



Fueling Progress for the Filipino



**PILIPINAS SHELL
PETROLEUM CORPORATION**

ANNUAL AND SUSTAINABILITY
REPORT 2016

ABOUT THE COVER

Fueling progress for the Filipinos conveys Pilipinas Shell Petroleum Corporation's commitment to nation-building. We recognise that the way we operate, the products we sell, and how we allocate capital impacts the economic growth of the country. We therefore measure and report our performance on these areas to ensure we contribute to improving the lives of Filipinos.

The cover photo shows Project Greensite in Nuvali, which aims to improve the energy and carbon efficiency of Shell service stations through the use of

energy-efficient lighting technologies and ventilation systems, including retrofitting of efficiency-enhancing features on existing equipment and structures. The Shell Nuvali service station featured on the cover has the most environment-friendly solutions and engineering innovations installed, which aims to reduce its carbon footprint, conserve water, and protect the environment.

Shell is managing its environmental impacts not only by developing cleaner and smarter products, but also with its smarter infrastructure.

DISCLAIMER

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

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

All references to the "Government" are to the national, local and all other instrumentalities of the government of the Philippines. All references to "Peso", "Pesos", "PHP" and "P" are to the lawful currency of the Philippines and all references to "US dollars" and "US\$" are to the lawful currency of the United States. Our Company publishes our financial statements in Pesos.

This report contains forward-looking statements concerning the financial condition, results of operations and businesses of Royal Dutch Shell, including PSPC. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among other things, statements concerning the potential exposure of Royal Dutch Shell to market risks and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. These forward-looking statements are identified by their use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "goals", "intend", "may", "objectives", "outlook", "plan", "probably", "project", "risks", "schedule", "seek", "should", "target", "will" and similar terms and phrases. There are a number of factors that could affect the future operations of Royal Dutch Shell and could cause those results to differ materially from those expressed in the forward-looking statements included in this report, including (without limitation): (a) price fluctuations in crude oil and natural gas; (b) changes in demand for Shell's products; (c) currency fluctuations; (d) drilling and production results; (e) reserves estimates; (f) loss of market share and industry competition; (g) environmental and physical risks; (h) risks associated with the identification of suitable potential acquisition properties and targets, and successful negotiation and completion of such transactions; (i) the risk of doing business in developing countries and countries subject to international sanctions; (j) legislative, fiscal and regulatory developments including regulatory measures addressing climate change; (k) economic and financial market conditions in various countries and regions; (l) political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, delays or advancements in the approval of projects and delays in the reimbursement for shared costs; and (m) changes in trading conditions. No assurance is provided that future dividend

payments will match or exceed previous dividend payments. All forward-looking statements contained in this report are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Readers should not place undue reliance on forward-looking statements. Additional risk factors that may affect future results are contained in Royal Dutch Shell's 20-F for the year ended December 31, 2016 (available at www.shell.com/investor and www.sec.gov). These risk factors also expressly qualify all forward looking statements contained in this report and should be considered by the reader. In addition, there are a number of risk factors that could affect the future operations of PSPC which are contained in PSPC's SEC Form 17-A for the year ended December 31, 2016 (available at www.pilipinas.shell.com.ph/investors/financial-reports.html). These risk factors also expressly qualify all forward looking statements contained in this report and should be considered by the reader. Each forward-looking statement speaks only as of the date of this report, 17 April 2017. Neither Royal Dutch Shell plc nor any of its subsidiaries undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other information. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this report.

This report may contain references to Royal Dutch Shell's website. These references are for the readers' convenience only. Royal Dutch Shell is not incorporating by reference any information posted on www.shell.com.

We may have used certain terms, such as resources, in this report that United States Securities and Exchange Commission (SEC) strictly prohibits us from including in our filings with the SEC. U.S. Investors are urged to consider closely the disclosure in our Form 20-F, File No 1-32575, available on the SEC website www.sec.gov.

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About Our Report

We are proud to publish our first annual and sustainability report in accordance to the GRI G4 Sustainability Reporting Guidelines.

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PSPC is the only multinational player with an integrated refining and marketing operations in the Philippines.

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Helping to Shape a More Sustainable Energy Future

In the coming decades, more cleaner energy will be needed for economic development.

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Our Business

An overview of our business – manufacturing, supply and distribution, retail, and commercial.

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Running a Safe, Efficient, Responsible, and Profitable Business

This is the foundation of our approach, which includes having Shell Group's standards, processes and tools in place to manage safety, the environment, and community involvement.

93

Looking Forward

We constantly look at the future as a source of inspiration and challenge as we make our business more inclusive, responsive, and profitable.

41

Corporate Governance

PSPC is committed to good corporate governance and overall business sustainability.

81

Sharing Wider Benefits Where We Operate

Our business is planned for the long term, which means we can be part of a community for decades.

96

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The GRI Content Index indicates the disclosures and the location of information in this report.

About Our Report

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We are proud to publish our first annual and sustainability report, which provides an overview of Pilipinas Shell Petroleum Corporation's (PSPC) baseline financial, operational, and sustainability performance.

It contains Standard Disclosures, in accordance with the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines. A list of the Standard Disclosures and their location in this report is summarised in a GRI Content Index found on page 96. Disclosures cover our performance within January 1 to December 31, 2016, unless otherwise specified.

SCOPE AND BOUNDARIES

Shell is an integrated international energy company with expertise in the production, refining, and marketing of oil and natural gas. Shell operates in 70+ countries around the world, including the Philippines.

Shell companies in the Philippines (SciP) includes various companies operating in oil and gas exploration, refining, distribution, marketing, and business services. SciP is now among the country's largest investors that employs over 4,000 staff nationwide. SciP includes Pilipinas Shell Petroleum Corporation (PSPC). PSPC refines, blends, transports, and markets a wide range of high quality fuels, lubricants, bitumen, and other specialty oil-based products. We operate a refinery with a nameplate capacity of 110,000 barrels per day, and we have 996 active retail stations nationwide.

All disclosures refer to PSPC's performance, unless otherwise specified. It also includes social investment projects funded by PSPC and implemented by Pilipinas Shell Foundation, Inc. (PSFI), an independent non-profit organisation. Programmes and innovations by the Shell Group, such as Shell Eco-marathon Asia, are also mentioned in our report. For comparison and continual improvement, our report includes 2013 to 2015 data where available.

FEEDBACK

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SHELL COMPANIES IN THE PHILIPPINES



**PILIPINAS SHELL
PETROLEUM
CORPORATION**



**SHELL PHILIPPINES
EXPLORATION
B.V.**

Operator of
Malampaya Deepwater
Gas-to-Power Project



**SHELL SHARED
SERVICE (ASIA)
B.V.**

Business Services
and Advisory



**PILIPINAS SHELL
FOUNDATION,
INC.**

About Our Company

G4-3, G4-5, G4-6, G4-7

PSPC is the only multinational player with an integrated refining and marketing operations in the Philippines.

We have the most efficient retail distribution network in the Philippines with an oil refinery in Tabangao, Batangas, and various oil terminals all over the country. Our headquarters is at Shell House, 156 Valero Street, Salcedo Village, Makati City.

The Shell brand in the Philippines traces its roots to Asiatic Petroleum Company (Philippine Islands), Ltd., which started in 1914. In 1959, our Company was incorporated under the name The Shell Refining Company (Philippines), Inc. In 1973, we officially became known as Pilipinas Shell Petroleum Corporation.

Shell Overseas Investments B.V. (SOIBV), a corporation registered under the laws of the Netherlands, holds about 55% interest in PSPC in 2016. The remaining shareholdings of 45% are owned by Filipino and foreign shareholders.

PSPC shareholding

as of December 31, 2016

55.2%	Shell Overseas Investments, B.V.
15.8%	The Insular Life Assurance Company, Ltd.
4.2%	Spathodea Campanulata, Inc.
24.8%	Minority Shareholders

1960

PSPC begins construction of a crude oil refinery in Tabangao, Batangas.

'62

The Tabangao Refinery starts commercial operations with a nameplate capacity of 30,000 bpd.

'82

PSPC partners with PSFI on health, entrepreneurship, skills and leadership development, and environmental programmes.

'93

PSPC starts constructing a bigger and more modern Tabangao Refinery, primarily to replace two crude distillers built in 1960.

'95

The nameplate capacity of the Tabangao Refinery increases to 110,000 bpd.

'99

PSPC acquires and merges with Shell Philippine Petroleum Corporation (SPPC), the Philippines' only lube oil refinery.

VISION

To be the most admired and trusted company that powers progress for the Filipino through high quality energy products and services.

MISSION

We delight our **Customers** with high quality fuels, lubricants and specialties, and best-in-class technical and convenience services.

We attract and retain the best **Employees** through very competitive remuneration and growth opportunities.

We engage the most professional **Business Partners** in long-term and mutually-beneficial relationships.

We partner with **Government** and **Communities** in promoting social investments and advocacies that contribute to national development.

We deliver consistent, attractive and increasing returns for our **Shareholders** through operational excellence, superior value propositions, and strong corporate governance.



CORE VALUES

G4-56

Honesty

Integrity

Respect

GENERAL BUSINESS PRINCIPLES

Economic

Competition

Business Integrity

Political Activities

Health, Safety, Security,
and the Environment

Local Communities

Communication and Engagement

Compliance

For more information on Shell's Core Values and General Business Principle, you may visit <http://www.shell.com/about-us/our-values.html>

2003

PSPC opens a bitumen storage and distribution facility in Villanueva, Misamis Oriental.

'07

Gas Mo Bukas Ko (GMBK) was launched to help our retail forecourt staff through capacity building programmes.

'12

PSPC launches three new premium performance fuels – Shell V-Power Nitro + Gasoline, Shell V-Power Nitro + Racing, and Shell V-Power Nitro + Diesel.

The Tabangao Refinery celebrates 50 years of operations.

'14

PSPC begins constructing the North Mindanao Import Facility (NMIF).
Shell celebrates 100 years in the Philippines.

'15

PSPC completes the upgrade of the Tabangao Refinery.

'16

The NMIF commences commercial operations.

PSPC lists in the Philippine Stock Exchange with the stock symbol "SHLPH".

Message from the Chairman

G4-1

2016 was a year filled with corporate milestones as well as continued success, and it forms the backdrop of our first Annual and Sustainability Report.

The most significant milestone for us is being a publicly-listed company as we conducted our Initial Public Offering in November. We raised a total of P18.4 billion from the listing, part of which will help fund growth investments especially in expanding our retail network, upgrading our refinery, and further enhancing our supply and distribution network.

Another major milestone is the inauguration of our North Mindanao Import Facility (NMIF) in Cagayan de Oro City, a progressive metropolis and regional economic hub. NMIF will considerably reduce logistics costs, provide flexibility in our supply options while enabling us to serve the growing market in the south.

Our marketing initiatives have yielded very positive results across all fronts, from business to business such as bitumen, aviation, and wholesale fuels to lubricants and retail. While we remain a strong second in overall market share in retail, capturing almost a third of the domestic retail fuel market, we continue to lead and be first in the metrics that matter, e.g. corporate brand preference and retail network efficiency where our stations pump almost double the industry average. These are indicators that there is still much growth that the company can look forward to.

We continued our focus on operational efficiency, cost management, strengthening linkages with partners and most importantly, ensuring that we offer the best value to our customers in products and services. All of these, plus a favorable operating environment, enabled us to more than double our net income for 2016 compared to the previous year hitting P7.4 billion while our gearing went down to a low of 27%.

As we transitioned to being a publicly-listed company, we effected a change in leadership structure separating the roles of Chairman from that of President and Chief Executive Officer. We welcome, in particular, the appointment of a respected and very capable industry insider, Cesar G. Romero as company President and CEO. His decades of experience across refining, trading, sales and marketing with assignments in London, Singapore and China, have prepared him well to take on the leadership of Shell in the Philippines.

Looking at the future, our company plans to upgrade the Tabangao Refinery to produce bitumen, an integral component for road construction. We will be the only local producer of bitumen for export and local sales. With a significant chunk of the national budget allocated for building roads, bridges, schools, and other transportation facilities, our company is poised to be a prime contributor in pump-priming the country's physical infrastructure.




EDGAR O. CHUA
PSPC CHAIRMAN

We will also continue our disciplined and selective retail network expansion by providing additional amenities to our customers such as food and drinks convenience retailing, and oil change services; all of which will be in more comfortable facilities including clean toilets.

As we continue to expand our presence in the country, we heed the collective call to action and recognise the important role our business plays in driving solutions towards a cleaner low carbon future, solutions for mobility and fueling infrastructure development towards shared prosperity for all. Among Shell Group's key initiatives towards this end are the continued support for research and development of alternative cleaner fuels and the expansion of business interests to include natural gas, which is a key step in reducing our carbon footprint. We are determined to provide shareholders with world-class investment opportunities while fulfilling our mandate, which has remained unchanged since day one: meeting the energy needs of the Philippines and supporting its low-carbon intensity transition while optimising our economic and social impacts to our business partners, employees, and the communities we serve.

We look with much excitement and optimism to the future just as much as when we set up shop in the country more than 100 years ago. That we have grown from strength to strength throughout the decades is testament to the countless individuals who led and served our company, believed and invested in its potential as shareholders and business partners, and most especially patronised and remained loyal users of our quality products and services. To them we owe our gratitude and for that trust we commit ourselves to building a company prepared to face the challenges of a new century.

Message from the President & CEO

G4-1, G4-2

Historic is an apt way to describe the performance of our company in 2016. Due in large part to deft management which focuses on efficient operations, superior products and customer service, our business units performed significantly better which doubled our net income from P3.6 billion in 2015 to P7.4 billion in 2016.

Conscious management and savings from a more efficient distribution channel has enabled us to deliver additional value to our shareholders. Last year's focus on optimising our distribution network delivered over P450 million cost savings through our various supply chain improvements, including those delivered by our North Mindanao Import Facility in Cagayan de Oro City.

Our well-positioned and highly efficient retail service stations allow us to sell our high quality and differentiated fuels, premium lubricants, and other non-fuel related retail products and services. Through our convenience brands, Shell Select and Deli2Go, we are able to offer fast-moving goods and in-store dining options.

In addition, our company has been able to maintain its large retail market share by providing excellent customer experience, convenient and trusted service, and rewards through loyalty schemes and marketing programmes, such as point accumulation in exchange for items and rebates schemes.

Our commercial segments continue to contribute significantly to our balanced portfolio of marketing businesses with strong growth and profitability in our aviation, lubricants, bitumen, and non-power segment of our fuel oil business.

These factors formed the bedrock for the success of our company's listing in the local bourse under the stock symbol "SHLPH".

Without a doubt, PSPC continues to deliver on its value proposition of driving business growth with good profitability, good governance, and effective partnering with our wide range of stakeholders for nation building.

In the face of climate change, continued population growth, and the increasing clamour for cleaner energy, we at PSPC are directly responding by investing in energy efficiency, emissions reduction, and leak prevention. We continue to operate responsibly, live by our principles, and contribute to wider public dialogue and synergies for better energy and climate policies.

Shell's scientists are constantly at work to produce more efficient products and our facilities are also being upgraded to run on cleaner fuels. To further push our advocacy for sustainable and smarter mobility solutions, the Shell Eco-Marathon was launched and the seventh edition last year attracted over 30,000 local and international guests and 117 student teams from 17 countries across Asia Pacific, Middle East, and Australia to translate their visions of sustainable mobility into vehicles that demonstrate the most fuel efficiency.

We constantly look at the future as both a source of inspiration and opportunity as we pursue determined approaches for a more inclusive, proactive, and profitable business. Our strategies moving forward remain aware of our responsibilities to shareholders and stakeholders alike, and reflect long held traditions of customer service excellence, innovation, and industry leadership.

Our investments in retail network expansion will continue side by side with the regular evaluation of the efficiency and effectivity of our retail portfolio. We will invest in our refinery to improve plant reliability as well as upgrade our facility to enable bitumen production, positioning the company to support the country's infrastructure growth and development.




CESAR G. ROMERO
 PSPC PRESIDENT & CEO

PSPC will selectively pursue growth opportunities in the Philippine market through its continuous expansion in urban centres and surrounding suburbs and other emerging economic regions and growing rural trade areas.

As Shell enjoys an overall good reputation according to 89% of respondents of a Nielsen study done in 2015, PSPC plans to further enhance its market leadership and increase its customer base. PSPC will also capture greater market share in lubricant and non-fuel related sectors by expanding and improving its differentiated and higher margin products via the Shell Helix Oil Change+ outlets and leveraging Helix, Rimula, and Advance as anchor brands. The "Welcome to Shell" campaign will upgrade customer experience through improved facilities, staff motivation, and its Deli2Go in-store dining option.

The company will continue to focus on world-class talent development and retention to realise the full potential of its people. As of December 31, 2016, PSPC employed 698 people, reflecting its focus on developing the Filipino workforce. PSPC also runs a nationwide scholarship programme, Gas Mo, Bukas Ko (meaning "You fuel my future"), aimed at upskilling service station attendants to give them access to more income opportunities.

For 2017, we will continue to focus on our goals of maximising cash generation while optimising shareholder returns, carrying out disciplined expansion and capital allocation, and generating superior dividends.

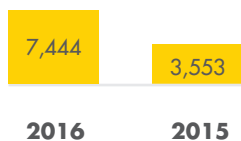
We are excited to publish this first Annual and Sustainability Report at a time of impressive growth for our company. Our commitment to short-term and long-term profitability, addressing environmental opportunities, improving local communities, and overall global excellence can be found in the contents of this report.

We have set ambitions and forged a clear path for the years ahead. With 2016 setting the tone for breakthrough performance, I am confident that 2017 will be another year of strong performance for PSPC and its stakeholders.

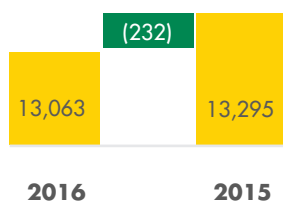
CFO Report

2016 was a historic year for Pilipinas Shell Petroleum Corporation (PSPC). On November 03, 2016, Edgar O. Chua, our Chairman, and Cesar G. Romero, our newly-appointed President and CEO, rang the opening bell in the Philippines Stock Exchange (PSE) which signaled the start of trading of the "SHLPH" ticker on the PSE board. PSPC's public listing cements our continuing commitment to deliver value to our shareholders and various stakeholders as well as power progress for the Filipino, through strong cash generation, prudent cost management, and rigorous capital discipline.

Net Income
(in million PHP)



OPEX
(in million PHP)



STRONG CASH GENERATION

In 2016, our net income more than doubled, reaching P7.4 billion, due to strong retail performance and supply chain cost savings. Our operations generated substantial net cash flows of P8.5 billion, which were more than sufficient to finance P3.3 billion in capital investments for the year and deliver another P3.3 billion in dividend payout to our shareholders in Q3. Our solid cash position also allowed us to reduce our level of debt through a P5 billion loan prepayment in Q2. Retained Earnings (excluding re-measurement gains) increased by P4.1 billion. Return on Equity (ROE) and Return on Capital Employed (ROCE) for 2016 were 22.6% and 24.2%, respectively.

PRUDENT COST MANAGEMENT

Operating expenses decreased overall by P232 million – roughly 2% from 2015 levels – due to structural reductions in our logistics and storage costs where we are beginning to see the benefits of our investment in the North Mindanao Import Facility (NMIF) as well as lower insurance costs. While there were inflationary and contractual increases in manpower and third-party services contracts, respectively, these were offset by significant decreases in repair and maintenance spend.

Operational excellence and continuous improvement are key themes across all sites in support of our cost leadership and savings initiatives.

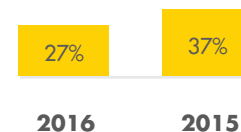

JOSE JEROME R. PASCUAL III

CFO / VICE PRESIDENT - FINANCE & TREASURER

RIGOROUS CAPITAL DISCIPLINE

We apply strict screening processes and conservative thresholds in our capital investment decisions and execute our capital projects using a robust, global methodology to ensure that the expected return and benefits of such investments have the best chance of getting realised. A number of capital projects were undertaken in 2016, most significant of which are the construction and commissioning of the NMIF in Cagayan de Oro and the ongoing expansion of our Retail network with 996 active sites as of December 31, 2016. These projects were funded using internally generated cash as well as some P675 million of the P1.8 billion in fresh capital from the IPO primary offer. PSPC's gearing ratio reduced from 37% in 2015 to 27% in 2016.

Gearing Ratio



In 2017, we will continue to focus on cash generation, cost management, and capital discipline – the three “C’s”. Our balance sheet remains healthy. Our strong cash position and access to low-cost financing of over P75 billion in undrawn credit lines will give management the needed flexibility to grow the business and generate the attractive returns that make PSPC a world-class investment.

2016 at a Glance

G4-1

Guided by the Shell Group's sustainability framework, we strive to ensure that our Company's growth supports the development needs of the nation.

We outline some of our highlights for the year in each of our focus areas. We have also analysed how our focus areas and performance fit with the 17 Sustainable Development Goals.

