




SECURITIES AND EXCHANGE COMMISSION  
SEC FORM – ACGR  
ANNUAL CORPORATE GOVERNANCE REPORT



1. Report is Filed for the Year December 31, 2012
2. Exact Name of Registrant as Specified in its Charter Petron Corporation
3. SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City 1550  
Address of Principal Office Postal Code
4. SEC Identification Number 31171 5. (SEC Use Only)   
Industry Classification Code
6. BIR Tax Identification Number 000-168-801
7. (632) 886.3888  
Issuer's Telephone number, including area code
8. N/A  
Former name or former address, if changed from the last report

## TABLE OF CONTENTS

<b>A. BOARD MATTERS.....</b>	<b>4</b>
1) BOARD OF DIRECTORS	
(a) Composition of the Board.....	4
(b) Directorship in Other Companies.....	10
(c) Shareholding in the Company.....	15
2) CHAIRMAN AND CEO.....	15
3) OTHER EXECUTIVE, NON-EXECUTIVE AND INDEPENDENT DIRECTORS.....	17
4) CHANGES IN THE BOARD OF DIRECTORS.....	23
5) ORIENTATION AND EDUCATION PROGRAM.....	38
 <b>B. CODE OF BUSINESS CONDUCT &amp; ETHICS.....</b>	 <b>41</b>
1) POLICIES.....	41
2) DISSEMINATION OF CODE.....	59
3) COMPLIANCE WITH CODE.....	60
4) RELATED PARTY TRANSACTIONS.....	60
(a) Policies and Procedures.....	60
(b) Conflict of Interest.....	64
5) FAMILY, COMMERCIAL AND CONTRACTUAL RELATIONS.....	66
6) ALTERNATIVE DISPUTE RESOLUTION.....	67
 <b>C. BOARD MEETINGS &amp; ATTENDANCE.....</b>	 <b>68</b>
1) SCHEDULE OF MEETINGS.....	68
2) DETAILS OF ATTENDANCE OF DIRECTORS.....	68
3) SEPARATE MEETING OF NON-EXECUTIVE DIRECTORS.....	68
4) ACCESS TO INFORMATION.....	69
5) EXTERNAL ADVICE.....	70
6) CHANGES IN EXISTING POLICIES.....	71
 <b>D. REMUNERATION MATTERS.....</b>	 <b>71</b>
1) REMUNERATION PROCESS.....	71
2) REMUNERATION POLICY AND STRUCTURE FOR DIRECTORS.....	72
3) AGGREGATE REMUNERATION .....	73
4) STOCK RIGHTS, OPTIONS AND WARRANTS.....	74
5) REMUNERATION OF MANAGEMENT.....	75
 <b>E. BOARD COMMITTEES.....</b>	 <b>75</b>
1) NUMBER OF MEMBERS, FUNCTIONS AND RESPONSIBILITIES.....	75
2) COMMITTEE MEMBERS.....	86
3) CHANGES IN COMMITTEE MEMBERS.....	90

4) WORK DONE AND ISSUES ADDRESSED.....	90
5) COMMITTEE PROGRAM.....	91
<b>F. RISK MANAGEMENT SYSTEM.....</b>	<b>93</b>
1) STATEMENT ON EFFECTIVENESS OF RISK MANAGEMENT SYSTEM.....	94
2) RISK POLICY.....	94
3) CONTROL SYSTEM.....	97
<b>G. INTERNAL AUDIT AND CONTROL.....</b>	<b>100</b>
1) STATEMENT ON EFFECTIVENESS OF INTERNAL CONTROL SYSTEM.....	100
2) INTERNAL AUDIT	
(a) Role, Scope and Internal Audit Function.....	102
(b) Appointment/Removal of Internal Auditor.....	103
(c) Reporting Relationship with the Audit Committee.....	103
(d) Resignation, Re-assignment and Reasons.....	104
(e) Progress against Plans, Issues, Findings and Examination Trends.....	104
(f) Audit Control Policies and Procedures.....	104
(g) Mechanisms and Safeguards.....	105
<b>H. RIGHTS OF STOCKHOLDERS.....</b>	<b>126</b>
1) RIGHT TO PARTICIPATE EFFECTIVELY IN STOCKHOLDERS' MEETINGS.....	126
2) TREATMENT OF MINORITY STOCKHOLDERS.....	134
<b>I. INVESTORS RELATIONS PROGRAM.....</b>	<b>135</b>
<b>J. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES.....</b>	<b>136</b>
<b>K. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL.....</b>	<b>138</b>
<b>L. INTERNAL BREACHES AND SANCTIONS.....</b>	<b>138</b>



ANNUAL CORPORATE GOVERNANCE REPORT  
 Petron Corporation ("Petron" or the "Company")

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	15
---	----

Actual number of Directors for the year	15
---	----

(a) Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type (Executive (ED), Non- Executive (NED) or Independent Director (ID))	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) <sup>1</sup>	Elected when (Annual /Special Meeting)	No. of years served as director <sup>2</sup>
Ramon S. Ang	ED	San Miguel Corporation	Ramon S. Ang	01/08/09	05/15/12	Annual Stockholders' Meeting ("ASM")	3.98
Eduardo M. Cojuangco, Jr.	NED	San Miguel Corporation	Ramon S. Ang	01/08/09	05/15/12	ASM	3.98
Roberto V. Ongpin	NED	San Miguel Corporation	Ramon S. Ang	07/31/08	05/15/12	ASM	4.42
Estelito P. Mendoza	NED	San Miguel Corporation	Ramon S. Ang	01/08/09	05/15/12	ASM	3.98
Eric O. Recto*	ED	San Miguel Corporation	Ramon S. Ang	07/31/08	05/15/12	ASM	4.42
Mirzan Mahathir	NED	San Miguel Corporation	Ramon S. Ang	08/13/10	05/15/12	ASM	2.39
Bernardino R. Abes	NED	San Miguel Corporation	Ramon S. Ang	07/31/01	05/15/12	ASM	11.43
Ron W. Haddock	NED	San Miguel Corporation	Ramon S. Ang	12/02/08	05/15/12	ASM	4.08
Romela M. Bengzon	NED	San Miguel Corporation	Ramon S. Ang	08/13/10	05/15/12	ASM	2.39
Aurora T. Calderon	NED	San Miguel Corporation	Ramon S. Ang	08/13/10	05/15/12	ASM	2.39
Ferdinand K. Constantino <sup>3</sup>	NED	San Miguel Corporation	Ramon S. Ang	08/13/10	05/15/12	ASM	2.39

<sup>1</sup> Reckoned from the election immediately following January 2, 2012.

<sup>2</sup> Reckoned from the date of first appointment until December 31, 2012.

<sup>3</sup> Mr. Ferdinand K. Constantino was replaced by Mr. Lubin B. Nepomuceno as a director on February 19, 2013 as disclosed to the Securities and Exchange Commission ("SEC") through an SEC Form 17-C filed on February 20, 2013.

Virgilio S. Jacinto	NED	San Miguel Corporation	Ramon S. Ang	08/13/10	05/15/12	ASM	2.39
Nelly Favis-Villafuerte	NED	San Miguel Corporation	Ramon S. Ang	12/1/11	05/15/12	ASM	1.08
Reynaldo G. David	ID	N/A	Imelda Carillo (no relation to ID)	05/12/09	05/15/12 (0.62% years as ID as of 12/31/12)	ASM	3.64
Artemio V. Panganiban	ID	N/A	Arman Tupas (no relation to ID)	10/21/10	05/15/12 (0.62% years as ID as of 12/31/12)	ASM	2.20

- (b) Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasize the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.

The Company has adopted its Revised Manual of Corporate Governance (the "CG Manual") to guide the Company in enhancing stakeholders' value as it competes in a continually evolving business environment while reflecting sound business practice and applying the principles of good corporate governance in a manner that also takes into account its particular circumstances.

The following policies adopted by the Company aim to further promote good corporate governance of the Company:

1. Code of Conduct and Ethical Business Policy (the "Code of Conduct");
2. Policy on Dealings in Securities; and
3. Whistle-blowing Policy.

The relevant provisions of the CG Manual on the treatment of all shareholders, respect for the rights of minority shareholders and other stakeholders, disclosure duties, and board responsibilities are set out below.

#### Treatment of All Shareholders; Respect for the Rights of Minority Shareholders and Other Stakeholders

The Company is committed to respect the legal rights of its stockholders.

