COVER SHEET

1 4 8 2 9

S.E.C. Registration Number

PILIPINAS SHELL PETROLEUM CORPORATION

(Company's Full Name)

41ST FLR. FINANCE CENTER, 26TH ST. COR. 9TH AVE., BONIFACIO GLOBAL CITY, BRGY. FORT BONIFACIO, TAGUIG CITY, METRO MANILA 1635

(Business Address,No. Street Ctity/Town/Province)

Reynaldo P. Abilo

Contact Person

+632 3 4994001

Company Telephone Number

1 2 | 3 1

Month Day

Fiscal Year

17 - A

FORM TYPE

0 5 | 1 1

Month *Day*

2nd Tuesday of May

Annual General Meeting as per By-Laws

CERTIFICATE OF PERMIT TO OFFER SECURITIES FOR SALE DATED 14 OCTOBER 2016

Secondary License Type, If Applicable

C G F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

320

Total No. of Stockholders

22,000,000,000

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF PSPC CODE OF THE PHILIPPINES

1. For the fiscal year ended — 31 December 2020

2. Commission identification number — 14829

3. BIR Tax Identification Number — 000-164-757

4. Exact name of issuer as specified in its chapter

   PILIPINAS SHELL PETROLEUM CORPORATION

5. Province, country, or other jurisdiction of incorporation or organization — Philippines

6. Industry Classification Code: ______ (SEC Use Only)

7. Address of issuer's principal office — *Postal code*

   41st Flr, The Finance Center, 26th St. Cor. 9th Ave, Bonifacio Global City, Brgy. Fort Bonifacio, Taguig City, Metro Manila — 1635

8. Issuer's telephone number, including area code — (632) 3 4994001

9. Former name, former address, and formal fiscal year, if changed since last report — N/A

10. Securities registered pursuant to Sections 8 and 12 of the Code, or sections 4 and 8 of RSA

Title of Class	*Number of shares common stock outstanding and amount of debt outstanding*
Common Stock	1,613,444,202

11. Are any or all of the securities listed on a Stock Exchange? Yes [X] No [ ]

12. Indicate by check mark whether the registrant
    (a) has filed all reports required to be filed with Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of PSPC Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes [x] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days
    Yes [x] No [ ]

PART I – BUSINESS

(A) Description of Business

(1) **Business Development**

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

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

In February 1987, Filipino ownership in PSPC stood at 33.33% while foreign ownership at 66.67%.

On the 18th of August 2015, PSPC received approval from the Securities and Exchange Commission ("SEC") for its application for increase in authorized capital stock from Php 1 billion divided into 1 billion shares with par value of Php 1.00 each to Php 2.5 billion divided into 2.5 billion shares with par value of Php 1.0 each. Out of the 1.5 billion increase in PSPC's authorized capital stock, a total of 0.9 billion shares were offered to existing shareholders as of 12 May 2015 at Php 20 per share. 99.41% of the said 0.9 billion shares were subscribed to and paid for by stockholders who exercised their pre-emptive rights.

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

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

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

PSPC celebrates its 106 years in the Philippines in 2020. Throughout history, the Company has been committed in partnering with the country in nation-building and powering progress of Filipinos.

As at 31 December 2020, PSPC is not subject of any bankruptcy, receivership or similar proceedings. It is also not involved in any material reclassification, merger, consolidation or purchase or sale of a significant amount of assets not in the ordinary course of business.

PSPC Operational Highlights

2020 has been a uniquely challenging year for communities and businesses. The Philippine energy sector experienced headwinds from the collapse in global oil prices, drastic decline in demand due to the travel restrictions locally and globally brought about by the coronavirus pandemic (COVID-19), Taal volcano eruption, and strong typhoons.

Nevertheless, the Company quickly adapted to the 'new normal', as it implemented aggressive bounce back plans, and made tough yet necessary decisions to remain resilient and competitive. The company implemented various promotions and partnerships in its retail stations which remained open to serve customers nationwide throughout the year. Some examples of these were partnerships with delivery companies for Shell Select home deliveries, Shell Helix Oil Change+ (SHOC+) car sanitation services and car care home services and implementation of increased contactless payment options. The Shell GO+ app was also launched at the latter part of the year. It is the new loyalty rewards program that allows customers to earn points per purchase of both fuel and non-fuel products, track their points real-time, and redeem personalized offers and partner rewards.

PSPC's retail network remains the most efficient in the industry, with around 1,100 Shell-branded retail stations nationwide. Recognizing the evolving need of customers, PSPC continues to expand its non-fuel retailing business. Affordable food choices and other products are available in its 150 Select shops, 71 deli2go stores and quick service restaurants present in the retail sites. Other services such as oil change and car maintenance are also offered through 395 SHOC+ and Helix Service Centers (HSC).

Wholesale Commercial Fuels continued to supply quality products to resilient sectors in manufacturing, mining and power. Lubricants expanded its offerings with new benefit-led products to cater for its increasing customer base, and successfully increased its premium fuel penetration. Aviation and Specialities were the segments most largely affected by the COVID-19 pandemic. International and domestic flights were cancelled for most part of the year while most construction projects were delayed. The Aviation business was able to recover slightly as it captured demand from repatriation and cargo flights.

The Corporation made the difficult but necessary decision to cease refinery operations in Tabangao in August 2020, after an in-depth comprehensive study. The company is now taking steps to transform the facility into a world-class full import terminal. This decision will optimize its asset portfolio, and enhance its cost and supply chain competitiveness. In addition, this will strengthen the Corporation's financial resilience amidst the challenges faced by the global refining industry, and reduce the variability arising from crude inventory gains/losses.

To further enhance its supply chain, Pilipinas Shell's opened its third Medium Range (MR)-capable terminal in Subic last October 2020. This 54 million litres facility will serve the demand of Northern Luzon. The Tabangao Import Facility in Batangas will continue to serve the rest of Luzon and Northern Visayas while the Northern Mindanao Import Facility in Cagayan De Oro covers the rest of the Visayas and Mindanao. The company now has a more resilient network of three MR-capable import terminals with sufficient capacity to serve the demands of customers nationwide.

More information on 2020 financial performance of the Company and the impact of the COVID-19 pandemic to the business can be found in the Notes to Financial Statements and Management's Discussion and Analysis portion of this report.

This Annual Report is submitted together with the Company's Annual and Sustainability Report (ASR) for 2020. In its fifth ASR, the Company details its corporate social responsibility – how it contributes to the United Nations Social Development Goals, and its social investment priorities. The same report discloses information on its Diversity and Inclusion (D&I) initiatives, Health, Safety, Security and Environment (HSSE) performance, corporate governance standards.

(2) **Business of PSPC**

(i) Principal products or services and their markets

PSPC solely operates under the downstream oil and gas segment. It is primarily engaged in the marketing of petroleum products, including gasoline, diesel, fuel oil, aviation fuel, marine fuel, lubricants and bitumen to its customers across the Philippines.

PSPC is one of the leading fuel retail players in the country, boasting a strong network of around 1,100 Shell-branded retail stations nationwide. Through its retail arm, the Company markets Shell V-Power Racing, Shell V-Power Gasoline, and Shell V-Power Diesel as its premium offering, and its maingrade products, FuelSave Gasoline and FuelSave Diesel. Recognizing that its customers' needs go beyond fuel, the Company has non-fuel offerings through Shell Select convenience stores and Deli2go. It also offers full vehicle servicing such as oil change and other car maintenance through SHOC+ and HSC.

PSPC's commercial product portfolio includes wholesale commercial fuels, jet fuels, lubricants and bitumen. Wholesale commercial fuel premium products include, among others, Shell FuelSave Diesel and Shell Fuel Oil Plus. The wholesale commercial fuels product portfolio includes diesel, gasoline, kerosene, fuel oil and blended fuels. PSPC is a key supplier of wholesale commercial fuels to the manufacturing, mining, marine, power, transport and other sectors and counts a number of major conglomerates operating in the Philippines as its loyal customers.

Geographical segmentation does not apply to PSPC's business.

(ii) Percentage of sales or revenue contributed by foreign sales

Below is the summary of the percentage of domestic and foreign net sales:

Net Sales	*Domestic*	*Exports**	*Total*
2020, in million pesos	146,209	*10,743*	156,952
2020, in percentage	93%	7%	100%
2019, in million pesos	209,755	8,648	218,403
2019, in percentage	96%	4%	100%
2018, in million pesos	208,427	10,442	218,869
2018, in percentage	95%	5%	100%

**Includes exports of lubricants, aviation fuels, marine fuels and lubes*

(iii) Distribution methods of the products

PSPC's integrated supply chain is composed of 24 fuel distribution terminals and supply points, 10 lubricants warehouses and three MR-capable import facilities spread throughout the Philippine archipelago. This includes the recently opened Subic import terminal last October 2020, the Tabangao Import Facility in Batangas, and the Northern Mindanao Import Facility (NMIF) in Cagayan De Oro.

Main fuel products imported through the Shell trading network are transported from the Subic and/or Tabangao import terminals through vessels/barges and lorry trucks to supply Luzon demand. Vessels/barges also transport imported products from NMIF to other parts of the country. PSPC contracts a fleet of time-chartered and guaranteed seaworthy ocean vessels and barges that meet international safety standards. Delivery trucks contracted from private professional haulers are used for inland distribution of products.

The logistics network is further optimized to replenish stocks in other strategically located depots in the country. Local distribution to customers is managed by third party logistics service providers

(iv) New products

Bitumen

A new product called "Quick Mix Instapave" was introduced in 2020. This product is a ready-to-use cold mix asphalt made from selected aggregates and emulsified bitumen in 20 kg. bag. This is used for road surface maintenance for pothole repair, patching and crack repair or other applications such as speed bump, rumble strip, garden, light traffic, paving in well-prepared base and on all types of pavements.

The Company also launched Shell Bitumen Freshair, the country's first sustainable bitumen product which provides 40% less emissions of chemicals and compounds upon application vs conventional bitumen.

Lubes

In 2020, new premium "Benefit/Application" products were launched to drive and capture the premium growth market in the coming years. The products are: Shell Advance Benefit Led Range, a fully synthetic motorcycle oil products with variants specific to consumer need of power, long ride or fuel save; Shell Helix Benefit Led Range, a fully synthetic passenger car motor oil products with variants specific to consumer need of power or protection; and Shell Rimula Light Duty, a semi synthetic product intended for light duty trucks which is 50% of the market.

(v) Competition

The Philippine oil industry is composed of numerous players in the retail and commercial segments. Based on the market share data available from DOE, PSPC has about 19% market share in the total demand of petroleum products in the country as of YTD Q3 2020. The two largest companies, Petron and Pilipinas Shell, hold around 43% while the balance is made up of numerous smaller players.

In the retail segment, PSPC holds around 32% of the total retail fuels market. The market share is maintained and protected through PSPC's differentiated offerings and integrated supply chain. The technological advantage of its differentiated fuels portfolio providing both economy and performance driven formulas, combined with innovative and high-quality services, assures PSPC's momentum for growth in a competitive fuels market. On the other hand, its integrated, competitive and reliable supply chain and highly efficient retail network assures its customers with the reliability and quality of its offerings.

PSPC also leverages on Shell's regional trading organization to globally source petroleum products and hence captures purchasing benefits from accessing a wider trading organization that is buying petroleum products for all of Shell's Asian operations.

International and Market Forces on the Industry

The downstream oil industry is heavily impacted by market fluctuations and economic, as well as, political developments overseas. Some of these include: the economic contraction and recession experienced by other economies to some extent and foreign exchange volatilities. In 2020, Brent crude declined from ~$67/bbl during the start of the year to a record-low of $20/bbl last April following the breakdown of talks between OPEC and Russia. Being a crude oil importer, PSPC is exposed to volatilities in world oil prices, regional product prices and foreign exchange. In 2020, PSPC announced the cessation of refining operations which would minimize its exposure to these factors.

(vi) Sources and availability of raw materials/finished products and the names of principal suppliers

The affiliation with the Shell Group provides PSPC long-term and secure access to crude oil and finished petroleum products supplied by the Shell Group. PSPC's crude and product import requirements are supplied by Shell International Eastern Trading Co. (SIETCO), a trading company based in Singapore, using term supply agreements. This enables PSPC to benefit from the consistency and reliability, regardless of source, provided by the Shell Group's single market interface approach.

Bulk of PSPC's finished products requirements, are sourced from Asian countries like Singapore, China, Taiwan and Korea.

(vii) Major customers

PSPC does not have a single external customer from which sales revenue generated amounted to 20% or more of its total revenue.

(viii) Transactions with and/or dependence on related parties

In the normal course of business, the Shell Group of companies (the "Shell Group" or "Group") transacts with companies, which are considered related parties under PAS 24, "Related Party Disclosures". Transactions with related parties consist of (a) importation of crude oil, petroleum products, materials and supplies; (b) exportation of locally refined petroleum products; (c) reimbursement of expenses; (d) entering into lease agreements; (e) placing short-term placements; and (f) royalty fees arrangement. Purchases from and sales to related parties are consummated at competitive market rates and arms' length basis.

Settlement and collection of outstanding related party payables and receivables are generally made within 30 to 60 days from the date of each transaction.

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

Below are the material related party transactions of PSPC:

i. PSPC purchases crude and other oil products from SIETCO, an entity under common shareholdings. PSPC's crude purchases are being processed through its refinery in Batangas.

ii. Shell International Petroleum Company (SIPC) of the United Kingdom and Shell Global Solutions International B.V. (SGS) of The Netherlands, entities under common shareholdings, provide management advisory, business support, and research and development and technical support services to PSPC under certain terms and conditions.

iii. PSPC leases from Tabangao Realty, Inc. (TRI) land for several depots and retail sites located around the country. Lease term ranges from 3 to 50 years and is renewable, thereafter.

iv. Shell Brands International AG ("SBI"), an entity under common shareholdings, entered into Trademarks and Manifestation License Agreement with PSPC pursuant to which SBI, the licensor, grants PSPC, the licensee, a non-exclusive right to reproduce, use, apply and display the Shell Trademark and other manifestation. In consideration, PSPC shall pay a royalty fee, which shall be computed as certain percentage of business contribution of each class of business. This agreement can be terminated by either party without any penalty.

v. PSPC receives billings from entities under common shareholdings for group-shared expenses related to IT maintenance, shared services, personnel and other administrative costs. On the other hand, PSPC charges entities under common shareholdings for group-shared expenses related to personnel and other administrative costs and other services.

vi. PSPC has long-term loan from Bank of Philippines (BPI), an entity with common director.

vii. PSPC has six common members between its Board of Directors and Board of Trust of Pilipinas Shell Foundation Inc. PSPC has contributed towards donations and program recovery expenses.

(ix) Trademark Ownership and License Agreement

Trademark Ownership

The trademark 'SHELL' and other trademarks of the Shell Group are, generally, registered under the name of SBI. Such intellectual properties are considered as Shell Group's assets rather than the properties of individual operating companies, such as PSPC.

License Agreements

The use of trademarks and trade name by PSPC is regulated by an agreement which provides for termination of the right to use the marks in the event of outside interference, for example, if the management of PSPC or its shareholding changes to the point where it ceases to be a member of the Shell Group.

Administration and Management of Trademarks

Since Shell and other important trademarks are used internationally, it is important that there is consistency in their use. Accordingly, the Shell Group has an Intellectual Property Services (IPS) that is charged with the responsibility for the administration and co-ordination of trademarks in behalf of the Shell Group and all matters affecting trademarks should be referred to it. To ensure that the Shell Group's trademarks are not allocated to different products or services and that the valuable rights to the said trademarks are maintained, the policy is to consult IPS prior to the adoption of any new mark and that all cases of suspected infringements are immediately reported to IPS.

Once a year, as part of its services, IPS carries out a review of trademarks in which the Shell Group companies, like PSPC, are required to provide information concerning the trademarks currently in use in their particular business. This exercise provides an opportunity for the Shell Group to ensure that all trademarks that are being used are protected by registering the same in the appropriate territories and registries.

(x) Government approvals needed for principal products

Government regulations require the following: Fire Safety Inspection certificates; Certificates of Conformance of facilities to national or accepted international standards on health, safety and environment; Third Party Liability Insurance and the Environmental Compliance Certificate issued by the Department of Environment and Natural Resources ("DENR") for service stations and for environmentally-critical projects. These certificates have to be submitted to the DOE for monitoring (not regulation) purposes.

DOE, through its Department Circular DC 2017-11-0011 dated 22 November 2017, otherwise known as the Retail Rules, requires all businesses retailing liquid fuels to secure a valid Certificate of Compliance (COC), which has a validity of 5 calendar years, from the Oil Industry Management Bureau (OIMB) of the DOE. The DC has outlined Categories of Retail Outlets, from Category 1 to 3, based on the number of pump islands, dispensing pumps and other facilities and services. It has also stated that retail outlets may install electric vehicle charging facilities in any of the Retail Outlet Categories, provided that safety controls are in place. The DC also included other Retail Outlets which may be exempted by the DOE from compliance with the mandatory standards and requirements stated in Section 11 of the DC – Marine Retail Outlet, Technology-Solution Retail Outlet, and Temporary Emergency Retail Outlet. In terms of discrepancy in results of testing and resolution, the DC states that Retail Outlet Officials may opt to contest the results of the DOE laboratory by subjecting its retained samples to a simultaneous testing, at its own expense, within the 3-month validity period of the retained fuel samples reckoned from the date the samples are endorsed/turned over to the DOE laboratory, and with an accredited testing laboratory acceptable to the DOE and in the industry. The results of the test and analysis, for purposes of determining compliance with the PNS shall be deemed to be conclusive. The 3rd party laboratory result will only be used for appeal purposes.

Republic Act No. 8479, otherwise known as the Downstream Oil Industry Deregulation Act of 1998 requires the registration with the DOE of any fuel additive prior to its use as an additive in a product. Product specifications have to comply with the requirements of the Department of Trade and Industry ("DTI"), through the Bureau of Product Standards. PSPC produces unleaded gasoline kerosene, jet fuel, diesel and fuel oil; all of which comply with the Philippine National Standards ("PNS"), which are aligned with existing laws, rules and regulations. PSPC renews its Certificate of Accreditation as Oil Industry Participant in the Fuel Bioethanol Program and Permit to Produce Biofuel-Blended Diesel annually.

(xi) Effect of existing or probable governmental regulations on the business

The Clean Air Act

In keeping with the worldwide trend for cleaner fuels, the Philippines has been progressively moving towards adopting more stringent fuel quality standards, largely patterned after those enforced in the EU ("Euro Standards"). In 1999, Republic Act No. 8749, otherwise known as the Philippine Clean Air Act of 1999, was signed into law, providing a legal framework by which air quality in the country could be improved via a combination of fuel specifications and motor vehicle standards. Its Implementing Rules and Regulations were finalized in 2000.

Following the implementation of the Clean Air Act, limits were imposed on Sulphur dioxide, nitrogen dioxide and particulate emissions from manufacturing facilities. Continuous emissions monitoring systems ("CEMS") were installed in Tabangao, Batangas in 2001. PSPC conducts a Relative Accuracy Test Audit (RATA) of its CEMS in compliance with its Permit to Operate conditions, which is reflected in its self-monitoring reports and submitted to the Department of Environment and Natural Resources - Environmental Management Bureau (DENR-EMB) Region 4A.

PSPC imports blending components (purchased mainly from other Shell companies in the region) in order to meet the Clean Air Act and PNS' requirements for aromatics and benzene contents in finished grade gasoline products.

On 01 January 2016, the effectivity of the new PNS for Euro IV (Philippines) gasoline and automotive diesel took place under the mandate of the Department of Energy pursuant to the Clean Air Act. In line with this, PSPC upgraded its refinery which enabled PSPC to supply Euro IV fuels in all its retail sites and depots.

Republic Act No. 8749 mandates the following fuel standards:

A.	Gasoline	
	Tetra-ethyl lead	Nil
	Aromatics, vol.% max	35
	Benzene, vol.% max	2
	Sulfur, wt.% max	0.005
B.	Auto Diesel Oil	
	Sulfur, wt.%	0.005

On May 2016, the Department of Energy has implemented an improved national standard PNS/DOE QS 002:2015 for coconut methyl ester (CME) biodiesel component to address technical concerns seen by the oil industry. The new national standard further tightened quality specifications related to sulfur and product stability. PSPC has reviewed its contracts with its CME suppliers to ensure compliance on the new standard. As will be discussed below, oil companies are required by Republic Act No. 9367, otherwise known as the Biofuels Act of 2006, to blend 2% CME into all diesel sales.

Mandatory Fuel Marking

On 19 December 2017, the Philippine government has enacted R.A. 10963 (Tax Reform for Accelerated Inclusion) which included a provision on mandatory marking of fuel products to curb oil smuggling. Implementing rules and regulations from the government on the fuel marking program were released on 5 July 2019 through Joint Circular No 001.2019 by the Department of Finance, Bureau of Internal Revenue and Bureau of Customs. The Joint Circular mandates the marking of refined, manufactured and imported gasoline, diesel and kerosene after duties and taxes have been paid. As confirmed with the fuel marking consortium, the Tabangao refinery is the first refinery to be marked in the country and North Mindanao Import Facility is the first import terminal to be marked in Mindanao.

The government commenced with the random field testing and confirmatory testing on fuel to check its compliance towards the mandatory fuel marking requirement on 2020. This initiative is targeted to help curb smuggling. All of PSPC's terminals and active retail stations have been fully marked as of year-end.

Biofuels Act

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

PSPC currently blends diesel with 2% CME and gasoline with 10% ethanol as mandated in the current PNS.

Euro IV (PH) Equivalent Specifications

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

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

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

Clean Water Act

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

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

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

Compensation for Oil Pollution Damage

The Oil Pollution Compensation proposes the imposition of liability for oil pollution damage. It proposes to require entities, which receive more than 150,000 tons of oil in a year from all ports or terminals in the Philippines to contribute to the International Oil Compensation Fund (IOPC) in accordance with the provisions of the 1992 Fund Convention. Republic Act No. 9483, otherwise known as the Oil Pollution Compensation Act of 2007, proposes to collect a fee of ten (10) centavo/liter from owners and operators of tankers and barges hauling oil and/or petroleum products in Philippine waterways and coast wise shipping routes. This new fund, named the Oil Pollution Management Fund ("OPMF"), will be on top of the requirement under the 1992 CLC and 1992 Fund Conventions and will be administered by the Maritime Industry Authority ("MARlNA"). Although the ten (10) centavo/liter levy on the transport of oil has been passed into law, MARINA has yet to impose this on local vessels.

Oil Spill Prevention and Control

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

(xii) Amount spent on research and development

Under existing agreement with SIPC an entity under common control, SIPC provides research and development services to PSPC.

R & D Costs	**2020**	**2019**	**2018**
Amount (in Million Php)	185.86	235.13	297.39
Revenue/Net Sales	156,952	218,403	218,869
	0.12%	0.11%	0.14%

(xiii) Costs and effects of compliance with environmental laws

Compliance with various environmental laws entails costs on the part of PSPC, resulting in higher production costs and operating expenses. In 2020, PSPC's long term provision for environmental remediation is Php 65.3 million and the short-term provision is Php 805.9 million.

(xiv) Manpower

PSPC has a total of 606 regular employees as of 31 December 2020. This includes senior executives, junior executives, junior staff and operatives.

The junior staff and operatives belong to either of two labor organizations/unions, namely the Kapisanan Ng Mga Manggagawa sa Shell ("KMS"), whose members comprise the rank and file workers assigned to PSPC's network of depots and installations, and the Tabangao Shell Refinery Employees Association ("TASREA"), covering rank and file workers at the Tabangao refinery. Pursuant to cessation of refinery operations in Tabangao, the Company was able to secure jobs for more than 130 impacted refinery employees within other entities in the Shell Companies in the Philippines.

The current Collective Bargaining Agreement ("CBA") with TASREA is effective from 01 May 2019 to 30 April 2022, and 16 January 2017 to 15 January 2022 with KMS.

In addition to the statutory benefits and reference to PSPC's policies defining eligibility and implementation rules, PSPC provides 14th month pay, Club Membership Allowance, Location Allowance, Meal Allowance, Driver's Allowance, Relocation and housing allowance, transportation allowance, Maternity/Paternity Assistance, Funeral Assistance, Sick Leave encashment, Group Hospitalization and Out-patient Insurance, Emergency Loan without interest, and various performance-related incentives to employees. PSPC sponsors a Defined Benefit and Defined Contribution retirement gratuity plan (Plan) for the benefit of its regular employees.

(xv) Major risks involved/Risk management

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

A. Board of Directors Responsibility (via Board Audit and Risk Oversight Committee)

- Evaluate PSPC's Management culture
- Evaluate PSPC's risks and effectiveness of risk management processes, including the adequacy of the overall control environment, and controls in selected areas representing significant risks
- Assess (with internal and external auditors) any fraud, illegal acts, deficiencies in internal controls or other similar issues
- Assess and monitor Management's implementation of internal control recommendations made by internal and external auditors

B. Executive Management

- Establish clear objectives, identify and evaluate the significant risks to the achievement of those objectives, set boundaries for risk taking, and apply fit-for-purpose risk responses
- Incorporate risk responses into a system of internal control which is designed to address opportunities, protect PSPC assets, facilitate effective and efficient operations, and help to ensure reliable reporting and compliance with applicable laws and regulations
- Monitor the effectiveness of the system of risk and internal control management
- Provide annual self-assurances regarding the extent of compliance with PSPC's and Shareholders' Control Framework

C. Line Management

- Design, resource, operate and monitor the system of internal control
- Ensure that a risk-based approach to internal control is communicated to staff, embedded in business processes, and responsive to evolving risks
- Assign accountability for managing risks within agreed boundaries
- Report the results of balanced self-assessments regarding the effectiveness of the risk based internal control system, including identified weaknesses or incidents, to Executive Management.

D. Independent Assurance Providers (including External Audit, Internal Audit and CAAD)

- Undertake periodic review to assess effectiveness of the design and operation of the system of risk management and internal control or parts thereof.
- In 2017, Corporate Assurance and Audit Department (CAAD) was established to provide an independent and objective assurance to the Management and Board Audit & Risk Oversight Committee on the design and operation of PSPC's governance, internal control and risk management processes.

Risk Response Strategies & Accountabilities

To manage risk effectively for PSPC, every Business and Function is required to:

1. State clear business strategies and objectives;
2. Assess internal and external business environment;
3. Identify risks that business is exposed in its operating environment;
4. Analyze the potential impact and likelihood to the businesses; and
5. Determine effectiveness of risk responses to, among other objectives:
   - Achieve business objectives;
   - Safeguard company assets from inappropriate use, loss or fraud;
   - Facilitate economic, effective, efficient and safe operations;
   - Enable compliance with the PSPC Control Framework.
6. Monitor, communicate and report changes in the risk environment and the effectiveness of actions taken to manage identified risks on an ongoing basis.

Accountabilities for Risks

Market/Operational/Business risks are mostly the accountabilities of business/line managers. Corporate risks such as foreign exchanges risks, interest rate risks, and liquidity risks, among others, are under the responsibility of the Corporate Finance Department in coordination with business and function managers.

Major Risks & General Responses

A. Operational / Business Risks

Risks under this category include the following (in no particular order):

1. Non-level playing field/Unfair & Illegal practices
   Unfair and illegal practices, and non-level playing field, *e.g.* fuel smuggling and pilferage, proliferation of new retail outlets which do not conform to Health, Safety, Security & Environmental standards as well as to Philippine National standards remained as key concerns, particularly due to the impact on sales and safety. To counteract these market practices, PSPC, in coordination with key industry players and government, has sustained its advocacy to promote brand protection and consumer awareness.

   Moreover, industry and government have intensified the drive against illegal refilling activities. PSPC is also providing technical input to the concerned government agencies directly, and through the Philippine Institute for Petroleum (PIP), on the fuels marking program.

2. Operational risks
   Impact of unanticipated or prolonged shutdowns in key facilities such as depots and the refinery (when it was still in operation) could have a severe impact on PSPC's ability to meet customer requirements. PSPC has an asset master plan which includes preventive maintenance activities to ensure strong reliability performance.

3. Regulatory risks
   Abrupt changes in laws and regulations may pose detrimental results on PSPC's financial and business operations. Changes in tax regulations, customs rules and licensing procedures can make it difficult to sustain viable business operations in some segments. PSPC regularly engages with government agencies and ensures strong partnerships with local government units to ensure risks are identified in advance and mitigation plans are put in place to address them.

B. Corporate Risks

(I) Market risk

Market risk is the possibility that changes in currency exchange rates, interest rates or the prices of crude oil and refined products will adversely affect the value of PSPC's assets, liabilities or expected future cash flows.

1. Foreign currency exchange risk

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

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

2. Cash flow and fair value interest rate risk

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

PSPC has no significant exposure to fair value interest rate risk as PSPC has no significant interest-earning assets and interest-bearing liabilities subject to fixed interest rates.

PSPC's interest-rate risk arises from its borrowings. Borrowings obtained at variable rates expose PSPC to cash flow interest-rate risk.

At 31 December 2020 and 2019, PSPC's short-term borrowings and loans payable carry floating rates based on a certain index plus applicable premium.

PSPC does not enter into significant hedging activities or derivative contracts to cover risk associated with borrowings.

3. Commodity and other price risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in market prices. PSPC is affected by price volatility of certain commodities such as crude oil required in its operating activities. To minimize PSPC's risk of potential losses due to volatility of international crude and petroleum product prices, PSPC may implement commodity hedging for crude and petroleum products. The hedges are intended to protect crude inventories from risk of downward prices and squeezing margins. This allows stability in prices, thus offsetting the risk of volatile market fluctuations. If hedging is required, prices of commodities will be fixed at levels acceptable to PSPC, thus protecting raw material cost and preserving margins. For consumer (buy) hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost. While for producer (sell) hedges, if prices go down, hedge positions may show marked-to-market gains; however, any gain in the marked-to-market position is offset by the resulting lower selling price.

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

(II) Credit risk

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

PSPC maintains cash and certain other financial instruments with various major financial institutions. To minimize this risk, PSPC performs periodic evaluations of the relative credit standing of these financial institutions and where appropriate, places limits on the amount of credit exposure with any one institution**.** Additional information is presented in Note 31 of the Audited Financial Statements.

PSPC has policies in place to ensure that sales of products are made to customers with acceptable creditworthiness. Counterparty credit risk is managed within a framework of individual credit limits with utilization being regularly reviewed. Credit checks are performed by a department independent of sales department, and are undertaken before contractual commitment. Where appropriate, cash on delivery terms are used to manage the specific credit risk. Also, there are collaterals and security deposits taken from customers which enables effective management of the risk.

There is no concentration of credit risks as at statement of financial position dates as PSPC deals with a large number of homogenous trade customers. Additional information is presented in Note 4 of the accompanying Audited Financial Statements for the year 2020.

(III) Liquidity risk

Liquidity risk is the risk that suitable sources of funding for PSPC's business activities may not be available. PSPC has access to sufficient external debt funding sources (banks credit lines) to meet currently foreseeable borrowing requirements. The Treasury group centrally monitors bank borrowings, foreign exchange requirements and cash flow position.

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

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

(2) Description of Properties

PSPC operates on various leased property for its refinery, storage installations, depots and various retail service stations located throughout the Philippines.

PSPC's refinery is situated in Tabangao, Batangas City, 121 kilometers south of Manila. The refinery was built in 1962 on approximately 160 hectares of land. Consisting of 54 Product & Component tanks, 11 Crude Tanks, 5 LPG Spheres and 4 jetties, the refinery can process and refine an average of 110,000 barrels a day.

The Tabangao refinery was closed and will be transformed into a world-class import terminal beginning August 2020. As of year-end 2020, it has a finished products capacity of 263 Million Liters.

Aside from the Tabangao refinery, PSPC also has a network of installations and depots across the country. These are situated in Luzon (Tabangao, Calapan, Poro, Pasacao, Masbate and Puerto Princesa) and the Southern Islands (Mandaue, Davao, Bacolod, Iloilo, Leyte, Tagbilaran, Cabadbaran, Cagayan de Oro, Iligan, Jimenez). PSPC also sources or operates on some strategic third-party owned terminals across the country - Subic, General Santos, Bataan, Puerto Princesa, Cebu, Amlan, Culasi, Mindoro, and Zamboanga.

These installations and depots have a variety of tanks, machinery, building structures and equipment.

As of 31 December 2020, PSPC has around 1,100 retail stations broken down into around 45% company-owned and 55% dealer-owned. PSPC shares a joint storage facility in Ninoy Aquino International Airport with Petron and Chevron. PSPC also leases several parcels of land and property.

PSPC anticipates leasing additional lots from third parties for the expansion of its retail network in the coming year. PSPC also plans to spend for the regular repairs, maintenance, and replacement of its current properties and equipment.

(3) LEGAL PROCEEDINGS

(a) Excise tax on Importations of Catalytic Cracked Gasoline (CCG) and Light Catalytic Cracked Gasoline (LCCG)

Pilipinas Shell Petroleum Corporation vs. Commissioner of Customs, Collector of Customs of the Port of Batangas, Bureau of Customs and Bureau of Internal Revenue
SC G.R. Nos. 227651 & 227087
Filed 03 December 2009

Matter Summary:
From 2004 to 2009, the Company imported shipments of CCG and LCCG into the Philippines in accordance with the BIR Authority to Release Imported Goods (ATRIG) stating that the importation of CCG and LCCG is not subject to excise tax. Upon payment of VAT as assessed in the ATRIGs, the Bureau of Customs (BOC) allowed the entry of the imported CCG and LCCG without payment of excise tax. CCG and LCCG, being intermediate or raw gasoline components, are then blended with refinery products to produce unleaded gasoline that is compliant with applicable Philippine regulatory standards, particularly the Clean Air Act of 1999 and the Philippine National Standards (the "resulting product"). Prior to the withdrawal of the resulting product from the Company's refinery, the Company paid the corresponding excise taxes.

In 2009, the District Collector of the Port of Batangas issued a letter demanding from the Company the payment of deficiency excise tax, VAT and penalties covering importation entries from 2006 to 2008. The Company requested the cancellation of the demand letter for lack of factual and legal basis. The District Collector of the Port of Batangas denied the request of the Company and declared that the law mandated the payment of excise tax on importation of unleaded gasoline and that it made no distinction or qualification on whether or not it was for consumption or sale to the domestic market. The District Collector of the Port of Batangas then reiterated his previous demand and threatened enforcement of Section 1508 of the Tariff and Customs Code of the Philippines (TCCP) which would hold the delivery or release of imported articles when an importer has an outstanding and demandable account.

The Company appealed before the Commissioner of Customs (COC). In the meantime, the Director of the DOE-Oil Industry Management Bureau issued a letter reiterating the earlier DOE finding that CCG and LCCG imports were raw materials or blending components in the production or processing of gasoline in its finished form. The then BIR Commissioner issued a memorandum confirming and reiterating the initial ruling in 2004 to the effect that CCG and LCCG are intermediate products or blending components which are not subject to excise tax under Section 148 of the NIRC.

The COC denied the appeal of the Company and demanded the payment of excise tax and VAT for the Company's CCG and LCCG importations this time from 2004 to 2009. The Company filed a motion for reconsideration of the Letter-Decision, which was denied by the COC. The COC then ordered the Company to pay the principal amount of P7.35 billion and pay the excise tax and VAT on all incoming CCG and LCCG shipments.

The Company thereafter filed a petition for review with the Court of Tax Appeals (CTA) for the purpose of appealing the ruling of the COC as well as to apply for the issuance of a temporary restraining order (TRO) to immediately prevent the COC from seizing future shipments of the Company pursuant to Section 1508 of the TCCP. The Company likewise applied for the issuance of a suspension order for the purpose of ensuring the preservation of the status quo while the merits of the appeal are being heard by the CTA.

While the case was pending in the CTA, the BIR Commissioner at that time issued on 15 December 2009 a Letter-Ruling declaring that the CCG and LCCG imports of the Company were subject to excise tax on the ground that the law did not make any distinction or qualification on whether or not the imports were intended for consumption or for blending with other substances. The ruling effectively reversed the earlier rulings of former BIR Commissioners.

Following the reversal of the ruling by the BIR Commissioner, the BOC started collecting excise taxes in January 2010 on shipments of the Company. The Company paid the BOC assessments under protest and on 27 January 2010, filed a Supplemental Petition seeking to annul the 15 December 2009 ruling by the BIR Commissioner.

In view of the paramount public interest, the government agreed not to exercise Section 1508 of the TCCP on condition that the Company posts a surety bond.

On 04 March 2010, the CTA approved the surety bond posted by the Company and enjoined the COC, the Collector of Customs at the Port of Batangas, the BOC and all persons acting under their direction or authority from undertaking any actions under Section 1508 of the TCCP and/or from all remedies to collect from petitioner the excise taxes and VAT, with increments, subject of the case.