RUNNING A SAFE, EFFICIENT, RESPONSIBLE, AND PROFITABLE BUSINESS



Good Health and Well-being

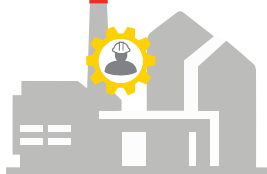


Decent Work and Economic Growth



Reduced Inequalities

Net Profit
100% ↑



Safety in our Operations

No lost-time due to accidents
10.30 million safe man-hours recorded
No reportable oil spills



Good Employer

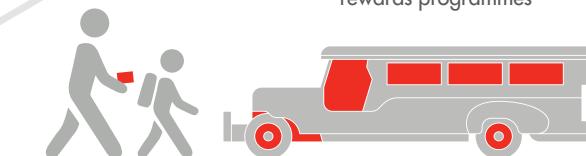
88% Overall Employee Engagement

Creating Value for our Customers

>2M Improved the lives of more than 2 million people who are members of various customer loyalty and rewards programmes¹

Supply Chain Efficiency

96% Achieved 96% on-time and in-full delivery to our customers and over P450 million in supply chain cost savings in 2016



¹ This refers to Pepeng Pasada Club, Master Mekaniko Programme, and SM Advantage members who utilise their cards at our retail service stations.

SHARING WIDER BENEFITS WHERE WE OPERATE



No Poverty

Good Health and
Well-being

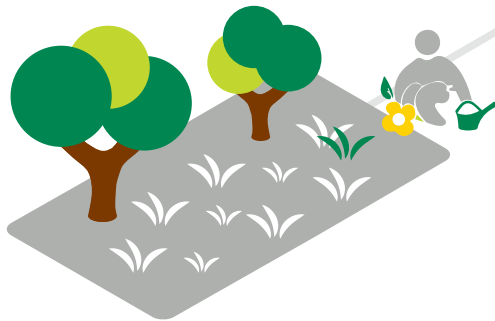
Life on Land

Partnership
for the Goals

Environmental Initiative

11,000

NMIF supported planting of approximately 11,000 seedlings of endemic species integrated with coffee and mangrove seedlings to support the conservation of Cagayan de Oro River Basin and Macajalar Bay



Livelihood and Skills Training

500

Helped approximately 500 individuals through livelihood and skills training programmes, such as Sanayan sa Kakayahang Industriyal (SKIL) and Gas Mo Bukas Ko (GMBK) in 2016



Job Creation

550

Provided jobs to about 550 local workers (including contractors and indirect hires) during the construction of NMIF

HELPING TO SHAPE A SUSTAINABLE ENERGY FUTURE

Affordable and
Clean Energy

Climate Action



Smarter Products

44.0%

Increase in litres of cleaner lubricants with Shell PurePlus Technology sold vs 2015

16.1%

Increase in litres of Shell V-Power Nitro+ fuels sold vs 2015

Shell V-Power Nitro+ fuels promote cleaner engines


2.7%

Increase in litres of Shell FuelSave gasoline and diesel sold vs 2015

Shell FuelSave fuels promote fuel economy



Smarter Mobility

30,000

Promoted Shell's Smarter Mobility advocacy to over 30,000 local and international guests, and 117 student teams from 17 countries in the 2016 Shell Eco-marathon Asia

Milestones

G4-1, G4-13



INITIAL PUBLIC OFFERING (IPO) November 3, 2016

PSPC became a publicly-listed company in the local bourse with the stock symbol "SHLPH". Offered at P67.00 per share, PSPC offered 27.5 million Primary Offer Shares and 247.5 million Secondary Offer Shares. The IPO meets the provisions of the Downstream Oil Industry Deregulation Act.



THIRD YEAR OF HOSTING SEM ASIA & POWERING PROGRESS TOGETHER CONFERENCE MARCH 3-6, 2016

To promote Shell's Smarter Mobility advocacy, Shell Eco-marathon (SEM) Asia was held in Manila which marked the end of a three-year run of SEM in the Philippines. An all-time high of 117 participating student teams from all over the region, including the Middle East, broke SEM Asia records. A parallel activity, the Powering Progress Together-Asia forum, was also held to discuss solutions on how to increase resilience in the face of growing pressure on the world's vital natural resources.



EURO IV (PH) COMPLIANCE | JANUARY 1, 2016

PSPC started producing Euro IV (PH)-compliant diesel and gasoline fuels following Philippine National Standards (PNS) specifications set by the Department of Trade and Industry. Modifications to the Tabangao Refinery enabled the production of fuels with reduced sulphur content from 500 parts per million (ppm) to 50 ppm.



INAUGURATION OF NMIF | JULY 19, 2016

The North Mindanao Import Facility (NMIF) in Cagayan de Oro City was inaugurated to cater to the energy needs of Visayas and Mindanao, boosting the economic growth in the region. This project demonstrates PSPC's commitment to the development of the Philippine downstream sector under the Philippine Development Plan 2011-2016. It was built to minimise maritime risks and to support the government's Oil Supply Contingency Plan through the establishment of an oil stockpile.



NEW LEADERSHIP | NOVEMBER 2016

In our commitment to continually improve our Corporate Governance standards, PSPC has delineated the positions of the President and the Chairman of the Board of Directors. Cesar Romero was named President and CEO of PSPC, while Edgar Chua remains as Chairman. With the two leaders' combined experience of more than five decades in the Shell Group, PSPC is in good hands to sustain its success.

SHELL-GK VILLAGE RISES IN CDO | DECEMBER 15, 2016

A village for informal settlers was inaugurated in Cagayan de Oro City by the North Mindanao Import Facility (NMIF). Twenty families in northern Mindanao's regional hub were given new homes through a partnership with Gawad Kalinga (GK), a community development organisation. PSPC employees and business partners took an active role in a programme called "Kapit-Bahayan" to paint, plant, and clean up the village. Since 2012, we provided 220 homes for the victims of Typhoon Sendong under this partnership.

Awards and Recognition

Then PSPC President and CEO Edgar Chua was recognised as the Executive of the Year by the Asia CEO Awards 2016.

The Tabangao Refinery was bestowed with a Global Reliability Award by the Shell Group to recognise its outstanding safety performance.

PSPC's Retail business ranked 6th in profitability and 9th in sales volume vis-à-vis other Shell Retail businesses globally in 2016.

PSPC's Bitumen business won Asia's Overall Country Champion for the outstanding delivery on profitability, cost savings, and credit management vis-à-vis other Shell Bitumen businesses in 2016.

The Legal team of Shell companies in the Philippines bagged the Philippine In-House Team of the Year award at the Philippine Law Awards 2016 hosted by Asian Legal Business (ALB).

Shell Be Well and Resilience programmes received the Outstanding Health Lifestyle Advocacy Award 2016 from the Department of Health.

PSPC won a Gold Award and seven Silver Awards for its corporate social responsibility and business marketing programmes at the 51st Anvil Awards by the Public Relations Society of the Philippines.

PSPC won two Awards of Excellence and four Merit Awards from the International Association of Business Communicators' Quill Awards for its programmes in safety, community development, arts and culture, and smarter mobility.

PSPC bagged a Bronze and two Finalist honours in the 3rd PANata Marketing Effectiveness Awards by the Philippine Association of National Advertisers.

PSPC was a Finalist in the 2016 CEB Internal Communications Awards (London) for its revitalised internal communications efforts.

PSPC was given High Commendation and was a Finalist in the Gold Standard Awards (Hong Kong) for its significant achievement in internal employee communications.



Financial Highlights¹

NET PROFIT

P 7.4
billion

doubled vs 2015, driven
by retail performance

CASH FLOW FROM OPERATIONS

P 8.5
billion

OPEX REDUCED BY

P 232
million

vs 2015, mainly due to
logistics savings

GEARING RATIO²

27%

decreased from
37% in 2015

EBITDA (adjusted for COSA)

P 10.1
billion

DIVIDENDS

P 5.96
billion

P3.30 B declared in
August 2016 pertaining to
1H 2016 earnings, and
P2.66 B declared in April
2017 pertaining to 2H
2016 earnings

¹ The figures presented in this section were audited by SyCip Gorres Velayo & Co., a member practice of Ernst & Young Global Limited. All references to "Peso", "Pesos", "PHP" and "P" are to the lawful currency of the Philippines. Our company publishes our Financial Statements in Pesos.

² Gearing ratio is defined as net debt (total debt less cash and cash equivalents) as a percentage of total capital (net debt plus total equity). It is a measure of the degree to which our operations are financed by debt.

Summary Statement of Financial Position

IN MILLION PHP	2016	2015	2014
Current assets	38,856.3	36,655.7	47,222.8
Non-current assets	31,752.9	29,578.4	26,279.9
Total assets	70,609.3	66,234.1	73,502.7
Current liabilities	22,400.8	18,901.3	52,452.6
Non-current liabilities	15,280.1	21,237.7	17,219.5
Total liabilities	37,681.0	40,139.0	69,672.1
Total equity	32,928.3	26,095.1	3,830.6
Total liabilities and equity	70,609.3	66,234.1	73,502.7

Summary Statement of Income

IN MILLION PHP	2016	2015	2014
Gross sales	142,075.4	161,789.8	227,761.1
Sales discounts and rebates	(5,312.1)	(4,812.1)	(3,676.3)
Net Sales	136,763.3	156,977.7	224,084.8
Cost of sales	(112,461.5)	(136,976.9)	(222,450.1)
Gross profit (loss)	24,301.7	20,000.8	1,634.7
Operating expenses ¹	(13,063.1)	(13,295.0)	(12,729.3)
Other operating income, net	470.7	212.2	147.2
Income (Loss) from operations	11,709.4	6,918.0	(10,947.4)
Income (Loss) before income tax	10,828.1	5,223.0	(12,385.5)
Profit (Loss) for the year/period	7,443.8	3,553.2	(8,488.6)

Summary Statement of Cash Flows

IN MILLION PHP	2016	2015	2014
Net cash from (used in) operating activities	8,499.6	13,213.6	6,361.3
Net cash used in investing activities	(3,431.0)	(5,299.6)	(4,646.5)
Net cash from (used in) financing activities	(4,549.0)	(9,084.3)	(3,157.7)
Net increase (decrease) in cash for the year/period	519.6	(1,170.3)	(1,443.0)
Cash at the beginning of the year/period	3,576.8	4,721.6	6,161.2
Cash at the end of the year/period	4,274.3	3,576.8	4,721.6

¹ Operating expenses is comprised of selling, general, and administrative expenses.

EBITDA

IN MILLION PHP	2016	2015	2014
Profit (Loss) for the year/period	7,443.8	3,553.2	(8,488.6)
EBITDA ²	13,166.0	8,066.6	(8,633.5)
Less: Cost of Sales Adjustment (COSA) ¹	3,027.8	(4,250.0)	(12,393.4)
EBITDA (adjusted for COSA) ²	10,138.2	12,316.6	3,759.9

1 Cost of Sales Adjustment (COSA) aims to exclude the effect of one-off inventory holding gains and losses from EBITDA. COSA is a non-GAAP measure used internally for assessing management performance and allocating resources, in line with Shell Group practices.

2 Prospective investors are cautioned that EBITDA and COSA (and any adjustments thereto) are in all cases not measurements of financial performance under Philippine Financial Reporting Standards (PFRS) and investors should not consider them in isolation or as an alternative to profit or loss for the year, income or loss from operations, or as an indicator of our Company's operating performance, cash flow from operating, investing and financing activities, or as a measure of liquidity or any other measures of performance under PFRS. Although other oil refiners use similar measures, prospective investors are cautioned that there are various calculation methods, and our Company's presentation of COSA may not be comparable to similarly titled measures used by other companies.

Key Financial Ratios

	2016	2015	2014
Current ratio ¹	1.7	1.9	0.9
Debt to equity ratio ²	0.4	0.6	11.4
Debt ratio ³	0.2	0.2	0.5
Return on assets ⁴	10.5%	5.4%	(11.6%)
Return on Equity ⁵	22.6%	13.6%	(221.6%)
Return on average capital employed ⁶	24.2%	13.8%	(20.3%)



SCAN







Scan the QR code to download our
2016 SEC Form 17-A and
Audited Financial Statements

- 1 Current ratio is computed by dividing current assets over current liabilities.
- 2 Debt to equity ratio is computed by dividing net debt (short-term borrowings and loans payable less cash) by equity (exclusive of other reserves).
- 3 Debt ratio is computed as net debt divided by total assets.
- 4 Return on assets is computed as profit (loss) for the period divided by total assets.
- 5 Return on equity is computed as profit (loss) for the period divided by total equity.
- 6 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.

PSPC's Sustainability Scorecard

G4-1, G4-13

Presented below is our economic, environment, and social performance scorecard for 2016.

ECONOMIC		2016 VALUE		CHANGE FROM 2015
	Value Generated	137.4	in billion Pesos	-12.6%
	Capital Investments	3.3	in billion Pesos	-42.7%
	Value Distributed	133.3	in billion Pesos	-13.3%
ENVIRONMENT ¹				
	Energy Purchased Power ²	24,565	thousand GJ	-58.7%
	Greenhouse Gas			
	Scope 1 ³ GHG Emissions	345,449	CO ₂ equivalent tonnes	-3.4%
	Scope 2 ⁴ GHG Emissions	2,083	CO ₂ equivalent tonnes	-59.0%
	GHG intensity	0.112	tonnes CO ₂ equivalent per tonnes of crude oil processed	5.7%
	Water Total Freshwater Withdrawn	1,932	in thousand m ³	6.1%
	Waste			
	Hazardous waste generated	862	tonnes	106.7%
	Non-hazardous waste generated	140	tonnes	115.8%
SOCIAL				
	Total Employees	698		-5.8%
	Male	470		-10.0%
	Female	228		4.1%
	Employee Engagement	88%		-2.2%
	Total Community Investment	119.3	in million Pesos	338.7%

¹ From Tabangao Refinery environmental monitoring data only

² Electricity purchased from the grid

³ Emissions from sources that are owned or controlled by the organisation

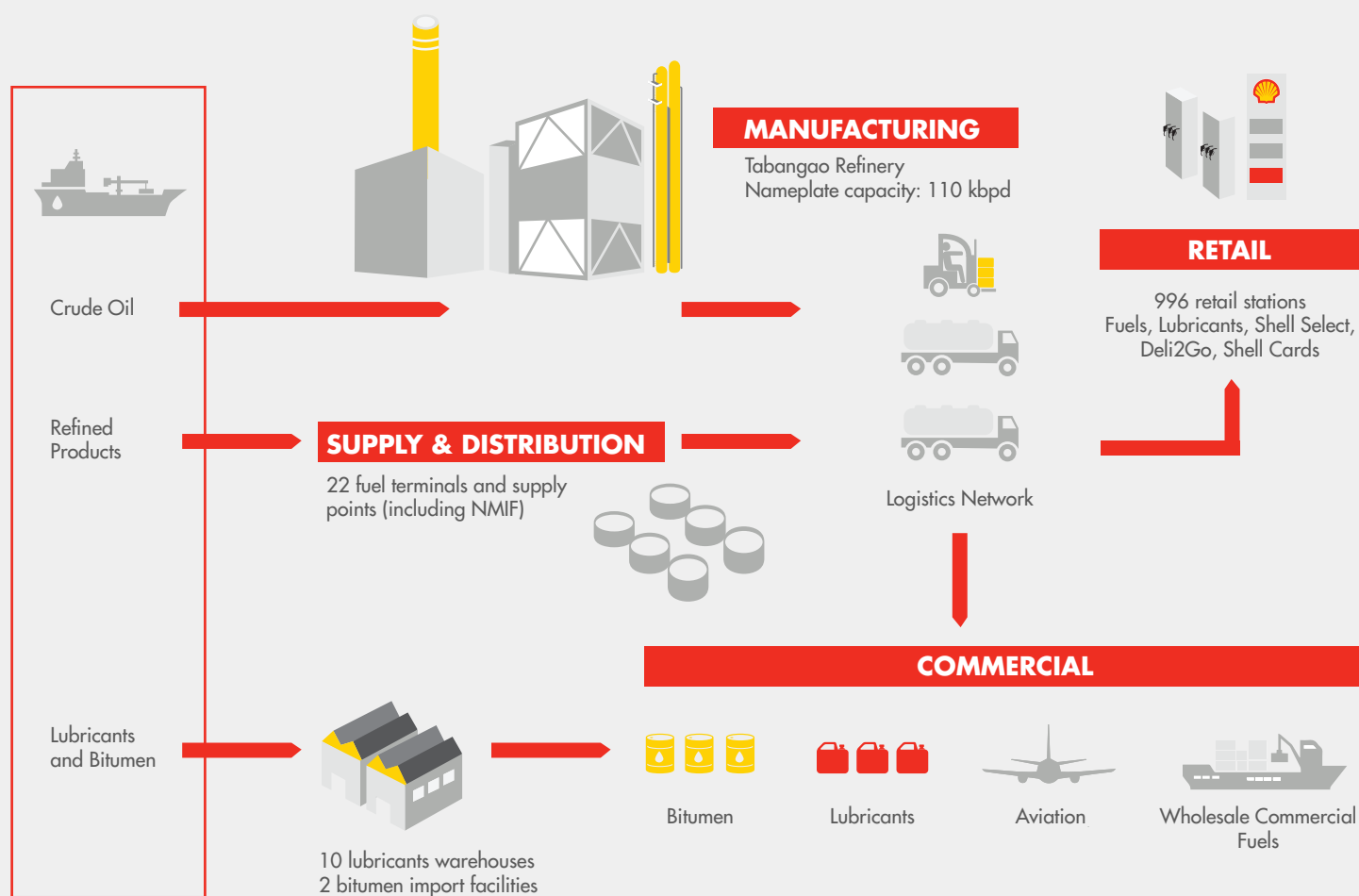
⁴ Emissions from the consumption of purchased electricity



**North Mindanao Import Facility
in Cagayan de Oro City**

Our Business

G4-4, G4-8, G4-9, G4-12



Manufacturing

PSPC's Tabangao Refinery in Batangas City is one of two refineries in the Philippines and is largely responsible for manufacturing Shell fuels distributed in the country. In 2016, the Tabangao Refinery supplied about 76% of the total main fuels sold by PSPC and the remaining portion from imports through the Shell Group and local purchases from third parties.

For over 50 years, the Tabangao Refinery has been producing a broad range of high quality petroleum products, such as gasoline, jet fuel, kerosene, diesel, fuel oils, LPG, naphtha, and sulphur. It has a nameplate capacity¹ of 110,000 barrels per day.

In December 2015, PSPC successfully upgraded the refinery enabling it to produce Euro IV (PH)-compliant fuel products that meet the requirements of the Philippine Clean Air Act.

To date, the site is certified by International Organization for Standardization (ISO) for its Environmental Management Systems (ISO 14001) and Quality Management Systems (ISO 9001), and certified by the British Standard for Occupational Health and Safety Management System (BS OHSAS 18001).

The refinery also operates four jetties, one of which can accommodate very large crude carriers (VLCCs) of up to 320,000 tons (deadweight). This yields cost savings from economies of scale.

Currently, the site has an aggregate manpower count of 1,000, majority of whom are locals of Batangas City. PSPC hires qualified community residents as part of its commitment to building sustainable communities.

¹ Intended sustained full load output of the refinery



Fuel tanks in the Tabangao Refinery

Supply and Distribution

Using our integrated supply chain and extensive distribution network as leverage, PSPC can efficiently supply products to customers while ensuring on-time and reliable deliveries. Our supply chain network reduces reliance on any single supply point enabling PSPC to remain flexible in product sourcing.

We operate a supply chain network that integrates procurement, importation, storage, and distribution of finished petroleum products using different modes of transport.

PRIMARY DISTRIBUTION

Our primary distribution channel is composed of a fleet of third-party vessels loading fuel products from Tabangao Refinery and North Mindanao Import Facility (NMIF) for distribution to our storage terminals.

Imported lubricants arrive onshore through container vessels and are delivered directly from the port to the warehouses by third-party trucking services.

Bitumen is imported through our two bitumen import facilities, which receive bitumen through marine jetties.

The vessels, tank trucks, and trucking services are chartered mainly on term contracts from third-party owners.

SECONDARY DISTRIBUTION

From the fuel terminals, our bulk fuel and lubricant products are hauled for delivery by third-party tank trucks to both retail stations and direct customers, and by barges for large commercial accounts.

Our bitumen products are picked up by our commercial customers or third-party logistics provider from our bitumen import facilities.

NATIONWIDE NETWORK

We distribute our products through our 22 fuel terminals and supply points, 10 lubricant warehouses, and two bitumen import facilities to our commercial customers and close to a thousand retail service stations nationwide.

