

PILIPINAS SHELL PETROLEUM CORPORATION
MINUTES OF THE ANNUAL MEETING
OF THE STOCKHOLDERS
HELD AT THE 10TH FLOOR, SHELL HOUSE
156 VALERO STREET, SALCEDO VILLAGE, MAKATI CITY
ON 16 MAY 2017

STOCKHOLDERS
PRESENT:

Stockholder	No. of Shares Voted in Person	No. of Shares Voted by Proxy	Percentage
Antonio A. Albert	134,508		0.01%
Buencamino, Roberto Calupitan	4,290		0.00%
Carlos M. Ortoll Jr.	3,571		0.00%
Carlos Ortoll And/Or Maria Asuncion Ortoll	306,720		0.02%
Citibank		1,333,900	0.08%
Citibank		200,030	0.01%
Citibank		115,327	0.01%
Citibank		9,637,640	0.60%
Citibank		785,460	0.05%
Concepcion, Gaudiosa G.	1,490		0.00%
Deutsche Bank Ag Manila Br		71,090,048	4.41%
Edwin Florendo Cruz or Maria Margarita Manas	500		0.00%
Farida Nimfa Guyala Dimailig	4,290		0.00%
Federico A. Acosta	14,145		0.00%
Gillegean, Ma Rizza Checa		4,290	0.00%
HSBC FAO		94,442,116	5.85%
Javier L. Velasquez	126,173		0.01%
Jimenez, Maria Luisa P.	1,490		0.00%
Jose Antonio M. Ortoll	3,571		0.00%
Ma. Beatriz M. Ortoll	3,572		0.00%
Maria Margarita Manas Cruz or Aurora Florend	500		0.00%
Monteiro, Salvacion C.	1,490		0.00%
Parungao, Alfredo Banzon	3,000		0.00%
Rizal Commercial Banking Corporation	28,863,475		1.79%
SCB OBO BBH B-BNBIFP/NBEMEF		1,321,230	0.08%
SCB OBO RBC Investor Services Trust Client Account		9,720,080	0.60%
Shell Overseas Investments B.V.		890,860,212	55.21%

Spathodea Campanulata Inc.	67,184,265	4.16%
The Insular Life Assurance Company, Ltd.	243,840,856	15.11%
The Insular Life Assurance Company, Ltd.	11,611,469	0.72%
Valencia, Jesus San Luis	30	0.00%
Villanueva, Milagros Pineda	1,000	0.00%
Villanueva, Myra P.	3,000	0.00%
Villanueva, Myrna Pineda	1,000	0.00%
Villanueva-Cabreza, Marietta	500	0.00%
Young, Roland U.	5,258	0.00%

Total	29,483,573	1,402,146,923
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Grand Total	1,431,630,496	88.73%
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**DIRECTORS
PRESENT:**

Mr. Edgar O. Chua
Mr. Cesar G. Romero
Mr. Jose Jerome R. Pascual III
Ms. Nina D. Aguas
Mr. Cesar A. Buenaventura
Ms. Mona Lisa B. Dela Cruz
Mr. Anabil Dutta
Mr. Dennis G. Gamab
Mr. Asada A. Harinsuit
Mr. Anthony Lawrence D. Yam
Mr. Fernando Zobel de Ayala

**ALSO IN
ATTENDANCE:**

Mr. Erwin R. Orocio, Corporate Secretary and Managing Counsel-
Downstream
Ms. Ellie Chris C. Navarra, Assistant Corporate Secretary and Legal
Counsel
Mr. Ramon M. Del Rosario, Vice-President for External Relations
Mr. Homer Gerrard L. Ortega, Vice-President for Human Resources
Ms. Jannet C. Regalado, Vice-President for Legal
Mr. Ramon B. Vergel De Dios, Business Manager for Commercial Fuels
Philippines
Mr. Dennis C. Javier, Lubricants Business Manager
Mr. Ronald A. Suarez, ER Adviser Future of Energy Campaign
Mr. Alex Hernandez, DSO Integration Manager
Mr. Randy Luis B. Anastacio, Supply Operations Manager
Mr. Rubin G. Cura, Legal Counsel
Mr. Mark Brian J. Nicdao, External Relations Downstream and Internal
Communications Manager
Ms. Lydia B. Echauz, nominee for Independent Director