On 27 November 2012, the CTA 3rd Division issued a Resolution granting the Company's Motion for Summary Judgment. The Court deemed that BOC's demand for the payment of excise taxes on importations of LCCG/CCG during the period 2004 to 2009 without merit, rendering the discussion on whether the CCG/LCCG are properly classified (under Section 148(e) or Section 148(f) of the NIRC, as amended) moot and academic. The CTA 3rd Division ruled in favour of the Company and respondent was prohibited from collecting the alleged unpaid excise taxes and VAT thereon, on the Company's importations of CCG/LCCG for the relevant periods in 2004 to 2009.

The BOC filed a Petition for Review with the CTA en banc. Meanwhile, the Company filed its own Petition for Review with the CTA en banc because the CTA did not invalidate the 15 December 2009 Ruling of the CIR with respect to double taxation - first, upon importation and the other upon withdrawal of the finished grade products from the refinery.

In its 28 September 2015 decision, the CTA en banc reversed the CTA Third Division, ruled partially in favour of the BOC and the BIR and held that the Company is liable to pay excise taxes and VAT on the importation of CCG and LCCG but only for the period from 2006 to 2009. The

CTA en banc recognized the Company's defense of amnesty applied for periods from 2004 to 2005, thereby partially reducing the liability to shipments made from 2006 to 2009. Both parties filed motions for reconsideration of the CTA en banc decision. The BIR and BOC filed an Omnibus Motion for Partial Reconsideration and Clarification to question the decision of the CTA en banc in relation to the assessment of the unpaid excise taxes, VAT and penalties for the years 2004 and 2005. The Company, in turn, filed an Opposition to the said motion. The Company likewise filed a motion for reconsideration of the CTA en banc decision in relation to the assessment of the unpaid excise taxes, VAT and penalties for the years 2006 to 2009.

On 21 September 2016, the Company received an Amended Decision of the CTA en banc upholding its 28 September 2015 ruling and holding that the Company is liable to pay the Government for alleged unpaid taxes for the importation of CCG and LCCG for the period from 2006 to 2009 totalling P5.72 billion.

On 06 October 2016, the Company filed the appropriate appeal with the Supreme Court. The BOC and the BIR also filed their Petition for Review on Certiorari seeking to bring back the liability of the company to P7.35 billion plus interest and surcharges.

Status:
The Supreme Court consolidated the said petitions and the parties have filed their respective Comments. The Government and the Company filed their Reply on 22 January 2018 and 06 June 2018, respectively. On 6 March 2020, the Office of the Solicitor General filed a Motion for Early Resolution. The Company subsequently filed a motion for leave to file an opposition on 23 March 2020. Awaiting action by the Supreme Court. No change in status as of January 2021

Management believes that provision should not be recognized as at 31 December 2020 and 31 December 2019 since it is the Company's assessment that liability arising is not probable because the Company's factual and legal positions are strong. The Company continues to take appropriate legal action and remediation with respect to such case.

(b) *Excise tax on Importations of Alkylate*

Pilipinas Shell Petroleum Corporation vs. Commissioner of Internal Revenue et al.
CTA Case No. 8535, Court of Tax Appeals, 2nd Division
Filed 24 August 2012

Matter Summary:
Following the ruling of the BIR authorizing the collection of excise taxes on CCG/LCCG importations, the Company began importing Alkylate as its blending component. The COC issued Customs Memorandum Circular No. 164-2012 directing the BOC and its officers to take the "appropriate action" in relation to BIR Ruling dated 29 June 2012 (Ruling No. M-059-2012) issued by the BIR Commissioner. In the ruling dated 29 June 2012, the BIR Commissioner held that Alkylate is also subject to excise tax upon importation. The BIR Ruling further held that the Company is liable for the amount of P1.9 billion representing the unpaid taxes, on the importations of Alkylate from 2010.

A Petition for Review of the BIR ruling was filed with the CTA. On 18 September 2012, the Company filed a Motion for the Issuance of a Suspension Order to stop the implementation of Ruling No. M-059-2012.

On 22 October 2012, the CTA issued a Resolution approving the issuance of a Suspension Order stopping the collection of alleged deficiency excise taxes (and VAT) for the period from 2010 to June 2012, upon the posting by the Company of a surety bond. Said bond was duly filed and the CTA approved the same on 30 October 2012.

In a Resolution dated 28 January 2013, the CTA denied the BIR/BOC Motion to Dismiss the case. Subsequent appeals (Petitions for Certiorari) from the denial of the Motion to Dismiss have been filed by the BOC and the BIR with Supreme Court.

On 02 June 2014, the Company filed a Petition for Certiorari with Application for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction with the SC questioning the denial of its application for the issuance of a suspension order against the assessment and collection of excise taxes on its March 2014 alkylate shipment. On 7 July 2014, the SC issued a temporary restraining order enjoining the CTA and the tax-collecting agencies of the government from imposing excise taxes on incoming alkylate importations of the Company.

Meanwhile, in the main case before the CTA, on 31 July 2014, the Company filed a Motion for Judgment on the Pleadings. This Motion was denied by the tax court on 13 February 2015. On 16 March 2015, the Company filed a Motion for Reconsideration from this denial of the Motion for Judgment on the Pleadings.

As disclosed in Note 7, the Company has excise duties and VAT paid under protest amounting to P1.1 billion for certain Alkylate shipments.

Status:
Decision on the merits is pending with the Court of Tax Appeals ("CTA"). The parties have concluded the presentation of their witnesses. The court is expected to set a deadline for the submission of the respective memoranda of the Parties.

In the consolidated jurisdictional cases before the Supreme Court, the Office of the Solicitor General (OSG) filed a Motion to Lift TRO and for Immediate Resolution of the Consolidated Cases on 23 October 2020. PSPC filed its Comment/Opposition on 27 November 2020.

Republic of the Philippines rep. by Bureau of Customs vs. Pilipinas Shell Petroleum Corporation & Filipino Way Industries
SC G.R. No. 209324 Supreme Court
Civil Case No. 02-103191, Regional Trial Court of Manila

Matter Summary:
Sometime in March 1996, TCCs were issued to Filway Industries for customs duties and taxes allegedly paid on raw materials used in the manufacture, processing or production of knitted fabrics. In 1997, Filway executed a deed of assignment over the TCCs in favour of the company. The Company then utilized said TCCs to settle its customs duties and taxes on oil importations.

According to the government, it was discovered that the said credit memos were fake and spurious as they did not conform to the records. Thus, the TCCS were cancelled and BOC is demanding anew for the payment of custom duties and taxes for the Company's importations.

The Court of Appeals had earlier upheld the dismissal of the case by the RTC Manila Branch 49 that dismissed the case. In a Decision dated 09 December 2015, the Supreme Court remanded the case to the RTC for the conduct of the trial proceedings so that the Bureau of Customs could attempt to prove the alleged fraudulent acquisition and use of TCCs.

Status:
During the scheduled hearing on 19 November 2020, the Judge ruled upon defendant PSPC Formal Offer of Evidence dated 30 January 2020 and admitted in toto the evidence offered. Both parties manifested their intent to file a Memorandum. PSPC filed the Memorandum on 21 December 2020. Case is now submitted for resolution.

(c) *Excise Tax Refund Case*

There are also tax cases filed by the Company for its claims from the government amounting to P733.1 million that are pending since 30 June 2018 and 31 December 2017 in the CTA and SC. Management believes that the ultimate outcome of such cases will not have a material impact on the Company's financial statements.

(d) *Other significant case*
Case filed by the West Tower Condominium Corporation (WTCC)

West Tower Condominium Corp. et al. vs. Judge Elpidio R. Calis et al
SC G.R. No. 215901, Supreme Court
Filed 11 June 2012

Matter Summary:
The Company is a respondent in this Petition for Certiorari filed by West Tower Condominium Corp, et al. to challenge the ruling of Judge Calis requiring the payment of filing fees in the civil case for damages earlier brought by WTCC in connection with the leak in White Oil Pipeline. The issue is whether the case filed with the lower court is exempt from payment of filing fees. The trial court judge earlier ruled that the claim is an ordinary claim for damages.

Status:
In a Decision dated 30 June 2014, the Court of Appeals affirmed the ruling of the Regional Trial Court requiring the payment of filing fees. FPIC and its Board of Directors and Officers asked the Court of Appeals to reconsider the part of its Decision retaining the party-complainants previously dropped as parties to the case arguing that the court has no jurisdiction to reinstate these party-complainants. West Tower Condominium Corporation, et al. filed its Motion for Reconsideration arguing that they have satisfied all the requirements in order that this case may be treated as an environmental case which does not necessitate the payment of the filing fees.

On 26 September 2014, the Company asked the Court of Appeals to deny the motion for reconsideration filed by West Tower Condominium Corporation, et al. for lack of merit. In its resolution dated 11 December 2014, the Court of Appeals denied the motion for reconsideration filed by the West Tower Condominium Corporation, et al. West Tower Condominium Corporation, et al.'s filed with the Supreme Court the present petition dated 11 February 2015 seeking a review of the decision of the Court of Appeals. The Company has filed its Comment with Opposition dated 18 September 2015 asking the Supreme Court to dismiss the petition and to deny the application for a temporary restraining order. Awaiting Supreme Court's action. No change in status as of January 2021.

PART II – SECURITIES OF THE REGISTRANT

A. Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

1. Market Information and Voting Rights of Shares

1. **Market information**

PSPC common shares were listed as "SHLPH" with the Philippine Stock Exchange on 3 November 2016.

The principal market where PSPC's common share is traded is the Philippine Stock Exchange.

The high and low sale prices for the end of 2020 are as follows:

FROM	TO	HIGH (Php)	LOW (Php)
02 January 2020	31 January 2020	34.20	29.95
03 February 2020	28 February 2020	31.00	26.05
02 March 2020	31 March 2020	26.80	17.50
01 April 2020	30 April 2020	19.36	17.92
04 May 2020	29 May 2020	18.74	16.38
01 June 2020	30 June 2020	20.65	17.60
01 July 2020	30 July 2020	19.00	17.22
03 August 2020	28 August 2020	17.70	16.78
03 September 2020	30 September 2020	17.84	16.14
01 October 2020	30 October 2020	16.92	11.10
04 November 2020	28 November 2020	19.76	16.08
01 December 2020	29 December 2020	23.00	20.25

As of 29 December 2020, the last trading day in 2020, PSPC (SHLPH) stock closed at Php 20.65.

2. **Holders** – There are three hundred and twenty (320) stockholders excluding treasury shares, the top twenty (20) of which are:

	Name	No. of Shares Held	% of Shares Held
1	Shell Overseas Investments B.V.	890,860,233	55.21%
2	The Insular Life Assurance Company, Ltd.	265,465,395	16.45%
3	PCD Nominee Corp - Filipino	193,432,406	11.99%
4	PCD Nominee Corp - Foreign	152,688,113	9.46%
5	Spathodea Campanulata Inc.	67,184,265	4.16%
6	Rizal Commercial Banking Corporation	28,863,475	1.79%
7	Victoria L. Araneta Properties, Inc.	2,312,245	0.14%
8	Pan Malayan Management & Investment Corporation	1,298,536	0.08%
9	Gregorio Araneta III	1,177,720	0.07%
10	Miguel P. De Leon	817,447	0.05%
11	Nieva Paz L. Erana	665,970	0.04%
12	Maria Lina A. De Santiago	467,541	0.03%
13	E. Zobel Inc.	329,785	0.02%
14	Homer Lee Ante or Sara Jem Maggay Ante	300,000	0.02%
15	Margarita J. Ortoll	298,500	0.02%

16	Teresa Velasquez Fernandez	294,057	0.02%
17	Leon, Miguel P. De	272,459	0.02%
18	Magdaleno B. Albarracin Jr. or Trinidad M. Albarracin	250,000	0.02%
19	Jose Araneta Albert	203,877	0.01%
20	Jordan M. Pizarras	168,881	0.01%

3. Dividends

At the regular meeting of the Board of Directors of the Corporation held on 12 August 2020, the Board, among other things, discussed and approved that no dividends would be declared in 2020. This decision to take a more prudent approach to preserve cash and consequently cancel dividends for 2020 was induced by the continuous uncertainties due to the impact of COVID-19 pandemic, including the reinstatement of Modified Enhanced Community Quarantine (MECQ) from 04 to 18 August 2020.

During its regular meeting held on 21 March 2019, the Board of Directors approved the declaration of dividend in the amount of Php3.00 per share from the unrestricted retained earnings out of PSPC's Unrestricted Retained Earnings as of 31 December 2018 to all shareholders of record as of 05 April 2019 and payable on 30 April 2019. The dividends declared and paid out in 2019 was Php4.8 billion out of PSPC's Unrestricted Retained Earnings as of 31 December 2018.

At the special meeting of the Board held on 14 March 2018, the Board of Directors approved the declaration of cash dividend to stockholders on record as of 28 March 2018 an amount of Php5.14 per share from the unrestricted retained earnings of PSPC to all shareholders. The dividends declared and paid out in 2018 was to P8.3 billion out of the unrestricted Retained Earnings available for cash dividends as of 31 December 2017.

Thus, the dividends paid out in 2019 from the 2018 Unrestricted Retailed Earnings represent a payout of 95%.

The payment of dividends in the future will depend on PSPC's earnings, cash flow, investment program and other factors. Dividends payable to foreign shareholders may not be remitted using foreign exchange sourced from the Philippine banking system unless their investment was first registered with the Bangko Sentral ng Pilipinas and thus, covered by the required Bangko Sentral registration Document (BSRD).

As at 31 December 2020, cost of treasury shares, accumulated earnings of its associates, unrealized mark to market gains and fair value gain on retirement assets are not considered for dividend declaration as per SEC Rule 68, as amended and SEC Memorandum Circular No. 11.

B. Description of PSPC's Shares

1. Capital stock and treasury shares as at 31 December 2018 to 2020 consist of:

	2020		2019		2018	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Authorized capital stock, common shares at P1.0 par value per share	2.5 billion	2,500,000	2.5 billion	2,500,000	2.5 billion	2,500,000
Issued shares	1,681,058,291	1,681,058	1,681,058,291	1,681,058	1,681,058,291	1,681,058
Treasury shares	(67,614,089)	(507,106)	(67,614,089)	(507,106)	(67,614,089)	(507,106)
Issued and outstanding shares	**1,613,444,202**	**1,173,952**	**1,613,444,202**	**1,173,952**	**1,613,444,202**	**1,173,952**

As at 31 December 2020, PSPC has 320 shareholders excluding treasury shares (31 December 2019 - 320), 283 of whom hold at least 100 shares of PSPC's common shares (31 December 2019 - 283).

Each common share is entitled to one vote.

2. Debt Securities

PSPC does not have any outstanding debt securities.

3. Stock Ownership Plan

PSPC currently does not have a stock ownership plan or program. The privilege extended to PSPC was an allocation whereby each qualified employee could purchase, for his/her own account, up to 4,290 PSPC shares during the IPO.

Part III. Financial Information

A. Management's Discussion and Analysis (MD&A)

Impact of COVID-19 pandemic to business operations

The COVID-19 pandemic has disrupted the business operations and affected people's way of life. In the Philippines, the first case was confirmed by the Department of Health on January 30, 2020. The government has taken action to control the spread of the virus by convening an Inter-Agency Task Force (IATF) for the Management of Emerging Infectious Diseases, responsible for implementing measures against the pandemic.

During March 2020, the government declared enhanced community quarantine across (ECQ) Metro Manila, the whole Luzon island and other key cities and provinces. Under ECQ, malls and public establishments were closed, mass public transport facilities were suspended, and mass gatherings prohibited. People were only allowed to leave their homes to access basic necessities (food, healthcare, utilities, and critical services, etc.). Further, only establishments and workers who provide these essential services are exempted from the ECQ.

The Oil & Energy sector was classified as an essential service during the ECQ. Hence, Pilipinas Shell was able to continue its business operations nationwide, ensuring the stable supply of fuel in the country. Starting June 1, 2020, the government downgraded the restrictions in Metro Manila and other areas in Luzon to general community quarantine (GCQ). Under GCQ, most sectors were allowed to operate and restrictions on public and private vehicles were loosened.

During the pandemic, Pilipinas Shell's priorities are care, continuity and cash. These reflect the urgency needed to respond to the new reality. By focusing on them, the Company aims to do its part in limiting the spread and impact of COVID-19 inside of Shell, to continue providing essential products and services to our customers, and to accelerate its cost savings initiatives and recovery plans. Pilipinas Shell, along with Shell companies of the Philippines and the Pilipinas Shell Foundation, Inc. implemented Project Shelter which aims to ensure safety in business operations and extend aid to the communities where the companies operate. For more information on these initiatives, readers can visit https://www.shell.com.ph/media.html.

Despite lower demand due to mobility restrictions owing to the pandemic, Pilipinas Shell continued to serve its customers and front liners through its retail stations and the unhampered delivery of products to its commercial customers. All sites follow and implement strict safety and health protocols. Partnership with delivery companies were established to help deliver non-fuels retail products to selected parts of the country. The Company leverages on its integrated supply chain and the support from the Shell Group to respond to the drastic changes in demand brought about by the pandemic.

As crude prices reached record-lows due to the breakdown of production cut discussions between OPEC and Russia and product prices in the global and regional market decline, pre-tax inventory holding losses for the Company, reach P6,803.4 million as of Q4 2020. Global crude prices showed a steep decline from $67/bbl as of the end of December 2019 to ~$20/bbl in April, contributing bulk of the inventory holding loss booked for the period. The prices have stabilized and recovered since May with an average price of ~$41/barrel reported for the month of June 2020 and September 2020, and ~$50/barrel for the month of December 2020.

Pilipinas Shell's profitability has been affected by the pandemic. The Company's marketing volumes posted 6% growth prior to the announcement of the ECQ. After the announcement of the ECQ, total marketing volumes decreased by 34% in the second half of March. Despite this, total volumes in Q1 2020 were higher by 3% versus same period last year. During the full month of ECQ implementation in April across Metro Manila and key cities and provinces, the marketing volumes further plunged by 58% vs April 2019 levels. With the implementation of GCQ effective from June 1, 2020 the market conditions improved due to the relaxation of restrictions on mobility, leading to an 80% increase in marketing volumes in the month of June 2020 versus April 2020. The government's attempts to reopen the economy led to increased mobility in the country and consequently resulted in a 30% increase in marketing volumes in Q4 2020 versus Q2 2020. Pilipinas Shell ended 2020 with total volume of 5.1 billion liters, 13% below last year's pre-pandemic level.

To further build financial resiliency during the pandemic, Pilipinas Shell implemented a cash governance framework and cash preservation initiatives that include the planned delivery of a Php1 billion reduction in operating expenses and another Php1 billion in capital expenditures. Including the cost savings from the transformation of the refinery, the company's capital expenditures have decreased by ~Php2.2 billion and operating expenses (excluding depreciation and amortisations) by ~Php1.7 billion versus the same period last year.

Although the refinery recorded high reliability in Q2 2020, its earnings were hampered by the further deterioration of regional refining margins. The refinery was put under an economic shut down during the last week of May 2020 to reduce the impact of losses arising from the further deterioration of the refining margins and drop in demand brought by the pandemic.

On 13th August 2020, Pilipinas Shell announced its decision to convert its oil refinery into a world-class import terminal to optimize its asset portfolio and enhance its cost and supply chain competitiveness. This move will further strengthen the Company's financial resilience amidst the significant changes and challenges in the global refining industry. PSPC remains committed to the Philippines and will pursue opportunities that enables the corporation to leverage its global expertise in line with its growth strategy.

PSPC reported a net loss after tax for the year amounting to Php16.2 billion, of which Php11.8 billion are one-off charges related to the cessation and transformation of its refinery in Tabangao into a world-class import facility, while Php4.8 billion is due to the drastic decline in crude prices. Excluding one-off items and the inventory holding loss, the Company's core earnings for the year is at Php0.4 billion.

PSPC's net earnings from its principal business activities improved in the last quarter due to strong premium fuel penetration and volume recoveries, coupled with the Company's cash preservation initiatives. This resulted in improved core earnings in Q4 2020 to be ~150% than that of Q2 2020.

Pilipinas Shell continues to monitor the situation and is prepared to seize opportunities as the world enters the "new normal".

The Statements of Financial Position and Statements of Income for the years ended 2020, 2019 and 2018 are shown in Million Philippine Pesos.

Financial condition as of the year ended 31 December 2020 compared to the year ended 31 December 2019

The following is a discussion of PSPC's current and non-current assets and liabilities as of the year ended 31 December 2020 compared to the year ended 31 December 2019.

Current assets

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

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

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

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

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

Non-Current Assets

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

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

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

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

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

Current Liabilities

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

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

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

Non-Current Liabilities

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

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

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

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

Equity

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

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

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

Financial condition as of the year ended 31 December 2019 compared to the year ended 31 December 2018

The following is a discussion of PSPC's current and non-current assets and liabilities as of the year ended 31 December 2019 compared to the year ended 31 December 2018.

Current assets

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

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

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

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

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

Non-Current Assets

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

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

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

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

Current Liabilities

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

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

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

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

Non-Current Liabilities

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

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

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

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

Equity

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

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

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

Results of operations for the year ended 31 December 2020 compared to the year ended 31 December 2019

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

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

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

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

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

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

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

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

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

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

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

Results of operations for the year ended 31 December 2019 compared to the year ended 31 December 2018

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

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

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

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

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

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

Net Income After Tax for the period improved by Php544.6 million or 10.7% from Php5,076.3 million for the year ended 31 December 2018 to Php5,621.2 million for the year ended 31 December 2019. This is primarily driven by stronger marketing performance supported by volume growth and higher premium fuel penetration, refinery cost savings, and inventory holding gains. This is against the backdrop of lower refinery margins. Inventory gain contributed Php1,364.3 million to 2019 net income vs post-tax inventory holding loss of Php39.8 million in 2018.

EBITDA Adjusted for COSA increased by Php2,265.8 million, or 22.6% from Php10,045.6 for the year ended 31 December 2018 to Php12,331.3 million for the year ended 31 December 2019. This is primarily driven by robust delivery from the marketing businesses and implementation of PFRS 16.

This was partially offset by lower refinery margins and the impact of planned maintenance of Tabango refinery. EBITDA adjusted for COSA or the period ended 31 December 2019 under PAS 17 would have resulted to Php 8,556.9 million.

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

SUMMARY FINANCIAL AND OPERATING INFORMATION

PSPC's selected financial data as of and for the years ended 31 December 2018, 2019 and 2020 were derived in each case from the audited financial statements of PSPC.

KEY FINANCIAL RATIOS AND OPERATING DATA

Key financial ratios

	As of/for the year ended 31 December		
	2018	**2019**	**2020**
Current ratio[1]	1.4	1.2	0.9
Acid test ratio[2]	1.3	1.2	0.8
Solvency ratio[3]	23.2%	21.2%	2.5%
Debt to equity ratio[4]	0.2	0.4	0.7
Debt ratio[5]...	9.7%	13.6%	18.2%
Return on assets[6]	6.3%	5.5%	(18.7)%
Return on equity[7]......................................	13.2%	14.3%	(70.3)%
Return on average capital employed[8]	14.8%	16.3%	(39.8)%
Return on core average capital employed [9]	14.9%	14.5%	5.6%

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1 *Current ratio is computed by dividing current assets over current liabilities.*

2 *Acid test ratio is computed by dividing current assets net of prepayments over current liabilities*

3 *Solvency ratio is computed by dividing net operating income after tax over total liabilities*

4 *Debt to equity ratio is computed by dividing net debt (short-term borrowings and loans payable less cash) by equity (exclusive of other reserves).*

5 *Debt ratio is computed as net debt divided by total assets.*

6 *Return on assets is computed as profit (loss) for the period divided by total assets.*

7 *Return on equity is computed as profit (loss) for the period divided by equity (exclusive of other reserves).*

8 *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.*

9 *Return on core average capital employed is defined as EBIT adjusted for COSA adjustment & one-off items and as a percentage of the average capital employed for the period. Capital employed consists of total equity, short-term borrowings and loans payable. Average capital is calculated as the mean of the opening and closing balances of capital employed for that period.*

Key operating data

	As of/for the year ended 31 December		
	2018	**2019**	**2020**
Nameplate capacity (thousand barrels per day (**kbpd**))[1]...	110	110	110
Refinery utilization rate (%)[2]	69.6%	63.5%	56.3%
Retail volumes sold (million litres)[3]...	3,136	3,175	2,312
Commercial volumes sold (million litres)[4]..	1,917	2,084	1,748
Others (million litres)[5]......................	598	570	1,022

Note:

[1] *110,000 bpd is nameplate capacity on a calendar basis.*

[2] *Refinery utilization rate is calculated as the ratio of total product output to the calendar day nameplate capacity. PSPC's refinery has not been operational since mid May 2020.*

[3] *Retail volumes sold indicates the total volume of fuels and lubricants sold through the retail business for the period.*

[4] *Commercial volumes sold indicates the total volume of wholesale commercial fuel, jet fuel, lubricants and specialities sold for the period.*

[5] *Others volume sold indicates the total volume of manufacturing and supply for the period. The increase in current year volumes is attributable to the one-off crude exports due to cessation of refining operations.*

OTHER FINANCIAL DATA

4Q 2020	4Q 2019		Financial year 2020	Financial year 2019
49,059,560	**56,105,169**	Net sales	**156,951,843**	**218,402,954**
(47,625,087)	**(50,509,288)**	Cost of sales	**(153,291,201)**	**(194,952,649)**
(1,434,473)	**5,595,881**	Gross profit	**3,660,642**	**23,450,305**
(3,674,877)	**(3,508,032)**	Selling, general and administrative expenses	**(13,722,778)**	**(14,448,623)**
381,010	**(50,265)**	Other operating income, net	**177,773**	**388,440**
(740,486)	**-**	Impairment losses	**(11,124,473)**	**-**
(2,599,880)	**2,037,584**	Income from operations	**(21,008,836)**	**9,390,122**
(635,384)	**(133,707)**	Finance expense, net	**(2,019,366)**	**(1,368,925)**
(3,235,264)	**1,903,877**	Income before income tax	**(23,028,202)**	**8,021,197**
922,429	**(657,622)**	Provision for income tax	**6,845,529**	**(2,400,042)**
(2,312,835)	**1,246,255**	Net income	**(16,182,673)**	**5,621,155**
(1.43)	**0.77**	Earnings per share - Basic and Diluted	**(10.03)**	**3.48**

**Cost of sales for financial year 2020 includes one-off charges incurred on account of cessation of refining operations amounting to Php5.7 billion (pre-tax).*

Reconciliation from statutory profit for the year to EBIT and EBITDA

	For the year ended 31 December		
	2018	**2019**	**2020**
Profit (Loss) for the year/period	5,076.3	5,621.2	(16,182.7)
Add:			
(Benefit from) Provision for income tax......................	2,215.8	2,400.0	(6,845.5)
Finance expense[5]............	744.5	1,870.9	2,291.2
Depreciation and amortization	1,957.6	4,361.8	4,241.2
Less:			
Finance income	5.6	1.6	5.7
EBITDA[1].............................	9,988.6	14,252.3	(16,501.5)
Depreciation and amortization	1,957.6	4,361.8	4,241.2
EBIT[1].................................	8,031.0	9,890.5	(20,742.7)

EBITDA	9,988.6	14,252.3	(16,501.5)
Less:			
Cost of Sales Adjustment (COSA)[2]	(56.9)	1,941.0	(6,803.4)
EBITDA (adjusted for COSA)[3]	10,045.6	12,311.3	(9,698.1)
Less:			
Depreciation and amortization	1,957.6	4,361.8	4,241.2
EBIT (adjusted for COSA**)**[3] ..	8,088.0	7,949.5	(13,939.3)
Add:			
Impairment and other one-off charges[4]	-	-	16,835.4
Depreciation and amortization	1,957.6	4,361.8	4,241.2
EBITDA (adjusted for COSA, impairment and other one-off charges**)**	10,045.6	12,311.3	7,137.3

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1 EBIT indicates profit for the period excluding interest income, interest and finance charges (and accretion) expense and benefit from (provision for) income tax. EBITDA indicates profit for the period excluding interest income, interest and finance charges (and accretion) expense, benefit from (provision for) income tax and depreciation and amortization. EBIT and EBITDA are not measurements of financial performance under PFRS and investors should not consider them in isolation or as an alternative to profit or loss for the period, income or loss from operations, an indicator of PSPC'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. Because there are various EBIT and EBITDA calculation methods, PSPC's presentation of this measure may not be comparable to similarly titled measures used by other companies. EBIT and EBITDA above are both unaudited figures.

2 The COSA provides an approximate measure of PSPC's performance on a current cost of supplies basis, and is a financial measure used by PSPC in managing its day-to-day operations such as (but not limited to) allocating resources and assessing performance. The COSA is an adjustment that reflects PSPC's cost of sales using the current cost of supplies sold, rather than FIFO inventory accounting which is the actual standard applied by PSPC in preparing its PFRS financial statements. As such, the COSA excludes the accounting effect of changes in the oil price on inventory carrying amounts. The COSA as applied to EBIT and EBITDA is applied on a pre-tax basis to arrive at adjusted EBIT and adjusted EBITDA. Prospective investors are cautioned that COSA, EBITDA, and EBIT (and any adjustments thereto) are in all cases not measurements of financial performance under 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 PSPC'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 PSPC's presentation of COSA may not be comparable to similarly titled measures used by other companies.

3 These figures have been adjusted to remove the effects of changes in oil prices on inventory carrying amounts, which adjustment is referred to herein as the cost of sales adjustment.

4 These figures have been adjusted to remove the effects of impairment and other one-off charges incurred on account of cessation of refining operations in Tabangao.

5 2019 figures have been adjusted for intertest on lease liabilities.

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

Commodity price risk

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

Liquidity risk

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

Any events that will trigger direct or contingent financial obligation that is material to the PSPC, including any default or acceleration of an obligation.

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

As of 31 December 2020, PSPC's contingent liabilities for which provisions have been made primarily related to certain pending legal proceedings including tax matters, asset retirement obligations and potential remediation and demolition costs. Other than these, there are no material or significant events that will trigger direct or contingent financial obligation that is material to PSPC except for the cases discussed under "Legal Proceedings".

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

PSPC does not have any material off-balance sheet arrangements with unconsolidated entities

Capital Expenditures

PSPC plans to spend approximately ~Php3-4 billion for capital investments which will be mainly funded by cash provided by operating activities. The Company will continue to focus on building new retail service stations, invest on the conversion of the refinery to a world-class terminal and improve existing supply and distribution sites.

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

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

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

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

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

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

B. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The accounting firm of Sycip Gorres Velayo & Co. (E&Y Philippines) was appointed as the principal accountant and external auditor of PSPC for the year ended 31 December 2016 following the appointment of Ernst & Young as Group Auditor for Royal Dutch Shell on 12 May 2016 and continued as the principal accountant and external auditor for 31 December 2020.

There are no disagreements with auditors on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

PART IV – MANAGEMENT and CERTAIN SECURITY HOLDERS

A. Directors and Executive Officers

1. The following are the directors as of 31 December 2020:

Fernando Zobel de Ayala is currently an Independent Director of the Corporation. He is President and Chief Operating Officer of Ayala Corporation, one of the Philippines' largest conglomerates involved in real estate, financial services, telecommunications, water, electronics, automotive, power, transport, education, and healthcare. He is Board Chairman of Ayala Land, Inc. and Manila Water Company and sits on the board of various companies in the Ayala group, including the Bank of the Philippine Islands, Globe Telecom, and the Ayala Foundation. Mr. Zobel de Ayala is a member of the INSEAD East Asia Council and the World Presidents' Organization and Chief Executives Organization. He is a Board member of Habitat for Humanity International and chairs the steering committee of its Asia Pacific Capital Campaign. He also serves on the Board of the Asia Society and is a member of the Asia Philanthropy Circle, The TATE Museum Asia Pacific Acquisitions Committee and The Metropolitan Museum International Council. In the Philippines, he is a Board member of the Philippine National Museum, Caritas Manila, and Pilipinas Shell Foundation, Inc. Mr. Zobel de Ayala holds a Liberal Arts degree from Harvard College and a CIM from INSEAD, France. From 2015 to 2020, he attended seminars on corporate governance.

Rafi Haroon Basheer was appointed Director of the Corporation since 01 January 2020. He is currently Chairman of the Board of Shell Pakistan Ltd, a listed entity in Pakistan, and the Global GM Finance for Planning & Appraisal Downstream Retail and Global Commercial. He has held the following positions in the Shell Group: Global GM Finance – Specialities (August 2013– September 2015); Chief Financial Officer & Country Controller - Shell Companies in Pakistan (October 2009 – July 2013); Regional Finance Manager Asia Pacific - Shell Singapore (March 2007 – September 2009); Global Governance and Assurance Manager (January 2005 – February 2007); M&A Finance Advisor Asia Pacific – Shell Singapore (January 2003 – February 2004); and Retail Business Finance Manager – Shell Pakistan Limited (January 2000 – December 2002). He is member of the Institute of Chartered Accountants in England and Wales. He earned his diploma in Accountancy with distinction at the London Metropolitan University. In 2020, he attended a seminar on corporate governance.

Cesar A. Buenaventura has been with the Corporation since 1956 and was Chairman and CEO from 1975 to 1990. He is currently an Independent Director of the Corporation. He is likewise Chairman of Buenaventura, Echauz and Partners Inc. and Chairman of Mitsubishi Hitachi Power System Philippines. He is Vice Chairman of DMCI Holdings and director of Concepcion Industrial Corporation, Semirara Mining and Power Corporation, Petroenergy Resources Corporation and I People Inc. He is Founding Chairman of the Pilipinas Shell Foundation, Inc. and Founding Member of the Makati Business Club. He is a recipient of many awards, to name a few: Management Man of the year in 1985; The Honorary Officer of The British Empire (O B E) in 1990 by Her Majesty Queen Elizabeth II; and one of the top 100 graduates of the College of Engineering University of the Philippines in its 100th year history. He received the degree of Bachelor of Science in Civil Engineering from the University of the Philippines in 1950 and a master's degree in Civil Engineering from Lehigh University in 1954 as a Fulbright scholar. From 2015 to 2020, he attended seminars on corporate governance.

Cesar G. Romero is the current President and Chief Executive Officer of the Corporation since 01 November 2016. He was formerly Vice President-Global Retail Network from 2013 to 2018 responsible for the management and capital investment associated with the Global Retail business' physical assets worldwide. This includes network planning, real estate, petrol station construction, facilities maintenance, soil and groundwater services, HSSE, and Continuous Improvement. From September 2009 up to July 2013, he was the Vice President of Retail Sales and Operations East which is accountable for the Operating Profit and Loss of the Shell Retail Petrol stations in SE Asia, South Asia, and China. During his four-year tenure, the Shell Retail East's operating profit grew by an average of 10% per annum with improved HSSE performance highlighted by a three-fold reduction in station robberies. Mr. Romero was a member of the Shell Global Retail Leadership team which set policies, strategy, annual business targets, capital allocation, and operations for Shell's Downstream Retail Business comprised of over 43,000 petrol stations in the world, the largest single branded retailer in the world. Prior to that role, he was the Vice President for Supply – East based in Singapore from July 2007 to July 2009. Before that, he was in London as the Vice President for Downstream Management Consultancy, which he held concurrently with the role of Business Assistant to the Executive Director for Shell's Global Downstream Business. He joined Shell Philippines in 1987 as a Refinery Engineer and has had assignments in Supply Planning, Strategy, and Lubricants. In 1995, he was posted to Shell Centre, London to work in Shell's Scenario Planning Team, and later in the Strategy and Portfolio Team of the East/Asian Regional Office. Immediately, prior to coming to the UK a second time, he was the General Manager for Retail for Shell Philippines & North Pacific Cluster. Cesar holds a Bachelor of Science in Mechanical Engineering (Cum Laude) from the University of the Philippines, and a Masters in Business Administration (with High Distinction) from the University of Michigan. He has also attended a variety of management development courses at the London Business School and the Wharton Business School. From 2015 to 2020, he attended seminars on corporate governance.