#### *Voting Right*

All the stockholders of the Company, including the minority stockholders, have the right to participate in decisions concerning fundamental changes in the Company, such as the following:

1. amendment of the articles of incorporation (the "Articles of Incorporation") and/or by-laws of the Company (the "By-laws");
2. sale, lease, mortgage, pledge or other disposition of all or substantially all of the properties and assets of the Company;
3. merger or consolidation of the Company; and
4. investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the Company is organized.

Common stockholders further have the right to elect, remove and replace directors and vote on corporate acts and matters that require their consent or approval in accordance with the Corporation Code of the Philippines (the "Corporation Code").



At each stockholders' meeting, a stockholder entitled to vote has the right to vote one share, in person or by proxy, for each of share of the capital stock held by such stockholder, subject to the provisions of the By-laws, including the provision on cumulative voting by holders of shares entitled to vote in the case of the election of directors.

The By-laws specifically provide for cumulative voting in the election of directors. The CG Manual also requires the affirmative vote of 70% of total issued and outstanding shares to remove a director without cause.

Preferred stockholders have the right to vote on certain corporate acts as provided and specified in the Corporation Code, including the fundamental changes listed above.

The Board of Directors of the Company (the "Board") is required by the CG Manual to be transparent and fair in the conduct of the annual and special stockholders' meetings of the Company. The stockholders are encouraged to personally attend such meetings and, if they cannot attend, they are apprised ahead of time of their right to appoint a proxy.

#### *Right to Information of Shareholders*

Accurate and timely information is made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

In 2012, the notice of the annual stockholders' meeting held on May 15, 2012, together with the Definitive Information Statement, was released on April 23, 2012. And while not a legal requirement, a publication of the notice of the meeting was also made in The Philippine Star and Business Mirror on May 4, 2012.

The Company furnishes stockholders its most recent financial statement showing in reasonable detail its assets and liabilities and the result of its operations.

At the annual meeting of the stockholders, the Board presents to the stockholders a financial report of the operations of the Company for the preceding year, which includes financial statements duly signed and certified by an independent public accountant, and allows the stockholders to ask questions or raise concerns during the open forum. Duly authorized representatives of the Company's external auditor are also present at the meeting to respond to appropriate questions concerning the financial statements of the Company.

In addition to the foregoing, the Company replies to requests for information and fax, email and telephone queries from the stockholders and keeps them informed through the Company's timely disclosures to the Philippine Stock Exchange ("PSE") and the Securities and Exchange Commission ("SEC"), its regular quarterly briefings and investor briefings and conferences, and the Company's website. The Company website makes available for viewing and download the Company's disclosures and filings with the SEC and the PSE, its media releases, and other salient information of the Company, including matters relating to its governance, business, operations, performance, corporate social responsibility projects and sustainability efforts.

#### *Right to Dividends*

Stockholders have the right to receive dividends subject to the discretion of the Board of Directors.

The CG Manual provides that the Company shall declare dividends when its retained earnings exceeds 100% of its paid-in capital stock, except: (a) when justified by definite corporate expansion projects or programs approved by the Board, (b) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent and such consent has not been secured, or (c) when it can be clearly shown that such retention is necessary under

special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

The dividends for the preferred shares is fixed at the rate of 9.5281% *per annum* calculated in reference to the offer price of ₱100 per share on a 30/360-day basis and shall be payable quarterly in arrears, whenever approved by the Board. Since the listing of the preferred shares in March 2010, cash dividends have been paid out in March, June, September, and December of each year.

In 2012, the Company paid out a cash dividend of P0.10 per share to common shareholders and a total of ₱9.528 per share to preferred shareholders.

#### *Appraisal Right*

The stockholders have the right to dissent and demand payment of the fair value of their shares in the manner provided for under the Corporation Code under any of the following circumstances: (a) when there is a change or restriction in the rights of any stockholder or class of shares, (b) when the corporation authorizes preferences in any respect superior to those of outstanding shares of any class, (c) when there is an extension or shortening of the term of corporate existence, (d) in case of a sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property or assets, (e) in case of a merger or consolidation and (f) in the event of an investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation is organized.

#### *Rights of Minority Shareholders*

In addition to the stockholders rights discussed above, minority stockholders are granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the stockholders' meeting, provided the items are for legitimate business purposes and in accordance with law, jurisprudence and best practice.

The By-laws specifically provide that a special meeting of the stockholders may be called at the written request of one or more stockholders representing at least 20% of the total issued and outstanding capital stock of the Company entitled to vote, and which request states the purpose or purposes of the proposed meeting and delivered to and called by the Corporate Secretary at the Company's principal office.

#### *Shareholders' Meetings and Voting Procedures*

All the meetings of the stockholders are held in the principal place of business of the Company or any location within Metro Manila, Philippines as may be designated by the Board.

In 2012, the annual stockholders' meeting was held at the Edsa Shangri-La Manila Hotel, 1 Garden Way, Ortigas Center, Mandaluyong City, Metro Manila.

The Company encourages shareholding voting rights and exerts efforts to remove excessive unnecessary costs and other administrative impediments to the meaningful participation in meetings and/or voting in person or by proxy by all its stockholders, whether individual or institutional investors.

At each stockholders' meeting, a common stockholder is entitled to one vote, in person or by proxy, for each of share of the common capital stock held by such stockholder, subject to the provisions of the By-laws, including the provision on cumulative voting in the case of the election of directors.

Under the By-laws, cumulative voting is allowed in the election of directors. A common stockholder may therefore distribute his/her votes per share to as many persons as there are directors to be elected, or he/she may cumulate his shares and give one candidate as many votes as the number of directors to be elected



multiplied by the number of shares he/she has, or he/she may distribute them on the same principle among as many candidates as he/she shall see fit; provided, that the total number of votes cast by him/her shall not exceed the number of shares owned by him/her as shown in the books of the Company multiplied by the whole number of directors to be elected.

Preferred stockholders have the right to vote on certain corporate acts specified in the Corporation Code.

If at any stockholders' meeting a vote by ballot shall be taken, the By-laws require that a voting committee be created which will adopt its own rules to govern the voting and take charge of the voting proceedings and the preparation and distribution of the ballots. Each member of the voting committee, who need not be stockholders, will subscribe to an oath to faithfully execute his/her duties as an inspector of votes with strict impartiality and according to the best of his/her ability. In any event, the external auditor of the Company will be requested to supervise the voting proceedings.

#### Disclosure Duties

The Company recognizes that the essence of corporate governance is transparency. The more transparent the internal workings of a corporation are, the more difficult it will be for management and dominant stockholders to mismanage the corporation or misappropriate its assets.

It is the policy of the Company to fully and timely disclose all material information concerning the Company's operations in accordance with applicable laws and rules and regulations. Such information includes earnings results, acquisition or disposal of major assets, changes in the Board, significant related party transactions (excluding the purchase of crude oil in the normal course of business), and shareholdings of directors and changes in ownership exceeding 5% of the corporation's outstanding share capital. Other information that shall be disclosed includes the remuneration (including stock options) of all directors and senior management, the corporate strategy and any off-balance sheet transactions.

#### Board Responsibilities

The Board has the general responsibility of overseeing management of the Company and fostering its long-term success and securing its sustained competitiveness and profitability in a manner consistent with its fiduciary responsibilities, corporate objectives and best interests of the Corporation and its shareholders.

The Board determines and formulates the Company's vision, mission, strategic objectives, policies and procedures, as well as the means to attain the same, guide its activities and effectively monitor Management's performance. Corollary to setting the policies for the accomplishment of the corporate objectives, the Board provides an independent check on Management.

#### *Specific Responsibilities of the Board*

To ensure a high standard of corporate governance and the application of best practices for the Company and its stockholders, the Board shall:

- implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies;
- appoint competent, professional, honest and highly motivated management officers and adopt an effective succession planning program for Management;

- provide sound strategic policies and guidelines to the Company on major capital expenditures and other programs to sustain its long-term viability and strength, and periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance;
- ensure that the Company faithfully complies with all relevant laws and regulations and best business practices;
- identify the Company's stakeholders and formulate a clear policy of accurate, timely and effective communication or relations with them and the agencies regulating the Company through an effective investor relations program;
- adopt a system of internal checks and balances within the Board and conduct a regular review of the effectiveness thereof, including a continuing review of the Company's internal control system;
- identify key risk areas and performance indicators and monitor these factors with due diligence;
- properly discharge Board functions by meeting regularly or at such times and frequency as may be needed with independent views during Board meetings being encouraged and given due consideration;
- formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board;
- exercise board authority within the limits prescribed in the Articles of Corporation and the By-laws and in accordance with existing applicable laws, rules and regulations;
- encourage use of alternative modes of dispute resolution for amicable settlement of conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities;
- constitute an Audit Committee and such other committees necessary to assist the Board in the performance of its duties and responsibilities; and
- appoint a Compliance Officer.

