

GOOD GOVERNANCE: Leading with Impact

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

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

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

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

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

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

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

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

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

GLOBAL BEST PRACTICES, LOCALIZED 102-16 102-17

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

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

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

ETHICS AND COMPLIANCE MANUAL

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

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

ANTI-BRIBERY AND CORRUPTION POLICIES

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

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

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

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

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

ANTITRUST POLICIES

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

DATA PRIVACY

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

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

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

WHISTLEBLOWER POLICY

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

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

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

Integrity Week at Pilipinas Shell



Pilipinas Shell CFO Jeng Pascual leads the Integrity Pledge

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

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

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

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

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

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

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

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

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

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

AWARDS AND RECOGNITION

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

Outstanding Achievement in Advocacy Marketing 39th Agora Awards

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

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

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

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

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

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

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

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

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



39th Agora Awards



2018 ACES Awards

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

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

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

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

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

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

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

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

- "Shell's Movement Against Malaria: Towards a Malaria-Free Philippines"

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

Special Citation Philippine Sportswriters Association

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



GOVERNANCE STRUCTURE

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

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

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

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

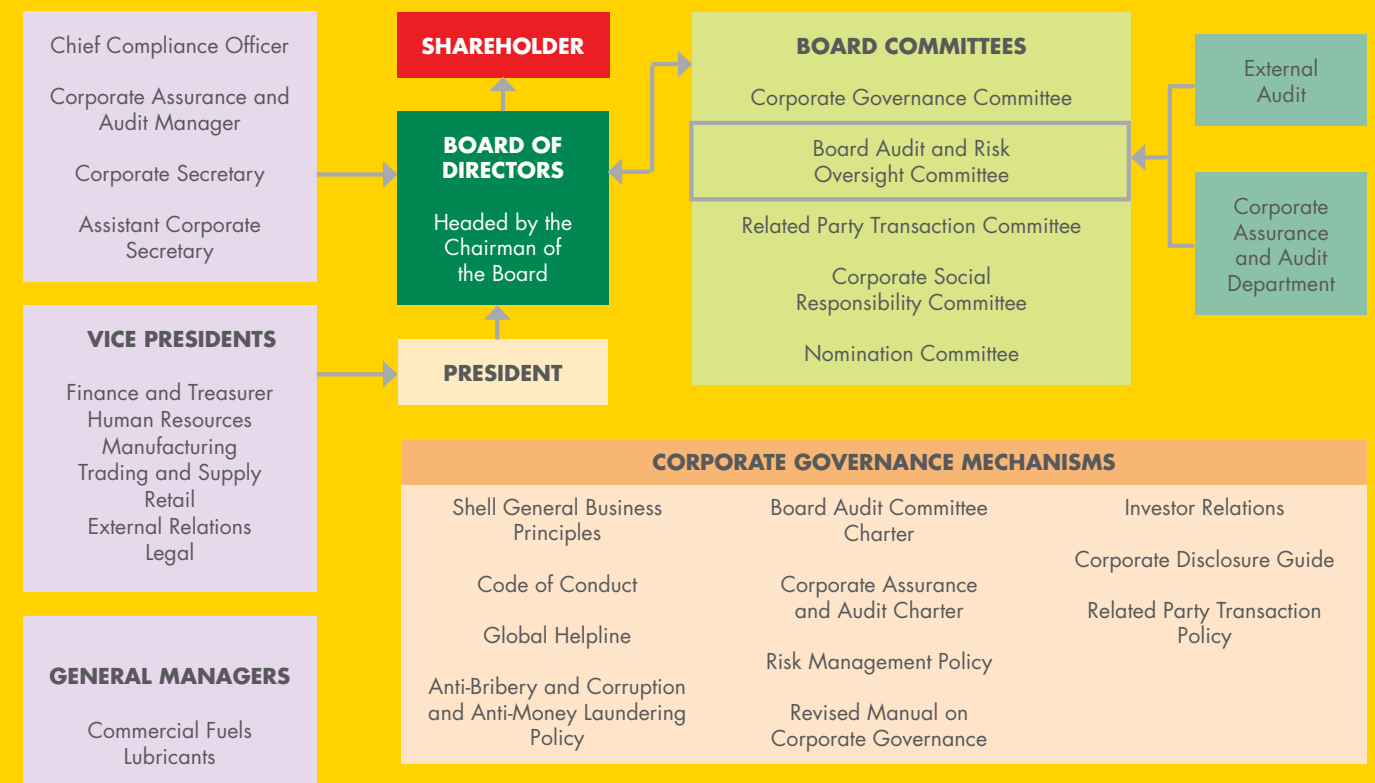
Diversity of thought is assured by differences in background, age, gender, ethnicity, and work experience.

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

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

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

CORPORATE GOVERNANCE FRAMEWORK 102-18



BOARD OF DIRECTORS

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

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



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

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



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



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

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



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



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

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



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



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

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



BOARD OF DIRECTORS

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

