Amount	Record Date	Payment Date
PhP 3.00 per share	05 April 2019	30 April 2019

Previously, at the Regular Meeting of the Board held on 14 March 2018, the Board approved the distribution of a cash dividend from the unrestricted retained earnings as of 31 December 2017 to stockholders of record amounting to P8.29 billion, with details as follows:

Cash Dividend (per share)		
Percent/Amount	Record Date	Payment Date
PhP 5.14 per share	28 March 2018	19 April 2018

At the Regular Meeting of the Board held on 20 April 2017, the Board approved the distribution of a cash dividend from the unrestricted retained earnings as of 31 December 2016 to stockholders of record amounting to P2.7 billion, with details as follows:

Cash Dividend (per share)		
Percent/Amount	Record Date	Payment Date
PhP 1.65 per share	05 May 2017	18 May 2017

Prior to that, at the Regular Meeting of the Board held on 15 August 2016, the Board approved the distribution of a cash dividend likewise from the unrestricted retained earnings as of as of 30 June 2016 to stockholders of record as of 15 August 2016 amounting to P3.3 billion, with details as follows:

Cash Dividend (per share)		
Percent/Amount	Record Date	Payment Date
PhP 2.08 per share	15 August 2016	19 September 2016

There were no dividends declared during the year 2014 and 2015.

### **Dividend Policy**

The Board of Directors is authorized to declare dividends only from the Corporation's unrestricted retained earnings, representing the net accumulated earnings of the Corporation with its unimpaired capital, which are not appropriated for any other purpose. The Board of Directors may not declare dividends which will impair the Corporation's capital. Dividends may be payable in either cash, shares or property, or a combination thereof, as the Board of Directors determines. A cash dividend declaration does not require any further approval from the Corporation's shareholders.

Each holder of Shares will be entitled to such dividends as may be declared by the Board of Directors on the basis of outstanding stock held by them, provided that any declaration of stock dividends requires the further approval of shareholders holding at least two-thirds of the Corporation's total outstanding capital stock. The Philippine Corporation Code has defined "outstanding capital stock" as the total shares of stock issued, whether paid in full or not, except treasury shares.

The Corporation, pursuant to a Board approval on 18 July 2016, intends to pay annual dividends in the amount of not less than 75% of its audited net income after tax of the previous year subject to compliance with the requirements of applicable laws and regulations and subject to investment plans and financial condition.

On 10 August 2022, the Dividend Policy of the Corporation was amended to change the frequency of its dividend declaration from annual to semi-annual with the same basis of 75% of the net income after tax during the relevant period and provided that it has sufficient unrestricted retained earnings

The amount of dividends will be reviewed periodically by the Board in light of the Company's earnings, financial condition, cash flows, capital requirements and other considerations while maintaining a level of capitalization that is commercially sound and sufficient to ensure that the Company can operate on a standalone basis. Unless otherwise required by law, the Board, at its sole discretion, shall determine the amount, type and date of payment of the dividends to the shareholders, taking into account various factors, including:

- the level of the Company's earnings, cash flow, return on equity and retained earnings;
- its results for and its financial condition at the end of the year in respect of which the dividend is to be paid and its expected financial performance;
- the projected levels of capital expenditures and other investment programs;
- restrictions on payments of dividends that may be imposed on it by any of its financing arrangements and current or prospective debt service requirements; and
- such other factors as the Board deems appropriate.

The payment of dividends in the future will depend on the Corporation's earnings, cash flow, investment program and other factors. Dividends payable to foreign shareholders may not be remitted using foreign exchange sourced from the Philippine banking system unless their investment was first registered with

the Bangko Sentral ng Pilipinas and thus, covered by the required Bangko Sentral Registration Document (“BSRD”).

#### 4) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

In 2015, the Corporation issued stock rights enabling its existing shareholders, thru their pre-emptive rights, to subscribe to up to an additional 900,000,000 common shares. The Authorized Capital Stock was increased from 1,000,000,000 shares to 2,500,000,000 shares, each with a par value of P 1.00 per share. Subscribed Capital Stock, which was fully paid, increased by PhP 894,672,777 from PhP 691,271,425 to PhP 1,585,944,202.

The Philippine Securities Exchange Commission issued on 18 August 2015 its Certificate of Approval of Increase of Capital Stock.

Since then, there has been no sale of unregistered or exempt securities by the Corporation.

#### 5) Description of the Corporation’s Shares

Capital stock and treasury shares as at 31 December 2017 to 2023 consist of:

	2023, 2022, 2021, 2020, 2019, 2018, 2017		2015		2014	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Authorized capital stock, common shares at P1 par value per share	2.5 billion	2,500,000	2.5 billion	2,500,000	1 billion	1,000,000
Issued shares	1,681,058,291	1,681,058	1,653,558,291	1,653,558	758,885,514	758,885
Treasury shares	(67,614,089)	(507,106)	(67,614,089)	(507,106)	(67,614,089)	(507,106)
Issued and outstanding shares	1,613,444,202	1,173,953	1,585,944,202	1,146,452	691,271,425	251,779

The capital stock of the Corporation increased from PhP1.0 billion divided into 1 billion shares with a par value of PhP1.00 each to PhP2.5 billion divided into 2.5 billion shares with a par value of PhP1.00 each. The increase was approved by majority of the Board of Directors on 24 March 2015 and the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock at a meeting held on 12 May 2015, certified to by the Chairman and the Secretary of the stockholders meeting and a majority of the Board of Directors.