Mona Lisa B. De la Cruz was first elected as Director of the Corporation on 12 May 2015. She is the President and Chief Executive Officer of Insular Life Assurance Company Ltd. She is a member of the Board of Trustees of the Insular Life Assurance Company, Ltd., the Insular Foundation, Inc. and the Insular Life Employee Retirement Fund. She is Director and President of Insular Investment Corporation, Insular Property Ventures, Inc., and Insular Properties, Inc. She is a director of Insular Health Care, Inc., ILAC General Agency, Inc., Home Credit Mutual Building and Loan Association, Insular Life Management and Development Corporation, Insular Life Property Holdings, and MAPFRE Insular Insurance Corporation. She received her Bachelor of Science degree in Statistics from the University of the Philippines, Cum Laude, in 1978. She likewise completed her Master of Science in Mathematics, major in Actuarial Science, at the University of Michigan in 1979. She is a Fellow of the Actuarial Society of the Philippines, an Associate of the Society of Actuaries, USA, and a member of the Management Association of the Philippines, Makati Business Club, Filipina CEO Circle and the Filipina Women's Network. From 2015 to 2020, she attended seminars on corporate governance.

Randolph T. Del Valle is Director and Vice-President for Retail of the Corporation effective 01 January 2020. He is responsible of the Downstream Marketing Retail Business that covers more than 1,000 sites serving approximately 1 million customers/day enabled by a strong team of 15,000 employees, retailers and service champions. He brings with him more than 20 years of experience across different businesses. In his recent role Global Head of Strategy & Planning for DS Retail Network based in Singapore, he helped shape a number of important Retail Growth Projects (Russia, Indonesia, China and the US), evolved Network Strategy & Planning processes and methodology towards a holistic value maximization approach with various Integrated Retail Offers (Fuels, NFR, New Fuels including EV) and prepared the business to test new ideas in line with Energy Transition through Innovation. Prior to this, he was in Group Strategy Consultancy based in London, UK /Hague, NL where he led various high-impact projects in Upstream, Integrated Gas, Shell Business Operations and Downstream. He was also part of the selected core team member that played a pivotal role to effectively plan and execute Shell's largest strategic acquisition of BG Group in 2015/2016. He has also held various local, regional and global roles: Retail Marketing (Global On-Site Ops Excellence-PMTDR, Cards, Payment, Loyalty, Pricing, Fuels Marketing) as well as in Sales & Operations (as Territory Manager, District Manager and Operations Manager). Randy is passionate about people development, innovation/energy transition development, team success and puts customers first. Randy is a Chemical Engineer where he earned his Bachelor of Science in Chemical Engineering from the University of San Carlos (USC), Cebu. He also has an MBA degree from London Business School, UK. In 2020, he attended a seminar on corporate governance.

Lydia B. Echauz is an Independent Director of the Corporation since 16 May 2017. Dr. Echauz currently holds directorships in publicly listed companies Metro Pacific Investments Corp. and D&L Industries, Inc.; as well as PLDT Beneficial Trust Fund, Tahanan Mutual Building and Loan Association, Inc., Superior Paranaque Homes, Inc., Bancholders, Inc., (subsidiaries of PLDT Beneficial Trust Fund), Philstar Group, BusinessWorld Publishing Corporation, Riverside College Inc., NBS College, Inc. and Fern Realty Corp. Dr. Echauz is also Trustee of the Henry Sy Foundation, Inc., SM Foundation, Inc., Felicidad T. Sy Foundation, Inc., De La Salle College of St. Benilde, Mano Amiga Academy, Museo del Galeon, Inc. and Akademyang Filipino Association, Inc. She was 10-year President of Far Eastern University (PLC), FEU Silang, FEU Diliman, and FEU East Asia College. She served as Director of Development Bank of the Philippines from 2013 to 2016. She was 16-year Dean of the Graduate School of Business, De La Salle University, Associate Director of the Ateneo de Manila Graduate School of Business and faculty member of the University of the East College of Business Administration. She earned her AB Major in Economics and Mathematics from St. Theresa's College, MBA from Ateneo de Manila University and DBA from De La Salle University. From 2017 to 2020, she attended seminars on corporate governance.

Luis C. la Ó is a Non-Executive Director of the Corporation since 03 May 2018. He is the Non-Executive Vice Chairman of the Board of The Insular Life Assurance Co., Ltd. Before he became the Chairman of Insular Life, he first joined as a Non-Executive Trustee on 22 January 2015. He was a former Chairman of the Board of Directors of MAPFRE INSULAR Insurance Corporation. He previously occupied the following roles: Regional Vice President for Asia of the MAPFRE Group-Spain, President of Provident Insurance Corporation of the Soriano Group and Senior Vice President of Universal Reinsurance Corporation of the Ayala Group. He obtained his Bachelor of Science degree in Management at Ateneo de Manila University. He completed his Master's degree in Business Management from De La Salle University. He also finished a course on General Insurance from the College of Insurance, Chartered Institute of London, United Kingdom. From 2018 to 2020, he attended seminars on corporate governance.

Jose Jerome R. Pascual III was first appointed Director of the Corporation on 13 June 2016 and he served as Director until 31 December 2020. He was likewise appointed Vice President for Finance and Treasurer of the Corporation. He was also a director on the boards of other Shell-affiliated companies in the Philippines. He was the Chairman of the Board of Trustees of the Shell companies in the Philippines Multi-Employer Retirement Plan and of the Board of Trustees of the Shell Philippines Exploration B.V. Non-Contributory Retirement & Gratuity Fund. His previous roles in the Royal Dutch Shell Group include: Finance Director of Shell Philippines Exploration BV & Philippines Country Controller from 2009 to 2016; concurrent Finance Director of Shell Deepwater Borneo Ltd from 2009 to 2012; Deputy Business Finance Manager (Caspian) of Shell Kazakhstan Development BV & Kazakhstan Country Controller from 2005 to 2009; Regional Treasurer & Insurance Manager of Shell Exploration & Production – Asia Pacific from 2003 to 2005; Treasurer; Tax & Insurance Manager of Shell Philippines Exploration BV from 2002 to 2003; Finance Business Adviser of Shell Philippines Exploration BV from 2000 to 2002; Commercial Services Coordinator / Contracts Advisor of Nederlandse Aardolie Maatschappij BV from 1998 to 2000; Head of Management Accounting of Shell Philippines Exploration BV from 1995 to 1998; Head of Finance (STAR) Systems of Pilipinas Shell Petroleum Corporation from 1993 to 1995; Internal Auditor / Audit Supervisor for Pilipinas Shell Petroleum Corporation from 1990 to 1993; Senior Analyst / Programmer of Pilipinas Shell Petroleum Corporation from 1986 to 1990. He is an incorporator and current President of the Judicial Reform Initiative, Inc (JRI). Born on 6 January 1964, Mr. Pascual graduated Cum Laude from the University of the Philippines (Diliman) with a Bachelor of Science degree in Industrial Engineering, and was granted membership to the Honor Society of Phi Kappa Phi. He also holds the following accreditations: Certified Management Accountant from the Institute of Certified Management Accountants (Australia) and Professional Industrial Engineer from the Industrial Engineering Certification Board (Philippines). In 2014, he was recognized as CFO of the Year by ING Bank (Philippines) and the Financial Executives Institute of the Philippines (FINEX). In 2015, he received the Professional Degree Award for Industrial Engineering from the U.P. College of Engineering and U.P. Alumni Engineers. In 2017, he was conferred the Global Management Accounting Hall of Fame Award by the Institute of Certified Management Accountants (Australia) in recognition of his outstanding contribution, lifetime of achievement and services to the management accounting profession in the Philippines. From 2016 to 2020, he attended seminars on corporate governance.

Rolando J. Paulino, Jr. was appointed Director of the Corporation on 21 March 2019. He is currently the Managing Director and General Manager of Shell Philippines Exploration B.V. He has 23 years of international senior leadership experience in the oil and gas industry. His key experience includes leading large production facilities. He has worked in various locations including Aberdeen (Scotland), Bacton (England), Miri (Malaysia) and Perth (Australia). He is holding and has held various positions as President and Chairman of Tabangao Realty, Inc.; Vice President of Malampaya Foundation Inc.; President of Petroleum Association of the Philippines; and Trustee of Pilipinas Shell Foundation Inc. He is a member of Management Association of the Philippines. He was elected Board of East of England Energy Group from 2008 to 2010 and Business Mentor of Princes' Trust in 2010. He earned his Bachelor in Science in Mechanical Engineering (Cum Laude) at the University of Santo Tomas (Manila, Philippines); Masters in Business Administration (Leadership and Change) at Ateneo Graduate School of Business- Regis University (Makati City, Philippines); Shell Group Business Leadership Programme, and INSEAD (Fountainebleau, France). In 2020, he attended a seminar on corporate governance.

Min Yih Tan is the Chairman of the Board of Pilipinas Shell Petroleum Corporation starting 01 January 2020. Mr. Tan is likewise the Vice President - Global Retail Network and oversees the life cycle management of all Shell Retail assets across the world. He is a key member of the Global Retail Leadership Team and leads its Global Network Leadership Team. He has held the following positions in the Shell Group: General Manager, Retail Network Development; General Manager, Global Retail & Commercial Strategy; General Manager, Commercial Fuels (East); and General Manager, Lubricants (S. E. Asia). Prior to joining Shell, Min Yih worked in ExxonMobil where he held a series of commercial, operational and staff leadership roles in downstream businesses spanning Retail, Marine, Lubricants, Commercial Vehicles & Cards and Technology, including a stint based in Fairfax, Virginia as Global Planning Advisor. He holds a Bachelor of Science in Mechanical Engineering and an MBA. In 2020, he attended a seminar on corporate governance.

The Corporate and By-Laws Executive Officers of the Corporation as of 31 December 2020 are as follows:

Min Yih Tan	Non-Executive Chairman of the Board	Singaporean
Cesar G. Romero*	President and Chief Executive Officer	Filipino
Jose Jerome R. Pascual III*(until 31 December 2020)	Vice President – Finance, Treasurer, & Chief Risk Officer	Filipino
Carlo D. Zandueta	Vice President – Human Resources	Filipino
Jan – Peter Groot Wassink	Vice President – Manufacturing	Dutch
Randolph T. Del Valle*	Vice President – Retail	Filipino
Sergio C. Bernal, Jr.	Vice President – External Relations and Government Relations	Filipino
Dennis C. Javier	Vice President – Wholesale Commercial Fuels	Filipino
Jannet C. Regalado (until 09 November 2020)	Vice President – Legal and Chief Compliance Officer	Filipino
Reynaldo P. Abilo (until 31 December 2020)	Corporate Audit and Assurance Manager	Filipino
Erwin R. Orocio (until 09 November 2020)	Corporate Secretary	Filipino
Ellie Chris C. Navarra (until 09 November 2020)	Assistant Corporate Secretary	Filipino
Angelica M. Castillo	Corporate Controller and Investor Relations Manager	Filipino

**Member of the Board of Directors*

Below are the profiles of Corporate/By-Laws Executive Officers:

Other By-Laws Executive Officers (who are not directors/nominees to the Board):

Dennis C. Javier was appointed Vice President-Wholesale Commercial Fuels on 27 February 2018. Previously, he was the General Manager for Lubricants covering Philippines since 2012 then Thailand was added to his portfolio in April 2014. He joined Shell in 1989, performing various assignments in Sales, Marketing, Process Engineering and Supply Chain Management. He served as the General Manager for Supply in the Philippines from 2009 to 2011 concurrent to being the Supply Operations Manager for Thailand and Hong Kong. During this period, he was likewise appointed as Director of First Philippine Industrial Corporation representing the Corporation. His previous roles prior to his stint in Supply were Business Development and Pricing Manager for Commercial Fuels from 2004 to 2009; Regional Sales Manager from 1998 to 2003; Member of Transformation Management Team 1997 to 1998; Corporate Training Manager for the Learning and Development Program of Pilipinas Shell Petroleum Corporation from 1996 to 1997; and SAP Project Lead for Commercial from 1995 to 1996. In his early days in Shell, he worked as a Commercial Account Manager and Retail Territory Manager for the Commercial and Retail businesses of the corporation. He received a Bachelor of Science in Business Administration from the University of the Philippines in 1987. From 2018 to 2020, he attended seminars on corporate governance.

Jan-Peter Groot Wassink was appointed as General Manager and Vice President – Manufacturing of the Corporation on 13 August 2018. He served as: Production Unit Manager at Shell Pernis Refinery, Rotterdam, the Netherlands from 2012 to 2018; Assistant Operations Manager for Shell Middle Distillate Synthesis (SMDS), Bintulu, Malaysia from 2008 to 2012; Refinery Head of Technology for Brunei Shell Petroleum (BSP), Brunei Negara Darussalam from 2005 to 2008; Senior Technologist for Saudi Aramco Shell Refinery (SASREF), Al-Jubail, Saudi Arabia from 2004 to 2005; and Technologist Thermal Conversion Processes for Shell Global Solutions International

BV, Amsterdam, The Netherlands from 2000 to 2004. He holds a Master's degree with honors in Chemical Engineering and Biotechnology from the Delft University of Technology, The Netherlands. From 2018 to 2020, he attended seminars on corporate governance.

Carlo D. Zandueta has been the Vice President for Human Resources since 01 October 2018. Prior to this role, he was based in Singapore as the Global HR Manager of Shell Aviation. He joined the Corporation in March 1999 as the Manufacturing Learning and Development Manager and has held a number of assignments since then: as HR Account Manager - B2B, Lubricants and Trading (Philippines, 2003-2006); Regional Skillpool Manager – APME (Singapore, 2006-2009); Global Learning Advisor – Commercial Fuels and Offer To Cash (Singapore, 2010-2012); and, Senior Talent Advisor – Global Commercial (Singapore, 2012-2016). He studied at the University of Santo Tomas, Bachelor of Arts in Philosophy (1989-1993) and Master of Arts in Philosophy (1994-1996); and at the De La Salle University, Master of Science in Industrial and Organizational Psychology, with High Distinction (2001-2006). From 2018 to 2020, he attended seminars on corporate governance.

Jannet C. Regalado was the Vice President-Legal and Chief Compliance Officer of the Corporation until 09 November 2020. She was responsible for managing and supervising a sizeable portfolio of litigation and arbitration in these jurisdictions involving commercial, civil, criminal, tort, environmental & employment matters and deals with a big network of Shell - accredited global law firms. She has served the Corporation as: Corporate Secretary from 2001 to 2015; Employment and Industrial Relations Manager from 1997 to 2001; Assistant Legal Counsel from 1994 to 1997; Legal Assistant from 1992 to 1994. Prior to joining the Shell Companies in the Philippines (SCiP), she was corporate secretary of First Lepanto Corporation and was a legal counsel at the Carpio, Villaraza and Cruz Law Firm.

She graduated with high honours with degrees in Bachelor of Arts in Political Science and Bachelor of Laws from the University of the Philippines (U.P.). During her stint at the University, she was a student leader and very active in intra-university debates and moot court competitions. She is also a faculty member of both the University of the Philippines and the Lyceum College of Law and is active in several legal and professional organizations.

Sergio C. Bernal, Jr. was appointed as the new Vice President-External Relations on 08 August 2019. He started his career in sales before taking up a few other roles including Business Development, Training and Marketing in local, regional and global posts. He was the JV General Manager for LPG from 2009-2011, when the JV achieved remarkable volume and revenue targets and HSSE performance. He then moved back to Shell Philippines, taking up sales and marketing leadership roles in lubricants, where he led teams to achieve over 110% sales growth and at same time built a strong high-performing team, winning global recognition. He was a recipient of two Global EVP awards for Project Pearl and Project Kindle. In his recent lubricant marketing role, he was in charge of both Philippines and Thailand. He graduated from De La Salle University in Manila with a Bachelor's degree in Industrial Management Engineering. From 2019 to 2020, he attended seminars on corporate governance.

Reynaldo P. Abilo was appointed Corporate Assurance Manager on 01 June 2017 until 31 December 2020. He is a newly appointed Director of the Corporation since 01 January 2021. He is likewise the Vice President-Finance, Treasurer and Chief Finance Officer of the Corporation. Mr. Abilo joined Shell in 2009 as the Retail Economics Manager in Philippines where he distinguished himself by winning the 2012 CFO award for site profitability analysis and 2013 Downstream Director Award for Dealer Operated platform strategy. Prior to Shell, he worked in Ernst & Young and Colgate-Palmolive for a number of years in various finance positions in supply chain, sales and marketing. He is a Certified Public Accountant with 16 years of experience in audit, accounting, economics, strategy development, business performance management, and commercial decision support. Prior to this assignment, he was Special Projects Advisor supporting the Global Marketing Growth Strategy. He was also Global Planning & Appraisal Manager for Marine Lubricants as well as Project & Economics Lead for Global Commercial ("GC") based in Singapore where he successfully managed the various planning, appraisal, and reporting processes for Marine and capital investments in GC. He graduated Cum Laude from the University of the Philippines (Diliman) with a Bachelor's degree in Business Administration and Accountancy. He placed 11th in the October 2004 CPA Board exams. From 2017 to 2020, he attended seminars on corporate governance.

Erwin R. Orocio is the Managing Counsel for Downstream. He is the newly appointed Chief Compliance Officer and Member of the Corporate Governance and Nomination Committees of the Corporation since 10 November 2020. He was - Corporate Secretary and Chief Information Officer of the Corporation until 09 November 2020. He was the Compliance Officer until 16 May 2017. He was also the Assistant Corporate Secretary of the Corporation, first appointed as such on 17 April 2012. He also serves as the Corporate Secretary for various Shell companies in the Philippines. He is also a Fellow of the Institute of Corporate Directors. He joined the Legal department as a Legal Counsel in November 1997 and has since advised all businesses and functions. Prior to that, he served as managing partner of the Garcia Ines Villacarlos Garcia Reciña & Orocio Law Office. He first joined the Corporation as an accountant in 1991 and left in January 1996 to complete his Juris Doctor degree from the Ateneo De Manila School of Law. He graduated from the De La Salle University in 1989 with a Bachelor of Arts (Major in Economics) and Bachelor of Science (Major in Accountancy). He placed 13th in the Accounting Board exams of May 1990. From 2016 to 2020, he attended seminars on corporate governance.

Ellie Chris C. Navarra is a Legal Counsel for Downstream since 16 February 2017. She is the newly appointed Corporate Secretary and Chief Information Officer of the Corporation since 10 November 2020. She was Assistant Corporate Secretary of the Corporation until 09 November 2020. She was appointed the Corporate Secretary of Shell Energy Philippines, Inc. and Assistant Corporate of other Shell-affiliated companies in the Philippines. In March 2018, she has completed the Basic Occupational Health and Safety Training. In February 2017, she earned her Certified Fraud Examiner credential from the Association of Certified Fraud Examiners ("ACFE"). Prior to that, she served as an Associate of the Corporate and Special Projects Department of the law firm Cruz Marcelo & Tenefrancia for three years. She passed the 2013 Philippine Bar Examinations. As a scholar, she earned her Juris Doctor degree from the Ateneo De Manila School of Law in 2013, with Second Honors distinction. Prior to taking up law, she was an Associate of the Technology and Security Risk Services of Sycip Gorres Velayo & Co. for two years. She is likewise a Certified Public Accountant since 2007. She graduated from the De La Salle University in 2006 with a Bachelor of Science (Major in Accountancy). She is a member of ACFE International Chapter, Integrated Bar of the Philippines, and Philippine Bar Association. From 2017 to 2020, she attended seminars on corporate governance.

Angelica M. Castillo was appointed as the Corporate Controller and Investor Relations Manager on 01 April 2017. In this role, she received the 2019 CFO Award for delivering value through a finance-led E2E integration. She joined Shell in 2015 as Process Manager in Expenditure where she won the EVP Award for Operational Excellence for various process improvement, performance measurement, and automation initiatives. Prior to Shell, she worked in BP's management consulting group based in Singapore where she drove operational improvement projects for BP's upstream, downstream and support functions. She started her career at KPMG Philippines where she led mergers and acquisitions due diligence and corporate finance engagements. Here, she received the KPMG Advisory Star Award for Asia Pacific in 2012. Ms. Castillo has a Bachelor of Science degree in Accountancy from De La Salle University where she obtained full scholarship from Pilipinas Shell Petroleum Corporation. She holds a Master in Business Administration degree from INSEAD. She is also a Chartered Financial Analyst and is a Certified Public Accountant. From 2017 to 2020, she attended seminars on corporate governance.

2. Significant Employees

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

3. Family Relationships

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

4. Involvement in any Legal Proceedings

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

1) In connection with the leak of petroleum products from the First Philippine Industrial Corporation's (FPIC) white oil pipeline, the West Tower Condominium Corporation filed on 15 October 2011 a complaint for violation of Article 365 of the Revised Penal Code against several directors (including Messrs. Buenaventura and Zobel) and an officer (Mr. Javier) of the Corporation. The Corporation used said pipeline to transport its products from the Tabangao refinery to its Pandacan terminal. In its Resolution dated 22 February 2018, the Office of the City Prosecutor of Manila dismissed the Complaint for lack of probable cause.

2) On March 24, 2011, a civil case was filed against FPIC and its directors and officers (three of whom were former officers of PSPC and one incumbent officers of PSPC), First Gen Corporation, Chevron, and PSPC. The above-mentioned incumbent officer of PSPC is Dennis C. Javier (Vice President – Wholesale Commercial Fuels), while the former officers are Edgar O. Chua (then the Chairman and President of PSPC) , Willie J. Sarmiento (then the Vice President – Finance) and Dennis G. Gamab (then Vice- President – Trading & Supply). This case was later on ruled as an ordinary civil case for damages and directed that the same be re-raffled to a regular court and that each of the individual complainants file a separate action for damages, as the damage suffered by one is not necessarily the same for all, and accordingly, pay the appropriate filing fees, which ruling has been questioned in the Court of Appeals and now currently pending with the Supreme Court. PSPC has also asserted that it is not liable for the alleged damages suffered by the complainants.

B. Executive Compensation

1. General

The compensation of PSPC's directors and officers is primarily based on its By-Laws provisions.

Directors. Article III Section 6 of PSPC's Amended By-Laws provides:

"Section 6 - Compensation: The Directors as such shall not receive any salary or compensation for their services, but for their attendance for each regular or special meeting of the Board of Directors, they shall receive an honorarium not exceeding such amounts as may be laid down from time to time by the stockholders of PSPC. Nothing herein contained shall preclude any Director from serving the PSPC in any other capacity and receiving compensation therefor."

Officers. Article IV, Section 4 of PSPC's Amended By-Laws provides that:

"Section 4 - Compensation***:*** The Board of Directors shall from time to time fix the compensation of the Officers and agents of the PSPC."

The total annual compensation was all paid in cash. The total annual compensation of officers includes the basic salary, the mid-year bonus and the 13th month pay.
PSPC has a registered, non-contributory retirement plan. All regular employees are covered by the said retirement plan. The Executive Officers are regular employees of PSPC.

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

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

2. Summary Compensation Table

		Projected 2021		2020		2019	
Names	**Principal Position**	Basic pay	Other variable pay	Basic pay	Other variable pay	Basic pay	Other variable pay
Cesar G. Romero (Filipino)	President and Chief Executive Officer						
Jose Jerome R. Pascual III (Filipino)	Vice President – Finance, Treasurer and Chief Risk Officer until 31 December 2020						
Carlo D. Zandueta (Filipino)	Vice President – Human Resources from 01 October 2018						
Jan-Peter Groot Wassink (Dutch)	Vice President – Manufacturing from 14 August 2018						

Randolph T. Del Valle (Filipino)	Vice President – Retail– effective 01 January 2020						
Sergio C. Bernal, Jr. (Filipino)	Vice President – External Relations and Government Relations						
Jannet C. Regalado (Filipino)	Vice President – Legal and Chief Compliance Officer – until 09 November 2020						
Erwin R. Orocio (Filipino)	Corporate Secretary until 09 November 2020 Chief Compliance Officer effective 10 November 2020						
Ellie Chris C. Navarra (Filipino)	Asst. Corporate Secretary until 09 November 2020 Corporate Secretary effective 10 November 2020						
Rubin G. Cura (Filipino)	Asst. Corporate Secretary effective 10 November 2020						
Reynaldo P. Abilo (Filipino)	Corporate Audit and Assurance Manager until 31 December 2020						
Angelica M. Castillo (Filipino)	Investor Relations Manager and Corporate Controller						
All Directors as a Group		Php 35.81 million		Php 40.99 million		Php 59.23 million	

3. Compensation of Directors

The following amounts are payable to Board Members:

1. Non-Executive Chairman's and Non-Executive Director's Honorarium for attendance in Board Meetings is PhP200,000.00 per meeting; Non-Executive Chairman's Annual Retainer is PhP1,800,000.00; A Non-Executive Director's Annual Retainer is PhP1,200,000.00. A Non-Executive Chairman and Non-Executive Directors' Honorarium for attendance at Board Committee Meetings is Php 100,000.00 per director.

2. Three of the Company's directors, Mr. Min Yih Tan, Mr. Rafi Haroon Basheer and Mr. Rolando J. Paulino, Jr. are not paid the above amounts as of 31 December 2019.

4. Employment Contracts and Termination of Employment and Change-in-Control Arrangements

All staff, including the Executive Officers, has a standard employment letter accomplished on their respective dates of hiring by PSPC.

5. Warrants and Options Outstanding: Re-pricing

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

C. Security Ownership of Certain Record and Beneficial Owners and Management

1. Security Ownership of Certain Record and Beneficial Owners

Title of Class	NAME, ADDRESS OF RECORD OWNER AND REALATIONSHIP WITH ISSUER	NAME OF BENEFICIAL OWNER AND RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NO. OF SHARES	PERCENT
Common	Shell Overseas Investments B.V. Carel van Bylandtlaan 30, 2596 HR The Hague The Netherlands - Parent PSPC	Shell Overseas Investments B.V. is both the Beneficial and Record Owner[1]	Dutch	890,860,233	55.215%
Common	The Insular Life Assurance PSPC, Ltd. The Insular Life Bldg., Ayala Avenue corner Paseo de Roxas, Makati City - Shareholder	The Insular Life Assurance PSPC, Ltd. is both the Beneficial and Record Owner[2]	Filipino	265,465,395	16.453%
Common	PCD Nominee Corporation 37/F The Enterprise Center Ayala Avenue, Makati City - Shareholder	PCD participants acting for themselves or for their customers.[3]	Filipino	193,432,406	11.989%

[1] The Board of Directors of Shell Overseas Investments B.V. (SOI) has the power to decide how SOI's shares in PSPC are to be voted.

[2] The Board of Directors of The Insular Life Assurance PSPC, Ltd. has the power to decide how The Insular Life Assurance shares in PSPC are to be voted.

3 Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant.

Common	PCD Nominee Corporation 37/F The Enterprise Center Ayala Avenue, Makati City - Shareholder	PCD participants acting for themselves or for their customers.[4]	Foreign	152,688,113	9.463%

Security Ownership of Management as of 31 December 2020

TYPE OF CLASS	NAME OF BENEFICIAL OWNER	POSITION	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	NATIONALITY
Common	Cesar A. Buenaventura	Independent Director	200,001	Filipino
Common	Fernando Zobel de Ayala	Independent Director	1	Filipino
Common	Lydia B. Echauz	Independent Director	2,001	Filipino
Common	Luis C. La'O	Non-Executive Director	1	Filipino
Common	Mona Lisa B. Dela Cruz	Non-Executive Director	5,217	Filipino
Common	Cesar G. Romero	Director/President and Chief Executive Officer	11,291	Filipino
Common	Min Yih Tan	Director/Chairman	1	Singaporean
Common	Randolph T. Del Valle	Director / Vice President – Retail	1	Filipino
Common	Jose Jerome R. Pascual, III	Director/Treasurer, Vice President – Finance and Chief Risk Officer	29,231	Filipino
Common	Rafi Haroon Basheer	Non-Executive Director	1	Pakistani
Common	Rolando J. Paulino Jr	Non-Executive Director	1	Filipino
Common	Erwin R. Orocio	Chief Compliance Officer and Managing Counsel	6,290	Filipino
Common	Sergio C. Bernal, Jr.	Vice President - External Relations and Government Relations	4,290	Filipino
Common	Carlo D. Zandueta	Vice President – Human Relations	0	Filipino
Common	Dennis C. Javier	Vice President - Wholesale Commercial Fuels	20,780	Filipino

4 Each beneficial owner of shares through a PCD participant is the beneficial owner to the extent of the number of shares in his account with the PCD participant.

Common	Jan-Peter Groot Wassink	Vice President - Manufacturing	0	Filipino
Common	Reynaldo P. Abilo, Jr.	Corporate Audit and Assurance Manager	6,000	Filipino
Common	Atty. Ellie Chris C. Navarra	Corporate Secretary	0	Filipino
Common	Atty. Rubin G. Cura	Assistant Corporate Secretary	4,290	Filipino
Security Ownership of all Directors and Officers			289,397	

2. Voting Trust Holders of 5% or More

To the best of its knowledge, PSPC is not aware of any person holding more than 5% of common shares under a voting trust or similar agreement.

3. Changes in Control

PSPC is not aware of any change in control or arrangement that may result in a change in control of PSPC since the beginning of its last fiscal year.

D. Certain Relationships and Related Transactions

PSPC, in its regular course of trade or business, enters into transactions with affiliated companies. For details on these transactions, please refer to Note 24 of the 2020 Audited Financial Statements.

No other transaction was undertaken by PSPC in which any Director or Executive Officer was involved or had a direct or indirect material interest. During the last two years, there were no transactions to which PSPC was a party concerning transactions with:

(a) Any director/executive director
(b) Any nominee for election as director
(c) Any security holder of certain record, beneficial owner or Management
(d) Any member of the immediate family of subpar (1) (a), (b) or (c) of this paragraph (d).

Shell Overseas Investments B.V. owned 55.215% of the total issued and outstanding capital stock of PSPC as of 31 December 2020.

PART V – CORPORATE GOVERNANCE

As of 31 December 2020, PSPC's Board of Directors is composed of eleven (11) directors: three (3) independent directors and four (4) non-executive directors and four (4) executive directors. Two (2) of the eleven directors, or 18%, are female.

On 31 May 2017, PSPC filed its Revised Manual on Corporate Governance ("Revised Manual") in compliance with the SEC Memorandum Circular No. 19, Series of 2016, otherwise known as the Code of Corporate Governance for Publicly-Listed Companies, which aims to develop a strong corporate governance culture consistent with regulatory and statutory developments in this space.

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

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

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

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

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

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

PSPC adopted the Revised Corporate Disclosure Guide to conform with the Revised Manual's steer for PSPC to perform its CG commitment as a publicly-listed company. PSPC provides a comprehensive, accurate and timely report of its financial condition, results and business operations, material fact or event and non-financial information (economic, environmental, social and governance) which underpin sustainability.

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

Pursuant to the new SEC Rules on Material Related Party Transactions for Publicly-Listed Companies, PSPC amended its Related Party Transaction Policy to align its requirements with the said rules. The rules cover any related party transactions amounting to ten percent (10%) or higher of a company's total assets based on its latest audited financial statements.

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

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

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

Components of the monitoring system:

Key Compliance Activities	**Action Points**	**Milestone Dates**	**Person/ Entity Responsible**	**Status**	**Reason for Non-Compliance/ Deviation from Manual**
1. Separation of the roles of Chairman and President		01 November 2016	Board	Done	
2. Adoption of Securities Dealing Code		27 February 2017	Board	Done	
3. Submission to the Philippine Stock Exchange of the first Compliance Report on Corporate Governance		31 March 2017	Corporate Secretary	Done	

Key Compliance Activities	Action Points	Milestone Dates	Person/ Entity Responsible	Status	Reason for Non-Compliance/ Deviation from Manual
4. Adoption of the Revised Manual on Corporate Governance which details the functions and responsibilities of the Board and its Committees		16 May 2017	Board	Done	
5. Creation of the Corporate Governance Committee		16 May 2017	Board	Done	
6. Adoption of Corporate Governance Committee Charter		16 May 2017	Board	Done	
7. Appointment of Chief Compliance Officer		16 May 2017	Board	Done	
8. Renaming of the Board Audit Committee to Board Audit and Risk Oversight Committee		16 May 2017	Board	Done	
9. Establishment of selection procedure for new directors under pertinent SEC rules and best practice recommendations		16 May 2017 based on the Revised Manual	Nomination Committee	Done	
10. Appointment of Chairman and Members of Board Committees consistent with the requirements of item 4 above	Board Committees: • Board Audit and Risk Oversight • Related Party Transaction • Corporate Governance • Nomination • Corporate Social Responsibility	16 May 2017	Nomination Committee and Board	Done	
11. Directors to provide information on business interests and directorships in other corporations (Full business interest disclosure)			Nomination Committee	Done	
12. Assessment of "Independence" of directors based on disclosures in item 11 above			Nomination Committee	Done	

Key Compliance Activities	Action Points	Milestone Dates	Person/ Entity Responsible	Status	Reason for Non-Compliance/ Deviation from Manual
13. Appointment of Corporate Audit & Assurance Manager		01 June 2017	Board	Done	
14. Approval of the Revised Corporate Disclosure Guide		08 August 2017	Corporate Disclosure Committee	Done	
15. Approval of the Revised Related Party Transaction Committee Charter and Policy		27 February 2018	Board	Done	
16. First Non-Executive Directors Meeting		03 May 2018	Non-Executive Directors	Done	
17. Appointment of Lead Independent Director		03 May 2018	Non-Executive Directors	Done	
18. Submission of the first Integrated Annual Corporate Governance Report		30 May 2018	Board	Done	
19. Approval of the Internal Audit Charter		08 August 2018	Board	Done	
20. Approval of the Nomination Committee Charter		21 March 2019	Board	Done	
21. Approval of the Revised Related Party Transaction Committee Policy		21 March 2019	Board	Done	
22. Implementation of Related Party Transaction Policy			Related Party Transaction Committee	Done	
23. Approval of the Revised Related Party Transaction Policy		08 August 2019	Related Party Transaction Committee	Done	
24. Information drive on the Revised Related Party Transaction Policy					
25. First SEC-Accredited In-House Corporate Governance Training		08 November 2019	Related Party Transaction Committee	Done	
26. Approval of the Revised Internal Audit Charter		26 March 2020	BARC and Board	Done	

Key Compliance Activities	Action Points	Milestone Dates	Person/ Entity Responsible	Status	Reason for Non-Compliance/ Deviation from Manual
27. Approval of the Revised BARC Charter		26 March 2020	BARC and Board	Done	
28. Records of Attendance level of directors in board meetings to be prepared and accessible to shareholders			Corporate Secretary	Done on a yearly basis	
29. Disclosure of Results of Stockholders' and Board Meetings			Corporate Secretary	Done	
30. Disclosure of Public Ownership Report			Corporate Secretary	Done every quarter	
31. Disclosure of Top 100 Stockholders			Corporate Secretary	Done every quarter	
32. Disclosure of changes in beneficial ownership of directors, officers and principal stockholders			Corporate Secretary	Done as and when transactions occur	
33. Conduct of Investors' and Analysts' Briefings			Investor Relations Office	Done every quarter	
34. Continuous assessment of Board performance via questionnaire			Corporate Governance Committee and Corporate Secretary	Done annually	
35. Review of vision, mission and core values			Corporate Governance Committee	Done annually	
36. Conduct an induction program for incoming Board members on PSPC's financial, strategic, operational and risk management position and the role of committees		After election of Directors	Corporate Governance Committee Secretariat	As and when there are new directors	
37. Attendance in Corporate Governance Workshops (Sec. 4 of PSPC's Revised Manual)		After election of Directors	Corporate Governance Committee and Corporate Secretary	Done	
38. Dissemination of copies of PSPC's Revised			Corporate Secretary	Ongoing	

Key Compliance Activities	Action Points	Milestone Dates	Person/ Entity Responsible	Status	Reason for Non-Compliance/ Deviation from Manual
Manual to all classes of business and service functions with one copy under custody of HR dept. (Sec. 3 of PSPC's Revised Manual)					
39. Held first Virtual Annual Stockholders' Meeting allowing shareholders to attend and vote *in absentia* or via remote communication		16 June 2020	Corporate Secretary	Done	
40. Approval of the Revised Internal Audit Charter		25 March 2021	BARC and Board	Done	
41. Approval of the Sustainability Committee Charter (formerly, Corporate Social Responsibility Committee Charter)		25 March 2021	Sustainability Committee (formerly, Corporate Social Responsibility Committee) and Board	Done	

PSPC fully recognizes that good corporate governance is a pressing imperative. It is not only because it is demanded by the law or the investor community. It simply makes good business sense to just do it.

