



VALUES THAT DRIVE US

UPLIFTING LIVES,
POWERING PROGRESS

Pilipinas Shell Petroleum Corporation
Annual and Sustainability Report 2018

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

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

This Report contains forward-looking statements concerning the financial condition, results of operations and businesses of PSPC. All statements other than statements of historical fact are, or may be deemed 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 disclaimer contained or referred to herein. Audience should not place undue reliance on forward-looking statements. Additional risk factors that may affect future results are contained in Pilipinas Shell Annual Report for the year ended 31 December 2018 (available at <http://pilipinas.shell.com.ph/investors/financial-reports.html> and <http://edge.pse.com.ph>). These risk factors also expressly qualify all forward-looking statements contained in this Report and should be considered by the audience. Each forward-looking statement speaks only as of the date of this Annual Stockholders’ Meeting, 07 May 2019. Neither PSPC nor any of its subsidiaries undertake any obligation to publicly update or revise any forward-looking statement as a result of new information, future events or other

information. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this Report.

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

This Report may contain references to Shell’s website. These references are for the audience’s convenience only. Shell is not incorporating by reference any information posted on www.shell.com.

ABOUT THE COVER

Our third Annual and Sustainability Report, “Values That Drive Us: Uplifting Lives, Powering Progress”, demonstrates the links that unite our people with the local communities in the attainment of shared goals.

On the cover, you find members of the Pilipinas Shell family who embody our values and principles:

Honesty
Pilipinas Shell is a company that lives by its values and principles. We do not compromise on our standards, which is why we do things the right way. This is one reason why we attract good talent. Some of our former Shell-PhilDev scholars have now become our employees, among them is Reinwill Boyles who works as a Terminal Operations Administrator. [1]

Integrity
We remain transparent in our business dealings and partnerships, as we pursue investments and innovations that differentiate our customer value proposition, accelerate our growth, and sustain economic progress. Service is integral to our operations, including our rapidly growing non-fuel retail segment. At deli2go, Beverly “Bevs” Lamela [2] gamely serves freshly-brewed coffee and hot pastry to our customers.

Respect for people
We promote an inclusive workplace. You would see a capable woman like Joanna Faronilo [3], manning operations at the North Mindanao Import Facility, as you would an equally proficient man. Benefits extend along our value chain, all the way to our suppliers and host communities which benefit from the initiatives supported by the Company.

Care for health, safety, security, and the environment (HSSE)
You can Be Well at Shell. The safety and well-being of our people are our top priority, and so we monitor their health through our Wellness Hubs, manned by our team of licensed nurses and physicians. Dr. Rowena Blanco-Santos [4], in her role as Wellness Coach, guides her colleagues in achieving their personal health and wellness goals.

Trust
The pecten is a trusted symbol of world-class quality and top-notch service. This is true for the petroleum products we offer our customers and the food and beverages served at our Select and deli2go stores. In our latest addition to our portfolio, the Bitumen Production Facility, Jason Pepito [5], Laboratory Analyst, ensures excellent product quality of our locally produced bitumen.

Teamwork
It takes collaboration from teams to support an integrated refining and marketing business like Pilipinas Shell. For instance, Noel Morales [6] ensures that aviation fuel produced at our refinery is safely loaded at the Tabangao gantry. Once the fuel is dropped off at the airport, aircraft refueller Nehemias “Brad” B. Salaver [7] will safely deposit the fuel into the plane.

Professionalism
A strong work ethic is ingrained in Pilipinas Shell’s culture. Our people, who strive to uphold our values and perform with excellence, continue to drive our business to success. Rowel Ellevera [8] worked his way from forecourt attendant to cashier and finally site supervisor and on-site coach. His lack of formal education did not deter him from persevering and becoming Shell Global Service Champion in the 2017 Smiling Stars competition.

At Pilipinas Shell, we take pride in what we do because when we show up at work every day, we believe that we make a difference in people’s lives.



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INTRODUCTION FROM THE CHAIRMAN

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“For more than a century, we have worked together with the local communities to fuel the economy and enhance their living conditions.”

People are the heart and soul of our Company. It is our people who drive our Company’s growth, and it is the people of this nation to whom we dedicate our efforts to power progress. In our third Annual and Sustainability Report, we highlight the core values—honesty, integrity, and respect for people—that inspire our people, and our achievements as a trusted partner in nation-building.

The demand for energy will continue to grow globally. In the Philippines, we see the same trend as the economy continues to expand. In 2018, the Philippine Gross Domestic Product grew by 6.2%, driven by higher consumption and government spending. With its young and growing population, the country is expected to be one of the biggest economies in the near future.

As an energy company, Pilipinas Shell is well-positioned to support the country’s economic growth by addressing its evolving need for energy. We continue to expand our retail network to reach more customers while we leverage on a reliable and efficient supply chain. We also acknowledge the need for cleaner energy solutions and lower emissions. Our stations are progressively implementing smarter energy solutions such as the adoption of renewable solar energy to power 33 of our retail sites.

Another investment that demonstrates our commitment to support nation-building is the country’s only bitumen production facility. We built this facility to support the government’s infrastructure program, while converting our refinery’s fuel oil output to a more valuable bitumen product that also has a much lower carbon footprint in road construction application.

As we work toward providing more and cleaner energy solutions, we continue to manage our social impacts. We invest in community skills and enterprise development, as well as youth education. We also strive to contribute to the United Nations Sustainable Development Goals across our supply chain.

Through the Pilipinas Shell Foundation, Inc. (PSFI), we have reached out to local communities to provide alternative livelihood training workshops and assistance to build microenterprises. We look to the future by sponsoring young individuals who pursue Science, Technology, Engineering and Math education through programs like the Shell-PhilDev Scholarship Fund.

We also partner with other enterprises for a better tomorrow. To name a few, we have partnered with Plastic Bank Philippines to promote smarter use of plastic and Liter of Light to transform plastic bottles to solar-powered light bulbs.

Pilipinas Shell was named Asia’s Community Care Company of the Year at the 2018 Asia Corporate Excellence and Sustainability Awards (ACES) in Singapore—a first for a Filipino company.

We celebrate our 105th year in the Philippines in 2019. For more than a century, we have worked together with the local communities to fuel the economy and enhance their living conditions. Regardless of the challenges that may arise, we will strive to continue doing so for another century to come.

Asada Harinsuit
Chairman of the Board
Pilipinas Shell Petroleum Corporation

ABOUT THIS REPORT

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Reporting Framework: GRI Standards
Approach to GRI: In Accordance: Core option and the Oil and Gas Sector Disclosures
Reporting Period: January 1 to December 31, 2018
Reporting Cycle: Annual
Reporting Scope: Pilipinas Shell Petroleum Corporation

For comments and questions, contact us at:
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“Values that Drive Us” is the third Annual and Sustainability Report (ASR) of Pilipinas Shell Petroleum Corporation (“Pilipinas Shell,” “the Company”). This report has been prepared in accordance with the GRI Standards: Core option and the Oil and Gas Sector Disclosures. It covers our environmental, social, safety, governance, and financial performance in 2018. It also discusses the challenges to sustainability that we continue to face, and the ways in which we have chosen to respond. We aim to be transparent about the improvements that we need to make, even as we demonstrate the refinements we have already achieved.

When we speak of “our Company,” referring to Pilipinas Shell, we really speak of the sustainability champions in our facilities and offices. Employees of Pilipinas Shell strive to make a difference in the community through consistently good work. We acknowledge these efforts in the stories contained in this report.

STAKEHOLDER REVIEW AND MATERIALITY ASSESSMENT

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Since 2016, we have reported on our performance in accordance with the Global Reporting Initiative (GRI) sustainability reporting framework. This practice is in step with growing interest, not only in the financial health of corporations, but also in the approach to corporate governance, management of social development issues, and impact on the environment.

Pilipinas Shell recognizes that it has a responsibility to communicate with its stakeholders the issues and concerns that are most important to them. Regular feedback, dialogue, and engagement with our stakeholders is part of how we run our business and is key to our reporting process. For purposes of this report, we conducted a review of the concerns raised by our stakeholders this year. The list of topics was further refined based on assessment and discussion with the ASR Committee composed of the Vice President for External and Government Relations, Vice President for Finance and Treasurer, and Managing Counsel and Corporate Secretary.

The following guide our materiality assessment:

- Stakeholder expectations and concerns;
- Shell’s sustainability strategy at the global level;
- Trends in the energy industry, and local conditions; and
- Our previous sustainability performance.

OUR STAKEHOLDERS

- Our Responsibilities
- Engagement Channels

Customers



- Pilipinas Shell knows that it must live up to our customers’ expectations. We strive to develop and provide products and services that meet their needs in terms of quality and price, but that are also compliant with local and international standards for safety and environmental impact.
- Customer feedback mechanisms (i.e., Voice of the Customer survey among other surveys, tenders, visits, research data), 24/7 customer service call center

Business Partners



- We seek to develop partnerships that will be mutually beneficial. We work with companies that share our values and promote the application and adoption of the Shell General Business Principles, or their equivalent.
- Supplier Quality Assessments feedback, business reviews, day-to-day operations logs

Employees



- We endeavor to be the employer of choice. To this end, we provide safe and good working conditions, competitive terms of employment, and respect and uphold the human rights of our employees.
- Annual Shell People Survey and other regular surveys (Voice of Territory Managers, Voice of District Managers, Voice of Retail Service Champions), quarterly town hall meetings

Society (Government and Communities)



- We take pride in being a good neighbor and corporate citizen. We aim to comply with all applicable laws and regulations, and ensure that we give proper attention to health, safety, security, and the environment.
- Quarterly business performance reviews, government relations team consultations
- Community feedback register and mechanisms, socio-economic profiling surveys, community dialogue and town hall meetings (*Ugnayan sa Barangay*), community programs, community bulletins

Shareholders



- We have a responsibility to protect the interest of our shareholders and ensure healthy and long-term competitive returns.
- Investors’ conferences, quarterly analysts’ and investors’ briefings, annual stockholders’ meeting, one-on-one meetings

OUR MATERIAL TOPICS

TOPIC 102-47	STAKEHOLDER CONCERNS AND EXPECTATIONS 102-44
Delivering a world-class investment case	<ul style="list-style-type: none">■ Financial performance■ Strategy and growth targets■ Profit resiliency considering shifting government regulations
Competitive market conditions	<ul style="list-style-type: none">■ Competitive market conditions and cost of supply
Asset integrity and process safety	<ul style="list-style-type: none">■ Safety and security of our assets, facilities, and operations■ Risk of fire and/or explosion■ Occupational health and safety compliance and/or training for contractors
Environmental impact	<ul style="list-style-type: none">■ Water use and effluents■ Energy consumption■ Emissions, oil spill and waste management■ Odor and noise
Supply chain management	<ul style="list-style-type: none">■ Supply reliability and security■ Accurate supply chain forecasting■ Prompt, timely, and complete delivery■ Ease of doing business■ Safety and logistics such as road challenges and traffic congestion■ Timely payment to vendors
Customer service	<ul style="list-style-type: none">■ Ensuring sales team embeds “Sales 1st” behaviors■ Quality of service■ Innovating high-quality after-sales services■ Data protection
Product development and innovation	<ul style="list-style-type: none">■ Product quality and assurance■ Increasing demand for advanced fuels: CO₂ abatement, and biofuels supporting government policy on energy security■ Competitive advantage of the bitumen products in the local market■ Expanding the portfolio of fuel and engine products■ New and cleaner energy solutions■ Convenient access to healthy and affordable food choices
Employment	<ul style="list-style-type: none">■ Human resources policies■ Job security■ Labor-management relations
Diversity and Inclusion	<ul style="list-style-type: none">■ Open communication and feedback conversations■ Diversity, gender representation, and inclusion
Local content	<ul style="list-style-type: none">■ Employment from local communities in the areas where Pilipinas Shell operates■ Talent development and training

TOPIC 102-47	STAKEHOLDER CONCERNS AND EXPECTATIONS 102-44
Social investment	<ul style="list-style-type: none">■ Social investment programs■ Disaster risk responsiveness of communities in the face of earthquakes, typhoons, and other natural disasters
Impact of operations on communities including local government units	<ul style="list-style-type: none">■ Road safety and traffic risks due to transport of products■ Operational footprint and disturbances caused to fenceline communities for the reporting year■ Environmental impact of operations on communities■ Resettlement programs■ Payments to government
Corporate governance	<ul style="list-style-type: none">■ Compliance with relevant laws, rules, and regulations■ Government relationship management■ Adherence and compliance with the Philippine National Standards (PNS) for fuels
Transparency	<ul style="list-style-type: none">■ Full, fair, accurate, and timely disclosures to regulators of every material fact or event
Promotion of sustainable development	<ul style="list-style-type: none">■ Promotion of sustainable practices■ Environmental compliance■ Multi-stakeholder partnerships and government relations
Shifts in government regulation	<ul style="list-style-type: none">■ Comprehensive Tax Reform Program■ Imposition of excise tax on fuel products

For 2018, we also applied the lens of the United Nations Sustainable Development Goals (UN SDGs) in our assessment. By mapping out our activities throughout our value chain (see page 24), using the SDG Compass as our guide, we are able to determine where these intersect with stakeholder concerns and identify sustainable development risks or opportunities in our operations.

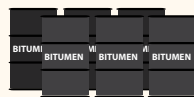
2018 HIGHLIGHTS

VALUES THAT DRIVE US
ANNUAL AND SUSTAINABILITY REPORT 2018

GROWING OUR INVESTMENT



1,084
retail stations



**Bitumen
Production Facility**
only facility of its kind
in the Philippines



Php 220 billion¹
economic value generated



US\$ 9.3 million
cost savings from NMIF
in 2018

PUTTING PEOPLE FIRST



**10.4 million
man-hours**
total recordable cases free
for Pilipinas Shell



48% female leaders
in the frontline and
operations



**10 Shell ACTS²
events**
showcasing employee
volunteerism in Pilipinas Shell



95% response rate³
in the Shell People Survey;
Pilipinas Shell above top quartile
score in most dimensions

UPLIFTING THE NATION



**169,407
beneficiaries**
of Movement Against
Malaria



150 coconut farmers
upskilled and
cooperative-trained
under Project COCONUT



174 scholars
under the Shell-PhilDev
Scholarship Program



1,748 scholars
graduated from the
Gas Mo, Bukas Ko
Program

FINANCIAL HIGHLIGHTS

NET PROFIT

Php 5.1 billion

CASH FLOW FROM OPERATIONS

Php 14.1 billion

ROACE

15%

GEARING RATIO

17%

EBITDA (adjusted for COSA)

Php 10 billion

DIVIDENDS⁴

Php 4.8 billion

¹ Details on page 36
² A Community That Serves
³ Details on page 50
⁴ Declared in March 2019 pertaining to 95% of audited net profit after taax in 2018

SUMMARY STATEMENT OF FINANCIAL POSITION

in Php million	AS OF THE YEAR ENDED DECEMBER 31		
	2018	2017	2016
Current assets	40,778.6	45,876.3	38,856.3
Non-current assets	39,387.8	36,000.7	31,752.9
Total assets	80,166.4	81,877.0	70,609.3
Current liabilities	28,456.8	31,235.0	22,400.8
Non-current liabilities	12,737.8	8,506.6	15,280.1
Total liabilities	41,194.6	39,741.6	37,681.0
Total equity	38,971.8	42,135.4	32,928.3
Total liabilities and equity	80,166.4	81,877.0	70,609.3

SUMMARY STATEMENT OF INCOME

in Php million	FOR THE YEAR ENDED DECEMBER 31		
	2018	2017	2016
Gross sales	223,817.7	174,470.2	142,075.4
Sales discounts and rebates	(4,949.0)	(4,994.4)	(5,312.1)
Net sales	218,868.7	169,475.8	136,763.3
Cost of sales	(196,573.9)	(143,070.6)	(112,461.5)
Gross profit (loss)	22,294.8	26,405.2	24,301.7
Operating expenses ¹	(14,386.6)	(13,860.1)	(13,063.1)
Other operating income, net	583.9	489.4	470.7
Income (loss) from operations	8,492.1	13,034.6	11,709.4
Income (loss) before income tax	7,292.1	13,760.2	10,828.1
Profit (loss) for the year/period	5,076.3	10,368.2	7,443.8

¹ Operating expenses include selling, general, and administrative expenses.



SCAN

Scan the QR code to
download our 2018
SEC Form 17-A and
Audited Financial
Statements

SUMMARY STATEMENT OF CASH FLOWS

in Php million	FOR THE YEAR ENDED DECEMBER 31		
	2018	2017	2016
Net cash from (used in) operating activities	14,143.6	10,931.4	8,499.6
Net cash used in investing activities	(4,291.5)	(4,539.7)	(3,431.0)
Net cash from (used in) financing activities	(11,719.9)	(4,468.7)	(4,549.0)
Net increase (decrease) in cash for the year/period	1,867.8	1,923.1	519.6
Cash at the beginning of the year/period	6,163.3	4,274.3	3,576.8
Cash at the end of the year/period	4,455.1	6,163.3	4,274.3

EBITDA

in Php million	AS OF/FOR THE YEAR ENDED DECEMBER 31		
	2018	2017	2016
Profit (loss) for the year/period	5,076.3	10,368.2	7,443.8
EBITDA	9,988.6	16,291.5	13,166.0
Less: Cost of Sales Adjustment (COSA) ¹	(56.9)	4,203.2	3,027.8
EBITDA (adjusted for COSA)²	10,045.6	12,088.3	10,138.2

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

in Php million	AS OF/FOR THE YEAR ENDED DECEMBER 31		
	2018	2017	2016
Current ratio ¹	1.4	1.5	1.7
Debt to equity ratio ²	0.2	0.2	0.4
Debt ratio ³	0.1	0.1	0.2
Return on assets ⁴	6.3%	12.7%	10.5%
Return on equity ⁵	13.2%	24.9%	22.9%
Return on average capital employed ⁶	14.8%	26.9%	24.2%

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 equity (exclusive of other reserves).

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.

SUSTAINABILITY SCORECARD

	UNIT	2015	2016	2017	2018
ECONOMIC					
Value Generated ¹	Php billion	157.3	137.4	171.4	219.5
Capital Investments	Php billion	5.7	3.3	4.1	4.1
Value Distributed ²	Php billion	153.7	133.3	163.7	219.3
ENVIRONMENT					
ENERGY					
Purchased Power	Gigajoules	59,429.7	24,565.0	37,044.1	42,576.5
GREENHOUSE GAS					
Direct GHG Emissions	Tons CO ₂ e	357,563.0	345,448.7	322,851.3	342,476.6
Indirect GHG Emissions	Tons CO ₂ e	5,082.0	2,083.1	3,120.4	3,565.7
WATER					
Total Freshwater Withdrawn	Million cubic meters	1.8	1.9	2.0	1.9
WASTE³					
Hazardous waste generated and disposed	Tons	38,988.2	1,302.2	4,815.6	1,863.6
Non-hazardous waste generated and disposed	Tons	127.6	428.9	400.0	2,090.6
SOCIAL					
Total Employees		756	698	706	703
Male		533	470	459	453
Female		223	228	247	250
Total Community Investment	Php million	27.2	119.3	41.8	31.0

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

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

³ Hazardous and non-hazardous waste reported is for the whole downstream business.



ABOUT PILIPINAS SHELL PETROLEUM CORPORATION

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

At Pilipinas Shell, we produce, import, blend, transport, distribute and market a wide range of high-quality fuels, lubricants, bitumen, and other specialty oil-based products. Our retail network is expanding, with 1,084 service stations catering to motorists nationwide. We are also expanding our non-fuel retail offerings, through our service centers and convenience outlets, like Shell Select and deli2go.

HEAD OFFICE

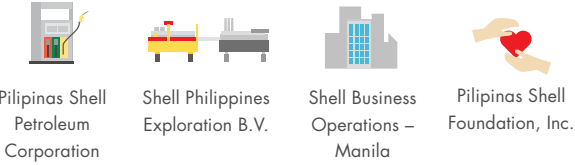
41st Floor, The Finance Centre, 26th Street corner 9th Avenue, Bonifacio Global City, Barangay Fort Bonifacio, Taguig City 1635, Republic of the Philippines

We have a robust and efficient distribution network, with the Tabangao Refinery, 25 fuel terminals and supply points, 10 lubricant warehouses, and 2 bitumen production and import facilities. This year, our bitumen production facility also began operating in the refinery.

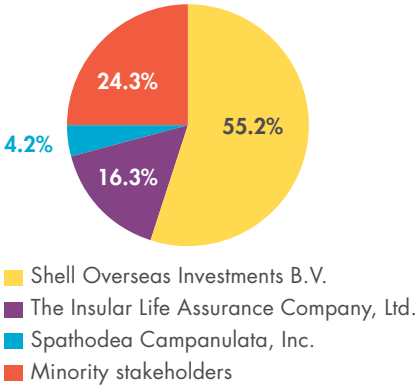
HISTORY AND OWNERSHIP 102-5

Pilipinas Shell's history in the Philippines began in 1914, as the Asiatic Petroleum Company (Philippine Islands), Ltd., an importer and retailer of motor gasoline and kerosene. Today, we are one of the leading oil refining and marketing companies in the country.

Shell companies in the Philippines (SciP)



We have been listed in the Philippine Stock Exchange since November 2016, with the stock symbol "SHLPH." As of 31 December 2018, the distribution of Pilipinas Shell's ownership is as follows:



OUR VISION

- A world-class investment – We aim to maximize cash generation while maintaining competitive returns built upon a strong financial framework and capital discipline.
- Shared value with society – We aim to be a good neighbor who manages the social impact of our activities and share wider benefits to the society. We aim to deliver energy responsibly and safely, while looking after our employees, business partners, customers, local communities, and the environment.
- Trusted partner in nation-building – We aim to be a reliable partner in nation-building by fulfilling the country's requirement for sustainable energy products and services.