The SEC approved the increase in authorized capital stock on 18 August 2015. In 2015, after approval of increase in authorized capital stock, the Corporation issued 894,672,777 shares with par value of PhP1 per share for a total consideration of PhP17.9 billion. Transaction costs relating to the issue of shares amounted to PhP40.6 million composed of registration and regulatory fees, and stamp duties. These were accounted for as a deduction from equity - through share premium. During its initial public offering, the Corporation issued 27,500,000 shares with par value of P1 per share for a total consideration of PhP1.8 billion. Transaction costs relating to the issue of shares amounted to PhP49.3 million composed of underwriting and selling fees, professional consultancy cost stamp duties and other related costs. These were accounted for as a deduction from equity, through share premium. Transaction costs that relate jointly to more than one transaction (e.g., professional consultancy costs) are allocated to those transactions based on the proportion of the number of new shares sold compared to the total number of outstanding shares immediately after the new share issuance.

As of 31 December 2023, the Corporation has 315 shareholders (31 December 2022 – 317), 279 of whom hold at least 100 shares (board lot size) of the Corporation’s common shares (31 December 2022 - 282).

As of 31 December 2022, the Corporation has 317 shareholders (31 December 2021 - 323), 282 of whom hold at least 100 shares (board lot size) of the Corporation’s common shares (31 December 2021 - 286).



As at 31 December 2021, the Corporation had 323 shareholders (31 December 2020 - 320), 286 of whom hold at least 100 shares (board lot size) of the Corporation's common shares (31 December 2020 - 283).

As at 31 December 2020, the Corporation had 320 shareholders (31 December 2019 - 320), 283 of whom hold at least 100 shares (board lot size) of the Corporation's common shares (31 December 2019 - 283).

(e) **Compliance with leading practices on Corporate Governance**

On 24 March 2022, the Board approved the amendments to the following corporate governance documents:

1. Updated Securities Dealing Code
2. Revised Related Party Transaction Policy, as endorsed by the RPT Committee
3. Revised Board Audit and Risk Oversight Committee Charter, as endorsed by BARC

In 2023, the Corporation celebrated a milestone in corporate governance, nabbing its first ever Two Arrow award from the Golden Arrow Awards. This recognition is given by the Institute of Corporate Directors to top Philippine Publicly Listed Entities that show exemplary performance against the ASEAN Corporate Governance Scorecard.

In November 2023 to December 2023, the Corporation conducted its fourth In-House Corporate Governance Training Sessions. Some participants joined in person while some joined virtually through Microsoft Teams.

One of the topics of the Training was "*The Brand Architecture: A Valuable Framework for Setting Strategy.*" This was presented by Mr. Emanuel A. Soriano, Jr. of the Institute of Corporate Directors ("ICD"). The other topic was "*Adopting an Entrepreneurial Mindset: A Primer for Board of Directors.*" This was discussed by Mr. Armand Cacacho, also of ICD. The Training totaled four hours.

In 2023, the Corporation appointed an external facilitator to conduct a Board Effectiveness Evaluation. The directors completed the assessment in December 2023.

On 06 December 2022, the Corporation conducted its third Virtual In-House Corporate Governance Training Sessions. Some participants joined in person while some joined virtually through Microsoft Teams.

The topics of the Training were **An Overview of Public Private Partnerships (PPP) and Administrative Law and Agencies** presented by Atty. Alberto Agra, Chairman of the Philippine Reclamation Authority. Atty. Agra is a Certified Public-Private Partnership ("PPP") Specialist and Certified Regulation Specialist. He is a PPP Law, Administrative Law and Local Government Law author, a professor and Political Law Bar reviewer, and former Acting Secretary of Justice, Acting Solicitor General and Government Corporate Counsel.

The Training totaled four hours. Atty. Agra first discussed the framework on PPPs and administrative agencies pertinent to the conduct of business of the Corporation, and in understanding the synergies between the government and the private sector. An in-depth discussion revolved around identifying the important elements of PPPs, overview of the PPP process, and the laws governing them. There was then a discussion on the administrative agencies, from their creation, types, powers, and recent jurisprudence and how these agencies impact the business of the Corporation.

On 24 and 25 November 2021, the Corporation held its second Virtual In-House Corporate Governance Training Sessions held on November 24 and 25 through Microsoft Teams ("Training"). The topic of the Training was Shell Scenarios: Building Resilient Mindsets. Ms. Geraldine Wessing, Chief Political Advisor from the Shell Group, delivered the Training. The Training commenced with the Founding Principles of a Scenario mindset, the Scenarios and the need to use them. The guiding principles in Scenarios: The Long View, Outside-in Thinking, and Multiple Perspectives are used to make better decisions. The participants applied the learnings in the Philippine setting for each of the Scenario.

Following a competitive tender process and pursuant to the endorsement from the RPT Committee and Board approval, the Corporation secured a five-year loan amounting to PhP6 billion with the Bank of the Philippines

Islands, then a related party, replacing an existing PhP6bln of short-term loan. The loan will reduce the Corporation's exposure to short-term volatilities in the market and maximize the low interest rate for its cash requirements. This will not impact its gearing which remains healthy. The drawdown date of the loan was on 20 December 2021.