PART VI – EXHIBITS and SCHEDULES

Reported Items via SEC Form 17-C

The following items were reported and submitted in 2020 via the SEC Form 17-C:

Date Submitted	Item No/Description	Details
08 January 2020	Item 9 - Other Events Change in Directors and/or Officers	Mr. Anabil Dutta, Non-Executive Director, CSR Committee and BARC Member, will be stepping down on 31 December 2019. Succeeding Mr. Anabil Dutta as Non-Executive Director, CSR Committee Member and BARC Member is Mr. Rafi Haroon Basheer. Mr. Basheer is currently Chairman of the Board of Shell Pakistan Ltd, a listed entity in Pakistan, and the Global GM Finance for Planning & Appraisal Downstream Retail and Global Commercial. He has held the following positions in the Shell Group: Global GM Finance – Specialities (August 2013–September 2015); Chief Financial Officer & Country Controller - Shell Companies in Pakistan (October 2009 – July 2013); Regional Finance Manager Asia Pacific - Shell Singapore (March 2007 – September 2009); Global Governance and Assurance Manager (January 2005 – February 2007); M&A Finance Advisor Asia Pacific – Shell Singapore (January 2003 – February 2004); and Retail Business Finance Manager – Shell Pakistan Limited (January 2000 – December 2002). He is a member of the Institute of Chartered Accountants in England and Wales.
08 January 2020	Item 9 - Other Events Change in Directors and/or Officers	Mr. Anthony Lawrence D. Yam, Executive Director and Vice President – Retail will be stepping down on 31 December 2019. Succeeding Mr. Yam as Executive Director and Vice President – Retail is Mr. Randolph “Randy” T. Del Valle. Mr. Del Valle has been the Global Head of the Shell Downstream Retail Network Strategy and Planning based in Singapore. He was formerly the Senior Strategy Consultant, Royal Dutch Shell Group, Hague/London (February 2015 – January 2017); Shell-BG Integration PMO Shell Lead, Paddington, London (2015 – 2016); Senior Consultant, Downstream Strategy Consultancy, London (January 2014 – 2015); Global On-Site Operational Excellence Manager- Downstream Retail, London (November 2009 – December 2013); Retail Operations Manager, Downstream Retail Philippines & North Pacific, Manila (April 2008 – October 2009). He held various roles with in Operations and Marketing in Downstream Retail in Shell Philippines/East. He is a Chemical Engineer and has an MBA degree from the London Business School.
10 January 2020	Item 9 - Other Events	Pilipinas Shell conducted its fuel marking operations at its Northern Mindanao Import Facility (NMIF) in Cagayan de Oro City and its Tabangao Refinery in Batangas in 2019. NMIF is the

	Pilipinas Shell implements fuel marking in fuel import terminal and refinery	first terminal to implement fuel marking in Mindanao while the refinery is the country's first refinery to undergo the said program. Representatives from the Bureau of Internal Revenue (BIR), the Bureau of Customs (BOC), and the SGS-Sicpa fuel marking consortium were present to witness as the global energy company officially marked Shell's high-quality diesel products last November 26. As of December 1, both the gasoline and diesel import tanks of NMIF's 90-million-liter capacity were fully marked. Following the rollout in Mindanao, Pilipinas Shell started the fuel marking process at its Tabangao refinery last December 11. To help ensure safety in implementation, Pilipinas Shell is working "double-time" to install a fully automated injection system in both the NMIF and the refinery. While the aim is full automation, the company has worked with SGS to implement a safer set of manual and semi-automated methods as a temporary measure. "We have a responsibility to ensure that the interests of all of our customers and stakeholders are safeguarded," said Serge Bernal, Vice President for External and Government Relations. "Our goal is to improve the safety of the process through automation. We're aiming to fully automate the system at our refinery by end March 2020." According to estimates by the Department of Finance (DOF) and the Asian Development Bank (ADB), the loss of national revenue due to oil smuggling and misdeclaration can reach as high as P40-billion. The government's fuel marking program establishes a system for identifying fuel that has paid the correct import and excise duties. Pilipinas Shell fully supports the government's fuel marking program and continues to coordinate closely with the DOF, BIR, BOC, and the Department of Energy (DOE) to ensure the successful implementation of the program. With the success of the said program, consumers can be assured that the fuel products they purchase in different sites in the country have passed the relevant government regulations.

		Pilipinas Shell supports the responsible development of the nation's energy industry by protecting Filipinos' fuel supply today and encouraging others to do the same.
17 January 2020	Item 9 - Other Events Tabangao Refinery continues to safely operate while retail stations serve as emergency response sites amidst Taal Volcano eruption	Normal business operations continue at Pilipinas Shell's Tabangao Refinery and across all businesses amidst the eruption of Taal Volcano in Batangas as the Company remains alert and cautiously monitor the situation. Safety remains a priority for the Company. Pilipinas Shell confirms that its staff and business partners in the Refinery are safe and all accounted for. While air quality has been assessed as "good" in the area of the Refinery as of writing, staff have been issued with appropriate face masks and safety glasses as a precautionary measure. The Taal situation is being constantly monitored and business protocols are in place to respond to any potential change in circumstances. Pilipinas Shell joins the rest of the Shell companies in the Philippines in providing disaster response support to the affected communities in the following ways, among others: 1. Project Shelter: 46 Shell retail stations surrounding the impacted municipalities have been designated as emergency response sites to the public. These sites are open 24/7 to provide first aid, toilet facilities, hydration, free mobile charging, and windshield cleaning service. These sites also serve as drop off points for in-kind donations; 2. Relief operations have been mobilized in two major evacuation centers in Batangas City through the Pilipinas Shell Foundation, Inc. and the Malampaya Foundation Inc.; Philippine Institute of Volcanic and Seismology (PHIVOLCS) has raised an Alert Level 4 on Taal Volcano on January 12, 2020. The Alert Level 4, which warns for a possible hazardous explosive eruption, remains in effect to this date. Pilipinas Shell stands by its business principles and responsibilities as a partner in nation building. This is what drives us to work closely with key stakeholders towards addressing the needs of Filipinos displaced by the Taal volcano eruption.
16 March 2020	Item 9 - Other Events	Pilipinas Shell continues its normal operations amid COVID-19. In its recent Circular, the DOE cites energy utilization as "vital to everyday life..., a basic necessity..." and ensures the unimpeded delivery of petroleum products. The Corporation

	Pilipinas Shell Continues to Operate Amid COVID-19	ensures that its deliveries and operations remain unhampered. Shell stations remain open in areas affected by community quarantine. The Corporation wishes to assure the public that the station staff and facilities are taking precautionary measures to ensure the safety of customers and visitors through regular sanitation and disinfection, readily available hand sanitizers, soap and running water, and strict self-sanitation for staff. The Corporation created a Contingency Planning Team to address COVID-19 concerns. It continuously issues health advisories to inform its staff of accurate and relevant updates on COVID-19 as well as preventive measures and practices. All staff are reminded to remain calm and be vigilant. They are allowed to work remotely in line with existing company policies and to be prepared to do so if called by the circumstances. In response to the requirements from the Department of Health ("DOH"), all staff are required to report about their business and personal travel plans. Business travel is limited only to business-critical in nature and in compliance with all relevant government regulations. Staff with travel history in the past 14 days (beginning 25 February 2020) to impacted countries with local transmission must go on home quarantine. Meanwhile, those with symptoms (fever and/or respiratory illness) will be referred to government hospitals. To summarize, the Corporation is implementing precautionary measures in line with the DOH guidelines: 1.Business continuity plans a. In line with the directive from the DOE, business continuity plans are in place to ensure the safety and sustainability of business operations and ability to meet the needs of our customers and partners. 2.Employees a. Staff are reminded to take care of their own health and observe good personal hygiene. b. Those who feel unwell are advised to seek medical help as well as rest or work from home if appropriate. c. Where possible, staff can work from home where operationally feasible. 3.Sites and work locations a. Visitors to sites who are unwell are not admitted. b. Cleaning frequency of common areas is increased and hand sanitizers and masks are made available.

		4.Events a. Non-essential large-scale events have been cancelled or deferred. As we exercise prudence, it is imperative that we show care for ourselves, our colleagues, partners, customers and the Shell community.
27 March 2020	Item 9 - Other Events Regular Meeting of the Board of Directors of Pilipinas Shell Petroleum Corporation held on 26 March 2020	At the Regular Meeting of the Board of Directors of the Corporation held on 26 March 2020 via teleconferencing, at which meeting a quorum was present and acting throughout, the following matters were discussed and approved: 1. 2019 Audited Financial Statements ("AFS"); 2. Re-appointment of Sycip Gorres Velayo & Company as the External Auditors of the Corporation for 2020; 3. Deferment of decision to declare cash dividend to the next Board meeting; 4. Deferment of the Annual Stockholders' Meeting on 12 May 2020 (second Tuesday in May per By-Laws) in view of the COVID-19 situation; and 5.AmendedCharters : a. Board Audit and Risk Oversight Committee ("BARC") Charter; and b. Corporate Audit and Assurance Department ("CAAD") Charter. Concerning items (1), (2) and (5), the 2019 AFS, re-appointment of external auditor and amended charters of the BARC and the CAAD were approved by the Board upon the endorsement of the BARC. On (3), the deferment of the decision to declare cash dividend will give the Board and management of the Corporation the opportunity to assess the overall situation and determine the effects of the COVID-19 pandemic/enhanced community quarantine together with crude oil price volatility on the Corporation's cash flows. Finally, on item (4), the decision to determine and set the dates of the Annual Stockholders' Meeting and closing of Stock and Transfer Book (to determine the list of stockholders entitled to the notice) is delegated by the Board to the

		President and Chief Executive and the Vice President – Finance and Treasurer.
30 March 2020	Item 9 - Other Events Pilipinas Shell net income up 11%	Pilipinas Shell ended 2019 with net income of Php 5.6 billion, up by 11% from previous year due to strong marketing delivery and refinery cost savings. This helped temper the suppressed regional refining margins and higher excise taxes that affected the oil industry. Pilipinas Shell's robust marketing agility, technological capability and adaptability, integrated value chain, and financial discipline played to its advantage as it remains to show a positive performance amid a volatile business environment. In 2019, it spent PHP6 billion to expand the retail network, support refinery growth projects, and enhance supply and distribution capabilities. The Company's gearing remained low at 26%. "We will remain focused on strengthening our core businesses while being mindful of the evolving energy landscape. We will use our foundation of values and strong corporate governance as we continue to deliver on our strategy to make Pilipinas Shell a world-class investment case," says President and CEO Cesar Romero.
16 April 2020	Item 9 - Other Events Audited Financial Statements for FY 2019	Audited Financial Statements as at December 31, 2019 and 2018 and years ended December 31, 2019, 2018 and 2017 and Independent Auditor's Report. Attached as well are the SEC Certification and BIR ITR Filing Reference.
05 May 2020	Item 9 - Other Events Temporary Shutdown of the Tabangao Refinery	The spread of the COVID-19 pandemic led to the implementation of the Enhanced Community Quarantine ("ECQ") in Luzon and selected provinces nationwide. As a result, it has impacted the country's economic activity due to limited mobility resulting in lower demand for fuel. Pilipinas Shell will continue to reinforce its financial resilience through cash conservation measures to position the Company for the subsequent economic recovery of the Philippines from the crisis. The Company has prepared itself by building the flexibility to switch from refinery production to full import of petroleum products, and therefore safeguard the continuous and cost-effective supply of high-quality fuels to the country. The commissioning of the NMIF in 2016 is a clear evidence of this. In response to the drastic decline in local product demand and the significant deterioration of regional refining margins brought about the COVID-19 pandemic, the Company will

		temporarily shut down its Refinery operations for approximately one month starting mid-May 2020. The Company will also use the Refinery shutdown as an opportunity to conduct proactive maintenance activities in the Refinery while we re-assure the public that we comply with the minimum inventory requirements of the government. The temporary shutdown will help insulate the Company from further potential drops in refining margins and will also aid in its cash conservation initiatives. Nonetheless, the Refinery will retain the flexibility to do a start-up immediately should market and demand conditions improve and stabilize. The joint operations of the NMIF and the Refinery as import terminals, coupled with the Company's resilient and efficient supply chain will help ensure that the supply of Shell fuels remains uninterrupted to serve the needs of the Filipinos.
07 May 2020	Item 9 - Other Events 2020 Annual Stockholders' Meeting	During its Regular Board Meeting on 26 March 2020, the Board of Directors of the Corporation delegated the decision to determine and set the dates of the Annual Stockholders' Meeting and closing of Stock and Transfer Book (to determine the list of stockholders entitled to the notice) to the President and Chief Executive and the Vice President – Finance and Treasurer of the Corporation. To protect and safeguard the wellbeing of all concerned, and to help avert the spread of COVID-19, the Meeting will be conducted virtually. This is also in compliance with existing government regulations prohibiting mass gatherings and mandating strict social distancing measures and in line with the priority that the Corporation gives to health and safety.
13 May 2020	Item 9 - Other Events Regular Meeting of the Board of Directors of Pilipinas Shell Petroleum Corporation held on 12 May 2020	At the Regular Meeting of the Board of Directors of the Corporation held on 12 May 2020 via teleconferencing, at which meeting a quorum was present and acting throughout, the following matters were discussed and approved: 1. Hold Virtual Annual Stockholders' Meeting ("Meeting") on 16 June 2020; and 2. Deferment of decision to declare cash dividend to the next Board meeting. On (1), in view of the Corporation's priority to the health and safety, the need to protect and safeguard the wellbeing of the participants of the Meeting, and to help avert the spread of COVID-19, the Meeting will be conducted virtually. As

		previously disclosed, the decision to determine and set the dates of the Annual Stockholders' Meeting and closing of Stock and Transfer Book (to determine the list of stockholders entitled to the notice) was delegated by the Board to the President and Chief Executive and the Vice President – Finance and Treasurer. Pursuant to this authority, the Meeting has been set to 16 June 2020 with record date on 20 May 2020. This has been duly disclosed to the Philippine Stock Exchange and the Securities and Exchange Commission. This is also in compliance with existing government regulations prohibiting mass gatherings and mandating strict social distancing measures. Further details on the process for the virtual Meeting will be disclosed in the Definitive Information Statement. On item (2), the Corporation's assessment of the impact of the COVID-19 pandemic, particularly the trajectory of overall fuels demand under the "new normal", and the effectiveness of its comprehensive recovery plans, can be known post lifting of the ECQ. This was the rationale for the original postponement of the decision to declare dividends, as resolved during the Board Meeting last 26 March 2020. However, the subsequent extensions of the ECQ: initially from April 15 to April 30 and then from April 30 to May 15, create uncertainty on the post-ECQ demand levels and have slowed down the implementation of the Corporation's recovery strategy. For these reasons, the decision to declare cash dividend has been deferred to the next Board meeting(s).
13 May 2020	Item 9 - Other Events Pilipinas Shell 1Q income takes a hit from low oil prices, COVID-19	The collapse in global oil prices, coupled with the slowdown in economic activity under a government-imposed quarantine due to the coronavirus disease of 2019 (COVID-19), has resulted in a first quarter loss of P5.5 billion for Pilipinas Shell. "Our first quarter loss is disappointing given our robust overall performance last year and the strong marketing delivery from the start of 2020 up until mid-March. We will overcome this challenge the same way we surmounted the various crises and upheavals during our 106-year legacy in the Philippines. We have taken prompt action to reinforce the financial strength and resilience of our business, leveraging on the flexibility of our supply chain and prudent balance sheet management over the past years. This way, we can ensure continuing care and support for the health and safety of our employees, business partners and society as a whole, as we continue to provide the country's fuel and energy needs now and in the long term," says Pilipinas Shell President and CEO Cesar Romero.

<table>
<tr>
<td>17 June 2020</td>
<td>Item 9 - Other Events

2020 Annual Stockholders' Meeting</td>
<td>Results of the Annual Stockholders' Meeting held on 16 June 2020

<table>
<tr><td>Name of Person</td><td>Shareholdings in the Listed Companies</td><td>Shareholdings in the Listed Companies</td></tr>
<tr><td></td><td>Direct</td><td>Indirect</td></tr>
<tr><td>Cesar A. Buenaventura</td><td>200,001</td><td>0</td></tr>
<tr><td>Fernando Zobel de Ayala</td><td>1</td><td>0</td></tr>
<tr><td>Mona Lisa B. Dela Cruz</td><td>5,210</td><td>7</td></tr>
<tr><td>Cesar G. Romero</td><td>11,290</td><td>1</td></tr>
<tr><td>Lydia B. Echauz</td><td>2,000</td><td>1</td></tr>
<tr><td>Rolando J. Paulino, Jr.</td><td>0</td><td>1</td></tr>
<tr><td>Jose Jerome R. Pascual III</td><td>29,230</td><td>1</td></tr>
<tr><td>Luis C. la Ó</td><td>0</td><td>1</td></tr>
<tr><td>Min Yih Tan</td><td>0</td><td>1</td></tr>
<tr><td>Randolph T. Del Valle</td><td>0</td><td>1</td></tr>
<tr><td>Rafi Haroon Basheer</td><td>0</td><td>1</td></tr>
</table>
</td>
</tr>
<tr>
<td>17 June 2020</td>
<td>Item 9 - Other Events

Organizational Meeting of the Board of Directors</td>
<td>On 16 June 2020, in compliance with SEC Memorandum Circular No. 6, Series of 2020, the newly elected members of the Board of Directors of Pilipinas Shell held their Organizational Board Meeting via teleconferencing, at which meeting all members were present and acting throughout. The following matters were discussed and approved:

(a) Election of Officers:

Min Yih Tan - Non-Executive Chairman of the Board
Cesar G. Romero - President and Chief Executive Officer
Jose Jerome Rivera Pascual III - Treasurer, Vice President – Finance and Chief Risk Officer
Randolph T. Del Valle - Vice President – Retail</td>
</tr>
</table>

		Sergio C. Bernal, Jr. - Vice President - External Relations and Government Relations Jan-Peter Groot Wassink - Vice President – Manufacturing Dennis Evaristo C. Javier - Vice President - Wholesale Commercial Fuels Carlo D. Zandueta - Vice President - Human Resources Atty. Jannet C. Regalado - Vice President – Legal and Chief Compliance Officer Reynaldo P. Abilo - Corporate Assurance Manager Atty. Erwin R. Orocio - Corporate Secretary Atty. Ellie Chris C. Navarra - Assistant Corporate Secretary (b) Appointment of Chairperson & Members of Committees Committees Members Board Audit and Risk Oversight Committee Cesar A. Buenaventura (Chairperson) Lydia B. Echauz Luis C. la Ó Rafi Haroon Basheer Related Party Transactions Committee Lydia B. Echauz (Chairperson) Cesar A. Buenaventura Luis C. la Ó Mona Lisa Dela Cruz Corporate Governance Committee Fernando Zobel de Ayala (Chairperson) Cesar A. Buenaventura Lydia B. Echauz Atty. Jannet C. Regalado Nomination Committee Cesar G. Romero (Chairperson) Cesar A. Buenaventura Atty. Jannet C. Regalado Carlo D. Zandueta (Non-voting) Corporate Social Responsibility Committee Luis C. la Ó (Chairperson) Min Yih Tan Rafi Haroon Basheer Sergio C. Bernal, Jr. (Non-voting)

		(c) Approval of the Integrated-Annual Corporate Governance Report
13 August 2020	Item 9 - Other Events Notice of Analysts'/Investors' Briefing	Please be advised that Pilipinas Shell Petroleum Corporation (PSPC) will hold an Analysts' and Investors' Briefing via webcast. The Financial and Operating Results of the Company will be discussed. Details are as follows: Date: August 17, 2020 (Monday) Time: 5:00 PM (GMT+8) Duration: 1 hour RSVP: To register for the webcast, please email PSPC-Investor-Relations@shell.com on or before August 14, 2020 (12:00 PM GMT+8). Please include the following details: 1. Full Name 2. Company 3. Job Title 4. Email Address Webcast dial-in details will be sent upon RSVP. A Q&A segment will commence immediately after the presentation of the Financial and Operating Results. Feel free to send your questions in advance to PSPC-Investor-Relations@shell.com.
13 August 2020	Item 9 - Other Events Pilipinas Shell Strengthens Financial Position to Weather COVID-19 Storm and Board Actions	Pilipinas Shell is making strategic choices to secure the long-term sustainability of its business and thrive in both the ongoing energy transition and the new normal created by the COVID-19 pandemic. With the price of fuel products lower than or almost equal to the cost of refining crude oil, the Corporation is permanently shutting down its refinery operations in Tabangao and transforming the facility into a world-class full import terminal to optimize its asset portfolio and enhance its cost and supply chain competitiveness. "We have the technical capability and financial flexibility to manage and adapt to disruptive conditions. Due to the impact of the COVID-19 pandemic on the global, regional and local economies, and the oil supply-demand imbalance in the region, it is no longer economically viable for us to run the refinery," says President and Chief Executive Officer Cesar Romero. The shift in supply chain strategy from manufacturing to full

		import, is a move that will further strengthen the Corporation's financial resilience amidst the significant changes and challenges in the global refining industry and the change to the new normal brought about by the COVID-19 pandemic. It also prepares the Corporation for a future that will rely on more and cleaner energy solutions. The Corporation is in fighting form as it goes deeper into the second half of the year, narrowing its quarter-on-quarter net loss from P5.5 billion in the first quarter to P1.2 billion in the second quarter, as crude oil and product prices slightly improved and stabilized during the second quarter. Net loss booked as of end of June totaled P6.7 billion. Despite seeing volume and earnings recovery in the months of May and June, the Corporation remains cautious given the spike of COVID-infected cases in the country and the consequent decision to place Metro Manila, Bulacan, Cavite, Laguna, and Rizal under modified enhanced community quarantine (MECQ) again. To ensure the Corporation remains financially resilient, and to preserve cash, the Board of Directors of the Corporation has also decided to cancel 2020 dividend payouts for 2019 financial results. "We are committed to make the right sustainable decisions now to protect our shareholders for the long-term," says Romero.
13 August 2020 2019	Item 9 - Other Events Amendment of the Second Article (Primary Purpose and Secondary Purpose) of the Articles of Incorporation	At the Regular Meeting of the Board of Directors of the Corporation held on 12 August 2020 via teleconferencing, at which meeting a quorum was present and acting throughout, the following matters were discussed and approved: 1. The transformation of the Tabangao Refinery into a world-class full import facility 2. Amendment of the Primary Purpose of its Articles of Incorporation On (1), Tabangao Refinery will be converted transformed into a world-class full import and storage terminal for finished products and components to support the long-term sustainable plan of the Corporation. This will translate to an estimated asset impairment of P6 billion (post tax) to be recognized in 3Q2020. Said impairment will not have a cash impact on the Corporation.

		On (2), the Primary Purpose of the Articles of Incorporation of the Corporation will be amended and broadened to: "To purchase, acquire, import, manufacture, refine, transport, use and store any and all kinds of petroleum and petroleum products, components, additives, lubricants, bitumen, chemical and/or petro-chemical products; and to market, distribute and sell at wholesale, export, exchange, deal in and dispose of such products and by-products which may be produced, developed or made therefrom." Consequently, secondary purpose item (c) will be deleted and all subsequent secondary purposes will be renumbered accordingly.
10 November 2020	Item 9 - Other Events Notice of Analysts'/Investors' Briefing	Please be advised that Pilipinas Shell Petroleum Corporation (PSPC) will hold an Analysts' and Investors' Briefing via webcast. The Financial and Operating Results of the Company will be discussed. Details are as follows: Date: November 13, 2020 (Friday) Time: 4:00 PM (GMT+8) Duration: 1 hour RSVP: To register for the webcast, please email PSPC-Investor-Relations@shell.com on or before November 11, 2020 (12:00 PM GMT+8). Please include the following details: 1. Full Name 2. Company 3. Job Title 4. Email Address Webcast dial-in details will be sent upon RSVP. A Q&A segment will commence immediately after the presentation of the Financial and Operating Results. Feel free to send your questions in advance to PSPC-Investor-Relations@shell.com.
11 November 2020	Item 9 - Other Events Regular Meeting of the Board of Directors of Pilipinas Shell Petroleum Corporation held on 10 November 2020	At the Regular Meeting of the Board of Directors of the Corporation held on 10 November 2020 via teleconferencing, at which meeting a quorum was present and acting throughout, the following matters were discussed and approved: 1. Mr. Reynaldo "Rey" P. Abilo as new Director, Treasurer,

		Vice President-Finance and Chief Risk Officer effective 01 January 2021; 2. Mr. Mark Brian J. Nicdao as new Corporate Audit and Assurance Manager effective 01 January 2021; 3. Atty. Erwin R. Orocio as new Chief Compliance Officer, Member of the Corporate Governance and Nomination Committees effective immediately; 4. Atty. Ellie Chris Navarra as new Corporate Secretary and Chief Information Officer effective immediately; and 5. Atty. Rubin G. Cura as new Assistant Corporate Secretary effective immediately. Mr. Jose Jerome R. Pascual, III will step down as Director, Treasurer, Vice President-Finance and Chief Risk Officer on 31 December 2020. To replace Mr. Pascual, Mr. Reynaldo "Rey" P. Abilo has been appointed the new Director, Treasurer, Vice President-Finance and Chief Risk Officer effective 01 January 2021, taking over from Mr. Pascual after almost six months of on-boarding and handover. Mr. Abilo is the Corporate Audit and Assurance Manager since 01 June 2017. He joined the Shell Group in 2009 as the Retail Economics Manager in Philippines where he distinguished himself by winning the 2012 CFO award for site profitability analysis and 2013 Downstream Director Award for Dealer Operated platform strategy. He is a Certified Public Accountant ("CPA") Board Topnotcher. To succeed Mr. Abilo as Corporate Audit and Assurance Manager, Mr. Mark Brian J. Nicdao has been appointed the new Corporate Audit and Assurance Manager effective 01 January 2021. He joined the Shell Group in 2011 as the Commercial Fuels Pricing and Demand Analyst and has since held critical roles such as Country Business Manager of Specialities, Government & External Relations Manager for Downstream, and Internal Communications Manager. He has been instrumental in helping build the Corporation's status as a trusted company and advisor with regard to industry advocacies and issues. After 28 years of service in the Corporation, Atty. Jannet Regalado has stepped down as Chief Compliance Officer and Member of the Corporate Governance and Nomination Committees of the Corporation. To replace Atty. Regalado,

		Atty. Erwin R. Orocio, Managing Counsel of the Corporation with over 23 years of legal experience, has been appointed the new Chief Compliance Officer and Member of the Corporate Governance and Nomination Committees effective immediately. Atty. Orocio will concurrently retain the role of Managing Counsel Downstream for the Shell companies in the Philippines. He ensured the delivery of the 2016 Initial Public Offering of the Corporation and its evolution as a publicly listed company whose governance practices are now being recognized internationally. He is a CPA Board Top notcher and a dual major in Economics and Accounting. To succeed Atty. Orocio, Atty. Ellie Chris Navarra has been appointed the new Corporate Secretary and Chief Information Officer of the Corporation effective immediately. Atty. Navarra is a Legal Counsel of the Corporation since February 2017, and was appointed its Assistant Corporate Secretary and of other Shell-affiliated companies in the Philippines, and the Corporate Secretary of Shell Energy Philippines, Inc. She worked to deliver the Corporation's Revised Manual on Corporate Governance and Securities Dealing Code, among others. She is also a CPA and a Certified Fraud Examiner. To succeed Atty. Navarra, Atty. Rubin G. Cura has been nominated the new Assistant Corporate Secretary. Atty. Cura is a Legal Counsel of the Corporation with more than 23 years of business, legal, regulatory, compliance, and leadership experience. He is also the Foundation Secretary and Legal Counsel of Pilipinas Shell Foundation, Inc.
11 November 2020	Item 9 - Other Events Appointment of (a) New Director, Treasurer, Vice President-Finance and Chief Risk Officer; and (b) New Corporate Audit and Assurance Manager, effective 01 January 2021	Mr. Jose Jerome R. Pascual, III will step down as Director, Treasurer, Vice President-Finance and Chief Risk Officer on 31 December 2020. To replace Mr. Pascual, Mr. Reynaldo "Rey" P. Abilo has been appointed the new Director, Treasurer, Vice President-Finance and Chief Risk Officer effective 01 January 2021, taking over from Mr. Pascual after almost six months of on-boarding and handover. Mr. Abilo is the Corporate Audit and Assurance Manager since 01 June 2017. He joined the Shell Group in 2009 as the Retail Economics Manager in Philippines where he distinguished himself by winning the 2012 CFO award for site profitability analysis and 2013 Downstream Director Award for Dealer Operated platform strategy. He is a Certified Public Accountant ("CPA") Board Topnotcher. To succeed Mr. Abilo as Corporate Audit and Assurance Manager, Mr. Mark Brian J. Nicdao has been appointed the

		new Corporate Audit and Assurance Manager effective 01 January 2021. He joined the Shell Group in 2011 as the Commercial Fuels Pricing and Demand Analyst and has since held critical roles such as Country Business Manager of Specialities, Government & External Relations Manager for Downstream, and Internal Communications Manager. He has been instrumental in helping build the Corporation's status as a trusted company and advisor with regard to industry advocacies and issues.
11 November 2020	Item 9 - Other Events Appointment of (a) New Chief Compliance Officer, Member of the Corporate Governance and Nomination Committees; (b) New Corporate Secretary and Chief Information Officer; and (c) New Assistant Corporate Secretary, effective immediately	After 28 years of service in the Corporation, Atty. Jannet Regalado has stepped down as Chief Compliance Officer and Member of the Corporate Governance and Nomination Committees of the Corporation. To replace Atty. Regalado, Atty. Erwin R. Orocio, Managing Counsel of the Corporation with over 23 years of legal experience, has been appointed the new Chief Compliance Officer and Member of the Corporate Governance and Nomination Committees effective immediately. Atty. Orocio will concurrently retain the role of Managing Counsel Downstream for the Shell companies in the Philippines. He ensured the delivery of the 2016 Initial Public Offering of the Corporation and its evolution as a publicly listed company whose governance practices are now being recognized internationally. He is a CPA Board Top notcher and a dual major in Economics and Accounting. To succeed Atty. Orocio, Atty. Ellie Chris Navarra has been appointed the new Corporate Secretary and Chief Information Officer of the Corporation effective immediately. Atty. Navarra is a Legal Counsel of the Corporation since February 2017, and was appointed its Assistant Corporate Secretary and of other Shell-affiliated companies in the Philippines, and the Corporate Secretary of Shell Energy Philippines, Inc. She worked to deliver the Corporation's Revised Manual on Corporate Governance, Securities Dealing Code, Corporate Disclosure Guide, Related Party Transactions Policy; its Board Committee Charters; and publication of multi-awarded Annual and Sustainability Reports. She is also a CPA and a Certified Fraud Examiner. To succeed Atty. Navarra, Atty. Rubin G. Cura has been nominated the new Assistant Corporate Secretary. Atty. Cura is a Legal Counsel of the Corporation with more than 23 years of business, legal, regulatory, compliance, and leadership experience. He is also the Foundation Secretary and Legal Counsel of Pilipinas Shell Foundation, Inc. and the Corporate

		Secretary and one of the Board of Trustees of the Shell Employees Savings and Loan Association, Inc.
13 November 2020	Item 9 - Other Events Pilipinas Shell stays resilient in Covid-hit Q3 amidst Tabangao refinery transformation	Following the announcement of the cessation of its manufacturing operations and conversion of Tabangao into a world-class import facility last August, Pilipinas Shell Petroleum Corporation ("Pilipinas Shell") booked P7.5 billion of one-off charges in Q3 bringing the total net loss to P13.9 billion at the end of September 2020. Excluding these one-off charges relating to the Tabangao transformation, normalized earnings stand at a net loss of P6.4 billion, down from the P4.4 billion net income made in the same period last year but up from the P6.7 billion net loss reported at the end of the Q2 2020. Discounting the P5.7 billion in inventory valuation losses, core net loss has improved at P0.7 billion for Q3, up from Q2's P0.9 billion. Pilipinas Shell has boosted its efforts to maintain financial resilience in the midst of the Covid-19 pandemic by posting savings of P2.5 billion by the end of the third quarter (Q3), exceeding its cash conservation target of P2 billion by yearend. Savings of P1.2 billion were generated from OPEX, with P1.3 billion from CAPEX. Cesar G. Romero, President and Chief Executive Officer of Pilipinas Shell, remains optimistic. Government's efforts to gradually reopen the economy by prudently relaxing quarantine restrictions are slowly giving elbow room for the economy to recover. "The wins are coming in gradually as more businesses operate at increased capacity in the areas of manufacturing and transportation, to name a few. Our balance sheet, technical capability and resources are solid and serve us well in continuing to provide Filipinos with high-quality fuel products despite the challenging economic environment and to make the right sustainable decisions to protect the long-term interests of our shareholders," he says. Gearing rose to 47 percent, mainly because of lower equity from net loss rather than an increase in net debt. Excluding the impact of Refinery one-off charges, the Company's gearing stands at 41 percent.

At the Annual Stockholders' Meeting of 16 June 2020, the following were elected as directors:

Name	**Directorship**
Cesar A. Buenaventura	Independent Director
Fernando Zobel de Ayala	Independent Director
Lydia B. Echauz	Independent Director
Luis C. La'O	Non-Executive Director
Mona Lisa B. Dela Cruz	Non-Executive Director
Min Yih Tan	Non-Executive Director (effective 01 January 2021)
Cesar G. Romero	Executive Director
Rafi Haroon Basheer	Non-Executive Director (effective 01 January 2021)
Rolando J. Paulino, Jr.	Non-Executive Executive Director
Randolph T. Del Valle	Executive Director (effective 01 January 2021)
Jose Jerome R. Pascual III	Executive Director (until 31 December 2020)

Additionally, at the Organizational Board Meeting of the same date, the following By-Laws Officers and Committee members were elected:

Position	**Name of Officer**
Non-Executive Chairman of the Board	Min Yih Tan
President & Chief Executive Officer	Cesar G. Romero
Vice President - Finance, Treasurer and Chief Risk Officer	Jose Jerome R. Pascual, III (until 31 December 2020)
Vice President - Manufacturing	Jan-Peter Groot Wassink
Vice President - External Relations and Government Relations	Sergio C. Bernal, Jr.
Vice President - Retail	Randolph T. Del Valle
Vice President - Human Resources	Carlo D. Zandueta
Vice President - Legal and Chief Compliance Officer	Jannet C. Regalado (until 09 November 2020)
Vice President - Wholesale Commercial Fuel	Dennis Evaristo C. Javier
Corporate Secretary	Erwin R. Orocio (until 09 November 2020)
Asst. Corporate Secretary	Ellie Chris C. Navarra (until 09 November 2020)
Corporate Assurance Manager	Reynaldo P. Abilo (until 31 December 2020)
Board Audit and Risk Oversight Committee	
Chairman	Cesar A. Buenaventura
Member	Lydia B. Echauz
Member	Luis C. La'O
Member	Rafi Haroon Basheer

Related Party Transaction Committee	
Chairman	Lydia B. Echauz
Member	Cesar A. Buenaventura
Member	Luis C. La'O
Member	Mona Lisa B. De la Cruz
Corporate Governance Committee	
Chairman	Fernando Zobel de Ayala
Member	Cesar A. Buenaventura
Member	Lydia B. Echauz
Member	Jannet C. Regalado (until 09 November 2020)
Nomination Committee	
Chairman	Cesar G. Romero
Member	Cesar A. Buenaventura
Member	Jannet Regalado (until 09 November 2020)
Member (Non-voting)	Carlo D. Zandueta
Corporate Social Responsibility Committee	
Chairman	Luis C. La'O
Member	Min Yih Tan
Member	Rafi Haroon Basheer

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of PSPC Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Taguig on 12 day of April 2021.

Issuer:

Signature and Title: ______________________
CESAR G. ROMERO
President and Chief Executive Officer

Signature and Title: ______________________
REYNALDO P. ABILO
Chief Financial Officer

Signature and Title: ______________________
ANGELICA M. CASTILLO
Corporate Controller

SUBSCRIBED AND SWORN to before me this APR 13 2021 at Taguig City, affiant/s exhibiting to me the following Community Tax Certificate and/or Competent Evidence of Identification:

Name	Competent Evidence of Identification		
	Passport Number	Date of Issue	Place of Issue
CESAR G. ROMERO			
REYNALDO P. ABILO			

Name	CRN #	Type of ID
ANGELICA M. CASTILLO		

IN WITNESS WHEREOF, I have hereunto affixed my signature and Notarial Seal.

NOTARY PUBLIC

ATTY. VINCENT C. JUAN
NOTARY PUBLIC FOR & IN TAGUIG CITY
UNTIL DEC. 31 2021/ APPOINTMENT NO. 51 (2020-2021)
PTR NO. A-5115227; TAGUIG CITY; 20 JANUARY 2021
ROLL NO. 61889 / IBP NO. 110511, EASTERN MINDANAO-DAVAO DE NORTE CHAPTER
MCLE COMPLIANCE NO. VI-0029070 / 18 OCTOBER 2019
41ST FLOOR, THE FINANCE CENTER, 26TH STREET CORNER 9TH AVENUE, BGC, TAGUIG CITY

VINCENT C. JUAN
NOTARY PUBLIC
ROll NO. 61889
TAGUIG CITY, PHILIPPINES

Doc. No. 17A ;
Page No. 79 ;
Book No. II ;
Series of 2021.