OUR MISSION

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

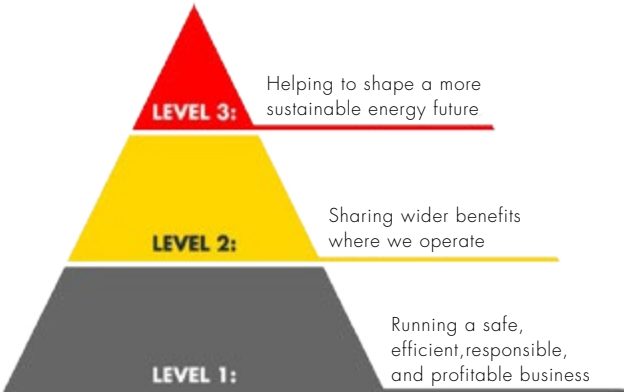
OUR VALUES 102-16

Our business is founded on our values of honesty, integrity, and respect for people. The Shell Group first published the Shell General Business Principles in 1976, making Shell one of the first global companies to have a statement of values and beliefs. We build our business on these fundamental principles and ensure that our employees and our business partners also share our commitment to these values. We also recognize that we must incorporate economic, environmental, and social considerations in our business plans and practices. Our exercise of sustainability reporting is an expression of our commitment to sustainable development.



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

OUR SUSTAINABILITY FRAMEWORK





“The opportunity for us is to ensure that we are always best positioned to meet the needs of our customers, both in product and in services.”

The following interview with Pilipinas Shell President and CEO Cesar G. Romero discusses how the Company’s core values create an impact on employee-driven growth, the Company’s achievements in building a world-class investment case, and ongoing efforts to contribute to nation-building and to promote sustainability.

INTERVIEW WITH THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

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Q: How do Pilipinas Shell’s core values play a part in the Company’s mission to power progress for the Filipino?

A: We’ve named this report, “Values that Drive Us,” because the overarching mechanism that drives us to excel are our core values of Honesty, Integrity, and Respect for People. They cannot be separated from our actions because it is this core set of values that compel us to act. When we speak of living our values, it is always in the context of doing our business. For us, upholding and protecting our social license to operate, and contributing to nation-building are integral to how we conduct our business.

Q: 2018 was a challenging year for the industry. How was the Company able to steer past this year?

A: Clarity of vision, consistency of strategy, and flawless execution. We continue to deliver and remain committed to our strategy—the same one we communicated with our initial public offering in 2016. It helps that you don’t change strategy when the wind blows differently. If you’ve done your due diligence, you stay the course. So that’s why despite the challenging environment, our investment levels continue. We committed to and have invested around Php 4.1 billion of capital investments in 2018. If you believe that your strategy is well thought through, then it gives you the confidence to carry on, against rough patches. You may adjust your short-term tactics, but the strategic direction remains the same.

Q: What do you consider your most significant investment in 2018?

A: We invested around Php 730 million in our Bitumen Production Facility. It allows us to actively participate in the country’s infrastructure program, aligned with our thrust to be a strong partner in nation-building. Before we started this project, we were already servicing around half of the local market. We expect that to grow, now that we can offer locally produced and more competitively priced bitumen. As economies in the region continue to expand, demand for bitumen is also expected to grow. With the facility, we will also be able to cater to the demand from international fronts.

The project is also part of our sustainability strategy, as bitumen is a residue from refining crude oil. Essentially, we are minimizing our waste while we are delivering quality products.

Q: What was your proudest moment in 2018?

A: There were many, but if I had to pick one, it would be our performance on the “people front.” The first of which is the very positive feedback we received from our staff in our Annual People Survey. This annual survey is conducted across the Shell companies, and Pilipinas Shell usually has a high level of engagement—this year, our response rate was 95%.

Overall, we continuously score high on the Shell People Survey. In 2018, we scored higher or at par with top quartile benchmarked companies in most sections—employee engagement, leadership, people development, operational excellence, among others. The highest is on reputation, where we scored nine points better than the top quartile of benchmarked companies and of Royal Dutch Shell. Our employees are our most important asset. We value their opinions and viewpoints about the business, and we are pleased that they recognize the Company’s good reputation. We see from their responses that they are on board with the direction of the Company, and that they believe we are a responsible business and a good corporate neighbor.

I’m also very proud of the recognitions that our teams have received in the Shell system regionally and globally. The excellence of our people continues to be highlighted in various aspects of Shell’s operations. We have regularly won regional or global awards in the past, but 2018 was special in terms of quantity and breadth of awards won. Our staff in Pilipinas Shell are truly world class!

Q: Does your reputation translate to brand preference?

Yes, brand preference in customer survey scores is high. Filipinos continue to trust our brand. By the end of 2018, our brand preference share is over 40%, ahead of our competitors in the country. Our premium fuel penetration of 26% in the Retail business also remains one of the highest. We have achieved this against the backdrop of higher crude oil prices for most parts of the year.

Q: How has the retail landscape evolved, and Pilipinas Shell with it?

A: Rather than saying, ‘we will build this, and they will come,’ we design offers that best meet the customer-needs. Quite often, you will see marketers launch a product that may serve a need at the time, and eventually customer-interest disappears because the product does not address a core need. Being part of the Shell group, we can draw on the collective learnings from different markets. For instance, our integrated retail offer focuses on the customers themselves and not just their cars. We have positioned ourselves at the leading edge of non-fuel retail services. Deli2go is a global brand which we have customized and localized for the market—and we have more flexibility now, with most of our offerings now sourced locally.

Beyond executing a winning formula for growth, Pilipinas Shell is unique in its social ambition for Retail, which is to have a social cause at every station. We support Liter of Light, among other projects. We are now also pioneering eco-bricks in our retail stations. When I was the Global Vice President for Retail Network, I championed the use of eco-bricks globally. I am pleased that we have now incorporated eco-bricks made from our own PET containers into the perimeter walls of a pilot station.

“It’s one thing to execute a job well, but even more important to do something that is of value and of benefit to society.”

Q: Is the “social ambition” in the Shell company culture responsible for the award you won for community care?

A: We have always taken our social license to operate to heart. It was Pilipinas Shell that formed the Pilipinas Shell Foundation Inc. (PSFI), under our then Country Chairman Cesar Buenaventura. Until now, Pilipinas Shell continues to contribute significantly to PSFI. We have recently won an Asia Corporate Excellence and Sustainability (ACES) award because of PSFI’s work in the Movement Against Malaria and *Gas Mo, Bukas Ko* programs. The first has helped curb a debilitating disease, and the other has provided scholarships and training to the staff in our retail stations, and to their dependents, as well as some of our jeepney driver customers.

Q: How do you position the Company for the energy transition?

A: The beauty of working for a big multinational is that we have access to advanced research and technology, and best practices all across the Shell network. To this end, we have toolkits that facilitate deployment of different types of fuels and energy sources, depending on what a country needs. We have the capability to adapt to whatever new technology that a particular market would require.

We continue to innovate and introduce new products and services, new payment schemes, new layout models. We even innovate to help improve the energy efficiency of our customers. We are also the first to deploy solar in our stations—we’ve invested in solar panels and energy-efficient LED lighting.

Our country’s energy system is still in the process of being built, and we believe that if we do things right today, we don’t need to worry about energy transition. We aim to produce products and construct facilities that are future-proof.

Q: You recently moved to a new building, The Finance Centre, at Bonifacio Global City. Is this a new chapter for Pilipinas Shell?

A: We’re happy with our new home. We incorporated many of the new Shell learnings with regards to Shell office design: areas for sharing, energy hubs, collaboration spaces. This new facility will cater to and support the evolving needs of our team. I was hired at Shell House, so I do have a fondness for it, and it has served its purpose. When you leave the university, you don’t say “Thank God I’m out of that place!” It had its place and its time, and you must move on to newer challenges. Our new facility is better suited to our present and future needs.

Q: Pilipinas Shell marks its 105th year in 2019. For the years to come, how do you view the role of Pilipinas Shell as an energy company and a partner in nation-building?

A: To be able to thrive for 105 years speaks a lot about the nature of our Company. It demonstrates our commitment, resilience, and capabilities.

In the future, the need for mobility and the need for energy to support development will continue to increase. Pilipinas Shell is an energy company, and we aim to continue providing energy to our customers, through conventional and new sources. The opportunity for us is to ensure that we are always best positioned to meet the needs of our customers, both in product and in services. We continuously strengthen our operations to ensure the stability and reliability of our Company for the benefit of our stakeholders.

The consistency of our strategic themes, supported by our core values, is always helpful. It’s one thing to execute a job well, but even more important is to do something that is of value and of benefit to society. We are not here just for profits—profits will only be sustainable if you are doing something that is genuinely beneficial for the community. Our intention is to be a strong and genuine partner in nation-building; that has always been our goal from the very beginning.

“Our intention is to be a strong and genuine partner in nation-building, that has always been our goal from the very beginning.”



REPORT FROM THE CHIEF FINANCIAL OFFICER

Pilipinas Shell celebrates 105 years in the Philippines after sailing through several challenges over the past decades. In 2018, the industry saw depressed regional refining margins throughout the year and a steep decline in crude oil prices in the last quarter. While these have affected the Company's net earnings for the year, we continue to deliver on our three C's—cash generation, cost management, and capital discipline.

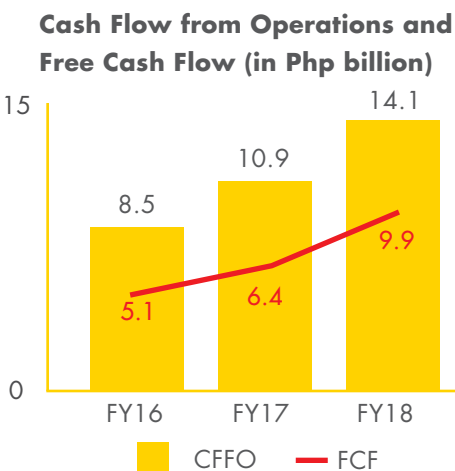
MAXIMIZING CASH GENERATION

The Company's cash flow from operations increased 29% to Php 14.1 billion in 2018. The strong delivery is attributed to the Company's effective working capital management. We measure the effectiveness of our ability to generate cash by demonstrating that we can cover both dividend payments and capital expenditures. In 2018, our operating cash flow was more than sufficient to pay for (prior year) declared dividends of Php 8.3 billion and capital investments of Php 4.1 billion.

Free cash flow stood at Php 9.9 billion, on higher cash flow from operations and lower cash used in investing activities.

PRUDENT COST MANAGEMENT

Operating expenses for the year were at Php 14.4 billion, 3.8% higher than 2017 as we grow our retail network and non-fuels retailing business. We launched impactful marketing campaigns during the year including the



Saltwater Supercars and Select Hydration Campaign. By end of year, we had increased our brand preference share to above 40%.

In the second quarter, we also completed a one-month planned decoking pitstop in the Tabangao Refinery, contributing to an increase in repairs and maintenance cost. The success of the pitstop was significant in increasing our refinery reliability. In 2019, the refinery will be more aggressive in looking for improvements and opportunities to eliminate waste.

We also continue to benefit from our integrated supply chain. The North Mindanao Import Facility continues to beat initial cost savings estimates. In 2018, we further decreased our logistics and storage costs by 8%.

DISCIPLINED CAPITAL ALLOCATION

The Affordability mindset we are trying to instill across the organization is: *"If we MUST SPEND a million dollars to sustain a RESPONSIBLE business, we WILL SPEND it at the RIGHT TIME. But if we CAN SAVE one dollar to remain a viable business, we SHOULD SAVE it NOW!"* This perspective enables us to deliver an industry-leading return on average capital employed (ROACE) and maintain a healthy balance sheet. In 2018, ROACE was 15%, and gearing decreased to 17% (before dividend payments).

In 2018, we deployed Php 4.1 billion of capital expenditures. Majority of our investments is allocated for the Retail business where we added 50 new retail sites, 33 Select Shops, 17 deli2go and 75 Shell Helix Oil Change+ (SHOC+) and Helix Service Centers (HSC). Our retail network remains the most efficient in the Philippines.


Another major investment we completed this year is the country's sole bitumen production facility. The facility has become operational and delivered its first sale in 2018. We see this as a profitable investment that at the same time helps us support the government's infrastructure program.

In 2018, we increased our planned capital expenditure to Php 6 billion to support the further expansion of our retail business and improve the flexibility of our refinery.

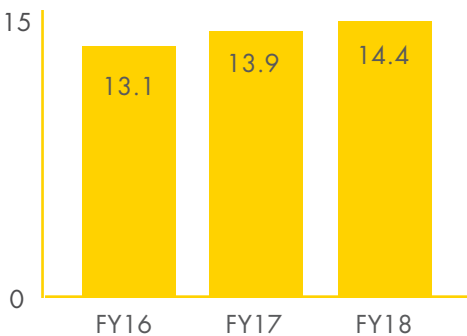
Our growth targets of opening 50 to 70 new retail sites, 15 to 20 Select Shops, 15 to 20 deli2go offering, and 30 to 50 SHOC+ and HSC remain the same. Our refinery will start investing in its hydrogen optimization project that will allow it to improve flexibility of its crude intake and product slate.

Supported by strong cash generation and sound financials, Pilipinas Shell declared dividends of Php 3/share or 95% of its audited net income for 2018. Since our IPO, this is the highest payout ratio for the Company.

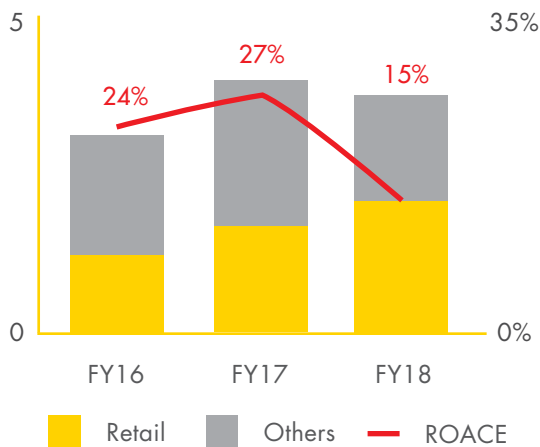
We continue to focus on tailoring Pilipinas Shell into a world-class investment case. Our consistent strategies, along with our people's commitment to our values, enable Pilipinas Shell to thrive as an integrated business.


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

Operating Expenses (in Php billion)



Capital Investments (in Php billion) and Return on Average Capital Employed (ROACE)



"Our consistent strategies, along with our people's commitment to our values, enable Pilipinas Shell to thrive as an integrated business."

OUR BUSINESS STRATEGY

We are guided by the following strategic objectives:

1. Selectively pursue profitable fuel opportunities.

We expand our retail and commercial network in emergent and strategically important trade areas. We grow our market share by leveraging on our position as a well-known brand, building customer loyalty, and strengthening our relationship with business partners.

2. Maintain reliable and efficient manufacturing operations. Stringent HSSE controls help ensure our consistently safe and smooth operations. We maintain asset integrity to minimize unplanned downtime and other disruptions. We also employ technical upgrades and process solutions to heighten reliability and efficiency.

3. Leverage on supply and distribution flexibility. We leverage on our integrated and enhanced supply chain network by maximizing our strategic supply points and implementing strategies to save on costs. We rely on synergies throughout the supply chain to optimize resource allocation and improve service delivery.

4. Optimize product portfolio and offering to increase customer loyalty. We offer superior fuel and fuel-related products. Our forecourt service champions or forecourt staff provide a best-in-class retail customer experience and engage with our customers through loyalty programs. We also provide our customers with a thorough orientation on our products and technical services.

5. Capture non-fuels related growth opportunities. We complement and augment our fuel business with non-fuel retail offerings and services. We work closely with our partners to give our customers greater choice and convenience.

6. Uphold the Shell Group’s standards for corporate governance, HSSE matters, and corporate social responsibility. We employ the highest standards of corporate governance. We run a responsible business, consistent with our Shell General Business Principles and HSSE standards. We play a role in nation-building through community development and sustainable operations.

7. Continue to focus on world-class talent development. We are committed to our people, who are at the frontlines of our business. We are keen to grow and retain talent. We are particularly dedicated to developing the capacities of the Filipino workforce.

Please visit <https://pilipinas.shell.com.ph/about-us/what-we-do.html> for more information.

CLASSES OF BUSINESS

RETAIL



Pilipinas Shell is one of the leading fuel retail players in the country, with a strong network of 1,084 Shell-branded retail stations nationwide. We offer high-quality fuels to our consumers. Our Shell V-Power Racing, Shell V-Power Gasoline and Shell V-Power Diesel are designed to provide the best performance and efficiency for your vehicle. Our FuelSave Gasoline and FuelSave Diesel are designed to last longer compared to standard fuels.

Recognizing that our customers’ needs go beyond fuel, we continue to expand our non-fuel retailing business. We offer affordable food choices and other products in our Shell Select stores, deli2go, and our quick service restaurant partners. Our offering also includes services such as oil change, repair, and other maintenance tasks.

Our retailers are our partners, and we work with them to grow our business and provide a premium experience with well-appointed facilities.

COMMERCIAL BUSINESS

Through our commercial business, Pilipinas Shell provides end-to-end technical consulting. Beyond our fuel and lubricant products, we offer fuel differentiation and price risk management. Our strong professional sales team delivers the excellent service that our customers have come to expect from the Shell brand.

Wholesale Commercial Fuels



We supply wholesale commercial fuels to customers nationwide. We serve major businesses in the construction, manufacturing, maritime, mining, and power sectors. Our product portfolio includes main-grade and premium transport fuels (unleaded gasoline and diesel) for both on-road and off-road heavy-duty vehicles, as well as heavy fuel oils for industrial heating and manufacturing boilers. We aim to give customers energy solutions that add value to their business and reduce their fuel price exposure, optimize energy use, and improve operational efficiency.

Aviation



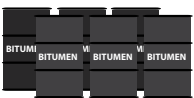
We are a global supplier of aviation fuels to both local and international airlines. We are currently operating at the busiest airports in the country: Ninoy Aquino International Airport (NAIA) in Manila, Clark International Airport in Pampanga, and Mactan-Cebu International Airport in Cebu.

Lubricants



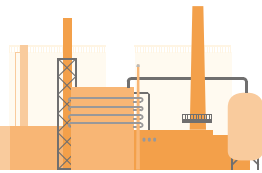
Pilipinas Shell’s lubricants business operates nationwide. We supply direct or through distributors to power, manufacturing, transport and mining companies. We also serve customers through independent and franchised workshops, retail trade outlets, and partnerships with original equipment manufacturers (OEMs). Pilipinas Shell’s product range includes some of the biggest-selling lubricants brands, such as Shell Helix, Shell Rimula, Shell Advance, Shell Spirax and Shell Tellus.

Bitumen



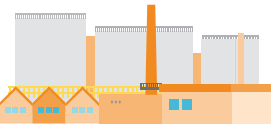
Our Bitumen business has a nationwide footprint, serving the country from its two terminals. With the newly launched Bitumen manufacturing facility in Tabangao, Pilipinas Shell can now offer locally-produced bitumen to its key customers in road construction. Current offers include pen grade bitumen, emulsions, and cutbacks.

MANUFACTURING



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

SUPPLY AND DISTRIBUTION



Pilipinas Shell operates an integrated supply chain network, encompassing procurement, import, storage, and distribution of finished petroleum products, using different modes of transport (including vessels and trucks). This network ensures safe, timely, and reliable delivery of our products to our customers.

Our Supply and Distribution segment has three main channels: primary distribution, storage terminals and warehouses, and secondary distribution. Primary distribution refers to the vessels loading fuel products from the refinery and other import facilities for distribution to our storage terminals. Our nationwide network includes strategically located fuels storage terminals and supply points, warehouses, and import facilities. This underpins our supply chain integration, and allows the consistency in volume and quality, as well as the reliability that customers expect from Pilipinas Shell. Finally, the secondary distribution channel is composed of vessels delivering petroleum products to large commercial accounts, as well as road tankers serving both retail stations and direct customers.

OUR VALUE CHAIN

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United Nations Sustainable Development Goals (SDGs) we are contributing to



Pilipinas Shell remains committed to its mission of powering progress, together with the Filipino. As such, we support the SDGs, the UN's call to action to address shared challenges, and ensure peace and prosperity for all.

Our products help drive national development, from the fuels used by the construction, manufacturing, mining, and transport sectors, to the bitumen products used for infrastructure. We continuously seek to advance our offerings and drive innovation in our systems to satisfy our customers, both retail and commercial.

Our business seeks to meet today's energy needs. Our social investments are aligned with the global themes of access to energy, community skills and enterprise development, and education focused on science, technology, engineering, and mathematics (STEM). These investments benefit underserved and marginal communities.

Our employees are at the heart of our business, and we therefore ensure that we remain an employer of choice and provide opportunities for growth and development to our workforce.