On 10 November 2021, the Corporation received the Certificate of Approval of Equity Restructuring dated 05 November 2021 from the Securities and Exchange Commission (the "Commission"). Accordingly, the Corporation's deficit amounting to PhP4,304,059,000.00 in its Audited Financial Statements as of 31 December 2020 was wiped out against its additional paid-in capital ("APIC") of PhP26,161,736,000.00. Said approval is subject to the condition that the Corporation's remaining APIC of PhP21,857,677,000.00 shall not be used to wipe out future losses without the approval of the Commission. The Board of Directors of the Corporation approved its equity restructuring at its Regular Meeting held on 25 March 2021.

On 09 November 2021, the Board of Directors approved the contracts of the Corporation with Shell International Eastern Trading Company (SIETCO), trading arm of the Shell Group, after a favorable endorsement from the RPT Committee. Due to the materiality of the contracts, an external independent party evaluated the fairness of the contract terms. Transactions with SIETCO accounted for 96% of the related party transactions of the Corporation as of Q3 2021. The relevant advisement report was timely disclosed in compliance with SEC Memorandum Circular No. 10 on Rules on Material Related Party Transactions (MRPT) for Publicly-Listed Companies and the Corporation's RPT Policy.

On 11 October 2021, the Corporation became the first Philippine energy company to support Task Force on Climate-related financial disclosures (TCFD) and adopt its recommendations in providing decision-useful, climate-related information for its stakeholders. It made its first disclosures in its 2021 Annual and Sustainability Report.

The Corporation appointed an external facilitator to conduct a Board Effectiveness Evaluation covering 2020. The directors completed the assessment in February 2021. The external firm also conducted interview with the President and Chief Executive Officer. Results of the evaluation were reported to the Corporate Governance Committee in July 2021. The Committees and their respective Secretariats were engaged to address the recommendations and set the way forward.

On 21 November 2023, the Corporation held a Special Stockholders' Meeting. It recorded a quorum of 74.39% of the total outstanding shares of the Corporation. Total votes cast reached around 1.199 billion shares. During this meeting, the stockholders approved the proposal for the Corporation to directly engage in the electric vehicle charging station business and the amendment of its Articles of Incorporation ("AOI") to allow the sale of services related to electric charging. Likewise, the stockholders approved the proposal for the Corporation to sell services (including technical services related to the lubricants business) and the amendment of the AOI for this purpose.

On 26 September 2022, the Corporation held a Special Stockholders' Meeting. It recorded a quorum of 79% of the total outstanding shares of the Corporation. Total votes cast reached around 1.275 billion shares. During this meeting, the stockholders approved the change in corporate name to "**Shell Pilipinas Corporation**" from "Pilipinas Shell Petroleum Corporation." Likewise, the shareholders approved the amendment of the Corporation's Articles of Incorporation, particularly the Secondary Purposes, to allow it to engage in retail trade. On 15 March 2023, the SEC approved these changes.

On 09 May 2023, the Corporation held its fourth virtual Annual Stockholders' Meeting. It recorded a quorum of about 78% of the total outstanding shares of the Corporation. Total votes cast reached around 1.204 billion shares and the elected directors garnered favorable votes of more than 13.243 billion votes.

On 06 May 2022, the Corporation held its third virtual Annual Stockholders' Meeting. It recorded a quorum of 79% of the total outstanding shares of the Corporation. Total votes cast reached around 1.207 billion shares and the elected directors garnered favorable votes of more than 13.284 billion votes.

On 11 May 2021, the Corporation held its second virtual Annual Stockholders' Meeting. It recorded a quorum of more than 80% of the total outstanding shares of the Corporation. Total votes cast reached 1.295 billion shares and the elected directors garnered favorable votes of more than 13.352 billion votes. The Corporation also increased the number of its independent directors with the election of former Governor Amando M. Tetangco, Jr. He will be part of the Board Audit and Risk Oversight Committee and Sustainability Committee. He was the Governor of the Bangko Sentral ng Pilipinas (BSP) and Chairman of the Monetary Board for two six-year terms covering 04 July 2005 to 02 July 2017.

On 28 April 2021, the Corporate Governance Committee received the results of the Board Evaluation Survey covering the period of 2020 and has approved on 29 July 2021 the key action items to strengthen the Board's and the Committees' effectiveness.

On 14 November 2023, the Corporation announced that it is looking at short- and long-term strategies to profitably, efficiently and effectively provide more and cleaner energy solutions to the Filipino. This includes diversifying customer-centric offers, further optimizing operations and maximizing assets. The Corporation is refreshing its strategy, with a focus on recovering a strong earnings, cash and dividend-paying position, remaining a major player in the energy industry, and partnering in nation building. With its unwavering commitment and focus on performance, discipline, and simplification, the Corporation aims to create a sustainable and prosperous future for the Filipino people.

On 26 March 2021, the Corporation launched its reset and refocused five-year strategy (2021-2025), which includes:

1. Transforming retail fuel stations to broader mobility destinations
2. Pursuing a reliable, competitive and sustainable supply chain
3. Driving lower carbon operations, products and solutions

On 21 January 2021, the Sustainability Committee (formerly, CSR Committee) has amended its Charter to make it more relevant to the Corporation and the Board. This has been approved by the Board on 21 March 2021. The Committee's objective has been amended to support one of the Mission Statements of the Corporation which is "to be a partner in nation-building through multi-sector collaboration, especially with national and local government, civil society/NGOs and communities, on sustainability initiatives." The duties of the Sustainability Committee would be focused on:

1. Sharing external sustainability best practices and trends
2. When there is opportunity, steering the Business to provide additional resources or support to particular social performance, social investment and sustainability initiatives;
3. Providing support needed with regard to engagement with external stakeholders;
4. Support communication on the Corporation's social performance, social investment and sustainability initiatives, if needed; and
5. Reviewing the sustainability-related content of the Annual Report prior to its issuance.