772. **National Anthem and Safety Briefing**

Mr. Ronald A. Suarez requested the attendees to stand up for the national anthem. Afterwards, the attendees were asked to take their seats for the Safety Briefing by Atty. Rubin Cura. During the Safety Briefing, the attendees were informed that the Corporation treats safety with utmost importance as it is its license to operate. The Manila Polo Club is equipped with a Fire Detection System that will trigger an intermittent alarm in case of an emergency. There was no scheduled fire drill on the day of the meeting. Nearest exits and assembly area were shown. A doctor and a nurse were on duty to provide first aid. Manila Polo Club has an accredited ambulance and the nearest hospital is the St. Luke's Medical Center.

773. **Call to Order**

The Chairman of the Board called the meeting to order and invited the Corporate Secretary to introduce Members of the Board of Directors and the Committee Chairmanship/ Memberships.

774. **Introduction of the Members of the Board of Directors & Committee Chairmanship/Memberships**

The Corporate Secretary acknowledged the presence of the following directors:

NAME	POSITION	COMMITTEE
Edgar O. Chua	Director/ Non-Executive Chairman of the Board	Member- Nominations Committee
Cesar G. Romero	Director/ President/ Chief Executive Officer	
Jose Jerome R. Pascual, III	Director/ Treasurer/ VP- Finance	Member- Compensation and Remuneration Committee
Dennis G. Gamab	Director/VP – Trading and Supply	
Mona Lisa Bautista Dela Cruz	Director	
Anabil Dutta	Director	Member- Board Audit Committee,
Cesar A. Buenaventura	Independent Director	Chairman- Board Audit Committee, Nominations Committee
Fernando Zobel de Ayala	Independent Director	Chairman- Compensation and Remuneration

NAME	POSITION	COMMITTEE
		Committee
Asada Harinsuit	Director	
Nina D. Aguas	Director	
Anthony Lawrence D. Yam	Director/VP- Retail	

Likewise present were senior members of Management, the external auditors of the Corporation, SyCip Gorres Velayo & Co. (“SGV”), a member firm of Ernst & Young Global Limited, and Dr. Lydia B. Echauz, nominee for Independent Director.

775. **Notice of Meeting and Quorum**

Chairman inquired the Corporate Secretary if the stockholders have been duly notified of the Annual Meeting. The Corporate Secretary declared that in accordance with the By-laws of the Corporation and applicable rules and regulations, the written notice of the date, place, purpose and details as well as materials of the meeting were sent by 21 April 2017 to all stockholders of record as of the record date on 31 March 2017.

Moreover, the notices were also published in three newspapers of general circulation, namely the: Philippine Daily Inquirer, Manila Bulletin and Philippine Star on 08, 10 and 15 May 2017, respectively.

Accordingly, the Corporate Secretary certified the service of Notices of the Stockholders' Meeting.

The Chairman thereafter inquired if a quorum was present.

The Corporate Secretary certified to the presence of a quorum. In attendance, in person and by proxy, are stockholders owning at least 1,431,646,690 shares representing 88.73 % of the total issued and outstanding shares.

776. **Voting Procedure**

Chairman invited the Corporate Secretary to discuss the voting procedure. The Corporate Secretary shared that details on the voting procedure were previously circulated to the stockholders as Item 19 of the Amended Definitive Information Statement. Voting was by viva voce and ballot distributed during the registration.

Proxy votes received as of 10 May 2017, accounting for 86.90% of the outstanding shares, were validated and counted on 10 May 2017 by RCBC Stock and Transfer Agent in the presence of SGV.

The final counting of all votes cast shall be undertaken by RCBC Stock & Transfer Agent and witnessed by SGV.

