

PILIPINAS SHELL PETROLEUM CORPORATION
MINUTES OF THE ANNUAL MEETING
OF THE STOCKHOLDERS
HELD AT THE
THE SMX CONVENTION CENTRE AURA HALL 1
THIRD FLOOR SM AURA PREMIER. 26TH STREET CORNER
MCKINLEY PARKWAY, BONIFACIO GLOBAL CITY
TAGUIG CITY, METRO MANILA, 1630, PHILIPPINES
ON 07 MAY 2019

**STOCKHOLDERS
PRESENT:**

Stockholder	No. of Shares Voted in Person	No. of Shares Voted by Proxy	Percentage
Abacus SEC FAO Kennet Kho		1,500	0.00%
Abacus SEC FAO Socorro		250	0.00%
Abillon, Erbito	500		0.00%
Acosta, Federico	14,145		0.00%
Babis, Rosauro	1,200		0.00%
Bantog, Bernardita	300		0.00%
Barredo, Roman Carlos	10		0.00%
BDO Nomura Dante Alignay		20	0.00%
BDO Nomura FAO Rommel Songco		200	0.00%
BPI SEC FAO Rommel Song		160	0.00%
Buencamino, Roberto Calupitan	4,290		0.00%
Cabreza-Villanueva Marietta	500		0.00%
Calixto, Gregorio	100		0.00%
Calixto, Maria Socorro	100		0.00%
Camaro, Richard	100		0.00%
Capinpin, Raphael	4,290		0.00%
Chua, George	1,200		0.00%
COL FAO Teresita Alignay		201	0.00%
COL FAO Richard Camaro		10	0.00%
COL FAO James Melquisedec Dela Cruz		1	0.00%
COL FAO Lolita Monte		100	0.00%
COL FAO Lsette Iyesa T. Monte		10	0.00%
COL FAO Nadia Nolo		20	0.00%
COL FAO Rommel Songco		300	0.00%
COL FAO Lois Trishatimonte		10	0.00%

Stockholder	No. of Shares Voted in Person	No. of Shares Voted by Proxy	Percentage
Composano, Mayce	10		0.00%
Concepcion, Gaudiosa G.	1,490		0.00%
Cruz, Margarita	500		0.00%
Cruz, Edwin	500		0.00%
Dela Cruz, Yolanda	10		0.00%
Deutsche Bank AG Manila Branch		46,943,660	2.91%
De Guzman, Arlene	1,490		0.00%
Eastern SEC FAO Wellington		1,200	0.00%
Evangelista, Kevin Neil	2,690		0.00%
Fabela, Gregorio	400		0.00%
First Metro FAO Dennis Orcino		100	0.00%
First Metro FAO Rommel Song		200	0.00%
HSBC FAO		99,471,370	6.17%
IB Gimenez FO Eugenia C. Gomez		2,070	0.00%
Jimenez, Maria Luisa P.	1,490		0.00%
Lao, John	1,000		0.00%
Lim, Nestor	600		0.00%
Lucero, Roy Eduardo	50		0.00%
Manuel, Nica Sio M.	23,620		0.00%
Monteiro, Salvacion C.	1,490		0.00%
Monte, Danilo	1,590		0.00%
Ong, Jose Jr.	1,060		0.00%
Ong, Marites	130		0.00%
Pangan, Emelinda	20		0.00%
Ramos, Josephine	700		0.00%
PHILSTOCK FAO Dante Alignay		100	0.00%
PHILSTOCK FAO Esperanza Sison Lopez		2	0.00%
PHILSTOCK FAO Diosdado R. Minerales, Jr.		530	0.00%
PNB SEC FAI Edmundo Londres		500	0.00%
SCB OBO - GSI CUST SEG SEC AC		28,020	0.00%
SCB OBO - BPSS LUX/Aberdeen Global		5,860,050	0.36%
SCB OBO RBC Investor Services Trust Client Account		190,390	0.01%

