

# COVER SHEET

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S.E.C. Registration Number

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C	O	R	P	O	R	A	T	I	O	N																			

(Company's Full Name)

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M	A	N	I	L	A		1	6	3	5																				

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

ATTY. ELLIE CHRIS C. NAVARRA
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Contact Person

+ (632) 3499-4001/ +639173012237
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Company Telephone Number

1	2
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Month

3	1
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Day

Fiscal Year

Preliminary Information Statement

2	0	-	I	S
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FORM TYPE

0	5
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Month

1	1
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Day

2nd Tuesday of May  
Annual General Meeting  
as per By-Laws

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

M	S	R	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

321 (28 February 2021)
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Total No. of Stockholders

Total Amount of Borrowings

12,261,000,000
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Domestic

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Foreign

**To be accomplished by SEC Personnel concerned**

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File Number

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<b>STAMPS</b>
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PILIPINAS SHELL PETROLEUM CORPORATION  
NOTICE OF ANNUAL STOCKHOLDERS' MEETING

NOTICE IS HEREBY GIVEN that the annual meeting of the stockholders of PILIPINAS SHELL PETROLEUM CORPORATION (the "Corporation") will be **conducted virtually through Shell Operated Webcast at 2:00 p.m. on 11 May 2021 (Tuesday)**, for the following purposes:

**A G E N D A**


- (1) Call to Order
- (2) Certification of Service of Notice and Quorum
- (3) Approval of Minutes of the Annual Meeting of the Stockholders held on 16 June 2020
- (4) Chairman's Report
- (5) President's Report
- (6) Financial Updates
- (7) Approval of Certain Acts of the Board, Board Committees and Management
  - (a) Amendment of Primary Purpose
  - (b) Appointment of External Auditors
- (8) Election of Directors
- (9) Other Matters
- (10) Adjournment

The 31<sup>st</sup> day of March 2021 has been fixed as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting. The holders of record of shares of Common Stock as of the record date will be entitled to vote on the proposed corporate actions set out in Items 3, 7 and 8 above.

Considering the general community quarantine and measures to prevent spread of COVID-19, there will be no physical meeting for the Annual Stockholders' Meeting. Stockholders may participate in the meeting by remote communication and by voting through the Chairman of the Board as proxy. Please send your proxy letter, a sample of which is attached to this Information Statement as Annex A, to the Office of the Corporate Secretary of the Corporation's email at [PSPC-Governance@shell.com](mailto:PSPC-Governance@shell.com) on or before **30 April 2021**. On the day of the annual stockholders' meeting, **11 May 2021**, stockholders may also vote *in absentia* or by remote communication in accordance with the procedure set forth in Annex "B" and as posted in the website of the Corporation at <https://pilipinas.shell.com.ph/>. This will be subject to validation procedure and the final results published in our website.

Taguig City, 15 April 2021.

FOR THE BOARD OF DIRECTORS

  
**ELLIE CHRIS C. NAVARRA**  
Corporate Secretary

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

## **BRIEF DISCUSSION OF THE AGENDA OF THE 2021 ANNUAL STOCKHOLDERS' MEETING**

### **I. Call to Order**

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

### **II. Report on Attendance and Quorum**

The Corporate Secretary (the “Secretary”) will certify the date when the notice of the Annual Stockholders’ Meeting was sent to the stockholders as of record date of 31 March 2021. The Secretary will likewise certify the presence of a quorum. Under the By-Laws of the Corporation, the holders of a majority of the issued and outstanding capital stock of the Corporation entitled to vote shall, if present in person or by proxy, constitute a quorum for the transaction of business.

Pursuant to Sections 23, 49 and 50 of the Revised Corporation Code, shareholders may participate through remote communication and *in absentia*. During the Annual Stockholders’ Meeting and the Organizational and Regular Board Meeting held on 07 May 2019, the shareholders and the Board of Directors of the Corporation approved the amendment of its By-laws to allow stockholders to vote *in absentia* or via remote communication. Awaiting the approval of said amendment, the Board of Directors has approved on 25 March 2021 the conduct of a virtual Annual Stockholders’ Meeting for 2021, thereby allowing stockholders to participate and vote through *in absentia* or via remote communication. Said stockholders shall be deemed present for purposes of quorum.

Please refer to Annex “B” for the procedure to participate or vote *in absentia* or via remote communication.

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

The draft of the minutes of the Annual Stockholders’ Meeting held on 16 June 2020 has been posted on the Corporation’s website (<http://pilipinas.shell.com.ph/investors/stockholders-meeting-information.html>). This will also be part of the materials to be distributed through physical/alternative mode to stockholders, as circumstances permit, together with the Definitive Information Statement. The stockholders will be requested to approve the draft of the Minutes of the Annual Stockholders’ meeting held on 16 June 2020.

### **IV. Chairman’s Report**

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

### **V. President’s Report**

The President of the Corporation will render his report.

### **VI. Financial Updates**

The financial updates will be discussed. Duly authorized representatives of SGV & Co. (“SGV”), the external auditor for 2020, will be present at the Annual Stockholders’ Meeting to respond to appropriate questions concerning the 2020 Audited Financial Statements of the Corporation.

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

The acts and resolutions of the Board of Directors are reflected in the minutes of meetings, the material contents of which are disclosed to the Securities and Exchange Commission and the Philippine Stock

Exchange and posted on the Corporation's website. A list of such acts and resolutions are also set out in the Definitive Information Statement for the Annual Stockholders' Meeting.

The items for approval of the stockholders are:

(a) Amendment of Primary Purpose

In its meeting on 12 August 2020, the Board of Directors approved the transformation of the Tabangao Refinery into a world-class full import and storage terminal for finished products and components to support the long-term sustainable plan of the Corporation. Consequently, 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.”

(b) Appointment of External Auditors

The Board Audit and Risk Oversight Committee recommended to the Board of Directors the appointment of an external auditor who will examine the accounts of the Corporation for 2021. The Board of Directors, at its meeting held on 25 March 2021, approved the endorsement of the Board Audit Committee for the re-appointment of Sycip Gorres Velayo & Company as the external auditor of the Corporation for 2021.

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

## **VIII. Election of Directors**

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

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

# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 20-IS

### INFORMATION STATEMENT PURSUANT TO SECTION 20 OF THE SECURITIES REGULATION CODE

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

Date	<b>11 May 2021</b>
Time	<b>2:00 p.m.</b>
Place	<b>Virtual Meeting through Shell Operated Webcast</b>
9. Approximate date on which the Information Statement, Management Report, Annual Report and other pertinent reports will be published through physical/alternative mode of distribution through the Corporation's website and PSE Edge, as circumstances permit:  
**12 April 2021**
10. In case of Proxy Solicitations:  
Name of Person Filing the Statement/Solicitor: [N/A]  
Address and Telephone No.: [N/A]

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

- ✓ Yes No

<u>Philippine Stock Exchange</u>	<u>Common Stock</u>
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## **PART I.**

### **INFORMATION REQUIRED IN INFORMATION STATEMENT**

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

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

- (a) The Annual Stockholders' Meeting (the "Meeting") of Pilipinas Shell Petroleum Corporation (the "Corporation") for the year 2021 has been set on the date, time and place indicated below:

Date: 11 May 2021  
Time: 2:00 p.m.  
Place: Virtual Meeting through Shell Operated Webcast

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

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

The approximate date on which the Information Statement, Management Report, Annual Report and other pertinent reports will be published through physical/alternative mode of distribution through the Corporation's website (<https://pilipinas.shell.com.ph/>) and PSE Edge is on 15 April 2021, as circumstances permit.

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

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

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

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

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

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

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

#### *(a) Voting Securities*

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

#### *(b) Record Date*

All stockholders of record holding common shares as of 31 March 2021 (the “Record Date”) are entitled to notice and to vote at the Meeting. Each common share is entitled to one vote.

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

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

Pursuant to Sections 23, 49 and 50 of the Revised Corporation Code, shareholders may participate *in absentia* or via remote communication. During the Annual Stockholders’ Meeting and the Organizational and Regular Board Meeting held on 07 May 2019, the shareholders and the Board of Directors of the Corporation approved the amendment of its By-laws to allow stockholders to vote *in absentia* or via remote communication. Awaiting the approval of said amendment, the Board of Directors approved during its meeting on 25 March 2021 conducting a virtual Annual Stockholders’ Meeting for 2021, thereby allowing stockholders to participate and vote *in absentia* or via remote communication. Said stockholders shall be deemed present for purposes of quorum.

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

- 1) The following table sets forth the record owners and beneficial owners of more than five percent (5%) of the Corporation’s outstanding common shares, the number of shares owned by, and the percentage of shareholders of each of the stockholders of the Corporation **as of 31 December 2020**:

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

	- Shareholder				
Common	PCD Nominee Corporation (Filipino) 37th Floor Tower 1 The Enterprise Center 6766 Ayala Avenue corner Paseo de Roxas, Makati City - Shareholder	PCD Nominee Corporation	Filipino	193,432,406	11.99%
Common	PCD Nominee Corporation (Filipino) 37th Floor Tower 1 The Enterprise Center 6766 Ayala Avenue corner Paseo de Roxas, Makati City - Shareholder	PCD Nominee Corporation	Foreign	152,688,113	9.46%

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

(i) Shell Overseas Investments B.V.

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

Mr. Michael Dopheide, and in his absence, Mr. Jose Ma. Emmanuel A. Caral, and in his absence, Ms. Lorelie Q. Osial, and in her absence, Mr. Michael Ramolete are the proxy holders who shall vote the shares of this stockholder.

(ii) The Insular Life Assurance Company Limited

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

The President and Chief Executive Officer of Insular Life Assurance Company Limited, Ms. Mona Lisa B. Dela Cruz, is the proxy holder who shall vote the shares of this stockholder.