SGV performed agreed-upon procedures on the Company's proxy validation, registration and tabulation processes following Philippine Standard on Related Services 4400 – Engagements to Perform Agreed-upon Procedures, issued by the Auditing and Assurance Standards Council. In addition, representatives from SGV were present at the Annual Stockholders' Meeting to observe the registration, determination of quorum and tabulation of votes.

777. **Approval of Previous Minutes**

The Chairman informed the stockholders that the next item in the agenda was the approval of the minutes of the previous meeting. Copies of the Minutes of the Special Meeting of the Stockholders held on 18 July 2016 were previously distributed to the stockholders together with the Notices, and an electronic copy was made available on the website of the Corporation.

On motion duly made by Mr. Federico A. Acosta and seconded by Mr. Antonio A. Albert, and as verified by the Corporate Secretary, stockholders owning 1,431,315,809 shares and representing 88.71% of the outstanding capital stock of the Corporation, adopted the following resolution:

“RESOLVED, that the Minutes of the Special Meeting of the Stockholders held on 18 July 2016 be, as it is hereby, approved.”

No shareholder (or 0.00%) voted against, while 1,003 (0.00%) shares voted to abstain from the decision to approval.

Chairman declared that since the stockholders owning majority of the total outstanding shares voted for the motion, the same was carried and the minutes deemed read and approved.

778. **Message from the Chairman**

The Chairman delivered his message, in verbatim:

“Ladies and gentlemen, 2016 was a year filled with significant milestones for your company. The most significant milestone for us of course was being a publicly-listed company as we conducted the initial public offering in November 2016 where we raised a total of PhP18.4 billion from the listing. Part of which would help fund growth investments, especially expanding our retail network, upgrading our refinery and further enhancing our supply and distribution network.

Another major milestone is the inauguration of our North Mindanao Import Facility in Cagayan de Oro. We are the only oil company with the flexibility to have two major import facilities, one in Luzon and the other in Mindanao, where we will be able to capture the growing market in the South.

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

We continued to focus on operational efficiency, cost management, strengthening linkages with partners and most importantly, ensuring that we offer the best value to our customers in products and services. All of these, plus a favourable operating environment, enabled us to more than double our net income for 2016 compared to the previous year hitting PhP7.4 billion while our gearing went down to a low of 27%.

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

Looking at the future, our company plans to upgrade the Tabangao Refinery to produce bitumen, which is very important for road construction. We will be the only local producer of bitumen which will be both for local sales as well as for export. With a significant chunk of the national budget allocated for building infrastructure, our company is poised to be a prime contributor in supporting the country's physical infrastructure.

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

As we continue to expand our presence in the country, we heed the collective call to action and recognise the important role our business plays in driving solutions towards a cleaner low

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

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

A resounding round of applause followed.

779. **Report of the President**

Chairman informed the stockholders that the next item in the agenda was the Report of the President. Chairman invited the President to render his report. Visual aids had been prepared for the better appreciation of the report.

The President rendered his report:

“Thank you very much, Mr. Chairman. 2016 is a historic year for Pilipinas Shell Petroleum Corporation. As Ed has said, we completed our IPO in 2016, sharing around 300 million shares to the general public at PhP67.00 per share. The IPO was subscribed as highly successful and to date, the company continues to do very well.

We also completed the inauguration of our North Mindanao Import Facility. In addition to the financial benefits, the North Mindanao Import Facility was Shell's commitment to the overall inclusive growth of the country towards a huge investment in Visayas and Mindanao. Equally important, during the construction of the North Mindanao Import Facility, the company employed over 500 employees. The Import Facility has

so far generated all of the anticipated benefits and is on track towards recovering the value of the investment. Equally important, the operational benefits that have been anticipated are well being delivered. To date, we have seen significant reduction in the stock out performance in our Visayas and Mindanao operations.

Finally, we have completed our upgrade of the refinery to make it Euro IV compliant.