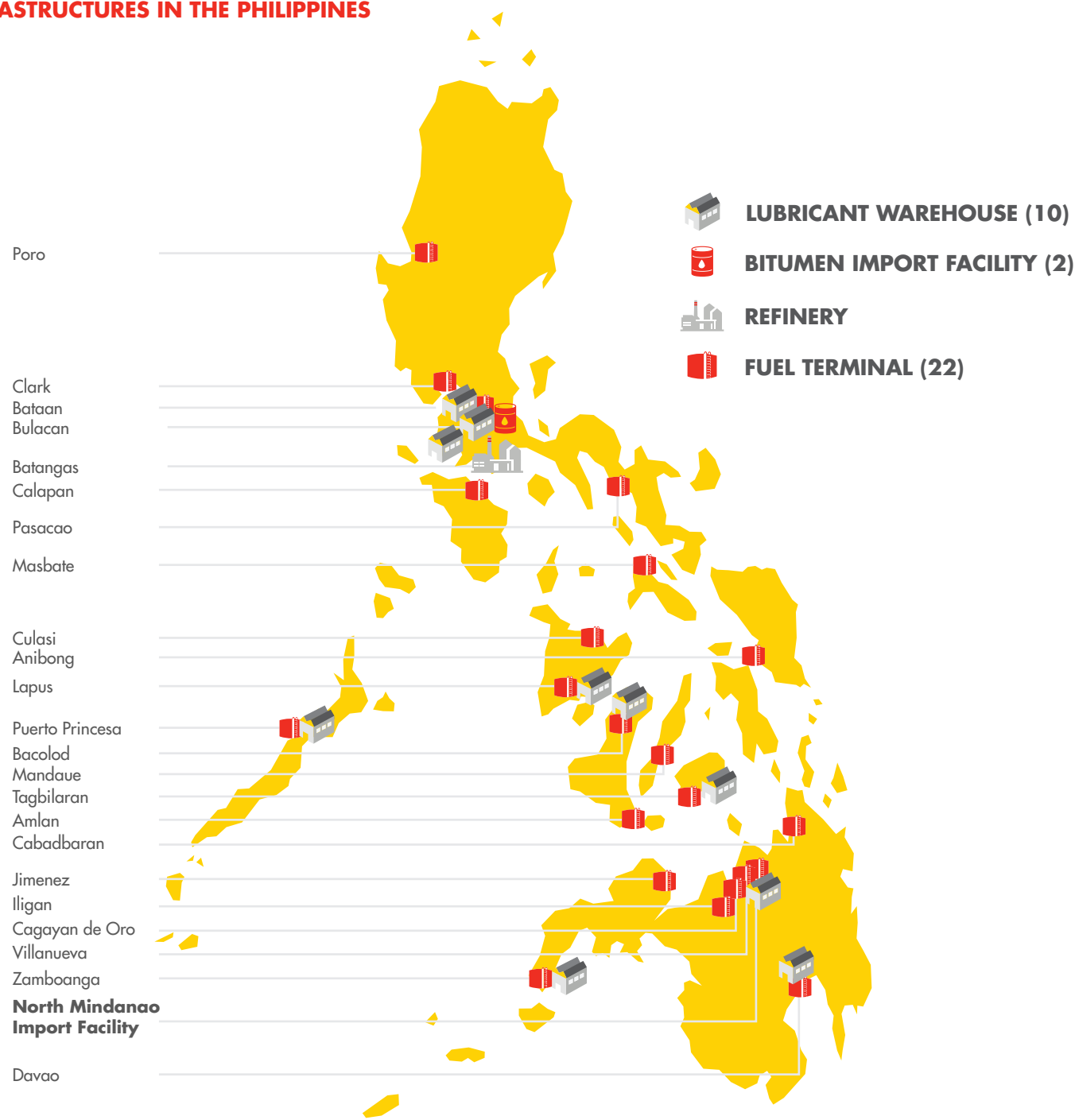
Our network also includes two airport storage installations at the Ninoy Aquino International Airport (NAIA) in Manila and Clark International Airport in Pampanga.

In mid-2016, NMIF in Cagayan de Oro City started commercial operations. It now serves as the source point of our fuel terminals in Visayas and Mindanao. NMIF can receive medium range (MR) vessels or tankers with a capacity of between 25,000 to 45,000 tons (deadweight).

Fuel supply from NMIF and the Tabangao Refinery has been optimised for cost efficiency. When gross refining margins are weak, we reduce refinery production and increase product imports via NMIF to meet local demand. NMIF also plays a vital role in PSPC's business continuity plan for supply reliability.



OUR MAJOR FACILITIES AND
INFRASTRUCTURES IN THE PHILIPPINES



Retail

PSPC has been supplying Filipino motorists with quality products and excellent customer service over the years. Our retail station forecourt attendants, who we refer to as “service champions”, provide committed service to every customer each day.

PSPC has two types of retail station operating structures: company-owned dealer-operated stations (CODO) and dealer-owned dealer-operated stations (DODO). In our CODO structure, PSPC leases the land, owns the service station facilities and covers the corresponding capital expenditures, and engages third-party dealers to operate the stations. For the DODO structure, third-party dealers own or lease the land, build and operate the facilities according to company specifications and standards, while bearing most of the capital expenditures. Approximately 45% of our total retail service stations are CODO and 55% are DODO. The mix of the CODO and DODO is based on an optimal capital efficiency and return strategy.

PSPC’s Retailer Management Steering Group (RMSG) selects the dealer based on case brief submissions and face-to-face interviews. Retail conducts extensive site audits and on-site training, and identify gaps in all aspects of service, personnel, and site performance. RMSG also ensures dealer compliance with PSPC’s business agreements, operations manuals, and HSSE standards.



FUELS

All of Shell’s quality fuels are developed to meet increasing energy demand and supply opportunities by delivering smarter products and promoting smarter fuel usage. Since January 2016, all Shell fuels have been Euro IV (PH)-compliant.

NON-FUEL OFFERINGS

Aside from providing quality fuels and quality service, we also have vehicle service centres (Shell Helix Oil Change + and Shell Helix Service Centre), convenience stores (Shell Select and Deli2Go), and branded Quick Service locators in some of our retail stations.



SHELL CARD FOR BUSINESSES AND FLEET

To serve our corporate customers, Shell Card offers a complete range of tailored products and services to keep the transport and fleet industry moving efficiently. Small and medium-sized enterprises (SMEs) can benefit from improved efficiency with our cashless Shell Card Solution through reduction in their administrative costs, and better fuel monitoring and reporting.

PSPC offers one of the largest network of sites across Luzon, Visayas, and Mindanao, so that wherever drivers go, they could conveniently use their Shell Cards to purchase fuels and lubricants. On-site security procedures, control over card usage, and dedicated fraud teams provide peace of mind to business owners.

In 2016, Shell Card transactions increased by 10% to about 5.9 million, serving over 100,000 active cardholders nationwide.



4% increase in retail
sales volume

Commercial

Our commercial business is composed of wholesale commercial fuels, aviation, bitumen, and lubricants business.

Our valued-added service includes providing end-to-end technical consulting services to our customers, and our offerings are supported by a strong professional marketing team.

PSPC's wholesale commercial fuels portfolio covers diesel, fuel oil, gasoline, kerosene, naphtha, and blended fuels.

In 2016, our sales on wholesale commercial fuels were mainly comprised of fuel oil, diesel, and a small portion of other fuel products. With a nationwide scope, these products are supplied to power, manufacturing, marine, mining, and other industries.

No one customer accounts for 10% or more of our revenues and nearly 60% of principal supply relationships have spanned over five years. This is a result of decades worth of relationship-building, consistent product quality, and providing value added services such as fixed price assurance and risk management arrangements.



**SERVING
THE
WORLD'S
BIGGEST**



**WITH
ADVANCED
PRODUCTS**



**AND VALUE
ADDING
SERVICES**



**THROUGH
ALL MAJOR
CHANNELS**



**BY SEVERAL
FUEL
DELIVERY
MODES**



**LEADERS
IN
TECHNOLOGY**



**THE
PREFERRED
FUELS
PARTNER**



AVIATION

Operating in the country's largest and busiest air transportation hubs - Ninoy Aquino International Airport (NAIA) in Manila and Clark International Airport in Pampanga - Shell Aviation Philippines has provided jet fuel and refueling services to local and international carriers in the Philippines since 1962.



BITUMEN

As a leader in bitumen solutions, PSPC offers customised products and solutions to meet the needs of the road and airport sectors, and other applications. Throughout the entire supply chain, we ensure our bitumen is of consistent quality and of the highest standards. From using only approved crudes in the production process to proper storage in terminals and depots, the batches of bitumen reaching our customers and contractors are handled following the strictest protocols. This standard assures the health and safety of end-users in handling and using the product. Considering that bitumen is used in critical infrastructure projects of the government, PSPC offers end-to-end technical support on how our product can be used effectively.

Currently, bitumen supply in the Philippines is 100% imported. We plan to invest more than US\$13 million for the upgrade of the Tabangao Refinery to enable local bitumen production. This will potentially enable us to export bitumen in Asia.



LUBRICANTS

PSPC offers best-selling lubricant brands such as Shell Helix, Shell Rimula, Shell Advance, Shell Spirax, and Shell Tellus. Our lubricants business has a nationwide footprint with customers ranging from general manufacturing, power, transport, mining, and other industries which are served either directly or through distributors. Our products are also sold to franchised workshops, original equipment manufacturers, independent workshops, and retail trade outlets. Presently, the supply of lubricants is 100% imported.

Our Products and Services

G4-4

FOOTPRINT OF PRODUCTS



BITUMEN

Footprint Nationwide

Customers Road contractors, Indirect channel

Source 100% import



LUBRICANTS

Footprint Nationwide

Customers Automotive, OEMs, Marine, Power, Workshops, Distributors, Manufacturing, Industries

Source 100% import



RETAIL

Footprint Nationwide

Customers Motorist, General Public (for Convenience Retail), Businesses and Fleet (for Shell Card)

Source Mostly sourced locally



WHOLESALE COMMERCIAL FUELS

Footprint Nationwide

Customers Power, Mining, Wholesale, Marine, Manufacturing

Source Mostly sourced locally



AVIATION

Footprint Manila and Clark airports

Customers Airlines and Aviation Operators

Source Combination of local/import

KEY OPERATING DATA

Nameplate capacity¹
(thousand barrels per day)

110

Refinery utilisation rate
(%)²

2016	68.6%
2015	62.9%
2014	60.5%

Retail fuel volumes sold
(million litres)³

2016	3,041
2015	2,926
2014	2,714

Commercial fuel volumes sold
(million litres)⁴

2016	1,993
2015	2,401
2014	2,421

LEGEND

(in million litres)



Bitumen



Sulphur



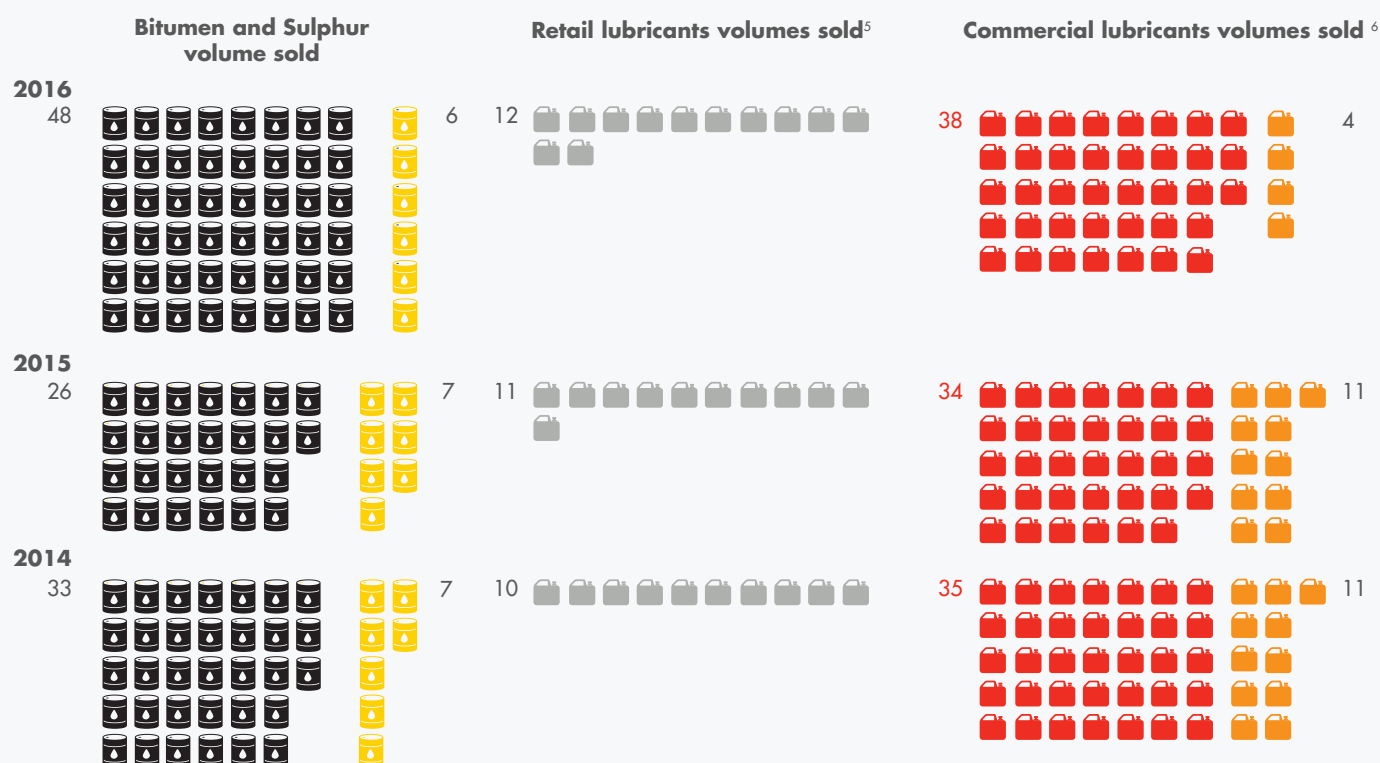
Retail lubricants



Consumer and industrial
lubricants



Marine and exported
lubricants



¹ 110,000 bpd is the nameplate capacity on a calendar basis.

² Refinery utilisation rate is calculated as the ratio of total product output to the calendar day nameplate capacity.

³ Retail fuel volumes sold indicates the total volume of fuel sold through our retail business for the period.

⁴ Commercial fuel volumes sold indicates the total volume of wholesale commercial fuel and jet fuel sold for the period.

⁵ Retail lubricants volumes sold indicates the total volume of lubricants sold through the retail business for the period.

⁶ Commercial lubricants volumes sold indicates the total volume of consumer and industrial lubricants, marine lubricants and exported lubricants sold for the period.

Fuel Brands

With over a century of experience in fuels development, Shell provides quality fuels that cater to transportation vehicles and machines.

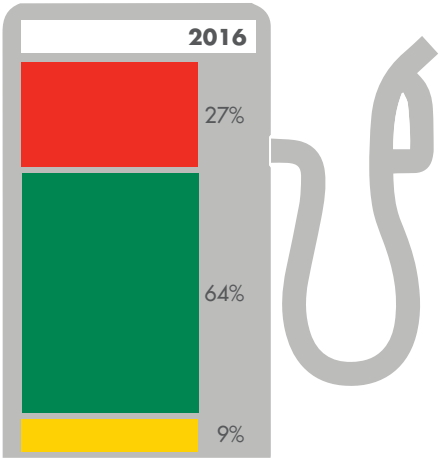
FUEL BRANDS	DESCRIPTION
	<p>Shell V-Power Nitro+ Gasoline is designed to improve engine performance. In comparison to our previous Shell V-Power Gasoline, the formulation also contains 25% more Friction Modification Technology. The Friction Modification Technology has been tested with Ferrari and is designed to instantly reduce friction in critical engine areas, thereby helping the engine to deliver more power to the wheels.</p>
	<p>Shell V-Power Nitro+ Racing is our top performing gasoline, containing our highest octane levels in the Philippines. It is designed to give even more power and responsiveness (compared to Shell V-Power Nitro+ Gasoline).</p>
	<p>Shell V-Power Nitro+ Diesel is our best ever premium performance diesel. It contains a new detergent technology for fast and more effective clean-up of diesel fuel injection systems (compared to our previous Shell V-Power Diesel formulations). The improved Shell V-Power Nitro+ Diesel formulation is also designed to protect critical fuel system components from corrosion.</p>
	<p>Shell FuelSave Gasoline is our regular-priced gasoline fuel designed to last longer. Shell FuelSave Gasoline contains our fuel economy formula that is designed to improve fuel efficiency.</p>
	<p>Shell FuelSave Diesel is designed to ignite and burn more effectively, helping to produce more effective combustion in your engine. Shell FuelSave Diesel contains our instantaneous fuel economy formula that is designed to improve fuel efficiency from the very first tank.</p>
	<p>Shell Fuel Oil Plus is an advanced heavy fuel oil for use in boilers and other equipment for generating heat and energy in manufacturing operations and processes.</p>



The sales volume of our retail fuel products increased by 4.0% from previous year. In 2016, Shell FuelSave fuels account for about 64% of the total retail fuel sales volume. While the penetration of our premium fuel brand, Shell V-Power Nitro+, grew to 27% in 2016 from 23% in 2015.

**RETAIL FUEL SALES VOLUME SPLIT
IN 2016**

- Shell V-Power Nitro+ Fuels
- Shell FuelSave Fuels
- Other Fuel products



Lubricants

Listed below are our top-selling consumer lubricant brands.

CONSUMER LUBRICANT BRANDS

DESCRIPTION



Shell Helix Ultra is a revolution in motor oil. It is produced from natural gas to deliver ultimate engine performance and protection.

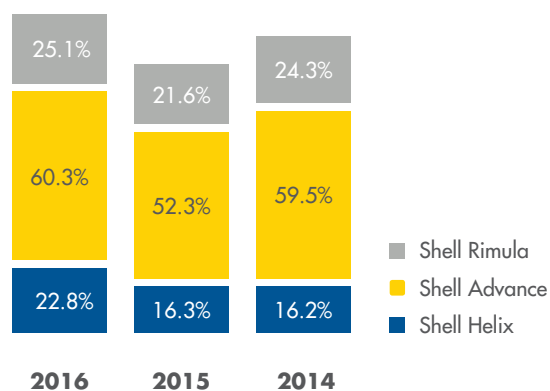


Shell Advance Ultra is formulated for motorcycles to last twice as long for better durability, fuel economy, and a smoother ride.



The **Shell Rimula** range of heavy duty diesel engine oils is formulated with Adaptive Additive Technology that adapts to the needs of the engine, providing Dynamic Protection.

SALES VOLUME SPLIT OF OUR TOP THREE PERFORMING CONSUMER LUBRICANT BRANDS FROM 2014-2016



Of the 21 industrial lubricant brands we have in the Philippine market, here are our top-selling brands:

INDUSTRIAL LUBRICANTS

DESCRIPTION

**Shell
Argina**

The Shell Argina range of engine oils is designed for the Power and Marine Sectors. It provides greater engine reliability at lower operational costs.

**Shell
Tellus**

The Shell Tellus range of hydraulic oils covers a wide range of equipment and meets the new Bosch Rexroth Fluid Rating List RDE 90245. It provides excellent performance in severe conditions.

**Shell
Omala**

The Shell Omala range of gear oils has been developed to enable equipment operators to select the oil that will deliver efficiency to operations through wear protection. It exceeds the FZG scuffing resistance test requirements even under severe double-speed testing.

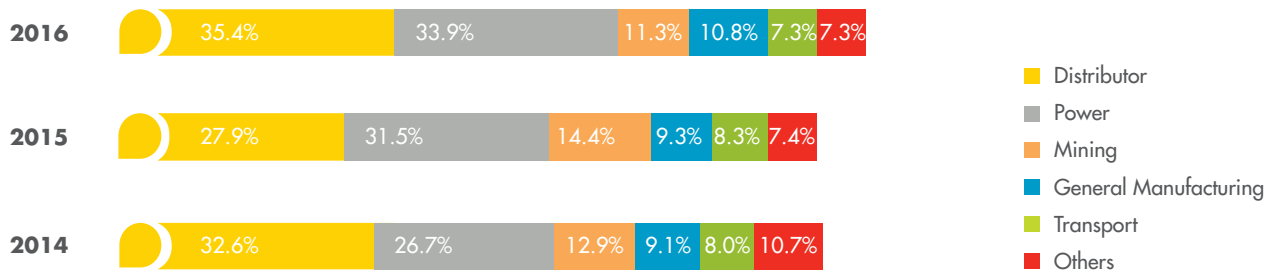
**Shell
SPIRAX**

The Shell Spirax range of axle, gear, and automatic transmission fluids has been developed to assist drivers, fleet owners, and owner-operators to select the oil that will deliver optimum value to their operations through enhanced wear protection, long oil life, and efficiency.

**Shell
GADUS**

The Shell Gadus range has been developed to provide enhanced wear protection, long grease life, and system efficiency.

SALES VOLUME SPLIT PER INDUSTRY OF OUR INDUSTRIAL LUBRICANTS FROM 2014-2016



Non-Fuel Retail Offerings



65
Convenience Stores
(Shell Select or Deli2Go)



138
Co-locators and branded
Quick Service Restaurants



227
Shell Helix Oil Change+ outlets
and Shell Helix Service Centres

SHELL SELECT

PSPC was among the first oil companies in the Philippines to introduce the 24-hour non-fuel retail concept when the first Select outlet opened at the North Luzon Tollway Shell service station in 1993. These stores have since maximised traffic flow in our retail service stations.

Shell Select is a motorist's ideal one-stop shop for snacks, refreshments, groceries, travel items, phone cards, newspapers, magazines, and hot meals plus cold drinks to-go.