(iii) PCD Nominee Corporation

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

clients with full voting and other rights for the number of shares beneficially owned by such clients.

As of 31 December 2020, the Hongkong and Shanghai Banking Corporation Ltd.'s Client Account own approximately 5.69% of the Corporation's outstanding common stock as of such date. Based on available information, no other owners of the Corporation's common shares registered under the name of PCD own more than five percent (5%) of the Corporation's outstanding common stock as of the Record Date.

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

- 2) The security ownership of directors and executive officers of the Corporation as of **31 December 2020** is as follows:

TYPE OF CLASS	NAME OF BENEFICIAL OWNER	POSITION	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	NATIONALITY	PERCENTAGE
Common	Min Yih Tan	Non-Executive Director/ Chairman of the Board	Indirect: 1	Singaporean	0%
Common	Cesar A. Buenaventura	Independent Director	Direct: 200,001	Filipino	0.01240%
Common	Lydia B. Echauz	Independent Director	Direct: 2,000 Indirect: 1	Filipino	0.00012%
Common	Mona Lisa B. Dela Cruz	Non-Executive Director	Direct: 5,210 Indirect: 7	Filipino	0.00032%
Common	Jose Jerome R. Pascual, III	Director/ Treasurer/ Vice President - Finance/Chief Risk Officer	Direct: 29,230 Indirect: 1	Filipino	0.00181%
Common	Rolando J. Paulino, Jr.	Non-Executive Director	Direct: 0 Indirect: 1	Filipino	0%
Common	Cesar G. Romero	Director/ President/ Chief Executive Officer	Direct: 11,290 Indirect: 1	Filipino	0.00070%
Common	Randolph T. Del Valle	Director/ Vice President - Retail	Indirect: 1	Filipino	0 %
Common	Fernando Zobel de Ayala	Independent Director	Direct: 1	Filipino	0%
Common	Rafi Haroon Basheer	Non-Executive Director	Indirect: 1	Pakistani	0%
Common	Luis C. la Ó	Non-Executive Director	Indirect: 1	Filipino	0%
Common	Sergio C. Bernal, Jr.	Vice President - External Relations and Government Relations	Direct: 4,290	Filipino	0.00027%
Common	Carlo D. Zandueta	Vice President - Human Resources	None	Filipino	Not Applicable
Common	Erwin R. Orocio	Chief Compliance Officer/	Direct: 6,290	Filipino	0.00039%

TYPE OF CLASS	NAME OF BENEFICIAL OWNER	POSITION	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	NATIONALITY	PERCENTAGE
		Managing Counsel			
Common	Dennis Evaristo C. Javier	Vice President - Wholesale Commercial Fuels	Direct: 20,780	Filipino	0.00129%
	Jan-Peter Groot Wassink	Vice President - Manufacturing	None	Dutch	Not Applicable
Common	Ellie Chris C. Navarra	Corporate Secretary	Direct: 6,290	Filipino	0.00039%
	Rubin G. Cura	Assistant Corporate Secretary	Direct: 4,290	Filipino	0.00027%
	Reynaldo P. Abilo	Corporate Assurance Manager	Direct: 6,000	Filipino	0.00037%
<b>Security Ownership of all Directors and Officers</b>			<b>Direct: 289,382</b> <b>Indirect: 15</b>		<b>0.0179%</b>

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

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

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

4) Changes in Control

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

## Item 5. Directors and Executive Directors

(a) *Incumbent Directors and Executive Officers*

There are eleven (11) members of the Board, three (3) of whom are independent directors. The members of the Board are elected at the general meeting of stockholders, and shall hold office for a term of one (1) year or until their successors shall have been elected and qualified. A director who was elected to fill any vacancy holds office only for the unexpired term of his predecessor.

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

The following are the incumbent directors and officers of the Corporation:

Name	Citizenship	Position
Min Yih Tan	Singaporean	Non-Executive Director/Chairman of the Board
Cesar A. Buenaventura	Filipino	Independent Director
Fernando Zobel de Ayala	Filipino	Independent Director
Lydia B. Echauz	Filipino	Independent Director
Luis C. la Ó	Filipino	Non-Executive Director

Mona Lisa B. Dela Cruz	Filipino	Non-Executive Director
Rafi Haroon Basheer	Pakistani	Non-Executive Director
Rolando J. Paulino, Jr.	Filipino	Non-Executive Director
Reynaldo P. Abilo	Filipino	Director/Treasurer/Vice President - Finance/ Chief Risk Officer
Cesar G. Romero	Filipino	Director/President/Chief Executive Officer
Randolph T. Del Valle	Filipino	Outgoing Director/Vice President - Retail
Sergio C. Bernal, Jr.	Filipino	Vice President - External Relations and Government Relations
Jan-Peter Groot Wassink	Dutch	Outgoing Vice President - Manufacturing
Dennis Evaristo C. Javier	Filipino	Vice President - Wholesale Commercial Fuels
Carlo D. Zanduetta	Filipino	Vice President - Human Resources
Atty. Erwin R. Orocio	Filipino	Chief Compliance Officer/ Managing Counsel
Mark Brian J. Nicdao	Filipino	Corporate Audit and Assurance Manager
Atty. Ellie Chris C. Navarra	Filipino	Corporate Secretary and Legal Counsel
Atty. Rubin G. Cura	Filipino	Assistant Corporate Secretary and Legal Counsel

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

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

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

<b><u>Directors</u></b>	<b><u>Independent Directors</u></b>
Min Yih Tan	Cesar A. Buenaventura
Cesar G. Romero	Fernando Zobel de Ayala
Mona Lisa B. Dela Cruz	Lydia B. Echauz
Rafi Haroon Basheer	Amando Tetangco, Jr.
Rolando J. Paulino, Jr.	
Luis C. la Ó	
Reynaldo P. Abilo	

On 11 January 2021, the Corporation invited its shareholders to submit nominations to the Board for the 2021 Annual Shareholders' Meeting of the Corporation. Only one nomination was received, Amando Tetangco, Jr. was nominated as independent director. In this regard, the Nomination Committee endorsed the incumbent independent directors to be nominated for election to the Board of Directors.

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

The Corporation likewise submits herewith the Certifications of Qualification for the Independent Directors.

The number of independent directors is proposed to be increased from three (3) to four (4).

By the time of the Annual Stockholders' Meeting, two independent directors of the Corporation, Messrs. Cesar A. Buenaventura and Fernando Zobel de Ayala, will have served their ninth (9<sup>th</sup>) year. Under SEC Memorandum Circular No. 4, Series of 2017, independent directors can be extended beyond nine years as independent directors so long as the Board of Directors can provide meritorious justification for the re-election of the independent directors and that the extension or their re-election is approved by the shareholders during a meeting for this purpose. Shareholders may re-elect an independent director who has served for more than nine years.

In its meeting on 13 October 2020, the Nomination Committee endorsed the extension of the terms of Messrs. Cesar A. Buenaventura and Fernando Zobel de Ayala as independent directors on the following meritorious grounds:

- a) Said independent directors are relevant to maintain the Corporation's external capabilities and support;
- b) The extended independent directors possess the wealth of experience and expertise and external network necessary for the Corporation to navigate during this challenging period;
- c) It would be difficult for majority of independent directors to depart at the same time;
- d) There must be a rational transition that ensures continuity especially during this time of uncertainty due to the pandemic;
- e) Enhanced good corporate governance by decreasing the number of executive directors from three to two, and increasing the number of independent directors;
- f) The extended independent directors have consistently proven their value to the Board and the Corporation;
- g) The length of time that the extended independent directors sat on the Board has not and will not impair said directors' ability to act independently and objectively;
- h) The extended independent directors remain independent, being internationally respected and recognized leaders in their own right apart from the Corporation and its substantial shareholders; and
- i) The presence of a fourth independent director not only strengthens the independence of the Board but also broadens the Board's perspective given the nominees' experience.

The Board in its meeting on 10 November 2020 supported the endorsement with the approval of the minutes of the Nomination Committee.

Below are the profiles of the current members of the Board of Directors and the new nominee to the Board seats:

**Reynaldo P. Abilo (Filipino)** is a newly appointed Director of the Corporation since 01 January 2021. He is likewise the Vice President-Finance, Treasurer and Chief Risk Officer of the Corporation. He was appointed Corporate Assurance Manager on 01 June 2017. Mr. Abilo joined Shell in 2009 as the Retail Economics Manager in Philippines where he distinguished himself by winning the 2012 CFO award for site profitability analysis and 2013 Downstream Director Award for Dealer Operated platform strategy. Prior to Shell, he worked in Ernst & Young and Colgate-Palmolive for a number of years in various finance positions in supply chain, sales and marketing. He is a Certified Public Accountant with over 15 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. From 2017 to 2020, he attended seminars on corporate governance.

**Fernando Zobel de Ayala (Filipino)** is currently an Independent Director of the Corporation. He is the President of Ayala Corporation and part of the seventh generation in the family overseeing it. The Ayala group has maintained dominant positions in various industries in the Philippines, including real estate, banking, telecommunications, water, power, industrial technologies, infrastructure, education, and healthcare. It has a growing international presence primarily in industrial technologies, water, power, and real estate in Southeast Asia, China, the US, and Europe. He is Chairman of the Board 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. He serves on the Board of INSEAD and Georgetown University, and is a member of the Chief Executives Organization. He chairs the steering committee of Habitat for Humanity International's Asia Pacific Capital Campaign and also serves on the board of the Asia Society and is a member of the Asia Philanthropy Circle. In the Philippines, he is likewise a board member of Caritas, and Pilipinas Shell Foundation, Inc. He 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 (Pakistani)** – He 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 (Filipino)** 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 Echaz 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.