Stockholder	No. of Shares Voted in Person	No. of Shares Voted by Proxy	Percentage
Shell Overseas Investments B.V.		890,860,233	55.21%
Spathodea Campanulata, Inc.		67,184,265	4.16%
Teo, Stephine/ Teo., Teresita	5,980		0.00%
Teodoro, Graciano	10		0.00%
Timonte, Lara Eunice	10		0.00%
The Insular Life Assurance Company, Ltd.		255,452,325	15.83%
Ting, Janelle Bianca	20		0.00%
Tin Uy, Susan Sio	500		0.00%
UCPB General Insurance Co.		288,830	0.02%
Valencia, Jesus San Luis	30		0.00%
Various brokers		206,359	0.01%
Villanueva, Milagros Pineda	1,000		0.00%
Villanueva, Myra P.	3,500		0.00%
Villanueva, Myrna Pineda	1,000		0.00%
Total	77,625	1,366,492,986	
Grand Total		1,366,570,611	84.70%

DIRECTORS

PRESENT:

Mr. Cesar G. Romero
Mr. Jose Jerome R. Pascual, III
Mr. Cesar A. Buenaventura
Ms. Mona Lisa B. Dela Cruz
Mr. Anabil Dutta
Dr. Lydia B. Echauz
Mr. Luis C. la 'O
Mr. Rolando J. Paulino, Jr.
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 – External Relations and
Government Relations
Mr. Carlo D. Zandueta, Vice President – Human Resources
Ms. Jannet C. Regalado, Vice President – Legal and Chief Compliance
Officer
Mr. Dennis C. Javier, Vice President – Wholesale Commercial Fuels

- Mr. Jan-Peter Groot Wassink, Vice President – Manufacturing
- Mr. Augusto P. Mathay, Jr., Supply Operations Manager
- Mr. Steve L. Quila, Lubricants General Manager
- Mr. Nimfa Dimailig, Country Tax Manager
- Mr. Reynaldo P. Abilo, Corporate Assurance Manager
- Ms. Angelica M. Castillo, Investor Relations Officer and Controller
- Mr. Alex Hernandez, DSO Integration Manager
- Mr. Ronald A. Suarez, ER Adviser Future of Energy Campaign
- Mr. Rubin G. Cura, Legal Counsel
- Mr. Mark Brian J. Nicdao, External Relations and Internal Communications Manager

798. **National Anthem and Safety Briefing**

Atty. Rubin Cura requested the attendees to stand for the Philippine National Anthem.

Afterwards, the attendees were asked to take their seats for the Safety Briefing. The audience was advised that a nurse was on duty to provide first aid should a need arise.

799. **Call to Order**

The Corporate Secretary advised that the Chairman of the Board, Mr. Asada Harinsuit, is not able to attend the Annual Stockholders’ Meeting due to medical reasons. Section 5.1, Article IV of the By-Laws of the Corporation provides that the President, in the absence of the Chairman, shall preside at all meetings of the stockholders of the Corporation. He turned over the floor to the President and Chief Executive Officer, Mr. Cesar G, Romero, to call the meeting to order.

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

800. **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
Rolando J. Paulino, Jr.	Non-Executive Director	
Anabil Dutta	Non-Executive Director	Member- Board Audit And Risk Oversight Committee

NAME	POSITION	COMMITTEE
		Member – Corporate Social Responsibility Committee
Fernando Zobel de Ayala	Independent Director	Chairman- Corporate Governance Committee
Mona Lisa Bautista Dela Cruz	Non-Executive Director	Member – Related Party Transactions Committee
Cesar G. Romero	Executive Director/ President & Chief Executive Officer	Member – Nomination Committee
Jose Jerome R. Pascual, III	Executive Director/ Treasurer/ VP- Finance	
Cesar A. Buenaventura	Independent Director	Chairman - Board Audit and Risk Oversight Committee, Member – Corporate Governance Committee Member – Related Party Transactions Committee Member - Nomination Committee
Dr. Lydia B. Echauz	Independent Director	Chairman – Related Party Transaction Committee Member - Board Audit and Risk Oversight Committee Member – Corporate Governance Committee

NAME	POSITION	COMMITTEE
Luis C. la 'O	Non-Executive Director	Chairman – Corporate Social Responsibility Committee Member – Related Party Transactions Committee Member – Board Audit and Risk Oversight Committee

Mr. Harinsuit, who was not present, is the Non-Executive Director and Chairman of the Board and also a member of the Corporate Social Responsibility Committee.