Our 2017 goals remain consistent with our IPO promises. We will continue to maximize cash generation with superior returns. We will have our disciplined expansion and capital allocation. We will continue to generate superior dividends. Finally, we will maintain our focus on added development and good governance.

We doubled our NIAT in 2016 to PhP7.4 billion. This was driven by the strong performance in our marketing businesses. Our retail business continues to be very strong, making it one of the top 10 retail business in the Shell group.

In the Philippines, we grew our volumes by 4%, our V-Power penetration is at 27%, again a number that is very high even by world standards. Our NFR business, our new growth area, was very strong, growing at around 13% compared to prior year.

Our B2B businesses also performed startlingly. Our aviation, bitumen, lubricants, all posted double-digit growth over 2016. One challenge we are having at the moment is the fuel oil and diesel for the power sector but we are doing our best to compensate for this by growth in other areas and growth in investments in bitumen.

Growth in the fuel oil and diesel in non-power sector for the B2B segment continues to be strong and posted a 30% growth from the prior year.

Overall, a very strong financial performance by your company in 2016 resulting in a 24% increase in Earnings per Share. The very strong NIAT performance for 2016 led to our ROACE increase of 24%, which is high even by world standards for integrated manufacturing and marketing business. Our gearing went down to 27% due to early repayment of debts and capital employed remained essentially flat in the circa PhP50 billion.

We have a very healthy Balance Sheet and I am very proud to say that not only is your company a healthy generator of cash but equally, a disciplined custodian of your capital.

The key projects that have started in 2016 are as follows:

(1) As mentioned, the North Mindanao Import Facility which opened in July 2016 is capable of receiving full import capacity of 300,000 barrels from overseas. This significantly increases our supply chain robustness and the estimates are around USD5 to 6 million of freight savings per annum. The operational benefits from this facility has been very visible right from the very beginning and we continue to enjoy that up to today.

(2) In 2016, we started our investment in a USD13 million bitumen production facility. This allows us to produce bitumen from local fuel oil. This positions us well to participate in the infrastructure thrust of the country. This facility is on target for a start-up in Q1 2018.

(3) Finally, we continue to evaluate how we can enhance the performance of our refinery. At the moment, high on our priority is to review the hydrogen balance of our refinery. This is not intended to increase capacity. However, this is intended to increase the turnaround cycle from four years to six years. This is also intended to allow us to process more sour crudes which would be cheaper and therefore will enhance our gross margin.

In terms of growth, we will continue our network expansion, our aspiration to 1,200 sites by 2020. In 2016, we added another 48. We will capitalize our strong brand preference and push further our V-Power penetration, which at 27% is one of the highest in the world.

We remained committed to disciplined capital expansion, growing the business as we maintain our network efficiency. We will pursue the very attractive NFR opportunity in the country where in 2016, we opened 33 stores, 39 lubes based, and 138 locator sites all across our network.

The NFR margin continues to be healthy and we posted a 33% growth from 2015

On the commercial side, we will leverage further our strong aviation business by extending our offerings to other airports. At the moment, we are selling at Clark and Manila and Cebu. We will continue pursuing profitable duties in the aviation sector in 2017 and 2018 onwards.

In terms of challenges, the attractiveness of the fundamentals in the country continues to attract new players as well as heightened competition. As a response, we will continue to launch effective, highly focused marketing campaigns, with clear intent, very targeted audiences guided by well-defined financial and operational metrics. An effective and efficient deployment of capital becomes more paramount in an era of heightened competition. Hence, we will continue our meticulous high net worth criteria that only the best and highest earning sites operated by world class retailers are introduced in our network. We will continue to extract value from highly efficient supply chain where in our company, the supply chain part of the business is not only seen as an enabler but actually, a genuine source of value and competitive advantage.

In terms of fuel oil, we will deal with the reality of declining fuel oil for the power sector. We will leverage our strong positions in other B2B sectors such as aviation, marine, manufacturing, cement, and infrastructure.

Finally, with the completion of our bitumen production facility, we shall be able to support the government infrastructure program significantly.