#### *Internal Control Responsibilities of the Board*

The Board shall have the following oversight responsibilities for ensuring the presence of adequate and effective internal control mechanisms:

- select and appoint a Chief Executive Officer ("CEO") who possesses the ability, integrity and expertise for the position and define, with the assistance of the Nomination Committee, the duties and responsibilities of the CEO who is ultimately responsible for the Company's organizational and operational controls;
- evaluate proposed senior Management appointments;
- select and appoint qualified and competent management officers;



- review the Company's human resource policies, conflict of interest situations, compensation program for employees and management succession plan;
- establish a system of effective organizational and operational controls commensurate with, among others, the nature and complexity of the business of the Company and the business culture, volume, size and complexity of transactions, degree of risks involved, degree of centralization and delegation of authority, extent and effectiveness of information technology and extent of regulatory compliance; and
- determine the necessity of establishing an internal audit system to reasonably assure the Board, Management and the stockholders that the key organizational and operational controls of the Company are faithfully complied with.

**(c) How often does the Board review and approve the vision and mission?**

The Board periodically reviews and approves the vision and the mission of the Company as the need arises.

**(d) Directorship in Other Companies**

**(i) Directorship in the Company's Group<sup>4</sup>**

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Ramon S. Ang	1. San Miguel Corporation	1. Executive (Vice Chairman)
	2. SEA Refinery Corporation	2. Non-Executive (Chairman)
	3. Petron Malaysia Refining & Marketing Berhad (Malaysian-registered)	3. Executive (Chairman)
	4. Petron Marketing Corporation	4. Executive (Chairman)
	5. Petron Freeport Corporation	5. Executive (Chairman)
	6. New Ventures Realty Corporation	6. Non-Executive (Chairman)
	7. Las Lucas Construction and Development Corporation	7. Non-Executive (Chairman)
	8. Mariveles Landco Corporation	8. Executive (Chairman)
	9. Petrochemical Asia (HK) Ltd. (Hong Kinog-registered)	9. Executive (Chairman)
	10. Philippine Polypropylene Inc.	10. Executive (Chairman)
	11. Robinson International Holdings Ltd. (Cayman Islands-registered)	11. Executive (Chairman)
	12. Petron Fuel International Sdn. Bhd. (Malaysian-registered)	12. Non-Executive
	13. Petron Oil (M) Sdn. Bhd. (Malaysian-registered)	13. Non- Executive
	14. Petron Oil & Gas Mauritius Ltd. (Mauritius-registered)	14. Non-Executive

<sup>4</sup> The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.



	15. Petron Oil & Gas International Sdn Bhd. (Malaysian-registered)	15. Non-Executive
Eric O. Recto	<ol style="list-style-type: none"> <li>1. San Miguel Corporation</li> <li>2. Petrogen Insurance Corporation</li> <li>3. Overseas Ventures Insurance Corporation Ltd. (Bermuda-registered)</li> <li>4. Petron Malaysia Refining &amp; Marketing Berhad</li> <li>5. Petron Oil &amp; Gas Mauritius Ltd.</li> <li>6. Petron Oil &amp; Gas International Sdn Bhd</li> <li>7. Petron Marketing Corporation</li> <li>8. Petron Singapore Trading Pte Ltd</li> </ol>	<ol style="list-style-type: none"> <li>1. Non-Executive</li> <li>2. Non-Executive (Chairman)</li> <li>3. Non-Executive (Chairman)</li> <li>4. Executive</li> <li>5. Non-Executive</li> <li>6. Non-Executive</li> <li>7. Non-Executive</li> <li>8. Non-Executive</li> </ol>
Eduardo M. Cojuangco, Jr.	San Miguel Corporation	Executive (Chairman)
Roberto V. Ongpin	San Miguel Corporation	Non-Executive
Ferdinand K. Constantino	San Miguel Corporation	Non-Executive
Estelito P. Mendoza	San Miguel Corporation	Non-Executive
Aurora T. Calderon	<ol style="list-style-type: none"> <li>1. SEA Refinery Corporation</li> <li>2. Petron Malaysia Refining &amp; Marketing Berhad</li> <li>3. Petron Oil &amp; Gas Mauritius Ltd.</li> <li>4. Petron Oil &amp; Gas International Sdn Bhd</li> <li>5. Petron Marketing Corporation</li> <li>6. Petron Freeport Corporation</li> <li>7. New Ventures Realty Corporation</li> <li>8. Las Lucas Construction Development Corporation</li> <li>9. Petron Singapore Trading Pte Ltd</li> </ol>	<ol style="list-style-type: none"> <li>1. Non-Executive</li> <li>2. Executive</li> <li>3. Non-Executive</li> <li>4. Non-Executive</li> <li>5. Non-Executive</li> <li>6. Non-Executive</li> <li>7. Non-Executive</li> <li>8. Non-Executive</li> <li>9. Non-Executive</li> </ol>
Ma. Romela M. Bengzon	Petron Marketing Corporation	Non-Executive

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Ramon S. Ang	<ol style="list-style-type: none"> <li>1. PAL Holdings, Inc.</li> <li>2. Manila Electric Company</li> <li>3. Liberty Telecoms Holdings, Inc.</li> <li>4. Ginebra San Miguel Inc.</li> </ol>	<ol style="list-style-type: none"> <li>1. Executive</li> <li>2. Non-Executive (Vice Chairman)</li> <li>3. Non-Executive (Chairman)</li> <li>4. Non-Executive</li> </ol>

	<ol style="list-style-type: none"> <li>5. San Miguel Pure Foods Company, Inc.</li> <li>6. San Miguel Brewery Inc.</li> <li>7. San Miguel Properties, Inc.</li> <li>8. Cyber Bay Corporation</li> <li>9. Philweb Corporation</li> <li>10. San Miguel Brewery Hong Kong Limited</li> </ol>	<ol style="list-style-type: none"> <li>5. Non-Executive (Vice Chairman)</li> <li>6. Non-Executive</li> <li>7. Executive</li> <li>8. Non-Executive</li> <li>9. Independent</li> <li>10. Executive (Chairman)</li> </ol>
Eric O. Recto	<ol style="list-style-type: none"> <li>1. Philippine Bank of Communications</li> <li>2. Philweb Corporation</li> <li>3. Atok-Big Wedge Corporation</li> <li>4. Alphaland Corporation</li> <li>5. ISM Communications Corporation</li> <li>6. Manila Electric Company</li> </ol>	<ol style="list-style-type: none"> <li>1. Executive (Chairman)</li> <li>2. Non-Executive (Vice Chairman)</li> <li>3. Non-Executive (Vice Chairman)</li> <li>4. Non-Executive (Vice Chairman)</li> <li>5. Executive</li> <li>6. Non-Executive</li> </ol>
Eduardo M. Cojuangco, Jr.	<ol style="list-style-type: none"> <li>1. Ginebra San Miguel Inc.</li> <li>2. San Miguel Pure Foods Company, Inc.</li> </ol>	<ol style="list-style-type: none"> <li>1. Non-Executive (Chairman)</li> <li>2. Non-Executive (Chairman)</li> </ol>
Estelito P. Mendoza	<ol style="list-style-type: none"> <li>1. Manila Electric Company</li> <li>2. Philippine National Bank</li> </ol>	<ol style="list-style-type: none"> <li>1. Non-Executive</li> <li>2. Non-Executive</li> </ol>
Roberto V. Ongpin	<ol style="list-style-type: none"> <li>1. Philweb Corporation</li> <li>2. ISM Communications Corporation</li> <li>3. Alphaland Corporation</li> <li>4. Atok-Big Wedge Corporation</li> <li>5. Ginebra San Miguel Inc.</li> </ol>	<ol style="list-style-type: none"> <li>1. Non-Executive (Chairman)</li> <li>2. Non-Executive (Chairman)</li> <li>3. Non-Executive (Chairman)</li> <li>4. Non-Executive (Chairman)</li> <li>5. Non-Executive</li> </ol>
Ferdinand K. Constantino	<ol style="list-style-type: none"> <li>1. San Miguel Brewery Inc.</li> <li>2. Ginebra San Miguel Inc.</li> </ol>	<ol style="list-style-type: none"> <li>1. Non-Executive</li> <li>2. Non-Executive</li> </ol>
Virgilio S. Jacinto	San Miguel Brewery Inc.	Non-Executive
Artemio V. Panganiban	<ol style="list-style-type: none"> <li>1. Manila Electric Company</li> <li>2. Bank of the Philippine Islands</li> <li>3. First Philippine Holdings Corp.</li> <li>4. Metro Pacific Investment Corp.</li> <li>5. Robinsons Land Corp.</li> <li>6. GMA Network, Inc.</li> <li>7. Asian Terminals, Inc.</li> <li>8. Jollibee Foods Corporation</li> </ol>	<ol style="list-style-type: none"> <li>1. Independent</li> <li>2. Independent</li> <li>3. Independent</li> <li>4. Independent</li> <li>5. Independent</li> <li>6. Independent</li> <li>7. Independent</li> <li>8. Non-Executive</li> </ol>