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ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Pilipinas Shell Petroleum Corporation
41st floor, The Finance Centre, 26th Street corner 9th Avenue
Bonifacio Global City, Brgy. Fort Bonifacio, Taguig City, Metro Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pilipinas Shell Petroleum Corporation (the Company), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Adequacy of provision for legal cases and recoverability of claims from government

The Company is involved in legal proceedings and assessments for excise tax arising from importations of Catalytic Cracked Gasoline (CCG), Light Catalytic Cracked Gasoline (LCCG) and Alkylate. We focused on this area because the estimation of the potential liability resulting from these assessments require significant judgment by management. The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and implementation of the relevant laws and regulations.

In addition, the Company has claims from certain government agencies relating to excise duties paid under protest for Alkylate shipments. We considered this as a key audit matter because of the materiality of the amount involved, and the significant management judgment required in assessing whether there is any indication of impairment.

The relevant disclosures on these matters are included in Notes 4, 7 and 28 to the financial statements.

Audit response

We involved our internal specialist in the evaluation of management's assessments on (a) whether any provision for tax contingencies should be recognized and the estimation of such amount, and (b) the assessment of recoverability of the claims. We discussed with management the status of the tax assessments and obtained correspondences with courts and regulatory agencies, and opinions of both the Company's internal and external legal counsels. We have also evaluated the tax position of the Company by considering the tax laws, rulings, and jurisprudence. In addition, we traced selected claims from government to the supporting documents. We also discussed with management and its internal legal counsel the status of these claims and obtained the opinions of both the Company's internal and external legal counsels.

BUREAU OF INTERNAL REVENUE

MAR 26 2021

DIVISION

Valuation of inventories

The Company's inventories substantially comprise of finished petroleum products. As of December 31, 2020, total inventories amounting to ₱10.02 billion represents 12% of total assets of ₱86.55 billion. We considered this as a key audit matter because the prices of petroleum products are highly volatile due to various factors such as global trends in demand and other economic factors and the determination of the net realizable value requires management to make an estimate of the inventories' selling price in the ordinary course of business. The high price volatility may give rise to a circumstance where the cost of the Company's inventories is significantly higher than its net realizable value.

The disclosures in relation to inventories are included in Note 5 to the financial statements.

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Audit response

We obtained an understanding of the Company's inventory valuation process and related controls. We obtained and reviewed management's calculation of the inventories' net realizable values. We tested the net realizable value of selected inventories by obtaining the prevailing market prices and historical selling costs, and compared this against the cost of inventories.

Valuation of pension assets

The Company has retirement plans for its regular employees with a net pension asset position of ₱6.58 billion, which represents about 8% of total assets of the Company as of December 31, 2020. The related pension assets include a significant unquoted equity investment, measured at fair value based on a valuation performed by an external appraiser. The valuation performed by the external appraiser depended on certain assumptions, including rental rates, characteristics of the underlying properties as well as listings of comparable properties by reference to historical market data. Thus, we considered the valuation of the said pension plan asset as a key audit matter.

The disclosures in relation to pension assets are included in Note 25 to the financial statements.

Audit response

We evaluated the competence, capabilities and objectivity of the external appraiser. We involved our internal specialist in the review of the methodology and assumptions used in the valuation of the investment. We assessed the methodology adopted by reference to common valuation models, and evaluated key inputs used in the valuation, specifically rental rates stated in the lease contracts and fair market value of real estate properties by reference to historical market data. We also reviewed the disclosures relating to the Company's pension plan assets.

Impairment of oil refinery and related assets

The Company's decision to convert the Tabangao refinery into a full import facility and the adverse effects of the highly volatile global oil prices are significant indicators that the recoverable amount of the oil refinery and related assets, consisting of items of property, plant and equipment and right to use assets, may be lower than the carrying amount. We considered this as a key audit matter because of the significance of the amount of oil refinery and related assets that are impaired due to the conversion of the refinery.

The carrying values and disclosures about the Company's oil refinery and related assets and impairment losses as of and for the year ended December 31, 2020 are included in Notes 8, 9, 11 and 23 to the financial statements.

Audit response

We obtained an understanding of the nature and composition of the oil refinery and related assets that were identified to have impairment indicators brought about by the conversion of the refinery. We traced the listing of these assets, the categories and the corresponding net book values to the Company's asset register. We involved our internal specialist in reviewing the supporting document used in the determination of the assets' fair value less cost to sell, which represents the recoverable amount of the oil refinery and related assets. We also reviewed the Company's disclosures related to the impairment of these assets, including determining the recoverable amount of such assets.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 34 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Pilipinas Shell Petroleum Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Jose Pepito E. Zabat III.

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat

Jose Pepito E. Zabat III
Partner
CPA Certificate No. 85501
Accreditation No. 85501-SEC (Group A)
Valid to cover audit of 2020 to 2024
financial statements of SEC covered institutions
Tax Identification No. 102-100-830
BIR Accreditation No. 08-001998-060-2020,
December 3, 2020, valid until December 2, 2023
PTR No. 8534388, January 4, 2021, Makati City

March 25, 2021

BUREAU OF INTERNAL REVENUE
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MAR 26 2021
EXCISE LT REGULATORY DIVISION

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and the Stockholders
Pilipinas Shell Petroleum Corporation
41st floor, The Finance Centre, 26th Street corner 9th Avenue
Bonifacio Global City, Brgy. Fort Bonifacio, Taguig City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Pilipinas Shell Petroleum Corporation (the Company) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated March 25, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat

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MAR 26 2021

Jose Pepito E. Zabat III
Partner
CPA Certificate No. 85501
Accreditation No. 85501-SEC (Group A)
Valid to cover audit of 2020 to 2024
financial statements of SEC covered institutions
Tax Identification No. 102-100-830
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December 3, 2020, valid until December 2, 2023
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October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and the Stockholders
Pilipinas Shell Petroleum Corporation
41st floor, The Finance Centre, 26th Street corner 9th Avenue
Bonifacio Global City, Brgy. Fort Bonifacio, Taguig City, Metro Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Pilipinas Shell Petroleum Corporation as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, included in this Form 17-A and have issued our report thereon dated March 25, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jose Pepito E. Zabat

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MAR 26 2021
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Jose Pepito E. Zabat III
Partner
CPA Certificate No. 85501
Accreditation No. 85501-SEC (Group A)
Valid to cover audit of 2020 to 2024
financial statements of SEC covered institutions
Tax Identification No. 102-100-830
BIR Accreditation No. 08-001998-060-2020,
December 3, 2020, valid until December 2, 2023
PTR No. 8534388, January 4, 2021, Makati City

March 25, 2021

SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City, 1307

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Pilipinas Shell Petroleum Corporation** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year ended **31 December 2020**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Note: The Chairman of the Board is presently holding office at Singapore. Due to health risks brought about by the pandemic, consularization of the document is not recommended at this time. The consularized version or the notarized version when he arrives at the Philippines, as applicable, will be submitted to the SEC at the earliest opportunity.

Min Yih Tan
Chairman of the Board

Signed this 25th day of March 2021

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EXCISE LT REGULATORY DIVISION

Pilipinas Shell Petroleum Corporation
41st Floor, The Finance Center
26th Street corner 9th Avenue
Bonifacio Global City
1635 Taguig City, Philippines

Tel. +632 3499 4001
Website http://www.pilipinas.shell.com.ph

Cesar G. Romero
President and Chief Executive Officer

Reynaldo P. Abilo
Chief Financial Officer

Signed this 25th day of March 2021

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41st Floor, The Finance Center
26th Street corner 9th Avenue
Bonifacio Global City
1635 Taguig City, Philippines

Tel. +632 3499 4001
Website http://www.pilipinas.shell.com.ph

SUBSCRIBED AND SWORN to before me this MAR 25 2021 in Taguig City, affiant/s exhibiting to me the following Community Tax Certificate and/or Competent Evidence of Identification:

Name	Competent Evidence of Identification		
	Passport Number	Date of Issue	Place of Issue
CESAR G. ROMERO	P4197953A	29th August 2017	DFA MANILA
REYNALDO P. ABILO	P3936087A	5th August 2017	DFA CALASIAO

IN WITNESS WHEREOF, I have hereunto affixed my signature and Notarial Seal.

VINCENT C. JUAN
NOTARY PUBLIC
ROll NO. 61889
TAGUIG CITY, PHILIPPINES

ATTY. VINCENT C. JUAN
NOTARY PUBLIC FOR & IN TAGUIG CITY
UNTIL DEC. 31 2021/ APPOINTMENT NO. 51 (2020-2021)
PTR NO. A-5115227; TAGUIG CITY; 20 JANUARY 2021
ROLL NO. 61889 / IBP NO. 110511, EASTERN MINDANAO-DAVAO DE NORTE CHAPTER
MCLE COMPLIANCE NO. VI-0029070 / 18 OCTOBER 2019
41ST FLOOR, THE FINANCE CENTER, 26TH STREET CORNER 9TH AVENUE, BGC, TAGUIG CITY

Doc No. 344;
Page No. 69;
Book No. II;
Series of 2021.

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	4	8	2	9						

COMPANY NAME

PILIPINAS SHELL PETROLEUM CORPORATION

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

41ST FLOOR, THE FINANCE CENTER 26TH STREET CORNER 9TH AVENUE, BONIFACIO GLOBAL CITY, BRGY. FORT BONIFACIO, TAGUIG CITY, METRO MANILA, 1635

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
https://pilipinas.shell.com.ph	(632) 3 4994001	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
321	05/11	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Reynaldo P. Abilo	Rey.Abilo@shell.com	(632) 3 4994001	N/A

CONTACT PERSON's ADDRESS

41st Floor, The Finance Center, 26th Street corner 9th Avenue Bonifacio Global City, Brgy. Fort Bonifacio, Taguig City, Metro Manila

NOTE 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

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Pilipinas Shell Petroleum Corporation

Financial Statements
For the years ended December 31, 2020 and 2019

Pilipinas Shell Petroleum Corporation

CONTENTS

PILIPINAS SHELL PETROLEUM CORPORATION
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2020
(All amounts in thousands Philippine peso, except par value per share)

	Note	2020	2019
ASSETS			
Current assets			
Cash	3	6,290,505	4,778,877
Trade and other receivables, net	4	11,732,615	15,767,566
Inventories, net	5	10,016,402	25,422,717
Prepayments and other current assets	6	1,863,121	1,500,241
Total Current Assets		**29,902,643**	**47,469,401**
Noncurrent Assets			
Long term receivables, rentals and investments, net	7	5,605,240	4,622,849
Property, plant and equipment, net	8	23,134,977	30,925,797
Right to use assets, net	9	14,507,495	12,649,096
Deferred tax assets, net	10	6,102,753	-
Other assets, net	11	7,297,081	7,252,325
Total Noncurrent Assets		**56,647,546**	**55,450,067**
TOTAL ASSETS		**86,550,189**	**102,919,468**
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	12	20,377,235	29,684,153
Short term loans	13	13,000,000	9,752,000
Dividends payable		17,074	17,054
Total Current Liabilities		**33,394,309**	**39,453,207**
Noncurrent Liabilities			
Long-term debt	14	9,000,000	9,000,000
Lease liabilities	9	13,018,762	10,477,414
Deferred tax liabilities, net	10	-	1,000,115
Provisions and other liabilities	15	7,505,247	3,160,418
Total Noncurrent Liabilities		**29,524,009**	**23,637,947**
Equity			
Share capital - P1 par value	16	1,681,058	1,681,058
Share premium		26,161,736	26,161,736
Treasury shares	16	(507,106)	(507,106)
Retained earnings (accumulated loss)	17	(4,304,059)	11,937,980
Other reserves	11, 25	600,242	554,646
Total Equity		**23,631,871**	**39,828,314**
TOTAL LIABILITIES AND EQUITY		**86,550,189**	**102,919,468**

See accompanying Notes to Financial Statements.

PILIPINAS SHELL PETROLEUM CORPORATION
STATEMENTS OF INCOME
For the year ended December 31, 2020
(All amounts in thousands Philippine peso, except earnings per share)

	Note	2020	2019	2018
NET SALES				
Sale of goods	30.21	162,022,652	224,288,584	223,817,699
Sales discounts and rebates		(5,070,809)	(5,885,630)	(4,949,023)
		156,951,843	**218,402,954**	**218,868,676**
COSTS AND EXPENSES (INCOME)				
Cost of sales	19	153,291,201	194,952,649	196,573,873
Selling expenses	20	11,206,025	12,132,582	11,644,884
General and administrative expenses	20	2,516,753	2,316,041	2,741,716
Impairment losses	23	11,124,473	-	-
Other operating income, net	21	(177,773)	(388,440)	(583,862)
		177,960,679	**209,012,832**	**210,376,611**
INCOME (LOSS) FROM OPERATIONS		**(21,008,836)**	**9,390,122**	**8,492,065**
OTHER INCOME (CHARGES)				
Finance income	22	280,077	511,707	45,117
Finance expense	22	(2,299,443)	(1,880,632)	(1,245,034)
		(2,019,366)	(1,368,925)	(1,199,917)
INCOME (LOSS) BEFORE INCOME TAX		(23,028,202)	8,021,197	7,292,148
PROVISION FOR (BENEFIT FROM) INCOME TAX	10	(6,845,529)	2,400,042	2,215,822
NET INCOME (LOSS)		(16,182,673)	5,621,155	5,076,326
EARNINGS PER SHARE - BASIC AND DILUTED	18	(10.03)	3.48	3.15

See accompanying Notes to Financial Statements.

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MAR 26 2021

PILIPINAS SHELL PETROLEUM CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the year ended December 31, 2020
(All amounts in thousands Philippine peso)

	Note	2020	2019	2018
NET INCOME (LOSS)		(16,182,673)	5,621,155	5,076,326
OTHER COMPREHENSIVE INCOME				
Items not to be reclassified to income or loss in subsequent periods:				
Remeasurement gain (loss) on retirement benefits, net of tax	25	(59,366)	140,291	1,592
Increase (decrease) in fair value of equity through OCI financial assets, net of tax	11	(2,860)	57,263	93,298
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		(62,226)	197,554	94,890
TOTAL COMPREHENSIVE INCOME (LOSS)		(16,244,899)	5,818,709	5,171,216

See accompanying Notes to Financial Statements.

PILIPINAS SHELL PETROLEUM CORPORATION
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2020, 2019 AND 2018
(All amounts in thousands Philippine peso)

	Share Capital (Note 16)	Share premium (Note 16)	Treasury shares (Note 16)	Retained Earnings (Note 17)	Other Reserves: Share-based Reserve (Note 25)	Other Reserves: Fair value Reserve (Note11)	Total
At January 1, 2018	**1,681,058**	**26,161,736**	**(507,106)**	**14,339,453**	**138,200**	**322,047**	**42,135,388**
Income for the year	-	-	-	5,076,326	-	-	5,076,326
Impact of adoption of PFRS 9	-	-	-	(49,370)	-	-	(49,370)
Increase in fair value of equity through OCI (net of tax amounting to P74,562)	-	-	-	-	-	93,298	93,298
Remeasurement gain on retirement benefits (net of tax amounting to P682)	-	-	-	1,592	-	-	1,592
Total comprehensive income	-	-	-	5,028,548	-	93,298	5,121,846
Transactions with owners							
Share-based compensation	-	-	-	-	7,680	-	7,680
Cash dividends	-	-	-	(8,293,103)	-	-	(8,293,103)
Total transactions with owners for the year	-	-	-	(8,293,103)	7,680	-	(8,285,423)
Balances at December 31, 2018	**1,681,058**	**26,161,736**	**(507,106)**	**11,074,898**	**145,880**	**415,345**	**38,971,811**

	Share Capital (Note 16)	Share premium	Treasury shares (Note 16)	Retained Earnings (Note 17)	Other Reserves: Share-based Reserve (Note 25)	Other Reserves: Fair value Reserve (Note11)	Total
Balances at January 1, 2019	**1,681,058**	**26,161,736**	**(507,106)**	**11,074,898**	**145,880**	**415,345**	**38,971,811**
Income for the year	-	-	-	5,621,155	-	-	5,621,155
PFRS 16 deferred tax transition adjustment	-	-	-	(58,031)	-	-	(58,031)
Increase in fair value of equity through OCI (net of tax amounting to P10,137)	-	-	-	-	-	57,263	57,263
Remeasurement gain on retirement benefits (net of tax amounting to P60,124)	-	-	-	140,291	-	-	140,291
Total comprehensive income	-	-	-	5,703,415	-	57,263	5,760,678
Transactions with owners							
Share-based compensation	-	-	-	-	(63,842)	-	(63,842)
Cash dividends	-	-	-	(4,840,333)	-	-	(4,840,333)
Total transactions with owners for the year	-	-	-	(4,840,333)	(63,842)	-	(4,904,175)
Balances at December 31, 2019	**1,681,058**	**26,161,736**	**(507,106)**	**11,937,980**	**82,038**	**472,608**	**39,828,314**

	Share capital (Note 16)	Share premium	Treasury shares (Note 16)	Retained Earnings (Note 17)	Other Reserves: Share-based Reserve (Note 25)	Other Reserves: Fair value Reserve (Note11)	Total
Balances at January 1, 2020	**1,681,058**	**26,161,736**	**(507,106)**	**11,937,980**	**82,038**	**472,608**	**39,828,314**
Loss for the year	-	-	-	(16,182,673)	-	-	(16,182,673)
Increase in fair value of equity through OCI (net of tax amounting to P289)	-	-	-	-	-	(2,860)	(2,860)
Remeasurement loss on retirement benefits (net of tax amounting to P25,445)	-	-	-	(59,366)	-	-	(59,366)
Total comprehensive income (loss)	-	-	-	(16,242,039)	-	(2,860)	(16,244,899)
Transactions with owners							
Share-based compensation	-	-	-	-	48,456	-	48,456
Total transactions with owners for the year	-	-	-	-	48,456	-	48,456
Balances at December 31, 2020	**1,681,058**	**26,161,736**	**(507,106)**	**(4,304,059)**	**130,494**	**469,748**	**23,631,871**

See accompanying Notes to Financial Statements.

PILIPINAS SHELL PETROLEUM CORPORATION
STATEMENTS OF CASH FLOWS
For the year ended December 31, 2020
(All amounts in thousands Philippine peso)

	Note	2020	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax		(23,028,202)	8,021,197	7,292,148
Adjustments for:				
Depreciation and amortization expense	8, 9, 11	4,241,241	4,361,760	1,957,576
Amortization of prepaid lease payments		204,308	1,569,461	1,675,750
Interest and finance charges	22	2,227,886	1,803,128	634,114
Pension income	25	(94,632)	(246,038)	(106,509)
Accretion expense	22	63,342	67,804	110,388
Share-based compensation	25	131,002	123,287	129,648
Loss (gain) on disposal of property and equipment	21	55,618	9,797	(36,230)
Write-off of assets		769	165,977	-
Interest income	22	(5,710)	(1,564)	(5,551)
Unrealized mark to market (gain) loss, net	21	(18,209)	(33,859)	258,264
Impairment of assets	23	11,124,473	-	-
Unrealized foreign exchange gain, net	22	(46,203)	(83,432)	(39,566)
Share in profit of associates	21	(80,485)	(10,405)	(54,197)
Reversals of provisions for ARO and remediation	15	(65,723)	(5,064)	(12,750)
Provision (reversal of) for legal case, net	15, 21	1,267	34,197	(20,956)
Operating income before working capital changes		(5,289,258)	15,776,246	11,782,129
Net increase in inventories, trade and other receivables, prepayments and other assets		17,698,507	(10,255,155)	(229,607)
Net increase in trade and other payables and provisions and other liabilities		(6,331,037)	1,471,438	3,148,828
Cash generated from operations		6,078,212	6,992,529	14,701,350
Income tax paid		-	-	482,649
Pension contributions paid	25	132,691	95,374	75,127
Net cash flows from operating activities		5,945,521	6,897,155	14,143,574
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment		(4,038,582)	(4,728,020)	(3,942,808)
Increase in long term receivables and rentals,net		-	(233,418)	(533,184)
Dividend received		69,833	54,716	44,882
Proceeds from sale of property, plant and equipment		1,496	1,887	134,046
Interest received	22	5,710	1,564	5,551
Net cash flows used in investing activities		(3,961,543)	(4,903,271)	(4,291,513)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net proceeds from (settlements of) short-term borrowings		3,248,000	6,491,000	(796,000)
Repayment of long term loan		-	-	(11,000,000)
Drawdown of long term loan		-	-	9,000,000
Cash dividends paid		-	(4,838,901)	(8,293,103)
Interest and finance charges paid		(678,616)	(887,941)	(630,779)
Principal elements of lease payments		(3,041,721)	(2,434,304)	-
Net cash flows used in financing activities		(472,337)	(1,670,146)	(11,719,882)
NET INCREASE (DECREASE) IN CASH		1,511,641	323,738	(1,867,821)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		(13)	15	159,684
CASH AT BEGINNING OF YEAR	3	4,778,877	4,455,124	6,163,261
CASH AT END OF YEAR	**3**	6,290,505	4,778,877	4,455,124

See accompanying Notes to Financial Statements.

1. Corporate information

Pilipinas Shell Petroleum Corporation (the “Company”) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on 09 January 1959 primarily to engage in the refining and marketing of petroleum products. On 05 December 2008, the SEC approved the extension of the corporate term of the Company for another fifty (50) years from 09 January 2009 to 08 January 2059.

Prior to its initial public offering ("IPO"), the Company is 68% owned by Shell Overseas Investments BV (“SOIBV”), a corporation registered under the laws of the Netherlands and 32% owned by Filipino and other foreign shareholders. The ultimate parent of the Company is Royal Dutch Shell plc. (“RDS”), incorporated in the United Kingdom. The Company conducted its IPO to list in the Philippine Stock Exchange on 03 November 2016. The offer was composed of a Primary Offer of 27,500,000 common shares and Secondary Offer of 247,500,000 common shares with an overallotment option of up to 16,000,000 common shares, with an offer price of P67.0 (USD1.39) per share. After the IPO, SOIBV owns 55% of the total outstanding shares of the Company. The Company used the net proceeds from the Primary Offer to fund capital expenditure, working capital and general corporate expenses. Net proceeds amounted to P1.36 billion (USD 0.03 billion). The IPO proceeds have been fully utilized as at 31 December 2017.

On 20 February 2019, the President of the Philippines signed into law the Republic Act No. 11232 or the Revised Corporation Code of the Philippines (Revised Code). The Revised Code expressly repeals Batas Pambansa Blg. 68 or the Corporation Code of the Philippines. Section 11 of the Revised Code states that a corporation shall have perpetual existence unless the articles of incorporation provides otherwise. Corporations with certificates of incorporation issued prior to the effectivity of this Revised Code, and which continue to exist, shall have perpetual existence, unless the corporation, upon vote of its stockholders representing a majority of its outstanding capital stock, notifies the SEC that it elects to retain its specific corporate term pursuant to its articles of incorporation: Provided, that any change in the corporate term under this section is without prejudice to the appraisal right of dissenting stockholders in accordance with the provisions of this Revised Code. The Revised Code took effect on 23 February 2019.

Certain operations of the Company is registered with the Board of Investments (BOI) and entitled to Income Tax Holiday (ITH) provided under Republic Act 8479, otherwise known as the Downstream Oil Deregulation Act of 1998 (see Note 29). The same has been surrendered on 6 August 2020 pursuant to the Company’s decision to convert its Refinery to world-class import terminal.

The Company’s principal place of business, was previously located at Shell House, 156 Valero Street, Salcedo Village, Makati City.

1. Corporate information (continued)

Starting 2019, the Company's registered office, which is also its principal place of business, is 41st Floor, The Finance Centre, 26th Street corner 9th Avenue Bonifacio Global City, Brgy. Fort Bonifacio, Taguig City, Metro Manila, 1635. During the Annual Stockholders' Meeting of the Corporation on 03 May 2018, the stockholders of the Corporation have approved the amendment of its Articles of Incorporation to change its Principal Office. The Company has obtained the requisite endorsement of the Department of Energy and approval of the Securities and Exchange Commission on 25 September 2018 and 25 January 2019, respectively.

The Company owns an oil refinery in Tabangao, Batangas (operated until 13 August 2020) and various oil depots and installations all over the Philippines. The Company has 606 regular employees as at 31 December 2020 (31 December 2019 -681).

The COVID-19 pandemic has disrupted business operations across the globe with impositions of lockdowns nationwide causing restrictions in mobility. Pilipinas Shell puts top priority on the health and safety of its people, customers and the community, along with the safe operations of all its businesses.

The Company continued to serve its customers and front liners through its retail stations and the unhampered delivery of products to its commercial customers despite mobility restrictions implemented by the government starting March 2020. All sites follow and implement strict safety and health protocols. Partnerships with delivery companies were leveraged on to deliver products to selected parts of the country. Various tactics were also initiated to reach the customers and provide key products and services needed during the pandemic. Furthermore, the Company continues to benefit from its integrated supply chain and the support from the Shell Group to respond to the drastic changes in demand brought about by the COVID-19 pandemic.

The Company on 13 August 2020, after completing an in-depth and comprehensive study, announced its decision to cease the refinery operations and convert the facility into a world-class import terminal. The Company had to make this difficult decision to minimize the impact of depressed regional refining margins and its exposure to volatile crude prices. This decision will help optimize the Company's asset portfolio and enhance its cost and supply chain competitiveness.

The Company incurred a cumulative loss amounting to P4.3 billion as at 31 December 2020 and reported a cumulative profit amounting to P11.9 billion as at 31 December 2019, which resulted total equity amounting to P23.6 and P39.8 billion as at 31 December 2020 and 31 December 2019, respectively. The Company's current liabilities exceeded its current assets by P3.5 billion as at 31 December 2020 while the Company is in net current asset position of P8.0 billion as at 31 December 2019.

1. Corporate information (continued)

Earnings in 2020 are not reflective of the performance of the Company's core business due to one-off items on impairment and provisions related to refinery conversion. The Company's cash flow from operations remained strong for the financial year 2019 (P6.9 billion) and 2020 (P5.9 billion). The cash balance at the beginning of 2020 was at P4.8 billion which supported the operations during the COVID-19 pandemic. The Company's strong cash flow from operations in 2020 was due to strong performance from marketing businesses and various strategies employed by the Company. The Company continues to satisfy its loan covenants and has over P60 billion untapped credit lines.

After considering the Company's financial position and principal risks as at 31 December 2020, the financial statements have been prepared under the going concern assumption, based on a detailed review by the management on the Company's cash-flow forecasts in comparison with committed facilities. The Company has delivered on its recovery plans that will help improve earnings, including cash generating strategies and cost control measures. The Company expects demand to increase and strong recovery in earnings in 2021 as the economy revives post the pandemic.Furthermore, the conversion of the refinery to an import terminal significantly reduces the Company's operating and capital expenditure and its exposure to volatile crude oil prices and refining margins. To further build financial resiliency, the Company implemented a cash governance framework as early as the first quarter of 2020 and cash preservation initiatives that include reduction in operating expenses and capital expenditures.

The financial statements have been authorized for issue by the Company's Board of Directors on 25 March 2021 upon endorsement by the Board Audit and Risk Oversight Committee on 23 March 2021.

2. Operating segments

The Company solely operates under the downstream oil and gas segment. The Company's integrated downstream operations span all aspects of the downstream product supply chain, from importing crude oil and its refining, to importing and distributing refined products to its customers across the Philippines. The products it sells include gasoline, diesel, heating oil, aviation fuel, marine fuel, lubricants and bitumen.

3. Cash

The account as at 31 December 2020 and 2019 consists of cash in banks which are earning interest at the prevailing bank interest rates. The Company maintains cash deposits with universal and commercial banks in the Philippines. Universal and commercial banks represent the largest single group, resource-wise, of financial institutions in the country.

	2020	2019
Universal bank	5,417,473	3,640,929
Commercial bank	873,032	1,137,948
	6,290,505	4,778,877

4. Trade and other receivables, net

	Note	2020	2019
Trade receivables			
Third parties		8,175,941	11,246,826
Related parties	24	911,107	1,318,369
Provision for impairment of trade receivables from third parties		(336,472)	(252,621)
		8,750,576	12,312,574
Non-trade receivables from related parties	24	79,910	277,129
Other receivables			
Creditable withholding tax		449,425	623,092
Duty drawback and other claims		1,993,225	1,387,271
Non-trade receivables from third party		275,774	359,578
Miscellaneous		223,591	856,311
Provision for impairment of other receivables		(39,886)	(48,389)
		2,902,129	3,177,863
		11,732,615	15,767,566

Miscellaneous receivables pertain to rental from co-locators in retail service stations and other non-trade receivables.

The gross carrying amounts of the Company's trade, non-trade and other receivables are denominated in the following currencies:

	2020	2019
Philippine peso	11,389,632	14,479,011
US dollar	702,741	1,568,114
Other currencies	16,600	21,450
	12,108,973	16,068,575

The Company holds collaterals for trade receivables from third parties as at 31 December 2020 valued at P4.2 billion (31 December 2019 - P1.2 billion) consisting of cash securities, letters of credit or bank guarantees and Real Estate Mortgages (REM). These securities can be applied once the related customer defaults on settlement of the Company's receivables based on agreed credit terms. The maximum exposure of the Company is P4.6 billion as at 31 December 2020 (2019 - P11.4 billion) (see Note 31.b). These balances relate to a number of independent customers with whom there is no recent history of default.The carrying amount of trade and other receivables at the reporting date approximated their fair value.

4. Trade and other receivables, net (continued)

a) Past due receivables but not impaired

The aging of past due but not impaired trade receivables from third parties as at December 31, 2020 and 2019 are as follows:

	2020	2019
Less than 30 days	186,812	244,736
31 - 60 days	141,528	134,933
61 - 90 days	62,412	58,307
Greater than 90 days	255,030	157,481
	645,782	595,457

These balances relate to a number of independent customers with whom there is no recent history of default.

(b) Impaired receivables

Impaired receivables are fully provided and movements in the provision for impairment of the receivables are presented in the table below.

	Trade	Others	Total
At 01 January 2019	185,107	35,590	220,697
Provisions	83,487	12,799	96,286
Write-off	(15,973)	-	(15,973)
At 31 December 2019	252,621	48,389	301,010
Provisions (reversals)	92,546	-	92,546
Write-off	(8,695)	(8,503)	(17,198)
At 31 December 2020	336,472	39,886	376,358

For the year ended 31 December 2020, trade receivables written off directly to statement of income amounted to P33.9 million (2019 - P15.8 million and 2018 - P8.2 million) based on the Company's assessment of recoverability.

(c) Neither past due nor impaired

The credit quality of trade receivables from third parties that are neither past due nor impaired that are fully recoverable has been assessed by reference to historical information about counterparty default rates:

4. Trade and other receivables, net (continued)

Trade receivables (counterparties with internal credit rating)	2020	2019
A	775,563	1,141,113
B	1,050,128	1,915,455
C	2,052,863	5,582,695
D	3,315,133	1,759,485
Total trade receivables	7,193,687	10,398,748

A - Customers with strong financial performance and with low probability of default.

B - Customers with good financial strength but with some elements of risk in one or more financial or non-financial inputs.

C - Customers with low credit risk and balance is secured with post-dated checks and other collateral.

D - Customers with a medium risk of default, however, concerned group of customers have been historically able to faithfully settle their balances. The receivables are deemed performing hence impairment provision is not necessary.

Trade and non-trade receivables from related parties are within the due date. The remaining balances within trade and other receivables do not contain past due and impaired amounts.

There are no receivables that are either past due or impaired that have been renegotiated as of 31 December 2020 and 2019.

5. Inventories, net

	2020	2019
Crude oil and finished products	9,854,709	25,170,506
Materials and supplies	161,693	252,211
	10,016,402	25,422,717

Pursuant to the cessation of refining operations, the Company has sold the remaining crude oil in the refinery during the year 2020. As at 31 December 2020, the Company does not hold crude oil stock.

5. Inventories, net (continued)

Details of allowance for inventory write-down and obsolescence as at 31 December 2020 and 2019 are as follow:

	Crude oil and finished products	Materials and supplies	Total
At 01 January 2019	152,656	-	152,656
Provisions, net	10,994	-	10,994
At 31 December 2019	163,650	-	163,650
Write-off	(582,275)	-	(582,275)
Provisions, net	487,594	106,000	593,594
As at 31 December 2020	68,969	106,000	174,969

The allowance for inventory resulting from the write-down of crude and finished products to net realizable value amounted to P51.6 million as at 31 December 2020 (2019 - P136.3 million and 2018 - 124.5 million) and the allowance for obsolescence of finished products amounted to P17.3 million as at 31 December 2020 (2019 - P27.4 million and 2018 - P28.2 million). The crude oil stock was written-off by P582.3 million (2019 - Nil).

Of the total amount of inventories, the inventories with a cost of P243.9 million as at 31 December 2020 (2019 - P4,283.6 million) are carried at net realizable value, this being lower than cost which approximates the inventories fair value less cost to sell.

Cost of inventories included as part of cost of sales amounted to P113.3 billion for the year ended 31 December 2020 (2019 - P158.3 billion and 2018 - P169.8 billion) (see Note 19).

6. Prepayments and other current assets

	2020	2019
Input VAT net of output VAT (a)	5,676	192,587
Prepaid specific tax (b)	37,037	756,806
Prepaid corporate income taxes (c)	1,469,116	226,863
Advance rentals	251,651	153,997
Derivative financial assets (d)	20,392	3,715
Prepaid duties and taxes	3,887	5,438
Others	75,362	160,835
	1,863,121	1,500,241

6. Prepayments and other current assets (continued)

(a) Input VAT, net of output VAT

Input VAT represents the taxes paid on purchases of goods and services which can be recovered as tax credit against future output VAT liability of the Company.

(b) Prepaid specific tax

These are excise tax deposits made to the Bureau of Internal Revenue (BIR) and utilized upon removal of taxable products from the refinery.

(c) Prepaid corporate income tax

These are claimed against income tax due, representing amounts that were withheld from income tax payments and carried over in the succeeding period for the same purpose.

(d) Derivative financial assets

The Company enters into commodity forward contracts to hedge the commodity price risks arising from its crude oil and other oil products requirements. As at 31 December 2020, the notional principal amount of the outstanding commodity forward contracts amounted to P1.2 billion (2019 - P0.5 billion). As at 31 December 2020, the fair value of the derivative assets from outstanding commodity forward contracts amounted to P20.4 million (2019 - P3.7 million).

During the year, the Company realized a loss of P461.9 million (2019 - loss of P35.4 million and 2018 - gain of P169.6 million) from mark-to-market settlement of derivatives which was recognized in other operating income, net in the statements of income (see Note 21).

For the year ended 31 December 2020, net fair value changes of the outstanding commodity forward contracts amounting to a gain of P18.2 million (2019 - gain of P33.9 million; 2018 - loss of P258.3 million) was recognized in other operating income, net in the statements of income (see Note 21).

7. Long-term receivables, rentals and investments, net

	2020	2019
Advance rentals	137,253	135,798
Customer grants (b)	61,469	36,783
Investments in associates (c)	41,184	30,532
	239,906	203,113
Long term receivables (a)	5,635,067	4,828,278
Provision for impairment of long-term receivables	(269,733)	(408,542)
	5,365,334	4,419,736
	5,605,240	4,622,849

7. Long-term receivables, rentals and investments, net (continued)

(a) Long-term receivables

Long-term receivables include claims from government agencies amounting to P5.5 billion and P4.7 billion as at 31 December 2020 and 2019, respectively, representing the amount to be recovered from the government on various taxes paid. Further included in this P5.5 billion claims from government is P1.1 billion of excise duties and VAT paid under protest for certain Alkylate shipments (see Note 28(b)).

As at 31 December 2020, allowance for impairment amounted to P269.7 million (31 December 2019 - P408.5 million).

Movements in provision for impairment of long-term receivable are as follows:

	2020	2019
At 01 January	408,542	408,992
Reversal	-	(450)
Write-off	(138,809)	-
At 31 December	269,733	408,542

As at 31 December 2020 and 2019, there are no other long-term receivables that are past due but not impaired. The other classes and balances within long-term receivables, rental and investments are fully performing.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The carrying amount of long-term receivables approximate their fair value (see Note 31.3).