**Mona Lisa B. De la Cruz (Filipino)** 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.

**Lydia B. Echaz (Filipino)** is an Independent Director of the Corporation since 16 May 2017. Dr. Echaz 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., 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 (Filipino)** is a Non-Executive Director of the Corporation since 03 May 2018. He is the Non-Executive Vice Chairman of the Board of The Insular Life Assurance Co., Ltd. Before he became the Chairman of Insular Life, he first joined as a Non-Executive Trustee on 22 January 2015. He was a former Chairman of the Board of Directors of MAPFRE INSULAR Insurance Corporation. He previously occupied the following roles: Regional Vice President for Asia of the MAPFRE Group- Spain, President of Provident Insurance Corporation of the Soriano Group and Senior Vice President of Universal Reinsurance Corporation of the Ayala Group. He obtained his Bachelor of Science degree in Management at Ateneo de Manila University. He completed his Master's degree in Business Management from De La Salle University. He also finished a course on General Insurance from the College of Insurance, Chartered Institute of London, United Kingdom. From 2018 to 2020, he attended seminars on corporate governance.

**Rolando J. Paulino, Jr. (Filipino)** 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 de Manila University Graduate School of Business- Regis (Makati City, Philippines); Shell Group Business Leadership Programme, and INSEAD (Fountainebleau, France). He is a fellow of the Institute of Corporate Directors. In 2020, he attended a seminar on corporate governance.

**Cesar G. Romero (Filipino)** 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.

**Min Yih Tan (Singaporean)** 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, Mr. Tan worked in ExxonMobil where he held a series of commercial, operational and staff leadership roles in downstream businesses spanning Retail, Marine, Lubricants, Commercial Vehicles & Cards and Technology, including a stint based in Fairfax, Virginia as Global Planning Advisor. He holds a Bachelor of Science in Mechanical Engineering and an MBA. In 2020, he attended a seminar on corporate governance.

**Amando Tetangco, Jr. (Filipino)** is a new nominee to the Board of Directors. He is a career central banker, occupying different positions in Bangko Sentral ng Pilipinas (“BSP”) in a span of over three decades. He was formerly the Governor of the BSP for 12 years, Chairman of the Monetary Board, Anti-Money Laundering Council (AMLC), Deputy Governor in-charge of the Banking Services Sector, Economic Research and Treasury of the BSP, and Vice-Chairman, Agriculture Credit Policy Council (ACPC). He is an Independent Director and the Chairman of the Related Party Transaction and Corporate Governance Committees of Belle Corporation. He is a member of the Capital Market Development Council (CMDC), Export Development Council (EDC), PhilExport Board of Trustees (PHILEXPORT), Philippine Export-Import Credit Agency (PHILEXIM); and Director of Philippine Deposit Insurance Corporation (PDIC), National Development Council (NDC) and National Home Mortgage Finance Corporation (NHMFC).

(c) *Final List of Nominees for Appointment as Corporate and By-Laws Executive Officers for 2021 to 2022:*

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

Min Yih Tan*	Non-Executive Chairman of the Board	Singaporean
Cesar G. Romero*	President and Chief Executive Officer	Filipino
Reynaldo P. Abilo*	Vice President – Finance/Treasurer/Chief Risk Officer	Filipino
Carlo D. Zanduetta	Vice President – Human Resources	Filipino
Randolph T. Del Valle	Vice President – Mobility	Filipino
Sergio C. Bernal, Jr.	Vice President – External Relations and Government Relations	Filipino
Erwin R. Orocio	Managing Counsel & Chief Compliance Officer	Filipino
Dennis Evaristo C. Javier	Vice President – Wholesale Commercial Fuels	Filipino
Stephen D. Quila	Vice President – Lubricants	Filipino
Wesley Stewart	Vice President – Supply and Distribution	American
Mark Brian J. Nicdao	Corporate Audit and Assurance Manager	Filipino
Ellie Chris C. Navarra	Corporate Secretary	Filipino
Rubin G. Cura	Assistant Corporate Secretary	Filipino

\*Member of the Board of Directors

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

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

**Randolph T. Del Valle (Filipino)** is the Vice-President – Mobility (formerly, Retail) in Pilipinas Shell Petroleum 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.

**Dennis Evaristo C. Javier (Filipino)** 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. 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.

**Stephen D. Quila (Filipino)** was appointed Vice President – Lubricants on 25 March 2021. He is the General Manager – Lubricants from 2018 to present. He is responsible for leading Shell's Lubricants business in the Philippines. Prior to that, he was General Manager - Customer Operations of Shell Shared Services Asia, B.V. from 2012 to 2017. He led Shell's largest Customer Operations & services in Manila covering the Americas, Global Marine & Aviation, Philippines & the United Kingdom. He has over 23 years of experience in Shell companies across different jurisdictions.

**Carlo D. Zanduetta (Filipino)** was appointed Vice President-Human Resources on 01 October 2018. He held various positions within the Shell Group as: as the Manufacturing Learning and Development Manager in 1999; HR Account Manager - B2B, Lubricants and Trading (Philippines) from 2003 to 2006; Regional

Skillpool Manager – APME (Singapore) from 2006 to 2009; Global Learning Advisor – Commercial Fuels and Offer To Cash (Singapore) from 2010 to 2012; Senior Talent Advisor – Global Commercial (Singapore) from 2012 to 2016; and Global HR Manager - Shell Aviation (Singapore). He studied at the University of Santo Tomas, Bachelor of Arts in Philosophy (1989 to 1993) and Master of Arts in Philosophy (1994 to 1996); and at the De La Salle University, Master of Science in Industrial and Organizational Psychology, with High Distinction (2001 to 2006). From 2018 to 2020, he attended seminars on corporate governance.

**Wesley Stewart (American)** was appointed Vice President – Supply and Distribution on 25 March 2021. Mr. Stewart is the Distribution Operations Manager for Philippines, Thailand and Hong Kong since 01 January 2019. He was formerly Commercial Operations Manager for Main Fuels USA. Over the last 18 years, he has held various roles spanning terminal & supply operations, business development, LNG supply chain planning & optimization, upstream gas master planning; and strategy consulting.

**Erwin R. Orocio (Filipino)** is the newly appointed Chief Compliance Officer and Member of the Corporate Governance and Nomination Committees of the Corporation since 10 November 2020. He is likewise the Managing Counsel with over 24 years of legal experience. He was previously the Corporate Secretary of the Corporation and various Shell companies in the Philippines. He ensured the delivery of the 2016 Initial Public Offering of the Corporation and its evolution as a publicly listed company whose governance practices are now being recognized internationally. He is a director of Shell Energy Philippines, Inc., Shell Chemicals Philippines, Inc., and Shell Solar Philippines Corporation. He is also a trustee of Pilipinas Shell Foundation, Inc. He was a former trustee, Vice President and Treasurer of the Shell Employees' Savings and Loan Association, Inc., a financial institution regulated by the Bangko Sentral ng Pilipinas. Erwin is a Fellow of the Institute of Corporate Directors. He joined the Legal department as a Legal Counsel in November 1997 and has since advised all businesses and functions. Prior to that, he served as managing partner of the Garcia Ines Villacarlos Garcia Recina & Orocio Law Office. He first joined the Corporation as an accountant in 1991 and left in January 1996 to complete his Juris Doctor degree from the Ateneo De Manila School of Law. He graduated from the De La Salle University in 1989 with a Bachelor of Arts (Major in Economics) and Bachelor of Science (Major in Accountancy). He placed 13th in the Accounting Board exams of May 1990. From 2015 to 2020, he attended seminars on corporate governance.

**Ellie Chris C. Navarra (Filipino)** is the newly appointed Corporate Secretary and Chief Information Officer of the Corporation since 10 November 2020. She is likewise a Legal Counsel for Downstream since 16 February 2017, and was appointed the Corporate Secretary of Shell Energy Philippines, Inc. and Assistant Corporate Secretary of other Shell-affiliated companies in the Philippines. She is a Graduate Member of the Institute of Corporate Directors. 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. 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 & Tenebrancia 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.

**Rubin G. Cura (Filipino)** is the newly appointed Assistant Corporate Secretary of the Corporation since 10 November 2020. He is likewise a Legal Counsel for Downstream 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 Trustees of the Shell Employees Savings and Loan Association, Inc. He first joined the Corporation in 1997 as a Marketing Executive in Retail and later became a Retail Territory Manager handling the retail operations of North Eastern Mindanao and Southern Luzon. He earned his Bachelor of Science in Commerce Business Management graduate from San Beda College. While working in the Corporation, he completed his Bachelor of Laws degree at the Arellano University School of Law and transferred to the Legal Department as a Legal

Assistant. He was admitted to the Philippine Bar in 2007 and was appointed Legal Counsel. In 2020, he attended a seminar on corporate governance.

*(d) Significant Employees*

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

*(e) Family Relationship*

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

*(f) Involvement in Certain Legal Proceedings*

To the best knowledge and belief and after due inquiry, none of the Directors, nominees for election as directors, or By-Laws' executive officers of the Corporation and affiliates have in the five-year period preceding this report: (1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time; (2) convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses; (3) subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or (4) found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated, 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 25 October 2011 a complaint for violation of Article 365 of the Revised Penal Code against several directors (Messrs. Buenaventura and Zobel de Ayala) 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 24 March 2011, a civil case was filed against FPIC and its directors and officers (two of whom were former officers of PSPC and one incumbent officers of PSPC), First Gen Corporation, Chevron, and PSPC. The above-mentioned incumbent officers 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 (Vice- President – Trading & Supply). This case was later on ruled as an ordinary civil case for damages and the court 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.

*(g) Certain Relationships and Related Transactions*

The Corporation, in the regular course of trade or business, enters into transactions with affiliated companies. For details on these transactions, please refer to the 2020 Audited Financial Statements that are attached to this Preliminary Information Statement.