**(iii) Relationship within the Company and its Group**

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Ramon S. Ang	1. San Miguel Corporation 2. SEA Refinery Corporation	1. Director (Vice Chairman), President and Chief Operating Officer; 2. Director (Chairman)
Eduardo M. Cojuangco, Jr.	San Miguel Corporation	Chairman and Chief Executive Officer
Roberto V. Ongpin	San Miguel Corporation	Director
Eric O. Recto	1. San Miguel Corporation 2. SEA Refinery Corporation	1. Director 2. President
Estelito P. Mendoza	San Miguel Corporation	Director
Ferdinand K. Constantino	1. San Miguel Corporation 2. SEA Refinery Corporation	1. Director and Senior Vice President - Chief Finance Officer 2. Director and Treasurer
Aurora T. Calderon	1. San Miguel Corporation 2. SEA Refinery Corporation	1. Director and Senior Vice President and Senior Executive Assistant to the President and Chief Operating Officer 2. Director
Virgilio S. Jacinto	San Miguel Corporation	Senior Vice President – General Counsel, Corporate Secretary and Compliance Officer

**(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:**

While the Company has not particularly set the number of board seats that a director or the CEO may hold in other companies, the CG Manual of the Company has policies and guidelines on multiple board seats as described below.

In addition, the By-laws specifically disqualify for nomination and election as director of the Company any person engaged in the business which competes with or is antagonistic to that of the Company.



	<b>Guidelines</b>	<b>Maximum Number of Directorships in other companies</b>
<b>Executive Director</b>	The policy and the guidelines of the Company on multiple board seats are set out in the CG Manual. A director is required to exercise due discretion in accepting and holding directorships other than in the Company, provided that, in holding such directorships, such director shall ensure that his capacity to diligently and efficiently perform his duties and responsibilities as a director of the Company is not compromised.	The executive directors are required to submit themselves to a low indicative limit on membership in other corporations' boards and their capacity to serve the Company with diligence should not be compromised.
<b>Non-Executive Director</b>	The policy and the guidelines of the Company on multiple board seats are set out in the CG Manual. A director is required to exercise due discretion in accepting and holding directorships other than in the Company, provided that, in holding such directorships, such director shall ensure that his capacity to diligently and efficiently perform his duties and responsibilities as a director of the Company is not compromised.	Independent or non-executive directors who serve as full-time executives in other corporations are required to submit themselves to a low indicative limit on membership in other corporations' boards and their capacity to serve the Company with diligence should not be compromised.
<b>CEO</b>	The policy and the guidelines of the Company on multiple board seats are set out in the CG Manual. The CEO is required to exercise due discretion in accepting and holding directorships other than in the Company, provided that, in holding such directorships, such director shall ensure that his capacity to diligently and efficiently perform his duties and responsibilities as a CEO of the Company is not compromised.	The CEO is specifically required to submit himself to a low indicative limit on membership in other corporations' boards and his capacity to serve the Company with diligence should not be compromised.

(c) Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Ramon S. Ang	1,000 common shares	None	0.00%
Eric O. Recto	1 common share	300,000 common shares through Philippine Equity Partners	0.32%
Eduardo M. Cojuangco, Jr.	1,000 common shares	None	0.00%
Estelito P. Mendoza	1,000 common shares	None	0.00%
Bernardino R. Abes	1 common share	None	0.00%
Roberto V. Ongpin	1 common share	None	0.00%
Ron W. Haddock	1 common share	None	0.00%
Aurora T. Calderon	1,000 common shares	None	0.00%
Mirzan Mahathir	1,000 common shares	None	0.00%
Romela M. Bengzon	1,000 common shares	None	0.00%
Virgilio S. Jacinto	1,000 common shares	None	0.00%
Nelly Favis-Villafuerte	1,000 common shares	None	0.00%
Reynaldo G. David	1,000 common shares	None	0.00%
Artemio V. Panganiban	1,000 common shares	None	0.00%
TOTAL	10,004	300,000	00.33%

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes

No  While the Chairman and CEO are the same person, a different person acts as President.

Identify the Chair and CEO:

Chairman of the Board and CEO	Ramon S. Ang
President	Eric O. Recto*

\*Elected as Vice Chairman and replaced as President by Mr. Lubin B. Nepomuceno on February 19, 2013 as disclosed to the SEC through an SEC Form 17- C filed on February 20, 2013

While the Chairman and CEO are the same person, the Company has a different person as President whose role and responsibilities are specifically delineated from the CEO under the By-laws and the CG Manual.

Furthermore, notwithstanding that the positions of Chairman and CEO are presently occupied by the same person, the functions of Chairman and CEO are also delineated in the By-laws and the CG Manual to foster balance of power, increased accountability and better capacity for independent decision-making by the Board.

The CG Manual also provides that the membership of the Board be a combination of executive and non-executive directors (which shall include independent directors) in order that no director or small group of directors can dominate the decision-making process. The non-executive directors are also required to possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

In addition, the Company has a sufficient number of directors and executives from diverse backgrounds to come up with balanced and informed collegial decisions.

**(b) Roles, Accountabilities and Deliverables**

**Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.**

While the Chairman and CEO of the Company are the same person, the Company has a different person as President whose role and responsibilities are also specifically delineated from the CEO under the By-laws and the CG Manual.

	<b>Chairman</b>	<b>Chief Executive Officer</b>	<b>Petron's President</b>
<b>Role</b>	Under the By-laws and the CG Manual, the Chairman shall preside at all board and stockholders' meetings and shall act as the Chairman of the Executive Committee and the non-voting Chairman of the Compensation Committee.	Under the By-laws and the CG Manual, the CEO shall perform the duties assigned to him by the Board, including the exercise of oversight responsibility over the investor relations programs of the Company.	Under the By-laws and the CG Manual, the President shall perform the duties assigned to him by the Board and act as a non-voting member of the Compensation Committee.
<b>Accountabilities</b>	Under the CG Manual, the Chairman shall: <ul style="list-style-type: none"> <li>(i) ensure that the meetings of the Board are held in accordance with the By-laws or as the Chairman may deem necessary;</li> <li>(ii) supervise the preparation of the agenda of the meeting in coordination with the Corporate Secretary, taking into consideration the suggestions of the CEO,</li> </ul>	Under the CG Manual, if so assigned to perform the task, the CEO shall exercise oversight responsibility over the investor relations program of the Company.	Under the CG Manual, the President shall have operational responsibility of the Company and be ultimately accountable for the Company's organizational and procedural controls.



	Management and the directors; and  (iii) maintain qualitative and timely lines of communication and information between the Board and Management.		
Deliverables	Under the CG Manual and applicable laws and regulations, the Chairman helps prepare the agenda and signs several corporate and financial documents of the Company, including the SEC Form 17-A, the Statement of Management's Responsibility for Financial Statements of the Company, and the minutes of meetings (and beginning 2013, the Annual Corporate Governance Report).	Under applicable laws and regulations, the CEO signs several corporate and financial documents of the Company, including the SEC Form 17-A and the Statement of Management's Responsibility for Financial Statements of the Company (and beginning 2013, the Annual Corporate Governance Report).	Under applicable laws and regulations, the President signs several corporate and financial documents of the Company, including the SEC Form 17-A and the Statement of Management's Responsibility for Financial Statements of the Company (and beginning 2013, the Annual Corporate Governance Report).