(b) Customer grants

Customer grants consist of business development funds used to help customers expand their operations. The payments of the funds are secured by long-term sales contracts with the customers. The carrying amount of customer grant approximate their fair value (see Note 31.3)

7. Long-term receivables, rentals and investments, net (continued)

(c) Investments in associates

	2020	2019
Cost	23,073	23,073

The details of assets, liabilities and results of operations of associates, all of which are incorporated in the Philippines, are as follow:

	Interest	Assets	Liabilities	Net Assets	Income	Share of profit
2020						
Bonifacio Gas Corporation	44%	219,902	144,055	75,847	72,341	31,570
Kamayan Realty Corporation	40%	26,786	6,574	20,212	5,952	2,381
2019						
Bonifacio Gas Corporation	44%	337,796	283,555	54,241	165,815	72,362
Kamayan Realty Corporation	40%	23,116	5,783	17,333	6,126	2,450
2018						
Bonifacio Gas Corporation	44%	275,151	104,946	170,205	124,066	54,589
Kamayan Realty Corporation	40%	21,808	4,757	17,051	5,856	2,342

Bonifacio Gas Corporation is an entity engaged in wholesale distribution of LPG and was established to operate a centralized gas distribution system within Bonifacio Global City. Kamayan Realty Corporation is an entity engaged in leasing and selling of real properties in the Philippines.

There are no contingent liabilities relating to the Company’s interest in the associates.

8. Property, plant and equipment

Property, plant and equipment as at 31 December 2020 and 2019 and the movements in the accounts for the year consist of:

	Notes	Leasehold improvements	Plant, Machinery and equipment	Furniture and fixtures	Transportation	Asset retirement obligation	Assets under construction (AUC)	Total
Cost								
At 01 January 2019		20,921,887	34,102,681	1,903,412	158,062	1,538,097	4,744,511	63,368,650
Acquisitions		-	-	-	-	-	5,438,636	5,438,636
Disposals/write-off		(241,275)	(204,205)	-	(46,314)	-	(27,026)	(518,820)
Transfers	11, 9	1,863,388	1,189,880	573,684	-	(1,538,097)	(3,680,088)	(1,591,233)
At 31 December 2019		22,544,000	35,088,356	2,477,096	111,748	-	6,476,033	66,697,233
Acquisitions		-	-	-	-	-	2,932,467	2,932,467
Disposals/write-off		(303,788)	(197,014)	(3,163)	(14,277)	-	-	(518,242)
Impairment	23	-	-	-	-	-	(2,513,842)	(2,513,842)
Transfers		1,744,283	1,930,376	322,709	1,694	-	(3,999,062)	-
At 31 December 2020		23,984,495	36,821,718	2,796,642	99,165	-	2,895,596	66,597,616
Accumulated depreciation and amortization								
At 01 January 2019		(10,435,892)	(22,705,728)	(882,048)	(149,725)	(1,066,542)	-	(35,239,935)
Depreciation and amortization	19, 20	(723,105)	(1,135,073)	(79,555)	(4,194)	-	-	(1,941,927)
Disposals	9	164,602	132,968	-	46,314	1,066,542	-	1,410,426
At 31 December 2019		(10,994,395)	(23,707,833)	(961,603)	(107,605)	-	-	(35,771,436)
Depreciation and amortization	19, 20	(790,503)	(978,560)	(153,563)	(2,313)	-	-	(1,924,939)
Impairment	23	(62,751)	(4,958,592)	(1,207,930)	-	-	-	(6,229,273)
Disposals/write-off		266,276	179,293	3,163	14,277	-	-	463,009
At 31 December 2020		(11,581,373)	(29,465,692)	(2,319,933)	(95,641)	-	-	(43,462,639)
Net book values								
At 31 December 2019		11,549,605	11,380,523	1,515,493	4,143	-	6,476,033	30,925,797
At 31 December 2020		12,403,122	7,356,026	476,709	3,524	-	2,895,596	23,134,977

8. Property, plant and equipment (continued)

Assets under construction represent cost of ongoing capital projects in retail, commercial and refinery business.

9. Leases

The Company has lease contracts on various land, buildings, storage and pipelines and vessels used in operations. Leases of land and buildings generally have lease terms between 2 and 50 years, while others generally have a lease terms between 2 and 5 years. The Company's obligation under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options, which are further discussed below:

There are no leases with lease terms of less than or equal to 12 months and low value assets for the year 2020.

a) Right to use assets

Right to use assets recognized and movement in the accounts for the year consist of:

	Land and Buildings	**Others***	**ARO**	**Total**
At 1 January 2019	11,933,168	1,678,595	-	13,611,763
Additions	638,310	292,585	52,001	982,896
Derecognition	-	-	(2,725)	(2,725)
Depreciation	(1,541,231)	(812,436)	(60,726)	(2,414,393)
Transfer from property, plant and equipment (Note 8)	-	-	471,555	471,555
At 31 December 2019	11,030,247	1,158,744	460,105	12,649,096
Additions	3,431,861	1,626,317	2,426,458	7,484,636
Derecognition	(107,174)	(542,059)	(1,881)	(651,114)
Depreciation	(1,928,106)	(268,862)	(115,999)	(2,312,967)
Remeasurement	(274,481)	(112,087)	-	(386,568)
Impairment (Note 23)	-	-	(2,275,588)	(2,275,588)
At 31 December 2020	12,152,347	1,862,053	493,095	14,507,495

*Represents leases on vessels, pipelines and other assets.

9. Leases (continued)

b) Lease liabilities

Lease liabilities recognized and movement in the accounts for the year consist of:

	2020	2019
Current Portion (Note 12)	1,458,590	1,581,846
Non-Current portion	13,018,762	10,477,414
	14,477,352	12,059,260

	2020	2019
Depreciation expense of right to use assets (Note 20)	(2,312,967)	(2,414,393)
Interest expense on lease liabilities (Note 22)	(1,339,438)	(921,319)
Total expenses recognized in profit or loss	(3,652,405)	(3,335,712)

The Company's total cash outflows on leases amounts to P3.0 billion (2019 - P2.4 billion). The Company also has non cash additions to right to use assets and lease liabilities. There are no impact on future cash flows for leases that are yet to be commenced.

The Company has lease contracts that include extension and termination options. These options are negotiated by the management to provide flexibility, in managing the leased asset portfolio and align the business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

10. Provision for income tax; deferred tax assets (liabilities)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The net amounts at 31 December 2020 and 2019 are as follows:

	2020	2019
Deferred income tax assets (liabilities)		
Asset retirement obligation	1,157,304	420,811
PFRS 16 Lease Liability accrual	733,256	394,807
Unamortized past service cost, net	121,532	174,590
Provision for doubtful debts	189,458	208,495
Provision for remediation costs	81,719	88,266
Provision for inventory losses	244,099	66,018
Share-based compensation	36,658	22,122
Mark to market gain	(5,984)	(521)
Retirement benefit asset	(1,948,131)	(1,905,376)
Prepaid duties and taxes	(707,732)	(595,203)
Unrealized foreign exchange gain	(131,021)	(117,160)
Other provisions	1,709,912	243,036
Impairment of property, plant and equipment	2,557,570	-
NOLCO	1,850,522	-
MCIT - Recognition	213,591	-
Net deferred income tax	6,102,753	(1,000,115)

The gross movements in net deferred income tax assets (liabilities) are as follow:

	2020	2019
At 01 January	(1,000,115)	(693,574)
Credited/(charged) to profit and loss	6,863,543	(236,279)
Credited to other comprehensive income	25,734	(70,262)
MCIT	213,591	-
At 31 December	6,102,753	(1,000,115)

10. Provision for income tax; deferred tax assets (liabilities) (continued)

Realization of the future benefits related to the deferred income tax assets is dependent on many factors, including the Company's ability to generate taxable income in the future. The Company's management has considered these factors in arriving at its conclusion that the deferred income tax assets as at 31 December 2020 and 2019 are fully realizable.

On 30 September 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

NOLCO balances as on 31 December 2020

As of December 31, 2020, the Company has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment Period	Amount	NOLCO Applied Previous Years	NOLCO Expired	NOLCO Applied Current Year	NOLCO Unapplied
2020	2021-2025	6,168,406	-	-	-	6,168,406

MCIT balances as on 31 December 2020

Year Incurred	Availment Period	Amount	MCIT Applied Previous Years	MCIT Expired	MCIT Applied Current Year	MCIT Unapplied
2020	2021-2023	213,591	-	-	-	213,591

The Company was granted an income tax holiday (ITH) in line with its registration as an existing industry participant with new investments in the modernization of the Tabangao Refinery with the Board of Investments (BOI) in 09 May 2014 to produce Euro IV products. BOI issued a Certificate of ITH Entitlement on 03 April 2017 for the taxable year 2016.

The Company availed the ITH benefit to arrive at the income tax liability as of 31 December 2019. During the year, the Company has surrendered its ITH grant on 6 August 2020 pursuant to the Company's decision to convert its Refinery into world-class import terminal.

10. Provision for income tax; deferred tax assets (liabilities) (continued)

The Company's last year of ITH entitlement was severely impacted by the drastic decline in crude prices and refining margins and the COVID-19 pandemic. In first quarter of 2020, PSPC recorded P8.0 billion of pre-tax inventory holding losses due to the steep decline in crude prices from ~$67/bbl during the start of the year to ~$26/bbl by end of March 2020 driven by the price war between OPEC and Russia coupled with slower global demand for petroleum products as a result of the COVID-19 pandemic. Regional refining margins have continued to be depressed and further declined, even reaching negative territory early this year. This led PSPC's refinery operations (the ITH-registered activity) to record losses month-on-month and was eventually forced to undergo a temporary economic shutdown starting the last week of May 2020.

Due to the losses realized by the refinery, the Company requested and secured BOI's approval to waive its ITH entitlement for 2020. The waiver will allow the Company to include the losses incurred from its BOI-registered activities in its net operating loss carryover (NOLCO) for a period of three years or until 2023. This will allow the Company to enjoy the full amount of NOLCO and will effectively reduce income tax payable in subsequent years.

The details of provision for income tax for the year ended 31 December 2020 , 2019, and 2018 are as follows:

	2020	2019	2018
Current tax	231,605	2,221,794	2,285,799
Deferred tax	(7,077,134)	178,248	(69,977)
	(6,845,529)	2,400,042	2,215,822

The reconciliation of provision for income tax computed at the statutory rate to actual provision for income tax shown in the statements of income is shown below:

	2020	2019	2018
Income tax at statutory rate of 30.0%	(6,908,461)	2,406,359	2,187,644
Income tax effect of:			
Adjustment to current tax from prior years	-	-	55,843
Non-deductible expense	72,832	92,713	48,490
Limitation on deductible interest expense	522	84	61
Interest income subject to final tax	(1,583)	(243)	(183)
Income subjected to 8% final tax	(2,703)	(9,117)	(7,367)
Non-taxable income	(24,150)	(109,799)	(53,781)
Movement of deferred tax	-	-	(39,806)
Provision for income tax before final taxes	(6,863,543)	2,379,997	2,190,901
Final taxes on interest and other charges	18,014	20,045	24,921
Provision for income tax at effective tax rate	(6,845,529)	2,400,042	2,215,822

10. Provision for income tax; deferred tax assets (liabilities) (continued)

Ratification by Congress of the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE" Bill

On February 3, 2021, the House of Representatives and the Senate have ratified the Bicameral Committee's version of the proposed CREATE bill, reconciling the conflicting provisions of Senate Bill No. 1357 and House Bill No. 4157.

The said act aims to:
• Improve the equity and efficiency of the corporate tax system by lowering the rate, widening the tax base, and reducing tax distortions and leakages;
• Develop, subject to the provisions of this Act, a more responsive and globally-competitive tax incentives regime that is performance-based, targeted, time-bound, and transparent;
• Provide support to businesses in their recovery from unforeseen events such as an outbreak of communicable diseases or a global pandemic and strengthen the nation's capability for similar circumstances in the future; and
• Create a more equitable tax incentive system that will allow for inclusive growth and generation of jobs and opportunities in all the regions of the country and ensure access and ease in the grant of these incentives especially for applicants in least developed areas.

The ratified version of the bill will be submitted to the President for his approval and upon receipt of the bill, the President may do any of the following:
• Sign the enrolled bill without vetoing any line or item therein;
• Sign the enrolled bill with line or item veto which veto may be overridden by Congress; or
• Inaction within 30 days from receipt which would result to the automatic approval of the enrolled bill as it is.

Once the ratified bill is signed into law, it is set to take effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation.

The provisions of the bill that will have an impact to the Company are the reduction of RCIT rate starting 01 July 2020 from 30% to 25% and the reduction of MCIT rate from 01 July 2020 to 30 June 2023 from 2% to 1%.

If enacted into law, the 25% RCIT rate and 1% MCIT rate will be applied to the net taxable income and gross income that will decrease the provision for income tax of the Company.

11. Other assets, net

	Note	2020	2019
Pension asset	25	6,584,298	6,441,783
Equity through OCI (a)		580,958	584,107
Deferred input VAT (b)		130,464	123,013
Intangible assets (c)		1,361	103,422
		7,297,081	7,252,325

(a) Equity through OCI

Equity through Other Comprehensive Income (Equity through OCI) financial assets mainly represent equity securities and proprietary club shares which are carried at fair value in 2020 (see Note 31.3). Details of the account as at 31 December 2020 and for 2019 are as follow:

	2020	2019
Cost		
As at 01 January	26,800	26,800
As at 31 December	26,800	26,800
Fair value adjustments recognized directly in OCI		
Balance at the beginning	557,307	489,907
Changes during the year	(3,149)	67,400
	554,158	557,307
Balance at the end	580,958	584,107
Non Current portion	580,958	584,107

The Company does not intend to sell equity instruments within 12 months from 31 December 2020 and 2019.

(b) Deferred input VAT

Deferred input VAT will be recovered more than 12 months from the reporting date. Hence, the same is presented as non-current asset as at 31 December 2020 and 2019.

11. Other assets, net (continued)

(c) Intangible assets

Intangible asset consists of program software and others. The movements in the accounts for the years consist of:

	Note	2020	2019
Cost			
At 01 January		1,003,459	950,323
Reclassifications from AUC	8	-	53,136
Additions		7,044	-
Disposal		(2,880)	-
At 31 December		1,007,623	1,003,459
Accumulated amortization			
At 01 January		(900,037)	(894,597)
Amortization for the year	19, 20	(3,335)	(5,440)
Impairment of Intangible assets		(105,770)	-
Disposal		2,880	-
At 31 December		(1,006,262)	(900,037)
Net book value		1,361	103,422

12. Trade and other payables

	Note	2020	2019
Trade payables			
Third parties		7,152,253	6,595,947
Related parties	24	6,592,795	15,800,160
		13,745,048	22,396,107
Non-trade payables from related parties	24	402,446	473,463
Lease liabilities	9	1,458,590	1,581,846
Project-related costs and advances		1,364,371	2,593,866
Provision for remediation (b)		805,867	179,184
Rent and utilities		436,207	305,242
Advertising and promotions		326,700	340,556
Employee benefits		287,381	450,909
Duties and taxes		271,762	158,180
Supply and distribution		48,084	218,860
Derivatives (a)		447	1,979
Others (c)		1,230,332	983,961
		20,377,235	29,684,153

(a) As at 31 December 2020, the fair value of the derivative liabilities from outstanding commodity forward contracts amounted to P0.45 million (2019 - P2.0 million).

(b) Provision for remediation and demolition include the current portion of asset retirement obligation of P647.6 million towards decommissioning and restoration for Tabangao refinery and others P10.7 million (31 December 2019 - nil and P12.3 million) and various other accruals.

(c) Others include the provisions related to accrual of interest on short term borrowings amounting to P227.9 million (2019 - P7.2 million) and IT related cost P0.26 million (31 December 2019 - P0.48 million) and various other accruals.

13. Short-term loans

As at 31 December 2020, unsecured short-term loan amounted to P13,000.0 million with tenure ranging from 211 to 360 days. The loans are intended solely for working capital requirements and corporate expenses.

As at 31 December 2019, unsecured short-term loan amounted to P9,752.0 million with tenure ranging from 6 to 11 days. The loans are intended solely for working capital requirements and corporate expenses.

The average interest rate on local borrowings for the year 31 December 2020 was 3.68% (2019 - 4.81% and 2018 - 3.60%). Total interest expense charged to operations for the year ended 31 December 2020 arising from short-term loans amounted to P636.6 million (2019 - P397.6 million and 2018 - P234.1 million) (see Note 22).

14. Long-term debt

Details of the loan agreements with Bank of the Philippine Islands (BPI) as at 31 December 2020 and 2019 are as follows:

2020	2019	Interest	Terms
9,000,000	9,000,000	1.70% as at 31st December 2020 effective until next re-pricing	Payable after sixty (60) months reckoned from the drawdown date on 08 March 2018. Principal is payable in lump sum at maturity date. Interest is re-priced every three (3) months.
9,000,000	9,000,000		

Total interest expense charged to operations for the year ended 31 December 2020 arising from these loans amounted to P251.9 million (2019 - P475.5 million and 2018 - P400.0 million) (see Note 22).

There are no borrowings related to acquisition, construction or production of a qualifying asset in 2020 and 2019. The borrowings are intended solely for general corporate expenses.

There are no collaterals pledged as security against these borrowings.

Under the loan agreements, the Company is required to comply with certain covenants, as follows:

- Maintenance of the Company's legal status.
- Ensure that at all times the loans rank at least pari passu with the claims of all other unsecured and unsubordinated creditors except those whose claims are preferred by any bankruptcy, insolvency, liquidation or other similar laws of general application.

14. Long-term debt (continued)

- The Company shall not create nor permit to subsist any encumbrance over all or any of its present or future revenues or assets other than permitted encumbrance as defined in the loan agreements.
- The Company shall duly pay and discharge all taxes, assessment and charges of whatsoever nature levied upon or against it, or against its properties, revenues and assets prior to the date on which penalties attach thereto, and to the extent only that the same shall be contested in good faith and by appropriate legal proceedings.

The Company is in compliance with the covenants as at reporting periods presented. See also Note 31.1.c for the maturity analysis of these loans.

15. Provisions and other liabilities

	2020	2019
Asset retirement obligation (ARO) (a)	3,674,244	1,832,255
Cash security deposits	290,472	280,058
Provision for legal cases (b)	274,510	273,242
Provision for remediation (c)	65,345	65,345
Other liabilities (d)	3,200,676	709,518
	7,505,247	3,160,418

(a) Asset retirement obligation

Movements in the provision for asset retirement obligation as follows:

	Note	2020	2019
At 01 January		1,832,255	1,738,315
Additions	9	1,844,370	52,001
Accretions	22	63,342	66,792
Reversals		(65,723)	(5,064)
Transferred to short term		-	(19,789)
At 31 December		3,674,244	1,832,255

15. Provisions and other liabilities (continued)

Asset retirement obligation includes provision for decommissioning and demolition of Tabangao oil refinery assets amounting to P1,627.4 million (2019 - Nil). Current portion of provision for decommissioning and demolition amounting to P647.6 million is recognized under trade and other payables (see Note 12).

The Company makes full provision for the future cost of decommissioning and demolition of oil refinery assets. The decommissioning provision represents the present value of decommissioning and demolition costs relating to refinery, which are expected to be incurred during the period up to 2025. Assumptions are based on the current economic environment, and form a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend on future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. The discount rate used in the calculation of the provision as at 31 December 2020 was 2.99% (2019: nil).

The Company believes there are no reasonably possible changes in any of the above key assumptions that would cause a material change in liability provided. Related impairment losses amounting to P2.28 billion is recognised under impairment losses (see Note 23).

Other asset retirement obligation represents the future estimated dismantling costs of various assets used in retail, depot and commercial operations. Average remaining life of the related assets is 7 years as at 31 December 2020 (2019 - 7 years). These are stated at present value at 31 December 2020 using a range of discount rates from 3.36 % to 3.49% (2019 - 3.8% to 4.0 %).

(b) Provision for legal cases

The account represents provisions arising from disputes/legal matters in the ordinary course of business. The Company has recorded provisions for tax and legal items relating to the regular operations of the Company. Movements in the provision for legal case as follows:

	2020	2019
At 01 January	273,243	239,046
Provisions	1,267	34,197
At 31 December	274,510	273,243

(c) Provision for remediation

Movements in the provision for remediation as follows:

	Note	2020	2019
At 01 January		65,345	69,977
Accretion	22	-	1,012
Transferred to short term		-	(5,644)
At 31 December		65,345	65,345

15. Provisions and other liabilities (continued)

Provision for environmental liabilities is recorded where there is a constructive or legal obligation to remediate any known environmental damages arising in the ordinary course of business. The amount recorded is generally based on independent evaluation of environmental firms. The estimated amount of provision is recorded at net present value discounted as at 31 December 2020 at 3.36 % to 3.49% (2019 - 3.8% to 4.0 %).

(d) Other liabilities

In 2020, provisions for contracts that have become onerous due to cessation of refining operations amounting to P4.81 billion (2019 - nil). Current portion of onerous provisions amounting to P2.26 billion (2019 - nil) is recognized under trade and other payables (see note 12).

Other liabilities also include provisions for payments to be made to customers, employees and business partners have also been considered.

16. Share capital; Treasury shares

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

	2020		2019		2018	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Authorized capital stock, common shares at P1 par value per share	2.5 billion	2,500,000	2.5 billion	2,500,000	2.5 billion	2,500,000
Issued shares	1,681,058,291	1,681,058	1,681,058,291	1,681,058	1,681,058,291	1,681,058
Treasury shares	(67,614,089)	(507,106)	(67,614,089)	(507,106)	(67,614,089)	(507,106)
Issued and outstanding shares	1,613,444,202	1,173,952	1,613,444,202	1,173,952	1,613,444,202	1,173,952

As at 31 December 2020, the Company has 320 shareholders excluding treasury shares (31 December 2019 - 320), 283 of whom, hold at least 100 shares of the Company's common shares (31 December 2019 - 283).

17. Retained earnings (accumulated loss)

	2020	2019	2018
Unappropriated retained earnings (loss), unadjusted	(6,775,853)	9,406,819	8,625,997
Remeasurement gain on retirement benefits, net of tax closed to retained earnings	2,529,825	2,589,192	2,448,901
PFRS 16 Deferred tax	(58,031)	(58,031)	-
Unappropriated retained earnings (loss), adjusted	(4,304,059)	11,937,980	11,074,898

17. Retained earnings (continued)

At the special meeting of the Board held on 14 March 2018, the Board approved the distribution of cash dividend to stockholders on record as of 28 March 2018 amounting to P8.3 billion out of the unrestricted retained earnings available for cash dividends as of 31 December 2017.

At the regular meeting of the Board held on 21 March 2019, the Board approved the distribution of cash dividend to stockholders on record as of 5 April 2019 amounting to P4.8 billion out of the unrestricted retained earnings available for cash dividends as of 31 December 2018.

Cash dividends declared in 2019 and 2018:

Declared	Date Paid	Per share	2019	2018
14 March 2018	19 April 2018	5.14	-	8,293,103
5 April 2019	30 April 2019	3.00	4,840,333	-
			4,840,333	8,293,103

As at 31 December 2020, cost of treasury shares, accumulated earnings of its associates, unrealized mark to market gains and fair value gain on retirement assets are not considered for dividend declaration as per SEC Rule 68, as amended and SEC Memorandum Circular No. 11.

18. Earnings per Share

Computation of earnings per share (EPS) for the years ended 31 December are as follows:

	Notes	2020	2019	2018
Earnings available to stockholders:				
Profit (Loss) for the year		(16,182,673)	5,621,155	5,076,326
Weighted average number of Shares		1,681,058,291	1,681,058,291	1,681,058,291
Treasury shares	16	(67,614,089)	(67,614,089)	(67,614,089)
		1,613,444,202	1,613,444,202	1,613,444,202
Earnings per share, basic and diluted		(10.03)	3.48	3.15

As at 31 December 2020, 2019 and 2018, the Company does not have any potentially dilutive shares of stocks.

19. Cost of Sales

	Note	2020	2019	2018
Crude and product costs	5	113,288,033	158,313,494	169,840,584
Duties and specific tax		31,130,557	30,938,353	20,095,032
Manufacturing expenses		5,956,264	1,811,037	1,947,346
Logistics and transshipment		1,119,965	1,629,007	2,205,995
Freight and wharfage		683,981	952,448	1,130,441
Salaries and other employee benefits		671,990	666,155	698,636
Depreciation and amortization	8, 11	440,411	642,155	655,839
		153,291,201	194,952,649	196,573,873

The more significant components of manufacturing expenses consist of repairs made to manufacturing units, professional services, onerous provisions and other costs.

20. Selling, general and administrative expenses

The components of selling, general and administrative expenses for the years ended 31 December are as follows:

	Selling expenses			General and administrative expenses		
	2020	2019	2018	2020	2019	2018
Outside services	2,601,071	2,157,712	2,128,350	608,128	640,946	666,366
Depreciation on right to use assets	2,207,791	2,342,758	-	105,176	71,635	-
Logistics, storage and handling	1,732,820	2,154,523	2,535,168	-	-	-
Depreciation and amortization (Notes 8 and 11)	1,365,367	1,281,582	1,295,370	122,496	23,630	6,367
Compensation and employee benefits	1,210,312	1,139,354	1,209,833	707,998	536,639	580,252
Repairs and maintenance	602,242	1,379,314	1,252,856	-	17,882	26,947
Advertising and promotions	545,223	757,128	935,623	144,619	164,425	131,066
Rentals	134,291	162,636	1,630,311	25,859	28,654	457,322
Communication and utilities	115,666	113,591	79,345	361,947	388,362	350,843
Write-off/Impairment (reversal) of receivables (Notes 4 and 7)	108,266	95,792	(41,935)	949	-	(30)
Travel and transportation	20,557	155,882	245,105	15,256	45,680	54,917
Insurance	4,071	-	-	63,214	59,872	61,262
Miscellaneous	558,348	392,310	374,858	361,111	338,316	406,404
	11,206,025	12,132,582	11,644,884	2,516,753	2,316,041	2,741,716

21. Other operating (income)/expense

	Note	2020	2019	2018
Retailer fee, rental income and franchise commission		(493,935)	(661,775)	(559,134)
Realized trading loss/(gain), net	6	461,916	35,397	(169,606)
Royalties		(119,136)	(162,858)	(145,529)
Loss (gain) on disposal of property and equipment		55,619	9,797	(36,230)
Environmental service cost		51,680	143,308	31,546
Commissions		20,631	61,020	58,672
Unrealized mark-to-market (gain) loss, net	6	(18,209)	(33,859)	258,264
Provision for legal cases	15	1,267	34,197	-
Write-off of assets		769	163,252	-
Others, net*		(138,375)	23,081	(21,845)
		(177,773)	(388,440)	(583,862)

*Others include share of profits from associates and others.

22. Finance income/(expense)

	Note	2020	2019	2018
Finance Income				
Unrealized foreign exchange gain, net		46,203	83,432	39,566
Realized foreign exchange gain, net		228,164	426,711	-
Interest income	3	5,710	1,564	5,551
		280,077	511,707	45,117
Finance expense				
Interest on debts and borrowings	13, 14	(888,448)	(881,809)	(634,114)
Interest expense on lease liability	9	(1,339,438)	(921,319)	-
Realized foreign exchange loss, net		-	-	(493,183)
Accretion expenses	15	(63,342)	(67,804)	(110,388)
Bank Charges		(8,215)	(9,700)	(7,349)
		(2,299,443)	(1,880,632)	(1,245,034)

23. Impairment Losses

	Notes	2020	2019	2018
Property plant and equipment - oil refinery assets	8, 11	8,848,885	-	-
Right to use assets - ARO	9, 12, 15	2,275,588	-	-
		11,124,473	-	-

23. Impairment Losses (continued)

During the year, there was a steep decline in crude oil prices as a consequence of COVID-19 and other factors impacting global supply and demand. Impairment of refinery assets was triggered by the depressed regional refining margin environment and the overall outlook on supply and demand in the region.Pursuant to which the management decided to convert its oil refinery into a world-class import terminal to optimize its asset portfolio and enhance its cost and supply chain competitiveness. This move will further strengthen the Company’s financial resilience amidst the significant changes and challenges in the global refining industry.

In assessing whether an impairment is required, the carrying value of the oil refinery assets is compared with its recoverable amount. The recoverable amount is the assets fair value less costs of disposal (FVLCD).

The key assumption in determining the FVLCD is the market recoverable value of the assets. The Management has identified the fair value of the assets amounting to P360.18 million based on current market estimates.

The fair value is included at the price that would be received on sale of the asset in an orderly transaction between market participants at the measurement date. The fair value is categorized under Level 2 of the fair value hierarchy.

24. Related party disclosures

In the normal course of business, the Company transacts with companies, which are considered related parties under PAS 24, “Related Party Disclosures”.

Related Party Transactions (RPT) with a contract value that equals or exceeds 5% of the Company's reported net assets of the previous year or aggregate RPT within a twelve month period that breaches the materiality threshold of 10% of the Company's total assets, will be endorsed by the Related Party Transactions Committee to the Board of Directors for approval.

The transactions and outstanding balances of the Company with related parties as at and for the year ended 31 December 2020 are presented in the table below.

24. Related party disclosures (continued)

(a) Entities under common shareholdings

	Note	Transactions	Receivables (Payables)	Terms and conditions
Purchases of goods and services (i)	12	66,262,630	(6,737,260)	Payable balances are to be settled in cash and are due within 30 to 60 days from date of each transaction. These are unsecured, non-interest bearing and not covered by any guarantee.
Leases (iii)	9	328,547	(3,181)	Payable balances are to be settled in cash and are due within 30 to 60 days from date of each transaction. These are unsecured, non-interest bearing and not covered by any guarantee.
Sales	4	9,897,396	911,107	Receivable balances are to be settled in cash and are due within 30 to 60 days from date of each transaction. These are unsecured, non-interest bearing and not covered by any security.
Royalty fee (iv)		1,210,088	-	Payable balances are to be settled in cash within 30days from month end.
Admin billings (v)				
Charges to the Company	12	1,582,304	(203,773)	The non-trade balances are settled in cash and are due within 15 days from month end. These are unsecured, non-interest bearing and are not covered by any security.
Charges by the Company	4	482,911	79,910	
Contributions to the plan	25	132,691	-	Contributions to the plan and investing transactions of the plan are approved by the Retirement Plan Board of Trustees.

(b) Parent company

	Note	Transactions	Payable	Terms
Dividends declared	17		-	Dividends are usually paid in cash within 12 months from reporting date.

(c) Key management personnel

Category/ Transaction	Note	Transactions	Balances	Terms
Current				
Salaries and other short-term employee benefits		90,063,551	-	The terms and arrangements of these non-current employee benefits are summarized in the related notes.
Non-Current				
Post-employment benefits	25	6,103,792	-	
Share-based compensation		28,396,303	-	

24. Related party disclosures (continued)

(d) Entities with common director

The Company has a long-term loan from Bank of Philippines (BPI) amounting to P9.0 billion as at 31st December 2020 in which a director of the Bank holds office as a director of the Company.

The transactions and outstanding balances of the Company with related parties for the comparative figures as at and for the years ended 31 December 2019 and 2018 are presented in the table below. The terms and arrangements presented for 2020 also apply to the transactions and balances for 2019 and 2018.

(a) Entities under common shareholdings

	Note	2019		2018	
		Transactions	Receivables (Payables)	Transactions	Receivables (payables)
Purchases of goods and services	12	130,038,302	(16,100,004)	131,847,894	(12,098,377)
Leases	4, 12	388,772	-	233,761	(13,964)
Sales	4	6,012,660	1,318,369	6,677,749	685,969
Royalty fee (iv)		1,209,786	-	1,313,515	-
Admin billings (v)					
Charges to the Company	12	2,055,591	(173,619)	807,704	(35,131)
Charges by the Company	4	812,328	277,129	666,118	171,325
Pension	25		-	-	-
Contributions to the plan		95,374	-	75,127	-

(b) Parent company

	Note	2019 Transactions	2019 Payable	2018 Transactions	2018 Payable
Dividends declared	16	2,672,581	-	4,579,022	-

(c) Key management personnel

	Note	2019 Transactions	2019 Balances	2018 Transactions	2018 Balances
Current					
Salaries and other short-term employee benefits		123,243,110	-	132,277	-
Non-Current	25				
Post-employment benefits		6,502,540	-	7,220	-
Share-based compensation		29,346,310	-	29,640	-

24. Related party disclosures (continued)

i. The Company purchases crude and other oil products from Shell International Eastern Trading Co. (SIETCO), an entity under common shareholdings. The Company's crude purchases are being processed through its refinery in Batangas. Cost of gross purchases for year ended December 2020 amounted to P63.53 billion (2019 - P125.7 billion and 2018 - P124.9 billion). As at 31 December 2020, balances payable to SIETCO amounted to P6.16 billion (2019 - P15.3 billion and 2018 - P11 billion).

ii. Under existing agreements with Shell International Petroleum Company (SIPC) of the United Kingdom and Shell Global Solutions International B.V. (SGS) of the Netherlands, entities under common shareholdings, SIPC and SGS provide management advisory, business support, and research and development and technical support services to the Company under certain terms and conditions. These agreements shall remain in full force until terminated by either party by giving the other party not less than 12 months prior written notice to that effect. Cost of the services charged to operations amounted to P1.14 billion during the year ended 31 December 2020 (2019 - P1.39 billion and 2018 - P1.2 billion). As at 31 December 2020, balances payable to SIPC amounted to P16.4 million (2019 - P10.3 million and 2018 - P35 million).

iii. The Company leases land from Tabangao Realty, Inc. (TRI), for several depots and retail sites located around the country. Lease term ranges from 3 to 50 years and is renewable, thereafter. Rent expense charged to operations amounted to P328.5 million for the year ended 31 December 2020 (2019 - P388.8 million and 2018 - P233.8 million). As at 31 December 2020, outstanding payable amounted to P3.2 million (outstanding payable of 2019 - nil and outstanding payable of 2018 - P14.0 million).

iv. On 01 January 2020, the Company and Shell Brands International AG (SBI), an entity under common shareholdings, entered into Trademarks and Manifestation License Agreement pursuant to which SBI, the licensor, grants the Company, the licensee, a non-exclusive right to reproduce, use, apply and display the Shell trademark and other manifestation. In consideration, the Company shall pay a royalty fee, which shall be computed as certain percentage of business contribution of each class of business . Royalty rate varies from 0.77% to 9.57% depending on class of business, subject to a minimum royalty amount. This agreement can be terminated by either party without any penalty.

v. The Company receives billings from entities under common shareholdings for group-shared expenses related to IT maintenance, personnel and other administrative costs. On the other hand, the Company charges entities under common shareholdings for group-shared expenses related to personnel and other administrative costs and other services.

vi. The Company has six common members between its Board of Directors and Board of Trust of Pilipinas Shell Foundation Inc. The Company has contributed towards donations and program recovery expenses amounting to P111.45 million (2019 - P43.58 million). The outstanding payable balances as at 31 December 2020 is P54.21 million (2019 - P20.05 million).

25. Employee benefits

Retirement plan

The Company has two separate and distinct retirement plans for the benefit of its regular employees. The assets of the plans are maintained by a trustee bank. The plans provided for payment of benefits in lump sum, upon attainment of the normal retirement age of 60, or upon retirement/separation at an earlier age.

The Company submitted an application to the BIR on 02 July 2012 for a revised retirement benefit plan with defined benefit for existing members and a new defined contribution provision for prospective members. This revised plan was approved by the BIR on 24 August 2015 and became effective on 01 September 2015.

Under the amended plan, the normal retirement eligibility at age 60 and Early Retirement Eligibility at age 50 were changed from 15 to 10 years of service. Alongside with this slightly improved benefit vesting schedule for early retirees and leavers, the life pension option was removed. Starting 01 September 2015, all new employees will be entitled to a new plan under a defined contribution arrangement with a 10% sponsor contribution. As at 31 December 2020 and 2019, the number of employees entitled to the defined contribution plan were 154 and 130, respectively.

Under the defined contribution plan, the employer then provides an additional contribution to the fund of 10% of the employees' monthly salary. Although the plan has a defined contribution format, the Company regularly monitors compliance with Republic Act (R.A.) 7641. As at 31 December 2020 and 2019, the Company is in compliance with the requirements of R.A.7641.

Based on the latest actuarial valuation report prepared by the independent actuary for the year ended 31 December 2020 and 2019, the principal assumptions were:

	2020	2019
Discount rate	3.70%	5.00%
	Age 20-30: 17%	Age 20-30: 18%
	Age 31-40: 10%	Age 31-40: 10%
	Age 41-50: 7%	Age 41-50: 7%
Future salary increases	Age >50: 4%	Age >50: 5%

Assumptions regarding future mortality experience are set based on published statistics and experience in each territory. The average age in years of a pensioner is 70 and the expected future service years is 16.