In 2020, the Corporation was conferred by Capital Finance International with the Best Energy Corporate Governance Award, a recognition for the Corporation's comprehensive governance code and its strong fit-for-purpose corporate structure that is guided by its core values of honesty, integrity, and respect for people.

On 16 June 2020, the Corporation held its first virtual Annual Stockholders' Meeting. The meeting was held virtually for the safety of the shareholders, stakeholders, directors and officers of the Corporation in the midst of the COVID-19 pandemic, and in compliance with government regulations prohibiting mass gatherings. It was the first time that its shareholders were allowed to participate *in absentia* or via remote communication. The meeting recorded a quorum of more than 84% of the total outstanding shares of SHLPH. Total votes cast reached 1.355 billion shares and the elected directors garnered favorable votes of more than 14.617 billion votes.

Pursuant to the new SEC Rules on Material Related Party Transactions for Publicly-Listed Companies, PSPC amended its Related Party Transaction Policy to align its requirements with the said rules. The rules cover

any related party transactions amounting to ten percent (10%) or higher of a company's total assets based on its latest audited financial statements.

On 31 May 2018, the Corporation filed its first Integrated Annual Corporate Governance Report. It disclosed the Corporation's state of compliance with the recommendations under SEC Memorandum Circular No. 19, Series of 2016, otherwise known as the Code of Corporate Governance for Publicly-Listed Companies. The Report harmonized the corporate governance reportorial requirements of the Securities and Exchange Commission and the Philippine Stock Exchange.

On 31 May 2017, the Corporation filed its Revised Manual on Corporate Governance ("Revised Manual") in compliance with the Code of Corporate Governance for Publicly-Listed Companies, which aims to develop a strong corporate governance culture consistent with regulatory and statutory developments in this space.

As part of its initiatives, the Corporation separated the roles of Chairman from the President and that of the Corporate Secretary from the Chief Compliance Officer. The Corporation also created the Corporate Governance Committee, composed of independent directors, to assist in its corporate governance responsibilities and to take on, among others, the functions formerly assigned to the Compensation and Remuneration Committee. The Corporate Governance Committee ensures compliance with and proper observance of corporate governance principles and practices, and ensures that these are reviewed and updated regularly and consistently implemented in form and substance.

The Corporation, through its Chief Compliance Officer, carries out an evaluation to measure the Corporation's adherence to good corporate governance towards over-all business sustainability and success. This evaluation ensures that good corporate governance structures are built and maintained to create value for the Corporation and provide accountability and control systems commensurate with the risks involved. In this connection, the Corporation has collaborated with the Institute of Corporate Directors and other accredited organizations to determine the level of compliance by its Board and Management with corporate governance best practices. The Revised Manual also requires assessment of Board performance which the Corporate Governance Committee oversees. All directors and key officers are required to attend corporate governance seminars.

Measures are constantly being undertaken to improve the Corporation's corporate governance. Monitoring implementation and change is paramount to ensure that the Corporation's Revised Manual remains relevant and adjustable to uncertain and complex local and international environments. It is subject to annual review by the Board.

Another initiative taken by the Corporation is the renaming of the BARC, befitting of its responsibility to ensure an effective and integrated risk management process in place through an enterprise risk management ("ERM") framework. BARC also provides oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Corporation. To carry out these very critical activities, various officers like the Corporate Audit & Assurance Manager and Chief Risk Officer have been nominated and shall report, in one way or another, to the BARC.

The Revised Manual likewise provides for a Full Business Interest Disclosure for all incoming officers of the Corporation in order to address possible conflict of interest issues. In fact, the Corporation's internal policy on Conflicts of Interest applicable to all employees is well aligned with this requirement.

The Corporation is committed to strictly adhere to the requirements of the Revised Manual. There has been no violation nor sanction imposed on the company so far and we intend to continue with this feat. The Chief Compliance Officer is responsible for determining violation/s through notice and hearing, and will recommend to the Chairman the imposable penalty, for further review and approval of the Board.

The Corporation adopted the Revised Corporate Disclosure Guide to conform with the Revised Manual's steer for the Corporation to perform its corporate governance commitment as a publicly-listed company. The Corporation provides a comprehensive, accurate and timely report of its financial condition, results and

business operations, material fact or event and non-financial information (economic, environmental, social and governance) which underpin sustainability.

The Nomination Committee of the Corporation also adopted its own Charter. It included the nomination guidelines and process, statement on diversity and inclusion as well as review of the effectiveness of the nomination process. The Related Party Transaction Committee has also updated its Charter and Policy as part of its periodic review.