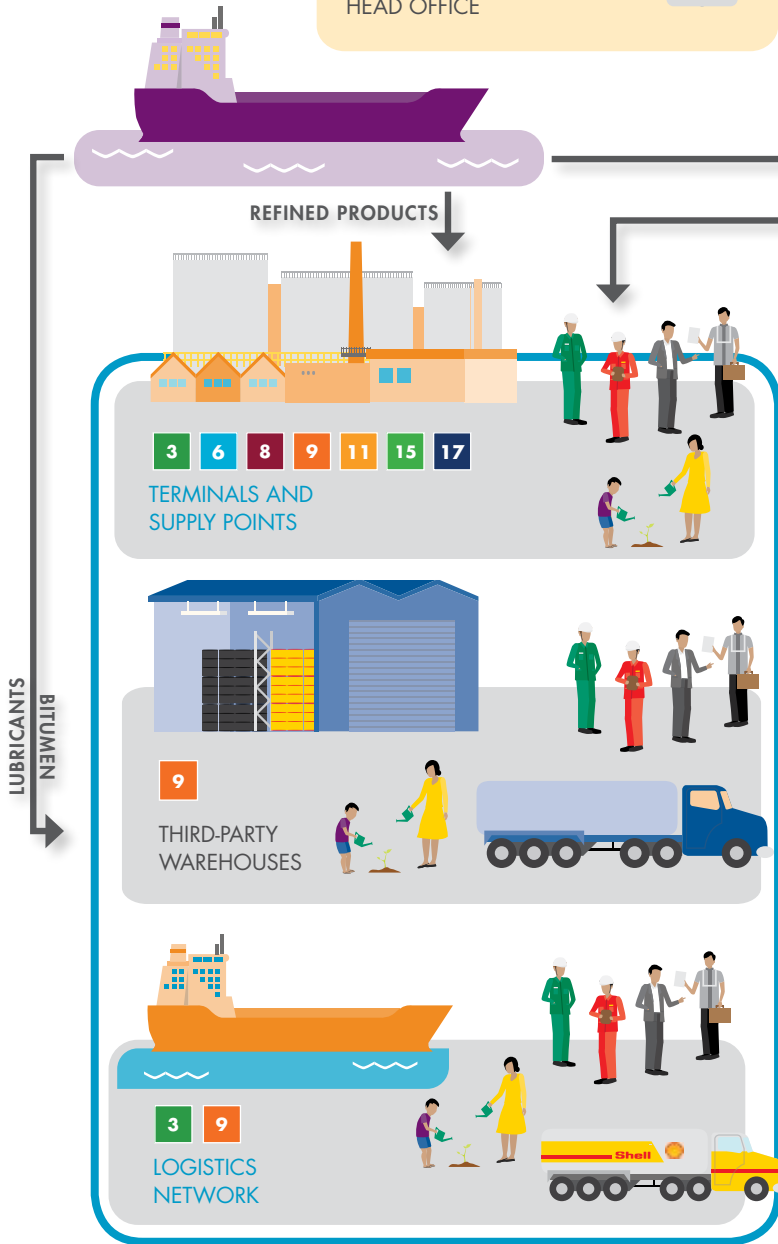
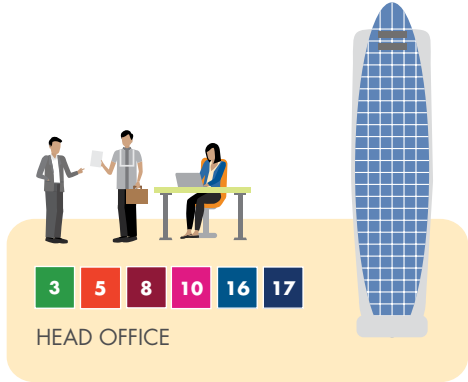
Pilipinas Shell also creates jobs through our partnerships and engagements with our contractors and suppliers. We also have initiatives to develop local content, through capacity-building and skills development where we operate. Apart from employment, health and safety are of paramount importance to us. We also expect our employees, suppliers, and contractors to abide by our Health, Safety, Security, and Environment standards.

We manage the impact of our operations in our refinery, terminals, and depots by complying with environmental regulations and standards for our emissions and effluents.

SDG 6 SDG 11 SDG 12 SDG 13 SDG 15

We abide by the Shell Group's standards for corporate governance. Together with our partners, we implement projects to promote sustainable development.

SDG 16 SDG 17

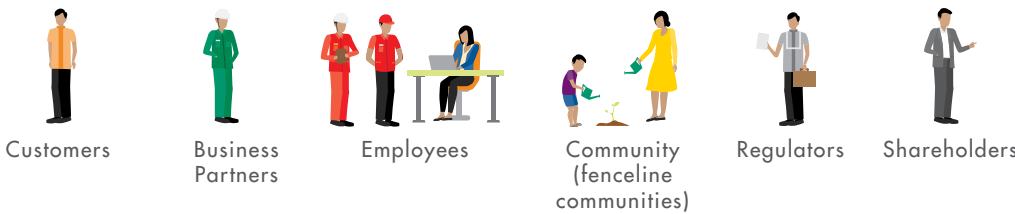


LEGEND:

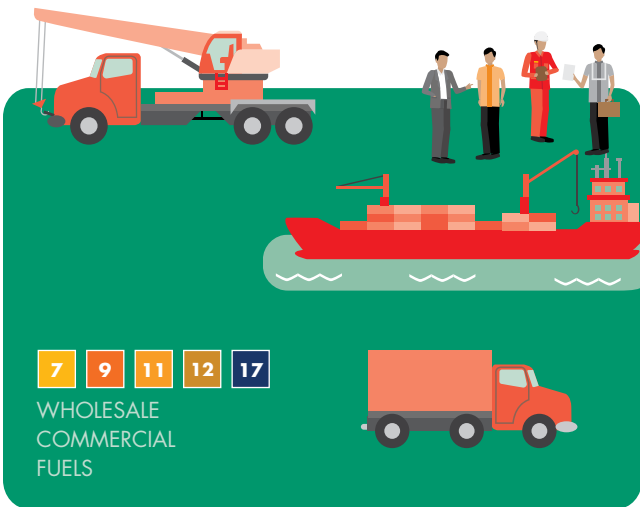
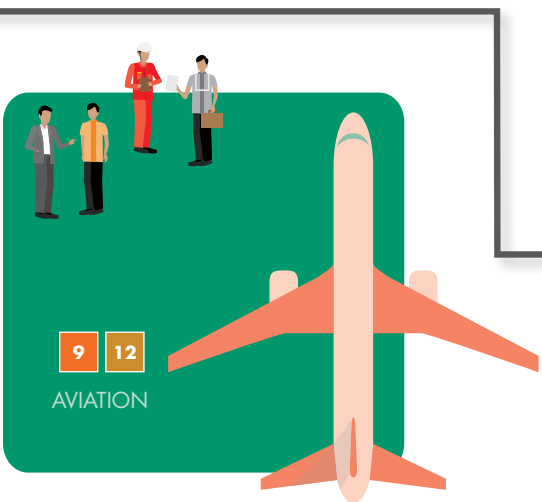
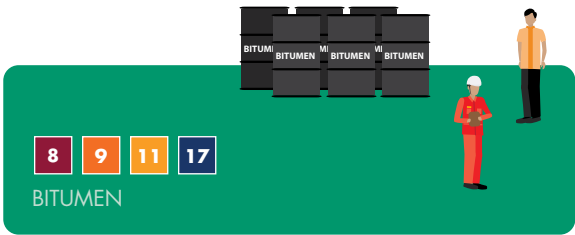
Class of Business



Stakeholders



CRUDE OIL AND OTHER RAW MATERIALS



GOOD GOVERNANCE:

Leading with Impact

At Pilipinas Shell, we aim to do things the right way.

This means that, as a founding member of the UN Global Compact Network Philippines, the Company upholds the Ten Principles on human rights, labor rights, anti-corruption, and environmental protection.

We insist on honesty, integrity, and respect for people in all aspects of our business and expect the same from our partners.

The Code of Conduct and Shell General Business Principles are fundamental to how we conduct our business; living by them has been critical to our continued success. We work hard at maintaining a culture of commitment to ethics and compliance, one in which it is expected that we do the right thing, and people feel confident to speak up and intervene when something feels not quite right.

The Code of Conduct guides employees on how to comply with laws and high ethical standards. It contains clear requirements and simple advice to help employees make the right decisions and gives reassurance on where Shell stands on important ethics and compliance issues.

The Shell General Business Principles tell the world who we are, how we conduct our business, with emphasis on our responsibilities to our stakeholders. In accordance with these principles, we value the safety of our employees, partners, customers, and the community at large.

Goal Zero is our core ambition: to achieve no harm and no leaks across all our operations. More than just compliance with HSSE standards, the culture of safety is embedded across the organization, with

Pilipinas Shell employees embracing a duty of care for one another. Thus, actions toward identifying, reporting, and rectifying unsafe conditions at work are intended to ensure that each employee goes home to his or her family safe every single day. All Shell workers undergo safety training and are required to follow the HSSE Golden Rules: comply with the law, standards, and procedures; intervene in the event of unsafe or non-compliant actions; and respect our neighbors. Work permits and other forms of authorization prior to work are also required under the 12 Life-Saving Rules.

At the close of every year, business managers sign off on their respective Business Assurance Letters, addressed to the Country Chairman, assuring that there have been no incidents of non-compliance or breaches of trust. Likewise, both the President and Chief Executive Officer, and Corporate Audit and Assurance Manager issue an attestation on the effectiveness of internal controls. Based on these attestations and assurance from internal and external auditors, the Board Audit and Oversight Committee assesses the adequacy of Pilipinas Shell's controls, governance, and risk management.

GLOBAL BEST PRACTICES, LOCALIZED

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As a global company, Shell aligns its practices with both the national law of the country where it operates as well as international laws or legislations with international effect. To ensure constant application of its practices across Shell entities globally, Shell adopts the stricter applicable law as far as practicable.

For example, Pilipinas Shell adopted an anti-bribery and corruption policy that is both aligned with the various anti-bribery and corruption and anti-money-laundering laws and regulations in the Philippines and geared toward complying with the stricter requirements of the Foreign Corrupt Practices Act of the United States and the Bribery Act of the United Kingdom.

Pilipinas Shell now adheres to a new data privacy manual following the General Data Protection Regulation (GDPR) of the European Union coming into effect in May 2018, which is harmonized with the Philippines' Data Privacy Act of 2012 and its implementing rules and regulations.

ETHICS AND COMPLIANCE MANUAL

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

- Conduct of periodic risk assessments on the foregoing ethics and compliance-related matters to ensure that ensuing risks are identified, assessed, and mitigated promptly;
- Adoption of E&C training program wherein the type of E&C training provided is designed to address the level of risk present in the employee's role;
- Implementation of an E&C due diligence process that detects E&C risks that may arise from transactions with third parties and adopts adequate mitigations to address these risks; and
- Inclusion of E&C clauses in all our contracts.

ANTI-BRIBERY AND CORRUPTION POLICIES

We have a zero tolerance policy on bribery and corruption. Our prohibition on all forms of bribes and facilitation payments applies to both staff and third parties representing us.

Pilipinas Shell requires employees to declare perceived, potential, or actual conflicts of interest in an online Code of Conduct Register, subject to mitigations, when necessary, as agreed with and approved by the employee's line manager.

Our business partners are expected to adhere to our anti-bribery and corruption standards while they carry out activities on our behalf. This obligation is embedded in our contracts with them.

The Manual also provides guidelines on acceptable gifts and acts of hospitality (G&H), subject to recording requirements in the online Code of Conduct Register. At certain thresholds, G&H to a government

official requires further risk assessment and corresponding support by a subject matter expert.

ANTITRUST POLICIES

Pilipinas Shell does not tolerate anti-competitive practices and behavior. Antitrust laws protect free enterprise and fair competition in business. We adhere to procedures to ensure that any communication with competitors will not involve sharing competitively sensitive information (CSI). Before attending trade association meetings, employees must register the same to ensure that they receive proper training and understand their responsibility when communicating with competitors. The registration likewise helps us identify and assess potential antitrust risks associated with such meetings and thus, sufficiently and pro-actively address those risks.

DATA PRIVACY

Pilipinas Shell handles employee and customer data responsibly. Respecting privacy and protecting this data is more than legal compliance; it is good business practice. Our privacy compliance framework is governed by the Binding Corporate Rules approved by privacy regulatory authorities, allowing us to meet different data processing requirements in various countries where Shell operates.

New business operations or information technology (IT) systems that may involve processing personal data are evaluated for data privacy compliance at the design stage so that we identify and assess potential data privacy risks. We prevent or mitigate such risks early via controls embedded within these systems. Since Pilipinas Shell utilizes many of Shell's global processes and IT systems, the privacy impact assessment process (PIA) is initiated centrally via the Information Risk Management team after conducting a legal and regulatory assessment. The PIA assists us in managing identified data privacy risks.

Processing sensitive personal data may require prior approval by a local legal counsel and a subject matter expert. Data privacy requirements prior to personal data sharing and transfer are likewise embedded in our contracting and procurement process.

WHISTLEBLOWER POLICY

Pilipinas Shell encourages employees, business partners, and other external stakeholders to speak up if they observe something seemingly unethical. Employees are duty-bound to report a potential E&C incident via the Helpline, their line manager or any company leader, the Country Ethics & Compliance Manager, legal counsels, or Human Resources. Anyone can access Shell's Global Helpline to report E&C incidents, even anonymously, by calling the US Call Collect No. +1 704-973-0344 or accessing the same online via <https://shell.alertline.eu/gcs/welcome>.

The Helpline is managed by an independent party to ensure confidentiality and anonymity. Moreover, Pilipinas Shell will not tolerate any form of retaliation directed at anyone who raises a concern in good faith about a possible violation or participates in any investigation. Any act or threat of retaliation against such employees will be treated as a serious violation of its Code of Conduct.

Investigations of potential E&C violations are handled with utmost confidentiality. Serious allegations such as bribery, facilitation payments, money laundering, anti-trust, insider-dealing, trade control law violations or any violation involving senior leaders are investigated by the Business Integrity Department and/or Human Resources. Less serious allegations are investigated by Human Resources. After this fact-finding stage, a Compliance Board is constituted to apply the Company Guidelines on Employee Discipline and implement the proper consequence management. Beyond the penalty, the Company adopts certain controls or refreshers to address the E&C risk that arose from the incident.

Integrity Week at Pilipinas Shell



Pilipinas Shell celebrated Integrity Week on September 17-21, 2018, with the theme “Managing Ethical Dilemmas to Reduce Risk and Add Value.”

The impetus for Integrity Week can be traced to five years ago, when business leaders of SciP took the Business Integrity Pledge. Later, SciP company controllers also pledged and formed the Integrity Champions Circle, in step with an integrity campaign dubbed “I COMMIT. Think. Act. Work. With Integrity.”

During Integrity Week 2018, Pilipinas Shell reinforced its commitment to business integrity: this time, not only business leaders and Integrity Champions (ICs) but everyone else in the organization took the Integrity Pledge. It opened the doors for more volunteers, not necessarily just from the finance or controllers department, to become ICs.

ICs lead by example in upholding the Shell Core Values, Code of Conduct, Business Principles, and E&C Manual. They serve as extensions of the Country Ethics & Compliance Manager (ECM) by discussing E&C in team meetings, promoting E&C even in external engagements, helping colleagues with E&C dilemmas, and alerting the ECM to provide further guidance and advice, as necessary.

Integrity Week also intensified information dissemination on managing ethical dilemmas through information booths and incentivized trivia challenges. Topics included conflict of interest, gifts and hospitality, dealing with government officials, dealing with agents who act on behalf of Pilipinas Shell, anti-bribery and corruption, antitrust, fraud, harassment, cybercrime, information management, and data privacy.

“Our employees are showing more and more interest in E&C,” says Atty. Ma. Lourdes Dino, Country ECM. “More than expanding their knowledge of the intricate requirements and processes under our E&C Manual, their participation [during Integrity Week] shows the recognition that how we do things matters more than just getting things done.”

Pilipinas Shell also invited Atty. Leandro Angelo Y. Aguirre, Deputy Commissioner of the National Privacy Commission, to conduct a session on data privacy, highlighting important concepts both from the perspective of the local law and the European Union’s General Data Protection Regulations. Those who attended the session learned the salient features of the Philippine Data Privacy Act, and its implementing rules and regulations and how to apply them in day-to-day work.

A full Integrity Day was also held, together with the Contractors’ Summit, at the Tabangao Refinery. Integrity Day featured E&C best-practice sharing sessions on resolving ethical dilemmas. Similar sessions, through which our contractors and business partners were encouraged to adopt high ethical standards, were also the focus of the Contractor’s Summit. The Company regularly hosts such activities with its business partners to drive the ethics and compliance agenda even outside of the organization.

“The Managing Ethical Dilemmas sessions communicated that it’s all right to not always know exactly how to deal with an ethical dilemma; what is important is that employees know who to go to for assistance when managing E&C risks. Speaking up is highly encouraged, and there are always ways of doing so without fear of retaliation,” says Dino.

A post-event self-assessment survey showed that Integrity Week increased awareness on E&C and taught employees how to manage ethical dilemmas. Dino notes that their “Speak Up! Don’t Be Afraid” campaign is also gaining traction, with more Shell employees willing to raise red flags through the Global Helpline.



Pilipinas Shell CFO Jeng Pascual leads the Integrity Pledge

AWARDS AND RECOGNITION

Empowered by the values that drive us, Pilipinas Shell continues to win honors for social performance programs and marketing campaigns.

Outstanding Achievement in Advocacy Marketing 39th Agora Awards

The Shell companies in the Philippines (SciP) was conferred the Outstanding Achievement in Advocacy Marketing at the 39th Agora Awards held on October 19, 2018.

The award recognized the excellent work involved in rolling out and promoting three of SciP’s flagship programs, namely:

- Pilipinas Shell’s Local Small Investors initiative, which democratized stock trading by allowing first-time investors with limited capital to participate in the Company’s initial public bid;
- Shell Philippines Exploration with Malampaya Foundation’s Access to Energy project, which continues to bring renewable energy to off-grid rural communities; and
- Pilipinas Shell Foundation, Inc.’s Movement Against Malaria, which has been instrumental in the fight against malaria, directly resulting in the Philippines being able to meet the Millennium Development Goal for malaria prevention prior to the 2015 deadline.

Pilipinas Shell, for its part, has consistently communicated to various stakeholders Shell’s values and commitment to “Make the Future” through sustainable development. Pilipinas Shell utilizes its retail and distribution network to engage with the target audiences. The message is amplified through tri-media visibility, as well as investor briefings and roadshows.

The Agora Awards, organized and hosted annually by the Philippine Marketing Association, is considered the highest marketing distinction in the Philippines, recognizing companies and individuals that continually push the boundaries of marketing excellence.

Asia’s Community Care Company of the Year 2018 ACES Awards

Pilipinas Shell was recognized as Asia’s Community Care Company of the Year at the 2018 Asia Corporate Excellence & Sustainability (ACES) Awards held on October 11, 2018.

This award was given to Pilipinas Shell in recognition of the Company’s various outreach initiatives in local communities and those that promote the well-being of Philippine society as a whole through flagship programs such as the Movement Against Malaria (MAM) and the *Gas Mo, Bukas Ko* (GMBK, or “You Fuel My Future”) technical-vocational skills training scholarship for Shell forecourt attendants.

Organized and hosted annually by the MORS Group, the ACES Awards is considered the most prestigious leadership and sustainability awards in Asia, showcasing the region’s finest responsible corporate leaders.



39th Agora Awards



2018 ACES Awards

53rd Anvil Awards
Public Relations Society of the Philippines
(PRSP)

Pilipinas Shell’s stakeholder engagement, customer service, and corporate social responsibility programs received multiple recognitions at the 53rd Anvil Awards.

Pilipinas Shell’s National Students Art Competition, now on its 51st year of celebrating homegrown talents in visual arts, received a Platinum Anvil Award. In total, the Company brought home 12 awards, including two Gold Anvil Awards and nine Silver Anvil Awards for the following outstanding public relations programs:

- “Fueling Progress for the Filipino: Pilipinas Shell’s First Annual and Sustainability Report”
- “Shell Philippines Internal Communications Hub (SPICH)”
- “Shell North Mindanao Import Facility (NMIF) Changes Community Perception through Engagement and Joint Partnership Initiatives”
- “Own a Part of Pilipinas Shell: IPO Initiatives for Local Small Investors”
- “Painting the Town Red: Shell V-Power”
- “Digitizing Communications for Shell Internal Communications”

The Anvil Awards, presented annually by the Public Relations Society of the Philippines, honors exemplary contributions to the PR profession.

16th Philippine Quill Awards
International Association of Business
Communicators (IABC) Philippines

Pilipinas Shell’s unwavering commitment to delivering the best sustainability and marketing communications programs won multiple recognitions at the 16th Philippine Quill Awards. In total, the Company was conferred with 15 awards, with the following projects receiving multiple citations:

- “Digitizing Communications for the Shell Millennial Generation”
- “Fueling Progress for the Filipino: Pilipinas Shell’s First Annual and Sustainability Report”
- “Own a Part of Pilipinas Shell: SHLPH IPO and Local Small Investors Initiatives”
- “A Lasting Affair with Shell Bike Fair”
- “Shell NMIF Changes Community Perception through Engagement and Joint Partnership Initiatives”
- “Road to recovery: Shell helps rebuild Typhoon Yolanda-afflicted communities”
- “Golden Voyage: The 50th Shell National Students Art Competition”

- “Shell’s Movement Against Malaria: Towards a Malaria-Free Philippines”

The Philippine Quill Awards, presented by IABC Philippines, is considered one of the country’s most prestigious awards for business communications.

Special Citation
Philippine Sportswriters Association

Pilipinas Shell received a Special Citation from the Philippine Sportswriters Association for the longevity and impact of the Shell National Youth Active Chess Championship (SNYACC), which, for the past 25 years, promoted excellence and competitiveness in the mental sport among the Filipino youth. The SNYACC completed its last run in 2017.



GOVERNANCE STRUCTURE

The Board of Directors (BOD) exemplify the high standards that we have set as a company.

The BOD follows the best practices in corporate governance as laid down in the Revised Manual on Corporate Governance of Pilipinas Shell, in compliance with the local Code of Corporate Governance for Publicly Listed Companies, and in line with the G20/OECD Principles of Corporate Governance, as well as the ASEAN Corporate Governance Scorecard.

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

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

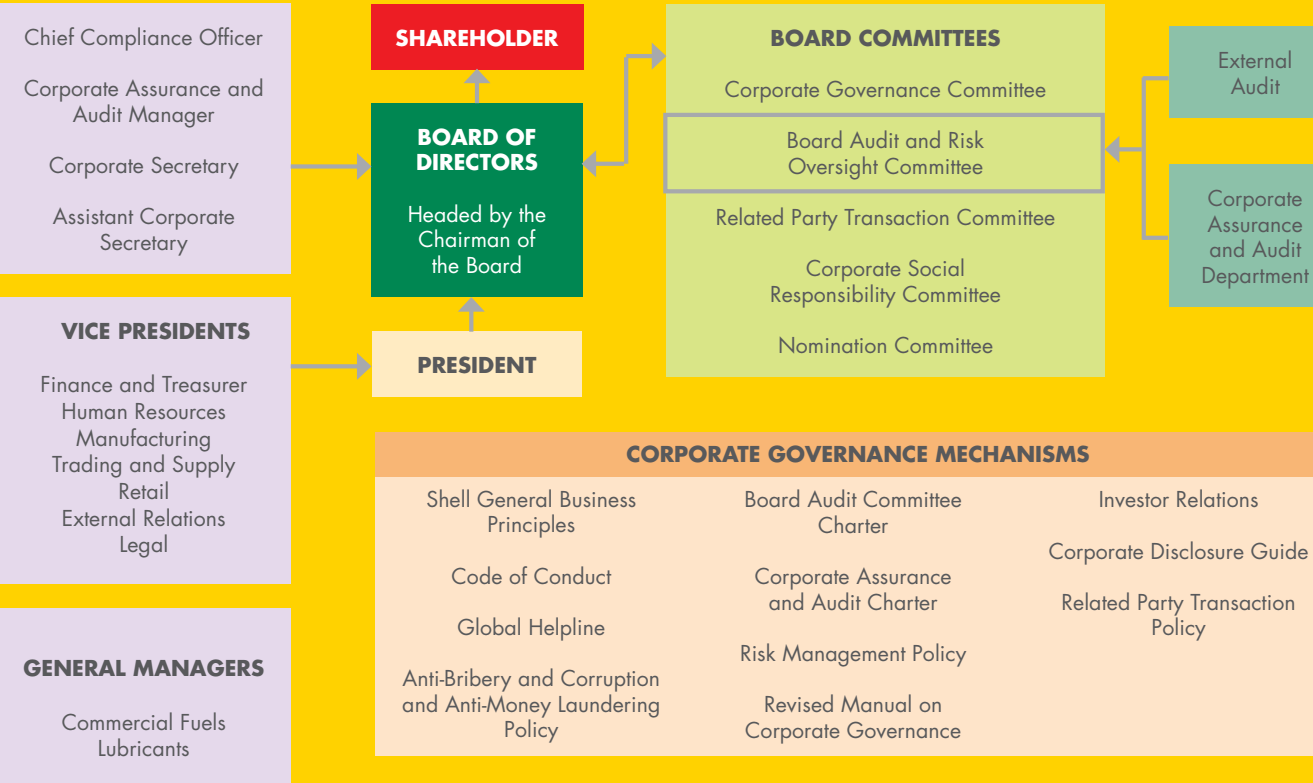
Diversity of thought is assured by differences in background, age, gender, ethnicity, and work experience.