We cater to the needs of the entire family. While parents stop for gas, kids can enjoy dining in popular food chains, such as Jollibee, Hen Lin, KFC, Pizza Hut, Starbucks and many more, at Shell retail stations.

SHELL DELI2GO

To enhance the experience of Filipino motorists, PSPC introduced Deli2Go which offers fresh and tasty ready-to-eat meals, quick snacks, and coffee. Motorists can take a moment to relax with Deli2Go's dine-in options. The concept recently expanded in Visayas when we opened Deli2Go outlets in Cebu in February 2016.

As of December 31, 2016, there are 19 Deli2Go stores nationwide, and PSPC is targeting to open more stores in the coming months.

SHELL HELIX SERVICE CENTRES AND SHELL HELIX OIL CHANGE+ OUTLETS

PSPC has one of the largest vehicle workshop chains in the Philippines with over 200 outlets of Shell Helix Oil Change+ (HOC+) and Shell Helix Service Centres. Several of our service centres are equipped with customer lounge facilities, which allow customers to wait in comfort as their vehicle is being serviced. As of December 31, 2016, PSPC has a network of 113 Shell HOC+ outlets and 114 Shell Helix Service Centres.

At Shell HOC+, motorists can quickly avail of reliable oil change service and free preventive maintenance checks. Most Shell HOC+ outlets can also cater to basic vehicle service needs, such as tune-ups, transmission works, minor mechanical repairs, brake system maintenance, and more.



Customers can enjoy premium care with Shell Helix Oil Change+. Our 12 complimentary services are:

- Tyres check
- Lights check
- Oil filter check
- Brake fluid check
- Engine coolant check
- Gear box and transmission fluid check
- Wiper check
- Air filter check
- Battery fluid check
- Power steering fluid check
- Oil change with Shell Helix
- Mirrors and windscreen cleaning

Aviation

PSPC's main aviation product is jet fuel which we manufacture or import. The following are the aviation products available in the Philippine market:

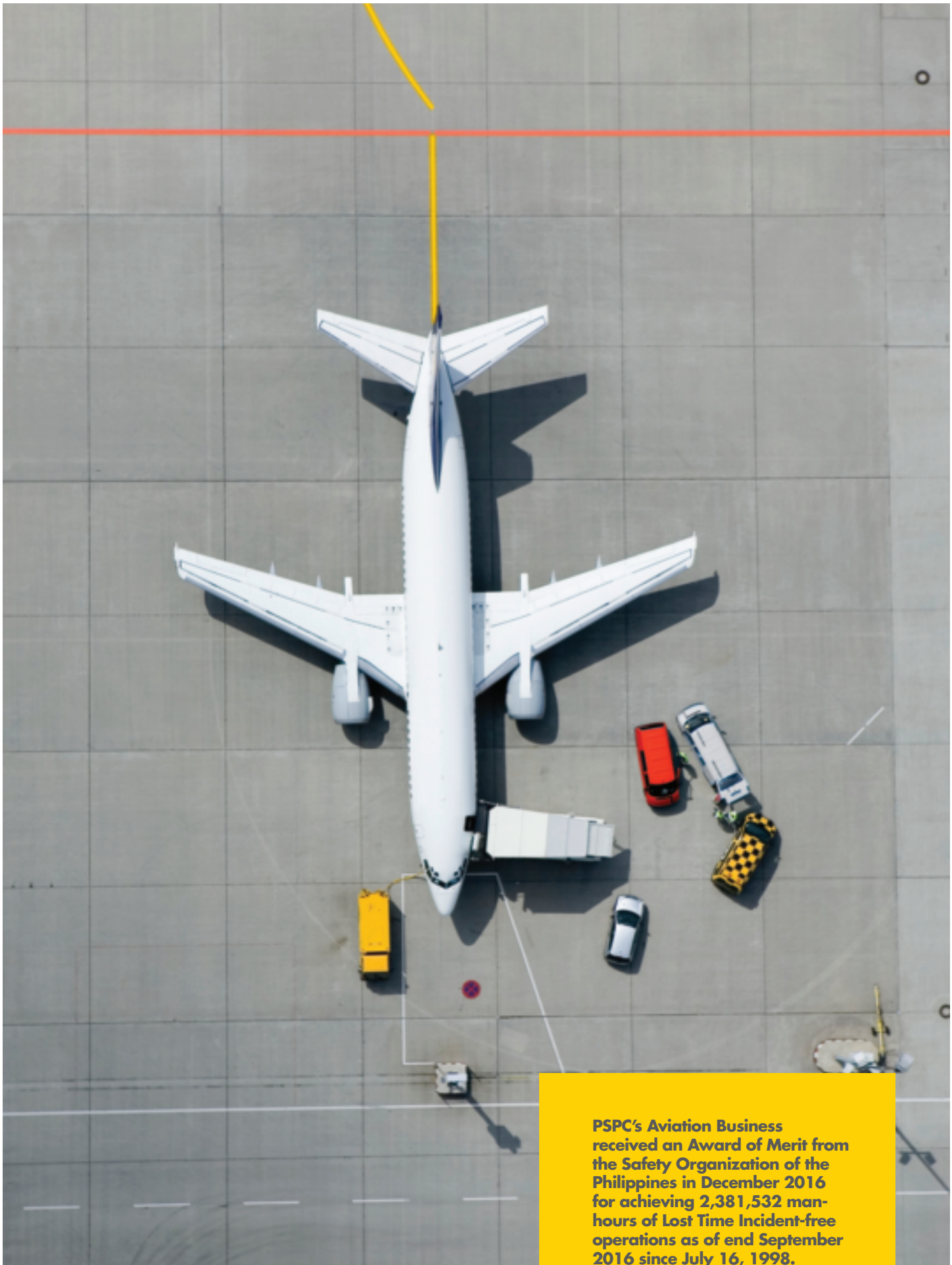
- Shell Jet A-1 is a kerosene-grade fuel suitable for most turbine engine aircraft. It is the most common jet fuel grade worldwide.
- AeroShell lubricants, fluids, and greases are available through our appointed distributors.

Bitumen

Bitumen is a sticky, black, and highly viscous liquid or semi-solid produced from the oil refining process. It is often used as glue that binds aggregates together to create asphalt concrete used in road construction. As a leader in bitumen solutions for almost a century, PSPC offers customised product and service offerings to meet the needs of the road and airport sectors and other applications.

We started to export Shell Bitumen Class 170 in February 2016 to Papua New Guinea (PNG). This is a viscosity-graded conventional bitumen used for paving new roads and for preventive maintenance which complies to PNG's country specifications. In 2016, about 320 tonnes of this product was sold to PNG customers.





PSPC's Aviation Business received an Award of Merit from the Safety Organization of the Philippines in December 2016 for achieving 2,381,532 man-hours of Lost Time Incident-free operations as of end September 2016 since July 16, 1998.

Corporate Governance

G4-2, G4-34, G4-38, G4-39, G4-45, G4-56

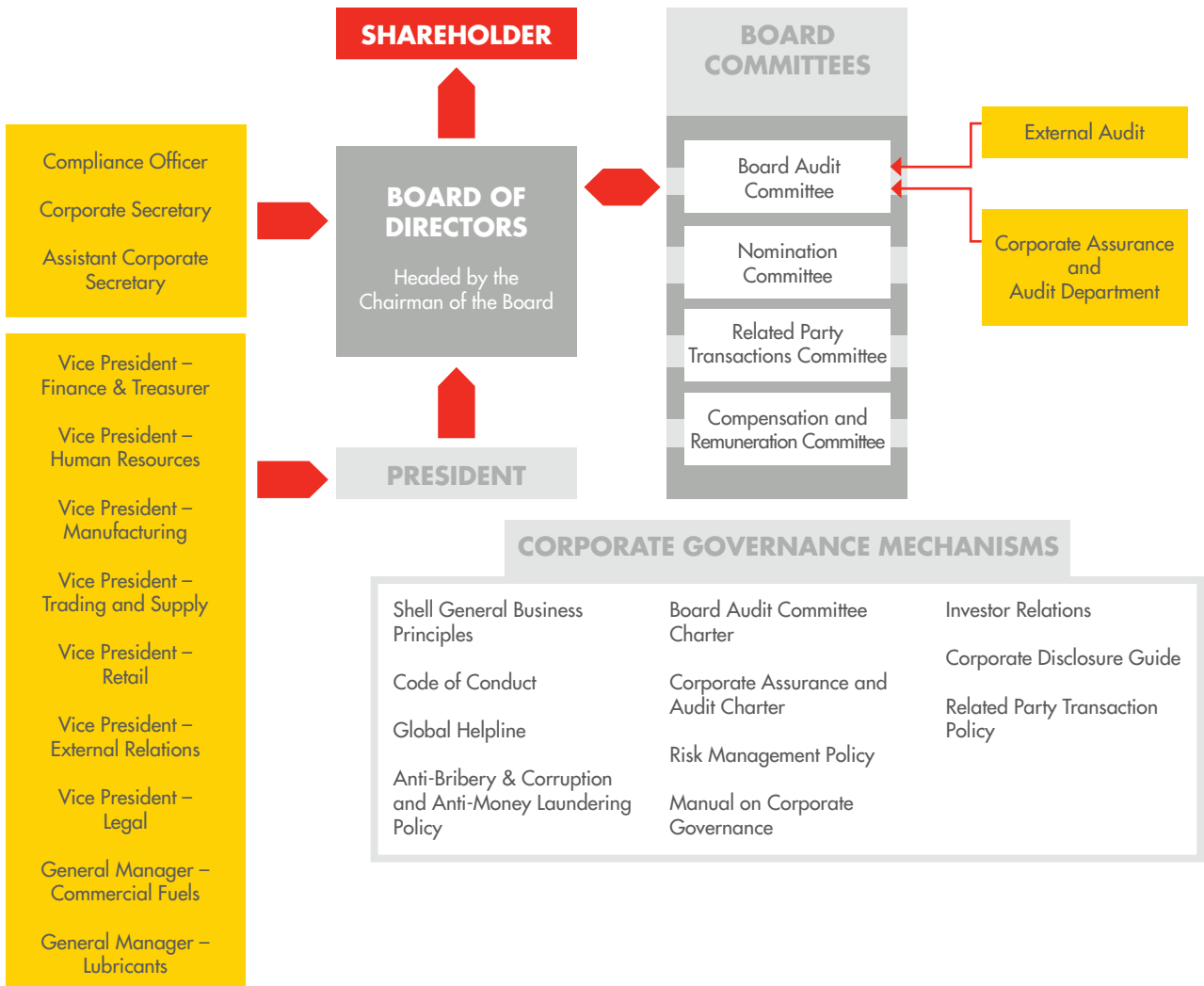
PSPC is committed to good corporate governance, and overall business sustainability and success. We regularly review our Manual of Corporate Governance for continuous improvement. All corporate actions and decisions follow clear and effective governance standards and structures.

Consistent with the Shell General Business Principles, PSPC recognises that good corporate governance is critical for a sustained competitive edge. The Shell Code of Conduct guides employees on how to apply the Shell General Business Principles in line with our core values. It provides practical advice on how to comply with laws and regulations, and how to relate to our stakeholders.

In this section, we present our Corporate Governance Framework, Board of Directors, Management, and Board Committees.



CORPORATE GOVERNANCE FRAMEWORK



BOARD OF DIRECTORS

The overall management and supervision of PSPC is undertaken by the Board at the direction of the shareholders. Our executive officers and management team support the Board by preparing appropriate information and documents concerning PSPC's business operations and financial condition.

In 2016, an experienced Board of 11 independent, executive, and non-executive directors served to represent the interests of PSPC's shareholders.



Edgar O. Chua is the current Chairman of PSPC effective November 1, 2016. He has been a Director of PSPC since 1998. He is also a Director of the various Shell companies in the Philippines, as well as joint venture companies.



Cesar G. Romero was first appointed as a Director of PSPC on July 18, 2016. He is the President and CEO of PSPC since November 1, 2016. He also serves as the Vice President for Global Retail Network since August 1, 2013.



Cesar A. Buenaventura has served as a Director since 1970, and as an Independent Director since 2012. He has been with PSPC since 1956 and was our Chairman and CEO from 1975 to 1990.



Fernando M. Zobel de Ayala has been a Director of PSPC since 1996 and an Independent Director since 2012. He is the President and Chief Operating Officer of Ayala Corporation, one of the Philippines' largest conglomerates.



Mona Lisa B. de la Cruz was first elected as a Director of PSPC on May 12, 2015. She is the President and Chief Operating Officer of Insular Life Assurance Company, Ltd. and holds directorships in the Insular Group.



Nina D. Aguas was first appointed as a Director of PSPC on March 22, 2016. She is the Chief Executive Officer of the Insular Life Assurance Company, Ltd. and holds directorships in the Insular Group and its affiliates.

NAME	AGE	CITIZENSHIP	POSITION
Edgar O. Chua	60	Filipino	Non-executive Director, Chairman
Cesar G. Romero	51	Filipino	Executive Director, CEO
Cesar A. Buenaventura	87	Filipino	Independent Director
Fernando M. Zobel de Ayala	57	Filipino	Independent Director
Mona Lisa B. de la Cruz	59	Filipino	Non-executive Director
Nina D. Aguas	64	Filipino	Non-executive Director
Asada Harinsuit	55	Thai	Non-executive Director
Jose Jerome R. Pascual III	53	Filipino	Executive Director
Anthony Lawrence D. Yam	52	Filipino	Executive Director
Dennis G. Gamab	52	Filipino	Executive Director
Anabil Dutta	50	Indian	Non-executive Director

Asada Harinsuit was first appointed as a Director of PSPC on August 15, 2016. He was appointed as the Chairman of Shell Companies in Thailand in September 2012, and the Vice President for Retail East in September 2013.



Jose Jerome R. Pascual III was first appointed as a Director as well as Vice President for Finance and Treasurer of PSPC on June 13, 2016. He is also a Director on the Board of other Shell-affiliated companies in the Philippines.



Anthony Lawrence D. Yam was first appointed as a Director of PSPC on November 3, 2011. He is also a Director on the Board of other Shell-affiliated companies in the Philippines and was appointed as one of the Directors of the Brunei Shell Marketing Company in October 2016.



Dennis G. Gamab was first appointed as a Director of PSPC on August 15, 2016. He has been Vice President for Trading and Supply since 2010. He is also a Director on the Board of other Shell-affiliated companies in the Philippines.



Anabil Dutta was first appointed as a Director of PSPC on March 22, 2016. He has been the Regional Finance Manager of the East Manufacturing of Shell Group of Companies since January 2014.



MANAGEMENT TEAM

In 2016, an experienced management team of 10 members was in place to enable a strong track record of delivery.



Cesar G. Romero is the President and Chief Executive Officer of PSPC since November 1, 2016. He also serves as the Vice President for Global Retail Network since August 1, 2013. He is responsible for the management of the physical assets of the Global Retail business worldwide.



Jose Jerome R. Pascual III was first appointed as the Vice President for Finance and Treasurer of PSPC on June 13, 2016. He was previously the Finance Director of Shell Philippines Exploration, B.V. and Philippines Country Controller from 2009 to 2016.



Anthony Lawrence D. Yam is the Vice President for Retail. He held various managerial roles and stints in Retail, Customer Service Center, Corporate Brand and Lubricants business. He was also cross-posted as a Managing Director and General Manager in businesses of Shell in Vietnam from 2001 to 2005.



Eduard Rudolf Geus serves as the Vice President and General Manager for Manufacturing of PSPC since May 5, 2014. He has broad international exposure and industry experience.



Dennis G. Gamab serves as the Vice President for Trading and Supply since 2010. He previously served as the Vice President for Supply and held various Distribution positions since 1987.



Dennis C. Javier serves as the General Manager for Lubricants for the Philippines and Thailand since April 2014. He joined Shell in 1989 and had various assignments in Sales, Marketing, Process Engineering and Supply Chain Management here and abroad.

NAME	YEARS OF SERVICE	CITIZENSHIP	POSITION
Cesar G. Romero	29	Filipino	President
Jose Jerome R. Pascual III	30	Filipino	Vice President for Finance and Treasurer
Anthony Lawrence D. Yam	30	Filipino	Vice President for Retail
Eduard Rudolf Geus	24	Dutch	Vice President & General Manager for Manufacturing
Dennis G. Gamab	29	Filipino	Vice President for Trading and Supply
Dennis C. Javier	27	Filipino	General Manager for Lubricants
Ramon B. Vergel de Dios	32	Filipino	General Manager for Commercial Fuels
Ramon D. del Rosario	34	Filipino	Vice President for External & Government Relations
Jannet C. Regalado	24	Filipino	Vice President for Legal
Homer Gerrard L. Ortega	26	Filipino	Vice President for Human Resources

Ramon B. Vergel de Dios is currently the General Manager for Commercial Fuels and a member of the Trading and Supply Products Leadership Team for Asia Pacific. He has been with PSPC since 1985 and has held various sales and marketing positions.



Ramon D. Del Rosario serves as the Vice President for External Relations since August 19, 2014. He was previously the Chief Executive Officer of Isla LPG Corporation.



Jannet C. Regalado is the Vice President for Legal and concurrently Royal Dutch Shell's Managing Counsel for Global Litigation Asia Pacific since February 15, 2012. She held various positions in PSPC since 1992.



Homer Gerrard L. Ortega serves as the Vice President for Human Resources since April 2007. He held various leadership roles in Human Resources since 1990.



BOARD AUDIT COMMITTEE/ RELATED PARTY TRANSACTIONS COMMITTEE *G4-47*

PSPC's Board Audit Committee (BAC) is responsible for assisting the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules, and regulations. The BAC likewise provides oversight over PSPC's internal and external auditors and manages credit, market, liquidity, operational, legal, and other risks of PSPC. The BAC should ensure that the internal and external auditors act independently from each other, and both auditors are given unrestricted access to information to enable them to perform their respective audit functions. The BAC is responsible for coordinating, monitoring, and facilitating compliance with laws, rules, and regulations and is also responsible for reviewing the annual internal audit plan and PSPC's financial statements. The BAC must be comprised of at least three members, including at least one independent director, and one of whom shall have audit experience. All the Committee members were present in the five meetings held in 2016.

The Related Party Transactions Committee performs oversight functions over related party transactions of PSPC. The Committee was created on November 10, 2016. Prior to that date, the duties of the Related Party Transactions Committee were being performed by the Board Audit Committee. PSPC also adopted a Related Party Transaction Policy that provides guidelines on the governance and control processes for related party transactions.

CHAIRMAN

Cesar A. Buenaventura

MEMBERS ¹

Anabil Dutta

¹ One seat is currently vacant to be filled upon the next organisational board meeting.

NOMINATION COMMITTEE *GA-40*

PSPC's Nomination Committee is responsible for providing our shareholders with an independent and objective evaluation and assurance that the Board members are competent and will foster the long-term success and competitiveness of PSPC. The Committee must be comprised of at least three voting members, including one independent director, and one non-voting member who shall be the person in the position of HR General Manager. The Nomination Committee met twice in 2016, and the required number of members of the Committee were present for the said meeting.

CHAIRMAN

Cesar A. Buenaventura

MEMBERS

Edgar O. Chua
Jannet C. Regalado
Homer Gerrard L. Ortega

COMPENSATION AND REMUNERATION COMMITTEE

PSPC's Compensation and Remuneration Committee is responsible for objectively recommending a formal and transparent framework of remuneration and evaluation for the members of the Board and PSPC's key executives to enable them to run PSPC successfully. The Committee must be comprised of at least three members, including one independent director. The Compensation and Remuneration Committee met four times in 2016, and all members of the Committee were present in all the meetings.

CHAIRMAN

Fernando M. Zobel de Ayala

MEMBERS

Jose Jerome R. Pascual III
Homer Gerrard L. Ortega

Risk Management Policy and Responsibilities

G4-A5, G4-A6

PSPC's Risk Management Policy explicitly states that management is responsible for implementing, operating, and monitoring the system of internal control, which is designed to provide reasonable but not absolute assurance of achieving business objectives. The approach to internal control includes a number of general and specific risks management processes and policies. The primary control mechanisms are self-appraisal and strict accountability for results.