**Components of the monitoring system:**

Key Compliance Activities	Action Points	Milestone Dates	Person/ Entity Responsible	Status	Reason for Non-Compliance/ Deviation from Manual
1. Separation of the roles of Chairman and President		01 November 2016	Board	Done	
2. Adoption of Securities Dealing Code		27 February 2017	Board	Done	
3. Submission to the Philippine Stock Exchange of the first Compliance Report on Corporate Governance		31 March 2017	Corporate Secretary	Done	
4. Adoption of the Revised Manual on Corporate Governance which details the functions and responsibilities of the Board and its Committees		16 May 2017	Board	Done	
5. Creation of the Corporate Governance Committee		16 May 2017	Board	Done	
6. Adoption of Corporate Governance Committee Charter		16 May 2017	Board	Done	
7. Appointment of Chief Compliance Officer		16 May 2017	Board	Done	
8. Renaming of the Board Audit Committee to Board Audit and Risk Oversight Committee		16 May 2017	Board	Done	
9. Establishment of selection procedure for new directors under pertinent SEC rules and best practice recommendations		16 May 2017 based on the Revised Manual	Nomination Committee	Done	
10. Appointment of Chairman and Members of Board Committees consistent with the requirements of item 4 above		16 May 2017	Nomination Committee and Board	Done	
11. Directors to provide information on business interests and directorships in other corporations (Full business interest disclosure)			Nomination Committee	Done	
12. Assessment of "Independence" of directors based on disclosures in item 11 above			Nomination Committee	Done	
13. Appointment of Corporate Audit & Assurance Manager		01 June 2017	Board	Done	
14. Approval of the Revised Corporate Disclosure Guide		08 August 2017	Corporate Disclosure Committee	Done	

Key Compliance Activities	Action Points	Milestone Dates	Person/ Entity Responsible	Status	Reason for Non-Compliance/ Deviation from Manual
15. Approval of the Revised Related Party Transaction Committee Charter and Policy		27 February 2018	Board	Done	
16. First Non-Executive Directors Meeting		03 May 2018	Non-Executive Directors	Done	
17. Appointment of Lead Independent Director		03 May 2018	Non-Executive Directors	Done	
18. Submission of the first Integrated Annual Corporate Governance Report		30 May 2018	Board	Done	
19. Approval of the Internal Audit Charter		08 August 2018	Board	Done	
20. Approval of the Nomination Committee Charter		21 March 2019	Board	Done	
21. Approval of the Revised Related Party Transaction Committee Policy		21 March 2019	Board	Done	
22. Implementation of Related Party Transaction Policy			Related Party Transaction Committee	Done	
23. Approval of the Revised Related Party Transaction Policy		08 August 2019	Related Party Transaction Committee and Board	Done	
24. Information drive on the Revised Related Party Transaction Policy			Related Party Transaction Committee	Done	
25. First SEC-Accredited In-House Corporate Governance Training		08 November 2019	Corporate Secretary	Done	
26. Approval of the Revised Internal Audit Charter		26 March 2020	BARC and Board	Done	
27. Approval of the Revised BARC Charter		26 March 2020	BARC and Board	Done	
28. Records of Attendance level of directors in board meetings to be prepared and accessible to shareholders			Corporate Secretary	Done on a yearly basis	
29. Disclosure of Results of Stockholders' and Board Meetings			Corporate Secretary	Done	
30. Disclosure of Public Ownership Report			Corporate Secretary	Done every quarter	
31. Disclosure of Top 100 Stockholders			Corporate Secretary	Done every quarter	
32. Disclosure of changes in beneficial ownership of directors, officers and principal stockholders			Corporate Secretary	Done as and when transactions occur	
33. Conduct of Investors' and Analysts' Briefings			Investor Relations Office	Done every quarter	

Key Compliance Activities	Action Points	Milestone Dates	Person/ Entity Responsible	Status	Reason for Non-Compliance/ Deviation from Manual
34. Continuous assessment of Board performance via questionnaire			Corporate Governance Committee and Corporate Secretary	Done annually	
35. Review of vision, mission and core values			Corporate Governance Committee	Done annually	
36. Conduct an induction program for incoming Board members on PSPC's financial, strategic, operational and risk management position and the role of committees		After election of Directors	Corporate Governance Committee Secretariat	As and when there are new directors	
37. Attendance in Corporate Governance Workshops (Sec. 4 of PSPC's Revised Manual)		After election of Directors	Corporate Governance Committee and Corporate Secretary	Done	
38. Dissemination of copies of PSPC's Revised Manual to all classes of business and service functions with one copy under custody of HR dept. (Sec. 3 of PSPC's Revised Manual)			Corporate Secretary	Done	
39. Held first Virtual Annual Stockholders' Meeting allowing shareholders to attend and vote <i>in absentia</i> or via remote communication		16 June 2020	Corporate Secretary	Done	
40. Approval of the Revised Internal Audit Charter		25 March 2021	BARC and Board	Done	
41. Approval of the Sustainability Committee Charter (formerly, Corporate Social Responsibility Committee Charter)		25 March 2021	Sustainability Committee (formerly, Corporate Social Responsibility Committee) and Board	Done	
42. Board approval of equity restructuring to wipe out deficit		25 March 2021	Board of Directors	Done	
43. Launched the next five-year strategy (2021 to 2025)		26 March 2021	Management	Done	
44. Results of the Board Evaluation Survey covering the period of 2020		28 April 2021	Corporate Governance Committee	Done	
45. Increase in the number of independent directors from three to four in the 2021 Annual Shareholders' Meeting		11 May 2021	Shareholders	Done	
46. Approved the key action items on Board Evaluation Survey		29 July 2021	Corporate Governance Committee	Done	
47. Submitted the Advisement Report on the contracts		06 November 2021	RPT Committee	Done	