Bank of the Philippines Islands is 22.16% owned by the Ayala Corporation as of 31 December 2020. Mr. Fernando Zobel de Ayala, who serves as an independent director of the Corporation, is the current Vice-Chairman of Ayala Corporation and Bank of the Philippine Islands. Bank of the Philippine Islands is a significant lender of the Corporation.

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

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

Below are the material related party transactions of the Corporation:

- i. The Corporation purchases crude and other petroleum products from Shell International Eastern Trading Co. (SIETCO), an entity under common shareholdings. Until May 2020, the Corporation's crude purchases were being processed through its refinery in Batangas. The Corporation no longer purchases crude.
- ii. Shell International Petroleum Company (SIPC) of the United Kingdom and Shell Global Solutions International B.V. (SGS) of The Netherlands provide management advisory, business support, and research and development and technical support services to the Corporation under certain terms and conditions.
- iii. The Corporation leases from Tabangao Realty, Inc. (TRI) land for several depots and retail sites located around the country. Lease term ranges from 5 to 50 years and is renewable, thereafter.
- iv. Shell Brands International AG (SBI), an entity under common shareholdings, entered into Trade Marks and Manifestation License Agreement with the Corporation pursuant to which SBI, the licensor, grants the Corporation, the licensee, a non-exclusive right to reproduce, use, apply and display the Shell trade mark and other manifestation. In consideration, the Corporation shall pay a royalty fee computed as certain percentage of sales. Royalty rate varies from 0.03% to 1.3% depending on product type. This agreement can be terminated by either party without any penalty.
- v. The Corporation receives billings from entities under common shareholdings for group-shared expenses related to IT maintenance, shared services, personnel and other administrative costs. On the other hand, the Corporation charges entities under common shareholdings for group-shared expenses related to personnel and other administrative costs and other services.
- vi. The Corporation has long-term loan from Bank of Philippines (BPI), an entity with common director.

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

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

*(h) Parent Company*

Shell Overseas Investments B.V. owns 55.21% of the total issued and outstanding capital stock of the Corporation as of 31 December 2020.

## Item 6. Compensation of Directors and Executive Officers

- (a) The table below sets forth the aggregate amount of compensation paid in 2019 and 2020 and the estimated amount of compensation to be paid in 2021 to the executive officers and directors of the Corporation:

Name and Principal Position	Year	Salary (In Million PhP)	Bonus (In Million PhP)	Other Annual Compensation (In Million PhP)
1. Cesar G. Romero President and Chief Executive Officer				
2. Randolph T. Del Valle Vice President - Retail				
3. Dennis Evaristo C. Javier Vice President – Wholesale Commercial Fuels				
4. Carlo D. Zanduetta Vice President – Human Resources				
5. Jan-Peter Groot Wassink Vice President – Manufacturing				
President and the four most highly compensated executive officers named above	Actual 2019	57.1	13.1	None
	Actual 2020	55.6	10.2	None
	Projected 2021	55.0	None	None
All other directors (including Honoraria & Retainers) and all other by-law officers as a group	Actual 2019	35.1	3.7	14.1
	Actual 2020	33.1	2.7	13.9
	Projected 2021	26.5	None	15.5

*\*Projected total annual compensation*

- (b) The total annual compensation were all paid in cash. The total annual compensation of officers includes the basic salary and other variable pay.
- (c) The following amounts are payable to Board Members:

Non-Executive Chairman's and Non-Executive Director's Honorarium for attendance in Board Meetings is PhP 200,000.00 per meeting

Non-Executive Chairman's Annual Retainer is PhP 1,800,000.00

A Non-Executive Director's Annual Retainer is PhP 1,200,000.00

A Non-Executive Chairman and Non-Executive Directors' Honorarium for attendance at Board Committee Meetings is PhP 100,000.00 per director

Messrs. Min Yih Tan, Rafi Haroon Basheer and Rolando J. Paulino, Jr. are not paid the above amounts.

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

- (e) The Corporation has no standard arrangement with regard to the remuneration of its existing directors and officers aside from the compensation received as herein stated.
- (f) There are no other actions to be taken with regard to any bonus, profit sharing, pension/retirement plan granting of extension of any option, warrant or right to purchase any securities.
- (g) There are no outstanding warrants or options being held by the various Executive Officers and Directors, singly or as a group.

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

- (a) SyCip Gorres Velayo & Co. (SGV), a member firm of Ernst & Young Global Limited, is the independent auditor of the Corporation for the calendar year 2020. Mr. Jose Pepito E Zabat III was assigned by SGV as the partner in-charge of auditing the Corporation. Isla Lipana rendered the same services for the Corporation during previous fiscal years before 2016, where Mr. Roderick M. Danao, Assurance Partner, was the Corporation's audit partner. The Corporation is in full compliance with the five (5) year rotation requirement for External Auditors under Section 68 of the Securities & Regulations Code (SRC).
- (b) SGV was recommended for re-appointment at the Board Meeting on 25 March 2021, subject to final approval by the stockholders during the annual meeting, for almost the same remuneration as in the previous year.
- (c) The Board Audit and Risk Oversight Committee (BARC), which recommended the appointment of the audit firm SGV is composed of Cesar A. Buenaventura (Chairman), Lydia B. Echauz (Member), Luis C. la O (Member), and Rafi Haroon Basheer (Member).
- (d) Duly authorized representatives of SGV will be present at the Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions concerning the 2020 Audited Financial Statements of the Corporation.
- (e) Disagreements with Accountants on Accounting and Financial Disclosures

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

#### **(f) External Audit Fees**

##### **a) Audit and Other Fees**

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

2018:	PhP9.9 million pesos
2019:	PhP10.7 million pesos
2020:	PhP10.7 million pesos

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

2018:	PhP1.5 million pesos for ITH's Segmented Income Statement Audit and other professional services
2019:	PhP1.2 million pesos for ITH's Segmented Income Statement Audit
2020:	PhP0.5 million pesos for other professional services

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

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

- b) The BARC's responsibilities in connection with the external audit of the Corporation are as follows:
1. Performs oversight functions over the Corporation's internal and external auditors. It shall ensure that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
  2. Prior to the commencement of the audit, discusses with the external auditor the nature, scope, and expenses of the audit, and ensures proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
  3. Monitors and evaluates the adequacy and effectiveness of the Corporation's internal control system, including financial reporting control and information technology security;
  4. Reviews the report submitted by the external auditors;
  5. Reviews and approves the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters:
    - a. Any change/s in accounting policies and practices;
    - b. Major judgmental areas;
    - c. Significant adjustments resulting from the audit;
    - d. Going concern assumptions;
    - e. Compliance with accounting standards; and
    - f. Compliance with tax, legal, and regulatory requirements;
  6. Coordinates, monitors, and facilitates compliance with laws, rules and regulations;
  7. Evaluates and determines the non-audit work, if any, of the external auditor, and reviews periodically non-audit fees paid to the external auditor in relation to their significance to the Corporation's overall consultancy expenses. BARC shall disallow any non-audit work that will conflict with his duties as an external auditor or may pose a threat to his independence. The non-audit work, if allowed, shall be disclosed in the Corporation's Annual Report and Integrated-Annual Corporate Governance Report;
  8. Reviews the disposition of the recommendations in the External Auditor's management letter;
  9. Recommends to the Board the appointment, reappointment, removal and fees of the External Auditor, duly accredited by the SEC, who undertakes an independent audit of the Corporation, and provides an objective assurance on the manner by which the financial statements should be prepared and presented to the stockholders; and

10. Establishes and identifies the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the BARC.

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

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

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

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

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

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

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

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

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

- (a) The Audited Financial Statements as of 31 December 2020 approved by the Board of Directors on 25 March 2021 is attached as Annex “A” to the Definitive Information Statement for physical/alternative mode of distribution to the stockholders on 15 April 2021, as circumstances permit, and to be presented during the Annual Stockholders Meeting on 11 May 2021.

(b) **Management’s Discussion and Analysis**

#### **Q3 2020 vs Q3 2019 Financial Condition**

##### **Current assets**

PSPC’s current assets decreased from P47,469.4 million as of 31 December 2019 to P32,894.1 million as of 30 September 2020 primarily due to the following:

*Receivables* decreased by P5,531.9 million, or 35.1% from P15,767.6 million as of 31 December 2019 to P10,235.6 million as of 30 September 2020 as a result of decrease in trade receivables mainly driven by general decrease in global oil prices and volume decline driven by the pandemic.

*Inventories, net* decreased by P11,465.3 million, or 45.1% from P25,422.7 million as of 31 December 2019 to P13,957.4 million as of 30 September 2020 mainly driven by decrease in volume of crude oil owing to the cessation of refining operations. This was partially offset by the increase in volume of finished products combined with decrease in oil prices. Crude oil price decreased from ~\$67/bbl as of 31 December 2019 to ~\$41/bbl by end of 30 September 2020.

*Prepayments and other current assets* increased by P2,407.4 million, or 160.5% from P1,500.2 million as of 31 December 2019 to P3,907.6 million as of 30 September 2020 mainly driven by increase in prepaid corporate taxes arising from unutilized tax credits coupled with increase in prepaid excise taxes.

##### **Non-Current Assets**

PSPC’s non-current assets decreased from P55,450.0 million as of 31 December 2019 to P54,454.8 million as of 30 September 2020 primarily due to the following:

*Property, plant and equipment, net* decreased by P8,406.9 million or 27.2% from P30,925.8 as of 31 December 2019 to 22,518.9 as of 30 September 2020 primarily driven by the impairment of refinery assets owing to cessation of the refining operations.