Mr. Anthony Lawrence D. Yam was also not present due to medical reasons. He is an Executive Director and the Vice President – Retail.

Also present were senior members of Management and external auditors of the Corporation, SyCip Gorres Velayo & Co. (“SGV”), a member firm of Ernst & Young Global Limited.

801. **Notice of Meeting and Quorum**

The President and Chief Executive Officer inquired whether the stockholders had 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 on 08 April 2019 to all stockholders of record as of the record date on 05 April 2019.

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

The President and Chief Executive Officer 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 1,366,570,611 shares representing 84.70% of the total issued and outstanding shares.

802. **Voting Procedure**

The President and Chief Executive Officer 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 Definitive Information Statement. Voting was by viva voce and ballot distributed during the registration.

Proxy votes received as of 25 April 2019, accounting for 80.50% of the outstanding shares, were validated and counted on 29 April 2019 by RCBC Stock and Transfer Agent in the presence of SGV.

The final counting of all votes cast was 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.

803. **Approval of Minutes of the Previous Meeting**

The President and Chief Executive Officer 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 Annual Meeting of the Stockholders held on 03 May 2018 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 Ms. Malu Jimenez and seconded by Ms. Gaudiosa Concepcion, and as verified by the Corporate Secretary, stockholders owning 1,366,361,562 shares and representing 84.69% of the outstanding capital stock of the Corporation, adopted the following resolution:

“**RESOLVED**, that the Minutes of the Annual Meeting of the Stockholders held on 03 May 2018 be, as it is hereby, approved.”

A total of 1,200 shares (or 0.0001%) voted against while 1,490 (or 0.0001%) had abstained from the decision to approval.

The President and Chief Executive Officer 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.

804. **Message from the Chairman of the Board**

To deliver the Message from the Chairman of the Board on behalf of Mr. Harinsuit, the President and Chief Executive Officer called on Mr. Anabil Dutta, Non-Executive Director of the Corporation. Mr. Dutta delivered the message with the aid of visual presentations:

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

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

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

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

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

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

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

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

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

The President and Chief Executive Officer thanked Mr. Dutta and then highlighted the last photograph on the screen explaining that Shell holds an annual global competition for forecourt service champions across 80 countries. The photo showed one of the winners, a Filipino, who bested entries from 80 countries across the Shell family. A resounding round of applause followed. The Corporation was proud of this feat in 2017. Unfortunately, he was unable to travel to New York due to visa issues. He was instead invited to Dubai where he raised the country's flag.

805. **Reports of the President & Chief Executive Officer and the Chief Financial Officer**

a. **Report of the President & Chief Executive Officer**

The President and Chief Executive Officer rendered his report with visual aids for the better appreciation of the shareholders:

“We have been in the Philippines for over 105 years and we will continue to strive to achieve our mission to power progress by providing sustainable energy solutions. We remain committed to implement the same strategy we communicated during our IPO in 2016.

2018 was not an easy year for us and I believe that the same challenge was felt by the consumers. During the start of the year, the TRAIN Law was implemented which increased pump prices. Record-high inflation was also recorded during the second half of the year. Throughout the year, depressed regional refining margins and increasing crude prices impacted refineries globally.

Several headwinds were indeed faced in 2018. Despite this, we were able to achieve significant milestones which we can attribute to the importance of having a clear and consistent vision, world-class people, and most importantly, strong corporate governance.

Based on an independent study by Kantar-Millward Brown, we remain to be the most preferred brand in the country in 2018. In fact, over 4 out of 10 motorists in the Philippines will

choose Shell over our competitors. We owe this achievement to our world-class fuels and the consistent quality service from our service champions.

We closed 2018 with a total of 1,084 retail stations all situated in strategic locations where we serve more than 800,000 customers daily. Our retail network is also the most efficient in the country. On average, one Shell station pumps more than twice the volume of our closest competitor.

Since we are focused on providing convenience to our customers, we enhanced the products and services offered in our sites. Our Select shops and deli2go offerings provide customers a place to relax where they can grab healthy snacks, drinks, and coffee. Car maintenance services are also available in our stations through our oil change bays. Finally, big name brands and quick service restaurants continue to be co-located in our service stations where most appropriate.