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

The roles and composition of each committee may be found on the company website. Majority of the members of the Board committees are Independent Directors and Non-Executive Directors. Notably, the committees on Corporate Governance, Board Audit and Risk Oversight, and RPT are all chaired by Independent Directors. These committees strengthen internal controls and assure compliance with policies on governance, accounting and finance reporting, and RPT, respectively.

We comply with the reporting requirements under the Securities Regulations Code and its implementing rules and regulations; Philippine Stock Exchange (PSE) Listing and Disclosure Rules; and our own Revised Corporate Disclosure Guide. The BOD ensures full disclosure of material information about the Company, with an increasing focus on non-financial and sustainability reporting. Notably, the CSR committee, which performs oversight over Health, Safety, Security, Environment, and Social Performance (HSSE&SP) functions, also reviewed the content of this report prior to publication.

CORPORATE GOVERNANCE FRAMEWORK 102-18



BOARD OF DIRECTORS

102-18 102-19 102-23 102-32

An experienced Board of 11 Independent, Non-executive, and Executive Directors represent the interest of our shareholders.



Asada Harinsuit, Thai. Current Chairman of the Board of the Company, and a Non-Executive Director since 2016. He is the Country Chairman of Shell Companies in Thailand. He joined Shell in 1985 and has held various roles at local, regional, and global levels across Shell's Downstream business.



Anabil Dutta, Indian. Non-Executive Director since 2016. He is the Regional Finance Manager of the East Manufacturing and Chemicals business of the Shell Group of Companies since 2014. He has 30 years of experience in finance and management from working in multinational companies such as Colgate-Palmolive, and American Express Bank.



Dennis G. Gamab, Filipino. Vice President-Trading and Supply of the Company from 2010 to 2018, and Executive Director since 2016. He joined Shell in 1987 and has been involved in supply and distribution, road transport, logistics, installation, lubricants, and depot management at local and regional levels across Shell's Downstream business.



Cesar A. Buenaventura, Filipino. Independent Director since 2012. He joined the Company in 1956 and served as its Chairman and Chief Executive Officer from 1975 to 1990. He is the Founding Chairman of the Pilipinas Shell Foundation, Inc., and the Chairman of Buenaventura, Echauz, and Partners, Inc. and of Mitsubishi Hitachi Power System Philippines. He is the Vice Chairman of DMCI Holdings and a Director of Concepcion Industrial Corporation, Semirara Mining and Power Corporation, Petroenergy Resources Corporation, and I People, Inc.

Lydia B. Echauz, Filipino. Independent Director since 2017. She is a Director of Metro Pacific Investments Corporation, D&L Industries, Inc., PLDT Beneficial Trust Fund, Philstar Group, BusinessWorld Publishing Corporation, Global Business Power Corporation, Riverside College, Inc., and Fern Realty Corporation.



Luis C. la Ó, Filipino. Newly elected Non-Executive Director of the Company. He is the Non-Executive Vice Chairman of the Board of The Insular Life Assurance Co., Ltd., which he first joined as a Non-Executive Trustee on 22 January 2015. He is also the former Chairman of the Board of Directors of MAPFRE Insular Insurance Corporation.



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

Fernando M. Zobel de Ayala, Filipino. Independent Director since 2012. He is the President and COO of Ayala Corporation, one of the Philippines' largest conglomerates. He is also the Chairman of Ayala Land, Inc. and the Manila Water Company. He also sits on the Board of the Bank of the Philippine Islands, Globe Telecom, and the Ayala Foundation. He was recently named Man of the Year 2018 by the Management Association of the Philippines.



Mona Lisa B. de la Cruz, Filipino. Non-Executive Director since 2015. She is the President and CEO of Insular Life Assurance Company Ltd., and the Director and President of Insular Investment Corporation, Insular Property Ventures, Inc., and Insular Properties Inc. She is also a Director of MAPFRE Insular Insurance Corporation.



Jose Jerome R. Pascual III, Filipino. Current Vice President-Finance, Treasurer, and Chief Risk Officer of the Company, and Executive Director since 2016. He is the Chairman of the Boards of Trustees of the Shell companies in the Philippines Multi-Employer Retirement Plan, and the Shell Philippines Exploration B.V. Non-Contributory Retirement and Gratuity Fund. In 2017, he received the Management Accounting Hall of Fame Award from the Institute of Certified Management Accountants-Australia (ICMA).

Anthony Lawrence D. Yam, Filipino. Current Vice President-Retail Business of the Company, and Executive Director since 2011. He is also a Director of the Brunei Shell Marketing Company since 2016 and of other Shell-affiliated companies in the Philippines. He joined Shell in 1986 and has held various positions at local and regional levels across Shell's Downstream business.



BOARD OF DIRECTORS

We believe that good corporate governance fuels a company's sustainability and drives its long-term success. This starts with the Board of Directors (BOD) who act in the best interest of the corporation and its stakeholders through transparency, accountability, and fairness.



GROWTH AND INVESTMENT: Creating Value

Delivering long-term value to our stakeholders is at the heart of our service delivery. Extending the economic and social benefits of safe, reliable, and accessible fuel is our driving objective. To fuel progress for the Filipino, we continuously pursue growth opportunities in both the fuel and non-fuel segments, while maintaining a reliable and efficient supply chain.

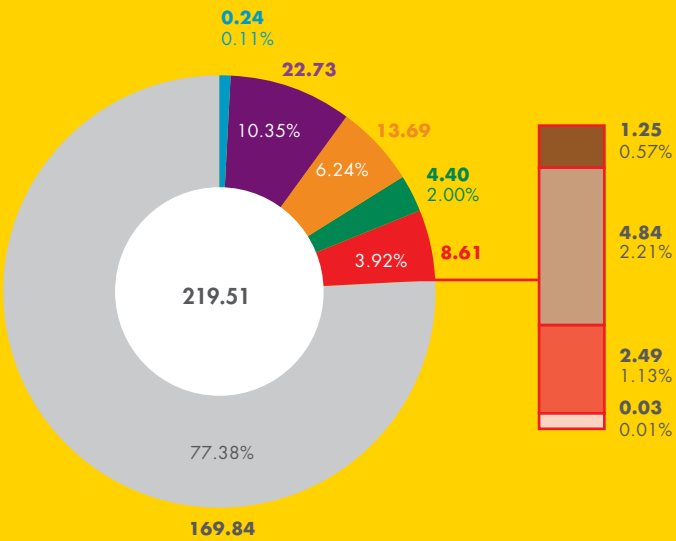
For 2018, Pilipinas Shell's capital expenditures remained at around Php 4.1 billion, distributed thus:

- 50% for the retail segment;
- 30% for manufacturing; and
- 20% for supply and distribution

This year, we established an additional 50 new retail stations in strategic locations of the country, evenly matched by geographically advantageous supply points. Our retail sites are the most efficient in the country, with an average sales volume per station of more than twice the industry standard.

Our sustainability goals propel us forward because we collectively focus on creating a better world that is fair and just for all. Our investment in the Philippines is for the long-term. We lead with impact, aligned with our strategy and vision, while safeguarding the future and driving social good.

2018 ECONOMIC VALUE GENERATED AND DISTRIBUTED
(IN PHP BILLION) 201-1



LEGEND

- Economic Value Retained
- Government (taxes, duties, levies)

Payments to Suppliers

- Crude and Finished Products Suppliers
- Service Providers
- Equipment, Property and Other Suppliers

- Employees
- Communities

Providers of Capital

- Shareholders
- Creditors



Our sustainability goals propel us forward because we collectively focus on creating a better world that is fair and just for all.



Pilipinas Shell now produces main-grade and premium-grade bitumen locally



Enhanced reliability and quality of supply through the Bitumen Production Facility

102-10

The year 2018 marked a milestone for Pilipinas Shell, as the country's only Bitumen Production Facility has become operational. Pilipinas Shell is now fully capable of producing the main-grade (Bitumen PEN 60/70) and premium-grade (Polymer Modified Bitumen or PMB, branded as Shell Cariphalte). Previously, the Company imported all of its bitumen products.

As global economies continue to expand, the demand for bitumen will remain strong. The facility enables Pilipinas Shell to address the demand from both local and regional markets. Locally, the investment can support the government's "Build, Build, Build" program and at the same time export products to international customers through the Shell Group.

The bitumen production facility also improves the refinery's flexibility by enabling the conversion of fuel oil output to bitumen, which is a more valuable product. This flexibility allows the Company to address market changes like the new regulation of the International Maritime Organization to lower the limit for sulfur content in fuel oil carried on ships to 0.5% from 3.5% starting January 2020.

Pilipinas Shell logged its first successful on-spec production in August 2018, and its first export sales to Malaysia, Taiwan, and Vietnam in the last quarter of the year. The Company is also looking to serve other Asian countries.

PRODUCT QUALITY AND ASSURANCE

As with our fuel products, customers are assured that the locally produced bitumen complies with global production and laboratory testing standards to assure quality excellence prior to release.

Pilipinas Shell guarantees that the base bitumen product already meets national specifications. The additives or enhancements that make it export-quality, which are imported from Shell Research & Development, are also fit for purpose. The mix can be adjusted to meet country-specific standards, such as for viscosity, among others.

Our Bitumen group works closely with vessel owners to ensure that customers receive the same high-quality product that leaves the refinery. The vessels have the heating capabilities to safely transport bitumen; before the product is discharged, it should meet the agreed delivery temperature. The locally produced bitumen should be of the same quality and standard offered by Shell globally.

Our bitumen products can be and have been used for various types of infrastructure projects, depending on structural functions and the development pace of our partners. Our Shell Cariphalte has paved the Formula 1 racetrack in Singapore, as well as airports in Dubai and Hong Kong. Additionally, we have a cold-mix bitumen that is suited for farm-to-market roads in small municipalities. Once a municipality has achieved a higher level of development, we are ready to supply bitumen products suited for gravel road upgrading.

We differentiate ourselves not just by the quality and diversity of our portfolio, but also by offering technical assistance, among other services, to our customers.

Retail site and refinery tour for key analysts and investors

Last August 28, 2018, Pilipinas Shell hosted a day tour of the Tabangao Refinery and the Company's retail sites to introduce the integrated business to analysts and investors. This was the first tour for analysts and investors after the Company's debut at the Philippine Stock Exchange.

The tour started with a safety orientation in the morning, and a visit to company- and dealer-owned retail sites. Participants could assess for themselves the strengths of the network, and experience world-class service through interactions with Pilipinas Shell retailers and service champions.

In the afternoon, the participants resumed their tour at the Tabangao Refinery, where they learned about the manufacturing side of the business. Apart from learning more about the refining process, they also witnessed how the Company applies some of its safety and asset integrity principles.

Through the Investor Relations team, the Company remains open to host tours in its key assets to help the investment community better understand the Company's integrated business.

The New Tabangao Gantry

We continuously improve our supply and logistics facilities to effectively reduce road congestion and enhance safety of movement in our terminals. In 2018, Pilipinas Shell invested Php260 million in the ongoing expansion of the Tabangao depot and completed the construction of an additional gantry in the Tabangao Refinery. The initiative significantly increased loading capacity and enabled quicker turnaround, cutting gate-to-gate time of delivery trucks by around half. It also allowed independent access to the fuel terminal, curbing risks of delays due to impassable traffic or repairs in the main roads.

EXPANDING RETAIL NETWORK 102-4

We aim to ensure that everything that a person can possibly need on a journey is available with one pitstop at Shell. Our Integrated Retail Offer ensures that Shell stations are a one-stop shop for the convenience of the customer, with restrooms, car service centers, automated teller machines (ATMs), and the Select shop and deli2go. Co-locators, such as popular food establishments, provide additional options for the customer.

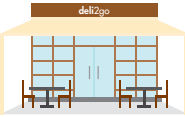
■ Additions in 2018 ■ Total, end-2018



Retail stations
■ 50
■ 1,084



Shell Select
■ 33
■ 135



deli2go
■ 17
■ 58



Shell Helix Oil Change+ and Helix Service Centers
■ 75
■ 337

In the medium-term, Pilipinas Shell seeks to put up 50 to 70 new retail stations every year, growing to around 1,200 stations by 2020. For non-fuels retailing, the Company expects to grow 15 to 20 Shell Select convenience stores and deli2go, and 30 to 50 Shell Helix Oil Change+ and Helix Service Centers annually.

Note: Figures for new openings of Select, deli2go and SHOC+ and HSC are net of closures in 2018



Pilipinas Shell rolls out solar-powered stations



Building more energy-efficient retail stations

As consumers become more environmentally conscious, companies are expected to better manage their footprint. Pilipinas Shell is responding to this challenge by incorporating energy-saving and waste-reducing features in new retail stations and their retrofitted counterparts. By pursuing smarter solutions to energy needs, Pilipinas Shell hopes to fulfill the global sustainability and social purpose ambition of Shell Retail to reduce the network’s overall carbon footprint.

Sustainability has become integrated in the ongoing program as the Company expands, updates, and upgrades the retail network. Investments such as solar panels, sophisticated service station hardware including economic dispensing systems, and recyclable construction materials are geared toward not just operational efficiency and excellence, but also environmental protection.

Pilipinas Shell has the second biggest retail network in the Philippines. Based on footprint, establishing more sustainable retail sites and updating old sites will have significant benefits to the community. The cumulative effect will lead to reduced pressure on the power grid, fewer emissions, and less waste sent to the landfill.

- Ultimately, Pilipinas Shell’s transformed retail network aims to:
- cater to the customer’s every need and support their on-the-go lifestyle while enhancing their well-being;
 - do no harm to the community by maintaining stringent safety protocols and properly managing waste; and
 - save on energy and contribute to lowering the overall carbon footprint of the Company.

The Company made improvements and additions to the Shell model site to create what is becoming a standard low-carbon site. Among these add-ons are:



Solar power. Solar panels are installed in some of our sites. From the pilot solar-powered site in 2017, there are now 33 solar-powered retail stations. The shift to renewable energy has resulted in less power sourced from the grid – by as much as 25% in some sites. Considering that the retail stations are found in heavily trafficked and populated urban areas, this also eases the power demand for the community.



LED lighting. Since 2011, the Company has been using more efficient light-emitting diode (LED) lighting for under-canopy lights at the retail stations; recently, this has expanded to include all in-store lights, even the lights used by the chillers.



Inverter technologies. Pilipinas Shell uses inverter technologies for refrigeration and cooling to decrease energy usage at the retail sites.



NOx paints. Apart from ensuring well-ventilated buildings at the stations, the Company also uses paints that reduce nitrogen oxides (NOx) and maintain good air quality onsite.



Oil and water separators. Any run-off from the wash bay or forecourt is collected by an oil and water separators, which is cleaned daily. There is a separate area for hazardous materials, and these are picked up separately by licensed hauliers. Petroleum products coming from the site are well contained and treated in the right manner as they leave the stations.



Double-walled tanks. Retail stations employ a wet stock management system and conduct real-time statistical inventory to ensure that possible loss-of-containment or leaks are immediately detected. Moreover, fuel tanks are double-walled to mitigate any potential leaks.



Soil and groundwater testing. Pilipinas Shell also conducts soil and groundwater testing to determine whether soil remediation is needed; when Pilipinas Shell exits a retail station, the condition of the soil is expected to be the same as when they arrived.



Eco-bricks. We started exploring the conversion of lubricant bottles from our lube bays into eco-bricks to be used for wall fencing at Pilipinas Shell’s new retail sites. The eco-brick has been proven to be cheaper than traditional bricks, offering savings in construction costs. These bricks are also sturdier, with fewer breakages during storage, and require less man-hours to construct.

Eco-bricks: One step closer to zero waste

Eco-bricks made from lubricant bottles were first used in the Philippines in December 2018. Prior to being approved for use, the eco-bricks underwent rigorous testing by global and local teams from HSSE, Engineering & Network’s Force for Good team, Operations, and External Relations.

Locally, the lubricant packaging is being repurposed by a social enterprise called Green Antz Builders, Inc. Pilipinas Shell Foundation, Inc. partnered with Green Antz to build an eco-brick hub in Cagayan de Oro City that will hire locals from around Shell’s North Mindanao Import Facility, collecting not only used Shell lubricant bottles from the surrounding Shell retail sites, but also plastic waste from the depot’s fenceline community.

Converting the plastic waste into eco-bricks benefits both the Shell retail network and the local community, not only in terms of solid waste management, but also in terms of acquiring quality alternative construction materials. Green Antz supplies eco-bricks not just for fence-building at Shell retail sites, but also for constructing affordable housing and schools in the nearby communities.

An expansive supply chain logistics model for collection of the used retail lubricant bottles from the various Shell retail sites is currently being set up so that this impactful initiative can be replicated and scaled.

The eco-brick is a cost-efficient and sustainable solution to lower the Company’s waste and carbon footprint. This is also true of the larger Shell Group. In the East region alone, Shell has the potential to repurpose around three million lubricant bottles annually, preventing 600 tons of plastic waste from going to landfill, or 1,800 tons of CO₂ from being emitted if the plastic is incinerated.

Recycling the plastic waste into eco-bricks is not only good for the environment, but also for maintaining the integrity of the Shell brand. Successful recovery of Shell-branded lubricant bottles also translates to fewer opportunities for counterfeiters to collect, refill, and repackage the empties for fraudulent sale. Limiting or removing those opportunities, locally, means that Pilipinas Shell guards against potential reputational risk.



Green Antz converts Pilipinas Shell plastics into eco-bricks that are used to build schools

GROWING NON-FUELS BUSINESS

Our retail sites are in growth thoroughfares—they are chosen based on how the market is projected to grow in the coming years. We try to anticipate what the market needs and provide the high level of customer service that Shell is known for.

Shell aims to offer what motorists want by taking care of both the drivers and their vehicles. It is a complete offer in an oasis of convenience—affordable food choices from Select and deli2go, places to relax and dine in quick service restaurants, as well as car maintenance services at Shell Helix Oil Change+ outlets.

Being primary points of contact with our customers, our retail stations are instrumental in promoting our advocacies and pushing for more people to adopt a more sustainable lifestyle. The retail station is where we encourage our customers to participate in a social or environmental cause. In 2018, for example, we implemented our Hydration campaign, which not only launched Select as a venue for replenishment where you can find a wide range of beverages, but also where a conscientious customer may avail of a Select Eco-tumbler made from recycled plastic and sourced from eco-waste advocate, Plastic Bank. [Read related story, “Changemakers...,” on page 82.]



Select and deli2go: good food on the go



For active and busy motorists, a quick bite to eat can be an afterthought, to the point that sometimes just anything will do. Pilipinas Shell motorists, however, need not worry—our retail stations put a premium on food and convenience. Both Select and deli2go specialize in a variety of delicious and affordable food options that enhance well-being.

HEALTHY SNACKING

Shell retail stations became the destination, not just a pitstop in the journey, as foodies visited our stores in 2018 to experience a delightful dessert: the charcoal-infused limited-edition black soft-served ice cream. The first of its kind in the country, this charcoal-infused ice cream offers a unique food experience while helping the body reject toxins.

We pride ourselves in offering healthier food options than the average convenience store. This year, we piloted air-fried food, which has lower fat content and calories compared to deep-fried foods, across the Select stores. Our on-the-move customers need not forego their favorite fried foods—they receive the same flavorful crisps they crave, guilt-free.

RICE MEALS AND DESSERTS, TOO

Select also elevated the ubiquitous “ulam rice” and rice toppings with Sisig rice, Tinapa rice, Tapsilog and Bistek rice to name a few. There is something for everybody, whether they prefer Spanish, Chinese, or our native Filipino food.

Finally, we also launched our branded deli2go cold-pressed juices in many more of our stores. Made of best-quality ingredients, each juice drink is made of ½ kilo of fresh fruits and 1.5 kilos of vegetables, all pressed in a compact and affordable bottle.

From 65 Select shops and opening our first deli2go in 2016, we ended 2018 with 135 Select shops and 58 deli2go to serve Filipinos nationwide.



Fuel of choice

We always look for opportunities to innovate. Our focus is not only on delivering high-quality products but also helping our customers achieve their goals. In 2018, we launched digital innovations to help our customers design and operate their processes more efficiently. [Read related story, “Digital Enablers...” on page 44.]

For consumers, the expert advice of their chosen car manufacturer is an important factor when deciding what fuel to use. “We are proud to be the fuel of choice of these brands. Their trust is an affirmation of the quality of our products,” says Mark Malabanan, Pilipinas Shell Senior Category Manager.

Through these partnerships, Pilipinas Shell is able to establish the Shell habit early with new car owners by providing them a welcome kit that includes a voucher for their first fill. Customers also receive Shell Select and deli2go gift cards, as well as a guidebook containing helpful tips for effective car maintenance and efficient travels.