Key Compliance Activities	Action Points	Milestone Dates	Person/ Entity Responsible	Status	Reason for Non-Compliance/ Deviation from Manual
with SIETCO, a material reportable RPT			and Secretariat		
48. Disclosure of loan with BPI, a material RPT		20 December 2021	Corporate Disclosure Committee	Done	
49. Updated Securities Dealing Code		24 March 2022	Board	Done	
50. Revised Related Party Transaction Policy		24 March 2022	RPT Committee and Board	Done	
51. Revised Board Audit and Risk Oversight Committee Charter		24 March 2022	BARC and Board	Done	

## Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action will be taken with respect to any transaction involving the following:

- (a) the merger or consolidation of the registrant into or with any other person or of any other person into or with the Corporation;
- (b) the acquisition by the registrant or any of its stockholder of securities of another person;
- (c) the acquisition by the registrant of any other going business or of the assets thereof;
- (d) the sale or other transfer of all or any substantial part of the assets of the Corporation; or
- (e) the liquidation or dissolution of the Corporation.

## Item 13. Acquisition or Disposition of Property

There are no matters or actions to be taken up with respect to acquisition or disposition of any property by the Corporation.

## Item 14. Restatement of Accounts

There are no matters or actions to be taken up with respect to the restatement of any asset, capital, or surplus account of the Corporation.

## **D. OTHER MATTERS**

### Item 15. Action with Respect to Reports

The approval of the stockholders on the following actions will be taken up:

- (a) Approval of the Minutes of the Special Meeting of the Stockholders held on 21 November 2023;
- (b) Approval of act of the Board of Directors, Board Committees and Management for the period covering 09 May 2023 to 14 May 2024:
  - (i) Appointment of External Auditors
  - (ii) Amendment of By-Laws: Increase of Quorum Requirement for Board Meetings



- (c) Election of the Members of the Board of Directors for the ensuing calendar year. The nominees include one independent director whose term is proposed to be extended beyond nine (9) years on the basis of the following meritorious grounds provided by the Board through the Nomination Committee:
- a. Said independent director, by himself and in coordination with other directors and officers, continues to play an important role in maintaining the Corporation's external capabilities and support;
  - b. The extended independent director possesses the wealth of experience and expertise and external network necessary for the Corporation to navigate during this challenging period, as we emerge from the pandemic and manage its full effect;
  - c. The extended independent director has consistently proven, and continue to prove, his value to the Board and the Corporation;
  - d. There must be a viable transition that ensures continuity as we transcend beyond the pandemic;
  - e. The length of time that the extended independent director sat on the Board has not and will not impair said director's ability to act independently and objectively;
  - f. The extended independent director remains independent, being an internationally respected and recognized leader in his own right apart from the Corporation and its substantial shareholders; and
  - g. His profound knowledge and extensive understanding of the history, culture, operations and direction of the Country, the Economy, the Corporation places him in a unique position to provide invaluable inputs during Board meetings.

A draft of the Minutes of the Special Meeting of the Stockholders may be accessed through the Corporation's website at <https://pilipinas.shell.com.ph/>.

#### **Item 16. Matters Not Required to be Submitted**

No action is to be taken with respect to any matter which is not required to be submitted to a vote of the stockholders.

#### **Item 17. Amendment of Charter, Bylaws or Other Documents**

The shareholders will be requested to approve the amendment of Article III, Section 4 of the Corporation's By-Laws in order to increase the quorum requirement for Board Meetings to two-thirds (2/3) of the total Board seats, as follows:

Current provision	Proposed provision
A quorum at any meeting of the Board of Directors shall consist of a majority of the entire membership of the board. A majority of the Directors forming such quorum shall decide any question that may come before the meeting, save and except any such matters in which the Corporation Law may require the affirmative vote of a greater proportion of the members of the Board.	A quorum at any meeting of the Board of Directors shall consist of two-third (2/3) of the entire membership of the board. A majority of the Directors forming such quorum shall decide any question that may come before the meeting, save and except any such matters in which the Corporation Law may require the affirmative vote of a greater proportion of the members of the Board.

#### **Item 18. Other Proposed Action**

There are no other actions to be taken up other than those mentioned above.

#### **Item 19. Voting Procedures**

Only those shareholders who have voted by proxy, *in absentia* or remote communication will be included in determining the existence of a quorum. All matters subject to vote, except in cases where the law provides otherwise, shall be decided by the affirmative majority vote of stockholders present by proxy, *in absentia* or by remote communication and entitled to vote thereat, provided a quorum is present.

For election of directors, a stockholder may vote such number of shares for as many persons as there are for directors to be elected. The stockholder may also cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares owned or the shareholder may distribute them on the same principle among as may candidates as they see fit.

Pursuant to Sections 23, 49 and 50 of the RCC, shareholders may participate through remote communication and *in absentia*. During the Annual Stockholders' Meeting and the Organizational and Regular Board Meeting held on 07 May 2019, the shareholders and the Board of Directors of the Corporation approved the amendment of its By-laws to allow stockholders to vote through remote communication or *in absentia*. The Securities and Exchange Commission approved the amendment on 15 March 2023, thereby allowing stockholders to participate and vote *in absentia* or via remote communication. Said stockholders shall be deemed present for purposes of quorum.