**3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?**

The Company has a management succession program in place to ensure an adequate reserve of highly qualified candidates who can respond to immediate and long-term replacements for top key management positions. The program provides a rational system and approach to identify and select candidates for movement to executive positions, supported by deliberate training programs to address the development needs of high potential candidates.

**4) Other Executive, Non-Executive and Independent Directors**

**Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.**

Yes. The CG Manual provides for the general policy that that the membership of the Board be of such a combination of directors to make sure that no director or small group of directors can dominate the decision-making process and that the non-executive directors have such qualifications and stature that would enable them to effectively participate in the deliberations of the Board. The pre-screening and short-listing by the Nominations Committee of candidates to the Board aims to bring together directors with diverse backgrounds to ensure balanced and informed collegial decisions in the Board.

**Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.**

Yes. The Company has non-executive directors who have experience in the oil industry.

Mr. Ron W. Haddock is a director of Alon Energy USA. He also held various positions in the Exxon Group, including, Manager of Baytown Refinery, Corporate Planning Manager, Vice President for Refining, Executive Assistant to the Chairman, and Vice President and Director of Esso Eastern, Inc.

Atty. Estelito P. Mendoza was former Chairman of Alcorn Petroleum and Minerals Corporation.

**Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:**

	<b>Executive</b>	<b>Non-Executive</b>	<b>Independent Director</b>
Role	<p>An executive director forms part of the Board through which the corporate powers of the Company are exercised, all business of the Company is conducted, and all property of the Company is controlled.</p> <p>An executive director, in addition to the above role, provides qualitative and timely lines of information and connection between Management and the Board.</p>	<p>A non-executive director also forms part of the Board through which the corporate powers of the Company are exercised, all business of the Company is conducted, and all property of the Company is controlled.</p>	<p>An independent director also forms part of the Board through which the corporate powers of the Company are exercised, all business of the Company is conducted, and all property of the Company is controlled.</p> <p>An independent director, however, further plays the role of giving objective and impartial analysis in the deliberations and decisions of the Board and the committees he belongs to.</p> <p>Under the CG Manual, one of the independent directors of the Company is required to be the Chairman of the Audit Committee and the Nomination Committee. Further, one of them is required to be a member of the Compensation Committee. And in addition to the Chairman of the Audit Committee, another independent director acts as a member of the Audit Committee.</p>

Accountabilities	<p>The CG Manual emphasizes that a director's office is one of trust and confidence. A director should, therefore, act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. He shall exercise leadership, prudence and integrity in directing the Company towards sustained progress.</p> <p>The CG Manual also sets out the following duties and responsibilities of a director:</p> <ol style="list-style-type: none"> <li>1. To conduct fair business transactions with the Company, fully disclose to the Board any interest he may have in any matter or transaction to be acted upon by the Board and recuse himself in the Board's decision-making process with respect thereto and, in general, ensure that personal interest does not cause actual or potential conflict of interest with, or bias against, the interest of the Company or does not prejudice Board decisions.</li> </ol>	<p>The requirements of the CG Manual for an executive director also apply to a non-executive director.</p>	<p>The requirements of the CG Manual for executive and non-executive directors also apply to an independent director.</p> <p>In addition, the independent director of the Company is expected to be independent of Management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director.</p> <p>And while his absence will not affect the quorum requirement for meetings, an independent director is enjoined by the CG Manual to always attend Board meetings to promote transparency.</p>
------------------	---	--	---



	<p>A director who has a continuing material conflict of interest is required to seriously consider resigning from his position. A conflict of interest is considered material if the director's personal or business interest is antagonistic to that of the Company, or stands to acquire or gain financial advantage at the expense of the Company;</p> <ol style="list-style-type: none"> <li>2. To devote the time and attention necessary to properly and effectively discharge his duties and responsibilities;</li> <li>3. To act judiciously;</li> <li>4. To exercise independent judgment;</li> <li>5. To have a working knowledge of the statutory and regulatory requirements affecting the Company, including the contents of the Articles of Incorporation and the By-laws, the</li> </ol>		
--	---	--	--

	<p>rules and regulations or requirements of the SEC, and where applicable, the requirements of other relevant regulatory agencies;</p> <p>6. To observe confidentiality with respect to all matters coming before the Board;</p> <p>7. To ensure the continuing soundness, effectiveness and adequacy of the Company's control environment; and</p> <p>8. To attend seminar/s on corporate governance conducted by a duly recognized private or government institute.</p>		
Deliverables	<p>An executive director signs several corporate documents of the Company, including the minutes of the meetings of the board committee(s) he belongs to and periodic filings of the Company (such as the annual report (SEC Form 17-A and the new requirement of the SEC for the Annual Corporate Governance</p>	<p>A non-executive director signs several corporate documents of the Company, including the minutes of the meetings of the board committee(s) he belongs to.</p>	<p>An independent director is required to submit to the Corporate Secretary a certification confirming that he possesses all the qualifications and none of the disqualifications of an independent director at the time of his election and/or re-election as an independent director.</p>

	Report beginning 2013 for reported year 2012).		He likewise signs several corporate documents of the Company, including the minutes of the meetings of the board committee(s) he belongs to and good corporate governance periodic filings of the Company (such as the Corporate Governance Scorecard of the Philippine Stock Exchange that was required until 2012 and the new requirement of the SEC for the Annual Corporate Governance Report beginning 2013 for reported year 2012).
--	--	--	---

**Provide the company's definition of "independence" and describe the company's compliance to the definition.**

Under the CG Manual, the independence of an independent director is defined as independence from Management and the lack of any business or other relationship (apart from fees and shareholdings) which could, or could reasonably be perceived to materially interfere with the exercise by such director of independent judgment in carrying out his responsibilities as a director.

To ensure that the independence of an independent director is maintained, an independent director of the Company is required to submit to the Corporate Secretary a certification confirming that he possesses all the qualifications and none of the disqualifications of an independent director at the time of his election and/or re-election as an independent director.

The CG Manual expressly provides as a ground for disqualification and ineligibility of an independent director (or any person aspiring for nomination and election as independent director) the appointment as an officer, employee or consultant of the Company. The disqualification and ineligibility are effective until after the lapse of two (2) years from the termination of his officership, employment and consultancy agreement with the Company.

Further, the CG Manual provides as a temporary disqualification of an independent director (or any person aspiring for nomination and election as independent director) the beneficial equity ownership in the Company or its subsidiaries and affiliates of more than 2% of the subscribed capital stock. The disqualification can only be lifted until after the shareholding limit is complied with.

**Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.**

The nomination and election of the independent directors of the Company are made in accordance with law, the By-laws, and the CG Manual.



5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
None			

(b) Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
<b>a. Selection/Appointment</b>		
(i) Executive Directors	<p>The By-laws require that the election of the directors of the Company be held at annual stockholders' meeting, except that any vacancy occurring in the Board other than by removal by the stockholders or by expiration of term may be filled by the vote of at least a majority of the remaining directors and such director so elected to fill a vacancy shall be elected only on the unexpired term of his predecessor in office.</p> <p>Pursuant to the provisions of the CG Manual, the Nomination Committee pre-screens and short-lists candidates who have the qualifications and none of the disqualifications set out in applicable laws and regulations, the By-laws and the CG Manual.</p> <p>In case of the expiration of the term of the directors, the final list of the candidates is set out in the Definitive Information Statement and the disclosures</p>	<p>A person to be nominated and elected as a director of the Company should have the following minimum qualifications:</p> <ol style="list-style-type: none"> <li>holder of at least one (1) share of stock of the Company;</li> <li>be a college graduate or have sufficient experience in managing a business;</li> <li>be at least 21 years old; and</li> <li>possesses integrity</li> </ol> <p>and should have none of the following disqualifications:</p> <ol style="list-style-type: none"> <li>engaged in any business that competes with or is antagonistic to that of the Company;</li> </ol> <p>A person is deemed to engage in competing or antagonistic business if:</p> <ol style="list-style-type: none"> <li>The person is an officer, manager or controlling person of, or the owner (either of record or</li> </ol>