BOARD OF DIRECTORS	RESPONSIBILITIES	
(via Board Audit Committee)	<p>Evaluate PSPC's Management culture</p> <p>Evaluate PSPC's risks and effectiveness of risk management processes, including the adequacy of the overall control environment and controls in selected areas representing significant risks</p>	<p>Assess any fraud, illegal acts, deficiencies in internal controls or other similar issues with internal and external auditors</p> <p>Assess and monitor Management's implementation of internal control recommendations made by internal and external auditors</p>
EXECUTIVE MANAGEMENT	RESPONSIBILITIES	
	<p>Establish clear objectives, identify and evaluate the significant risks to the achievement of those objectives, set boundaries for risk-taking, and apply fit-for-purpose risk responses</p> <p>Monitor the effectiveness of the system of risk and internal control management</p> <p>Implement relevant Shareholders' group guidelines and group standards which relate to particular types of risk</p>	<p>Incorporate risk responses into a system of internal control which is designed to address opportunities, protect PSPC's assets, facilitate effective and efficient operations, and help to ensure reliable reporting and compliance with applicable laws and regulations</p> <p>Provide annual self-assurances regarding the extent of compliance with PSPC's and Shareholders' Control Framework</p>
LINE MANAGEMENT	RESPONSIBILITIES	
	<p>Design, resource, operate, and monitor the system of internal control</p> <p>Ensure that a risk-based approach to internal control is communicated to staff, embedded in business processes, and responsive to evolving risks</p>	<p>Assign accountability for managing risks within agreed boundaries</p> <p>Report the results of balanced assessments regarding the effectiveness of the risk-based internal control system, including identified weaknesses or incidents to executive management</p>
INDEPENDENT ASSURANCE PROVIDERS	RESPONSIBILITIES	
(including External Audit and Internal Audit)	<p>Undertake periodic review to assess the effectiveness of the design and operation of the system of risk management and internal control or parts thereof</p>	

Risk Response Strategies and Accountabilities

Risk response strategies are decided upon which would best address significant risks and help in the achievement of business objectives. Possible responses include any or all of the following: take, treat, transfer, and terminate.



TAKE RISKS

To some extent, there is a degree of take in the response to most significant risks. Many cannot be avoided and few can be practically and affordably reduced to zero likelihood or zero impact. Risks which are inherent to PSPC's operations will often be accepted, particularly those which are reasonably predictable. Management actions include: establishing or monitoring key risks indicators, setting reward or loss targets and tolerance levels, and establishing contingencies, and developing recovery plans.



TREAT RISKS

Because the response to most significant risks will be active rather than passive, there will be some degree of treat in the response to most significant risks. Options for risk treatment include Organisation, People and Relationship, Direction, Operational, and Monitoring.



TRANSFER RISKS

For those risks that can be transferred, management actions include insurance, share via joint ventures or partnerships, and spread.



TERMINATE RISKS

For those risks that cannot be taken or transferred, management actions include cessation of such activities or businesses, divestments, reduce or scale or pull out of the market.

Major Risks and General Responses

G4-2

A. BUSINESS RISK

DESCRIPTION OF RISK

Non-level playing field or unfair and illegal practices

Unfair and illegal practices, and non-level playing field, e.g. fuel smuggling and pilferage, proliferation of new retail outlets which do not conform to Health, Safety, Security and Environmental standards remain as key concerns, particularly due to the impact on sales and safety.

Operational risks

Impact of unanticipated or prolonged shutdowns in key facilities such as depots and the refinery could have a severe impact on PSPC's ability to meet customer requirements.

Regulatory risks

Abrupt changes in laws and regulations can be detrimental to PSPC's financial and business operations. Changes in tax regulations, customs rules, and licensing procedures can make it difficult to sustain viable business operations in some of our segments.

RESPONSE

To counteract these market pressures, PSPC, in coordination with key industry players and government, has sustained our campaign to promote brand protection and consumer awareness. Moreover, industry and government have intensified the drive against illegal refilling activities.

PSPC has an asset master plan which includes preventive maintenance activities to ensure strong reliability and performance.

PSPC regularly engages with government agencies and ensures strong partnerships with local government units to ensure that risks are identified in advance and mitigation plans are put in place to address them.



B. CORPORATE RISK

DESCRIPTION OF RISK

RESPONSE

MARKET RISK

Foreign currency exchange risk

PSPC operates internationally and is exposed to foreign currency exchange risks arising from currency fluctuations, primarily with respect to the importation of crude and finished products denominated in US dollars. Foreign currency exchange risk may also arise from future commercial transactions and recognised assets and liabilities denominated in a currency other than PSPC's functional currency.

Foreign exchange currency risks are not hedged, and PSPC does not enter into significant derivative contracts to manage foreign currency risks. Since foreign currency exposure is significantly concentrated on purchase of crude, PSPC manages foreign currency risk by planning the timing of our importation settlements with related parties and considering the forecast of foreign exchange rates.

Cash flow and fair value interest rate risk

Cash flow and fair value interest risk is the risk that future cash flows and fair value, respectively, of a financial instrument will fluctuate because of changes in market interest rates.

PSPC has no significant exposure to fair value interest rate risk as PSPC has no significant interest-earning assets and liabilities subject to fixed interest rates. PSPC's interest-rate risk arises from its borrowings. Borrowings issued at variable rates expose PSPC to cash flow interest rate risk. PSPC does not enter into significant hedging activities or derivative contracts to cover risks associated with borrowings.

Commodity and other price risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in market prices. PSPC is affected by price volatility of certain commodities required in our operating activities, such as crude oil.

PSPC may implement commodity hedging for crude and petroleum products. The hedges are intended to protect crude inventories from the risk of downward prices and squeezing margins. This allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to PSPC, thus protecting raw material cost and preserving margins. For consumer (buy) hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost. While for producer (sell) hedges, if prices go down, hedge positions may show marked-to-market gains; however, any gain in the marked-to-market position is offset by the resulting lower selling price.

PSPC is not significantly exposed to price risk on equity securities and proprietary club shares as investments held by PSPC classified in the statement of financial position as available-for-sale financial assets are not considered material in the financial statements.

DESCRIPTION OF RISK**RESPONSE****CREDIT RISK**

Credit risk arises from deposits with banks and financial institutions as well as credit exposure to trade and non-trade receivables.

PSPC maintains cash and certain other financial instruments with various major financial institutions. To minimise this risk, PSPC performs periodic evaluations of the relative credit standing of these financial institutions and, where appropriate, places limits on the amount of credit exposure with any one institution. PSPC has policies in place to ensure that sales of products are made to customers with acceptable creditworthiness. Counterparty credit risk is managed within a framework of individual credit limits with utilisation being regularly reviewed. Credit checks are performed by a department independent from the sales department and are undertaken before any contractual commitments. Where appropriate, securing collateral and security deposits from customers and cash on delivery terms are used to manage credit risk.

LIQUIDITY RISK

Liquidity risk is the risk that suitable sources of funding for PSPC's business activities may not be available.

PSPC has access to sufficient external debt funding sources, such as bank credit lines, to meet foreseeable borrowing requirements. The Treasury group centrally monitors bank borrowings, foreign exchange requirements, and cash flow position.

Surplus cash is invested into a range of short-dated money market instruments, time deposits, and money funds, which seek to ensure the security and liquidity of investments while optimising yield.

Management monitors rolling forecasts of PSPC's liquidity reserve based on expected cash flow.

DIVIDEND POLICY

Our Company, pursuant to a board approval on July 18, 2016, intends to pay annual dividends in the amount of not less than 75% of our 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. The amount of dividends will be reviewed periodically by the Board in light of our Company's earnings, financial condition, cash flows, capital requirements, and other considerations while maintaining a level of capitalisation that is commercially sound and sufficient to ensure that our Company can operate on a standalone basis.

Dividends shall be declared and paid out of our Company's unrestricted retained earnings which shall be payable in cash, property or stock to all shareholders on the basis of outstanding stock held by them. 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 our Company's earnings, cash flow, return on equity, and retained earnings;
- PSPC's results and financial condition at the end of the year in respect of which the dividend is to be paid and PSPC's expected financial performance;

- the projected levels of capital expenditures and other investment programmes;
- restrictions on payments of dividends that may be imposed on PSPC by any of PSPC's financing arrangements and current or prospective debt service requirements; and
- other factors the Board deems appropriate.

ANTI-BRIBERY AND CORRUPTION

Shell builds relationships based on trust and is determined to maintain and enhance its reputation. For this reason, Shell never accepts or pays bribes, including facilitation payments. Even unsubstantiated claims of bribery and corruption may damage Shell's reputation. Everyone involved in Shell's business must comply with the anti-bribery and corruption (ABC) laws of the countries where it operates, as well as those that apply across borders.

The Code of Conduct Register is there to help both Shell and its staff protect themselves from any suspicion of misconduct by providing a consistent and transparent means of recording conflicts of interest, gifts and hospitality, and membership in trade associations. Every employee, director or officer in every wholly-owned Shell company, as well as every Joint Venture company under Shell Control, must complete the register. Contract staff must also complete the register.

SUPPLIER ACCREDITATION PROCESS

When selecting our suppliers and entering a contract, our Company assesses the integrity and identity of a Counterparty through Integrity Due Diligence. Where anti-bribery and corruption red flags or anti-money laundering integrity issues are identified, either pre-contract or at any time during the life of the contract, it must be immediately reported to our Compliance Officer. All contracts where PSPC is receiving goods or services must include the appropriate anti-bribery and corruption and anti-money laundering clauses that should be observed by our suppliers. Our Shell Supplier Principles provides guidance on principles regarding Business Integrity, Health, Safety, Security and Environment, Social Performance, and Labour and Human Rights. In accordance with our Shell General Business Principles and Code of Conduct, we seek to work with contractors and suppliers who contribute to sustainable development and are economically, environmentally, and socially responsible.

WHISTLE-BLOWING POLICY

As part of our good governance efforts, we encourage our employees and contractors to share any concerns they may have if they suspect that our Code of Conduct is being breached through the Shell Global Helpline. It is not only a whistle-blowing tool but also a helpline. The Shell Global Helpline means that you may also call to seek advice or clarification on matters related to compliance with the law and/or our ethical standards. The Shell General Business Principles underscore the responsibility of management to provide employees with safe and confidential channels to raise concerns and to report instances of non-compliance.

The Shell Global Helpline is open 24 hours a day, seven days a week. It allows our employees and our business partners to seek advice and report concerns anonymously and without fear of retaliation. The Shell Global Helpline allows reports to be submitted either by calling a local operator and requesting a collect call to +17049730344 or by filling out a web-based form at <https://shell.alertline.eu>.

Sustainability at Shell

G4-17, G4-18, G4-19, G4-20, G4-21

Sustainability touches on all areas of our operations.

We aim to deliver energy in a responsible way — respecting people, their safety, and the environment. Sustainability is essential to the longevity of our business and in our role as a member of society.

Our Company's sustainability journey has already started decades ago when we declared our commitment to the production and delivery of clean energy products in the Philippines.

Over the years, Shell's sustainability approach has evolved to ensure our strategic and long-term positive impact on our Company, communities, and the environment. Today, our work towards a more sustainable future is embedded across PSPC's business on three levels.



RUNNING A SAFE, EFFICIENT, RESPONSIBLE, AND PROFITABLE BUSINESS

This is the foundation of our approach, which includes having Shell global standards, processes, and tools in place to manage safety, the environment, and community involvement. We aim to continuously improve the way we operate to prevent, identify and avoid incidents where possible, as well as to minimise adverse environmental and social impacts across our projects and facilities.



SHARING WIDER BENEFITS WHERE WE OPERATE

Our business is planned for the long term, which means we can be part of a community for decades. We help develop local economies by creating jobs, sourcing from local suppliers as well as paying taxes and royalties. We also support community projects that are based on the needs of the local communities.



HELPING TO SHAPE A MORE SUSTAINABLE ENERGY FUTURE

In the coming decades, more and cleaner energy will be needed for economic development in the face of growing environmental pressures. Shell invests in low-carbon energy solutions and advanced technologies, such as those that increase energy efficiency and reduce emissions. Shell continues to contribute to the public dialogue on energy and climate policy. Yet, the scale of the global challenges that the world faces are too great for one company, or one sector, to resolve. Shell advocates business, government, and civil society working together to better shape a more sustainable energy future.

01 Running a safe, efficient, responsible, and profitable business

Value chain efficiency and management
Health and safety
Positive customer relations
Managing environmental impact
Talent management excellence

02 Sharing wider benefits where we operate

Economic value distribution
Contribution to nation-building
Livelihood and skills training

03 Helping to shape a sustainable energy future

Facility upgrade
Clean fuels and lubricants
Smarter mobility advocacy

This report focuses on the key sustainability opportunities that PSPC faces and explores the many ways we are responding to these opportunities. We have identified the sustainability aspects that were relevant in 2016 and aligned them with our sustainability framework. The following table shows our materiality process based on GRI G4 Sustainability Reporting Guidelines:

STEPS

Identification

OUR PROCESS

Reviewed the sustainability topics affecting our businesses, including health and safety, customer relations, employee engagement and satisfaction, and managing our environmental impact, among others

Examined our value chain and classified major impacts

Used our existing stakeholder engagement platforms to understand our stakeholders' areas of interest

Prioritisation

Prioritised key material topics based on the extent that these may affect our business and stakeholders

Validation

Considered stakeholder interest and concerns in contrast with our list of material aspects and identified topics to emphasise in our report

Review

Analysed data to review our performance and areas of improvement

Stakeholder Engagement

G4-24, G4-25, G4-26, G4-27

We engage with various groups and individuals to understand specific concerns about our business and its impacts, particularly in relation to the environment and society. These include speaking with investors, shareholders, customers, consultants and contractors, suppliers, government, business partners, and the general public. We also talk to teams within Shell. All opinions and advice are gathered in various ways, including formal and informal meetings, and workshops.

STAKEHOLDER GROUP	CHANNELS OF ENGAGEMENT AND FREQUENCY	AREAS OF CONCERN	HOW WE ADDRESS THEM
<i>G4-24</i>	<i>G4-26</i>	<i>G4-27</i>	<i>G4-27</i>
Investors and Shareholders	Analysts' and Investors' Briefings (Quarterly) Stockholders' Meeting (Annual) Disclosures (Periodic) Investor Conferences (Periodic) Email/Phone call (Periodic)	Financial Performance Operational Performance Dividend Business Outlook and Growth	Financial Performance Review Business Review Transparency Timely Disclosures
Customers	Retail Territory Managers and Commercial Account Managers (Regular) Customer Service Centre (24/7) Voice of the Customer Survey (Quarterly) Brand Share Preference Survey (Annual)	Price and Margins On-time and in-full delivery On spec products	Dedicated Account Management Transparency on the Pricing Differentiated Products End-to-End Technical Services Material Safety Data Sheets
Employees	Shell People Survey (Annual) Townhalls (Quarterly) Policy or Benefits Roadshow (Ad hoc) Employee Focus Group Discussions (Ad hoc) Internal Communications Channels, e.g. online portals, email announcements, posters (Ad hoc) Performance Appraisals (Bi-annual) Labor Management Councils (Monthly)	Strategy and Decision-making Pay and Rewards Growth and Development Business Updates Employee Concerns, Issues, and Grievances	People Plans (Resourcing, Talent, Employee Engagement, Leadership Development, Performance, and Rewards) Leadership Workshops
Consultants and Contractors	Townhalls (Quarterly) Internal Communications Channels, e.g. online portals, email announcements, posters (Ad hoc)	Strategy and Decision-making Business Updates	Senior Leadership Engagement

STAKEHOLDER GROUP	CHANNELS OF ENGAGEMENT AND FREQUENCY	AREAS OF CONCERN	HOW WE ADDRESS THEM
<i>G4-24</i>	<i>G4-26</i>	<i>G4-27</i>	<i>G4-27</i>
Suppliers	Supplier Pre-qualification and Accreditation (Ad hoc) Tenders and Awarding of Contracts (Ad hoc) Post Award Contract Management (Ad hoc) Supplier Summits (Ad hoc)	Supplier Capability and Performance Shell Policies on Contracting: ABC, Integrity Due Diligence & Trade Laws, among others Contracts that deliver on key business activities at a competitive price Contract HSSE Risk and Mitigation Contract Deliverables Relationship management	Contractor HSSE assessment Due Diligence Surveys Competitively Priced Contracts for goods and services Regular Business Performance Reviews Conferences and Trainings Contract Kick Offs
Regulators	Reportorial Requirements (Periodic) Public Disclosures of Material Information (Periodic) Stockholders' Meeting (Annual and Ad hoc for Special Meetings)	Financial Updates Dividend Declaration and Pay-out Business Performance Corporate Plans Clarifications of News Reports Election of Board of Directors	Timely Submission of Reportorial Requirements Timely and Full Disclosure of Material Information (e.g. Dividends, Business Performance, and Corporate Plans) Timely Clarifications of News Reports Prompt Service of Notices and Information Statements to Stockholders Letters to Stockholders for Purposes of Nominating Members to the Board of Directors
Communities	Community Dialogue or "Ugnayan sa Barangay" (Quarterly) Information Education Campaigns (Ad hoc) Regular engagements with local government units (Ad hoc)	Safety and security of operations Environmental impacts Employment (local content) Social Investment Programmes (Livelihood, Community Skills Training, etc.) Donation and Sponsorships	Community Feedback Mechanism Social Investment Programmes Facility tours Local Content Policy Environmental Management

RUNNING A SAFE, EFFICIENT, RESPONSIBLE, AND PROFITABLE BUSINESS

Value Chain Efficiency and Management

PSPC is committed to operating a safe and efficient value chain. As such, we deploy various strategies to continually improve our value chain efficiency.

LOCAL MANUFACTURING CAPABILITY

The Tabangao Refinery and our integrated supply and distribution network can provide better supply reliability and business continuity versus import strategy, especially in times of extreme climatic conditions. PSPC has a long-term crude oil and refined product supply arrangements with the Shell Group through a single market interface which offers more consistent procurement and better reliability of supply.

CRUDE SUPPLY FLEXIBILITY

The Tabangao Refinery continues to demonstrate flexibility in processing crude products which include a total of 18 different grades from the Middle East, Russia, Malaysia, and other countries in the Far East. Notably, the basket of low sulphur crudes expanded to include four additional crudes – making the refinery more resilient to raw material market fluctuations. Our refinery also continued to support local crude oil producers as we renewed our crude supply agreement with Philodrill. About P750 million additional margin was delivered due to the Tabangao Refinery's flexibility in crude diet.

DISTRIBUTION EFFICIENCY

Due to the archipelagic nature of the Philippines, products are mainly transported via large vessels and barges, and inland transportation is usually by road with very limited pipeline infrastructure. PSPC's integrated supply chain is optimised via strategically positioned transport locations to reduce distance between storage terminals and demand centres, such as retail stations. PSPC also enters strategic partnerships and joint ventures for our supply and distribution facilities that allow PSPC to minimise risks inherent within the supply chain. Thus, the distribution and delivery of our refined products and finished petroleum products are more efficient.

STRATEGIC OUTSOURCING

At PSPC, we also utilise our financial resources effectively by outsourcing various aspects of our operations to contractors. For example, PSPC charters vessels for our primary distribution and hires tank trucks, barges, trucking services, bitumen trucks, and containers for our secondary distribution. Moreover, we continuously optimise our distribution network through smarter scheduling of vessels and tank trucks, and identification of strategically located third-party suppliers to minimise logistic costs.

IMPORT FACILITY INVESTMENT

NMIF, which commenced commercial operations in mid-2016, plays a key role in the supply chain by receiving refined products imported directly from outside the Philippines, hence enhancing PSPC's supply cost competitiveness in Southern Philippines. For 2016, we achieved over P450 million supply chain cost savings, which includes freight costs saved due to the commencement of NMIF operations.

CAPITAL EFFICIENCY

Retail stations maintain a mix of CODO retail service stations and DODO retail service stations to manage our capital intensity and margin profile. DODO arrangement allows us to expand our network and throughput efficiency with minimal capital costs. This provides PSPC the flexibility with respect to our supply chain, without large capital commitments.

NETWORK EFFICIENCY

According to Nexant, PSPC's retail service stations have the highest network efficiency of 1.9 (against an average of 1.1 for the other two major oil company competitors) in 2015, where network efficiency is defined as market share by volume divided by market share by number of retail service stations.



RUNNING A SAFE, EFFICIENT, RESPONSIBLE, AND PROFITABLE BUSINESS

Health and Safety

G4-LA6, Goal 3

PSPC strives to maintain high standards of health and safety in the workplace to safeguard our people, assets, and the communities where we operate. Our health and safety policy applies to all our employees, contractors, and any joint ventures where we have operational accountability.

PSPC has a “Goal Zero” ambition of no harm and no leaks. This is achieved through the relentless focus on three areas of safety which have the highest risks: personal, process, and transport safety.

In pursuit of Goal Zero, PSPC works relentlessly to strengthen our safety culture complemented by competence. PSPC ensures that people responsible for tasks with significant safety hazard have the necessary training and skills.

To date, PSPC consistently achieves good safety performance with our various programmes that are hailed as best practices by respected organisations, such as the Safety Organization of the Philippines, one of the leading organisations in health, safety, and environment protection in the Philippines. PSPC has achieved 10.3 million safe man-hours without lost time incident in 2016, 10.8 million hours in 2015, and 9.6 million hours in 2014.



PERSONAL SAFETY

Shell engages employees and contractors at every level to take an active role in helping make Shell a safer and better workplace. Individuals are encouraged to take responsibility in complying with safety rules and regulations, preventing unsafe conditions, and respecting colleagues and communities where we operate.

PROCESS SAFETY

Shell's focus on safety starts from engineering designs of Shell's facilities and follows through to safety in operations and proper maintenance. Protocols are in place to ensure regular inspections are carried out for structural integrity, service reliability, and prevention of potential hazards.

TRANSPORT SAFETY

Logistics and mobility are important aspects of Shell's business, thus Shell ensures safety measures are instituted for our road, maritime, and aviation activities. These cover transporting people, product, goods and equipment to, from, and within Shell's facilities.



Toolbox meetings are conducted to emphasise the significance of safety.