Another investment that we are very proud of is our new bitumen production facility which is the only bitumen production facility in the country. Bitumen is the product used in building roads. This facility allows us to help in nation-building by actively participating in the country's aggressive infrastructure program. Aside from offering locally produced and a more competitively priced bitumen, we will also be able to cater the demand of other Asian countries.

To top this off, last year, our refinery recorded the lowest unplanned downtime for the year in 5 years. This is instrumental for us to be recognized as the second most reliable refinery among Shell refineries globally.

Our commercial business also worked on identifying customers that will replace the structural reduction in power sector demand due to the rise of coal-fired power plants. In fact, our aviation business was able to increase sales by 10% in 2018. Indeed, we will not be able to achieve all these milestones if not for the effort of various teams in 2018.

People usually ask me what I'm most proud of in 2018. There are a number of things I can say obviously, but if I had to pick one, it would be our people. Last year, we received a 95% response rate in our annual Shell People Survey. Our employees ranked us higher than the top quartile benchmarked companies globally in sections such as leadership, people development, and operational excellence. The voice of our employees is very important to us that's why I am extremely pleased when our employees ranked us highest as a company with good reputation.

The other moments I'm very proud of are the recognitions our teams received in Shell regionally and globally. The excellence of our people continues to be highlighted in various aspects of Shell's operations. Though we have consistently won regional and global awards in the past, 2018 was special in terms of the quantity and breadth of awards won. This makes me delighted to say that our people in Pilipinas Shell are truly world class!

While we are pleased with our accomplishments in 2018, we are not here just for profits as profits will only be sustainable if you are doing something that is genuinely beneficial for the community. Our intention from the very beginning is to be a strong and genuine partner in nation-building. Through PSFI, we continue to develop livelihood skills and education in communities where we operate. We continue our projects such as Gas Mo, Bukas Ko, and the Shell-PhilDev scholarship fund.

Our employees have also established Shell ACTS. This is a volunteerism initiative where employees and business partners contribute to communities through tree planting, coastal clean-up, and Brigada Eskwela.

We also partner with different enterprises like Liter of Light, Plastic Bank Philippines and Green Antz to protect the environment by repurposing discarded plastic. For instance, used lubricant bottles were converted to eco-bricks used as fences in some of our sites through our partnership with Green Antz.

Lastly, we thank you for your continued trust in Pilipinas Shell. In affirmation, we declared dividends amounting to P3.00/share which places us as one of the highest dividend-yielding stocks in the Philippine Stock Exchange. We remain committed to maintain an attractive dividend policy at competitive returns.

In the future, the need for mobility and energy to support development will continue to rise. As an energy company we aim to continue providing energy to our customers through conventional and new sources. We will strive to ensure that we are always best positioned to meet the needs of our customers, both in product and in services through the technological advantage we have from the Shell Global community. We will continuously strengthen our business to ensure the stability and reliability of our Company for your benefit and the benefit of the Filipinos.”

The President and Chief Executive Officer invited the Chief Financial Officer to render the report on the 2018 Financial Updates.

b. Report of the Chief Financial Officer

The Chief Financial Officer rendered his report:

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

MAXIMIZING CASH GENERATION

The Company’s cash flow from operations increased 29% to Php 14.1 billion in 2018. The strong delivery is attributed to the Company’s competitive marketing businesses as well as effective working capital management. We measure the effectiveness of our ability to generate cash by demonstrating that we can cover both dividend payments and capital expenditures.

PRUDENT COST MANAGEMENT

On cost management, operating expenses for the year were at Php 14.4 billion, as we grew our retail network and non-fuels retailing business. We launched impactful marketing campaigns during the year including the Saltwater Supercars promo and Select Hydration Campaign. By end of year, we had increased our brand preference share to above 40%.

We also continue to benefit from our integrated supply chain. The North Mindanao Import Facility, which we commissioned in 2016, continues to beat initial cost savings estimates. In 2018, we further decreased our logistics and storage costs by 8%.