	<p>of the Company for the information and consideration of the stockholders. During the annual stockholders' meeting, the 15 nominees who get the highest votes shall be deemed duly elected as directors. Under the By-laws, cumulative voting is allowed in the election of directors. Thus, a stockholder may distribute his/her votes per share to as many persons as there are directors to be elected, or he/she may cumulate his shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares he/she has, or he/she may distribute them on the same principle among as many candidates as he/she shall see fit; provided, that the total number of votes cast by him/her shall not exceed the number of shares owned by him/her as shown in the books of the Company multiplied by the whole number of directors to be elected.</p>	<p>beneficially) of 10% or more of any outstanding class of shares, or similar ownership interest, of any corporation, or other form of business entity (other than one in which the Company owns at least 30% of the total issued and outstanding capital stock or equivalent ownership interest) engaged in a business that the Board determines to be competitive or antagonistic to that of the Company;</p> <p>(b) The person is an officer, manager or controlling person of, or the owner (either of record or beneficially) of 10% or more of any outstanding class of shares, or similar ownership interest, of any other corporation or business engaged in any line of business of the Company, if the Board determines that the laws against combinations in restraint of trade shall be violated by such person's membership in the Board; or</p> <p>(c) The person is the nominee of any person described in (a) and (b) above as determined by the Board in the exercise of its judgment, in good faith;</p> <p>2. has been convicted by final judgment of a competent judicial or administrative body of an offense involving moral turpitude and/or fraud or</p>
--	---	---

		<p>has been enjoined or restrained by the SEC or other competent judicial or administrative body for violation of the securities, commodities, and other related laws;</p> <p>3. has been determined by the SEC or a court or administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of, any provision of the Securities Regulation Code, the Corporation Code, or any other law administered by the Commission or the <i>Bangko Sentral ng Pilipinas</i> ("BSP"), or any rule, regulation or order of the SEC or the BSP;</p> <p>4. has been declared insolvent by a competent court;</p> <p>5. has been convicted by final judgment of a competent court or administrative body of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Corporation Code, committed within five (5) years prior to the date of his proposed election or appointment; or</p> <p>6. has been found guilty by a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct listed in the</p>
--	--	--



		<p>foregoing paragraphs.</p> <p>The Nomination Committee will also consider the following guidelines in the determination of the number of allowed memberships in other boards of the members of the Board of the Company:</p> <ol style="list-style-type: none"> <li>1. the nature of the business of the other companies in which a member of the Board is also a director;</li> <li>2. age of the director;</li> <li>3. number of directorships/active memberships and officerships in other corporations or organizations; and</li> <li>4. possible conflict of interest.</li> </ol>
(ii) Non-Executive Directors	The process adopted for the election of an executive director as above-explained is applicable to the election of a non-executive director.	The criteria required for the election of an executive director as above-explained are applicable to the election of a non-executive director.
(iii) Independent Directors	The process adopted for the election of executive and non-executive directors as above-explained is applicable to the election of an independent director.	The criteria required for the election of executive and non-executive directors as above-explained are applicable to the election of an independent director. In addition, his independence from Management and lack of any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director will also be considered..

<b>b. Re-appointment</b>		
(i) Executive Directors	<p>The By-laws require that the election of the directors, including any re-appointment be held at annual stockholders' meeting, except that any re-appointment made to fill in a vacancy occurring in the Board other than by removal by the stockholders or by expiration of term may be filled by the vote of at least a majority of the remaining directors and such director so elected to fill the vacancy shall be elected only or the unexpired term of his predecessor in office.</p> <p>Pursuant to the provisions of the CG Manual, the Nomination Committee pre-screens and short-lists candidates who have the qualifications and none of the disqualifications set out in applicable laws and regulations, the By-laws and the CG Manual.</p> <p>If the re-appointment will be made at an annual stockholders' meeting, the final list of the candidates is set out in the Definitive Information Statement and the disclosures of the Company for the information and consideration of the stockholders. During the annual stockholders' meeting, the 15 nominees who get the highest votes shall be deemed duly elected as directors. Under the By-laws, cumulative voting is allowed in the election of directors. Thus, a stockholder may distribute his/her votes per share to as many persons as there are directors to be elected, or</p>	<p>The criteria required for the election of an executive director as above-explained are applicable to any re-appointment.</p>

	<p>he/she may cumulate his shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares he/she has, or he/she may distribute them on the same principle among as many candidates as he/she shall see fit; provided, that the total number of votes cast by him/her shall not exceed the number of shares owned by him/her as shown in the books of the Company multiplied by the whole number of directors to be elected.</p>	
(ii) Non-Executive Directors	<p>The process adopted for the re-appointment of an executive director applies to the re-appointment of a non-executive director.</p>	<p>The criteria required for the election of an executive director as above-explained are applicable to any re-appointment of a non-executive director.</p>
(iii) Independent Directors	<p>The process adopted for the re-appointment of executive and non-executive directors applies to the re-appointment of an independent director.</p>	<p>The criteria required for the re-appointment of executive and non-executive directors as above-explained are applicable to the re-appointment of an independent director. In addition, the independence of the individual from Management and lack of any business or other relationship which could, or could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director will also be considered.</p> <p>An independent director is required to submit to the Corporate Secretary a certification confirming that he possesses all the qualifications and none of the disqualifications of an independent director at the time of his election and/or re-</p>



		election as an independent director.
<b>c. Permanent Disqualification</b>		
(i) Executive Directors	<p>The qualifications and disqualifications of the directors of the Company (including the grounds set out in the law) form part of the CG Manual. The Compliance Officer, in the performance of his duty to monitor compliance with the provisions and requirements of the CG Manual, should raise the issue of any permanent disqualification that any director may have so that the necessary procedure for the removal of the concerned director and the nomination and election of the replacement director can be commenced.</p>	<p>In addition to the disqualifications set out in applicable laws and regulations, the CG Manual provide the following criteria for disqualifying a director or a person aspiring to be a director:</p> <ol style="list-style-type: none"> <li>conviction by final judgment or order of a competent judicial or administrative body of any criminal offense that (a) involves the purchase or sale of securities, as defined in the Securities Regulation Code; (b) arises out of the person's conduct as an underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;</li> <li>If by reason of misconduct and after hearing, such person is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal</li> </ol>

		<p>distributor, mutual fund dealer, future commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasibank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities.</p> <p>The disqualification shall also apply if such person is currently the subject of an order of the SEC or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered or any rule or regulation issued by the SEC or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;</p> <p>3. conviction by final judgment or order of a court or competent administrative body of an</p>
--	--	--

		<p>offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;</p> <p>4. declared by final judgment or order of the SEC, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the SEC or BSP, or any of its rule, regulation or order;</p> <p>5. If after his election as independent director of the Company, such person becomes an officer, employee or consultant of the Company;</p> <p>6. judicially declared as insolvent;</p> <p>7. found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (1) to (5) above; and</p> <p>8. conviction by final judgment of an offense punishable by imprisonment for more</p>
--	--	---



		than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election or appointment.
(ii) Non-Executive Directors	The process for the permanent disqualification of an executive director as above-explained applies to the permanent disqualification of a non-executive director.	The criteria for the permanent disqualification of an executive director as above-explained apply to the permanent disqualification of a non-executive director.
(iii) Independent Directors	<p>The process for the permanent disqualification of executive and non-executive directors as above-explained applies to the permanent disqualification of an independent director.</p> <p>In addition, a notice of the disqualification must be filed with the SEC within five (5) days of such disqualification pursuant to requirements of the Amended Implementing Rules and Regulations of the Securities Regulation Code (the "SRC Rules").</p>	The criteria for the permanent disqualification of executive and non-executive directors as above-explained apply to the permanent disqualification of an independent director.
<b>d. Temporary Disqualification</b>		
(i) Executive Directors	The qualifications and disqualifications of the directors of the Company (including the grounds set out in the law) form part of the CG Manual. The Compliance Officer, in the performance of his duty to monitor compliance with the provisions and requirements of the CG Manual, should raise the issue of any temporary disqualification of any director may have so that the necessary procedure for the removal and/or suspension of the concerned director nomination and the election of the replacement director can be commenced.	<p>The CG Manual provides that any of the following shall be a ground for temporary disqualification of a director, or, if applicable, of any person aspiring for nomination and election to the Board:</p> <ol style="list-style-type: none"> <li>1. refusal to comply with the disclosure requirements of the Securities Regulation Code and its implementing and regulations. The disqualification shall be in effect as long as the refusal persists;</li> </ol>