Our total shareholder return which is a combination of share price appreciation plus dividends was at 10% as of 5th of May, still outperforming the PSEi and MSCIPH ETF. We delivered our commitment of at least 75% minimum dividend pay-out with our PhP4.68 dividends represented 80% of prior year earnings and healthy 5.6% dividend yield.

Overall, a very strong performance by your company living up to the promises made during IPO. This was delivered against the backdrop of good governance and responsible business operations. Once again, I am very proud to inform you that your company continues to be a very strong generator of cash with good returns and a very disciplined and prudent caretaker of your capital. Thank you very much.”

A resounding round of applause followed. The Chairman thanked the President and noted the presentation was very comforting to the shareholders.

780. **Ratification of certain acts of the Board of Directors, Board Committees and Management for the period covering 18 July 2016 through 16 May 2017**

Chairman informed the stockholders that the next item in the agenda was the ratification of two corporate acts, namely:

- i) New Compensation Scheme for Non-Executive Directors; and

- ii) Amendment of the Articles of Incorporation to Expand Secondary Power to Include Sale of Excess Electricity Through the Wholesale Electricity Spot Market (“WESM”).

Chairman requested the Chairman of the Compensation and Remuneration Committee to report on the New Compensation Scheme for Non-Executive Directors and the Corporate Secretary to report on the Amendment of the Articles of Incorporation.

a) *New Compensation Scheme for Non-Executive Directors*

Mr. Fernando Zobel de Ayala discussed that the Amended Definitive Information Statement of the Corporation provides the details of the New Compensation Scheme for Non-Executive Directors, which places the Corporation at the 75% percentile mark for all components of remuneration. This was endorsed by both the Compensation and Remuneration Committee and the Board Audit Committee of the Corporation and duly approved by the Board during the Regular Meeting of the Board of Directors held on 10 November 2016.

On motion duly made by Ms. Malu Jimenez and seconded by Mr. Roberto “Bobby” Buencamino, and as verified by the Corporate Secretary, stockholders owning 1,431,311,888 shares and representing 88.71% of the outstanding capital stock of the Corporation, adopted the following resolution:

“RESOLVED, that the New Compensation Scheme for Non-Executive Directors be approved and adopted.”

Shareholders owning 1,350 (or 0.00%) voted against, while 3,574 (0.00%) shares abstained from the decision to approval.

The Chairman declared that since the stockholders owning majority of the total outstanding shares voted affirmatively for the New Compensation Scheme for Non-Executive Directors, the same was deemed approved.

b) *Amendment of the Articles of Incorporation to Expand Secondary Power to Include Sale of Excess Electricity Through the WESM*

The Corporate Secretary shared that the Board of Directors of the Corporation approved during its Special Meeting on 20 April 2017 the amendment of the Articles of Incorporation to expand the secondary purposes to allow the Corporation to sell excess electricity through the WESM. The Corporation has informed the Department of Energy and sought its endorsement.

The Corporation operates a refinery in Tabangao, Batangas that produces its own electric power through turbines which are fueled mainly by natural gas. The self-generation of electricity by the Corporation is covered by a Certificate of

Compliance issued by the Energy Regulatory Commission. The Corporation intends to have the capability to sell the excess power it produces to the WESM as an additional source of revenue.

On motion duly made by Mr. Jose Ortoll and seconded by Atty. Jose Ma. Emmanuel A. Caral, and as verified by the Corporate Secretary, stockholders owning 1,431,315,762 shares and representing 88.71% of the outstanding capital stock of the Corporation, adopted the following resolution:

“**RESOLVED**, that the Articles of Incorporation be amended to expand the secondary purpose to allow the Corporation **‘To purchase, create, generate, hold or otherwise acquire electric current and electric power of every kind, description and source, and to sell, market, supply or otherwise dispose of at wholesale/retail, insofar as may be permitted by law, light, heat and power of every kind, description and source’.**”

No shareholder (or 0.00%) voted against, while 1,000 (0.00%) shares voted to abstain from the decision to approval.