DISCIPLINED CAPITAL ALLOCATION

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

In 2018, we deployed Php 4.1 billion of capital expenditures. This year, 2019, we increased our planned capital expenditure to Php 6 billion to support the further expansion of our retail business and improve the flexibility of our Tabangao Refinery. Our growth targets of opening 50 to 70 new retail sites, 15 to 20 Select Shops, 15 to 20 deli2go offerings, and 30 to 50 Shell Helix Oil Change Plus (SHOC+) and Helix Service Centers (HSC) remain the same. Our refinery will start investing on its hydrogen optimization project that will allow it to improve flexibility of its crude intake and product slate.

Supported by strong cash generation and sound financials, your Company declared dividends of Php 3.00/share or 95% of its audited net income for 2018. Since our IPO in 2016, this is the highest payout ratio for the Company. We continue to focus on tailoring Pilipinas Shell into a world-class investment case.

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

The President and Chief Executive Officer thanked Mr. Pascual. A resounding round of applause followed.

806. **Approval of Certain Act of the Board, Board Committees and Management**

The President and Chief Executive Officer informed the stockholders that the next item in the agenda was the approval of the amendment of By-Laws to allow presence and voting of stockholders through remote communication and *in absentia*.

The President and Chief Executive Officer requested the Secretary to report on the proposed Amendment of By-Laws.

The Secretary explained that with the passage of the Revised Corporation Code of the Philippines, stockholders may be allowed to vote through remote communication or in absentia. The proposed amendment is to extend this privilege to the shareholders of the Corporation and shall be effective upon the endorsement of the Department of Energy and approval by the Securities and Exchange Commission. Once approved, a stockholder who participates through remote communication or in absentia shall be deemed present for purposes of quorum.

On motion duly made by Mr. Antonio Albert and seconded by Mr. Roberto “Bobby” Buencamino, and as verified by the Corporate Secretary, stockholders owning 1,366,361,562 shares and representing 84.69% of the outstanding capital stock of the Corporation, adopted the following resolution:

“**RESOLVED**, that the amendment of the by-laws be approved and adopted to allow presence and voting of stockholders through remote communication and in absentia during Stockholders’ Meeting and that Sections 4 and 6, Article II of the By-laws of the Corporation, be amended accordingly:

“ARTICLE II

STOCKHOLDERS’ MEETING

xxx

Section 4. Quorum: At a regular or special meeting of stockholders a quorum shall consist of a majority of the subscribed capital stock of the company represented;

- a. _____ in person; or
- b. _____ through remote communication or in absentia; or
- c. _____ by proxy.

~~, and~~ A stockholder who participates through remote communication or in absentia shall be deemed present for purposes of quorum. A majority of such quorum shall decide any question at a meeting, save and except in those several matters in which the Corporation Law requires the affirmative vote of a greater proportion. xxx

xxx

Section 6. Voting: At every meeting of the stockholders of the Company, every stockholder entitled to vote shall be entitled to one vote for each share of stock standing in his name on the books of the Company and may vote; ~~either~~

- a. _____ in person; or
- b. _____ through remote communication or in absentia; or
- c. _____ by proxy duly given in writing in favor of another person who need not be a stockholder and presented to the Secretary for inspection and record at or prior to the opening of the meeting, provided, however, that at all meetings for the election of Directors the shares of stock shall be voted as provided in the Corporation Law. No proxy bearing a signature which is not legally acknowledged, if unrecognized by the Secretary, shall be recognized at any meeting.”

A total of 2,690 shares (or 0.0002%) voted against while no shareholder (or 0.0000%) abstained from the decision to approval.

The President and Chief Executive Officer 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.

807. **Election of Directors**

The President and Chief Executive Officer 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 four (4) independent directors.