*Right of use asset* increased by 1,132.7 million or 9.0% from P12,649.1 as of 31 December 2019 to 13,781.8 as of 30 September 2020 primarily driven by renewal of lease contracts.

Long-term Receivables, rentals and investments, net increased by P1,452.3 million, or 31.4% from P4,622.8 million as of 31 December 2019 to P6,075.2 million as of 30 September 2020 mainly due to increase in excise duty claims.

### **Current Liabilities**

PSPC's current liabilities decreased from P39,453.2 million as of 31 December 2019 to P36,236.6 million as of 30 September 2020 primarily due to the following:

*Short-term loans* increased by P8,648.0 million from P9,752.0 million as of 31 December 2019 to P18,400.0 million as of 30 September 2020 primarily due to higher short-term bridge-financing requirements.

*Trade and other payables* decreased by P11,864.7 million, or 40.0% from P29,684.2 million as of 31 December 2019 to P17,819.5 million as of 30 September 2020 primarily due to decrease in trade payables owing to reduction in global oil prices and demand decline driven by the pandemic. This was partially offset by the increase in provision for decommissioning and restoration owing to the cessation of the refining operations.

### **Non-Current Liabilities**

PSPC's non-current liabilities increased from P23,637.9 million as of 31 December 2019 to P25,162.4 million as of 30 September 2020 primarily due to the following:

*Lease liabilities* increased by P1,727.3 million from P10,477.4 million as of 31 December 2019 to P12,204.7 million as of 30 September 2020 mainly due to renewal of lease contracts. Provisions and other liabilities increased by P797.2 million from P3,160.4 million as of 31 December 2019 to P3,957.6 million as of 30 September 2020 mainly driven by provision for decommissioning and restoration costs of the refinery equipment that will no longer be used following the decision to transform the refinery into world-class import terminal.

*Deferred Tax* moved from a net liability position of P1000.1 million as of 31 December 2019 to a net asset position of P4,938.9 million as of 30 September 2020.

### **Equity**

PSPC's total equity decreased from P39,828.3 million as of 31 December 2019 to P25,950.0 million as of 30 September 2020 primarily due to the decrease in retained earnings from P11,938 million as of 31 December 2019 to P1,931.9 million as of 30 September 2020. The reduction in retained earnings is primarily on account of the P13,869.8 million net loss realized owing to COVID-19 impact on demand, decline in crude oil prices, and one-off charges related to the impairment and its associated costs on refinery assets following the decision to shut down the refinery operations and convert it into a world class import terminal facility.

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

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

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

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

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

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

### **Non-Current Assets**

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

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

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

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

### **Current Liabilities**

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

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

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

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

### **Non-Current Liabilities**

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

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

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

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

## **Equity**

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

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

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

## **2018 vs 2017 Financial Condition**

### **Current assets**

PSPC's current assets decreased from Php45,876.3 million as of 31 December 2017 to Php40,778.6 million as of 31 December 2018 primarily due to the following:

*Trade and other receivables* increased by Php2,127.7 million, or 19.6% from Php10,865.1 million as of 31 December 2017 to Php12,992.8 million as of 31 December 2018 primarily due to imposition of higher excise tax on petroleum products.

*Cash* decreased by Php1,708.2 million, or 27.7% from Php6,163.3 million as of 31 December 2017 to Php4,455.1 million as of 31 December 2018 as a result of cash dividends paid during the year coupled with disciplined capital investments and settlement of long-term borrowings. This is partially offset by the strong cash generated from operations.

*Inventories* decreased by Php2,028.4 million, or 9.4% from Php21,671.2 million as of 31 December 2017 to Php19,642.8 million as of 31 December 2018 primarily driven by general decrease in crude oil and finished products prices during the last quarter of the year.

*Prepayments and other current assets* decreased by Php3,488.9 million, or 48.6% from Php7,176.7 million as of 31 December 2017 to Php3,687.8 million as of 31 December 2018 mainly driven by utilization of input VAT and lower prepaid corporate taxes.

### **Non-Current Assets**

PSPC's non-current assets increased from Php36,000.7 million as of 31 December 2017 to Php39,387.8 million as of 31 December 2018 primarily due to the following:

*Long-term Receivables, rentals and investments* increased by Php354.5 million, or 8.2% from Php4,304.5 million as of 31 December 2017 to Php4,659.0 million as of 31 December 2018 mainly due to increase in advance rentals of new and renewed retail sites.

*Property, plant and equipment* increased by Php2,694.3 million, or 10.6% from Php25,434.4 million as of 31 December 2017 to Php28,128.7 million as of 31 December 2018 primarily due to additional retail stations built during the year, upgrades made to existing retail sites and enhancement of the supply chain network.

*Other assets* increased by Php338.2 million, or 5.4% from Php6,261.9 million as of 31 December 2017 to Php6,600.1 million as of 31 December 2018 mainly driven by increase in fair value of pension and equity instruments during the year.

### **Current Liabilities**

PSPC's current liabilities decreased from Php31,235.0 million as of 31 December 2017 to Php28,456.8 million as of 31 December 2018 primarily due to the following:

*Trade and other payables* increased by Php4,016.3 million, or 19.0% from Php21,163.8 million as of 31 December 2017 to Php25,180.1 million as of 31 December 2018 primarily due to higher importations of crude and finished products at the latter part of the year.

*Dividends payable* increased by Php1.4 million, or 9.9% from Php14.2 million as of 31 December 2017 to Php15.6 million as of 31 December 2018 primarily due to cash dividend declared during the year which remain uncollected at 31 December 2018.

*Short-term loans* decreased by Php796.0 million, or 19.6% from Php4,057.0 million as of 31 December 2017 to Php3,261.0 million as of 31 December 2018 primarily due to lower short-term borrowings for working capital requirements.

*Current portion of long term debt* decreased by Php6,000.0 million, or 100.0% from Php6,000.0 million as of 31 December 2017 to Php Nil as of 31 December 2018 mainly due to repayment during the year.

### **Non-Current Liabilities**

PSPC's non-current liabilities increased from Php8,506.6 million as of 31 December 2017 to Php12,737.8 million as of 31 December 2018 primarily due to the following:

*Long term debt* increased by Php4,000.0 million, or 80.0% from Php5,000.0 million as of 31 December 2017 to Php9,000.0 million as of 31 December 2018 mainly due to repayment of Php5,000 million long term loan refinanced with Php9,000 long term loan in Q1 2018.

*Provision and other liabilities* increased by Php239.6 million, or 8.5% from Php2,804.6 million as of 31 December 2017 to Php3,044.2 million as of 31 December 2018 mainly due to higher inflation affecting the retirement obligations for retail sites and increased payables from promotional activities.

### **Equity**

PSPC's total equity decreased from Php42,135.4 million as of 31 December 2017 to Php38,971.8 million as of 31 December 2018 primarily due to the following:

*Retained earnings* decreased by Php3,264.6 million from Php14,339.5 million as of 31 December 2017 to Php11,074.9 million as of 31 December 2018 primarily driven by 2018 cash dividends declared amounting to Php 8,293.1 million, 212% higher than 2017. This is partially offset by profits earned during the year.

*Other reserves* increased by Php101.0 million, or 21.9% from Php460.2 million as of 31 December 2017 to Php561.2 million as of 31 December 2018 due to increase in fair value of equity instruments.

### **Q3 2020 vs Q3 2019 Results of Operation**

*Net sales* decreased by P54,405.5 million, or 33.5% primarily due to decline in global oil prices leading to a decline in average pump prices in the country, and lower marketing volumes due to community lockdowns

imposed by the government to prevent the spread of the pandemic. The Government has taken measures to relax the community lockdowns to improve the market conditions in the country.

*Cost of sales* decreased by P28,393.3 billion or 19.7% due to lower purchase prices on account of decline in global crude prices and reduction in sales volume as a result of COVID-19. This also includes one-off charges related to the impairment of refinery assets and its associated cost on account of the cessation of the refinery operations.

*Selling, General and administrative expenses* decreased by P892.7 million or 8.2% from P10,940.6 million for the period ended 30 September 2019 to P10,047.9 million for the period ended 30 September 2020 as a result of reduced spending on advertising expenses, logistics and transshipment, and decrease in travel expenses in line with the cash preservation initiatives.

Other operating income/expense, net decreased significantly by P641.9 million or 146.3% from net operating income of P438.7 million for the period ended 30 September 2019 to net operating expense of P203.2 million for the period ended 30 September 2020 primarily due to notional net mark to market loss in 2020 as compared to net mark to market gain in 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.

*Finance expense*, net increased by P148.8 million, or 12.0%, from P1,235.2 million for the period ended 30 September 2019 to P1,384.0 million for the period ended 30 September 2020. This is mainly driven increase in interest on lease liabilities as a result of renewal of lease contracts.

*EBITDA Adjusted for COSA* decreased by P15,111.3 million or 175.9% from profit of P8,590.9 million for the period ended 30 September 2019 to loss of P6,520.4 million for the period ended 30 September 2020 driven by the lower demand on oil products arising from the COVID-19 pandemic. Marketing volumes pre COVID-19 showed an increase of 6% as compared to the previous year. Due to mobility restrictions, marketing volumes have reduced by 23% in YTD September vs same period last year due to the implementation of nationwide lockdown measures. Due to the Government's push to open the economy, marketing volumes have steadily improved by 23% in Q3 vs Q2 2020.

*EBITDA* decreased by P25,482.7 million or 236.2% from profit of P10,786.4 million for the period ended 30 September 2019 to loss of P14,696.3 million for the period ended 30 September 2020 mainly due to pre-tax inventory holding loss of P8,175.9 million in YTD 3Q 2020 against gains of P2,195.5 million in YTD 3Q 2019.