The Chairman declared that since stockholders owning at least two-thirds (2/3) of the total outstanding shares voted affirmatively for the amendment, the same was approved.

781. **Election of Directors**

Chairman informed the stockholders that the next item on the agenda was the Election of Directors. The Nomination Committee came up with the short and final list of candidates for Board Membership. The list included the nominees for three (3) independent directors.

Chairman invited the Corporate Secretary to read the names of the candidates.

The Corporate Secretary discussed that the qualifications of the nominees as directors were included as Item 5 of the Amended Definitive Information Statement of the Corporation, copies of which were distributed to the stockholders together with the Notices.

The nominees were:

<u>Directors</u>	<u>Independent Directors</u>
Nina D. Aguas	Cesar A. Buenaventura
Mona Lisa B. Dela Cruz	Lydia B. Echauz
Anabil Dutta	Fernando Zobel de Ayala
Dennis G. Gamab	
Asada Harinsui	
Jose Jerome Rivera Pascual	

<u>Directors</u>	<u>Independent Directors</u>
III	
Cesar G. Romero	
Anthony Lawrence D. Yam	

The Corporate Secretary certified that based on the final tabulation, the following votes were cast:

Nominee	For	Against	Abstain
Asada Harinsuit	1,143,489,728	3,488,820	-
Nina D. Aguas	2,522,261,302	29,704,960	-
Anabil Dutta	1,125,542,764	21,435,710	-
Mona Lisa B Dela Cruz	2,530,530,552	21,435,710	-
Cesar G. Romero	1,146,984,957	-	-
Jose Jerome Rivera Pascual III	1,145,685,954	1,292,520	-
Anthony Lawrence D. Yam	1,145,685,954	1,292,520	-
Dennis G. Gamab	1,145,685,954	1,292,520	-
Fernando Zobel de Ayala (Independent Director)	1,141,649,838	5,329,210	-
Cesar A. Buenaventura (Independent Director)	1,142,921,818	4,057,730	-
Lydia B. Echauz (Independent Director)	1,146,978,516	-	-

On motion duly made by Atty. Caral and seconded by Mr. Roberto Buencamino, adopted the following resolution:

“**RESOLVED**, that the candidates, whose names had just been cited by the Secretary, be declared as the duly elected members of the Board of Directors of the Corporation upon the adjournment of this meeting, to serve as such until their successors shall have been duly elected and qualified.”

Chairman declared that since stockholders owning majority of the total outstanding shares voted for the election of the said nominees, they are now the duly elected as directors of the Corporation upon the adjournment of this meeting.

The Corporate Secretary shared that Mr. Cesar A. Buenaventura would like to say a few words.

Mr. Buenaventura said a few words about the outgoing Chairman, in verbatim:

“As most of you are aware, Mr. Edgar Chua recently retired as the Chief Executive Officer of Pilipinas Shell Petroleum Corporation, having spent over 30 years in the Company, of which 13 years was spent as Chairman and CEO.

Shell Group of Companies as a matter of policy mandates the retirement age of its officers and employees at the young age of 60. His exceptional performance and leadership over the years paved the way for the long awaited IPO in November of last year. While Pilipinas Shell Petroleum Corporation has had local shareholders since 1959, this IPO enabled you and more than 10,000 other investors to own a part of Shell. May you remain not only a steadfast shareholder but also loyal, satisfied and happy customers of this great company which I have been a part of for over 60 years. As this is the last meeting that Ed will be presiding over, may I ask all of you to please join me in giving Mr. Ed Chua a hearty round of applause to thank him for his outstanding leadership and to wish him God speed and more success in the future.”

A resounding round of applause followed.

782. **Appointment of External Auditors**

Chairman informed the stockholders that the next item on the agenda was the appointment of the external auditors of the Corporation.

The Corporate Secretary shared that the Board Audit Committee recommended to the Board of Directors the appointment of an external auditor which will examine the accounts of the Corporation for 2017. The Board of Directors, at its meeting held on 27 February 2017, approved the endorsement of the Board Audit Committee of the re-appointment of SGV as the external auditor of the Corporation for 2017.