The President and Chief Executive Officer 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 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>
Mona Lisa B. Dela Cruz	Cesar A. Buenaventura
Anabil Dutta	Lydia B. Echauz
Rolando J. Paulino, Jr.	Fernando Zobel de Ayala
Asada Harinsuit	Roy Eduardo T. Lucero
Luis C. la O	
Jose Jerome Rivera Pascual III	
Cesar G. Romero	
Anthony Lawrence D. Yam	

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

NOMINEE	YES	NO	ABSTAIN
Asada Harinsuit	1,227,280,113	1,394,644	-
Cesar G. Romero	1,473,646,123	1,453,227	-
Fernando Zobel de Ayala (Independent Director)	1,471,564,159	3,494,406	-
Cesar A. Buenaventura (Independent Director)	1,471,531,269	3,494,406	-
Lydia B. Echauz (Independent Director)	1,228,473,949	209,412	-
Roy Eduardo T. Lucero (Independent Director)	139,847,415	-	-
Mona Lisa B Dela Cruz	1,543,908,907	933,057	-
Anabil Dutta	1,227,288,690	1,394,644	-
Luis C. la 'O	1,543,732,448	1,109,515	-
Jose Jerome Rivera Pascual III	1,227,750,291	933,057	-
Rolando J. Paulino, Jr.	1,227,750,277	933,056	-

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

“**RESOLVED**, that the top eleven (11) candidates garnering the highest number of votes 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.”

The President and Chief Executive Officer 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. He requested the Corporate Secretary to read out the names of the duly elected directors for the coming year.

The Secretary read the names of the newly elected directors:

1. Cesar A. Buenaventura
2. Fernando Zobel de Ayala
3. Dr. Lydia B. Echauz
4. Asada Harinsuit
5. Anabil Dutta
6. Rolando J. Paulino, Jr.
7. Mona Lisa B. Dela Cruz
8. Luis C. la ‘O
9. Cesar G. Romero
10. Jose Jerome R. Pascual III
11. Anthony Lawrence D. Yam

808. **Appointment of External Auditors**

The President and Chief Executive Officer informed the stockholders that the next item on the agenda was the appointment of the external auditors of the Corporation.

Mr. Cesar A. Buenaventura, Chairman of the Board Audit and Risk Oversight Committee reported that upon the recommendation and endorsement by the Committee, the Board of Directors, at its meeting held on 18 March 2019, approved the re-appointment of Sycip Gorres Velayo and Co., member of Ernst and Young International as the external auditor of the Corporation for 2019.

On motion duly made by Ms. Recca Menchavez and seconded by Ms. Salvacion Monteiro, and as verified by the Corporate Secretary, stockholders owning 1,366,361,262 shares and representing 84.67% 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 2019, under such terms and conditions as the Board of Directors may consider reasonable.”

A total of 2,690 shares (or 0.0002%) voted against, while 300 shares (0.0000%) abstained from the decision to approval.

The President and Chief Executive Officer 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.

809. **Question and Answer**

The President and Chief Executive Officer opened the floor for questions from the stockholders. Mr. Mark Nicdao facilitated the question and answer portion.

Ms. Jenny asked the first question. She mentioned that she did not receive the notice to the annual stockholders’ meeting. She also suggested placing the names of the stockholders on the name tags and if it would be possible to get complimentary parking. The Secretary responded to the first concern that this would be looked into. Notices were sent through the disclosure with the Philippine Stock Exchange and via courier for certificated stockholders, as well as to the brokers. Regrettably, parking was not arranged for the meeting.

Ms. Maria Teresa Abueg inquired the ranking of the Corporation among the key players in the Philippines in terms of sales. The President and Chief Executive Officer answered that the Corporation was often confronted with this question. It would depend on what the Corporation is measured against. The Corporation is number one on the things that matter. The Corporation is the highest dividend-yielding stock in the industry in terms of yield and absolute value, it is the highest in terms of ROACE, highest in terms of brand share preference and highest in efficiency of operations. Sales is one thing while how it translates into earnings to shareholders is another. In terms of earnings per share and dividends paid out to shareholders, the Corporation is number one in the industry. The President and Chief Executive Officer added the saying that, “Sales is Vanity. Profit is Sanity. Cash is Reality.” The Corporation gives its shareholders more cash. A resounding applause followed.