TRANSFORMATIVE TECHNOLOGY
AND CUSTOMER SERVICE

Knowing our customers—understanding their most pressing problems and anticipating their emerging needs—makes it possible for Pilipinas Shell to tailor the products, services, and solutions that we offer. Our focus is on a total value proposition—consistent, high-quality products and excellent after-sales services.

DIGITAL ENABLERS: FLEET SOLUTIONS

In the B2B market, for example, Shell Fleet Solutions constantly delivers on our promise to provide the customer with reliability, convenience, control, security, savings, and sustainability. We seek to be our customer’s first choice for mobility solutions and earn the trust of the market by providing relevant leading-edge technologies.

In 2018, we launched the following new CVP features:



Site restriction: This gives fleet managers the power to decide where the cards can be used, enabling more secure transactions, depending on the geographic locations of the fleet. They have the choice to include or exclude a group of sites, or individual sites.



Product-specific restrictions (Fuel and Lubricants): The Shell Card may be used for both fuels and lubricants. Specific balances like liters for fuels and peso for lubricant can be set for each product line.



Fleet ID: This adds an extra layer of security for fleet managers. A specific ID for each driver allows for personal accountability. Managers can now identify which driver is using the vehicle, matching that driver’s authorized trip ticket and fuel allocation.



Velocities: Outside of setting daily, weekly, and monthly value limits, the Shell Card may now address annual and lifetime velocities. This provides greater flexibility in allocations, as needed, with the option to “rollover” credits.

Shell’s safety culture extends to customers

As part of the Company’s advocacy on road safety, we leverage on our Health, Safety, Security and Environment expertise by offering additional services such as extensive roadside assistance coverage and defensive driving training for our customers.

“Our thrust of ensuring all Shell employees go home safely to their families is also the thrust we share with our customers,” says Millan Valdepeñas, Fleet Solutions Marketing Manager at Pilipinas Shell. “Pilipinas Shell is your best partner on the road.”

For 2018, Shell Card helped more than 1,500 of our customers travel safely and with ease. Roadside assistance covered everything from towing services (including secondary towing) to fuel delivery, flat tire replacement, battery boosting, locksmith service, and even delivery of a spare car key.

Meanwhile, 700 of our customers received four to six hours of training on defensive driving. The training shared our HSSE value to customers so that their drivers can be more proactive in terms of safety. It honed their protective instincts and ability to make judgment calls that save lives, time, and money despite the road conditions. Defensive driving is not only relative to other drivers but also to external, non-human factors.

More than
1,500 OF OUR CUSTOMERS

traveled in 2018 safely and with ease through enrollment in Roadside Assistance

700 OF OUR CUSTOMERS

received four to six hours of training on defensive driving

The Shell Card continuously evolves to meet customer needs. Our global Customer Value Proposition (CVP) presents new features that target the immediate needs of our market, with benefits resonating to the driver, fleet manager, controller, and finance manager.

Providing solutions means that customers have the pick of the best and most relevant feature. A car leasing company, for example, will benefit from a Fleet ID that will indicate which among multiple drivers has control of the vehicle. Trucking companies with specific routes will benefit from Site Restriction.

Pilipinas Shell also provides a complementary Partner Card that allows the benefits to be extended to third parties, with the customer billed only for the amount that is consumed under the set limits.

Given our offerings and our efforts to reach out to customers to ensure their satisfaction with our performance, we attracted more fleet accounts in 2018, nearly double the amount from the previous year.

In 2019, Shell Fleet Solutions will also be offering the feature of One-Off Cards which can be issued in case of emergency, so that customers can continue to benefit from Shell’s products and services.

SKYPAD: AVIATION GOES DIGITAL

Last May 2018, Shell Aviation replaced the traditional invoicing process with the faster digital alternative, dubbed the Skypad, in Manila.

As a digital processing system, the Skypad eliminates paper transactions, reduces errors and improves accuracy of invoicing, and allows quicker turnaround time of the aircraft.

Capturing and recording data related to refueling transactions is no longer a tedious manual process, as the Skypad allows refueling tickets to be automatically populated with the flight information. Automated data checks contribute to invoice accuracy, and more importantly, live fuel delivery information and stock data can be easily analyzed in real time for fuel management solutions.

The refueling information and copies of electronic PODs (proofs of delivery) are also stored on our secure platform hub and may be viewed by key customers.

Shell Technology Forum 2018



Over **20 SPEAKERS**
across different industry sectors

More than **200 DELEGATES**
from manufacturing, construction,
transport, and mining

Pilipinas Shell hosted the Shell Technology Forum, dubbed “Future Forward: Future Ready,” on May 16, 2018. The theme “Emerging Needs. Innovative Solutions. Stronger Partnerships” emphasized cooperation among industry stakeholders—an apt choice, given that the annual forum is a venue for brainstorming innovative solutions to address current and emerging needs.

“Together, anything is possible,” was Pilipinas Shell’s battlecry at the Technology Forum. Lending credence to this statement, more than 200 delegates from the construction, manufacturing, mining, and transport industries gathered to exchange their ideas. They were joined by representatives from the government and key opinion leaders from the private sector.

A change in format allowed the delegates to take part in not just the plenary sessions but also think tank discussions and breakout sessions on industry-specific developments and solutions. These discussions were facilitated by representatives from Shell Commercial Fuels, Global Lubricants, and Shell Fleet Solutions.

Shell Technology Forum 2018 updated the economic outlook for the country as well as the opportunities across the industry sectors: new methods of automation under manufacturing; the government’s ongoing “Build, Build, Build” program and what it means for the construction industry; stricter regulations and the need for quality fuel in mining; and fuel efficiency technologies vital to the transport sector.

In particular, the discussion on emerging industrial technologies and sustainable future-forward solutions allowed industry practitioners to share their current best practices, while Pilipinas Shell demonstrated our position as a strategic partner that could ease the transition into a future of low carbon energy. Among the well-received ideas were how to leverage on the benefits of Shell’s DYNAFLEX technology for heavy-duty vehicles, save costs and add mileage offered by technology, utilize telematics for a stronger network, and digitally enable fleet management.



“We recognize the everyday courage of our bikers, and Shell Bike Fair is one of the ways we can celebrate their journeys”

STEVE QUILA,
General Manager for Lubricants,
Pilipinas Shell Petroleum Corporation



Shell Bike Fair 2018

For four years now, Pilipinas Shell has hosted the Shell Bike Fair as a ‘thank you’ to motorcycle and scooter riders. With the theme, “Together, We Ride Stronger,” this year’s event gathered riders, bike enthusiasts, and the country’s bike clubs and associations. Nearly 7,000 bikers came together, more than double the attendees from the previous year. Also present were Pilipinas Shell partner distributors, retail trade outlet owners, and media practitioners.

The initial leg of the bike fair was held in July at the CAP-John Hay Trade & Cultural Center in Baguio City, while the culminating leg was held in September at the Philippine International Convention Center (PICC) in Pasay City. At both venues, activities revolved around rewarding the bikers: participants enjoyed special offers, booth games, and freebies, and raffles prizes including brand-new motorcycles.

A highlight of the event was the Shell Outriders Nationwide Search for the Best Bike Club, which attracted 17 finalists from Luzon, Visayas, and Mindanao. The chosen clubs put up exhibits at the convention hall to display their love of riding, practice of road safety, and promotion of motor tourism in the country.

At the PICC, Western Bicutan Riders Club received the “Infinity Trophy” as overall champion; Bicol Elite Mix Moto Club, 1st runner-up; and Bull Riders Club Philippines, 2nd runner-up. All three were awarded cash prizes and Shell Fuel vouchers.

The model clubs proved that there are responsible bikers and civic-minded bike clubs. They contribute not only to the riding community but also to the larger society through medical and dental missions, disaster relief operations, and education drives.

“We recognize the everyday courage of our bikers, and Shell Bike Fair is one of the ways we can celebrate their journeys,” said Steve Quila, Pilipinas Shell General Manager for Lubricants, underscoring Pilipinas Shell’s commitment to support the evolving needs of Filipino motorists.

Pilipinas Shell promotes driver education and smarter use of energy as part of the global advocacy for energy efficiency. The Shell Bike Fair 2018 also highlighted the Shell Advance motorcycle and scooter oils and Shell V-Power premium fuels, two brands that are reliable companions on the road. Shell Advance allows for a smoother ride by providing complete engine protection, while the improved Shell V-Power is designed to deliver both performance and efficiency.

PEOPLE AND CULTURE:

Doing Things Right

We recognize that the heart of our Company is our people. We continue to improve our employee value proposition to attract, develop, and retain world-class talent. We engage them through various initiatives to maintain our culture of care and safety.

CARING FOR OUR PEOPLE

Our people are essential to the success of Pilipinas Shell. We strive to recruit, develop, and retain such talented individuals; to continuously support and elevate their performance to a global standard; and to maintain a healthy, productive, and stable organization. [103-1](#)

Pilipinas Shell's Employee Value Proposition (EVP) includes ownership and accountability for the Shell brand and reputation. Our corporate culture enhances our drive for excellence and builds on opportunities for personal development and professional growth, as well as ways to contribute to nation-building. The Human Resources (HR) Department, together with the Company's leadership, ensures that our managers and supervisors engage, enable, and motivate our staff to perform, in accordance with the Shell values and business principles. [103-2](#)

"We value [our people's] opinions and viewpoints about the business, and we are pleased that they recognize the Company's good reputation. We see from their responses that they are on board with the direction of the Company, and that they believe we are a responsible business and a good corporate neighbor."

CESAR G. ROMERO,
President and Chief Executive Officer,
Pilipinas Shell Petroleum Corporation



Our corporate culture enhances our drive for excellence and builds on opportunities for personal development and professional growth, as well as ways to contribute to nation-building.

SHELL PEOPLE SURVEY

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

SHELL PEOPLE SURVEY 2018 103.3

	PILIPINAS SHELL	SHELL¹	TQB²
Response Rate	95%	82%	
Employee Engagement	81	77	78
Organizational Leadership	78	70	74
Team Leadership	80	76	80
Collaboration	83	80	82
Working Conditions	73	69	75
Your Job	84	78	79
People Development	79	74	76
Reputation	90	81	81
Total Rewards & benefits	76	70	71
Diversity & Inclusion	84	82	85
Operational Excellence	78	73	77
Responsible Business	85	81	85

¹ Shell refers here to the Shell Group (i.e., the enterprise as a whole, including Royal Dutch Shell plc)
² The Top Quartile Benchmark is the top quartile score based on the performance of other companies

COMPLIANCE WITH GOVERNMENT
LABOR REGULATIONS 401.1

Pilipinas Shell aims to comply with labor laws in the Philippines. In 2018, a review was conducted for the Shell companies in the Philippines (SciP), Pilipinas Shell included, to ensure compliance with all relevant labor regulations. Representatives from the legal department, and all line managers and senior managers were engaged during the review. The assessment showed that Pilipinas Shell is compliant with the country’s labor laws.



FINDING THE RIGHT TALENT

703
regular employees

As the demand for energy rises, we will need more talented people who are dedicated to pursuing a better energy future for all.

- Our recruitment process answers several questions:
- 1. “Is the applicant skilled enough?”
 - 2. “Does the applicant have potential and learning ability?”
 - 3. “Is the applicant motivated to work?”
 - 4. “Do the applicant’s values align with Shell’s values and principles?”

In 2018, there were 57 new hires at Pilipinas Shell. The turnover rate for the past two years has been steady at 3.68%.

Pilipinas Shell takes pride in prioritizing hiring and development of locals for key strategic positions, a strategy that more multinationals have begun to adopt.

NEW EMPLOYEE HIRES 401.1

By Age Group and Gender

	MALE	FEMALE	TOTAL
< 35 years old	28	25	53
35-50 years old	3	0	3
> 50 years old	0	1	1
TOTAL	31	26	57

EMPLOYEE TURNOVER 401-1

By Age Group and Gender

	MALE	FEMALE	TOTAL
< 35 years old	9	9	18
35-50 years old	7	0	7
> 50 years old	0	0	0
TOTAL	16	9	25

COMPENSATION AND BENEFITS

401-2 103-1 103-2 103-3

We compete strongly for talent in the markets where we employ people. Our employer brand and competitive employee value proposition attract the best talent. Our approach to performance and reward is a key part of our employee value proposition, together with other elements such as providing challenging work and development opportunities. All parts of the value proposition combine to attract, engage and retain the diverse people needed.

The HR and Rewards team, with the support of the Country Chairman, conducts regular salary and benefits external benchmarking to ensure that our employee value proposition remains strong. They also ensure that we capture relevant internal insights through focused group discussions (FGDs) with employees. The FGDs cover a wide array of topics, where in most cases compensation and benefits are included in the agenda.

Pilipinas Shell recognizes the value of showing care to our employees through the delivery of a competitive compensation and benefits package and consistent adherence to the Labor code standards. In most cases, our Company provides more than the statutory requirement. An example would be the minimum standard for maternity leave: whereas Philippine law mandates paid leave of up to 105 days only, Shell provides up to 120 days of paid maternity leave regardless of the type of delivery.

DIVERSITY AND INCLUSION INITIATIVES

405 103-1 103-2 103-3

Pilipinas Shell aims to maintain a diverse workforce, working collaboratively in an inclusive workplace. We encourage and nurture diversity of talent, practicing equal opportunity in recruitment, career development and promotion, training, and rewards for all employees.

One of the key levers that help drive our Diversity and Inclusion (D&I) approach is our talent acquisition targets, cascaded down locally to ensure that our resourcing team can implement a deliberate and purposive recruitment strategy. There are also efforts to provide greater flexibility in terms of job roles and functions. Furthermore, we adhere to our non-discrimination policy in hiring and we hire employees based on merit and capacity to fulfill the job functions.

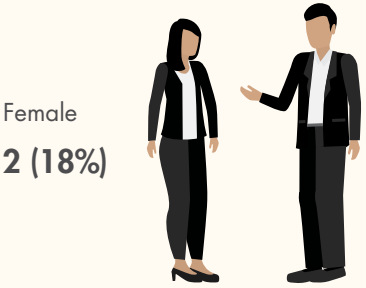
Pilipinas Shell also aims to close the gender gap through increased representation of women among senior leadership. In various areas of the business, female leadership is in place and is increasing. We have two Board-level female executives, whereas female leaders comprise 21% of senior management, 33% of middle management, and 48% of frontline supervisors and operations heads. Finally, we are increasing the potential of women joining a male-dominated engineering labor pool by supporting STEM-focused programs (such as NXplorers).

Our biggest test of D&I would be the diversity of thought in the Company, that allows us to come up with creative solutions to current and future needs.

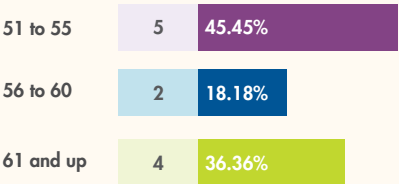
DIVERSITY OF GOVERNANCE BODIES AND EMPLOYEES 405-1

GOVERNANCE DIVERSITY (BOARD OF DIRECTORS)

By Gender

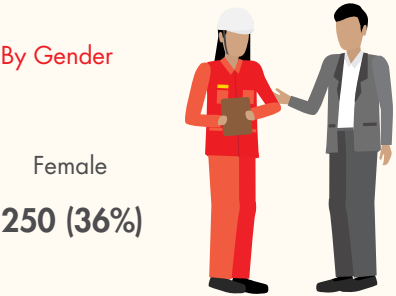


By Age

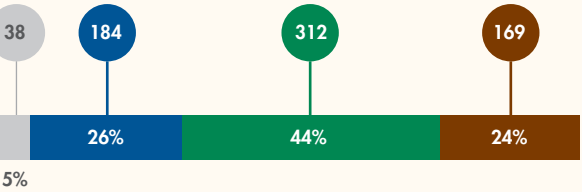


EMPLOYEE DIVERSITY

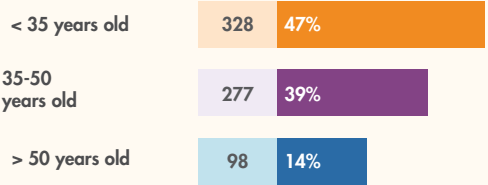
By Gender



By Employee Category



By Age



LEGEND:

- Senior Management
- Middle Management
- Front Line Supervision & Front Line Operations
- Union Staff

Per Employee Category Diversity

SENIOR MANAGEMENT

By Gender

Female 8 (21%) Male 30 (79%)



By Age	
< 35 years old	1 (3%)
35-50 years old	20 (53%)
> 50 years old	17 (45%)

MID MANAGEMENT

By Gender

Female 60 (33%) Male 124 (67%)



By Age	
< 35 years old	50 (27%)
35-50 years old	104 (57%)
> 50 years old	30 (16%)

Celebrating International Women's Day 103-2

We celebrate National Women's Month during March, with the 8th designated as International Women's Day. We do our part by implementing pro-women policies, supporting the Shell Women's Network, training our employees to recognize and avoid microaggressions against marginalized groups, and promoting a culture of non-discrimination and cooperation.



Women's Month was celebrated in March across SciP

FRONT LINE SUPERVISION & OPERATIONS

By Gender

Female 149 (48%) Male 163 (52%)



By Age	
< 35 years old	193 (62%)
35-50 years old	96 (31%)
> 50 years old	23 (7%)

UNION STAFF

By Gender

Female 33 (20%) Male 136 (80%)



By Age	
< 35 years old	84 (50%)
35-50 years old	57 (34%)
> 50 years old	28 (17%)

Creating a safe and inclusive workplace: International Coming Out Day 103-1 103-2

Globally, we celebrate International Coming Out Day on October 11 to reinforce the Shell core value of respect for people, and to better appreciate the members of the LGBT community. We also support the Shell LGBT Network and encourage our employees to participate as members and allies. This culture of acceptance fosters better collaboration, camaraderie, and empathy, and forges bonds for a stronger company.



We promote Diversity and Inclusion throughout SciP

Prejudicial and discriminatory behavior may be reported via the Global Helpline or directly to the HR Department. In 2018, there were no incidents of discrimination, hence no corrective actions were taken. 406-1

LABOR-MANAGEMENT RELATIONS

102-41 103-1 103-2 402 407-1

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

A Labor Management Council (LMC), composed of representatives from the union and the company, is in place to further enhance labor-management relations. The council meets on a monthly basis to keep the communication lines open for both parties. TASREA union finalized their agreement in 2016 and KMS union in 2017. The CBA will be renegotiated in 2019 for TASREA, and 2022 for KMS, in keeping with scheduled negotiations, every three years for TASREA and every five years for KMS.

While there is no standard minimum period in giving notice to employees regarding any operational changes, it is company policy to continuously engage with employees, and to involve them in matters that have direct bearing on their lives. Engagement plans would depend on the nature and the impact of the change on employees. It is therefore imperative to notify employees prior to any operational change.

LEARNING AND DEVELOPMENT

103-1 103-2 103-3

We continuously explore new ways of thinking and working, while providing mentorship and learning opportunities for our employees. In addition to specialized business learning and training initiatives, we also invest heavily in leadership training and development. We believe that leadership capability and engagement are key to unlocking the best performance from our employees.

We keep in mind the 70-20-10 model in designing our program: in-role development or hands-on experience (70%); coaching and mentoring (20%); and formal training (10%). We strive to provide training that is tailored to and focused on the needs of the business. Pilipinas Shell has learning advisors per business to focus on delivering the right material to our employees.

The employees undergo mandatory training on health, safety, security, and environment, as well as ethics and compliance.

Although we cover a wide range of practical, commercial and technical e-learning programs in the Shell Open University, each business also provides specialized, job-specific training. Our employees are regularly tested on their technical proficiency and refresher courses are mandatory within a given time period.

ASSESSMENT AND EVALUATION

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

HR Optimization: On Track to 2020

Pilipinas Shell's Human Resources (HR) Department undertook a reorganization in 2018, with operational functions moved to Shell Business Operations (SBO). The key change is an enhancement of self-service technology to allow for more streamlined and targeted HR functions. Moreover, line managers will be able to collaborate directly with SBO on recruitment and turnover, whereas local HR will focus on strategic initiatives.

The enhanced HR system allows for faster and easier turnaround for simple, operational tasks. With the HR Online Tool, staff will be connected to the appropriate HR advisor immediately.

The proactive stance is not new to Pilipinas Shell, which empowers employees to take ownership of their professional development. Employees with their line managers, for example, actively participate in Goals, Performance, and Appraisals setting; this becomes the basis of their mid-year, and year-end performance reviews. Longer-term career goals are articulated in the Individual Development Planning document.

What changed with the new system is that line managers have more accountability, with HR acting as support. Under performance management, business leaders facilitate the coaching and engagement sessions, aided by HR. The line managers are also empowered to trigger the leaving actions of retiring employees, as well as the posting of job requests for recruitment, for SBO action. It is expected that this new approach will lead to an enhancement of the employee experience.

HEALTH AND WELLNESS

Health is a priority for Pilipinas Shell, and this shows in the way the Company cares for its employees. In recent years, the Company’s Health Division has recalibrated the focus to enhance human performance and care—that is, beyond simply addressing specific health disorders or disease, Pilipinas Shell is taking a more holistic approach to overall wellness. The roadmap for the entire year is based on this theme, with consideration to the specific needs of the business and the wellness aspirations of employees.

103-1 103-2



A YEAR OF GOOD HEALTH

FEBRUARY HEART MONTH Love starts with care, a Valentine special	MARCH BLOOD DRIVE Caring is Sharing <small>*Volunteers in the bloodletting activities enable blood to be available for any Shell employee during emergencies.</small> GLOBAL CORPORATE CHALLENGE e-registration in March	APRIL SKIN WELLNESS DIY Skin Care
JUNE OPTICAL WELLNESS Healthy Eyesight Matters! <small>*Workers may volunteer for thorough eye check-up.</small>	JULY NUTRITION MONTH Hydroponics	AUGUST BLOOD DRIVE Caring is Sharing
SEPTEMBER GLOBAL CORPORATE CHALLENGE closing activity in September <small>*Pilipinas Shell participants commit to walking at least 10,000 steps a day for 100 days.</small>	OCTOBER MENTAL HEALTH It’s OK Campaign	DECEMBER WORLD AIDS DAY Care for yourself and others! <small>*Workers may participate, at no cost to them, in free voluntary counselling and HIV Testing.</small>

100% of total employees completed the Annual Physical Exam (APE)

87% participated in Wellness Talks from January to June 2018

Beyond mandatory health programs, such as the Annual Physical Exam (APE), Pilipinas Shell has expanded its Be Well Program to help employees focus on wellness through the adoption of good habits and a healthy lifestyle. This includes healthful food options (Eat Well), regular physical activity (Move More), smoking cessation support (Breathe Well), fatigue risk mitigation (Sleep Well), and resilience (Think Well).