SHELL CARES: SAFETY BEYOND STATISTICS

Complementing Goal Zero is PSPC's participation in the annual Shell Safety Day celebrated globally. Last year marks the 10th year of PSPC's celebration of Safety Day, with the theme "Achieving Goal Zero Because We Care". Hundreds of PSPC staff and contractors nationwide actively participated in the simultaneous and multi-site event as they demonstrated their continued and overwhelming support towards achieving Goal Zero. In 2016, an emphasis was given on care and safety in operations. PSPC Chairman Edgar Chua expressed how this additional perspective of care personalises safety. "Otherwise safety will only be plain statistics," said Chua.

Chua explained the important role of PSPC's senior management in inculcating safety among their respective teams. "There is a saying that what interests my boss, fascinates me," noted Chua. "We in the senior management must set a good example of showing genuine interest in safety." Supported by senior management, the safety thrust is sustained through regular engagements to remind employees, staff, and officers about the value of safety in all aspects of our business operations.



PROMOTING ROAD SAFETY

PSPC has road safety programmes for local communities to help reduce the number of road accidents and fatalities. The programmes promote awareness among adults and school children as well as good driving behaviour, seatbelt use, and following simple safety rules. We also support improvements to road infrastructure in local communities by introducing speed bumps, road signs, and street lighting to help prevent accidents.

In September 2016, PSPC has taken this corporate concern one step further by increasing personal and public safety by making Shell service stations as emergency alert hubs directly connecting to the “Itaga mo sa Bato Quick Alert” app. Motorists inside or within the vicinity of a Shell station can report an emergency directly to the Philippine National Police’s (PNP) command centre using the app.

AMBASSADORS OF SAFETY

Healthy, Safety, Security, and Environment (HSSE) managers and leaders regularly recognise PSPC teams and individuals who prioritise safety, thus contributing to the achievement of Goal Zero in their operations. Through the annual Safety Day, PSPC staff and contractors across all sites reflect on their personal and collective commitments to safety.



RUNNING A SAFE, EFFICIENT, RESPONSIBLE, AND PROFITABLE BUSINESS

Building Positive Relationships with Customers

G4-EC8, Goal 4, Goal 8, Goal 10, Goal 17

Building mutually beneficial relationships based on trust and goodwill is the bedrock of a sustainable enterprise. This idea fuels PSPC's customer care programmes over the years. Based on a survey by the Nielsen Company, 89% of 1,061 respondents interviewed said that PSPC has an overall good reputation in 2015. Furthermore, PSPC also enjoys the highest brand preference among the domestic retail fuel brands, with an average of 45% Retail Brand Preference based on the study conducted by Ipsos in 2015.



PEPENG PASADA CLUB

For over a decade now, PSPC has ensured customer care and loyalty through the Pepeng Pasada Club by providing opportunities to help better the lives of our customers and stakeholders.

In 1996, Pepeng Pasada Club (PPC) was launched, a programme exclusively for drivers of public utility vehicles. Rewards such as scholarships and insurance coverage are given to active members. Eligible members are drivers of four-wheel vehicles with an average basket size of 200 litres of fuel per month and 50 litres for small tricycles and small boats. Scholarships offer access to a capacity building programme, which includes basic skills training and livelihood courses, aimed at augmenting household income. In 2016, PPC had more than 200,000 members.

UNLAD SA PASADA SCHOLARSHIP

One of the beneficiaries of the programme that is Catalino Paglinawan, Jr., who, as a loyal PPC member, discovered that he could avail of the Unlad sa Pasada scholarship programme. His first-born son, Joebrix, was thrilled when his father told him he could return to school.

Joebrix passed the PSFI qualifying exams for the electrical and welding course. Before starting, he participated in the Leadership Enhancement and Attitude Development (LEAD) Workshop. In 2013, Joebrix began his six-month course at the Keppel Subic Shipyard Training Centre and was conferred an Academic Excellence Award upon graduation. He has since worked at the offshore platform for Malampaya 3.

Beneficiaries, like the Paglinawan family, are testaments of the enduring bond between our Company and our customers.



MASTER MEKANIKO PROGRAMME

In 2015, PSPC launched Master Mekaniko, a nationwide influencers' rewards programme based on a loyalty platform designed to encourage motorcycle mechanics to promote Shell Advance while improving their skills.

Master Mekaniko caravans covered 40 key cities and conducted free training modules that included servicing and troubleshooting different types of motorcycles, the functions of oils, and the basics and benefits of proper lubrication. In a period of almost two years, over 5,000 motorcycle mechanics signed up as members and were given opportunities that improved them on a professional and personal level through technical training.



RETAIL LOYALTY PROGRAMME

Individual customers also have their own loyalty programme. In 2013, PSPC partnered with Marketing Convergence, Inc. to provide an opportunity for motorists to earn shopping points when they gas up at Shell retail stations using their SM Advantage, SM Prestige or Banco De Oro (BDO) Rewards cards. Points can also be earned by purchasing products at Shell Select or by availing vehicle services at Shell HOC+ or Shell Helix Service Centre.

In 2016, nearly two million SM Advantage members used their cards at Shell-branded retail service stations.



PARTNERSHIP FOR CUSTOMER SAFETY

We strengthened our alliance with A-1 Driving School to serve our customers' fleet requirements by customising Shell road safety driving modules and training programmes for Shell Card B2B drivers nationwide. This continuing partnership over the years has resulted in various projects anchored on road safety, such as the 21 training sessions in 2016, which instructed close to 800 Shell Card drivers.



**RUNNING A SAFE, EFFICIENT, RESPONSIBLE,
AND PROFITABLE BUSINESS**

Managing our Environmental Impact

G4-EN3, G4-EN6, G4-EN8, G4-EN15, G4-EN16, G4-EN19, G4-EN23, G4-EN24, Goal 13

Managing environmental impact is a cornerstone of PSPC's sustainability framework. It includes complying with Shell's global standards as well as putting in place the right processes and tools to identify, prevent, and minimise adverse environmental and social impacts across our projects and facilities.

In this baseline report, we present our environmental performance at the Tabangao Refinery.

GHG AND OTHER GAS EMISSIONS

PSPC endeavours to reduce our own greenhouse gas (GHG) emissions¹ particularly in our manufacturing operations over the long term.

The Tabangao Refinery's Greenhouse Gas (GHG) Accounting and Management System has been assured by Lloyd's Register Quality Assurance (LRQA), a global provider of management system certification, validation, verification, and training on international standards. Results showed that the Tabangao Refinery has been achieving reasonable assurance in accounting all of our greenhouse gas sources for the past two consecutive years.

The Direct GHG emissions (Scope 1) of the Tabangao Refinery includes the following: furnaces as stationary combustion sources, emissions from the operation of crude oil floating roof tanks, operation of mobile combustion sources (mobile vehicles and heavy equipment), operation of other process units and flare unit (flaring, venting or fugitive emissions), operation of electrical substation and maintenance of air conditioning units (with HFC refrigerants). The Indirect GHG emissions (Scope 2) of the Tabangao Refinery is from purchased electricity from the grid.

Due to our maintenance shutdown at the Tabangao refinery, our GHG and other air emissions were reduced.

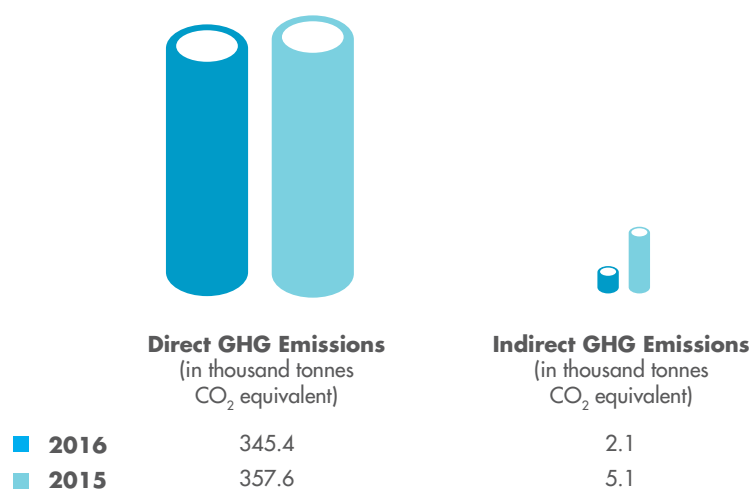
¹ In accordance to GHG Protocol Corporate Accounting and Reporting Standard

GHG EMISSIONS	VALUE (CO ₂ EQUIVALENT TONNES)	% CHANGE FROM 2015
Direct GHG Emissions (Scope 1)	345,449	-3.4%
Carbon dioxide emissions	343,939	-3.4%
Stationary Combustion Sources	333,085	-3.0%
Flaring	10,788	-14.1%
Nitrous oxide emissions	0.70	-12.6%
Indirect GHG Emissions	2,083	-59.0%
Total GHG Emissions	347,532	-4.2%

GHG EMISSIONS	VALUE (TONNES)	% CHANGE FROM 2015
Other Gas Emissions		
Sulphur oxides	3,635	-16.9%
Nitrogen oxides	1,078	-25.7%
Hydrocarbons flared	3,807	-13.9%

TABANGAO REFINERY'S DIRECT AND INDIRECT GHG EMISSIONS

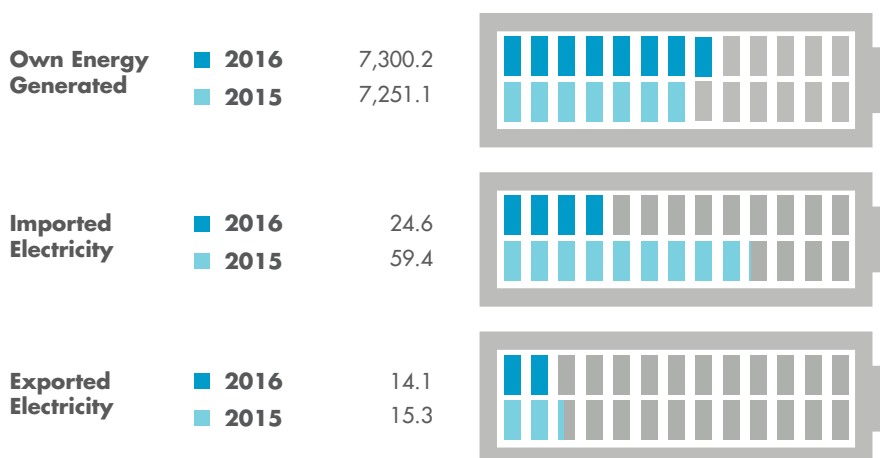
Total GHG emissions from Scope 1 and Scope 2 emissions is 347,532 tonnes CO₂ equivalent, 4.2% lower compared to 2015. GHG intensity (total GHG emissions in tonnes/processed products in tonnes), however, increased by 5.7% from 2015.



ENERGY CONSUMPTION

In the Tabangao Refinery, energy sources include steam, fuel, and electricity. In 2016, we reached 91 Energy Intensity Index (EII) points and were not able to meet our target, mainly due to the following: increase in energy consumption due to the new units installed for the STAR-TREC Project, operation of one additional gas turbine, and energy usage during the plant shutdown.

ENERGY GENERATED, IMPORTED, AND EXPORTED (IN THOUSAND GJ)



The figure above shows the energy generated (in thousand GJ), electricity purchased from the grid (imported) and export of internally generated electricity from the refinery. The energy we generated for our consumption in 2016 increased by 0.7% from 2015, while our purchased energy from the grid decreased by 58.7% due to the lower demand for electricity during the maintenance shutdown. Our exported electricity decreased by 7.7%.

ENERGY SAVING AND GHG REDUCTION INITIATIVES

We continuously find ways to reduce our energy consumption by using better equipment and technology to reduce energy wastage.

The Tabangao Refinery uses a steam system and a hot oil system to supply the energy requirements of several process units. The steam system delivers 170 TeraJoules (TJ) per month on the average, which is approximately 20% of the energy mix in the refinery, while the hot oil system contributes 15 TJ per month on the average, approximately 2% of the energy mix. By supplying the energy requirement via steam and hot oil – a cheaper alternative to using fuel to produce energy, the refinery can reduce fuel cost and reduce greenhouse gas emissions.

To save on natural gas, operation of gas turbines was optimised by balancing supply and manufacturing requirements for 2016. This resulted in savings of 299 TJ or about 15,000 metric tons CO₂ equivalent avoidance. Further optimisation in the operation of energy intensive process units will be done in 2017.

Our terminals also follow company policies to reduce energy consumption. This includes limiting the use of air conditioning systems to office hours and switching to energy-efficient LED lights on perimeter walls.

CARBON SINK INITIATIVE

PSPC signed the Memorandum of Agreement with Pilipinas Shell Foundation Inc. (PSFI) in November 2016 in Brgy. Kinabuhayan, Dolores, Quezon as part of PSPC's commitment to reduce greenhouse gas emissions and comply with the government's regulatory requirements.

The Carbon Sink Management Programme was put in place to mitigate the refinery's carbon dioxide emissions. It was approved by the Department of Environment and Natural Resources-Environmental Management Bureau on January 29, 2016 and is expected to run until 2019. The programme will involve planting 100,000 endemic and indigenous species of trees on 50 hectares of land managed by the Makiling-Banahaw Watershed Management Department of the National Power Corporation (NAPOCOR).

PSFI will undertake the planting and maintenance of the forest tree seedlings, while NAPOCOR will provide the technical expertise. The manpower for safeguarding these seedlings will mostly be locals from adjacent barangays.



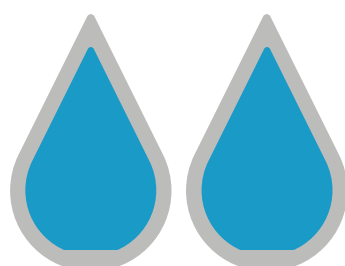
OTHER EFFORTS TO REDUCE OUR GREENHOUSE GAS EMISSIONS

Shell Group is a signatory of the World Bank's "Zero Routine Flaring 2030" initiative. Consistent with this, we continue to work on reducing our own flaring, which translates to greenhouse gas emissions and cost reduction. We are glad to report that flaring practice at the Tabangao Refinery has significantly improved with the installation of support gas flow metres, a conscious effort to monitor actual flaring, and improvement in operational excellence.

At our terminals, Internal Floating Roofs are being used to manage volatile organic compounds emissions. High carbon-emitting equipment such as generator sets have also been traded for more fuel-efficient and less-carbon emitting equipment. Further, gantries are constructed with Benzene Exposure Reduction Systems to reduce plant operators' exposure to harmful gas during loading.

WATER AND EFFLUENT MANAGEMENT

In accordance with the Shell Group's commitment and policy on Health, Security, Safety, Environment, and Social Performance, PSPC has specific requirements for different components of our business, including standards related to water consumption and managing our effluent.



Volume of Freshwater Withdrawn
(in thousand m³)

2016	2015
1,932.4	1,822.1

In the Tabangao Refinery, water consumed in 2016 increased by 110,295 m³, a 6.1% increase from 2015. This is mainly due to increased tank cleaning activities. Water used at the Tabangao Refinery is primarily sourced from groundwater, through deep wells regulated by the National Water Resources Board (NWRB). Our monthly water consumption is reported to NWRB, and the refinery has been diligent in doing all other monitoring activities prescribed in the approved Environmental Monitoring Plan.

Based on a regular sampling cycle, the refinery has not exceeded the DENR effluent standards. To enhance our compliance with the new DENR Administrative Order 2016-08 or the Water Quality Guidelines and General Effluent Standards 2016, the refinery team has already prepared an End-to-End Refinery Effluent Management Plan which reflects our short-term and long-term action plan to address issues related to effluent water.

Our terminals are also equipped with effluent improvement systems. Some terminals have become more effective in reducing their water effluent by employing piggable lines which use inert gas to push the fuel products to the tanks. The performance of these systems is monitored and reported quarterly through the Self-Monitoring Report submitted to the government.

OIL SPILL PREVENTION AND MANAGEMENT

In 2016, there were no oil spills from PSPC’s worksites that were reportable to the regulators. In December 2016, we recorded a loss of 7,000 kg of fuel oil from primary containment that was confined to and recovered within the bund wall of our tank. Leaks coming from hydrocarbon storage tanks or pipes are avoided with proactive and effective maintenance programmes that are in place to ensure asset integrity. Additionally, storage tank farms are now designed to have HDPE sheets to contain the products within our site premises.

We also conducted trainings and drills aimed at raising awareness and developing skills in prevention, management, and response to oil spills. Bi-annual oil spill drills are also conducted in our terminals. Local as well as national staff participated in these trainings, joined by members of the Philippine Coast Guard (PCG), representatives of Waterborne Industry Oil Spill Equipment (WISE) and vessel owners.

We conducted an Incident Command System (ICS) Refresher Course for our operations Incident Command Team (ICT) of 20 staff on September 2, 2016. The training aimed to update the working knowledge of ICT operations and Incident Response Team in the planning and execution of Tier 2 and 3 oil spill response in accordance to the ICS Methodology. Likewise, a Table Top Tier 2 Oil Spill Drill was conducted for the operations ICT and the NMIF Team. This was also participated by national and local members of the PCG as well as representatives of WISE and vessel owners.

WASTE MANAGEMENT

In the Tabangao Refinery, hazardous wastes disposed increased by 106.7% (445 tonnes) due to more frequent tank maintenance conducted, which mostly generated oil sludge. These wastes are treated by DENR-accredited hazardous waste haulers.

Non-hazardous waste disposed similarly increased by 115.8% (75.0 tonnes) from the catch-up hauling of 2015 wastes and improved hauler services, which accelerated the disposal in 2016.

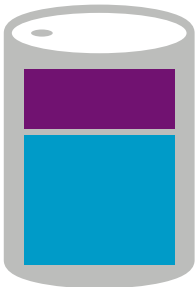
We have created the HSSE Visual Management Board to proactively monitor our efforts toward a cleaner refinery. It tracks the effectiveness of waste management across the Tabangao Refinery and helps sustain our good performance and compliance. The Visual Management Board employed a top-bottom approach, first urging the refinery leadership-level to spearhead activities, and second, encouraging all area owners to work together towards a cleaner refinery.

Waste management systems are also in place in our terminals. Hazardous wastes generated are reported quarterly to the DENR, while the disposal and treatment of these wastes are managed by an authorised waste treatment company. The non-hazardous type, on the other hand, is composed of household and office waste of very minimal quantities.



Hazardous Waste Disposed (in tonnes)

■ 2016	861.9
■ 2015	417.0



Non-hazardous Waste Disposed (in tonnes)

■ 2016	139.8
■ 2015	64.8

RUNNING A SAFE, EFFICIENT, RESPONSIBLE, AND PROFITABLE BUSINESS

Talent Management Excellence

G4-9, G4-LA1, G4-LA12, Goal 4, Goal 8

Talent Management Excellence in Shell is focused on three main deliverables: resourcing the business, developing individuals, and growing leaders. The goals are to leverage a comprehensive understanding of employees across the organisation, to promote higher levels of performance, and to develop depth and calibre of talent required for outstanding business performance and sustainability.

One of the tools used to measure our performance against this mandate is the Shell People Survey, an annual and voluntary employee survey that covers different aspects of employee engagement such as career, reward, and leadership. It is an important avenue for employees to contribute insights that help the organisation toward achieving a great workplace.

In PSPC, the survey results covering around 600 respondents showed overall employee engagement at 88%. We have maintained about the same employee engagement scores for the past four years. 90% would recommend PSPC as a good employer to their peers, 94% are proud to work for Shell, and 87% are committed to exert extra effort to help our Company succeed.

88%

**Overall Employee
Engagement Index**



94%

**Pride in working
for Shell**

**Recommend Shell
as a good employer**

90%



82%

Job Satisfaction

Company Satisfaction

86%



87%

**Motivated to help
company succeed**

**Overall satisfaction
with Shell**

86%



TOP 3 MOST FAVOURABLE ENGAGEMENT FACTORS

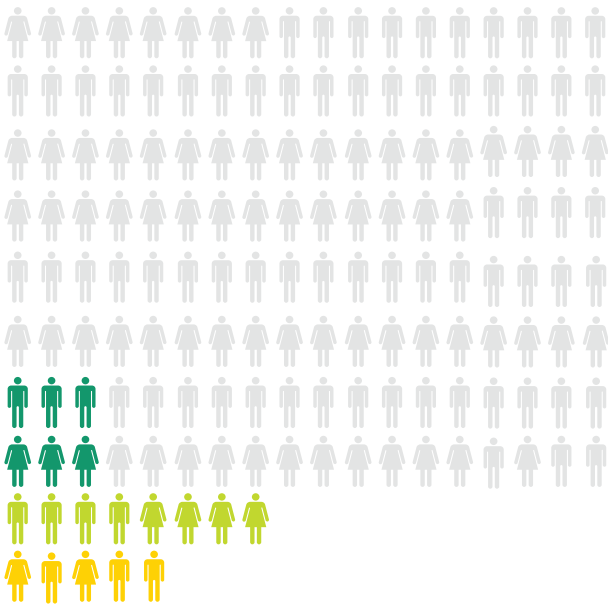
Health and Safety	96%
Integrity in Dealing with Community	95%
Proud to work for Shell	94%

3 ENGAGEMENT FACTORS THAT NEED IMPROVEMENT

Timeliness in Decision Making	64%
Compensation	65%
Free to Speak My Mind	71%

- 30 New Hires
- 38 Expatriates
- 19 Resigned

DIRECT HIRES
698 staff directly employed by PSPC



INDIRECT HIRES
about 560 staff employed by service providers



- Female
- Male

Grand Total	228		470
Union Staff	28		136
Front Line Operations	80		69
Front Line Supervision	94		184
Mid Management	25		68
Senior Management	1		13

AGE DISTRIBUTION



STRONG LEADERSHIP

PSPC benefits from being led by an experienced management team with significant local and international oil industry experience. Currently, members of the management team have an average of more than 25 years of relevant experience, and an average of 23 years of which were spent in the Shell Group. They have successfully managed our Company through various business cycles.