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

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

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

*Selling, General and Administrative expenses* increased by Php62 million, or 0.4% from Php14,386.6 million for the year ended 31 December 2018 to Php14,448.6 million for the year ended 31 December 2019 primarily driven by PFRS 16 implementation partially offset by the reduction in logistics costs. Philippine inflation reduced from 5.2% in 2018 to 2.51% in 2019 contributing to the reduction in general and administrative expenses.

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

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

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

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

*EBITDA Adjusted for COSA* increased by Php1,344.4 million, or 13.4% from Php10,045.6 million for the year ended 31 December 2018 to Php11,390.0 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 Php3,342.3 million, or 33.5% from Php9,988.7 million for the year ended 31 December 2018 to Php13,331.0 million for 31 December 2019 mainly due to impact of increase in pre-tax inventory holding gains from Php56.9 million inventory holding loss in 2018 vs inventory holding gain of Php1,941.0 million in 2019 and strong marketing delivery.

#### **2018 vs. 2017 Results of Operation**

*Net sales* increased by Php49,392.9 million, or 29.1%, from Php169,475.8 million for the year ended 31 December 2017 to Php218,868.7 million for the year ended 31 December 2018, mainly driven by higher pump prices as influenced by the general increase in average global oil prices.

*Cost of sales* increased by Php53,503.3 million, or 37.4%, from Php143,070.6 million for the year ended 31 December 2017 to Php196,573.9 million for the year ended 31 December 2018 primarily as a result of general increase in average global oil prices.

*Gross profit* decreased by Php4,110.4 million, or 15.6% from Php26,405.2 million for the year ended 31 December 2017 to Php22,294.8 million for the year ended 31 December 2018 primarily as result of general increase in global oil prices partially offset by higher margins from the retail business.

*Selling, General and Administrative expenses* increased by Php526.5 million, or 3.8% from Php13,860.1 million for the year ended 31 December 2017 to Php14,386.6 million in 2018 for the year ended 31 December 2018 mainly due to general increase in rental expenses and higher depreciation and amortization from additional capital investments and advertising expenses. This is partially offset by the reduction in employee costs and logistics costs. Philippine inflation hit 6.7% in Q3 of 2018, highest recorded in the past 9 years; 2018 average inflation is at 5.2%.

*Other operating income* increased by Php94.5 million, or 19.3%, from Php489.4 million for the year ended 31 December 2017 to Php583.9 million for the year ended 31 December 2018, mainly driven by growth from non-fuel retail business.

*Finance income* decreased by Php23.3 million, or 34.1%, from Php68.4 million for the year ended 31 December 2017 to Php45.1 million for the year ended 31 December 2018, mainly due to decline in foreign exchange gain during the year as a result of weakening Peso against other foreign currencies.

*Finance expense* increased by Php523.1 million, or 72.5%, from Php721.9 million for the year ended 31 December 2017 to Php1,245.0 million for the year ended 31 December 2018, mainly due to increase in foreign currency transactions along with the weakening of Philippine Peso during the year.

*Other non-operating income* decreased by Php1,379.2 million, from Php1.379.2 million for the year ended 31 December 2017 to nil for the year ended 31 December 2018, due to the reversal of the abandonment case provision when the company received a favourable court decision in 2017.

*Net Profit for the period* declined by Php5,291.9 million or 51.0% from Php10,368.2 million for the year ended 31 December 2017 to Php5,076.3 million for the year ended 31 December 2018. This is primarily due to lower refinery margins coupled with high inflation rate partially offset by the sustained margin growth from the marketing businesses. Inventory loss contributed Php39.8 million to 2018 net income vs post-tax inventory holding gain of Php2,941.9 million in 2017.

*EBITDA Adjusted for COSA* decreased by Php2,042.7 million, or 16.9% from Php12,088.3 million for the year ended 31 December 2017 to Php10,045.6 million for the year ended 31 December 2018. This is primarily driven by lower refining margin environment, planned refinery pitstop in 2Q 2018 and higher inflation which may have affected consumer demand. These short-term headwinds were partially offset by the sustained growth from the marketing businesses.

*EBITDA* declined significantly by Php6,302.8 million, or 38.7% from Php16,291.5 million for the year ended 31 December 2017 to Php9,988.7 million for 31 December 2018 mainly due to impact of decrease in pre-tax inventory holding gains of Php4,260.1 million from Php4,203.3 million inventory holding gain in 2017 vs inventory holding loss of Php56.9 million in 2018.

#### **STATEMENTS OF INCOME:**

In PhP millions	2020	2019	2018	2017
Net Sales	156,952	218,403	218,869	169,476
Cost of Sales	153,291	194,953	196,574	143,071
Gross profit	3,661	23,450	22,295	26,405
Operating Expenses, net	(13,545)	14,060	(13,803)	(13,371)
Income/(Loss) from Operations	(9,884)	9,390	8,492	13,035
Other non-operating income/(Expense)	0	0	0	1,379
Finance Income (costs), net	(2,019)	(1,369)	1,200	(654)
Impairment losses	(11,124)	0	0	0
Income/(Loss) Before Provision for Income Tax	(23,028)	8,021	7,292	13,760
Provision for Income Tax	6,846	(2,400)	(2,216)	(3,392)
<b>Net Income/(Loss) for the Year</b>	<b>(16,183)</b>	<b>5,621</b>	<b>5,076</b>	<b>10,368</b>

<b>Earnings Per Share</b>	<b>(10.03)</b>	<b>3.48</b>	<b>3.15</b>	<b>6.43</b>
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**BALANCE SHEETS:**

In PhP millions	2020	2019	2018	2017
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	6,291	4,779	4,455	6,163
Receivables, net	11,731	15,768	12,993	10,865
Inventories, net	10,016	25,423	19,643	21,671
Prepayments and other current assets	1,863	1,500	3,688	7,177
Total current assets	29,903	47,469	40,779	45,876
<b>NON-CURRENT ASSETS</b>				
Long-term receivables, advance rentals and investments	5,605	4,623	4,659	4,304
Property, plant and equipment, net	23,135	30,926	28,129	25,434
Deferred income tax assets	6,103	0	0	0
Other assets	7,297	19,901	6,600	6,262
Total non-current assets	56,648	55,450	39,389	36,001
<b>TOTAL ASSETS</b>	<b>86,550</b>	<b>102,919</b>	<b>80,166</b>	<b>81,877</b>
<b>LIABILITIES &amp; STOCKHOLDERS EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable & accrued expenses	20,377	29,684	25,180	21,164
Dividends payable	17	17	16	14
Short-term borrowings	13,000	9,752	3,261	4,057
Current portion of Loans payable				6,000
Total current liabilities	33,394	39,453	28,457	31,235
<b>NON-CURRENT LIABILITIES</b>				
Long-term loans payable	9,000	9,000	9,000	5,000
Deferred income tax liabilities, net	-	1,000	694	702
Provisions and other liabilities	7,505	3,160	3,044	2,805
Total non-current liabilities	29,524	23,638	12,738	8,507
Total Liabilities	62,918	63,091		39,742
<b>STOCKHOLDERS' EQUITY</b>	23,632	39,828	38,972	42,135
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>86,550</b>	<b>102,919</b>	<b>80,166</b>	<b>81,877</b>

## Key financial ratios

	As of/for the year ended 31 December			
	2017	2018	2019	2020
Current ratio <sup>1</sup>	1.5	1.4	1.2	0.9
Debt to equity ratio <sup>2</sup>	0.2	0.2	0.4	0.7
Debt ratio <sup>3</sup>	10.9%	9.7%	13.6%	18%
Return on assets <sup>4</sup>	12.7%	6.3%	5.5%	(18.7)%
Return on equity <sup>5</sup>	24.9%	13.2%	14.3%	(70.3)%
Return on average capital employed <sup>6</sup>	26.9%	14.8%	16.3%	(40.0)%

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

<sup>2</sup> Debt to equity ratio is computed by dividing net debt (short-term borrowings and loans payable less cash) by equity (exclusive of other reserves).

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

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

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

<sup>6</sup> Return on average capital employed is defined as EBIT as a percentage of the average capital employed for the period. Capital employed consists of total equity, short-term borrowings and loans payable. Average capital is calculated as the mean of the opening and closing balances of capital employed for that period.

## Key operating data

	As of/for the year ended 31 December			
	2017	2018	2019	2020
Nameplate capacity (thousand barrels per day (kbpd)) <sup>1</sup>	110	110	110	110
Refinery utilization rate (%) <sup>2</sup>	60.8%	69.6%	63.5%	N/A
Retail volumes sold (million litres) <sup>3</sup>	3,172	3,136	3,175	2,312
Commercial volumes sold (million litres) <sup>4</sup>	2,115	1,917	2,084	1,745
Others (million litres) <sup>5</sup>	323	598	570	1,022

Note:

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

<sup>2</sup> Refinery utilization rate is calculated as the ratio of total product output to the calendar day nameplate capacity.

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

- <sup>4</sup> Commercial volumes sold indicates the total volume of wholesale commercial fuel, jet fuel, lubricants and specialties sold for the period.
- <sup>5</sup> Others volume sold indicates the total volume of manufacturing and supply for the period.