Pursuant to Sections 23, 49 and 50 of the Revised Corporation Code, shareholders may participate through remote communication and *in absentia*. During the Annual Stockholders' Meeting and the Organizational and Regular Board Meeting held on 07 May 2019, the shareholders and the Board of Directors of the Corporation approved the amendment of its By-laws to allow stockholders to vote *in absentia* or via remote communication. The Securities and Exchange Commission approved the amendment on 15 March 2023, thereby allowing stockholders to also participate and vote through *in absentia* or via remote communication. Said stockholders shall be deemed present for purposes of quorum.

For the detailed procedure on voting *in absentia* or via remote communication, please refer to Annex "B".

Voting and counting shall be by ballot or electronic where available. Such stockholder may or may not cumulate his/her votes. The counting thereof shall be verified by SGV, a member firm of Ernst & Young Global Limited.

## **Item 20. Participation and Voting of Shareholders *In Absentia* or By Remote Communication**

In view of the conduct of a virtual Annual Stockholders' Meeting, the shareholders, after a verification process, may attend virtually through Shell Operated Webcast.

The registration, verification and voting processes are outlined in Annex "B". Stockholders may also email questions or comments prior to the meeting to the Office of the Corporate Secretary at [PSPC-Governance@shell.com](mailto:PSPC-Governance@shell.com).

## UNDERTAKING

The Annual Report (to be attached as Annex “G” to the Definitive Information Statement) and Audited Financial Statements as of 31 December 2023 as approved by the Board of Directors on 21 March 2024 and endorsed by the Board Audit and Risk Oversight Committee on 19 March 2024 will be attached to the Definitive Information Statement for distribution to stockholders on or before 16 April 2024.

Upon written request of a stockholder, the Corporation undertakes to furnish requestor-stockholder with a copy of SEC Form 17-A free of charge, except for exhibits attached thereto which shall be charged at cost. Any written request for a copy of SEC Form 17-A shall be addressed to the following:

**SHELL PILIPINAS CORPORATION**  
Office of the Corporate Secretary at [PSPC-Governance@shell.com](mailto:PSPC-Governance@shell.com).

**Attention: Request for Documents**

**PART II.**

**SIGNATURE PAGE**

*After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct.*

*This report is electronically signed on 25 March 2024.*

*By:*

A handwritten signature in black ink, appearing to read 'mg gamu', written in a cursive style.

**MARK HADRIAN P. GAMO**  
*Corporate Secretary*  
*Shell Pilipinas Corporation*

ANNEX A

SAMPLE PROXY FORM (DRAFT)

The undersigned stockholder of SHELL PILIPINAS CORPORATION (the "Corporation", formerly Pilipinas Shell Petroleum Corporation) hereby appoints \_\_\_\_\_<sup>1</sup> or in his absence, the Chairman of the meeting, as attorney-in-fact and proxy, with power of substitution, to present and vote all shares registered in his/her/its name at the annual meeting of stockholders of the Company on 14 May 2024 and at any of the adjournments thereof for the purpose of acting on the following matters:

- 1. Approval of minutes of previous meeting.  Yes  No  Abstain
- 2. Approval of acts and resolutions of the Board of Directors, Committees and Management:
  - (a) Election of SyCip Gorres Velayo & Co. as the independent auditor and fixing of its remuneration  Yes  No  Abstain
  - (b) Amendment of Article III, Section 4 of the Corporation's By-Laws in order to increase the quorum requirement for Board Meetings to 2/3 of the total Board seats  Yes  No  Abstain

No. of Votes

- 3. Election of Directors/Independent Directors
  - i. Reynaldo P. Abilo (Executive Director, Incumbent) \_\_\_\_\_
  - ii. Nina D. Aguas (Non-Executive Director, Incumbent) \_\_\_\_\_
  - iii. Fernando Zobel de Ayala (Independent Director, Incumbent) \_\_\_\_\_
  - iv. Edgar O. Chua (Independent Director, Incumbent) \_\_\_\_\_
  - v. Stuart Chaplin (Non-Executive Director, Incumbent) \_\_\_\_\_
  - vi. Michael P. Ramolete (Executive Director, Incumbent) \_\_\_\_\_
  - vii. Lydia B. Echauz (Independent Director, Incumbent) \_\_\_\_\_
  - viii. Luis C. la Ó (Non-Executive Director, Incumbent) \_\_\_\_\_
  - ix. Lorelie Q. Osial (Executive Director, Incumbent) \_\_\_\_\_
  - x. Min Yih Tan (Non-Executive Chairman, Incumbent) \_\_\_\_\_
  - xi. Amando Tetangco, Jr. (Independent Director, Incumbent) \_\_\_\_\_

PRINTED NAME OF STOCKHOLDER

SIGNATURE OF STOCKHOLDER/ AUTHORIZED SIGNATORY

DATE

**WE ARE NOT SOLICITING A PROXY. YOU ARE NOT REQUIRED TO ISSUE A PROXY. THIS SAMPLE FORM IS PROVIDED ONLY FOR YOUR REFERENCE AND CONVENIENCE.**

ANY PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY BY EMAIL TO [PSPC-Governance@shell.com](mailto:PSPC-Governance@shell.com) ON OR BEFORE **27 APRIL 2024**, THE DEADLINE FOR SUBMISSION OF PROXIES.

<sup>1</sup> Please include the email address of the proxy named other than the Chairman of the Board to allow the proxy to attend via remote communication.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON.

NOTARIZATION OF THIS PROXY IS NOT REQUIRED.