On motion duly made by Mr. Antonio A. Albert and seconded by Ms. Sally Monteiro, and as verified by the Corporate Secretary, stockholders owning 1,431,317,109 shares and representing 88.71% of the outstanding capital stock of the Corporation, adopted the following resolution:

“**RESOLVED**, that Sycip Gorres Velayo and Co., member of Ernst and Young International, be appointed as the External Auditors of the Corporation for the calendar period ending 31 December 2017, under such terms and conditions as the Board of Directors may consider reasonable.”

No shareholder (or 0.00%) voted against, while 3 shares (0.00%) abstained from the decision to approval.

Chairman declared that Since the stockholders owning a majority of the total outstanding shares voted affirmatively for the appointment of SGV as external auditor, the same is approved.

783. **Question and Answer**

Chairman opened the floor for questions from the stockholders. Mr. Suarez facilitated the question and answer portion.

Mr. Alfredo Parungao asked the first question. He represented the Shareholders Association of the Philippines (SHAREPhil), a professional association whose mission is the improvement of shareholder information, particularly the minority shareholders, to better appreciate their rights, duties and responsibilities as shareholders. Mr. Parungao joined the rest of the shareholders in congratulating Mr. Chua for the outstanding job he has done for Shell in the last 40 years. Mr. Parungao also thanked him and the President for the very informative report to the shareholders. He said that one of the major objectives of the shareholders, minority shareholders included, is the determination of the prospects of the company for the immediate future. He asked three questions in relation to that:

1. What is the status of the Malampaya project of Shell, which is the exploration of the natural gas, based on the understanding that the natural gas supply, which was good initially for 25 years, but the said period would be soon ending? What would be the prospects of that side of business?
2. What are the prospects of the company in relation to its competitors, particularly in the non-oil sector, such as companies that produced geothermal gas, solar power and coal providers? How is Shell positioned vis-à-vis those companies going into the future?
3. What are the possibilities, if any, of a potential oil find in the Philippines which would reduce the importation of oil from other countries?

Chairman thanked Mr. Parungao and turned over the floor to “the future”, the President, to answer the questions.

The President answered that insofar as the Malampaya is concerned, the license expires in 2024. Based on current ground rates, the field is projected as an end of line until 2029. That was the scenario being worked with. At the moment, Shell is considering options on what is the best to be done to the field, which is hampered largely by the Commission on Audit (“COA”) case. It is difficult to plan moving forward given the COA case.

On the prospects of geothermal and renewables, Royal Dutch Shell is very supportive of renewables. In fact, it was declared as a priority from a Royal Dutch Shell perspective and from a Shell group perspective, it is exploring opportunities for renewables in the country, given the high opportunities for renewables and solar in the country.

Finally, insofar as potential oil finds, there are service contracts that are available for exploration.

The President clarified that the responses were not directly related to Pilipinas Shell Petroleum Corporation but of the Royal Dutch Shell, which may set up separate companies and joint ventures as appropriate. These are activities that are not the core activities of Pilipinas Shell Petroleum Corporation, whose activities

are concentrated on the refining, trading and marketing of lubricants and petroleum products.

Mr. Chua added that in terms of renewables and geothermal, it would impact the business as mentioned by the President earlier that the demand for fuel for power generation is declining. This has been planned and hedging on this issue by putting up the Bitumen facility because the fuel oil which is being sold will find its market as raw material for making bitumen. The demand for fuel oil decreases, the oil will become raw material for making bitumen. That will not impair the profitability of the Corporation but will instead enhance the profitability.

Thereafter, Mr. Sam O. Canua asked if Pilipinas Shell Petroleum Corporation is planning to launch Euro V in the country.

The President replied that the Euro IV has just been launched in 2016 and therefore, the priority of the country, including Pilipinas Shell Petroleum Corporation, is to extract the full benefits of Euro IV implementation. The environment fully benefits from the Euro IV if it is supported by Euro IV engines. At the moment, less than 20% of the vehicle population in the country has Euro IV specification. There is still much opportunity for the country to fully exploit the benefits for Euro IV implementation.