PSPC has also actively invested in talent retention and development to maintain a deep reserve of experienced and committed management professionals pipelined in succession plans. Moreover, our affiliation with the Shell Group provides our management team opportunities to rotate through the management ranks of other companies of the Shell Group worldwide. This facilitates knowledge transfer and exposes our management internationally.

CAREER PROGRESSION AND TALENT MANAGEMENT

PSPC retains talent by providing them career progression and development opportunities. Management regularly reviews PSPC's progress in developing talent and makes the necessary interventions to ensure that employees have access to opportunities for development and career growth. This has been met with a highly positive employee perception, as evidenced by responses to our Shell People Survey results. On career progression opportunities, a total of 79 promotions were made within PSPC in 2016.

COLLECTIVE BARGAINING AGREEMENT

G4-11

Consistent with promoting goodwill and collaboration between labour and industry, a Collective Bargain Agreement (CBA) was signed between PSPC and Tabangao Shell Refinery Employees Association (TASREA) in November 2016. The CBA forms part of PSPC's commitment to maintain unity among PSPC's management and staff at different levels and granting of equitable wages and employee benefits. "This was quite a journey for everyone. I'm very optimistic that we can handle all challenges and get past all obstacles as long as we know that we can rely on each other," shared Tabangao Refinery General Manager Eduard Geus.

As an integral component to harmonious labour-management relations, PSPC recognises the importance of social dialogue in sustaining efficiency and performance levels. Speaking on behalf of TASREA, Union President Tony Garcia highlighted, "With good faith and open-mindedness of both union and management panel, success will be achieved."

CBA negotiations between PSPC and Kapisanan ng mga Manggagawa sa Shell (KMS) was scheduled to begin in the first quarter of 2017. As of year end 2016, 101 staff are covered by TASREA and 63 staff by KMS.



DIVERSITY AND INCLUSION

PSPC strives to create an inclusive environment and improve the work-life balance of our employees. This means making each individual employee feel valued and respected for who they are and what they can bring to the organisation. We ensure a diverse pool of candidates for selection during our recruitment process.

Women have made significant strides in PSPC, particularly in senior management positions over the past decade, but PSPC acknowledges that more can be done to push towards a more gender-inclusive company. The establishment of the Women's Network in Shell companies in the Philippines is a key initiative towards bridging the gender gap. This network was recently launched through a "He says, She says, We say" Forum, which featured international and local Shell executives as speakers and a discussion on the business case for gender balance in the workplace. PSPC also promotes learning sessions on various topics about building an inclusive workplace, such as Gender, Sexual Orientation, and Unconscious Bias.

Recognising the importance of work-life flexibility in enhancing motivation, performance, and productivity, PSPC also allows flexible working arrangements, including part-time work, flexible working hours, and working from home.



RETIREMENT PLAN

We attract and retain the best employees through very competitive remuneration.

PSPC provides a retirement plan with two schemes: Defined Benefit for employees who joined before September 1, 2015 and Defined Contribution for employees who joined from September 1, 2015.

The retirement plan is fully funded through PSPC contributions and the investment income of the Fund's invested assets. An independent Board of Trustees governs the Retirement Fund, and a professional pension fund manager manages the plan assets in coordination with the appointed investment banks. The Fund's assets exceeded the plan's liabilities in 2016.

The amount of pension asset (obligation) recognised in the statement of financial position for the year ended December 31, 2016 and 2015 are as follows:

IN THOUSAND PHP	2016	2016	2016	2015
	Defined Benefit	Defined Contribution	Total	Defined Benefit
Present value of defined benefit obligation	(3,736,701)	(4,071)	(3,740,772)	(3,971,936)
Fair value of plan assets	7,234,997	2,990	7,237,987	6,304,113
Pension asset (obligation)	3,498,296	(1,081)	3,497,215	2,332,177

The pension obligations were based on the actuarial valuation report prepared by an independent actuary as of December 31, 2016.

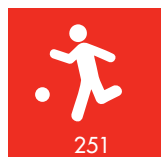
Assumptions regarding future mortality experience are set based on published statistics and experience in the country.

The average age in years of a pensioner is 67, and the expected future service years is 17 years. The discount rates are assumed to be 5.1% and 4.8% for 2016 and 2015, respectively. Future salary increases are assumed to be 6% for both years.

The carrying values of the plan assets as of the year ended December 31, 2016 and 2015 are equivalent to the fair values presented on the right and are comprised of investments in equity securities and similar financial assets, which account for 91% of total plan assets in 2016 and 93% in 2015. Plan assets are comprised of:

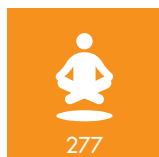
IN THOUSAND PHP	2016	2016	2016	2015
	Defined Benefit	Defined Contribution	Total	Defined Benefit
Cash and Cash equivalent	20,275	2,990	23,265	4,826
Investment in debt securities:				
Government bonds and securities	59,952	-	56,952	100,089
Corporate bonds	516,249	-	516,249	255,866
Investment in equity securities:				
Unquoted equity instruments	2,585,514	-	2,585,514	1,849,960
Unit investment trust funds	3,977,160	-	3,977,160	4,014,662
Others	78,847	-	78,847	78,710
Total	7,234,997	2,990	7,237,987	6,304,113

BE WELL CLUB MEMBERS



251

2016



277

2015

SHELL BE WELL AND RESILIENCE PROGRAMME

PSPC encourages our employees to take control and invest in their health and well-being through our Be Well Programme. The Shell Be Well Programme provides a holistic approach to wellness by developing the right mindset and habits among our employees with regard to nutrition, disease prevention, hygiene and an active lifestyle. It also includes programmes on resiliency, stress management, and personal effectiveness.

"The idea really is to build resiliency among our employees for them to make a healthy choice," PSPC Chairman Edgar Chua explained.

PSPC employees are now participating in the various Be Well programme activities, from only 72 employees in 2013 to 251 employees in 2016.

There was a remarkable decrease in the number of hospital confinements related to lifestyle illness, improved productivity rate, and increased percent rate of employee engagement. Through the promotion of healthy lifestyle, PSPC helps drive a healthier workforce, and in the longer term helps its employees realise their full potential.



CRYSTAL AWARDS 2016: CLEAR RESILIENCE AND COMMITMENT FOR GROWTH

PSPC lauded dozens of employees for their outstanding performance and contributions to the organisation at the 28th Crystal Awards. Held at the Shangri-La at the Fort, 21 top performers from PSPC received the prestigious crystal trophy.

PSPC Chairman Edgar O. Chua congratulated the awardees saying, "They actually dared to dream to be the best and make a difference and have been upholding our core values of honesty, integrity, and respect."

Chua also recalled the first Crystal Awards in 1988 when we were one of the first to recognise our frontline staff who have consistently exceeded customer and company expectations.

Chua, himself, was conferred the top performance award for his leadership as SciP Country Chairman, under whose watch PSPC expanded and strengthened our Philippine portfolio.



AWARDEES

RETAIL

Alfred Miguel Aguado
Commercial Fleet Field Based Account
Manager
Remrod Ray Pine
Retail Territory Manager
Alexis Bilton Chua Tong
Retail Territory Manager
Josemari Lorenzo Valdez
Retail Territory Manager

GLOBAL COMMERCIAL

Marcia Angela Abas
Shell FuelSave Brand Manager
Jose Luis Antonio Gamboa, Jr.
Global Lubricants Indirect Channel Account
Manager
Maria Emma Reyes Villegas
Sales Operations Specialist

SUPPLY AND DISTRIBUTION

Manuel Alano
Facilities Engineer
Francis John Aling
Terminal Manager
Rommel Ani
Order to Delivery-Philippines Scheduler
Helario Cerio
Terminal Manager
Majid Ozair
Direct Sequencing Spread Spectrum Operative
Nina Diana Alonzo-Santos
Senior Supply Scheduler

COMMERCIAL FUELS

Karen Tracy Almarines
Account Manager
Ma. Cely Par
Account Manager
Ma. Regina Angela Tanjanco
Account Manager

MANUFACTURING

Maria Kathrine Labrador
Performance Management Lead
Mario Conchada
Maintenance Planning and Scheduling
Supervisor
Nestor Cortez
Operations Shift Trainer
Dindo De Castro
Rotating Equipment Engineer
Michael Martija
Shift Team Leader
Ronaldo Medina
Process or Utilities Production Specialist

SHARING WIDER BENEFITS WHERE WE OPERATE

Economic Value Distribution

G4-EC1

In 2016, PSPC generated a total of P137.41 billion in value. This represents the generated economic value created by PSPC from its business activities. We distributed 96.99% of our wealth to various stakeholders, mostly suppliers (83.97%), and the Philippine government (7.69%) in the form of taxes, duties, and levies. Only about 3.01% is retained in the company.

In line with PSPC's conscious effort to help communities, we increased our contribution to communities from 0.02% to 0.09%. We also declared and distributed dividends (2.40%) in Q3 2016. Our employees received about 2.07% of this value.

We recognise the role we can play to foster Philippine economic development. This is formalised as a corporate policy, the Local Content Development Policy.

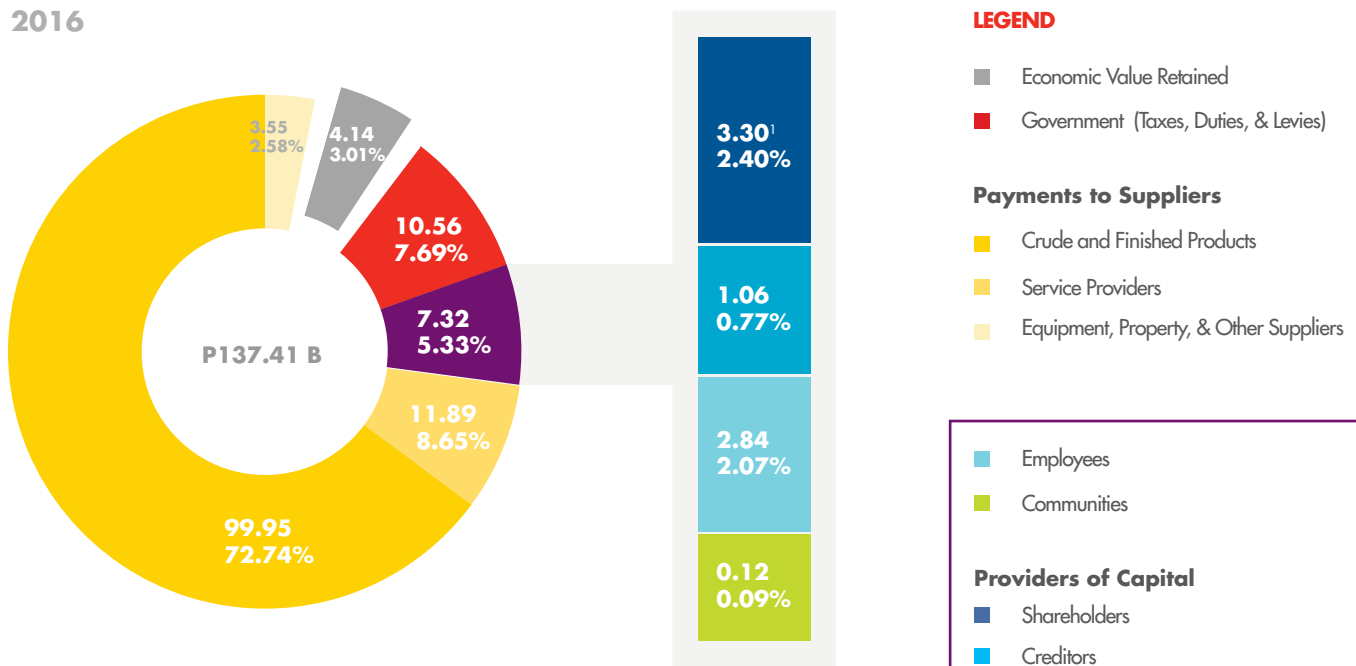
We define Philippine Local Content as the value added to or created in the Philippine economy through the utilisation of Filipino human and material resources in our operations.

Under the policy, all contracts entered into by PSPC puts priority to Philippine local content, provided that it is aligned with Shell Group Business Principles, Quality, Health, Safety, and Environmental Standards.

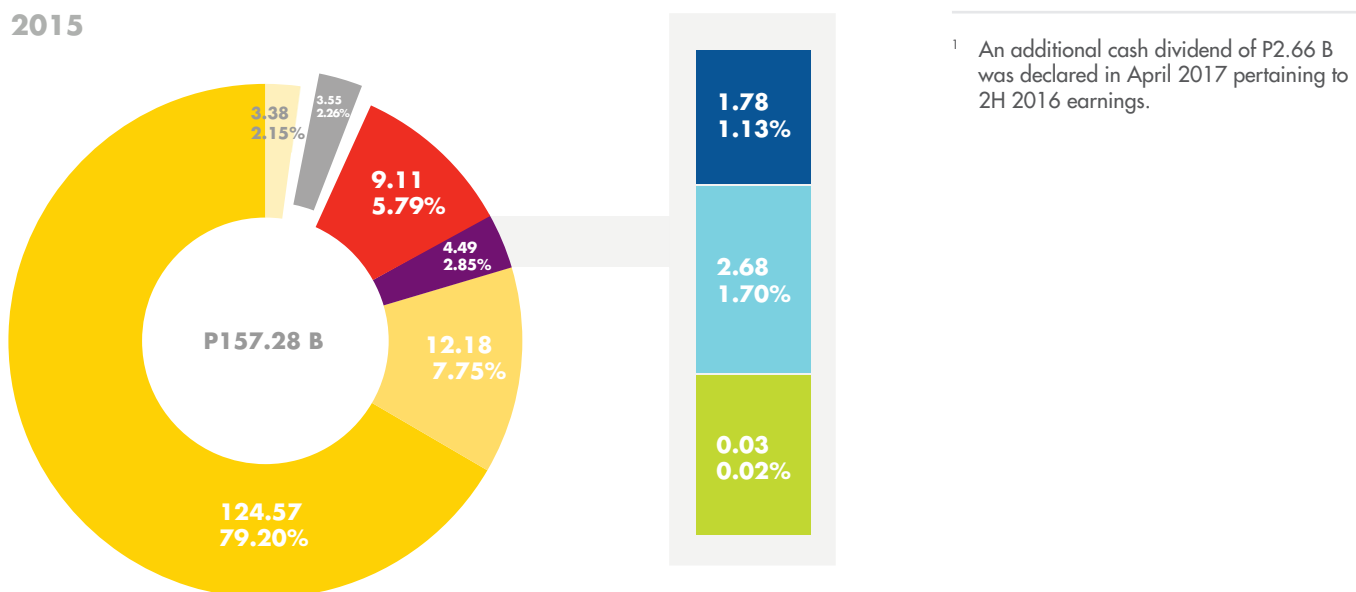
This ensures that Filipinos will be the first to benefit from the opportunities created by PSPC.



2016



2015



¹ An additional cash dividend of P2.66 B was declared in April 2017 pertaining to 2H 2016 earnings.

IN BILLION PHP

SHARING WIDER BENEFITS WHERE WE OPERATE

Northern Mindanao Import Facility

G4-EC7

In July 19, 2016, PSPC inaugurated a state of the art fuel import facility in Northern Mindanao's regional centre, Cagayan de Oro City, as part of PSPC's commitment to support the local economic growth.

With a capacity of 90 million litres, the North Mindanao Import Facility (NMIF) is the first PSPC terminal in the country equipped to receive a medium range (MR) vessel or a tanker with a capacity of between 25,000 to 45,000 tons (deadweight). It is poised to serve the growing power and energy needs of Central and Southern Philippines with oil demand presently at 49,000 and 63,000 barrels per calendar day, respectively.

By June 10, 2016, the NMIF successfully received its first MR vessel and admitted approximately 25 million litres of automotive diesel oil.

"NMIF contributes to increased security of energy supply in the Visayas and Mindanao area as it provides additional storage capacity of finished petroleum products," said former PSPC President and CEO Edgar Chua. The facility, he added, "is a new source point of fuels that can be distributed to surrounding depots and customers."

The establishment of NMIF is PSPC's way to demonstrate our commitment to inclusive economic growth underpinned in the Philippine Development Plan 2011–2016. This complements the Department of Energy's (DOE) efforts to promote the development and upgrading of downstream infrastructure and to support the country's Oil Supply Contingency Plan including the establishment of an oil stockpile.

The construction of this facility, which began in 2014, is the result of the close collaboration between the local government of Cagayan de Oro, the Philippine Ports Authority, PSPC, and our business partners.





JOB LINK

The construction of NMIF provided jobs to 550 local workers (including contractors and indirect hires) from Cagayan de Oro City. This comprises 44% of the total manpower of the project. Construction experience and training in Shell's safety practices resulted in skills upgrading of the local workforce, boosting their qualifications for local and overseas jobs.



COMMUNITY DISASTER RESILIENCY

Training on disaster response and emergency preparedness was supported by NMIF for 43 community volunteers of Barangays Puntod and Macabalan in Cagayan de Oro. Emergency equipment, such as rubber boats were also provided by NMIF to help in the rescue operations of the volunteers. Separately, NMIF also partnered with government agencies, such as Philippine Ports Authority (PPA), Bureau of Fire Protection, Philippine Coast Guard, and Philippine National Police, to enhance emergency response cooperation for oil spills or fire incidents.



ENVIRONMENTAL STEWARDSHIP

NMIF recognises the importance of watershed and forest ecosystems. In partnership with local stakeholders, such as Xavier University, Cagayan de Oro River Basin Management Council, PPA, and the Department of Environment and Natural Resources Office, PSPC supported 10 hectares of land for reforestation which can accommodate 10,000 inter-crop of endemic and coffee trees. In addition, our NMIF staff worked with volunteers and PPA to plant 1,000 mangrove seedlings at Brgy. Pangayawan in the Municipality of Gitagum. With PSPC's support to the local environmental initiative in CDO, PSPC has been recognised by Xavier University as a champion for the environment.



ROAD SAFETY

Through the Pilipinas Shell Foundation, Inc. (PSFI), we promoted Road Safety culture at the PPA where the NMIF is also located. We trained 32 safety officers, haulers, port police, and PPA operations staff to become road safety mentors of the drivers operating at the local port.



SUSTAINABLE RESETTLEMENT

Informal settlers adjacent to the PPA compound and NMIF were beneficiaries of 20 houses, through a project spearheaded by NMIF. In partnership with PPA, Gawad Kalinga, and PSFI, the consortium established a Shell-GK Village in Cagayan de Oro City. Additionally, NMIF is working towards building a separate village for other informal settlers by 2017.

SHARING WIDER BENEFITS WHERE WE OPERATE

Supporting Infrastructure Development in the Philippines

In December 2016, we announced our plan to invest more than US\$13 million to upgrade our Tabangao refinery to enable local production of bitumen. This investment is seen to support the country's substantial pipeline of public works, including the construction of roads, airports, agricultural facilities, and other transportation infrastructure. The refinery upgrade will also enable us to increase bitumen exports to other markets in Asia.

Bitumen is a necessary component for asphalt pavements. It is used for road and runway surfacing and waterproofing.

PSPC President and CEO Cesar Romero announced: "We are very excited about these plans for the Tabangao Refinery because it will allow us to produce bitumen. As we all know, infrastructure is a priority in the country and this development allows us to participate more in nation-building."

In May 2016, we showcased our pavement solutions for Philippine airports to the Department of Transportation and Communications (now Department of Transportation), the Civil Aviation Authority of the Philippines, and the Manila International Airport Authority.

We presented Shell's global expertise in pavement solutions and promoted the use of polymer modified bitumen products to extend the maintenance cycles in airport pavement brought by high load and traffic.



Livelihood and Skills Training

Through our various livelihood and skills programmes, we help address the country's continuing issues on unemployment, underemployment, and under-capacitated youth, with the latter resulting from poverty.

Over three decades ago, PSPC started Sanayan sa Kakayahang Industriyal (SKIL) as a response to the widespread unemployment problem amongst the youths and the growing demand for middle-level craftsmen here and overseas.

The nationwide programme provides Dual-Training Technical Vocational Skills through a monitored tripartite partnership programme involving PSFI, TESDA or its accredited training institutions, and private industry, aimed at producing trained and motivated workers with National Certification Level II qualifications.