The overall investment policy and strategy of the retirement plan is based on the Board of Trustees' suitability assessment, as provided by its investment advisors, in compliance with Bangko Sentral ng Pilipinas requirements. The Company does not perform an asset-liability matching study. However, the retirement plan has a Risk and Audit Committee that performs quarterly review of risks relevant to running the retirement fund.

25. Employee benefits (continued)

The same committee prepares review highlights for presentation to the retirement plan Board of Trustees. Responsibility for governance of the retirement plan lies with the Board of Trustees.

The details of the pension expense and pension asset (obligation) for the year ended 31 December 2020 and 2019 are as follow:

	2020 Defined Benefit	2020 Defined Contribution	2020 Total	2019 Defined Benefit	2019 Defined Contribution	2019 Total
Pension benefit expense (income)	(108,743)	14,111	(94,632)	(254,116)	8,078	(246,038)
Pension asset (obligation)	6,590,133	(5,838)	6,584,295	6,444,687	(2,904)	6,441,783

The amount of pension asset (obligation) recognized in the statement of financial position is determined as follows:

	2020 Defined Benefit	2020 Defined Contribution	2020 Total	2019 Defined Benefit	2019 Defined Contribution	2019 Total
Present value of defined benefit obligation	(4,292,508)	(46,370)	(4,338,878)	(4,090,264)	(27,880)	(4,118,144)
Fair value of plan assets	10,882,641	40,532	10,923,173	10,534,951	24,976	10,559,927
Pension asset (obligation)	6,590,133	(5,838)	6,584,295	6,444,687	(2,904)	6,441,783

The movement in the pension asset recognized in the statement of financial position as at 31 December are follows:

	2020 Defined Benefit	2020 Defined Contribution	2020 Total	2019 Defined Benefit	2019 Defined Contribution	2019 Total
01 January	6,444,687	(2,904)	6,441,783	5,901,136	(1,180)	5,899,956
Pension income (expense)	108,743	(14,111)	94,632	254,116	(8,078)	246,038
Actual contributions	118,725	13,966	132,691	86,485	8,889	95,374
Remeasurement gains (losses)	(82,022)	(2,789)	(84,811)	202,950	(2,535)	200,415
Balance at the period	6,590,133	(5,838)	6,584,295	6,444,687	(2,904)	6,441,783

25. Employee benefits (continued)

Pension expense recognized in the statements of income for year ended 31 December is as follows (Note 20):

	2020 Defined Benefit	2020 Defined Contribution	2020 Total	2019 Defined Benefit	2019 Defined Contribution	2019 Total
Current service cost	235,628	13,966	249,594	180,637	8,323	188,960
Net interest income	(363,631)	145	(363,486)	(434,753)	(245)	(434,998)
Settlement loss	19,260	-	19,260	-	-	-
	(108,743)	14,111	(94,632)	(254,116)	8,078	(246,038)

Changes in the present value of the defined benefit obligation are as follow:

	2020 Defined Benefit	2020 Defined Contribution	2020 Total	2019 Defined Benefit	2019 Defined Contribution	2019 Total
01 January	4,090,264	27,880	4,118,144	3,143,321	15,700	3,159,021
Current service cost	235,628	13,966	249,594	180,637	8,323	188,960
Interest cost	179,286	1,680	180,966	224,856	1,143	225,999
Benefits paid	(367,119)	(3,220)	(370,339)	(436,215)	-	(436,215)
Transfer of employees from/to entities under common control	-	-	-	-	151	151
Demographic adjustments	-	-	-	2,963	6	2,969
Remeasurement (gains) losses from:						
Changes in economic assumptions	289,640	1,542	291,182	793,557	1,197	794,754
Experience adjustments	(32,436)	4,522	(27,914)	181,145	1,360	182,505
Settlements	(102,755)	-	(102,755)	-	-	-
Balance at the period	4,292,508	46,370	4,338,878	4,090,264	27,880	4,118,144

Changes in the fair value of the plan assets follow:

	2020 Defined Benefit	2020 Defined Contribution	2020 Total	2019 Defined Benefit	2019 Defined Contribution	2019 Total
01 January	10,534,951	24,976	10,559,927	9,044,457	14,520	9,058,977
Interest income	542,917	1,535	544,452	659,609	1,387	660,996
Contributions	118,725	13,966	132,691	86,485	8,889	95,374
Benefits paid	(367,119)	(3,220)	(370,339)	(436,214)	-	(436,214)
Transfer of employees from/to entities under common control	-	-	-	-	151	151
Settlements	(122,015)	-	(122,015)	-	-	-
Return on plan assets	175,182	3,278	178,460	1,180,614	29	1,180,643
Balance at the period	10,882,641	40,535	10,923,176	10,534,951	24,976	10,559,927

25. Employee benefits (continued)

The carrying value of the plan assets as at the year ended 31 December 2020 and 2019 are equivalent to the fair values presented above and are comprised mainly of investments in equity securities, which account for 67% of total plan assets in 2020 (2019: 66%). Plan assets are comprised of:

	2020 Defined Benefit	2020 Defined Contribution	2020 Total	2019 Defined Benefit	2019 Defined Contribution	2019 Total
Cash and cash equivalent	1,036,490	40,535	1,077,025	91,183	24,976	116,159
Investments in debt securities:						
Government bonds and securities	1,778,293	-	1,778,293	1,877,769	-	1,877,769
Corporate bonds	33,862	-	33,862	61,177	-	61,177
Unquoted equity instruments	4,938,368	-	4,938,368	5,324,821	-	5,324,821
Unit investment trust funds	3,095,628	-	3,095,628	3,180,001	-	3,180,001
Balance at the period	10,882,641	40,535	10,923,176	10,534,951	24,976	10,559,927

The defined benefit plan typically exposes the participating entities to a number of risks such as investment risk, interest rate risk and salary risk. The most significant of which relate to investment and interest rate risks. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement liability. A decrease in government bond yields will increase the defined benefit obligation although this will be partially offset by an increase in the value of the plan's fixed income holdings. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the participating entities. The Company believes that due to the long-term nature of the retirement liability, the mix of debt and equity securities holdings of the plan is an appropriate element of the long-term strategy to manage the plan efficiently.

Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The largest proportion of assets is invested in unit investment trust funds.

Expected contribution to the plan in 2021 is P106.5 million for defined benefit plan and P15.9 million for defined contribution plan.

The expected undiscounted maturity benefit payments for the next 10 years as at 31 December are the following:

25. Employee benefits (continued)

	2020 Defined Benefit	2020 Defined Contribution	2020 Total	2019 Defined Benefit	2019 Defined Contribution	2019 Total
Following year	90,913	438	91,351	149,668	136	149,804
Between 2 to 3 years	376,504	2,472	378,976	445,316	1,302	446,618
Between 3 to 5 years	532,342	5,532	537,874	715,653	3,481	719,134
Over 5 years	1,348,479	26,844	1,375,323	1,741,440	20,746	1,762,186

Share-based compensation:

RDS operates a Performance Share Plan (PSP) covering all of its subsidiaries' employees who are not members of the Executive Committee. PSP for conditional shares are awarded to eligible employees based on their sustained performance and value. Shares are finally delivered at the end of a three-year performance period, but delivery depends on the performance of the Shell group.

A Monte Carlo option pricing model is used to estimate the fair value of the share-based compensation expense arising from the Plan. The model projects and averages the results for a range of potential outcomes for the vesting conditions, the principal assumptions for which are the share price volatility and dividend yields for RDS and four of its main competitors over the last three years and the last ten years.

Movements of the shares granted in respect of the Company for the year ended 31 December are:

	2020		2019	
	Shares	Weighted average fair value (in U.S. Dollar)	Shares	Weighted average fair value (in U.S. Dollar)
Shares granted as at 01 January	193,041	28.10	190,728	27.84
Grants during the year	69,725	21.00	68,700	25.40
Shares delivered during the year	(61,976)	20.40	(60,627)	31.06
Cancelled/forfeited during the year	(8,445)	-	(5,760)	-
Shares granted as at 31 December	192,345	23.17	193,041	28.10

The total share-based compensation recognized in the statements of income during the year amounted to P131.0 million (2019 - P123.3 million).

26. Lease, commitments and other arrangements

The Company's future minimum rental and other commitments related to leases as at 31 December 2020 and 31 December 2019 is as below:

	2020	2019
Within one year	2,408,240	2,443,973
More than one year but not more than five years	7,136,031	5,297,468
Over five years	9,928,032	10,029,288

27. Foreign currency denominated assets and liabilities

The Company's foreign currency assets and liabilities as at 31 December are as follows:

Currency	Assets	Liabilities	Net foreign currency assets (liabilities)	Exchange Rate	Peso equivalent
2020					
US dollar	33,324	145,627	(112,303)	48.02	(5,392,790)
UK pound	43	199	(156)	65.63	(10,238)
Euro	1,353	1,581	(228)	59.07	(13,468)
Singapore dollar	-	95	(95)	36.34	(3,452)
Malaysian ringgit	33		33	11.96	395
Australian dollar	-	335	(335)	37.02	(12,402)
Japanese yen	-	224,742	(224,742)	0.47	(105,629)
Chinese yuan	-	18	(18)	7.34	(132)
New Zealand dollar	-	9	(9)	34.68	(312)
			(337,853)		(5,538,028)

27. Foreign currency denominated assets and liabilities (continued)

Currency	Assets	Liabilities	Net foreign currency assets (liabilities)	Exchange Rate	Peso equivalent
2019					
US dollar	53,672	332,320	(278,648)	50.65	(14,113,521)
UK pound	43	841	(798)	66.52	(53,083)
Euro	1,127	3,217	(2,090)	56.79	(118,691)
Singapore dollar	-	883	(883)	37.63	(33,227)
Malaysian ringgit	1,500	136	1,364	12.37	16,873
Australian dollar	-	440	(440)	35.48	(15,611)
Japanese yen	-	317,841	(317,841)	0.47	(149,385)
Chinese yuan	-	18	(18)	7.27	(131)
New Zealand dollar	-	176	(176)	34.05	(5,993)
Indian rupee	-	2,243	(2,243)	0.71	(1,593)
Polish zloy	-	135	(135)	13.34	(1,801)
Pakistani rupee	-	3,760	(3,760)	0.33	(1,241)
					(14,477,404)

Currency	Assets	Liabilities	Net foreign currency assets (liabilities)	Exchange Rate	Peso equivalent
2018					
US dollar	(15,028)	248,015	(263,043)	52.72	(13,867,627)
UK pound	43	342	(299)	66.73	(19,952)
Euro	855	1,513	(658)	60.31	(39,684)
Singapore dollar	-	323	(323)	38.47	(12,426)
Australian dollar	-	35	(35)	37.07	(1,297)
Japanese yen	-	356,895	(356,895)	0.48	(171,310)
Chinese yuan	-	108	(108)	7.68	(829)
New Zealand dollar	-	60	(60)	35.32	(2,119)
					(14,115,244)

28. Contingencies

(a) Excise tax on Importations of Catalytic Cracked Gasoline (CCG) and Light Catalytic Cracked Gasoline (LCCG)

Pilipinas Shell Petroleum Corporation vs. Commissioner of Customs, Collector of Customs of the Port of Batangas, Bureau of Customs and Bureau of Internal Revenue
SC G.R. Nos. 227651 & 227087 Filed 03 December 2009

Matter Summary:
From 2004 to 2009, the Company imported shipments of CCG and LCCG into the Philippines in accordance with the BIR Authority to Release Imported Goods (ATRIG) stating that the importation of CCG and LCCG is not subject to excise tax. Upon payment of VAT as assessed in the ATRIGs, the Bureau of Customs (BOC) allowed the entry of the imported CCG and LCCG without payment of excise tax. CCG and LCCG, being intermediate or raw gasoline components, are then blended with refinery products to produce unleaded gasoline that is compliant with applicable Philippine regulatory standards, particularly the Clean Air Act of 1999 and the Philippine National Standards (the “resulting product”). Prior to the withdrawal of the resulting product from the Company’s refinery, the Company paid the corresponding excise taxes.

In 2009, the District Collector of the Port of Batangas issued a letter demanding from the Company the payment of deficiency excise tax, VAT and penalties covering importation entries from 2006 to 2008. The Company requested the cancellation of the demand letter for lack of factual and legal basis. The District Collector of the Port of Batangas denied the request of the Company and declared that the law mandated the payment of excise tax on importation of unleaded gasoline and that it made no distinction or qualification on whether or not it was for consumption or sale to the domestic market. The District Collector of the Port of Batangas then reiterated his previous demand and threatened enforcement of Section 1508 of the Tariff and Customs Code of the Philippines (TCCP) which would hold the delivery or release of imported articles when an importer has an outstanding and demandable account.

The Company appealed before the Commissioner of Customs (COC). In the meantime, the Director of the DOE-Oil Industry Management Bureau issued a letter reiterating the earlier DOE finding that CCG and LCCG imports were raw materials or blending components in the production or processing of gasoline in its finished form. The then BIR Commissioner issued a memorandum confirming and reiterating the initial ruling in 2004 to the effect that CCG and LCCG are intermediate products or blending components which are not subject to excise tax under Section 148 of the NIRC.

28. Contingencies (continued)

The COC denied the appeal of the Company and demanded the payment of excise tax and VAT for the Company's CCG and LCCG importations this time from 2004 to 2009. The Company filed a motion for reconsideration of the Letter-Decision, which was denied by the COC. The COC then ordered the Company to pay the principal amount of P7.35 billion and pay the excise tax and VAT on all incoming CCG and LCCG shipments.

The Company thereafter filed a petition for review with the Court of Tax Appeals (CTA) for the purpose of appealing the ruling of the COC as well as to apply for the issuance of a temporary restraining order (TRO) to immediately prevent the COC from seizing future shipments of the Company pursuant to Section 1508 of the TCCP. The Company likewise applied for the issuance of a suspension order for the purpose of ensuring the preservation of the status quo while the merits of the appeal are being heard by the CTA.

While the case was pending in the CTA, the BIR Commissioner at that time issued on 15 December 2009 a Letter-Ruling declaring that the CCG and LCCG imports of the Company were subject to excise tax on the ground that the law did not make any distinction or qualification on whether or not the imports were intended for consumption or for blending with other substances. The ruling effectively reversed the earlier rulings of former BIR Commissioners.

Following the reversal of the ruling by the BIR Commissioner, the BOC started collecting excise taxes in January 2010 on shipments of the Company. The Company paid the BOC assessments under protest and on 27 January 2010, filed a Supplemental Petition seeking to annul the 15 December 2009 ruling by the BIR Commissioner.

In view of the paramount public interest, the government agreed not to exercise Section 1508 of the TCCP on condition that the Company posts a surety bond.

On 04 March 2010, the CTA approved the surety bond posted by the Company and enjoined the COC, the Collector of Customs at the Port of Batangas, the BOC and all persons acting under their direction or authority from undertaking any actions under Section 1508 of the TCCP and/or from all remedies to collect from petitioner the excise taxes and VAT, with increments, subject of the case.

On 27 November 2012, the CTA 3rd Division issued a Resolution granting the Company's Motion for Summary Judgment. The Court deemed that BOC's demand for the payment of excise taxes on importations of LCCG/CCG during the period 2004 to 2009 without merit, rendering the discussion on whether the CCG/LCCG are properly classified (under Section 148(e) or Section 148(f) of the NIRC, as amended) moot and academic. The CTA 3rd Division ruled in favour of the Company and respondent was prohibited from collecting the alleged unpaid excise taxes and VAT thereon, on the Company's importations of CCG/LCCG for the relevant periods in 2004 to 2009.

28. Contingencies (continued)

The BOC filed a Petition for Review with the CTA en banc. Meanwhile, the Company filed its own Petition for Review with the CTA en banc because the CTA did not invalidate the 15 December 2009 Ruling of the CIR with respect to double taxation - first, upon importation and the other upon withdrawal of the finished grade products from the refinery.

In its 28 September 2015 decision, the CTA en banc reversed the CTA Third Division, ruled partially in favour of the BOC and the BIR and held that the Company is liable to pay excise taxes and VAT on the importation of CCG and LCCG but only for the period from 2006 to 2009. The CTA en banc recognized the Company's defense of amnesty applied for periods from 2004 to 2005, thereby partially reducing the liability to shipments made from 2006 to 2009. Both parties filed motions for reconsideration of the CTA en banc decision. The BIR and BOC filed an Omnibus Motion for Partial Reconsideration and Clarification to question the decision of the CTA en banc in relation to the assessment of the unpaid excise taxes, VAT and penalties for the years 2004 and 2005. The Company, in turn, filed an Opposition to the said motion. The Company likewise filed a motion for reconsideration of the CTA en banc decision in relation to the assessment of the unpaid excise taxes, VAT and penalties for the years 2006 to 2009.

On 21 September 2016, the Company received an Amended Decision of the CTA en banc upholding its 28 September 2015 ruling and holding that the Company is liable to pay the Government for alleged unpaid taxes for the importation of CCG and LCCG for the period from 2006 to 2009 totaling P5.72 billion.

On 06 October 2016, the Company filed the appropriate appeal with the Supreme Court. The BOC and the BIR also filed their Petition for Review on Certiorari seeking to bring back the liability of the company to P7.35 billion plus interest and surcharges.

Status:
The Supreme Court consolidated the said petitions and the parties have filed their respective Comments. The Government and the Company filed their Reply on 22 January 2018 and 06 June 2018, respectively. On 6 March 2020, the Office of the Solicitor General filed a Motion for Early Resolution. The Company subsequently filed a motion for leave to file an opposition on 23 March 2020. Awaiting action by the Supreme Court. No change in status as of January 2021.

Management believes that provision should not be recognized as at 31 December 2020 and 31 December 2019 since it is the Company's assessment that liability arising is not probable because its factual and legal positions are strong. The Company continues to take appropriate legal action and remediation with respect to such case.

28. Contingencies (continued)

(b) Excise tax on Importations of Alkylate

Pilipinas Shell Petroleum Corporation vs. Commissioner of Internal Revenue et al.
CTA Case No. 8535, Court of Tax Appeals, 2nd Division
Filed 24 August 2012

Matter Summary:
Following the ruling of the BIR authorizing the collection of excise taxes on CCG/LCCG importations, the Company began importing Alkylate as its blending component. The COC issued Customs Memorandum Circular No. 164-2012 directing the BOC and its officers to take the “appropriate action” in relation to BIR Ruling dated 29 June 2012 (Ruling No. M- 059-2012) issued by the BIR Commissioner. In the ruling dated 29 June 2012, the BIR Commissioner held that Alkylate is also subject to excise tax upon importation. The BIR Ruling further held that the Company is liable for the amount of P1.9 billion representing the unpaid taxes, on the importations of Alkylate from 2010.

A Petition for Review of the BIR ruling was filed with the CTA. On 18 September 2012, the Company filed a Motion for the Issuance of a Suspension Order to stop the implementation of Ruling No. M-059-2012.

On 22 October 2012, the CTA issued a Resolution approving the issuance of a Suspension Order stopping the collection of alleged deficiency excise taxes (and VAT) for the period from 2010 to June 2012, upon the posting by the Company of a surety bond. Said bond was duly filed and the CTA approved the same on 30 October 2012.

In a Resolution dated 28 January 2013, the CTA denied the BIR/BOC Motion to Dismiss the case. Subsequent appeals (Petitions for Certiorari) from the denial of the Motion to Dismiss have been filed by the BOC and the BIR with Supreme Court.

On 02 June 2014, the Company filed a Petition for Certiorari with Application for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction with the SC questioning the denial of its application for the issuance of a suspension order against the assessment and collection of excise taxes on its March 2014 alkylate shipment. On 7 July 2014, the SC issued a temporary restraining order enjoining the CTA and the tax-collecting agencies of the government from imposing excise taxes on incoming alkylate importations of the Company.

Meanwhile, in the main case before the CTA, on 31 July 2014, the Company filed a Motion for Judgment on the Pleadings. This Motion was denied by the tax court on 13 February 2015. On 16 March 2015, the Company filed a Motion for Reconsideration from this denial of the Motion for Judgment on the Pleadings.

As disclosed in Note 7, the Company has excise duties and VAT paid under protest amounting to P1.1 billion for certain Alkylate shipments.

28. Contingencies (continued)

Status:

Decision on the merits is pending with the Court of Tax Appeals ("CTA"). The parties have concluded the presentation of their witnesses. The court is expected to set a deadline for the submission of the respective memoranda of the Parties.

In the consolidated jurisdictional cases before the Supreme Court, the Office of the Solicitor General (OSG) filed a Motion to Lift TRO and for Immediate Resolution of the Consolidated Cases on 23 October 2020. PSPC filed its Comment/Opposition on 27 November 2020.

(c) Republic of the Philippines rep. by Bureau of Customs vs. Pilipinas Shell Petroleum Corporation & Filipino Way Industries
SC G.R. No. 209324 Supreme Court
Civil Case No. 02-103191, Regional Trial Court of Manila

Matter Summary:
Sometime in March 1996, TCCs were issued to Filway Industries for customs duties and taxes allegedly paid on raw materials used in the manufacture, processing or production of knitted fabrics. In 1997, Filway executed a deed of assignment over the TCCs in favour of the company. The Company then utilized said TCCs to settle its customs duties and taxes on oil importations.

According to the government, it was discovered that the said credit memos were fake and spurious as they did not conform to the records. Thus, the TCCS were cancelled and BOC is demanding anew for the payment of custom duties and taxes for the Company's importations.

The Court of Appeals had earlier upheld the dismissal of the case by the RTC Manila Branch 49 that dismissed the case. In a Decision dated 09 December 2015, the Supreme Court remanded the case to the RTC for the conduct of the trial proceedings so that the Bureau of Customs could attempt to prove the alleged fraudulent acquisition and use of TCCs.

Status:
During the scheduled hearing on 19 November 2020, the Judge ruled upon defendant PSPC Formal Offer of Evidence dated 30 January 2020 and admitted in toto the evidence offered. Both parties manifested their intent to file a Memorandum. PSPC filed the Memorandum on 21 December 2020. Case is currently submitted for resolution.

28. Contingencies (continued)

(d) Excise Tax Refund Case

There are also tax cases filed by the Company for its claims from the government amounting to P733.1 million that are pending since 30 June 2018 and 31 December 2017 in the CTA and SC. Management believes that the ultimate outcome of such cases will not have a material impact on the Company's financial statements.

(e) Other significant case

Case filed by the West Tower Condominium Corporation (WTCC)

West Tower Condominium Corp. et al. vs. Judge Elpidio R. Calis et al
SC G.R. No. 215901, Supreme Court
Filed 11 June 2012

Matter Summary:
The Company is a respondent in this Petition for Certiorari filed by West Tower Condominium Corp, et al. to challenge the ruling of Judge Calis requiring the payment of filing fees in the civil case for damages earlier brought by WTCC in connection with the leak in White Oil Pipeline. The issue is whether the case filed with the lower court is exempt from payment of filing fees. The trial court judge earlier ruled that the claim is an ordinary claim for damages.

Status:
In a Decision dated 30 June 2014, the Court of Appeals affirmed the ruling of the Regional Trial Court requiring the payment of filing fees. FPIC and its Board of Directors and Officers asked the Court of Appeals to reconsider the part of its Decision retaining the party-complainants previously dropped as parties to the case arguing that the court has no jurisdiction to reinstate these party-complainants. West Tower Condominium Corporation, et al. filed its Motion for Reconsideration arguing that they have satisfied all the requirements in order that this case may be treated as an environmental case which does not necessitate the payment of the filing fees.

On 26 September 2014, the Company asked the Court of Appeals to deny the motion for reconsideration filed by West Tower Condominium Corporation, et al. for lack of merit. In its resolution dated 11 December 2014, the Court of Appeals denied the motion for reconsideration filed by the West Tower Condominium Corporation, et al. West Tower Condominium Corporation, et al.'s filed with the Supreme Court the present petition dated 11 February 2015 seeking a review of the decision of the Court of Appeals. The Company has filed its Comment with Opposition dated 18 September 2015 asking the Supreme Court to dismiss the petition and to deny the application for a temporary restraining order. Awaiting Supreme Court's action. No change in status as of January 2021.

29. Deregulation Law

On 10 February 1998, RA No. 8479, otherwise known as the Downstream Oil Industry Deregulation Act of 1998 (the "Act") was signed into law. The law provides, among others, for oil refiners to list and offer at least 10% of their shares to the public within three years from the effectivity of the said law.

In a letter to the Department of Energy (DOE) dated 12 February 2001, the Department of Justice (DOJ) rendered an opinion that the 3 year period in Section 22 of RA 8479 for oil refineries to make a public offering is only directory and not mandatory. As to when it should be accomplished is subject of reasonable regulation by the DOE.

On 3 November 2016, the Company became a public listed company with the Philippine Stock Exchange, in compliance with Philippine Republic Act No. 8479, otherwise known as the Downstream Oil Industry Deregulation Act of 1998 and it's implementing rules and regulations.

30. Summary of significant accounting policies

30.1. Basis of preparation

Basis of Preparation:

The accompanying financial statements have been prepared on a historical cost basis, except for equity through OCI, derivatives and retirement assets that are measured at fair value. The financial statements are presented in Philippine peso, the functional and presentation currency of the Company. All amounts are rounded off to the nearest thousand peso unit unless otherwise indicated.

Statement of Compliance:

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Changes in Accounting Policies and Disclosures:

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments to previously issued PAS and PFRS which were adopted as at 01 January 2020.

• Amendments to PFRS 3, Business Combinations, Definition of a Business

• Amendments to PAS 1, Presentation of Financial Statements, and PAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material

• Conceptual Framework for Financial Reporting issued on March 29, 2018

30. Summary of significant accounting policies (continued)

30.1. Basis of preparation (continued)

Changes in Accounting Policies and Disclosures: (continued)

• Amendments to PFRS 16, COVID-19-related Rent Concessions

• Amendments to PFRS 7, Financial Instruments: Disclosures and PFRS 9, Financial Instruments, Interest Rate Benchmark Reform

Standards Issued But Not Yet Effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. The Company intends to adopt these standards when they become effective. Adoption of these standards and interpretations are not expected to have any significant impact on the financial statements of the Company.

Effective beginning on or after January 1, 2021

• Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, Interest Rate Benchmark Reform-Phase 2

Effective beginning on or after January 1, 2022

• Amendments to PFRS 3, Reference to the Conceptual Framework
• Amendments to PAS 16 , Plant and Equipment: Proceeds before Intended Use
• Amendments to PAS 37, Onerous Contracts - Costs of Fulfilling a Contract
• Annual Improvements to PFRSs 2018-2020 Cycle
- Amendments to PFRS 1, First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter
- Amendments to PFRS 9, Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities
- Amendments to PAS 41, Agriculture, Taxation in fair value measurements

Effective beginning on or after January 1, 2023

• Amendments to PAS 1, Classification of Liabilities as Current or Non-current
• PFRS 17, Insurance Contracts

Deferred effectivity

• Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

30. Summary of significant accounting policies (continued)

30.2. Cash

Cash consists of deposits held at call with banks. It is carried in the statement of financial position at face amount or nominal amount. Cash in banks earns interest at the respective bank deposit rates.

30.3. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company recognizes a financial instrument in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Financial assets - Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under PFRS 15.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets - Subsequent Measurement

i. Financial assets at amortized cost

The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding;

30. Summary of significant accounting policies (continued)

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in statement of income when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes trade and other receivables.

ii. Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment (see note 11).

The Company elected to classify irrevocably its equity investments under this category.

iii. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of income. Dividends on listed equity investments are also recognized as other income in the statement of income when the right of payment has been established.

30. Summary of significant accounting policies (continued)

Included in this category are the Company's derivative financial assets (see Note 6).

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as part of other operating income in the statement of income.

Financial instruments may be designated as at FVPL on initial recognition when any of the following criteria is met:

The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis (accounting mismatch); or the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Included in this category are the Company's derivative financial assets (see Note 6).

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

30. Summary of significant accounting policies (continued)

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established probability of default rates for third party trade receivables based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company applies the historical credit loss method in case undue cost or effort is involved in calculating the ECL by considering the forward-looking factors. For inter-group trade receivables, the Company has established probability of default rates based on internal credit rating of the customers. Internal credit ratings are based on methodologies adopted by independent credit rating agencies. Therefore, the internal ratings already consider forward looking information.

The Company considers a financial asset to be in default when contractual payments are 180 days past due. However, Company considers internal or external information when there are indicators that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities - initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company’s financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, dividends payable and derivative financial instruments.

30. Summary of significant accounting policies (continued)

Financial liabilities - Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of income.

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Company as at fair value through profit or loss upon initial recognition.

i. Financial liabilities at fair value through profit or loss

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorized as held for trading unless they are designated and effective as hedging instruments. Financial liabilities held for trading also include obligations to deliver financial assets borrowed by a short seller.

A financial liability is designated as financial liability at fair value through profit or loss upon initial recognition if: such designation significantly reduces measurement or recognition inconsistency that would otherwise arise; the financial liability forms group of financial assets or financial liabilities or both, which is managed and its performance evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about its grouping is provided internally on that basis; or it forms part of a contract containing one or more embedded derivatives requiring separation, and PAS 39 permits the entire combined contract (asset or liability) to be designated as FVPL.

Included in this category are the Company's derivative financial liabilities under trade and other payables account in the statement of financial position.

ii. Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

30. Summary of significant accounting policies (continued)

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of income.

This category generally applies to interest-bearing loans and borrowings, accounts payable and accrued expenses.

Financial liabilities - Derecognition

A financial liability is derecognized when the obligation under the liability has been discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of income.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties. As at 31 December 2020 and 2019, there are no financial assets and financial liabilities that were offset.

Derivative financial instruments

The Company uses derivatives in the management of interest rate risk, foreign exchange risk and commodity price risk arising from operational activities. A derivative financial instrument is initially recognized at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, that are not already required to be recognized at fair value, and that are not closely related to the host contract in terms of economic characteristics and risks, are separated from their host contract and recognized at fair value; associated gains and losses are recognized in the statement of income.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognized in the statement of income in the period when changes arise.

30. Summary of significant accounting policies (continued)

30.4. Receivables

Trade receivables arising from regular sales with average credit term of 30 to 60 days and other current receivables are initially recorded at fair value and subsequently measured at amortized cost, less provision for impairment. Fair value approximates invoice amount due to short-term nature of the financial assets. Other long-term receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

30.5. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in first-out (FIFO) method for crude oil and finished products, materials and supplies. Cost of products sold includes invoice cost, duties, excise taxes, refinery production overhead, freight and pipeline costs and excludes the borrowing costs.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion, and estimated cost necessary to make the sale. Provision for inventory losses is provided, when necessary, based on management's review of inventory movement and condition of inventory item. Inventory losses, if any, is charged as part of cost of sales in the Company's statement of income.

The amount of any reversal of inventory write-down, arising from an increase in net realizable value, is presented under crude and products costs in the period in which the reversal occurred.

Crude oil and finished products are derecognized when sold, and materials and supplies are derecognized when consumed. The carrying amount of these inventories is charged to cost of sales in the statement of income, in the period in which the related revenue is recognized.

30.6. Prepayments and other current assets

Prepaid expenses are expenses paid in cash and recorded as assets before they are used or consumed, as the service or benefit will be received in the future. Prepaid expenses expire and are recognized as expense either with the passage of time or through use or consumption.

Advance tax payments related to inventories are recognized initially as prepayment and charged to operations when products are sold.

30. Summary of significant accounting policies (continued)

30.6. Prepayments and other current assets (continued)

Input VAT claims is stated at face value less provision for impairment, if any. Provision for unrecoverable input VAT, if any, is maintained by the Company at a level considered adequate to provide for potential uncollectible portion of the claim. The Company, on a continuing basis, reviews the status of the claim designed to identify those that may require provision for impairment losses. A provision for impairment of unrecoverable input VAT is established when there is objective evidence that the Company will not be able to recover the claims. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in the statement of income. As at 31 December 2020 and 2019, the Company has no provision for impairment of input VAT (see Note 6).

The Company pays excise duties in advance and files for a refund with the local tax bureau as the Company claims exemption on own produced and imported petroleum products that were subsequently sold to international carriers or exempt entities or agencies. The refund of claim requires judgement based on the Company's assessment of collection or recoverability through creditable tax certificates from the government.

30.7. Current and deferred income taxes

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

30. Summary of significant accounting policies (continued)

30.7. Taxes (continued)

Deferred tax (continued)
Deferred income tax on Asset Retirement Obligation considers any temporary differences on a net basis. In this approach, the net carrying value of the asset and liability is zero on initial recognition and the non-deductible asset and the tax-deductible liability are regarded as being economically the same as a tax-deductible asset that is acquired on deferred terms. Deferred tax is recognized on subsequent temporary differences that arise when the net asset or liability changes from zero.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (NOLCO) and unused tax credits (MCIT over RCIT), to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax liabilities are recognized in full for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill.

Deferred tax assets and liabilities are derecognized when relevant temporary differences have been realized and settled, respectively. The Company reassesses at each statement of financial position date the need to recognize a previously unrecognized deferred income tax asset.

30.8. Property, plant and equipment

Property and equipment are carried at historical cost less accumulated depreciation and amortization and accumulated impairment losses. Historical cost includes its acquisition cost or purchase price and expenditure that is directly attributable to the acquisition of the items necessary to bring the asset to its working condition and location for its intended use. Costs of assets under construction are accumulated in the accounts until these projects are completed upon which they are charged to appropriate property accounts.

Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Asset retirement obligation (ARO) represents the net present value of obligations associated with the retirement of property and equipment that resulted from acquisition, construction or development and the normal operation of property and equipment. ARO is recognized as part of the cost of the related property and equipment in the period when a legal or constructive obligation is established provided that best estimate can be made. ARO is derecognized when the related asset has been retired or disposed of.

30. Summary of significant accounting policies (continued)

30.8. Property, plant and equipment (continued)

Depreciation on property and equipment is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful lives (in years), as follows:

Leasehold improvements	5 to 40 or term of lease, whichever is shorter
Furniture and fixtures	5 to 20
Machinery and equipment	3 to 30
Transportation	5 to 25

Depreciation of property and equipment begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

Assets under construction are not subject to depreciation until these are put into operation.

ARO is amortized on a straight-line basis over the estimated life of the related assets or lease term (in case of leased assets) whichever is shorter.

Major renovations are depreciated over the remaining useful life of the related asset. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Property and equipment are derecognized upon disposal or when no future economic benefits are expected from its use or disposal and related gains and losses on disposals are determined by comparing proceeds with the carrying amount of assets. The cost and related accumulated depreciation of assets sold are removed from the accounts and any resulting gain or loss is credited or charged to other operating income (expense) in the statement of income.

Fully-depreciated property and equipment are maintained in the accounts until these are no longer in use.

30. Summary of significant accounting policies (continued)

30.9. Intangible assets - computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of five years from the time the software has been ready for its intended use in operations.

Costs associated with maintaining computer software programs are recognized as an expense as incurred in the statement of income.

Intangible assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal and related gains and losses on disposals are determined by comparing proceeds with the carrying amount of assets. The cost and related accumulated amortization of intangible assets disposed are removed from the accounts and any resulting gain or loss is credited or charged to other operating income (expense) in the statement of income.

The Company's intangible asset is classified under other assets account in the statement of financial position (see Note 11).

30.10. Leases

The Company has applied PFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under PAS 17 and IFRIC 4. The details of accounting policies under PAS 17 and IFRIC 4 are disclosed separately.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease as in PFRS 16.

30. Summary of significant accounting policies (continued)

30.10. Leases (continued)

a) Lessee

Classification and measurement

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognizes a right to use asset and a lease liability at the lease commencement date. The right to use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The Company recognizes asset retirement obligation relating to lease land and buildings which would need to be restored to previous state and condition. For accounting policies refer Note 30.8.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company's uses its incremental borrowing rate as the discount rate.

The Company determines the incremental borrowing rate representing the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right to use asset in a similar economic environment. The incremental borrowing rate applied to each lease was determined taking into account the risk-free rate, adjusted for factors such as the credit rating of the Company and the terms and conditions of the lease.

Lease payments included in the measurement of the lease liability comprise the following:

1.Fixed payments, including in-substance fixed payments;

2.Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

3.Amounts expected to be payable under a residual value guarantee; and

4.The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

30. Summary of significant accounting policies (continued)

30.10. Leases (continued)

Right to use assets are presented separately in the statement of financial position. Expenses related to leases previously classified as operating leases are presented under Selling, distribution and administrative expenses in 2020 and 2019. Payments related to leases previously classified as operating leases are presented under Cash flow from financing activities.