Apart from conducting learning sessions, Wellness Hub (Clinic) Practitioners help the employees articulate and commit fit-for-purpose interventions (via one-on-one Wellness Talks), track progress (via Be Well Scorecards) and, eventually, achieve the wellness goals they have committed for themselves (Self-Care first!). Employees in need of emotional and psychosocial support can also easily schedule appointments with their in-house Resilience coaches.

The approach to wellness addresses the needs of the business. Business challenges on performance such as productivity, team dynamics, and work norms have tailored interventions. The Health team is proactive by engaging line managers and project managers to align care interventions sessions in anticipation of potential periods of stress. For instance, during turnaround at the refinery when there is usually a high likelihood of stress, the Health team designed Care Sessions to empower employees to reinforce their resilience and enable self-care.

It’s OK Campaign

On October 12, World Mental Health Day, Pilipinas Shell launched the It’s Ok Campaign. The program is implemented SciP-wide, and has three key aspirations:

- **Psychological Safety.** Allows employees to know that the Company is a safe environment where it’s okay to say that they are “not okay.” There will be no judgment or discrimination against any employee who expresses that they are not okay.
- **Recognition.** Enables employees to be courageous to express being not okay and the assurance that the employee will readily receive support. It includes access to helpful tools so that they can take part in conversations and coaching sessions.
- **Personal Accountability.** Empowers employees to take control of their overall well-being and the balance to perform at their best.

At the It’s OK Campaign launch, the Health team set up “expression” boxes to encourage employees to write down how they feel; by doing so, they can acknowledge their emotions and release them. Employees are not required to identify themselves, but the identities of those who do so are kept confidential to protect their privacy. Data gathered from these expression boxes serves as a “spot check” to determine employee well-being and morale.

Aside from positive feedback, the 139 responses revealed reasons why employees sometimes feel they are “not OK”: (a) lack of work-life integration in terms of diversity and inclusiveness, and feeling overwhelmed with work; and (b) stressors at work, including interpersonal issues. This resulted in three program initiatives: (1) Fit-for-Purpose Care Sessions for an expanded network; (2) Psychosocial well-being integrated in Wellness talks; and (3) D&I-focused activities (in partnership with HR).

The It’s OK Campaign carries the mandate from Pilipinas Shell’s leadership, with Country Chair Cesar G. Romero expressing his support in a message sent out during the program launch. The campaign is also a collaboration with the Human Resources department, which provides support to employees through the Employee Assistance Program (EAP).

The EAP is an employer-sponsored service that offers support for the well-being of employees. The program aims to provide proactive interventions and help resolve personal and work challenges that may affect employee well-being and performance.

SIT-STAND WORKSTATIONS

Workstations are equipped with ergonomic chairs and height-adjustable desks



KEY FEATURES

Well-designed facilities are accessible to our employees and partners while an increase in office utilization contribute to the reduction of our surface area footprint.

ENERGY HUBS

multi-functional hubs on each floor that serve as the office pantry



COLLABORATION AREAS

open spaces for informal meetings



Moving Up: A new home at The Finance Centre



A major change for Pilipinas Shell at the beginning of 2019 was the transfer of the head office from Shell House in Makati City, where it has been located for 32 years, to The Finance Centre (TFC) in Bonifacio Global City. This move was two years in the making. Preparation required close collaboration among the Real Estate, Health, and Project Change Management teams from the business to ensure that employees adjusted well to their new office environment.

The new office at TFC is based on the Shell Connect Workplace Design Standards. These standards enable both Shell staff and business partners to be more productive and help them perform at their best. The standard is about connecting people, place, and technology to deliver a vibrant, energetic, engaging and ultimately, productive workplace.

The aim of the Connect Workplace strategy is to drive consistency across Shell offices to support flexibility and cultural change, and enable a true feeling of a single enterprise. Employee well-being is also given prime importance. At TFC, employees who need to have a mid-day recharge can do so in the Wellness Center which has a meditation or quiet room and lactation room. Pilipinas Shell employees, who are members of the Shell Fitness Club, also have access to the gym facilities of Anytime Fitness and Kerry Sports at the Shangri-La The Fort, which are both within walking distance from TFC.

The Finance Centre is designed by Gensler, one of the top global design and architecture firms, with a goal of securing a LEED® Gold certification.



WELLNESS CENTER

comprises of the office clinic, relaxation room, nursing room, and meditation/quiet room



PHONE BOOTHS

private meeting rooms with teleconference facilities



MULTI-PURPOSE ROOM

venue for plenaries and other activities

Care of Wellness Hubs

The Care of Wellness Hubs provides not only medical care, but also other healthcare services. These hubs are located at the Tabangao Refinery in Batangas and the Visayas Regional Office in Mandaue, Cebu.

At The Finance Centre in Bonifacio Global City, employees have an expanded Wellness Center that includes a clinic, lactation room, relaxation area, and quiet room/meditation areas.

At the North Mindanao Import Facility (NMIF), a Wellness Corner has a registered nurse on-board, and a doctor based in Cebu on-call for video consultations, to provide the same services at the Wellness Hubs.

The Care of Wellness Hubs are already showing positive impacts. The data show that the wellness programs have not only improved employee health but have also led to improvements in work performance.



Pilipinas Shell partners with PSFI for blood donations to children living with HIV/AIDS

In 2018, Pilipinas Shell donated a portion of blood supply for the benefit of children living with HIV/AIDS who are undergoing treatment at different clinics in Metro Manila.

A blood drive initiative held in partnership with private hospitals such as St. Luke’s Medical Center (Quezon City), Mary Mediatrix Medical Center (Lipa City, Batangas), and Perpetual Succor Hospital (Manila) allows employees to give blood on-site. The program includes ready access to blood for any employee of Pilipinas Shell, should they need it.

This year, Pilipinas Shell extended this service to benefit not just employees, but also children living with HIV/AIDS. Through the Pilipinas Shell Foundation, Inc. (PSFI), 30% of the total collected blood bags were made available and ready for use.

PRACTICING SAFETY

Pilipinas Shell’s safety culture is grounded in maintaining a safe working environment: we manage our facilities during our stay, for example, with the goal of not releasing hazardous material. We enforce this safety culture by obliging our workers to adopt safe working habits and be ever vigilant of any changes that will adversely affect their health or the environment. This allows the Company to stay true to its Goal Zero ambition.

HSSE PERFORMANCE SUMMARY

	TOTAL RECORDABLE CASES (TRC) FREE MAN-HOURS IN 2018	YEARS TRC FREE
PSPC	10.4 million	0.18 years
Manufacturing	0.6 million	0.18 years
Supply and Distribution	3.3 million	0.84 years
Retail	2.8 million	8.3 years
Lubricants	3.6 million	6.1 years
Aviation	1.9 million	9 years
Specialties	3.7 million	9 years
Real Estate	2.2 million	5.9 years
Lubricants Supply Chain	0.4 million	3.6 years

Asset integrity and process safety

We follow four asset integrity principles: design integrity, which means building to specific engineering standards; technical integrity, which involves testing, inspection, maintenance and repair of facilities in accordance with the Shell Global Reliability and Integrity maintenance plan; operating integrity, which includes safe operating procedures and safeguarding systems; and integrity leadership, which obliges business leaders to be accountable for asset integrity and worker safety.

Beyond ensuring that the conditions are safe for work, our workers are also trained to watch out for their safety and those of others. We enforce 12 Life-Saving Rules, which are clear-cut “dos and don’ts” covering activities with the highest potential safety risk, and a Stop Work Policy, whereby work must stop and only continue if an unsafe condition has been rectified. Prior to any work, Toolbox Talks with contractors and third-party operators in the terminals ensure that hazards and how to prevent accidents are discussed.

HSSE&SP Control Framework Audits and Integrated Assurance Plans (IAP) check the effectiveness of our management approach. Through our Fountain Incident Management (FIM) system, as well as the BOW Tie and TRIPOD process, incidents are reported and investigated according to internally established standards and regulatory requirements. The findings and results are relayed to Shell HSSE for advice and concurrence. We act on the analysis and reports of actual incidents and near misses. We also measure our health, safety, security, and environment performance against clear metrics.

An occupational health and safety management system is implemented based on the HSSE&SP Control Framework of Shell, which covers all personnel. The assurance process for HSSE and SP is done through various audits, including internal audits and Assessment of Risks and Responses at Worksites of Shell (ARROWS). Findings are discussed with respective safety officers or focal points and agreed on how these will be rectified or closed. Workers are made aware of the Medical Emergency Response strategy of the work site. Workers are involved and part of the team in the development of health risk assessments; they also contribute in the job hazard analysis.

Supply Chain Management

Pilipinas Shell maintains the highest standards of safety and quality throughout our supply chain. To achieve this, we conduct integrity due diligence (IDD) as part of a rigorous assessment of our contractors and third-party suppliers.

Supply and Distribution follows the same process as provided by Global Shell Ethics and Compliance Office (SECO). This process is handled by the RDS Global Financial Crime Prevention Team. Depending on the risks involved, the approval process will need to be provided by Global Leadership, in addition to SECO’s, before Pilipinas Shell can enter into a contract with a counterparty.

We also have processes in place to support the HSSE performance of our partners, among them vessel owners and crew, and hauliers and drivers. This process includes post-award contractor management to ensure their compliance with Shell standards and specifications. Our teams conduct business and performance reviews to monitor their performance, provide feedback, and make recommendations for improvement.

To achieve Pilipinas Shell’s Goal Zero objectives, we also implement programs to build and promote a culture of safety among our contractors. As a result, Shell global standards for safety and quality are recognized by stakeholders in the industries where we operate.



PARDS and MASTERS: Keeping the deliveries of our fuel safe

Driver behavior is perhaps the greatest factor in achieving road transport safety.

We make sure that our lorry drivers act in a responsible and professional manner while en route to our retail and customer sites, while delivering our products, and while journeying back to the terminals after delivery and ultimately to their homes.

As a policy, Pilipinas Shell already ensures that the transportation meets our global safety standards. We require all vehicles to have an anti-locking brake system (ABS), for example. We are currently also exploring the installation of a roll-over prevention device, so that our vehicles remain balanced to further avoid accidents on the road. We co-develop designs and work with our suppliers and contractors on meeting the stringent specifications for our lorry tanks and other equipment.

We further lower the risk of incidents by focusing on fatigue management, with controls in place to make sure that drivers are well-rested and fit to work; coaching skills for road transport team and staff; and personal safety.

We ask our drivers to commit this practice to memory via the STOP campaign:

- S** : Spot the hazards and act safely.
- T** : Take a quality rest and day-off.
- O** : Obey rules and policies.
- P** : Practice defensive driving, always.

Pilipinas Shell reinforces these safe habits through recognition programs that motivate lorry drivers and vessel operators to uphold safe operations 24/7. We conduct spot checks, and quarterly and annual assessments on drivers' attendance and safety performance, particularly their observance of the 12 Life-Saving Rules. Drivers are given a rating based on key performance indicators, and those with outstanding scores are recognized and rewarded for their excellent service.

PARTNERS IN ROAD SAFETY

The annual Professional and Responsible Drivers for Shell (PARDS) safety program recognizes the most outstanding drivers with certificates of excellence and rewards them with cash incentives. They are judged on attendance, customer satisfaction, compliance with "safe to load" and "safe to deliver" procedures, journey management, adherence to pre- and post-trip discussions, and integrity in reporting zero, near-miss, and potential incidents.

In 2018, PARDS recognized haulier drivers who received a Class A rating, the highest given based on the above criteria. Their performance has set the bar in fostering a culture of safety within and outside of Pilipinas Shell.

MASTER AWARDS

Pilipinas Shell also holds the annual Maritime Safety and Technical Efficiency Recognition System (MASTERS) Awards to recognize partner vessel owners for performing with the highest levels of safety, product integrity, and operational readiness.

For this year, we awarded MIS Maritime Corp. "Shipowner of the Year." They were nominated in three other categories, winning "Best TC Vessel" and "Best in HSSE." Meanwhile, MT Carla 2 won "Best in Voyage Charter," and Samal Island, who was also nominated thrice, won "Best in Performance."

PARDS and MASTERS, among other initiatives implemented in Pilipinas Shell, help us ensure excellence in our operations, improve our interactions with the environment, and eliminate risks to the communities where we do business.

STICK TO THE STANDARD

4.5 HOURS
maximum continued driving hours
allowed for lorry drivers

12 HOURS
maximum duty per day

36 HOURS
minimum duration of break, when
changing shift schedules

3 YEARS
mandatory prior experience when
operating the vehicle or vessel

Managing our environmental impacts

Running a safe and responsible business means understanding the impacts we can have on the environment and the communities for the entire life cycle of our operations. We measure our environmental performance in terms of greenhouse gas emissions management, efficient energy consumption, minimized flaring during oil production, spills and leaks prevention, and water and biodiversity conservation. With our efforts, we aim to comply with regulatory requirements and establish our credibility as a responsible company and safeguard our license to operate in the Philippines. **103-1** **103-2**

We are guided by the Environment Manual of the HSSE and Social Performance Control Framework. The HSSE Core Team and Safety Steering Committee monitor our performance, which is reflected in the HSSE dashboard. Since 2016, we have also been monitoring our performance through the Sustainability Scorecard published in this report. **103-3**

SPILLS **306-3**

LOCATION & DATE	VOLUME (MT)	MATERIAL OF SPILL	DATE
Tabangao Refinery October 27, 2018	0.88	Fuel Oil	LOPC ¹ 100-1,000kg (cumulative release of fuel oil)

¹ Loss of primary containment (LOPC)

There was only one reportable spill in 2018. Fuel oil was observed in one of the canals, and this was traced to an open vent of a pump discharge pressure gauge. The valve was immediately closed. Upon the discovery of the spill, sandbags were deployed at once to contain the fuel oil in the canal and prevent run-off to the impounding basin and outfall. The fuel oil from the canal was also manually scooped into drums for proper disposal.

TABANGAO REFINERY'S SUCCESSFUL PITSTOP AND HIGH RELIABILITY IN 2018

Pilipinas Shell continues to maintain a reliable and efficient manufacturing operations. In the second quarter, the Tabangao Refinery successfully completed its planned decoking pitstop. Contributing to this success is the use of new technologies like chemicals that allowed for faster decontamination to facilitate the decoke of our Thermal Gasoil Unit (TGU). The completion of the pitstop and other maintenance activities with clear focus on our critical tactics, together with continued vigilance of our refinery team in addressing plant concerns, has improved the reliability of the Refinery. In 2018, the Refinery also recorded its lowest unplanned downtime in five years and was recognized as the second most reliable among Shell refineries across the globe.



Crisis Readiness: The 2018 ARAT Tier 3 Oil Spill exercise

In June 2018, Tabangao Refinery hosted the first ever Tier 3 Incident Management Exercise held in the Philippines. The exercise was attended by around 300 participants, led by officials from OSEC ARAT (Oil Spill Expertise Center-Asia, Russia, and Australia Team) and the Philippine Crisis Management Team (CMT), along with representatives from the Philippine Coast Guard, Department of Energy, and the Department of Environment and Natural Resources (DENR) Region IV-A, as well as the Philippine-based Waterborne Industry Spill Cooperative (WISE).

The exercise simulated a Tier 3 worst-case scenario following an earthquake that resulted in the rupture of a hydrogen pipeline and crude pipeline, also causing a fire at Tabangao Refinery, thus activating Shell’s Global Response Support Network (GRSN). It was a scenario meant to test the response capability of Pilipinas Shell in containing a high-impact spill. It also tested our ability to work together with support teams from other countries, as well as multiple local government agencies.

The contingent from Tabangao Refinery practiced raising the alarm and escalating the information to the CMT. The Country Chairman then deemed the crisis a matter to be tackled locally. The CMT and the Incident Management Team then simulated interface meetings. Working in concert, the Incident Commander along with the various section chiefs—finance, logistics, and HSSE focal points—determined how to best manage the spill. A Communication Support team and Joint Information Center monitored the flow of information, and a mock press conference was also held so the teams could simulate engaging with local officials and other key stakeholders during crisis management.

Overall, the succession of drills and sharing sessions lasted nearly a week. Feedback from participants indicated they had more confidence in their roles and the application of existing emergency plans, given their enhanced competencies in disaster response and crisis management.

“The beauty of having these drills is that in a certain way, you’ve hardwired your brain to think a particular way. You respond semi-automatically, and you know what to do in an actual incident,” says HSSE Country Manager Oliver L. Ortega.

ENERGY & WATER USE

ENERGY CONSUMPTION¹ 302-1

ENERGY TYPE	CONSUMPTION (GJ)
Natural Gas and Electricity	7,186 ,773.86

¹ Pilipinas Shell uses the Shell Performance Monitoring and Reporting (PMR) Guide and Specifications for its calculations. We started publicly reporting on our energy consumption in 2016 and continue to do so yearly.

Energy consumption 302-4 in 2018 was comparatively lower than when we started reporting in 2016. The spike in energy use from 2017 to 2018 is attributed to the increase in annual production. Maintenance turnaround was also shorter this year compared to the two-month turnaround in 2017.

ENERGY REDUCTION¹ 302-4

2016	2017	2018
15,379.9 GJ (+) ¹	734,605.2 GJ (-) ²	583,220 (+) ³

^{1,2,3} Figures represent an increase (+) or decrease (-) from the previous year

We use a combination of natural gas and diesel oil. To cut down on electrical consumption, the Tabangao Refinery generates its own electricity, using cleaner-burning natural gas from the Malampaya Deepwater Gas-to-Power project. Should the Malampaya platform be on maintenance or on emergency shutdown, we use back-up Euro IV (PH) diesel.

POWER GENERATION, CONSUMPTION, AND DISTRIBUTION	AMOUNT (GJ)
Own Energy Generated (Natural Gas & Refinery Diesel Fuel Gas)	7,130,411.97
Electricity Imported ¹	42,576.54
Electricity Exported ²	13,785.35

¹ Refers to energy purchased from the national grid
² Electricity is sold to the Bitumen Import Facility (BIF), the Tabangao Depot, and some are returned to the National Grid Corporation of the Philippines if there is excess power supply.

We generated a surplus of electrical power in 2018 which was exported to the Tabangao depot, the refinery residential compound, the Bitumen Import Facility, and SPEX.

WATER CONSUMPTION 303-1

WATER WITHDRAWAL (ML) 303-1	
Groundwater ¹ (Wells)	1,947.63

¹ All freshwater withdrawn is from groundwater (wells), which is measured in flowmeters on each deep well.

We harvest freshwater from deep wells located around the Tabangao Refinery, for domestic and operational consumption. We also utilize seawater as cooling water. We do not use municipal water. The refinery has a Water Management Action Plan in place to address potential issues regarding water use. This includes action plans to improve the management of deep wells and the treatment/monitoring of effluent water. To evaluate our environmental compliance, we also conduct Environmental Impact Assessments, which are submitted to the local regulators. 103-1 103-2 103-3

EMISSIONS, EFFLUENTS, AND WASTE

GHG EMISSIONS¹ 305

Pilipinas Shell maintains a CO₂ Business Plan that includes an inventory of greenhouse gas (GHG) emissions based on the reporting requirements of the current Performance Monitoring and Reporting (PMR) Specification; a forecast with a 10-year projection; and targets and performance monitoring in support of the Company’s GHG and energy management objectives.

SCOPE (tCO ₂ e)	2016	2017	2018
Gross Direct (Scope 1)	345,448.7	322,851.3	342,476.6
Gross Indirect (Scope 2)	2,083.1	3,120.4	3,565.66

Source of emission factors, global warming potential (GWP), and rates: API Compendium and Shell PMR Guide. 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.

In 2018, due to the increase in annual utilization of the Tabangao Refinery, there was a corresponding increase in energy consumption and related GHG emissions. It should also be noted that in 2017, the refinery conducted a turnaround maintenance activity (shutdown), which lasted around 50 days. This shutdown resulted in significantly lower energy consumption and emissions. While the refinery had a pitstop maintenance in the second quarter of 2018, this was shorter than the 2017 turnaround and therefore did not lead to substantial energy or emission reductions.

NO_x, SO_x, AND OTHER SIGNIFICANT EMISSIONS

EMISSIONS (TONS)	2016	2017	2018
NO _x	1,077.7	1,433.2	1328.86
SO _x	3,635.3	3,100.6	3214.04
VOCs	1,038.8	680.1	453.93

Source of the emission factors used: Shell PMR Guide and Specifications

We follow the maximum annual limits as prescribed by the Control Framework for Sulfur Oxides (SOx), Nitrogen Oxides (NOx), and Volatile Organic Compounds (VOCs). Part of our strategy to reduce sulfur as a by-product at the Tabangao Refinery is to capture some of the waste material for eventual sale to third parties engaged in the production of batteries, soap, and fertilizer, and other specialty products.

The increase in SOx is in line with the increased process utilization. Change in NOx and VOCs, meanwhile, is attributed to the performance and run-time of the gas turbines.