Since our launch in 1983, there have been more than 8,000 SKIL beneficiaries. In 2016 alone, 373 beneficiaries were enrolled in the programme.

In 2007, Gas Mo Bukas Ko (GMBK) was born. It is a programme aimed at providing a better future for our forecourt service champions through capacity building programmes. In the fuel retailing industry, the life of a typical pump boy is mostly limited to a contract renewal, rarely gaining opportunities for higher-paying jobs and the ability to rise above the poverty level.

The GMBK programme seeks to unleash the latent potential of Shell's forecourt service champions and empower them to partake on higher-paying job opportunities offered both inside and outside of the Shell Retail network. GMBK is a modified SKIL programme. Like SKIL, GMBK aims to provide opportunities to the youth through technical-vocational scholarships in the hope of enhancing their employability. We had 1,514 participants since GMBK's inception.

These participants start their training with an aptitude test and a leadership workshop. They also secure a national technical and vocational education training certificate after desktop and on-the-job training.



373

individuals were enrolled in the Sanayan sa Kakayahang Industriyal (SKIL) programme

1,514

total number of participants in the Gas Mo Bukas Ko (GMBK) programme since 2007



HELPING TO SHAPE A SUSTAINABLE FUTURE

The Future of Clean Fuels and Lubricants

Goal 4, Goal 8

Shell acknowledges the importance of innovation, and exploring the use of alternative and cleaner fuels to manage environmental impacts to help build a more sustainable energy future.

As more people gain access to energy and enjoy higher standards of living, climate change remains a serious concern. To meet this challenge, Shell develops and deploys cutting-edge technology through three key pillars – innovation, understanding critical customer applications, and working in partnership with equipment manufacturers, customers, and industry leaders.

SHELL FUELS QUALITY ASSURANCE

Shell V-Power Nitro+ fuels represent Shell's latest generation of premium performance fuels. These performance fuels are designed to prevent gunk or deposits that can reduce the performance of cars. Shell FuelSave fuels are our regular-priced fuels designed to last longer with Active Efficiency Ingredients that are designed to improve engine efficiency from the very first tank, which can help your car travel farther with less fuel. Shell Fuels undergo stringent quality tests at our terminals, depots, and retail stations to ensure that our commitments to our customers and the government are fulfilled. PSPC ensures proper adherence to the quality and emission standards set by the Philippine government that is aimed to provide more sustainable energy to Filipino consumers.



SHELL PUREPLUS TECHNOLOGY

Today's vehicles need a motor oil that keeps pace with their changing demands and does more to improve performance and engine life. This is why Shell designed an entirely new way to produce synthetic base oils from natural gas instead of crude oil using Shell's patented Shell PurePlus Technology.

Shell PurePlus Technology is a revolutionary process which converts natural gas into a crystal-clear base oil with virtually none of the impurities found in crude oil. Base oil is the main ingredient of lubricants, and this technology results in a 99.5% pure base oil that enables higher levels of cleansing and protection. This base oil is in Shell Helix Ultra with PurePlus Technology – Shell's most advanced motor oil and the first ever motor oil made from natural gas. It works hard to protect the engine and deliver great performance even on demanding drives.

Shell PurePlus technology is also found in Shell Advance Ultra for motorcycle oils and Shell Rimula R6 for heavy duty diesel engine oils. It also offers a number of other important benefits for the engine.



Sludge Protection

Shell Pureplus Technology prevents dirt build-up with exceptional cleaning power. The formula features a unique and powerful combination of Shell Pureplus Technology with high performance additives. It not only helps prevent dirt particles from sticking together to form sludge, which can seriously impact engine power, but it also protects the engine from harmful deposits that can affect the car's performance¹.

Less top-up

A low evaporation formula results in up to 50% less evaporation loss compared to inferior oils, meaning drivers don't need to top-up² the oil frequently.

Effective even in extreme temperatures

Due to enhanced viscosity features, this superior motor oil flows up to three times faster than required by the latest industry standard, allowing the engine to warm up quickly³ and reach optimum performance sooner. The oil also stays stronger for longer in extreme high temperatures to keep protecting the engine. It provides superior resistance to oil degradation, up to 32% better than the latest industry standard⁴.

¹ Based on Sequence VG sludge test results using OW-40

² Based on ASTM D5800 NOACK volatility test

³ Compared with API SN specification and based on ASTM D4684

⁴ Compared with APISN specification and based on Sequence IIIG oxidation and deposit tests

HELPING TO SHAPE A SUSTAINABLE FUTURE

STAR-TREC Project

A number of public policy measures bind the Philippine petroleum industry to certain standards and quality specifications. PSPC is at the forefront of compliance to these measures and continues to be a leading advocate for environment-friendly and quality fuels.

The STAR-TREC (Shell Tabangao Asset Renewal - Tabangao Refinery Euro IV (PH) Compliance) Project enabled PSPC to produce Euro IV (PH)-compliant gasoline and automotive diesel starting January 1, 2016. The project supports the national government's initiative on promoting a greener economy. Investment were made for the installation of a new hydro-desulfurization (HDS) reactor, a new pressure swing adsorption (PSA) unit, and additions to the existing sour water stripper (SWS).

All the upgrading activities took place while the Tabangao Refinery continuously delivered operational and safety excellence.

"This project is a very complex project and one which is very important for Shell and for the country," said former PSPC President and CEO Edgar Chua. "It is also a testament to the strength of Shell operations in the Philippines and to the faith of the Company in the country and its people."



Behind the success of the project is the strong collaboration of more than 600 staff and workers from Shell, Chiyoda Philippines Corporation as our main contractor, and EEI Corporation as our implementation contractor.

Through Pilipinas Shell Foundation Inc., the STAR-TREC Project has also helped over 5,000 residents of the community where the refinery operates in. Capacity building programmes were provided to out-of-school youth, employment opportunities for local residents, and livelihood programmes were provided to women.



PSPC received **P77.3 million worth of real property tax exemptions** on production equipment and machineries from the local government unit of Batangas City. The tax exemption is an incentive granted by the BOI to PSPC for STAR-TREC project.

HELPING TO SHAPE A SUSTAINABLE FUTURE

Shell Eco-marathon Asia

With the growing worldwide population and rapid urbanisation in our midst, Shell recognises increasing pressures on urban densities and transit. Shell foresees the number of cars to triple worldwide by 2050, with aviation and shipping growing strongly at the same time. Faced with this reality, Shell renews its commitment to continually find solutions to mobility through Shell Eco-marathon.

Through this initiative, Shell engages the youth in developing mobility solutions that address the unique opportunities of the 21st century and urban density.

What began as a competition started by Royal Dutch Shell in 1939 at a research laboratory in the United States between employees who placed bets on who could go the farthest in a vehicle with the same amount of fuel, the competition has evolved into the Shell Eco-marathon (SEM). The annual event brings together a global set of stakeholders in a street circuit test to challenge students to design, build, and drive ultra-energy-efficient vehicles that will help redefine the future of transportation. Student teams take to the track to vie for the highest mileage on the least amount of fuel. As Shell's biggest educational platform with events in the Americas, Europe, and Asia, SEM is committed to stir public support and collective action towards energy efficiency.



PSPC won the bid in hosting SEM Asia from 2014 to 2016. As host company, PSPC reached out to and engaged different sectors, including local government, academic institutions, and media agencies, to be part of this advocacy.

As part of SEM Asia, an interactive exhibit was also installed. Called the Shell Energy Zone, the space featured creative displays open to visitors of all ages, focusing on how innovation helps solve energy challenges and keeps the world moving in a cleaner and more efficient way.

2016 saw the most significant change to Shell Eco-marathon since the competition began 30 years ago, with the introduction of the Drivers' World Championship. Drivers go head-to-head in a traditional racing car format while maintaining the need to drive efficiently. The winning team of the Drivers' World Championship earns an invite to spend one week with Scuderia Ferrari at their factory in Italy to get advice from Scuderia Ferrari engineers on how to improve their cars.

Norman Koch, SEM Global Technical Director, said, "The Shell Eco-marathon Drivers' World Championship Race marks an important step in the evolution of Shell Eco-marathon and the global drive for energy efficiency, challenging the students to push further than they have before."

In 2016, Manila opened its doors to over **30,000 local and international guests, and 117 student teams from 17 countries** across three continents.





POWERING PROGRESS FORUM

Shell's Powering Progress Together Forum, a parallel event during SEM, served as platform for 300 thought leaders in the energy, business, environment, academic, and policy sectors to discuss the global energy-water-food nexus challenges.

The forum has a two-pronged approach aimed at starting conversations that would bring about social action.

Conferences and seminars were held to spark new thinking on how to increase resilience in the face of growing pressure on the world's vital resources. This was followed by workshops to conceptualise and organise concrete on-the-ground responses to address these issues, usually in the form of city-based initiatives run by young professionals.



Looking Forward

G4-1

We constantly look at the future as a source of inspiration and opportunity to make our business more inclusive, responsive, and profitable.

Our strategies reflect long-held traditions of customer service excellence, innovation, and industry leadership, while remaining cognisant of our responsibilities to our shareholders and our stakeholders.

SELECTIVELY PURSUE PROFITABLE FUEL OPPORTUNITIES IN THE GROWING PHILIPPINE MARKET

As one of only two integrated refining and marketing companies in the country, PSPC is well-positioned to selectively pursue growth opportunities in the Philippine market. PSPC intends to do this through our continuous expansion in urban centres, surrounding suburbs, other emerging economic regions, and growing rural trade areas. While we aspire to grow our retail network to roughly 1,220 retail stations by 2020, we continually review and rationalise our retail station network to eliminate inefficiencies. PSPC is also focused on increasing retail and market penetration in key regions, including Visayas and Mindanao, through the new NMIF, which was chosen for its strategic location and lower transport costs. Increase in market share is planned to be achieved by capitalising on our leading brand preference positions, providing differentiated fuel and services, loyalty programmes for customers and dealers, and tactical promotions. The commercial business aims to increase sales volumes through service reliability, product innovation, and long-standing customer relationships.

OPTIMISE RELATED PRODUCT PORTFOLIO AND OFFERING TO INCREASE CUSTOMER LOYALTY

PSPC plans to strengthen our market position, improve margins, and increase our customer base by: (i) attracting more customers to shift to premium fuels; (ii) leveraging access to the Shell Group's technological research and development edge; (iii) continuing to upgrade our wholesale commercial offerings; (iv) capitalising on our position as the sole fuel oil producer in the Philippines; and (v) expanding our customer base through loyalty programmes.



MAINTAIN COMPETITIVE ADVANTAGE THROUGH A RELIABLE AND EFFICIENT MANUFACTURING, SUPPLY AND DISTRIBUTION CHAIN

PSPC will continue to drive a highly integrated and cost-efficient supply chain by maximising refinery and supply and distribution flexibility and savings. Plans include promoting operational excellence and reliability through a bottom loading system for refined products, minimising unplanned shutdown incidents, prolonging turnaround cycles, improving energy efficiency, and implementing margin improvement projects. The supply network will be further optimised by adding or disposing supply points, and taking full advantage of the logistics benefits of the NMIF.

CAPTURE MARKET GROWTH OPPORTUNITY IN THE LUBRICANT AND CONVENIENCE RETAILING MARKETS

PSPC will capture greater market share in the lubricants sector through the expansion of our Shell Helix Oil Change+ outlets and leveraging Shell Helix, Shell Rimula, and Shell Advance as anchor brands. The “Welcome to Shell” campaign will grow our convenience retailing sector by upgrading customer experience through improved facilities, staff motivation, and our Deli2Go in-store dining option.

UPHOLD THE SHELL GROUP’S HIGH STANDARDS AND MAINTAIN INDUSTRY LEADING POSITION IN CORPORATE GOVERNANCE, HSSE AND CORPORATE SOCIAL RESPONSIBILITY

PSPC will continue to uphold good corporate governance by adopting global Shell standards, policies, and best practices. We will take all precautions to ensure that our staff gets home from work safely each day. The Shell General Business Principles, HSSE, and Ethics and Compliance standards apply to PSPC’s employees, contractors, third-party service providers, and joint ventures where PSPC has operational accountability. We will employ social performance programmes that enhance the welfare and development of communities where we operate.

CONTINUED FOCUS ON RECRUITMENT, DEVELOPMENT, AND RETENTION OF WORLD-CLASS TALENT

PSPC is led by an experienced management team supported by a highly skilled and motivated workforce that has been recruited through the Shell Group’s international recruitment process. International experience enables PSPC to leverage the Shell Group’s best practices in operational excellence and performance in manufacturing, supply and distribution, and marketing. PSPC’s organisational structure is based on a lean and fit-for-purpose design, which facilitates a high level of employee empowerment and engagement between management and front-liners. We have been able to retain our talent, through our commitment and focus on our people, as evidenced by our low talent attrition rate.

GRI G4 Content Index

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This report has been prepared 'in accordance' with GRI's G4 Sustainability Reporting Guidelines' Core option. The GRI Content Index below indicates the disclosures and the location of information in this report. No external assurance has been done on this report.



GENERAL STANDARD DISCLOSURES		
Indicators	Page Number/ Direct Answer	External Assurance
Strategy and Analysis		
G4-1	Message from the Chairman, p.5 Message from the President & CEO, p.7-p.8	No
G4-2	Message from the President & CEO, p. 7- p.8 Major Risks and General Responses, p. 51	No
Organisational Profile		
G4-3	About Our Company, p.3	No
G4-4	Our Business, p.23 Our Products and Services, p.29	No
G4-5	About Our Company, p.3	No
G4-6	About Our Company, p.3	No
G4-7	PSPC Shareholding, p.3	No
G4-8	Our Business, p.23	No
G4-9	Our Business, p.23 Employee Statistics, p.73	No
G4-10	Talent Management Excellence, p.73	No
G4-11	Collective Bargaining Agreement, p.75	No
G4-12	Our Business, p.23	No
G4-13	Milestones, p. 13	No
Commitment to External Initiatives		
G4-14	Health and Safety- Goal Zero, p.61	No
G4-15	PSE and SEC regulations Philippine Development Plan 2011-2016 Clean Air Act Philippine National Standards Oil Supply Contingency Plan	No

GENERAL STANDARD DISCLOSURES		
Indicators	Page Number/ Direct Answer	External Assurance
G4-16	Philippine Institute of Petroleum Philippine Disaster Resilience Foundation Philippine Business for the Environment Philippine Business for Social Progress Philippine Global Road Safety Programme	No
Identified Material Aspects and Boundaries		
G4-17	Sustainability at Shell, p.55	No
G4-18	Sustainability at Shell, p.55	No
G4-19	Sustainability at Shell, p.55	No
G4-20	Sustainability at Shell, p.55	No
G4-21	About Our Report, p.1 Sustainability at Shell, p.55	No
G4-22	This is our first report. No restatements of information.	No
G4-23	This is our first report. No significant changes from previous reporting period.	No
Stakeholder Engagement		
G4-24	Stakeholder Engagement, p.57	No
G4-25	Stakeholder Engagement, p.57	No
G4-26	Stakeholder Engagement, p.57	No
G4-27	Stakeholder Engagement, p.57	No
Report Profile		
G4-28	About Our Report, p.1	No
G4-29	This is our first report.	No
G4-30	Annual, p.1	No
G4-31	About Our Report, p.1	No
G4-32	About Our Report, p.1	No
G4-33	Not Applicable. External Assurance has not been done for this baseline annual and sustainability report.	No
Governance		
G4-34	Corporate Governance , p.41	No
G4-39	Corporate Governance- Board of Directors/ Management Team Profile, p.41	No
G4-40	Nomination Committee- p.48	No
G4-45	Risk Management Policy and Responsibilities, p.49	No
G4-46	Risk Management Policy and Responsibilities, p.49	No
G4-47	Board Audit Committee, p.47	No
Ethics and Integrity		
G4-56	Core Values and Business Principles, p.4	No
G4-57	Whistle-blowing Policy, p.54	No
G4-58	Whistle-blowing Policy, p.54	No

SPECIFIC STANDARD DISCLOSURES			
DMA and Indicators	Page Number/Direct Answer	Reason(s) for Omission (s)	External Assurance
Category: Economic			
Economic Performance			
G4-DMA	Sustainability at Shell- (Running a safe, efficient, responsible, and profitable business, Sharing wider benefits where we operate), p.55		No
G4-EC1	Economic Value Distribution, p.81		No
G4-EC3	PSPC's Retirement Plan, p.77		No
G4-EC4	PSPC received P77.3 million worth of real property tax exemptions on production equipment and machineries from the local government unit of Batangas City. The tax exemption is an incentive granted by the BOI to PSPC for STARTREC project.		No
Market Presence			
G4-DMA	Sustainability at Shell- Sharing wider benefits where we operate, p.55		No
G4-EC6	The Tabangao Refinery has around 1,000 regular and contractual employees, majority of which are locals of Batangas City. PSPC hires qualified community residents as part of its commitment to help build sustainable communities.		No
Indirect Economic Impacts			
G4-DMA	Sustainability at Shell- Sharing wider benefits where we operate, p.55		No
G4-EC7	Northern Mindanao Import Facility		No
G4-EC8	Sharing wider benefits where we operate, p.81-p.86		No
CATEGORY: ENVIRONMENTAL			
Energy			
G4-DMA	Sustainability at Shell- Running a safe, efficient, responsible, and profitable business, p.55		No
G4-EN3	Managing our Environmental Impact, p.67		No
G4-EN6	Managing our Environmental Impact, p.67		No
Water			
G4-DMA	Sustainability at Shell- Running a safe, efficient, responsible, and profitable business, p.55		No
G4-EN8	Managing our Environmental Impact, p.67		No
Emissions			
G4-DMA	Sustainability at Shell- Running a safe, efficient, responsible, and profitable business, p.55		No
G4-EN15	Managing our Environmental Impact, p.67		No
G4-EN16	Managing our Environmental Impact, p.67		No

SPECIFIC STANDARD DISCLOSURES			
DMA and Indicators	Page Number/Direct Answer	Reason(s) for Omission (s)	External Assurance
Effluents and Waste			
G4-DMA	Managing our Environmental Impact, p.67 Running a safe, efficient, responsible, and profitable business		No
G4-EN22	Water and Effluent Management- Based on regular sampling cycle, the refinery has not exceeded the DENR effluent standards.		No
G4-EN23	Managing our Environmental Impact, p.67		No
G4-EN24	No reportable oil spills		No
CATEGORY: SOCIAL			
Employment			
G4-DMA	Sustainability at Shell- Running a safe, efficient, responsible, and profitable business/ Sharing wider benefits where we operate, p.55 Talent Management Excellence, p.73		No
G4-LA1	Talent Management Excellence, p.73		No
Occupational Health and Safety			
G4-DMA	Sustainability at Shell- Running a safe, efficient, responsible, and profitable business, p.55		No
G4-LA6	Health and Safety, p.61		No
Diversity and Equal Opportunity			
G4-DMA	Talent Management Excellence, p.73		No
G4-LA12	Talent Management Excellence, p.73		No
Non-discrimination			
G4-DMA	Sustainability at Shell- Running a safe, efficient, responsible, and profitable business, p.55 Diversity and Inclusion, p.76		No
G4-HR3	No incidence reported, no aspect of operation within our company is identified to have significant risks.		No
Freedom of Association and Collective Bargaining			
G4-DMA	Sustainability at Shell- Running a safe, efficient, responsible, and profitable business, p.55		No
G4-HR4	Collective Bargaining Agreement, p.55 No aspect of our operations within our company was found to have violated or is at significant risk of violating the right to exercise the freedom of association and collective bargaining.		No

SPECIFIC STANDARD DISCLOSURES			
DMA and Indicators	Page Number/Direct Answer	Reason(s) for Omission (s)	External Assurance
Child Labor			
G4-DMA	Sustainability at Shell- Running a safe, efficient, responsible, and profitable business, p.55		No
G4-HR5	No incidence reported, no aspect of our operations within our company was identified to have existence of child labour.		No
Forced/Compulsory Labor			
G4-DMA	Sustainability at Shell- Running a safe, efficient, responsible, and profitable business, p.55		No
G4-HR6	No incidence reported, no aspect of our operations within our company was identified to have existence of forced labour.		No
Indigenous Rights			
G4-DMA	Sustainability at Shell- Running a safe, efficient, responsible, and profitable business, p.55		No
G4-HR8	No incidence reported, no aspect of our operations within our company was identified to have existence of forced labour.		No
CATEGORY: SOCIAL-SOCIETY			
Anti-Corruption			
G4-DMA	Sustainability at Shell- Running a safe, efficient, responsible, and profitable business, p.55 Whistleblower Policy, p.54 Anti-Bribery and Corruption, p.54		No
G4-SO5	No confirmed incidents of corruption reported in 2014 to 2016.		No
Public Policy			
G4-DMA	Sustainability at Shell- Running a safe, efficient, responsible, and profitable business, p.54		No
G4-SO6	PSPC made no contributions to political parties.		No
Anti-Competitive Behaviour			
G4-DMA	Sustainability at Shell- Running a safe, efficient, responsible, and profitable business, p.54		No
G4-SO7	No legal actions were filed against PSPC regarding anti-competitive behavior, violation of antitrust and monopoly laws.		No