Subsequent measurement

The right to use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right to use asset reflects that the Company will exercise a purchase option. In that case the right to use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right to use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. For remeasurements to lease liabilities, a corresponding adjustment is made to the carrying amount of the right to use asset or is recorded in profit or loss if the carrying amount of the right to use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognize right to use assets and lease liabilities for leases of low-value assets and where is the lease term is less than or equal to 12 months (short-term leases). The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

30.11. Investments in associates and joint arrangements

Associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

Investments in associates are accounted for using equity method. Under this method, the investment is carried at cost, increased or decreased by the equity in the net earnings or losses of the investee since the date of acquisition. Dividends received, if any, are treated as reduction in the carrying value of the investment.

30. Summary of significant accounting policies (continued)

30.11. Investment in associates and joint ventures (continued)

Joint Arrangements

A joint arrangement is an arrangement of which the Company has joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor.

Joint operations are accounted for by recognizing the Company's own or its share of assets, liabilities, revenue and expenses in the arrangement.

30.12. Impairment of non-financial assets

Property and equipment and other non-current assets (investments in other entities, intangibles, and claims from government agencies lodged under receivables and long-term receivables) that have definite useful life are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's fair value less cost of disposal and value in use. Value in use requires entities to make estimates of future cash flows to be derived from the particular asset, and discount them using a pretax market rate that reflects current assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The Company recognizes provision for impairment of input VAT and excise duties claims based on the Company's assessment of collection or recoverability through creditable tax certificates from the government. This assessment requires judgment regarding the ability of the government to settle or approve the application for claims/creditable tax certificates of the Company.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in other operating income (expense) in the statement of income (see Note 21).

30.13. Accounts payable and accrued expenses

Accounts payable and accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Company is established. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

30. Summary of significant accounting policies (continued)

30.14. Borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the maturity value is recognized in the statement of income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. All other borrowing costs are recognized and charged to operations in the year in which they are incurred.

30.15. Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated. Provisions are not recognized for future operating losses.

An onerous contract provision is recognised when the unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable cost under a contract is the lower of the cost of fulfilling the contract and any compensation or penalties arising from failure to fulfil it. The cost of fulfilling a contract comprises the costs that relate directly to the contract. Before an onerous provision is recognised the Company first recognises any impairment loss that has occurred on assets dedicated to that contract.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as part of other operating expense in the statement of income.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed and derecognized from the statement of financial position.

30. Summary of significant accounting policies (continued)

30.16. Contingencies

Contingent assets and liabilities are not recognized in the financial statements. Contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent asset are disclosed when an inflow of economic benefits is probable. When the realization of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.

30.17. Share capital

Common shares are classified as equity. Share premium is recognized for the excess proceeds of subscriptions over the par value of the shares issued, net of transaction costs.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from proceeds, net of tax.

Where the Company purchases its equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, are included in equity attributable to the Company's equity holders.

30.18. Dividends distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's Board of Directors.

30.19. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of common shares in issue during the year, excluding common shares purchased by the Company and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. The Company has no dilutive potential common shares.

30. Summary of significant accounting policies (continued)

30.20. Foreign currency transactions and translations

i. Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Philippine peso, which is the functional and presentation currency of the Company.

ii. Transactions and balances

Foreign currency transactions are translated into Philippine peso using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income (see Note 22).

30.21. Revenue and expense recognition

I. Revenue from contracts with customers:

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

i) Sale of goods

Revenue from sales of oil and gas products is recognized at the price which the Company is expected to be entitled to, after deducting sales taxes, excise duties and similar levies.

Sales of oil and gas products are recognized when the control of the products have been transferred, which is when the customer has the ability to direct the use of the products and obtain substantially all of the remaining benefits from the products, which generally coincides with the actual delivery of goods. Delivery does not occur unless the products have been shipped out of the Company's premises or received by the customer depending on shipping arrangements.

The Company identifies the promised products and services within contracts in scope of PFRS 15 and determines which of those goods and services are separate performance obligations. The Company will allocate the transaction price to the performance obligations in the contract by reference to their relative standalone selling prices. PFRS 15 has been applied for recognizing the net sales.

The Company is required exercising considerable judgement taking into account all the relevant facts and circumstances when applying the criteria to its contracts with customers.

30. Summary of significant accounting policies (continued)

30.21. Revenue and expense recognition (continued)

a. Variable Consideration

Some contracts for the sale of goods provide customers with volume rebates that give rise to variable consideration. The Company estimates the variable consideration at contract inception and constrained until it is highly probable that significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The Company provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Under PFRS 15, retrospective volume rebates give rise to variable consideration. To estimate the variable consideration to which it will be entitled, the Company applies the most likely method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold and recognizes a refund liability for the expected future rebates.

b. Loyalty programme

The Company has loyalty points programme, which allows customers to accumulate points that can be redeemed for free products. The loyalty points give rise to separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on relative stand-alone selling price and recognized as a contract liability until the points are redeemed. Revenue is recognized upon redemption of products by the customer. When estimating the stand-alone selling price of the loyalty points, the Company considers the likelihood that the customer will redeem the points. The Company updates its estimates at every balance sheet date and any adjustments to the contract liability balance are charged against revenue.

c. Trade receivables

A receivable represents the Company’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

d. Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. Contract liability is recognized under trade and other payables and under provisions and other liabilities.

30. Summary of significant accounting policies (continued)

30.21. Revenue and expense recognition (continued)

	2020	2019
Performance obligations satisfied	24,434	23,743

	31 December 2020	31 December 2019
Contract liabilities included in trade and other payables and in provisions and other liabilities	665,437	558,643

There are no significant changes in contract liability arising from change in measure of progress, change in estimate of transaction price or contract modification.

ii) Other operating income

Other operating income, such as retailer and franchise commission, is recognized on an accrual basis in accordance with the substance of the relevant agreements.

iii) Finance income

Finance income, such as foreign exchange gains and interest income, is recognized as earned and presented at gross after operating profit. Interest income is recognized on a time proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it determined that such income will accrue to the Company.

iv) Other non-operating income

Other non-operating income, also referred to as incidental or peripheral income (one time), are recognized for earnings that do not occur on a regular basis or is derived from activities not related to the Company's core operations.

v) Dividend income

Dividend income is recognized when the Company's right to receive the payment is established. The Company’s dividend income is presented as part of other non-operating income in the statement of income.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow into the entity and specific criteria have been met for each of the Company’s activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

30. Summary of significant accounting policies (continued)

30.21. Revenue and expense recognition (continued)

Sale of oil and gas products

Sales comprise the fair value of the consideration received or receivable from the sale of oil and gas products in the ordinary course of the Company's operations. Sales is shown net of value-added tax. Discounts and rebates are recognized and measured based on approved contracts and agreements with customers.

Sales of oil and gas products are recognized when the significant risks and rewards of ownership of the goods are transferred to the buyer, which generally coincides with the actual delivery of goods. Delivery does not occur unless the products have been shipped out of the Company's premises or received by the customer depending on shipping arrangements.

30.22. Employee benefits

i) Pension obligation

The Company maintains a pension scheme, which is funded through payments to trustee-administered fund. The Company maintains a defined benefit pension plan and defined contribution plan.

Defined benefit plan is defined as an amount of pension benefit that an employee will receive upon retirement, dependent on certain factors such as age, years of credited service, and compensation. The Company makes contributions to the retirement benefit fund to maintain the plan in an actuarially sound condition. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Remeasurements, comprising of actuarial gains and losses, the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset) are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognizes related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit obligation or asset. The Company recognizes the following changes in the net defined benefit obligation under cost of sales, administration expenses and selling and distribution expenses in statement of income (by function):

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

30. Summary of significant accounting policies (continued)

30.22. Employee benefits (continued)

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The Company has a defined contribution plan that covers all regular employees under which it pays fixed contributions based on the employees' monthly salaries. The Company, however, is covered under R.A 7641, otherwise known as "The Philippine Retirement Law", which provides for qualified employees to receive a defined benefit minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of R.A. 7641.

Accordingly, the Company accounts for their retirement obligation under the higher of the defined benefit obligation related to the minimum guarantee and the obligation arising from the defined contribution plan.

For the defined benefit minimum guarantee plan, the liability is determined based on the present value of the excess of the projected defined benefit obligation over the projected defined contribution obligation at the end of the reporting period. The defined benefit obligation is calculated annually by a qualified independent actuary using the projected unit credit method. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense (income) and other expenses (income) related to the defined benefit plan are recognized in our profit or loss.

The defined contribution liability, on the other hand, is measured at the fair value of the defined contribution assets upon which the defined contribution benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the defined contribution benefits. Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in our other comprehensive income.

30. Summary of significant accounting policies (continued)

30.22. Employee benefits (continued)

ii) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37 Provisions, Contingent Liabilities and Contingent Assets and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after statement of financial position date are discounted to present value.

iii) Bonus plans

The Company recognizes a liability and an expense for performance-related bonuses, based on a formula that takes into consideration the Company and employee's performance. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

iv) Performance-share plans

RDS operates a Performance Share Plan (PSP) covering all of its subsidiaries' employees. PSP for conditional shares are awarded to eligible employees based on their sustained performance and value. The extent to which shares are finally delivered at the end of a three-year performance period, or not, depends upon the performance of the Shell group.

The fair value of shares, determined using a Monte Carlo pricing model, is credited as 'other reserve' in equity and is charged to profit or loss over the vesting period. The fair value of share-based compensation for equity-settled plans granted to employees under the RDS schemes is recognized as an intra-group payable to parent company when charged-out. The charge-out is based on the entitled personnel that were employed by the Company at the time of awarding.

30.23. Related parties

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities under common shareholdings, which includes entities that are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

30. Summary of significant accounting policies (continued)

30.23. Related parties (continued)

The Company, in its regular conduct of business, enters into transactions with related parties, which consists of sales and purchase transactions, leases and management and administrative service agreements. Transactions with related parties are on an arm's length basis similar to transactions with third parties.

30.24. Operating Segments

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments (see Note 2).

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the general manager who makes strategic decisions.

30.25. Events after statement of financial position date

On 13 August 2020, the Company had announced its decision to convert its oil refinery into a world-class import terminal. An impairment loss amounting to P8,848.9 million is recognized for the oil refinery assets. The Company has identified a potential buyer after the reporting date to sell these assets upon completion of decommissioning activities and the sale is expected to be completed within a period of twenty four months.

31. Financial risk management

31.1 Financial Risk Factors

The Company's operations expose it to a variety of financial risks: market risk (including foreign currency risk, cash flow and fair value interest risk, and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Financial risk management is carried out by its Regional Treasury - Shell Treasury Centre East (STCE) under policies approved by the Board of Directors. STCE identifies, evaluates and hedges financial risks in close cooperation with the Company's operating units. The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing excess liquidity.

a) Market risk
Market risk is the possibility that changes in currency exchange rates, interest rates or the prices of crude oil and refined products will adversely affect the value of the Company's assets, liabilities or expected future cash flows.

31. Financial risk management (continued)

a) Market risk (continued)

i) Foreign exchange risk

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

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

As at 31 December 2020, if the Philippine peso had weakened/strengthened by 5% (assessment threshold used by management) against the US dollar with all other variables held constant, equity and post-tax profit for the period would have been P187.9 million (2019 -P493.9 million) lower/higher, as a result of foreign exchange gains/losses on translation of US dollar-denominated receivables and payables as at 31 December 2020 and 2019.

Management considers that there are no significant foreign exchange risks with respect to other currencies disclosed in Note 27.

ii) Cash flow and fair value interest rate risk

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

The Company has no significant exposure to fair value interest rate risk as the Company has no significant interest-earning assets and interest-bearing liabilities subject to fixed interest rates.

The Company's interest-rate risk arises from its borrowings. Borrowings obtained at variable rates expose the Company to cash flow interest-rate risk. As at 31 December 2020 and 2019, the Company's short-term borrowings and loans payable carry floating rates based on a certain index plus applicable premium.

The Company does not enter into significant hedging activities or derivative contracts to cover risk associated with borrowings.

For the year ended 31 December 2020, if interest rates on Philippine peso-denominated borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been P154 million (2019 - P65 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings. Management uses 100 basis points as threshold in assessing the potential impact of interest rate movements in its operations.

31. Financial risk management (continued)

a) Market risk (continued)

iii) Commodity and other price risks

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in market prices. The Company is affected by price volatility of certain commodities such as crude oil required in its operating activities. To minimize the Company's risk of potential losses due to volatility of international crude and petroleum product prices, the Company may implement commodity hedging for crude and petroleum products. The hedges are intended to protect crude inventories from risk of downward prices and squeezing margins. This allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Company, thus protecting raw material cost and preserving margins. For consumer (buy) hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost. While for producer (sell) hedges, if prices go down, hedge positions may show marked-to-market gains; however, any gain in the marked-to-market position is offset by the resulting lower selling price.

The Company is not significantly exposed to price risk on equity securities and proprietary club shares as investments held by the Company classified in the statement of financial position as equity through other comprehensive income financial assets are not considered material in the financial statements.

b) Credit risk

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

The Company maintains cash and certain other financial instruments with various major financial institutions. To minimize this risk, the Company performs periodic evaluations of the relative credit standing of these financial institutions and where appropriate, places limits on the amount of credit exposure with any one institution. Additional information is presented in Note 3.

The Company has policies in place to ensure that sales of products are made to customers with acceptable creditworthiness. Counterparty credit risk is managed within a framework of individual credit limits with utilization being regularly reviewed. Credit checks are performed by a department independent of sales department, and are undertaken before contractual commitment. Where appropriate, cash on delivery terms are used to manage the specific credit risk. Also, there are collaterals and security deposits from customers taken which enables to manage the risk.

31. Financial risk management (continued)

b) Credit risk (continued)
There is no concentration of credit risks as at statement of financial position dates as the Company deals with a large number of homogenous trade customers. Additional information is presented in Note 4.

Where there is a legally enforceable right to offset under trading agreements and net settlement is regularly applied, the net asset or liability is recognized in the statement of financial position, otherwise assets and liabilities are presented at gross. As at 31 December 2020 and 2019, the Company has the following :

	Note	Gross amounts before offset	Amount offset	Net Amounts as presented	Credit Enhancement	Net Amount
2020						
Financial Assets:						
Receivables	4	8,830,486	-	8,830,486	4,206,465	4,624,021
2019						
Financial Assets:						
Receivables	4	12,589,703	-	12,589,703	1,237,171	11,352,532

The gross carrying amount of the receivables and ECL in Stage 1 with 12-month ECL as at 31 December 2020 is P93.4 million and nil. The gross carrying amount of the receivables and ECL in Stage 2 with lifetime ECL as at 31 December 2020 is P1,006.4 million and P22 million. The gross carrying amount of the receivables and ECL in Stage 3 with lifetime ECL as at 31 December 2020 is P129.0 million and P17.8 million. The gross carrying amount of the receivables and ECL in simplified approach with lifetime ECL as at 31 December 2020 is P8,175.9 million and P336.5 million.

The expected credit loss in the current year is not significantly impacted by the changes in the macroeconomic environment and the COVID-19 pandemic.

c) Liquidity risk
Liquidity risk is the risk that suitable sources of funding for the Company's business activities may not be available. The Company has access to sufficient external debt funding sources (banks credit lines) to meet currently foreseeable borrowing requirements. The Treasury group centrally monitors bank borrowings, foreign exchange requirements and cash flow position.

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

The table below analyzes the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

31. Financial risk management (continued)

c) Liquidity risk (continued)

	Note	0-90 days	91-180 days	181 days - 1 year	Over 1 year	Total
2020						
Short-term borrowings-Principal	13	3,000,000	-	10,000,000	-	13,000,000
Short-term borrowings-Interest		95,386	-	356,735	-	452,121
Loans payable-Principal	14	-	-	-	9,000,000	9,000,000
Loans payable-Interest		38,156	38,156	76,311	193,745	346,368
Dividends payable		17,074	-	-	-	17,074
Accounts payable and accrued expenses	12	14,711,243	3,257,019	792,927	1,615,599	20,376,788
Derivatives	12	447	-	-	-	447
		17,862,306	3,295,175	11,225,973	10,809,344	43,192,798
2019						
Short-term borrowings-Principal	13	9,752,000	-	-	-	9,752,000
Short-term borrowings-Interest		1,132	-	-	-	1,132
Loans payable-Principal	14	-	-	-	9,000,000	9,000,000
Loans payable-Interest		85,500	-	-	781,850	867,350
Dividends payable		17,054	-	-	-	17,054
Accounts payable and accrued expenses	12	28,565,455	(367,281)	1,224,983	259,017	29,682,174
Derivatives	12	1,979	-	-	-	1,979
		38,423,120	(367,281)	1,224,983	10,040,867	49,321,689

The maturity analysis for lease liability is disclosed in note 26. Availability of funding to settle the Company's payables are ensured since the Company has unused credit lines and undrawn borrowing facilities at floating rate amounting to P60.3 billion (2019 - P62.1 billion), which is expiring within one year.

31.2 Capital management

The Company manages its business to deliver strong cash flows to fund capital expenditures and growth based on cautious assumptions relating to crude oil prices. Strong cash position and operational cash flow provide the Company financial flexibility both to fund capital investment and return on equity. Total capital is calculated as 'equity' as shown in the statement of financial position less other reserves plus net debt.

i. Cash flow from operating activities

Cash flow from operating activities is considered a measure that reflects the Company's ability to generate funding from operations for its investing and financing activities and is representative of the realization of value for shareholders from the Company's operations. The statement of cash flows shows the components of cash flow. Management uses this analysis to decide whether to obtain additional borrowings or additional capital infusion to manage its capital requirements.

31. Financial risk management (continued)

ii. Gearing ratio

The gearing ratio is a measure of the Company's financial leverage reflecting the degree to which the operations of the Company are financed by debt. The amount of debt that the Company will commit depends on cash inflow from operations, divestment proceeds and cash outflow in the form of capital investment, dividend payments and share repurchases. The Company aims to maintain an efficient statement of financial position to be able to finance investment and growth, after the funding of dividends. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans and borrowings less cash.

The Company does not have a fixed gearing target and management considers whether the present gearing level is commercially acceptable based on the ability of the Company to operate on a standalone basis and is set after appropriate advice has been taken from Tax, Treasury and Legal advisors.

The gearing ratios at 31 December 2020 and 2019 are as follows:

	Note	2020	2019
Total loans and borrowings	13, 14	22,000,000	18,752,000
Less: Cash	3	6,290,505	4,778,877
Net debt		15,709,495	13,973,123
Total equity (excluding other reserves)		23,031,629	39,273,668
Total capital		38,741,124	53,246,791
Gearing ratio		41%	26%

The Company is not subject to externally imposed capital requirement.

31. Financial risk management (continued)

31.3 Fair value estimation

The table below presents the carrying amounts of the Company's financial assets and financial liabilities, which approximates its fair values, as at 31 December 2020 and 2019:

	Note	2020	2019
Financial assets			
Loans and receivables			
Cash	3	6,290,505	4,778,877
Receivables	4	8,830,486	12,589,703
Derivatives	6	20,392	3,715
Customer grants	7	61,469	36,783
Long-term receivables	7	159,836	198,510
Equity through OCI	11	580,958	584,107
Total financial assets		15,943,646	18,191,695
Other financial liabilities			
Accounts payable and accrued expenses	12	20,105,026	29,523,994
Dividends payable		17,074	17,054
Derivatives	12	447	1,979
Cash security deposits	15	290,472	280,058
Short-term borrowings	13	13,000,000	9,752,000
Loans payable	14	9,000,000	9,000,000
Total financial liabilities		42,413,019	48,575,085

Receivables in the table above exclude claims from the government and miscellaneous receivables while accounts payable and accrued expenses exclude amounts payable to the government and its related agencies.

The following methods and assumptions were used to estimate the value of each class of financial instrument:

i. Current financial assets and liabilities

Due to the short-term nature of the accounts, the fair value of cash, receivables, deposits, accounts payable (excluding derivative financial liabilities) and short-term borrowings approximate the amount of consideration at the time of initial recognition.

ii. Financial assets and liabilities carried at cost

Staff car loans, market investment loans, other long-term receivables and payables, are carried at cost which is the repayable amount.

31. Financial risk management (continued)

iii. Financial assets and liabilities carried at fair value.

The Company's equity securities classified as equity instruments through OCI are marked-to-market if traded and quoted. The predominant source used in the determining the fair value of the equity through other comprehensive income financial assets is the quoted price and is considered categorized under Level 1 of the fair value hierarchy. The Company's golf club shares are categorized under Level 2 of the fair value hierarchy.

For unquoted equity securities, the fair values could not be reliably determined due to the unpredictable nature of future cash flows and the lack of suitable methods of carrying at a reliable fair value. These are carried at cost less any allowance for impairment losses. These are not significant in relation to the Company's portfolio of financial instruments.

Fair values of derivative assets and liabilities are calculated by reference to the fixed price and the relevant index price as of the statement of financial position date. The fair values of the derivatives are categorized under Level 2 of the fair value hierarchy.

iv. Loans payable

The carrying values of long-term loans payable approximates their fair value because of regular interest repricing based on market conditions.

32. Critical accounting estimates, assumptions and judgments

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

32.1. Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years are discussed below.

i) Provision for impairment of receivables
The provision for impairment of receivables is based on the Company's assessment of the collectability of payments from its debtors. This assessment requires judgment regarding the ability of the debtors to pay the amounts owed to the Company and the outcome of any disputes. The amounts and timing of recorded provision for impairment of receivables for any period would differ if the Company made different assumptions or utilized different estimates. Hence, management considers it impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding impairment of receivables. The Company's policy in estimating provision for impairment of receivables is presented in Note 30.4. The carrying amount of receivables and other information are disclosed in Note 4.

32. Significant accounting judgments, estimates and assumptions (continued)

32.1. Critical accounting estimates and assumptions (continued)

ii) Provision for inventory losses

The Company provides allowance for inventories whenever the net realizable value of inventories become lower than cost due to damage, physical deterioration, obsolescence, market driven price changes in price levels or other causes (i.e. pre-termination of contracts).

Assessment of inventory losses on a regular basis is also performed based on historical information and past experience. The provision account is reviewed on a monthly basis to reflect the estimated net recoverable value in the financial statements. The carrying amount of inventories and other information are disclosed in Note 5.

iii) Provision for asset retirement obligation and environmental liabilities and remediation

Estimates of the ARO recognized are based on current legal and constructive requirements, technology and price levels. Since actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amount of the obligation is regularly reviewed and adjusted to take account of such changes. The implicit rate (based on management's market assessment of the time value of money and risks specific to the obligation) used in discounting the cash flows is reviewed at least annually.

The discount rate used to determine the present value of the obligation as at 31 December 2020 and 2019 ranges from 3.36% to 3.49% and 3.80% to 4.00%, respectively, and the amount is recognized as accretion cost or income in the statement of income.

The Company has set total outstanding provision of P65.3 million (2019 - P65.3 million) to cover the required environmental remediation covering specific assets, based on external evaluation and study, and total outstanding provision of P3.7 billion (2019 - P1.8 billion) for ARO (see note 15).

Further, it is reasonably possible based on existing knowledge that outcome within the next financial year that are different from assumptions could require an adjustment to the carrying amount of the provision for ARO and environmental liabilities and remediation. However, management does not foresee any changes in terms of business operations and its circumstances that would cause a significant change in the initial estimates used. Additional information is presented in Note 15.

Management decision on estimating decommissioning and demolition obligations for refinery assets are disclosed in Note 23.

iv) Determining useful lives and depreciation

Management determines the estimated useful lives and related depreciation charges for the Company's property and equipment (Note 8). Management will revise the depreciation charge where useful lives are different from the previous estimate, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Management does not foresee any changes in terms of business operations that would warrant reassessment of estimated useful lives.

32. Significant accounting judgments, estimates and assumptions (continued)

32.1. Critical accounting estimates and assumptions (continued)

v) Pension benefit obligation and employee benefits

The determination of the Company's pension benefit obligation and employee benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions, as described in Note 25, include among others, discount rates, and salary increase rates.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions as follows:

	Impact on equity and income before tax	
	2020	2019
Discount rate		
Increase by 0.50%	(182,233)	(226,498)
Decrease by 0.50%	138,844	185,317
Salary increase rate		
Increase by 0.50%	1,735,551	1,729,621
Age 20	759,304	761,857
Age 31-40	455,582	432,405
Age 41-50	325,416	308,861
Age 50	195,249	226,498
Decrease by 0.50%	(1,561,966)	(1,564,895)
Age 20	(715,915)	(720,675)
Age 31-40	(412,193)	(391,224)
Age 41-50	(282,027)	(267,679)
Age 50	(151,861)	(185,317)

The above sensitivity is based on a change in assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the pension asset (liability). The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to prior years.

While the Company's management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in actuarial assumptions may materially affect the pension obligation and employee benefits.

32. Significant accounting judgments, estimates and assumptions (continued)

32.1. Critical accounting estimates and assumptions (continued)

vi) Provision for expected credit losses of trade receivables

The Company computes probability of default rates for third party trade receivable, based on historical loss experience adjusted for current and forward looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. For inter-group trade receivables and lease receivables, the Company uses internal credit rating to determine the probability of default. Internal credit ratings are based on methodologies adopted by independent credit rating agencies, therefore the internal ratings already consider forward looking information.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The expected credit loss is not significantly impacted in the current year due to changes in the macroeconomic environment and the COVID-19 pandemic.

vii) Determining lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

32.2. Critical judgements in applying the Company's accounting policies

i) Impairment of assets
Assets (see Notes 8 and 11) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. On a regular basis, management determines if there are triggering events or impairment indicators based on current circumstances. An impairment loss is recognized whenever evidence exists that the carrying value is not recoverable.

Management decision on impairment of refinery assets are disclosed in Note 23.

32. Significant accounting judgments, estimates and assumptions (continued)

32.2. Critical judgements in applying the Company's accounting policies (continued)

ii) Taxes

A certain degree of judgment is required in determining the provision for income taxes, as there are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Company recognizes liabilities for tax audit issues when it is probable. The liabilities are based on estimates whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Further, recognition of deferred income tax assets depends on management's assessment of the probability of available future taxable income against which the temporary differences can be applied. The Company reviews its deferred tax assets at each statement of financial position date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management believes that deferred tax assets are fully recoverable at the statement of financial position date (see Note 10).

The Company pays excise duties in advance and files for a refund with the local tax bureau as the Company claims exemption on own produced and imported petroleum products that were subsequently sold to international carriers or exempt entities or agencies. The refund of claim requires judgement based on the Company's assessment of collection or recoverability through creditable tax certificates from the government.

The Company recognizes provision for impairment of input VAT and excise duties claims based on the Company's assessment of collection or recoverability through creditable tax certificates from the government. This assessment requires judgment regarding the ability of the government to settle or approve the application for claims/creditable tax certificates of the Company. Management believes that its input VAT and specific tax claims are fully recoverable as at statement of financial position date (see Note 6).

iii) Assessing contingencies

The Company is currently involved in various legal proceedings including a number of tax cases (see Note 28). Estimates of the probable costs for the resolution of these claims, if any, have been developed in consultation with internal and external counsels handling the Company's defense in these matters and are based upon the probability of potential results. The Company's management currently believes that the ultimate outcome of these proceedings will not have a material adverse effect on the financial statements. It is possible, however, that future results of operations could be materially affected by changes in the estimates, in the effectiveness of its strategies relating to these proceedings or the actual outcome of the proceedings (see Notes 15 and 28).

32. Significant accounting judgments, estimates and assumptions (continued)

32.2. Critical judgements in applying the Company's accounting policies (continued)

iv) Incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the IBR using observable inputs like the risk-free rate and adjust it for factors such as the credit rating of the Company and the terms and conditions of the lease.

33. Changes in liability arising from financing activities

	01 January 2020	Cash flows	Accrued and paid during the year	Other	31 December 2020
Short term loans	9,752,000	3,248,000	-	-	13,000,000
Long term loans					
Non-Current	9,000,000	-	-	-	9,000,000
Dividend payable	17,054	-	-	20	17,074
Accrued interest payable	27,416	(678,616)	651,200	237,247	237,247
Lease liabilities	10,477,414	(3,041,721)	4,381,159	1,201,910	13,018,762
Total liabilities from financing activities	29,273,884	(472,337)	5,032,359	1,439,177	35,273,083

Others include the dividend unpaid for the prior years, additions to lease liabilities and interest accrued but not paid during the year.

34. Supplementary Information Required Under Revenue Regulations No. 15-2010

The following information required by Revenue Regulations No. 15-2010 is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

a.) Output value-added tax (VAT)

Output VAT declared and the revenues upon which the same was based as at 31 December 2020 consist of:

	Gross amount of revenues	Output VAT
Subject to 12% VAT		
Sale of goods	139,861,951	16,783,434
Sale to government	355,697	42,684
Sale of services	442,130	53,056
Others	453,809	54,457
	141,113,587	16,933,631

34. Supplementary Information Required Under Revenue Regulations No. 15-2010 (continued)

a.) Output value-added tax (VAT) (continued)

	Gross amount of revenues	Output VAT
Zero rated		
Sale of goods	20,975,436	-
Exempt		
Sale of goods	203,440	-
Total	162,292,463	16,933,631

Zero-rated sale of goods pertains to direct export sales transactions with PEZA-registered activities and international vessels pursuant to Section 106 (A) (2) of National Internal Revenue Code.

VAT exempt sales pertain to transactions with exempt entities which are exempt pursuant to Section 109 of National Internal Revenue Code.

b.) Input VAT

Movements in input VAT for the year ended 31 December 2020 follow:

Beginning balance	138,461
Add:Current year's domestic purchases/payments for:	
Importation of goods for resale/manufacture	10,758,662
Domestic goods for resale or manufacture	3,706,317
Services lodged under other accounts	1,559,929
Services rendered by non-residents	165,548
Capital goods subject to amortization	53,020
Total input VAT	**16,381,937**
5% Final withholding VAT against sale to government	10,608
Monthly VAT payments	431,246
Total input VAT	**16,823,791**

c.) Importations

The total landed cost of imports and the amount of custom duties and tariff fees accrued and paid for the year ended 31 December 2020 follow:

Landed cost of imports	70,022,828
Customs duties and tariff fees paid	19,632,689

34. Supplementary Information Required Under Revenue Regulations No. 15-2010 (continued)

d.) Documentary Stamp tax

Documentary stamp taxes in relation to the Company's borrowing transactions were expensed and settled by the local bank. The related balances amounting to P165.02 million were reimbursed by the Company as part of bank service fee.

e.) Excise taxes

Excise taxes relate to purchase of petroleum and mineral products by the Company. These taxes are normally paid in advance by the Company and charged to cost of sales upon sale of goods. Total amount paid and charged to operations for the year ended 31 December 2020 are as follow:

	Paid	Charge	Balance
Local Petroleum products	8,045,000	7,603,464	441,536
Imported Petroleum products	18,179,614	18,179,045	569
	26,224,614	25,782,509	442,105

f.) All other local and national taxes

All other local and national taxes accrued and paid for the year ended December 31, 2020 consist of:

Real property tax	398,432
Municipal taxes / Mayor's permit	22,891
Community tax	11
	421,334

The above local and national taxes are lodged under miscellaneous account in selling, general and administrative expense.

g.) Withholding taxes

Withholding taxes paid and accrued and/or withheld for the year ended 31 December 2020 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	414,045	30,961	445,006
Expanded withholding tax	633,361	99,782	733,143
Fringe benefit tax	34,841	11,785	46,626
Final withholding tax	192,125	615	192,740
	1,274,372	143,143	1,417,515

h.) Tax assessments and cases

Other than tax cases mentioned in Note 28, there has been no tax assessments for the year 2020.

SCHEDULE I - RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION PURSUANT TO SEC RULE 68, AS AMENDED AND SEC MEMORANDUM CIRCULAR NO. 11
As at 31 December 2020
(All amounts in thousands Philippine Peso)

Unappropriated Retained Earnings beginning		11,937,980
Adjustments: (see adjustments in previous year's Reconciliation)		(4,202,183)
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning		7,735,797
Add: Net loss actually earned/realized during the period	(16,182,673)	
Less: Non-actual/unrealized income net of tax	(7,277,183)	
Equity in net income of associate/joint venture	(33,951)	
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	(46,216)	
Unrealized actuarial gain	-	
Fair value adjustment (M2M gains)	(18,209)	
Fair value adjustment of Investment property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP - gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted under PFRS	-	
Add: Non-actual losses	-	
Depreciation on revaluation increment (after tax)	-	
Loss on fair value adjustment of investment property (after tax)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Net loss actually earned during the period		(23,558,232)
Add (Less):		
Dividend declaration during the year		-
Appropriations of retained earnings during the period		-
Reversal of appropriateness		-
Effects of prior period adjustments		-
Treasury shares		(507,106)
Total retained earnings, end available for dividend declaration*		(16,329,541)

SCHEDULE II - SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS PURSUANT TO SRC RULE 68, AS AMENDED

	Years Ended December 31	
	2020	2019
Current Ratio (a)	0.90	1.20
Acid test ratio (b)	0.84	1.17
Solvency ratio(c)	2.47%	21.20%
Debt to Equity (d)	0.68	0.36
Debt Ratio(e)	0.18	0.14
Return on Equity(f)	(70.26)%	14.31%
Asset to Equity Ratio(g)	3.76	2.62
Interest rate coverage ratio (h)	(24.92)	10.19
Return on Assets(i)	(18.70)%	5.46%

a. Current ratio is computed by dividing current assets over current liabilities.
b. Acid test ratio is computed by dividing current assets net of prepayments over current liabilities
c. Solvency ratio is computed by dividing net operating income after tax over total liabilities
d. Debt to equity ratio is derived by dividing net debt (short-term and long-term borrowings less cash) over stockholder's equity (exclusive of Other Reserves).
e. Debt ratio is computed by dividing net debt (short-term and long-term borrowings less cash) over total assets.
f. Return on equity is computed as Profit (Loss) for the year divided by stockholder's equity (exclusive of Other Reserves).
g. Asset to equity ratio is derived by dividing total assets over stockholder's equity (exclusive of Other Reserves).
h. Interest rate coverage ratio is derived by dividing earnings before interest expense and taxes over interest expense.
i. Return on assets is computed as Profit (Loss) for the year divided by total assets.

SCHEDULE A - FINANCIAL ASSETS
As at 31 December 2020
(All amounts in thousands Philippine Peso)

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
Equity through OCI				
Alabang Country Club, Inc.	2	12,000	12,000	
Atlas Consolidated Mining and Development	3,000,000	19,380	19,380	
Canlubang Golf & Country Club, Inc.	2	2,800	2,800	
Club Filipino de Cebu, Inc.	24	700	700	
Manila Golf & Country Club, Inc.	6	450,000	450,000	
Manila Polo Club, Inc.	2	44,000	44,000	
Manila Southwoods Golf & Country Club	1	1,200	1,200	
Negros Occidental Golf & Country Club	1	20	20	
Pantranco South Express Inc.	5,232,000	3,738	3,738	
Puerto Azul Beach & Country Club, Inc.	1	120	120	
Sta. Elena Golf Club, Inc.	2	11,000	11,000	
The Royal Northwoods Golf Club & Country	1	1,000	1,000	
Valley Golf Club, Inc.	1	1,000	1,000	
Wack Wack Golf & Country Club, Inc.	1	34,000	34,000	
Total Equity through OCI financial assets		580,958	580,958	
Cash			6,290,505	
Receivables			8,830,486	
Derivatives			20,392	
Market investment loans			61,469	
Long-term receivables			159,836	
Total financial assets			15,943,646	

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
As at 31 December 2020

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts Written-off	Current	Non Current	Balance at end of period
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

The Company’s receivables from directors, officers, employees, and principal stockholders are limited to receivables subject to usual terms for ordinary expense advances and items arising in the ordinary course of business.

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
As at 31 December 2020

Name and Designation of Debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts Written-off	Current	Non Current	Balance at end of period
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

SCHEDULE D - LONG TERM DEBT
As at 31 December 2020
(All amounts in thousand Philippine Peso)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term debt" in related statement of financial position	Amount shown under caption "Loans payable, net of current portion" in related statement of financial position
Bank loan	9,000,000	-	9,000,000

SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES
(LONG-TERM LOANS FROM RELATED COMPANIES)
As at 31 December 2020

Name of related party	Balance at beginning of period	Balance at end of period
N/A	N/A	N/A

SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
As at 31 December 2020

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

SCHEDULE G - CAPITAL STOCK
As at 31 December 2020

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as shown under related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common stocks	2,500,000,000	1,613,444,202	-	890,860,233	289,397	722,294,572

SCHEDULE H - RELATIONSHIP MAP
As at 31 December 2020