VOLUME OF FLARED & VENTED HYDROCARBON OG6

HYDROCARBON EMISSIONS (TONS)	TOTAL
CO ₂ Emissions from Flaring	9,415.06
CH ₄ Emissions from Flaring	36.19
CH ₄ Emissions from Venting	0.67

EFFLUENTS 303-4

We follow the standards set by the DENR under Republic Act 9275: Philippine Clean Water Act of 2004 and the DENR Administrative Order No. 2016-08 - Water Quality Guidelines and General Effluent Standards. In 2018, we discharged 13,140 mega-liters of water to Batangas Bay. There were no non-compliances related to exceeding discharge limits. 103-1

Effluent quality parameters are sampled and tested by a third-party DENR-accredited laboratory. Aside from the effluent standards set by the local regulators, the refinery is also monitoring its effluent water quality against the parameters required by the global HSSE Control Framework. 103-2

The site’s External Relations Team is continuously engaging with the neighboring communities to keep them updated and to maintain an open channel for any feedback and other concerns. The refinery is also conducting weekly and monthly effluent water sampling which is being reported to DENR on a quarterly basis to ensure that the quality of water discharge is within regulatory limits. Oil spill contingency plans are also in place to ensure response preparedness in case of an incident. 103-3

WASTE TYPE BY DISPOSAL* 306-2

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

Hazardous

YEAR	DISPOSAL METHOD (RECOVERY, LANDFILL, RECYCLING)	AMOUNT IN TONS	REMARKS
2018	Landfill	1,863.58	Other hazardous wastes that are disposed via an accredited landfill

Non-Hazardous

YEAR	DISPOSAL METHOD (RECOVERY, LANDFILL, RECYCLING)	AMOUNT IN TONS	REMARKS
2018	Landfill	2,090.58	Domestic Waste Collected by the Materials Recovery Facility

Reused or Recycled Residual Materials

YEAR	DISPOSAL METHOD (RECOVERY, LANDFILL, RECYCLING)	AMOUNT IN TONS	REMARKS
2018	Recovery and Recycling	3,185.46	Includes: Waste oil from tank maintenance, recovered and sold to a third party, to be used for cement plant and scrap materials

*Hazardous and non-hazardous waste reported is for the whole downstream business.

SOCIAL GOOD:

Giving Back

Sharing the benefits of the business with the communities where we operate is embedded in our sustainability framework and in our Company's aim to contribute to nation-building.

Giving back allows our business to be a positive presence and to leave an enduring legacy. Pilipinas Shell achieves this through social performance and social investment. Social performance seeks to enhance the positive impacts and avoid the negative impacts of the business by being a responsible neighbor. Social investment, on the other hand, maximizes benefits through strategic contributions to support the development of our partners and communities. [103-1](#) [103-2](#)

Each major facility has a Social Performance Plan that is reviewed annually. In alignment with global best practice, Pilipinas Shell also conducts a self-assessment exercise, the Joint Assessment Review (JAR), which is based on the Social Performance Manual requirements. The JAR enables the business leaders to collaborate with the asset managers and local social performance teams to highlight areas for improvement, implement management actions approved by the Country Chairman, and ensure that results are delivered within the year. [103-3](#)

Pilipinas Shell recently concluded a review of its approach to social investments for 2018-2020. The result of the refresh was to sharpen the strategy and drive social investments across the business. Attuned to the global direction, we laid out a set of priority themes to guide the selection of social investments for the business, without discounting that Pilipinas Shell assets may have activities and investments that are specific to their locations and host communities. [103-2](#)

"Dito talaga sa amin sa Quezon ho, kapag aasa ka lang sa niyog, ay talagang kakapusin ka sa paghahanapbuhay. Kaya gumagawa ako ng ibang paraan para kumita."

(Here in Quezon, if you just rely on coconut, you will fall short in terms of livelihood. That is why I look for other ways to earn.)

LEONIDO MARASIGAN,
Coconut farmer and Micro-financier



Giving back allows our business to be a positive presence and to leave an enduring legacy.



The three global themes for social investments are:

Access to Energy. Access to safe and clean sources of energy enables social and economic development in local communities, particularly those in areas that are off the grid. Pilipinas Shell utilizes its core business skills and resources to energize local communities in our areas of operation.

Community Skills and Enterprise Development (CSED). Pilipinas Shell ensures the social development of our fenceline communities. We undertake initiatives to build capacity for sustainable livelihoods with the goal of increasing household income and quality of life.

Science, Technology, Engineering and Mathematics (STEM) education. STEM is at the core of our business. Pilipinas Shell supports the youth to gain relevant knowledge and develop their capacities to enable them to address the challenges in the oil and gas industry.

Our initiatives combine the strategic approach to social investments, with programs that are relevant both to the communities in which we operate and to the Shell business. Pilipinas Shell Foundation, Inc. (PSFI) is the social development arm of the Shell companies in the Philippines (SciP) that supports the delivery of social investment programs aligned with the Country priority themes.

Driven by our Business Principles and our Core Values, we strive to create value in communities where we operate.

COMMUNITY-BUILDING AND OUTREACH ACTIVITIES IN 2018

202 102-12



EDUCATION FOR BETTER LIVELIHOOD

103 Shell-PhilDev Scholars
pursuing STEM-related fields

26 Bright Ideas entries
submitted from all over the country

22 graduates of Unlad sa Pasada
scholarship program for dependents of Shell *Pepeng Pasada* Club members

136 scholars
of *Gas Mo, Bukas Ko* (GMBK)

83 graduates
of GMBK-Fund for University Education and Leadership (FUEL) Development Scholarship Program



ENTERPRISE DEVELOPMENT

20 out-of-school youths trained
under *Sanayan sa Kakayahang Industriya* (SKIL) at NMIF host *Barangays* (Villages) Puntod and Macabalan

40 women, 2 cooperatives
trained in entrepreneurship under *Sanayan sa Kakayahan sa Pangangalakal* (SKP) at NMIF



HEALTH & SAFETY MISSIONS

169,407 beneficiaries
of Movement Against Malaria (MAM)

10 bags of blood
donated to children living with HIV/AIDS under the Blood Supply Program

64 schoolchildren
provided nutritious food under the Green School Program



ENVIRONMENT CONSERVATION
& CLIMATE RESILIENCE

120 volunteers
participated in a tree planting activity via the Shell ACTS program

5 teachers
trained in Integrated Farming Bio-Systems (IFBS) under the Green School Program



DISASTER RESPONSE & MITIGATION

13 officials
from Brgy. Puntod received disaster response and risk management training

1 rubber boat
donated by NMIF to Brgy. Puntod



LOCAL CONTENT DEVELOPMENT

6 graduates turned Shell employees
of the Shell-PhilDev Scholarship Program now working at NMIF and terminals in Davao, Cebu, Bohol, and Zamboanga

150 farmer-beneficiaries
of Project COCONUT learning organic farming, cooperative management, and leadership

3 hectares
planted with coffee and cacao crops by Shell volunteers in Tabangao, under the Shell ACTS program

Movement Against Malaria

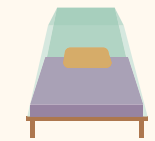
Through the Pilipinas Shell Foundation, Inc., Pilipinas Shell supports the Movement Against Malaria (MAM), a program that aims to prevent, control, and eradicate malaria in the Philippines.

From 1999-2010, MAM's efforts contributed to the disease being delisted from the 10 leading causes of morbidity in the Philippines, after almost half a century of being consistently on the list. At the time, 40 malaria-endemic provinces were declared free of the disease. In 2018, 58 provinces were officially-declared malaria-free, meaning there have been no indigenous cases of malaria in these areas for a period of five years.

**MOVEMENT AGAINST MALARIA
BY THE NUMBERS (2018)**



169,407
Beneficiaries



429,471
Long-lasting insecticide-treated bed nets distributed



153,090
Houses sprayed



774
Service providers trained



MOVEMENT AGAINST MALARIA
Under the MAM program, anti-malaria kits and treated mosquito nets were distributed by PSFI

**Being a Good Neighbor:
Social development along the fenceline**

Pilipinas Shell has two facilities with significant environmental and social footprints: the Tabangao Refinery and the North Mindanao Import Facility (NMIF). The refinery maintains engagements with five *barangays* (Tabangao, Ambulong, Libjo, San Isidro, and Malitam or TALIM), while NMIF has two *barangays* in its immediate vicinity (Brgy. Puntod and Brgy. Macabalan).

We conduct community profiling and sensing, and periodic perception surveys (upon entry, and every three to five years thereafter). We hold periodic meetings with key stakeholders and enter into partnerships with the local authorities and *barangay* associations. Both Tabangao and NMIF conduct quarterly townhall meetings ("*Ugnayan sa Barangay*") for members of the host communities to give feedback and express their concerns regarding the facility. We also host facility tours to educate stakeholders on our methods. Our employee-volunteers often also serve as our ambassadors.

103-3 413-1

GK Canitoan – Cagayan de Oro, Misamis Oriental
OG 12

Twenty households that were relocated in 2016 to the Gawad Kalinga-Canitoan Village have settled in and are benefiting from post-resettlement initiatives, such as training in vegetable gardening/backyard farming. Plans are underway for the establishment of a community store. The residents will also be receiving entrepreneurial skills training, with loan assistance earmarked for those who will manage the community store or start a small business of their own.



BETTER HOMES
Children settle into their new home, secure that their community will prove more resilient to natural disasters

Pilipinas Shell's Tabangao Refinery underwent a Social Performance Review on October 15-19, 2018 that validated the best practices of the refinery on SP Management, and the delivery of strategic social investments to fenceline communities. The audit also found that there are still opportunities for improvement, particularly in terms of creative solutions for the fisherfolk in Batangas. Currently, Pilipinas Shell is undergoing talks with the *Lakas ng Mangingisda sa Baybayin ng Tabangao* (LAMBAT) to discuss mutually beneficial programs that will help both the fishermen and the refinery.

103-3

Relocation and Rehabilitation **OG 11**

When establishing our presence in any area, Pilipinas Shell ensures that residential communities are located at a safe distance from the assets. During operations, the Company steps in to help locals find better homes away from the vulnerable areas that are prone to natural disasters. Upon exit, the Company also ensures that the vacated land is safe for either residential or commercial/industrial purposes.

The remediation of what was formerly the Pandacan Terminal is in its final stages. Following the site visit by the Environment Bureau of the DENR last June 19, 2018, PSpC will be submitting the final remediation report upon the completion of the project.

Kawayanville – Anibong, Tacloban, Leyte

Pilipinas Shell Foundation, Inc. (PSFI), in partnership with Habitat for Humanity, relocated 146 families from *Barangay* 70 from the periphery of the terminal in Rawis, Anibong, Tacloban City to safer, permanent homes in Kawayanville. In 2018, with the help of Mactan Rock Industries, the residents were provided reliable access to water (10 cubic meters for a minimum monthly fee of Php 250). More beneficiaries from Brgy. 70 are expected to transfer to Kawayanville as they are guaranteed disaster-resilient homes away from the danger zones that were devastated by recent typhoons.



EMERGENCY-READY
Members of a *barangay* Emergency Response Team participate in a Pilipinas Shell-sponsored training exercise



NMIF Current Outlook: Changing Perceptions

Since its commissioning in 2016, Shell's North Mindanao Import Facility (NMIF) in Cagayan de Oro City has been delivering fuel products in the Visayas and Mindanao Regions—operating responsibly by managing its social and environmental impacts on neighboring communities and building a good relationship with stakeholders.

In 2018, Pilipinas Shell worked with the University of the Philippines to update the Community Perception Study, a survey initiated by the Company in 2016, in partnership with Xavier University-Ateneo de Cagayan. The study captures the perception of locals on the presence of NMIF in their community. The insights from the initiative will be helpful in addressing the concerns of the community.

In the meantime, facility tours for key stakeholders and regular community and townhall meetings keep communication lines open. The fact that NMIF has met the safety ambitions of Pilipinas Shell has gone a long way to ease concerns from the community. In 2018, for example, there were no recorded injuries, process safety and product quality incidents, and spills at NMIF.

Pilipinas Shell's continued partnership with government regulators such as the Bureau of Fire Protection, Philippine Ports Authority, Philippine National Police, Philippine Coast Guard, and *barangay* officials in conducting joint emergency response drills and road safety training sessions has served as a platform for improving the perceptions about NMIF's operations. Through these activities, locals are made aware of the Company's readiness to assist during emergency situations as well as of Shell's Golden Rules on compliance with laws, standards and procedures; intervening on unsafe or non-compliant actions; and respecting our neighbors.

Various community programs and stakeholder engagement initiatives done by NMIF have also fostered goodwill and improved public perception. These include technical-vocational training for out-of-school youth and entrepreneurship training for women entrepreneurs and cooperatives; conservation activities at Mount Kalatungan Watershed in partnership with Xavier Science Foundation; a marine study on Macajalar Bay that measured the footprint of NMIF fuel tanker deliveries; and a solid waste management program to reduce plastics in partnership with Green Antz and billionBricks.

Based on face-to-face engagements among the Community Liaison Officers and PSFI project managers with the community members, the locals have warmed to the presence of Pilipinas Shell. This feedback has been further validated by various local and national awards: Champion for the Environment, Recognition for being a partner in Community Safety, Recognition for being a partner in Educational Facility Development, Top Importer Award, Gold Quill Award and Anvil Award for Managing Community Perception.

Although NMIF is not covered by the Social Performance Manual as it is a storage facility estimated to be under USD100 million and with social impacts that are minimal compared to other assets of Pilipinas Shell (e.g. Tabangao Refinery), the Facilities Leadership Team, which includes the Downstream SP Adviser, strongly supports SP initiatives by standing as advisory board to any actions related to managing the social impact of NMIF. The team also supports the continued implementation of social investment projects from 2018 to 2021. The vision for NMIF is to create productive and self-reliant neighboring communities that promote environmental stewardship and mirror the HSSE best practices of Shell.

Economic inclusion

Beyond employment that prioritizes qualified local hires, Pilipinas Shell reaches out to the local community to cultivate marketable skills, and to help build and support microenterprises. There are 60,000 enterprises in the country, of which only 8% are small and medium enterprises—92% are microenterprises in need of support. Moreover, by targeting the breadwinners as well as the overlooked members of the community, economic benefits are cascaded to their families.

Suporta sa Buhay (SUHAY)

A microfinance program aimed at assisting community micro-entrepreneurs in augmenting the capital needs for their businesses.

Maghanap-Buhay sa Bahay (MAGBUHAY)

A program that aims to give livelihood opportunities to housewives by developing their income-generating capacity, thus helping to sustain the financial needs of their family. This also helps elevate the status of women who previously had limited access to resources and were not involved in decision-making for the household.

Sanayan sa Kakayahang Pangangalakal (SKP)

An entrepreneurship skills development course providing residents in poverty-stricken areas the technical assistance to establish or expand small businesses.

Sanayan sa Kakayahang Pang-Industriya (SKIL)

A legacy program of Pilipinas Shell that provides technical-vocational scholarships to schools accredited by the Technical Education and Skills Development Authority (TESDA). Upon graduation, the scholars are linked to partner enterprises for apprenticeship and/or employment.

Gas Mo, Bukas Ko (GMBK)

Established in 2007, GMBK offers basic skills and alternative livelihood training. It was initially offered to retail station service champions or forecourt staff and their dependents, but later expanded to contractors of Pilipinas Shell, and workers in public transport. In 2014, PSFI also launched the GMBK-Fund for University Education and Leadership (FUEL) scholarship program, which provides university scholarships to beneficiaries, apart from training from PSFI.



EMPOWERING WOMEN

PSFI and *Silangan Ibabaw Batis Butihan Araneta Proper* (SIBBAP) enable womenpreneurs to make garments for schools and corporations



ACCELERATING SME GROWTH

Ongoing *Magbuhay* Training activity boosts livelihood and entrepreneurship for TALIM communities



LEADING ENGAGEMENT

Liaison officers regularly consult with the community, including its senior members, to determine their concerns and needs



TEAM MACABALAN
Members of the NKKMA cooperative celebrate their new capacity-building partnership with PSFI

PSFI partners with NKKMA and Green Antz Builders

At NMIF, PSFI provided a cooperative development workshop to a community cooperative called *Nagkahiusang Katawhang Kabus sa Macabalan Association** (NKKMA), which will serve as conduit for the microfinance program for over 40 female graduates of SKP. PSFI has tapped the Department of Trade and Industry and Xavier University-Ateneo de Cagayan to provide technical assistance such as refining business loan applications by NKKMA members so they may qualify for microfinance loans.

A collaboration with Shell Singapore was forged through their Shell Idea Refinery Program, which allotted funds to billionBricks—a social enterprise that provides sustainable structures. The scalable and replicable designs made available to vulnerable communities, globally, are referred to as “HYDE” structures. A solar powered PowerHyde structure will be piloted in Cagayan de Oro as a livelihood training center for women and the cooperative hub of NKKMA.

PSFI is also implementing its Triple B (*Bawas Basura sa Barangay*) or Reduce Waste in the Community program to address both waste management and the provision of livelihood for the community through the collection and selling of recyclables. For Cagayan de Oro (CDO), the social innovation for Triple B is the partnership with the local social enterprise Green Antz Builders, Inc., which has the technology to manufacture eco-bricks or hollow blocks out of plastic materials. Waste from the CDO community as well as waste from NMIF and Shell Retail sites (e.g., used lubricants bottles) are processed into building material that can be used for building community structures and for new Shell stations. [Read related story, “Building more energy-efficient retail stations,” on page 41.]

PSFI facilitates the partnerships that tie the initiatives together. Excess recyclable plastic from Triple B can also be utilized by Plastic Bank, a global partner of Shell Retail, that directly connects the community with manufacturers that buy recyclables. An eco-brick processing hub will be set up in the community in partnership with the local government and NKKMA.



* *Nagkahiusang Katawhang Kabus sa Macabalan Association* (NKKMA) roughly translated, means Association of Underprivileged of Macabalan.

Youth education

To tackle the emerging global challenges, such as the energy transition, Pilipinas Shell believes that young people must be given the opportunity to develop skills to equip them for the jobs of tomorrow and to enable them to adapt to a rapidly changing world. Our goal is to equip the next generation of innovators and problem-solvers with the skills to lead the emerging energy transition.

The Bright Ideas Challenge Program (TBIC)

This competition encourages high school students to imagine how cities of the future might be powered, using STEM knowledge to think of innovative energy solutions that tackle real-world problems and make a positive difference in the world. Philippine Science High School-Cagayan Valley Campus won the inaugural TBIC Philippines with their entry, “A Pico-Hydroelectric Generator for Future Homes.”

Shell PhilDev Scholarship Fund

Since 2012, Pilipinas Shell has supported the Philippine S&T Development Foundation–Manila, Inc. (PhilDev) scholarship program called the “SuperFund Scholarships for Science and Engineering.” Aside from financial support, Pilipinas Shell organizes an annual leadership camp and mentorship program to further enhance the scholars’ skills and capacities. Currently, there are 103 Shell-PhilDev scholars enrolled at university, and six alumni employed in Pilipinas Shell.

NXplorers

An innovative educational program that introduces young people to the complex and creative thinking needed to bring about positive change. Focused on the food-water-energy nexus, the program aims to build awareness, develop knowledge, and provide thinking tools and complex problem-solving skills to the leaders of the future.



Pilipinas Shell taps bright young scientific minds to solve community problems

Growing future leaders: From PhilDev scholar to Shell employee

At the global level, Shell’s approach has been to support STEM education with emphasis on under-represented groups, including ethnic minorities, women, and the socio-economically disadvantaged. In the Philippines, our focus on STEM supports the government in its drive toward a knowledge-based economy while also enhancing social mobility. With science and engineering careers on the rise, more effort is needed to ensure that graduates are adequately prepared and ready to take on the challenges of tomorrow.

STEM in the Philippines

Batch	School Year	No. of scholars
1	2013-2014	37
2	2014-2015	45
3	2015-2016	34
4	2016-2017	38
5	2017-2018	28

23 of the current number of scholar-graduates were awarded **Latin Honors: 1 summa cum laude, 2 magna cum laude and 20 cum laude**

2 Shell-PhilDev scholars were **board topnotchers in 2018** (2nd in the September 2018 Electrical Engineering Board Exams and 9th in the November 2018 Civil Engineering Board Exams)

31 graduates started working in STEM-related fields in 2018

Six Shell-PhilDev scholars employed by Shell

Reinwill Boyles

Terminal Operations Administrator,
NMIF CDO

Kerstein Kyle Despi

Terminal Operations Administrator, Davao

Alexis Magret Berion

Terminal Operations Administrator, Cebu

Louie Nathan Palola

Terminal Operations Administrator, Bohol

Mark Chester Rey

Terminal Operations Administrator, Cebu

Julius Cesar Magno

Terminal Operations Administrator, Pandacan

As of 2018, the program has produced 42 graduates who are now working in STEM-related fields. Of these, six PhilDev scholars are employed by Pilipinas Shell. Among them is Reinwill Boyles, now a Terminal Operations Administrator at the North Mindanao Import Facility (NMIF) in Cagayan de Oro. He was invited to apply for the PhilDev scholarship, given that he was pursuing his Chemical Engineering degree, and met the general weighted average required by the program. He was accepted after impressing the Shell PhilDev team during the interview process.

Boyles was hired by Pilipinas Shell in November 2017, prior to passing the Board Examination for Chemical Engineers. “Being a scholar, and at the same time an employee of Shell - I know that people have pinned high hopes on me, and the challenge now is to live up to their expectations. I am motivated to do my best to prove that I am worthy of this opportunity, and I am very happy with the trust and confidence given to me by management,” shares Boyles.

He counts himself among the fortunate ones, for having the opportunity to work at NMIF. He keeps in touch with his batchmates and fellow PhilDev scholars who are now also part of the Company. Their experience as scholars has instilled in them a kind of discipline and drive to deliver value.

“I learned to become resilient and flexible. Working with Pilipinas Shell comes with many challenges. There have been moments when I am given a task that I am not familiar with, which means I need to start from scratch. But resilience and flexibility have enabled me to accomplish the given tasks. Whatever challenges or tasks are given, I will deliver and do the best I can,” says Boyles.

EMPLOYEE VOLUNTEERISM

Shell encourages staff volunteerism as part of sharing the benefits of the business with communities in areas where we operate. Last August 2018, a new program entitled “Shell ACTS: A Community That Serves,” institutionalized volunteerism by involving Shell employees in the Philippines in the activities spearheaded by PSFI. Paying it forward is made easier with the full support of SciP manpower.



Pilipinas Shell leads SCiP volunteers in lamp-making activity for Liter of Light donations



Shell ACTS: A Community That Serves

“The future belongs to the few of us still willing to get our hands dirty,” says Christian Jeff Garma, a Shell volunteer who has participated in tree-planting and *Brigada Eskwela* 2018 activities in Batangas. There is palpable satisfaction in his tone when he declares, “Shell prides itself on its culture of volunteerism and capacity to create a meaningful impact on our community.”