**ANNEX B**  
**PARTICIPATION *IN ABSENTIA* OR VIA REMOTE COMMUNICATION**

Stockholders of record as of 17 April 2024 have the option of electronic voting *in absentia* on the matters in the Agenda, after email registration and successful validation.

**Registration**

1. Shareholder must send an email to the Office of the Corporate Secretary at [PSPC-Governance@shell.com](mailto:PSPC-Governance@shell.com) on or before **27 April 2024**:

- a. Subject of the Email: SHLPH 2024 Annual Stockholders' Meeting Registration
- b. The following must be provided or attached in the email:

Individual stockholders with stock certificates	<ol style="list-style-type: none"> <li>i. A recent photo of the stockholder, with the face fully visible (in JPG format). File size should be no larger than 2MB;</li> <li>ii. A scanned copy of the front and back portions of the stockholder's valid government-issued ID, preferably with residential address (in JPG format). File size should be no larger than 2MB;</li> <li>iii. Email address</li> <li>iv. Contact number</li> <li>v. <b><u>Indicate if stockholder will attend via remote communication</u></b></li> </ol>
Stockholders under Broker accounts	<ol style="list-style-type: none"> <li>i. Broker's certification on the stockholder's number of shareholdings (in JPG format) as of 17 April 2024. File size should be no larger than 2MB;</li> <li>ii. A recent photo of the stockholder, with the face fully visible (in JPG format). File size should be no larger than 2MB;</li> <li>iii. A scanned copy of the front and back portions of the stockholder's valid government-issued ID, preferably with residential address (in JPG format). File size should be no larger than 2MB;</li> <li>iv. Email address</li> <li>v. Contact number</li> <li>vi. <b><u>Indicate if stockholder will attend via remote communication</u></b></li> </ol>
Corporate stockholders	<ol style="list-style-type: none"> <li>a. Secretary's certificate attesting to the authority of the representative to vote for, and on behalf of the Corporation (in JPG format). File size should be no larger than 2MB;</li> <li>b. A recent photo of the stockholder's representative, with the face fully visible (in JPG format). File size should be no larger than 2MB;</li> <li>c. A scanned copy of the front and back portions of the valid government-issued ID of the stockholder's representative, preferably with residential address (in JPG format). The file size should be no larger than 2MB;</li> <li>d. Company email address</li> <li>e. Contact number</li> <li>f. <b><u>Indicate if stockholder will attend via remote communication</u></b></li> </ol>

## Validation

2. Upon receipt by the Corporation of the email, the Office of the Corporate Secretary will acknowledge it and will revert with its validation result no later than three (3) business days from receipt.
3. Once successfully validated, the stockholders will receive another e-mail notification of their successful registration.

## Voting

4. Registered stockholders have until the end of the Meeting to cast their votes *in absentia* or via remote communication through the digital ballot link that will be sent by the Office of the Corporate Secretary.
  - a. For items other than the Election of Directors, the registered stockholder has the option to vote: For, Against, or Abstain. The vote is considered cast for all the registered stockholder's shares.
  - b. For the election of directors, the registered stockholder may vote for all nominees, not vote for any of the nominees, or vote for some nominees only, in such number of shares as preferred by the stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected. Further, if a stockholder has indicated an intention to vote for the nominees but did not indicate the number of shares voted for/against each nominee, it will be presumed that the stockholder (i) has cast the maximum number of votes he is entitled to (i.e. shares held multiplied by 11) and (ii) that he allocated an equal number of votes for/against the indicated nominees.
  - c. The registered stockholder can proceed to submit the accomplished ballot by clicking the 'Submit' button.

Votes cast *in absentia* will have equal effect as votes cast in person or by proxy. If a proxy was sent prior to voting *in absentia*, the proxy will be superseded by a ballot cast by the same shareholder or his/her/its proxy *in absentia*.

## Counting

1. The Office of the Corporate Secretary will count and tabulate the votes cast *in absentia* and via remote communication together with the votes cast by proxy.

For any clarifications, please contact Office of the Corporate Secretary at [PSPC-Governance@shell.com](mailto:PSPC-Governance@shell.com).

## Remote Communication

1. Only shareholders who have notified the Office of the Corporate Secretary upon registration of their intention to participate in the Meeting by remote communication will receive the link of the Meeting.
2. Note that shareholders participating by remote communication who wish to cast their votes must also accomplish the digital ballot to cast their votes.
3. Stockholders will be on audio mode and will be able to see the presentations. Since only the presenters can speak during the Meeting, stockholders may email questions or comments prior to the meeting to the Office of the Corporate Secretary at [PSPC-Governance@shell.com](mailto:PSPC-Governance@shell.com). Time permitting, the Corporation will exert best efforts to read and answer the questions during the Meeting.
4. The recorded webcast of the Meeting will be posted on the Corporation's website after the Meeting. Stockholders shall have two weeks from posting to raise to the Company any issues, clarifications and concerns on the Meeting conducted.



**ANNEX C**  
**MINUTES OF THE SPECIAL STOCKHOLDERS' MEETING ON**  
**21 NOVEMBER 2023**

**ANNEX D TO D-3  
CERTIFICATIONS OF INDEPENDENT DIRECTORS**

**ANNEX E**  
**CERTIFICATION OF NO GOVERNMENT OFFICIAL**

**ANNEX F**  
**AUDITED FINANCIAL STATEMENT AS OF 31 DECEMBER 2023**

**ANNEX G**  
**17-A / ANNUAL REPORT AS OF 31 DECEMBER 2023**