## OTHER FINANCIAL DATA

### Reconciliation from statutory profit for the year to EBIT and EBITDA

	For the year ended 31 December			
	2017	2018	2019	2020
Profit (Loss) for the year/period ..	10,368.2	5,076.3	5,621.2	(16,182.7)
Add:				
(Benefit from) Provision for income tax .....	3,392.0	2,215.8	2,400.0	(6,845.5)
Finance expense .....	578.3	744.5	949.6	2,299.4
Depreciation and amortization .	1,959.4	1,957.6	4,361.8	4,241.2
Less:				
Finance income .....	6.4	5.6	1.6	0.3
<b>EBITDA</b> <sup>1</sup> .....	16,291.5	9,988.6	13,331.0	(16,501.4)
Depreciation and amortization .	1,959.4	1,957.6	4,361.8	4,241.2
<b>EBIT</b> <sup>1</sup> .....	14,332.1	8,031.0	8,969.2	(20,742.3)
<b>EBITDA</b> .....	16,291.5	9,988.6	13,331.0	(14,696.2)
Less:				
Cost of Sales Adjustment (COSA) <sup>2</sup> .....	4,203.2	(56.9)	1,941.0	(6,803)
<b>EBITDA (adjusted for COSA)</b> <sup>3</sup> ..	12,088.3	10,045.6	11,390.0	(9,698.0)
Less:				
Depreciation and amortization .	1,959.4	1,957.6	4,361.8	4,241.2
<b>EBIT (adjusted for COSA)</b> <sup>3</sup> .....	10,128.9	8,087.9	7,028.3	(13,393.3)

<sup>1</sup> 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 The Corporation'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, The Corporation'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.

<sup>2</sup> The COSA provides an approximate measure of The Corporation's performance on a current cost of supplies basis, and is a financial measure used by The Corporation 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 The Corporation's cost of sales using the current cost of supplies sold, rather than FIFO inventory accounting which is the actual standard applied by The Corporation 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 EBITA 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 The Corporation'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 The Corporation'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.

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

#### ***Commodity price risk***

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

#### ***Liquidity risk***

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

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

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

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, as described in more detail in note 28 of PSPC's audited financial statements as of and for the year ended 31 December 2020. 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 the Corporation with unconsolidated entities or other persons created during the reporting period.**

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

### **Capital Expenditures Commitments**

PSPC plans to continue building new retail service stations and improve existing supply and distribution sites. PSPC's capital investments are mainly funded by cash from operations.

**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 the Corporation's financial performance.

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.

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. Pilipinas Shell, along with Shell companies of the Philippines and the Pilipinas Shell Foundation, 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 P8,175.9 million as of Q3 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 since May with an average price of ~\$41/barrel reported for the month of June 2020. The average crude price is ~\$41/barrel for the month of September 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 was 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 23% increase in marketing volumes in Q3 2020 versus Q2 2020.

To further build financial resiliency during the pandemic, Pilipinas Shell implemented a cash governance framework and cash preservation initiatives that include the delivery of a P1 billion reduction in operating expenses. The Company will also reduce its planned capital expenditures by P1 billion. By the third quarter of 2020 the company's capital expenditures have decreased by ~P0.8 billion and operating expenses (excluding depreciation and amortizations) by ~P1.2 billion versus the same period last year.

Although the Refinery recorded high reliability in the Q2 2020, its earnings were hampered by the further deterioration of regional refining margins. A planned economic shut down for the Refinery was implemented 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 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 enable the entity to leverage its global expertise in line with its growth strategy.

PSPC reported a net loss after tax for this quarter amounting to P13.9 billion, which includes P7.5 billion in impairment of Refinery assets and other one-off costs related to the cessation of the Refinery operations and accounts for 54.1% of reported net loss. Excluding one-off charges resulting from the Refinery conversion, net loss as of the end of the quarter would have resulted to P6.4 billion.

PSPC's net earnings from its principal business activities stabilized due to improved margins on account of premium fuel penetration and volume recoveries, coupled with the Company's cash preservation initiatives. This resulted in improvement of net earnings in Q3 2020 to be more than double that of Q2 2020 (discrete numbers), excluding the impairment and other provisions mentioned above.

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

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

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

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

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

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

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 twenty-five percent (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%.

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

PSPC is one of the leading fuel retail players in the country, boasting a strong network of 1,135 Shell-branded retail stations nationwide. Through its network of Shell-branded retailers, the Company markets Shell V-Power Racing, Shell V-Power Gasoline, and Shell V-Power Diesel as its premium offering, and 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.

PSPC’s commercial product portfolio includes wholesale commercial fuels, jet fuels, lubricants and bitumen. Wholesale commercial fuel premium products include, among others, Shell Fuel Save 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 large number of major conglomerates operating in the Philippines as its loyal customers.

Geographical segmentation does not apply to PSPC’s business.

### **Operational Highlights**

PSPC’s retail network remains the most efficient in the industry, with 1,135 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 141 Select shops, 66 deli2go stores and quick service restaurants present in the retail sites. Other services such as oil change and car maintenance are also offered through 368 Shell Helix Oil Change+ (SHOC+) and Helix Service Centers (HSC).

It has also been a remarkable year for the Company's commercial businesses. Wholesale Commercial Fuels, Lubricants, Aviation and Specialities segments posted volume growth from new customer deals and strong partnerships. The Company continues to serve the country's busiest airports in Manila, Clark and Cebu and has gained recognition for its safety milestones. As the sole producer of bitumen in the country, the Company has contributed to projects under the government's infrastructure program, and at the same time exported bitumen to nearby countries.

This Annual Report is submitted together with the Company's Annual and Sustainability Report (ASR) for 2019. In its fourth 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.

#### **Amount Spent on Research and Development:**

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

<b>R &amp; D Costs</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Amount (in Million PhP)	185.86	235.13	297.39
Revenue/Net Sales	156,952	218,402.95	218,868.68
	0.12%	0.11%	0.14%

#### **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.

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.

With the cessation of refining activities, PSPC has ceased to import blending components (purchased mainly from other Shell companies in the region) which were required to meet the Clean Air Act and PNS' requirements for aromatics and benzene contents in finished grade gasoline products.

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 was 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 will commence conducting 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.

### **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 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 ("MARINA"). 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.

### **Cost and Effects of Complying 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.

## **(d) Securities of the Registrant**

### **1) Market Price**

The Corporation's common shares are listed and traded in the Philippine Stock Exchange as "SHLPH".

As of 28 February 2021, the total number of stockholders of the Corporation was 321.

The high and low sale prices of its shares per quarter from its listing until 31 December 2020 are as follows:

FROM	TO	HIGH (Php)	LOW (Php)
03 November 2016	31 December 2016	73.00	66.60
01 January 2017	31 March 2017	80.00	70.65
01 April 2017	30 June 2017	73.95	64.20
01 July 2017	30 September 2017	69.35	65.95
01 October 2017	31 December 2017	68.00	57.30
01 January 2018	31 March 2018	66.50	54.35
01 April 2018	30 June 2018	54.95	48.10
01 July 2018	30 September 2018	59.50	51.20
01 October 2018	31 December 2018	54.00	46.05
01 January 2019	31 March 2019	51.25	46.25
01 April 2019	30 June 2019	49.65	37.30
01 July 2019	30 September 2019	39.95	31.35
01 October 2019	31 December 2019	34.25	31.8
01 January 2020	31 March 2020	35.00	17.50
01 April 2020	30 June 2020	22.30	16.30
01 July 2020	30 September 2020	19.20	16.00
01 October 2020	31 December 2020	23.30	14.52

As of 26 March 2021, the last traded price for SHLPH stocks is PhP20.80.

## 2) Holders

The top twenty (20) stockholders of the Corporation as of **31 December 2020** are as follows:

	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 Corporation (Filipino) ^	193,432,406	11.99%
4	PCD Nominee Corporation (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. Eraña	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 and/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	Miguel P. De Leon	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. Pizarra	168,881	0.01%

\* Including shares held under PCD Nominee

^ Excluding shares held by Insular Life

## 3) Dividends

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

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

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

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

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

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

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

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

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

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

### **Dividend Policy**

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

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

The Corporation, pursuant to a Board approval on 18 July 2016, intends to pay annual dividends in the amount of not less than 75% of its audited net income after tax of the previous year subject to compliance

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

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

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

As at 31 December 2020, cost of treasury shares, accumulated earnings of its associates and unrealized mark to market gains are not available for dividend declaration.

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

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

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

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

Capital stock and treasury shares as at 31 December 2017 to 2020 consist of:

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

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

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

As at 31 December 2020, the Corporation has 320 shareholders (31 December 2019 - 319), 283 of whom hold at least 100 shares (board lot size) of the Corporation's common shares (31 December 2019 - 295).

As at 31 December 2019, the Corporation has 319 shareholders (31 December 2018 - 317), 295 of whom hold at least 100 shares (board lot size) of the Corporation's common shares (31 December 2018 - 295).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Components of the monitoring system:**

<b>Key Compliance Activities</b>	<b>Action Points</b>	<b>Milestone Dates</b>	<b>Person/ Entity Responsible</b>	<b>Status</b>	<b>Reason for Non-Compliance/ Deviation from Manual</b>
1. Separation of the roles of Chairman and President		01 November 2016	Board	Done	
2. Adoption of Securities Dealing Code		27 February 2017	Board	Done	
3. Submission to the Philippine Stock Exchange of the first Compliance Report on Corporate Governance		31 March 2017	Corporate Secretary	Done	
4. Adoption of the Revised Manual on Corporate Governance		16 May 2017	Board	Done	