Complimenting the layout of the Annual and Sustainability Report (“ASR”) of the Corporation, Mr. Arnel Sotto suggested the inclusion of the complete Audited Financial Statements (“AFS”). Considering the significant increase of sales from 2017 to 2018, which he assumed due to higher excise taxes, he inquired the actual growth in volume of the Corporation. He also asked the reason for the lower gross profit while oil prices were rising during most of 2018. He finally inquired on the dividend policy being followed by the Corporation. Mr. Pascual answered that the financial performance of the Corporation relates to its net income after tax, which included cost of sales adjustments due to movements of valuation of inventories

based on current prices. For the first three quarters of 2018, oil prices were going up. Thus, net income at the end of Q3 was more than PhP7 billion, including inventory holding gains (current value of crude oil). When oil price dropped by USD40/barrel in November 2018, it meant that reduction in the value of inventories must be recognized. This resulted in lower net income of PhP5.1 billion. Net income always has an element of valuation of stocks called inventory holding gains/losses. On inclusion of the complete AFS, Mr. Pascual mentioned that shareholders may refer to the QR code on the ASR for the link of the complete AFS. He noted this concern for a complete AFS while at the same time underscoring the environmental impact of producing more hard copies of the ASR. The intention is to make it more concise and to use recycled paper. With respect to volume, the Corporation generated sales of 5.6 billion liters, which was roughly flat against the previous year. On the dividend policy, the minimum dividend declaration is 75% of prior year audited net income. Since the IPO, the dividends declared were higher, or about 80% of net income. With cash generated of PhP14 billion in 2018, the Board declared PhP3.00/share cash dividend or 95% of prior audited net income, a good dividend to shareholders.

The next shareholder inquired about Q1 2019 earnings of the Corporation as compared with previous year. The President and Chief Executive Officer responded that Q1 2019 earnings could not yet be disclosed since the Board has yet to take it up. The Corporation is set to disclose the results with the SEC and Philippine Stock Exchange (“PSE”) the following week. The stockholder followed up with a question on dividends. He mentioned that the Corporation had been declaring dividends since its IPO. He asked if there was a time in the last 10 years when the Corporation did not declare cash dividend or had experienced losses. Upon the invitation of the President and Chief Executive Officer, Mr. Buenaventura responded that the Corporation has been declaring dividend for the past 10 years, except in 2014 when the Corporation incurred a net loss and in 2015 when Retained Earnings were still restricted. The stockholder emphasized that last year, the Corporation declared dividend of more than PhP5.00/share. Although profit was down by 50%, the Corporation still managed to declare PhP3.00/share dividend. The President and Chief Executive Officer hoped that this would demonstrate the Corporation’s financial strength to maintain reasonable level of dividend regardless of earnings.

The next stockholder inquired on free parking. He stated that previously, the venue of the meeting was at Manila Polo Club with wide free parking and good food. He proposed to hold the meeting again at Manila Polo Club. He then inquired the increase in income for every peso increase in liter of fuel. The President and Chief Executive Officer answered that it would be difficult to pinpoint net income at that level due to many factors contributing to it. In terms of how well the Management is taking care of the resources of the Corporation, the best barometer is ROACE. ROACE measures how much money the Corporation is making from the resources invested in the business. The President and Chief Executive Officer was pleased that the Corporation generated 15% ROACE consistently over the years. Despite the challenging 2018, the Corporation delivered 15% ROACE. He proposed to look at ROACE as a metric as compared with increase in price. On the change of venue, the Secretary

explained that Manila Polo Club was the first option. Unfortunately, with the transfer of offices, the city of the principal office of the Corporation also changed. The rules of the Revised Corporation Code state that the meeting of the shareholders should be at the same city of the principal office. Since Manila Polo Club is located in Makati City, a new venue was required in Taguig City.

The next shareholder commenced with the comment that the Corporation is taking care of its people and it should also take care its shareholders. The unavailability of information on quarterly net income did not show said concern. Now that the Corporation is listed, he asked whether there has been a shift of thoughts on this. Mr. Pascual explained that quarterly results are reported to the SEC and would be publicly available to shareholders. However, Q1 2019 results have not yet been submitted to the SEC, which would be submitted next week. Thereafter, information would be made available to shareholders. The shareholder commented that quarterly results should be publicly available and actively communicated to shareholders. He noted that providing parking would show that shareholders are being taken care of and information should be given to shareholders to retain them and for them to also propose suggestions to the Corporation. Mr. Pascual noted these comments, and these would be taken up when the next stockholders' meeting is planned. On quarterly communications to shareholders, the Corporation holds quarterly analysts' and investors' briefings which the President and Chief Executive Officer and Mr. Pascual attend to communicate the results. Scripless shareholders may ask their brokers whether they are participating in the briefings. The next briefing would be held next week after disclosure of results. Results are communicated thru materials that are understandable to various shareholders. The President and Chief Executive Officer also added that a press release is issued to explain the headline and salient figures in the results. Mr. Pascual expounded that the slide packs presented during the briefings are available in the Corporation's website. Tent cards on the tables also showed the QR code that would direct the attendees to the website of the Corporation. The President and Chief Executive Officer thanked the shareholder for his interest on the quarterly results.