Volunteers, many of them young professionals, benefit from diversifying their social networks through such socio-civic activities. It allows them to cement a bond with fellow employees, even as they strive to understand the world just outside of their work, which is crucial to personal as well as professional development. This is particularly true in Pilipinas Shell, where employees look to join in acts of service.

“There was a clamor from the young people for volunteerism activities. People are really passionate about helping others, and so we formed Shell ACTS to keep all these volunteerism activities focused and centralized,” says Karla Lukban-Zarate, External Relations Adviser at Pilipinas Shell. “Everyone is welcome to join. We opened Shell ACTS to all staff and agency partners of Pilipinas Shell.”

Prior to Shell ACTS, volunteer call-outs for corporate social responsibility (CSR) and Foundation activities were made through internal bulletins and emails. With the launch of Shell ACTS at the different work sites, employees are able to sign up for “service buckets” matched to their interests and helmed by a program manager and administrator from PSFI. They also regularly interact via Yammer for updates on the ongoing activities.

The volunteerism activities are streamlined according to the global themes of Social Investments of Pilipinas Shell—access to energy, community skills and enterprise development (CSED), and STEM education—as well as special activities under disaster relief and environmental management. All activities are under the purview of the External Relations and Human Resources of Pilipinas Shell.

“Everything is done through the Foundation, because we don’t want to pull away from the focused activities of PSFI,” says Zarate, noting that there is a pre-activity discussion on safety and on the purpose of the activity to orient the volunteers. “The budget is set for the calendar of activities. It’s really their presence and their service that we need.”

2018 Shell ACTS activity

Liter of Light workshop to create solar lamps (Jan 27)

Liter of Light turnover of solar lamps and donations at Angat Dam

Mentorship of NXplorers participants in preparation for The Bright Ideas Challenge

Shell Eco-marathon (Jan 27)

Brigada Eskwela at TALIM *barangays* (May 28-June 1)

PhilDev Camp (July 23-27)

Tabangao Medical & Dental (Sept. 1)

International Coastal Clean-Up (Sept. 22)

Tree-planting activity (Nov. 24)

Volunteers

7 from Pilipinas Shell
5 from SBO

7 from Pilipinas Shell
1 from SPEX
21 from partner-agencies

3 from Pilipinas Shell
9 from SPEX

22 from Pilipinas Shell
2 from SPEX
1 from PSFI

38 from Pilipinas Shell
4 from SPEX
50 from SBO

18 from Pilipinas Shell
3 from SPEX
6 from SBO

3 from Pilipinas Shell Tabangao
2 from SPEX
29 from SBO
1 from PSFI

2 from Pilipinas Shell
2 from SPEX
28 from SBO
1 from PSFI

1 from Pilipinas Shell
5 from SPEX
74 from SBO
2 from PSFI
38 from partner-agencies

PARTNERSHIPS FOR DEVELOPMENT



Project COCONUT: Sustaining the biofuel chain

To have a quality product, one must have quality inputs.

In 2018, Pilipinas Shell, together with the Pilipinas Shell Foundation, Inc. (PSFI), JNJ Oil Industries, Inc., and Shell International, formed the Collaboration for Coconut Productivity and Nurturing Farmers' Trade (Project COCONUT) to protect and sustain the local supply chain for biofuels. The new program will provide coconut farmers with the technical training and support to produce a quality harvest and earn a stable income.

Coconut farmers in the Philippines, estimated by the Department of Agriculture to number 3.5 million, recently saw their income cut by more than half as a result of plunging prices for copra. Most of these farmers are paid a daily minimum wage for specific tasks or split the gains from the harvest with the landowner in exchange for managing the entire coconut farm.

To ensure that everyone gets a fair share, the harvest must be plentiful—unfortunately, many coconut farms have aging coconut trees with very low yield and often the coconut farmers lack the technical know-how to turn their farms around. Project COCONUT intends to create a more enabling environment so that the farmers can maximize the potential of their farms.



From the ground, up

Each coconut farm usually employs a *mangkakawit* (harvester), a *manghahakot* (gatherer and transporter), and a *mambubunot* (dehusker operator). Smallholder farmers manage between two hectares up to 10 hectares of land that is usually leased to them. Around 50% of these farmers rely exclusively on profits from coconut farming. As a result, the inhibitive pricing on copra has hit them hard, including their laborers.

"Kung dati nakakakuha kami ng Php 800, Php 900, o Php 1,100 bawat

kilo, ngayon Php 450 na lang [In the past, we would get Php 800 to Php 1,100 per kilo, now we only get Php 450]," says Leonido Marasigan, a 48-year-old father of three who manages a plantation in Quezon Province. To save on labor expenses, Marasigan uses his own horse to gather the coconuts.

In a single harvest, a farmer with a three-hectare farm could yield anywhere from 1,000 to 5,000 coconuts. At current copra prices, 1,000 coconuts can net a *mangkakawit* Php 400 to Php 450; and a *mambubunot* around Php 300 to break open those same 1,000 coconuts.

Marasigan says the wages can go no lower, or else they lose manpower altogether. Laborers are abandoning the farms for their off-season jobs, simply because manning construction crews or driving passenger vehicles pays better.

The CME solution

Copra or dried coconut meat serves as raw material for biofuels. By law, biodiesel sold domestically must contain 2% coco-methyl ester (CME), which is a derivative of the coconut oil extracted from copra.

Pilipinas Shell has been supportive of the standards set by the Philippine government, and recognizes the need to help the struggling coconut farmers. Thus, Pilipinas Shell partnered with CME supplier JNJ Oil to establish Project COCONUT.

PSFI has designed Project COCONUT so that the farmers could (1) hone their psychosocial skills via the Leadership Enhancement and Attitude Development (LEAD) workshop; (2) learn effective methods through Integrated Farming Bio-Systems (IFBS) training sessions; and (3) develop their entrepreneurial and management skills through the *Sanayan sa Kakayahang Pangangalakal* (SKP).

Moreover, PSFI teaches the farmers how to organize themselves into a cooperative, so that they would be able to scale up and command a bigger share of the market.

Project COCONUT received a budget of USD150,000 (Php 8 million) to implement these activities within a three-year lifespan. This covers training fees, and material inputs (vegetable seeds, inoculants, livestock, etc.) to support a total of 150 farmers.

As of December 2018, PSFI had already completed the workshops for two farming groups from the municipalities of Unisan and Agdangan in Quezon province. The farmers learned the method of inter-cropping vegetables among the coconut

trees. Some have embraced animal husbandry and are now growing organic chickens and hogs. They were also taught how to create organic fertilizer and condition the soil for better plant nutrition.

"Mainam na lumawak ang iyong kaalaman [It's good to expand your knowledge]," says Van Clifford Villapando, a *kagawad* (councilor) with a modest coconut farm. He now intersperses mango trees and banana shrubs with the coconut trees in his property. He also dedicates small plots for planting vegetables. Using his newfound knowledge of organic crop rotation, he no longer relies on just the coconut harvest.

For his part, Marasigan gleefully displays healthy strands of beans strung along the roadside fence fronting his home, and a pumpkin patch in his backyard. *"Nakakatulong ang magtanim ka ng sarili mong gulay dahil makakapagbenta ka na sa iyong mga kapitbahay, may sarili ka pang pagkain* [It helps to grow your own vegetables. You can sell some to your neighbors, but you also have some left over for yourself]," says the practical Marasigan.

More than just CSR

At the JNJ Oleochemical Plant in Lucena City, Quezon, the scent of coconut is heavy in the air, and the warehouse is filled to the rafters with copra. In a week, as much as 600 tons of CNO are processed. The oil is refined, blended, and deodorized to the specific requirements of Pilipinas Shell. Though not required under law, the CME produced by JNJ is certified "food-grade" by SGS Philippines before it is blended into the biodiesel that is sold at Pilipinas Shell retail stations.

"If you have CME in biodiesel for the long-term, and you do not do anything to help the source of the product be sustainable, then you are going to face the supply-and-demand pressures down the line anyway," points out PSFI program development manager Jay Javier. With Project COCONUT underway, there is assurance

that the farmers will keep supplying top-quality inputs. Moreover, the two farmers' groups have already organized themselves into cooperatives, which bodes well for future collaboration. There is also talk of expanding the program to neighboring Padre Burgos, with six farmers already invited to join the workshops.

Marasigan, a former *barangay* captain and now budding microfinancier, has proposed that he be allowed to set up a loan facility for the members of his new cooperative. Already flexing his entrepreneurial chops, he has been loaning money to *kagawads* in four *barangays* (villages)—and was able to grow his initial capital of Php 70,000 to Php 300,000. He has high hopes that the cooperative will be able to grow the members' pooled resources to their mutual benefit.

"Dito talaga sa amin sa Quezon ho, kapag aasa ka lang sa niyog, ay talagang kakapusan ka sa paghahanapbuhay. Kaya gumagawa ako ng ibang paraan para kumita [Here in Quezon, if you just rely on coconut, you will fall short in terms of livelihood. That is why I look for other ways to earn]," says Marasigan.

Changemakers in a World Overflowing with Plastic

Running a responsible business also means working with our partners and customers to promote social good.

“Given our extensive retail network in the Philippines, we want to find a way to reduce waste at the operational level. However, we also want to do it in such a way that we can also create a positive impact on society,” says Shell V-Power Brand Manager Mark Malabanan.

Our recently formed partnerships with Plastic Bank Philippines and Liter of Light to augment our efforts at reducing waste and promoting sustainability at the operational level, while uplifting the lives of marginalized sectors in the country. These two organizations are aligned with Pilipinas Shell’s advocacies on social responsibility and environmental stewardship.

Plastic Bank Philippines

The Philippines is currently the third largest contributor of ocean plastic waste in the world, behind only China and Indonesia. In 2016, Plastic Bank, a global organization bent on stopping ocean plastic pollution, set up shop in the Philippines to incentivize local informal waste collectors for the plastic waste they collect.

Pilipinas Shell has been supporting the advocacy of Plastic Bank Philippines through the sales of both Shell Saltwater Supercars and the Shell Select Eco Tumblers.

For every purchase of a Shell Saltwater Supercar, a Php 2 donation goes to Plastic Bank Philippines to support their community-building efforts in Baseco



Compound, an urban poor community which primarily subsists on informal waste collection. Through community building, Plastic Bank Philippines helps strengthen the relationships among the informal waste collectors, existing “junk shops,” and the local government to increase the waste collection and improve the living conditions of the local waste collectors. Ultimately, Plastic Bank Philippines hopes to transition these informal waste collectors from subsistence to cooperative enterprise.

In 2018, 514 retail stations nationwide offered the Saltwater Supercars, sales from which have generated over Php 1 million in donations. The initiative was also extended to benefit not just Baseco, Manila but other urban poor communities in Naga, Camarines Sur, and Cagayan de Oro, Misamis Oriental.

Pilipinas Shell has a long tradition of selling toy cars; however, this is the first time that the cars became an instrument for an advocacy. These supercars are teaching aids on energy innovation: they are powered when saltwater comes into contact with a metal plate stored

with energy. The racetracks are made of sugarcane, rather than plastic.

Each Shell Select Eco Tumbler, on the other hand, is crafted from recycled plastics, thereby helping keep as much as two kilograms of plastic waste from ending up in the oceans. With the eco-tumblers, customers avoid buying single-use plastic bottles, thus coming closer to adopting a greener and more sustainable lifestyle.

Liter of Light

As part of protecting the environment through repurposing discarded plastic bottles for use in alternative sources of sustainable energy to off-the-grid communities, Pilipinas Shell forged a partnership with Liter of Light, a global movement that provides affordable and sustainable solar power to light up the homes of indigent communities.

The first phase of the partnership entailed transforming Shell retail stations in Metro Manila into recycling stations for PET bottles. Then, Liter of Light trained volunteers from Pilipinas Shell on how to transform the collected PET bottles into solar-powered light bulbs.

“We saw the perfect partner in My Shelter Foundation, the umbrella organization of Liter of Light. The more bottles Filipinos can donate, the more light bulbs we can create for families who need them the most. Our customers get to support the cause by helping lessen waste while building more light bulbs,” adds Malabanan.

Overall, 10,000 bottles were collected by our various retail stations. In February 2018, Pilipinas Shell and Liter of Light turned over a portion of these solar-



powered light bulbs to around 100 families living within the Angat Dam in Norzagaray, Bulacan.

The second phase of the partnership commenced in January 2018, wherein, for every liter of fuel sold at participating Shell gas stations during an appointed day of donation, Php 1.00 will be donated to the Liter of Light Foundation.

In June 2018, Pilipinas Shell turned over a Php 3 million donation to the Liter of Light Foundation. “We plan to use this generous donation to provide more solar lights for some rural areas in Bulacan and Laguna,” says Illac Diaz, Founder and Executive Director of the Liter of Light Foundation.

Through these partnerships that amplify not just our efforts toward waste reduction, but also our advocacy to uplift the lives of disadvantaged sectors in society, Pilipinas Shell helps fuel our nation’s drive toward inclusive growth and development.



By the simple Shell Act of assembling and donating a Liter of Light, we were able to make a difference in this man’s life.

Driven by our values and the principles of sustainability, we hope to make the future much brighter for all Filipinos.



Pilipinas Shell retail station at the North Luzon Expressway

Sustainability is a solution that needs full support

Our strategic ambitions remain the same: to be a world-class investment case, a good neighbor who shares value with society, and a trusted partner in nation-building. Our sustainability practice allows us to do all this and maintain our strong societal license to operate.

It is heartening to see more companies voluntarily take on the challenge by the Securities and Exchange Commission to incorporate the principles of sustainability in their operations. Admittedly, however, there is still much work to be done.

We at Pilipinas Shell started our journey in 2016. Since then, we have tried to do justice to our commitment to improve on our performance yearly. We have been transparent about our gains and our challenges. Our effort to transform our retail stations into energy-efficient hubs is but one of our long-term investments to keep our environmental footprint small.

Despite remaining challenges, we have reached a point in our journey where we feel that we must move into the future. Our Management continues to lead in the energy transition debate; there can be no hesitation there, only determination. Sustainability needs more advocates, and we hope you could join us in this race to a better world.

GRI CONTENT INDEX 102-54 102-55

This report has been prepared in accordance with the GRI Standards: Core option and the Oil and Gas Sector Disclosures.

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

Please refer to the About the Report section on pages 6 to 7 for information on how we have prepared this Report.



GRI 101 FOUNDATION 2016					
GRI 102: GENERAL DISCLOSURES 2016					
GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE NUMBER	DIRECT ANSWERS	OMISSIONS
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	102-2	Activities, brands, products and services	14		
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	102-4	Location of operations	14		
	102-5	Ownership and legal form	15		
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	102-7	Scale of the organization	14		
	102-8	Information on employees and other workers	50-54		
	102-9	Supply chain	24, 61		
	102-10	Significant changes to the organization and its supply chain	38		
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	102-12	External initiatives	70		
	102-13	Membership of associations	26		
STRATEGY	102-14	Statement from senior decision-maker	16-19		
	102-15	Key impacts, risks, and opportunities	16-19		
ETHICS AND INTEGRITY	102-16	Values, principles, standards, and norms of behavior	15		
	102-17	Mechanisms for advice and concerns about ethics	26		
GOVERNANCE	102-18	Governance structure	31-32		
STAKEHOLDER ENGAGEMENT	102-40	List of stakeholder groups	7		
	102-41	Collective bargaining agreements	55		
	102-42	Identifying and selecting stakeholders	7		
	102-43	Approach to stakeholder engagement	7		
	102-44	Key topics and concerns raised	4, 7-9		
REPORTING PRACTICE	102-45	Entities included in the consolidated financial statements		Pilipinas Shell Petroleum Corp. ("PSPC," "Pilipinas Shell")	
	102-46	Defining report content and topic Boundaries	6		
	102-47	List of material topics	8-9		
	102-48	Restatements of information		None	
	102-49	Changes in reporting		None	
	102-50	Reporting period	6		

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE NUMBER	DIRECT ANSWERS	OMISSIONS
REPORTING PRACTICE	102-51	Date of most recent report		Our most recent report on year 2017, released on May 2018	
	102-52	Reporting cycle	6		
	102-53	Contact point for questions regarding the report	6		
	102-54	Claims of reporting in accordance with the GRI Standards	6, 84		
	102-55	GRI content index	84-86		
GRI 200 ECONOMIC STANDARD SERIES 2016					
The GRI 103: Management Approach 2016 standard and relevant disclosures 103-1, 103-2, and 103-3, cover the following topics under GRI 200 Economic Standard Series 2016: Economic Performance, Market Presence, Indirect Economic Impacts.					
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary	48, 52, 54-56, 60-61, 63, 65-66, 68		
	103-2	The management approach and its components	48, 52, 54-56, 61, 63, 65-66, 68		
	103-3	Evaluation of the management approach	52, 55, 61, 63, 65-66, 68, 72-73		
GRI 201: ECONOMIC PERFORMANCE 2016	201-1	Direct economic value generated and distributed	36		
GRI 202: MARKET PRESENCE 2016	202-1	Ratios of standard entry-level wage by gender compared to local minimum wage		The Company discussed compensation and benefits package as part of the overall Employee Value Proposition and aligned with Shell's Performance and Reward philosophy.	The Company did not disclose specific information on wage ratios as this is confidential and proprietary.
	202-2	Proportion of senior management hired from the local community			
GRI 203: INDIRECT ECONOMIC IMPACTS 2016	203-1	Infrastructure investments and services supported	70-73		
	203-2	Significant indirect economic impacts	70-73		
GRI 300 SERIES ENVIRONMENTAL STANDARDS SERIES 2016					
The GRI 103: Management Approach 2016 standard and relevant disclosures 103-1, 103-2, and 103-3, cover the following topics under GRI 300 Environmental Standard Series 2016: Energy, Water, Emissions, Effluents and Waste, and Supplier Environmental Assessment, as well as aspects under GRI G4: Oil and Gas Sector Disclosures: Effluents and Waste and Asset Integrity and Process Safety.					
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary	63, 65, 66		
	103-2	The management approach and its components	63, 65, 66		
	103-3	Evaluation of the management approach	63, 65, 66, 72-73		
GRI 302: ENERGY 2016	302-1	Energy consumption within the organization	65		
	302-4	Reduction of energy consumption	65		
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GRI 305: EMISSIONS 2016	305-1	Direct (Scope 1) GHG emissions	65		
	305-2	Energy indirect (Scope 2) GHG emissions	65		
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	66		
SECTOR SPECIFIC ASPECT: EFFLUENTS AND WASTE	OG6	Volume of flared and vented hydrocarbon"	66		
GRI 306: EFFLUENTS AND WASTE 2016	306-2	Waste by type and disposal method	67		
	306-3	Significant spills	63		
SECTOR SPECIFIC ASPECT: ASSET INTEGRITY AND PROCESS SAFETY	OG13	Number of process safety events, by business activity	63		
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016	308-1	New suppliers that were screened using environmental criteria		Supplier environmental assessments are part of our general supplier assessment approach. All our suppliers must comply with the Shell Supplier principles, but assessment against specific criteria is based on perceived risk.	

VALUES THAT DRIVE US

ANNUAL AND SUSTAINABILITY REPORT 2018

GRI STANDARD	DISCLOSURE NUMBER	DISCLOSURE TITLE	PAGE NUMBER	DIRECT ANSWERS	OMISSIONS
GRI 400 SOCIAL STANDARDS SERIES 2016					
The GRI 103: Management Approach 2016 standard and relevant disclosures 103-1, 103-2, and 103-3, cover the following topics under GRI 400 Social Standards Series 2016: Employment, Labor-Management Relations, Occupational Health and Safety, Training and Education, Diversity and Equal Opportunity, Non-discrimination, Local Communities, Customer Health and Safety, and Socioeconomic Compliance, as well as aspects under GRI G4: Oil and Gas Sector Disclosures: Local Communities and Involuntary Resettlement.					
GRI 103: MANAGEMENT APPROACH 2016	103-1	Explanation of the material topic and its Boundary	48, 52, 54, 55, 56, 60, 61, 68		
	103-2	The management approach and its components	48, 52, 54, 55, 56, 60, 61, 68		
	103-3	Evaluation of the management approach	48, 52, 54, 55, 56, 60, 61, 68		
GRI 401: EMPLOYMENT 2016	401-1	New employee hires and employee turnover	51-52		
GRI 402: LABOR-MANAGEMENT RELATIONS 2016	402-1	Minimum notice periods regarding operational changes		There is no “standard” minimum number of weeks as engagement plans would depend on change and the impact of the change on employees, but definitely an engagement prior to any change has to be made. None stipulated in the CBA, but the monthly LMC (Labor Management Council) meetings are a venue to inform/engage/consult the union officers of upcoming changes in policy/processes/etc. The CBA negotiations follow their respective negotiation timelines, which is typically 6-10 months prior to the expiration of the current agreement.	
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	61		
GRI 404: TRAINING AND EDUCATION 2016	404-1	Average hours of training per year per employee			Lost days are currently not being reported in Downstream, globally. We do, however, track Total Recordable Cases.
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016	405-1	Diversity of governance bodies and employees	53-54		
GRI 406: NON-DISCRIMINATION 2016	406-1	Incidents of discrimination and corrective actions taken		None	
GRI 413: LOCAL COMMUNITIES 2016	413-1	Operations with local community engagement, impact assessments, and development programs	72		
	413-2	Operations with significant actual and potential negative impacts on local communities	72-73		
SECTOR SPECIFIC ASPECT: LOCAL COMMUNITIES	OG10	Number and description of significant disputes with local communities and indigenous peoples	73		
	OG11	Number of sites that have been decommissioned and sites that are in the process of being decommissioned	73		
SECTOR SPECIFIC ASPECT: INVOLUNTARY RESETTLEMENT	OG12	Operations where involuntary resettlement took place, the number of households resettled in each, and how their livelihoods were affected in the process	73		
GRI 416: CUSTOMER HEALTH AND SAFETY 2016	416-1	Approach to stakeholder engagement			
GRI 419: SOCIOECONOMIC COMPLIANCE 2016	419-1	Non-compliance with laws and regulations in the social and economic area		None	



This report is printed in Toccata, a Forestry Stewardship Council (FSC) Certified paper with ISO14001 Environmental Certificate. It is acid-free, Elemental Chlorine Free (ECF) and low carbon made.

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on our sustainability story.