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

Key Compliance Activities	Action Points	Milestone Dates	Person/ Entity Responsible	Status	Reason for Non-Compliance/ Deviation from Manual
23. Approval of the Revised Related Party Transaction Policy		08 August 2019	Related Party Transaction Committee and Board	Done	
24. Information drive on the Revised Related Party Transaction Policy			Related Party Transaction Committee	Done	
25. First SEC-Accredited In-House Corporate Governance Training		08 November 2019	Corporate Secretary	Done	
26. Approval of the Revised Internal Audit Charter		26 March 2020	BARC and Board	Done	
27. Approval of the Revised BARC Charter		26 March 2020	BARC and Board	Done	
28. Records of Attendance level of directors in board meetings to be prepared and accessible to shareholders			Corporate Secretary	Done on a yearly basis	
29. Disclosure of Results of Stockholders' and Board Meetings			Corporate Secretary	Done	
30. Disclosure of Public Ownership Report			Corporate Secretary	Done every quarter	
31. Disclosure of Top 100 Stockholders			Corporate Secretary	Done every quarter	
32. Disclosure of changes in beneficial ownership of directors, officers and principal stockholders			Corporate Secretary	Done as and when transactions occur	
33. Conduct of Investors' and Analysts' Briefings			Investor Relations Office	Done every quarter	
34. Continuous assessment of Board performance via questionnaire			Corporate Governance Committee and Corporate Secretary	Done annually	
35. Review of vision, mission and core values			Corporate Governance Committee	Done annually	
36. Conduct an induction program for incoming Board members on PSPC's financial, strategic, operational and risk management position and the role of committees		After election of Directors	Corporate Governance Committee Secretariat	As and when there are new directors	
37. Attendance in Corporate Governance Workshops (Sec. 4 of PSPC's Revised Manual)		After election of Directors	Corporate Governance Committee and Corporate Secretary	Done	
38. Dissemination of copies of PSPC's Revised Manual to all classes of business and service functions with one copy under			Corporate Secretary	Done	

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

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

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

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

## Item 13. Acquisition or Disposition of Property

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

## Item 14. Restatement of Accounts

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

## **D. OTHER MATTERS**

### Item 15. Action with Respect to Reports

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

- (a) Approval of the Minutes of the Annual Meeting of the Stockholders held on 07 May 2019;
- (b) Approval of act of the Board of Directors, Board Committees and Management for the period covering 17 June 2020 to 11 May 2021:

- (i) Amendment of Primary Purpose
- (ii) Appointment of External Auditors
- (c) Election of the Members of the Board of Directors for the ensuing calendar year. The nominees includes two independent directors whose terms are proposed to be extended beyond nine (9) years on the bases of the following meritorious grounds provided by the Board:
  - 1) Said independent directors are relevant to maintain the Corporation's external capabilities and support;
  - 2) The extended independent directors possess the wealth of experience and expertise and external network necessary for the Corporation to navigate during this challenging period;
  - 3) It would be difficult for majority of independent directors to depart at the same time;
  - 4) There must be a rational transition that ensures continuity especially during this time of uncertainty due to the pandemic;
  - 5) Enhanced good corporate governance by decreasing the number of executive directors from three to two, and increasing the number of independent directors;
  - 6) The extended independent directors have consistently proven their value to the Board and the Corporation;
  - 7) The length of time that the extended independent directors sat on the Board has not and will not impair said directors' ability to act independently and objectively;
  - 8) The extended independent directors remain independent, being internationally respected and recognized leaders in their own right apart from the Corporation and its substantial shareholders; and
  - 9) The presence of a fourth independent director not only strengthens the independence of the Board but also broadens the Board's perspective given the nominees' experience.

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

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

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

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

There are no other actions to be taken up other than those mentioned above on amendment of the Primary Purpose of the Corporation in its Articles of Incorporation.

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

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

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

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

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

Pursuant to Sections 23, 49 and 50 of the Revised Corporation Code, shareholders may participate through remote communication and *in absentia*. During the Annual Stockholders' Meeting and the Organizational and Regular Board Meeting held on 07 May 2019, the shareholders and the Board of Directors of the Corporation approved the amendment of its By-laws to allow stockholders to vote through remote communication or *in absentia*. Awaiting the approval of said amendment, the Board of Directors approved during its meeting on 25 March 2021 conducting a virtual Annual Stockholders' Meeting for 2021, thereby allowing stockholders to participate and vote *in absentia* or via remote communication. Said stockholders shall be deemed present for purposes of quorum.

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

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

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

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

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

## UNDERTAKING

The Annual Report and Audited Financial Statements as of 31 December 2020 as approved by the Board of Directors on 25 March 2021 and endorsed by the Board Audit and Risk Oversight Committee on 16 March 2021 are attached to this Preliminary Information Statement for physical/alternative mode of distribution on 12 April 2021, as circumstances permit.

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

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

**Attention: Request for Documents**

## PART II.

### SIGNATURE PAGE

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

*This report is electronically signed on 26 March 2021.*

**By:**



**ELLIE CHRIS C. NAVARRA**  
*Corporate Secretary*  
*Pilipinas Shell Petroleum Corporation*

## ANNEX A

### SAMPLE PROXY FORM (DRAFT)

The undersigned stockholder of **PILIPINAS SHELL PETROLEUM CORPORATION** (the “Corporation”) hereby appoints \_\_\_\_\_<sup>1</sup> or in his absence, the Chairman of the meeting, as *attorney-in-fact* and *proxy*, with power of substitution, to present and vote all shares registered in his/her/its name at the annual meeting of stockholders of the Company on 11 May 2021 and at any of the adjournments thereof for the purpose of acting on the following matters:

- |   |                              |                             |                                  |                             |
|---|------------------------------|-----------------------------|----------------------------------|-----------------------------|
| 1. Approval of minutes of previous meeting.   | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Abstain |                             |
| 2. Approval of acts and resolutions of the Board of Directors, Committees and Management:           |                              |                             |                                  |                             |
| (a) Amendment of the Primary Purpose of the Corporation   | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Abstain | <input type="checkbox"/> No |
| (b) Election of SyCip Gorres Velayo & Co. as the independent auditor and fixing of its remuneration | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Abstain |                             |
|   |                              |                             |                                  | <u>No. of Votes</u>         |
| 3. Election of Directors/Independent Directors  |                              |                             |                                  |                             |
| i. Fernando Zobel de Ayala (Independent Director, Incumbent)  |                              |                             |                                  | _____                       |
| ii. Cesar A. Buenaventura (Independent Director, Incumbent)   |                              |                             |                                  | _____                       |
| iii. Rafi Haroon Basheer (Non-Executive Director, Incumbent)  |                              |                             |                                  | _____                       |
| iv. Mona Lisa B. Dela Cruz (Non-Executive Director, Incumbent)                                      |                              |                             |                                  | _____                       |
| v. Lydia B. Echauz (Independent Director, Incumbent)  |                              |                             |                                  | _____                       |
| vi. Luis C. la Ó (Non-Executive Director, Incumbent)  |                              |                             |                                  | _____                       |
| vii. Jose Jerome R. Pascual III (Executive Director, Incumbent)                                     |                              |                             |                                  | _____                       |
| viii. Rolando J. Paulino, Jr. (Non-Executive Director, Incumbent)                                   |                              |                             |                                  | _____                       |
| ix. Cesar G. Romero (Executive Director, Incumbent)   |                              |                             |                                  | _____                       |
| x. Min Yih Tan (Non-Executive Chairman, Incumbent)  |                              |                             |                                  | _____                       |
| xi. Amando Tetangco, Jr. (Independent Director, New)  |                              |                             |                                  | _____                       |

PRINTED NAME OF STOCKHOLDER

SIGNATURE OF STOCKHOLDER/ AUTHORIZED SIGNATORY

DATE

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

ANY PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY BY EMAIL TO [PSPC-Governance@shell.com](mailto:PSPC-Governance@shell.com) ON OR BEFORE **30 APRIL 2021**, THE DEADLINE FOR SUBMISSION OF PROXIES.

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

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

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

NOTARIZATION OF THIS PROXY IS NOT REQUIRED.

## ANNEX B

### PARTICIPATION *IN ABSENTIA* OR VIA REMOTE COMMUNICATION

Stockholders of record as of 31 March 2021 have the option of electronic voting *in absentia* on the matters in the Agenda, after email registration and successful validation.

#### Registration

1. Shareholder must send an email to the Office of the Corporate Secretary at [PSPC-Governance@shell.com](mailto:PSPC-Governance@shell.com) on or before **16 April 2021**:
  - a. Subject of the Email: SHLPH 2021 Annual Stockholders' Meeting Registration
  - b. The following must be provided or attached in the email:

Individual stockholders with stock certificates	<ol style="list-style-type: none"> <li>i. A recent photo of the stockholder, with the face fully visible (in JPG format). File size should be no larger than 2MB;</li> <li>ii. A scanned copy of the front and back portions of the stockholder's valid government-issued ID, preferably with residential address (in JPG format). File size should be no larger than 2MB;</li> <li>iii. Email address</li> <li>iv. Contact number</li> <li>v. <b><u>Indicate if stockholder will attend via remote communication</u></b></li> </ol>
Stockholders under Broker accounts	<ol style="list-style-type: none"> <li>i. Broker's certification on the stockholder's number of shareholdings (in JPG format) as of 31 March 2021. File size should be no larger than 2MB;</li> <li>ii. A recent photo of the stockholder, with the face fully visible (in JPG format). File size should be no larger than 2MB;</li> <li>iii. A scanned copy of the front and back portions of the stockholder's valid government-issued ID, preferably with residential address (in JPG format). File size should be no larger than 2MB;</li> <li>iv. Email address</li> <li>v. Contact number</li> <li>vi. <b><u>Indicate if stockholder will attend via remote communication</u></b></li> </ol>
Corporate stockholders	<ol style="list-style-type: none"> <li>a. Secretary's certificate attesting to the authority of the representative to vote for, and on behalf of the Corporation (in JPG format). File size should be no larger than 2MB;</li> <li>b. A recent photo of the stockholder's representative, with the face fully visible (in JPG format). File size should be no larger than 2MB;</li> <li>c. A scanned copy of the front and back portions of the valid government-issued ID of the stockholder's representative, preferably with residential address (in JPG format). The file size should be no larger than 2MB;</li> <li>d. Company email address</li> <li>e. Contact number</li> <li>f. <b><u>Indicate if stockholder will attend via remote communication</u></b></li> </ol>

## Validation

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

## Voting

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

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

## Counting

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

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

## Remote Communication

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