		<p>2. absence in more than 50% of all regular and special meetings of the Board during his incumbency, or any 12-month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident. The disqualification shall apply for purposes of the succeeding election;</p> <p>3. dismissal or termination for cause as director of any corporation. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination; and</p> <p>4. if any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.</p>
(ii) Non-Executive Directors	The process for the temporary disqualification of an executive director as above-explained applies to the temporary disqualification of a non-executive director.	The criteria for the permanent disqualification of an executive director as above-explained apply to the permanent disqualification of a non-executive director.
(iii) Independent Directors	<p>The process for the temporary disqualification of executive and non-executive directors as above-explained applies to the temporary disqualification of an independent director.</p> <p>In addition, a notice of the disqualification must be filed with the SEC within five (5) days of such disqualification pursuant to requirements of the SRC Rules.</p>	<p>The criteria for the temporary disqualification of executive and non-executive directors as above-explained apply to the temporary disqualification of an independent director.</p> <p>In addition, the beneficial ownership by an independent director of the Company or its subsidiaries and affiliates exceeding 2% of the subscribed capital stock is a</p>

		temporarily disqualification of such independent director. The disqualification will be lifted if the limit is later complied with.
<b>e. Removal</b>		
(i) Executive Directors	<p>The grounds for the removal of a director of the Company are the lack of any of the qualifications and/or the possession of any of the disqualifications of the directors of the Company (including the grounds set out in the law) as such qualifications and disqualifications form part of the CG Manual. The Compliance Officer, in the performance of his duty to monitor compliance with the provisions and requirements of the CG Manual, should raise the issue of any ground for the removal of any director so that the necessary procedure for removal of such director can be commenced.</p> <p>Under the CG Manual, a director shall not be removed without cause and only with the affirmative vote of 70% of total issued and outstanding shares entitled to vote (higher than the required 2/3 vote under the Corporation Code).</p>	<p>Under the provisions of the Corporate Code, a director can be removed without or without cause, except that removal without cause may not be used to deprive minority stockholders of the right of representation.</p> <p>A cause for removal can either be any ground for the permanent or temporary disqualification of a director as set out in the relevant items above.</p>
(ii) Non-Executive Directors	The process for the removal of an executive director of the Company as above-discussed also applies to the removal of a non-executive director.	The criteria for the removal of an executive director of the Company as above-discussed also apply to the removal of a non-executive director.
(iii) Independent Director	The process for the removal of executive and non-executive directors of the Company as above-discussed also applies to the removal of an independent director.	The criteria for the removal of executive and non-executive directors of the Company as above-discussed also apply to the removal of an independent director.



	<p>In addition, a notice of the disqualification must be filed with the SEC within five (5) days of such disqualification pursuant to requirements of the SRC Rules.</p>	<p>In addition, an independent director can be removed if he subsequently fails to have any of the qualifications and/or possesses any disqualifications specifically applicable to an independent director under the law (e.g., beneficial ownership of more than 2% of the equity of the Company and/or its subsidiaries).</p>
<p><b>f. Re-instatement</b></p>		
<p>(i) Executive Directors</p>	<p>The reinstatement of any executive director who was previously temporarily disqualified to act as such will require the observance of the procedure described above for the selection and appointment of executive directors.</p> <p>The re-instatement of a director may either be made during the annual stockholders' meeting or at any time by the vote of at least a majority of the remaining directors in case of any vacancy occurring in the Board other than by removal by the stockholders or by expiration of term, and such director so elected to fill a vacancy shall be elected only or the unexpired term of his predecessor in office.</p> <p>Pursuant to the provisions of the CG Manual, the Nomination Committee pre-screens and short-lists candidates who have the qualifications and none of the disqualifications set out in applicable laws and regulations, the By-laws and the CG Manual.</p>	<p>A director proposed to be reinstated must possess all the qualifications and none of the disqualifications for the position of director.</p> <p>And pursuant further to the CG Manual, the re-instatement of a previously disqualified director should be made only after the period of disqualification described below:</p> <ol style="list-style-type: none"> <li>1. in case of any refusal to comply with the disclosure requirements of the Securities Regulation Code and its implementing rules and regulations, until the compliance with such disclosure requirements;</li> <li>2. in case of absence in more than 50% of all regular and special meetings of the Board during his incumbency, or any 12-month period during the said incumbency, unless the absence is due to illness, death in the immediate family or serious accident, until after the succeeding election; and</li> </ol>

	<p>In case the re-instatement will be made during the annual stockholders' meeting, the final list of the candidates is set out in the Definitive Information Statement and the disclosures of the Company for the information and consideration of the stockholders. During the annual stockholders' meeting, the 15 nominees who get the highest votes shall be deemed duly elected as directors. Under the By-laws, cumulative voting is allowed in the election of directors. Thus, a stockholder may distribute his/her votes per share to as many persons as there are directors to be elected, or he/she may cumulate his shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of shares he/she has, or he/she may distribute them on the same principle among as many candidates as he/she shall see fit; provided, that the total number of votes cast by him/her shall not exceed the number of shares owned by him/her as shown in the books of the Company multiplied by the whole number of directors to be elected.</p>	<p>3. in case of dismissal or termination for cause as director of any corporation, until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination.</p>
--	--	--

(ii) Non-Executive Directors	The process for the reinstatement of an executive director who was previously temporarily disqualified to act as such as above-discussed will apply to the reinstatement of a non-executive director.	The criteria for the reinstatement of an executive director who was previously temporarily disqualified to act as such as above-discussed will apply to the reinstatement of a non-executive director.
(iii) Independent Directors	The process for the reinstatement of executive and non-executive directors who were previously temporarily disqualified to act as such as above-discussed will apply to the reinstatement of an independent director.	The criteria for the reinstatement of executive and non-executive directors who were previously temporarily disqualified to act as such as above-discussed will apply to the reinstatement of an independent director.  In addition, any disqualification of an independent director due to his beneficial ownership in the Company or its subsidiaries and affiliates of more than 2% of the subscribed capital stock will only be lifted if the equity limit is later complied with.
<b>g. Suspension</b>		
(i) Executive Directors	The process adopted for the removal of an executive director due to a temporary disqualification as explained above will be applicable to the process of suspending an executive director should such suspension be resorted to instead of removal.	The criteria for the removal of an executive director due to a temporary disqualification as explained above will be applicable to the criteria for suspending an executive director should such suspension be resorted to instead of removal.
(ii) Non-Executive Directors	The process adopted for the removal of a non-executive director due to a temporary disqualification as explained above will be applicable to the process of suspending a non-executive director should such suspension be resorted to instead of removal.	The criteria for the removal of a non-executive director due to a temporary disqualification as explained above will be applicable to the criteria for suspending a non-executive director should such suspension be resorted to instead of removal.
(iii) Independent Directors	The process adopted for the removal of an independent director due to a temporary	The criteria for the removal of an independent director due to a temporary



	disqualification as explained above will be applicable to the process of suspending an independent director should such suspension be resorted to instead of removal.	disqualification as explained above will be applicable to the criteria for suspending an independent director should such suspension be resorted to instead of removal.
--	---	---

#### Voting Result of the last Annual General Meeting

Based on the Stockholders' Meeting Vote Canvassing Results issued by the stock transfer agent of the Company, SMC Stock Transfer Services Corporation, in connection with the 2012 annual stockholders' meeting held on May 15, 2012, the result of the voting for the election of the directors is as follows:

Name of Director	Votes Received
Ramon S. Ang	8,077,929,221
Eric O. Recto	8,078,309,121
Eduardo M. Cojuangco, Jr.	8,077,929,221
Estelito P. Mendoza	8,078,309,121
Bernardino R. Abes	8,078,309,121
Roberto V. Ongpin	8,078,309,121
Aurora T. Calderon	8,027,055,421
Ferdinand K. Constantino	8,027,055,421
Ron W. Haddock	8,078,309,121
Mirzan Mahathir	8,078,309,121
Romela M. Bengzon	8,078,309,121
Virgilio S. Jacinto	8,078,309,121
Nelly Favis-Villafuerte	8,078,309,121
Reynaldo G. David	8,078,309,121
Artemio V. Panganiban	8,078,309,121

#### 6) Orientation and Education Program

##### (a) Disclose details of the company's orientation program for new directors, if any.

The Company conducts an orientation program for new directors immediately after their election. The orientation is a briefing on the Company's business, including tours of the Petron Bataan Refinery and major installations of the Company like the depot in Pandacan. The Compliance Officer likewise ensures that the new directors are oriented on the requirements of applicable law on corporate governance if the directors have not yet previously attended a corporate governance seminar.