Mr. Canua asked a follow-up question if there is a possibility that sales will drop due to higher tax rates in fuel and in car sales.

The President replied that in terms of higher excise taxes proposal for petroleum products, Pilipinas Shell Petroleum Corporation remains very confident of the prospects of the country. If the government will implement the increase in excise tax rates as part of the comprehensive tax reform, which includes lowering of personal and income tax rates, simplification of tax payments, curbing of smuggling, all of which are part of the integrated package, then, the demand in the country will continue. The demands would still be reasonable, even compared in the past. The comprehensive tax reform should continue to support the development of the country.

Mr. Canua also raised the issue on security since as reported in the news, two Shell stations in Commonwealth Avenue had hold-up incidents. He inquired the security plans of Pilipinas Shell Petroleum Corporation in retail stations.

The President responded that security continues to be one of the highest risk in the retail stations. Shell remains vigilant. One of the effective measures attributed to the reduction of incidents is the maximum limit in the cashier. When a certain limit is reached, the money is deposited in the safety deposit box. CCTV cameras were also installed in the retail stations. The last and most notable is the operating arrangement with the police with regular visits from patrolling policemen. The President invited Mr. Anthony Lawrence D. Yam, Vice President for Retail, to add.

Mr. Yam added that there is cooperation with the Philippine National Police in terms of utilizing an online application for retail stations where any person in distress, even those not involved in retail stations, can get help. The application enables the retail stations to reach Camp Crame immediately. When the application was tested, in two to three minutes, the police responded. Further, in terms of training of service stations personnel or staff, they are trained for emergency response drills, and put everybody at safety level.

Mr. Canua asked his last question. He inquired Mr. Ayala if Ayala Corporation is planning to buy shares from Pilipinas Shell Petroleum Corporation in the future. Mr. Ayala replied that he is an independent director of Pilipinas Shell Petroleum Corporation. His family has a tradition of partnership with Shell for many years. His grandfather was one of the first outside shareholders. He is grateful to Pilipinas Shell Petroleum Corporation for the continued invitation to the member of his family to serve in the Board.

Atty. Antonio Albert Jr. thereafter asked questions. He has been a loyal shareholder even before the IPO. He asked what steps Pilipinas Shell Petroleum Corporation is taking in terms of making the financial operations known on a regular basis.

Mr. Jose Jerome R. Pascual III, Vice President for Finance and Treasurer, answered that as far the financial performance is concerned, Pilipinas Shell Petroleum Corporation submits its results on a quarterly basis with the Securities and Exchange Commission (“SEC”) and published and disclosed to any person who wishes to see the results of Pilipinas Shell Petroleum Corporation. As far as the annual financial reports are concerned, the audited financial statements are presented on a regular basis. After the results are submitted, there are briefings with investors and analysts who are tracking the stocks, in order to share the results with the rest of the investing public.

Atty. Albert further inquired how the first quarter of 2017 ended. Mr. Pascual mentioned that the results are likewise available on the website of Pilipinas Shell Petroleum Corporation. Q1 results were submitted on 15 May 2017 to the SEC. Mr. Pascual was pleased to share that the Net Income increased by 27% over the same period last year, or by PhP2.9 billion.

Atty. Albert finally asked how much is the forecast for the end of the year. Mr. Pascual responded that on an EBITDA basis, they expect the company to grow between PhP1 to 2 billion.

On motion duly made by Mr. Bobby Buencamino and seconded by Ms. Malu Jimenez, the question and answer portion was closed.

784. **Adjournment**

There being no further business to transact, the meeting was adjourned upon motion duly made by Mr. Federico A. Acosta and seconded by Ms. Malu Jimenez.

Prepared by:

ERWIN R. OROCIO
Corporate Secretary

Attested By:

EDGAR O. CHUA

Outgoing Chairman