Referencing page 11 of the ASR on Statement of Income, Mr. Oliver regarding the reason for the increases in the cost of sales and net cash used in financing activities. Mr. Pascual replied that gross sales generally follows a parallel trend. When prices of crude and finished products go up, the cost of sales also follow since the Corporation is a margin-based business. On the second query about cash flow from financing activities, the Corporation paid Php8.3B of dividends and refinanced Php11B loan with a Php9B medium-term loan. Gearing remained healthy at 17%.

Mr. Nestor Lim asked about the policy of the Corporation on allowing shareholders in analysts' and investors' briefings. Other listed companies send notices to shareholders through the investor relations committee while some listed companies require participants to be strictly an analyst of a financial firm before being allowed to participate. If shareholders are not allowed to participate, he proposed an amendment of the policy to allow shareholders to participate. Mr. Pascual replied that the notices are sent through the PSE and that there is no

company policy that individual shareholders are precluded from attending. Mr. Pascual explained that discussions during the briefings are deeply technical from an analyst's perspective to enable analysts to interpret the results into a form that would be easily digestible by shareholders for the latter to decide on whether to buy, sell or hold shares of the Corporation. There are about five to six analysts covering the Corporation and their reports are published and shared with their clients. Mr. Lim commented that not all brokers are covering the Corporation and it would be good for individual shareholders to attend the briefings as well, which was duly noted. His second question related to the status of the health of the Chairman of the Board. Thanking Mr. Lim for his concern, the President and Chief Executive Officer explained that due to data privacy concerns, he is not able to disclose further details but assured that the Chairman is reasonably fine and his health condition is not life threatening and that Mr. Harinsuit simply needs to recover from some procedures undertaken during the early part of the year

The next shareholder inquired the book value per share. Mr. Pascual replied that the book value is about PhP30 based on the capital employed of PhP50 billion divided by 1.6 billion shares.

The next shareholder asked about the new source of gas in Mindanao and if the Corporation may take advantage of this. The President and Chief Executive Officer answered that unfortunately, this is under the exploration business, an entity distinct from the Corporation. The President and Chief Executive Officer thanked the shareholder for his interest in the natural resources of the country.

The next shareholder asked where the red shirt of Shell may be purchased. The President and Chief Executive Officer replied that the shirt is a uniform of employees. He thanked the shareholder for his interest and appreciation of the Shell colors.

Mr. Marvin inquired if increase in net income could be expected in 2019, similar to the level in 2016 and 2017. The President and Chief Executive Officer assured the shareholders that the Management team is working very hard to deliver the best financial outcome. There are items that the team remained optimistic, such as GDP growth, continued implementation of the government's Build Build Build Program that the Corporation may participate with its bitumen project and increased tourism in the country for growing Aviation business. Management is hopeful that the financial performance would improve with expansion in businesses. The Management and all the staff are looking for opportunities to create value for its shareholders. Mr. Marvin followed this up with inquiry on Q1 2019 whether there is inventory holding gain or loss. Unfortunately, the President and Chief Executive Officer parked this query for next week when the results would be disclosed. For the last query on refinery shutdown, the President and Chief Executive Officer replied that the refinery is running at the moment. Planned shutdown for the year is minimal and is scheduled for the second half of the year. This would have no significant impact to the bottom line

On motion duly made and seconded, the question and answer portion was closed.

810. **Adjournment**

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

Prepared by:

ERWIN R. OROCIO
Corporate Secretary

Attested By:

CESAR G. ROMERO
President and Chief Executive Officer