(b) State any in-house training and external courses attended by Directors and Senior Management<sup>7</sup> for the past three (3) years:

(1) Directors

• **Ramon S. Ang**

- September 2012 - Directors Training: Role of Company Director and Regulatory Framework and Board Practices Overview of Risk Management by The Hong Kong Institute of Directors held in Mandaluyong City
- July 2012 - Mandatory Accreditation Programme for Directors of Public Listed Companies by Bursatra Sdn. Bhd. held in Kuala Lumpur, Malaysia

• **Eric O. Recto**

- July 2012 - Mandatory Accreditation Programme for Directors of Public Listed Companies by Bursatra Sdn. Bhd. held in Kuala Lumpur, Malaysia
- March 2012 - Euromoney Conference: "Philippines Investment Forum: The New Beginning" by Euromoney

• **Roberto V. Ongpin**

- January 19, 2012 - Corporate Governance for Philippine Banks by the Bankers Institute of the Philippines

• **Aurora T. Calderon**

- October 5, 2012 - FINEX Annual Conference by the Financial Executives of the Philippines held in Makati City
- July 2012 - Mandatory Accreditation Programme for Directors of Public Listed Companies by Bursatra Sdn. Bhd. held in Kuala Lumpur, Malaysia

• **Estelito P. Mendoza**

- June 2009 - Corporate Governance Orientation Program by the Institute of Corporate Directors
- June 2009 - Seminar on Anti-Money Laundering by the *Bangka Sentral ng Pilipinas*

• **Artemio V. Panganiban**

- November 2012 - Corporate Governance Forum on "Navigating the New World of Business by the First Pacific Leadership Academy held in Pasig City
- December 2011 - Board Governance Responsibilities: Risks, Culture Leadership conducted by the CG Education Program of the Philippine Long Distance Telephone Company ("PLDT CG Education Program"), together with Global Compliance Services, Inc. held in Hong Kong
- December 2010 - Board of Director's Fiduciary Duties and Role in Relation to ERM: Best Practices in Dealing with the Agency Dilemma and Setting a Company's Risk Appetite by the PLDT CG Education Program, together with the Asia Risk Management Institute held at in Pasig City, Metro

---

<sup>7</sup> Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

Manila

- December 2009 - Governing in a Global Crisis: Lessons from the Great Recession by the PLDT CG Education Program, together with the Ethics and Compliance Officers Association, held in Hong Kong)

## (2) Senior Management

### • Lubin B. Nepomuceno, Senior Vice President – General Manager

- October 2012 - DCS Design & Engineering Study by the Petron Bataan Refinery held in Bataan
- September 2012 - Future of Bio-Diesel by the Petron Bataan Refinery held in Bataan
- July 2012 - Mandatory Accreditation Programme for Directors of Public Listed Companies by the Bursatra Sdn. Bhd. held in Kuala Lumpur, Malaysia
- June 2012 - Coking Conference by the Petron Bataan Refinery held in Bataan
- June 2012 - FCC Catalyst Production Study by the Petron Bataan Refinery held in Bataan
- June 2012 - Technical Feasibility of Aromatic Plants Study by the Petron Bataan Refinery held in Bataan

### • Susan Y. Yu- Vice President, Procurement

- February 2012 - Fundamentals of Petroleum Refining - A Non-Technical introduction course by the Oxford Princeton Programme (Singapore)
- February 2012 - Fundamentals of Refinery Economics and Blending Course by the Oxford Princeton Programme (Singapore)
- September 2011 - Coal Trading and Risk Management Training Course by Coaltrans Conferences Ltd.
- June 2010 - Advanced Energy Derivatives Pricing, Hedging and Risk Management Course by the Oxford Princeton Programme (New York, USA)
- June 2010 - Energy Derivatives Market, Instruments and Hedging Course by the Oxford Princeton Programme (New York, USA)

### • Freddie P. Yumang - Vice President, Refinery

- September 2012 - Flowserve Decoking Conference held in the United States
- September 2012 - Innospec's 2012 Well to Wheels Conference held in Dublin, Ireland
- September 2011 - Innospec on the Fuels Additive Program for RMP-2 held in United Kingdom
- September 2010 - SINOPEC 2<sup>nd</sup> International Technical Conference on Petrochemical Catalysts held in China
- April 2010 - Technical Exchanges with PTT Thai Oil Thailand and Petronas Melaka Malaysia Refineries held in Thailand and Malaysia
- May 2010 - 70<sup>th</sup> ASCOPE National Committee Meeting held in Brunei Darussalam

### • Roweno O. Cortez - Vice President, Supply and Operations

- March 2013 - Strategic FSRU and FLNG Operations and Management by Uni Strategic Pte Ltd held in Malaysia
- November 2011 - Global Petrochemical Industry Training by Nexant Chemsystems held in Shanghai, China
- June 2011 - Aviation Fuel Handling Seminar by Air Total held in Paris, France
- June 2010 - Executive Decision-Making, an online course by e-Cornell



- Archie B. Gupalor- Vice President, National Sales

➤ August – November 2010 - Management Development Program by the San Miguel Purefoods University and Harvard Business Publishing House held in Pasig City

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Ramon S. Ang	1. July 11 and 12, 2012	1. Mandatory Accreditation Programme for Directors of Public Listed Companies (Kuala Lumpur, Malaysia)	1. Bursatra Sdn. Bhd.
	2. September 11, 2012	2. Directors Training: Role of Company Director and Regulatory Framework and Board Practices Overview of Risk Management (Mandaluyong City)	2. The Hong Kong Institute of Directors
Eric O. Recto	July 11 and 12, 2012	Mandatory Accreditation Programme for Directors of Public Listed Companies (Kuala Lumpur, Malaysia)	Bursatra Sdn. Bhd.
Roberto V. Ongpin	January 19, 2012	Corporate Governance for Philippine Banks	Bankers Institute of the Philippines
Aurora T. Calderon	July 11 and 12, 2012	Mandatory Accreditation Programme for Directors of Public Listed Companies (Kuala Lumpur, Malaysia)	Bursatra Sdn. Bhd.
Artemio V. Panganiban	November 19, 2012	Corporate Governance Forum on "Navigating the New World of Business (Pasig City)	First Pacific Leadership Academy

**B. CODE OF BUSINESS CONDUCT & ETHICS**

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	The CG Manual embodies the policy that a director's office is one of trust and confidence. A director shall thus act in the best interest of the Company	The conflict of interest policy of the Company is enunciated in a number of policies of the Company.	The conflict of interest policy of the Company as described in the preceding column on senior management applies to employees as well.

	<p>in a manner characterized by transparency, accountability and fairness. He shall exercise leadership, prudence and integrity in directing the Company towards sustained progress.</p> <p>One of the express duties of a director under the CG Manual is to conduct fair business transactions with the Company, fully disclose to the Board any interest he may have in any matter or transaction to be acted upon by the Board and recuse himself in the Board's decision-making process with respect thereto and, in general, ensure that personal interest does not cause actual or potential conflict of interest with, or bias against, the interest of the Company or does not prejudice Board decisions.</p> <p>A director who has a continuing material conflict of interest should seriously consider resigning from his position. A conflict of interest is considered material if the director's personal or business interest is antagonistic to that of the Company, or stands to acquire or gain financial advantage at the expense of the Company.</p>	<p><u>Personnel Manual</u></p> <p>The primary conflict of the interest policy of the Company is set out in the Personnel Manual.</p> <p>As a condition for employment, all incoming officers and employees are required to execute a conflict of interest undertaking that they have read the conflict of interest policy and that they will abide by its terms.</p> <p>A conflict between the personal interest of the officer/employee and the interest of the Company in dealing with suppliers, customers, and all other organizations or individuals doing or seeking to do business with the Company or any of its affiliates must be avoided.</p> <p>The following cases are considered to be in conflict with the Company's interest, or a violation of trust, and must be disclosed to Management (through the Conflict of Interest Committee):</p> <p>(1) For officers, employees or any dependent member of their families to have any interest in any organization which has, or is seeking to have business dealings with the Company where there is opportunity for preferential treatment to</p>	
--	--	---	--

		<p>be given or received except where such interest comprises ownership of securities in widely-held or publicly listed corporations which are quoted and sold in the open market or where such interest in a private corporation is not material;</p> <p>(2) For officers, employees or any dependent members of their families to buy for any commercial purpose, sell or lease any kind of product, property, facilities or equipment from or to the Company;</p> <p>(3) For officers or employees to serve as an officer or director of any other company, or in any management capacity for, or as a consultant to any individual, firm, or other company competing, doing or seeking to do business with the Company or any affiliate.</p> <p>“Dependent member of the family” shall mean an employee’s relative by blood or affinity, within the third civil degree, whether or not such relative is actually dependent for his livelihood or support on the employee, or any relative of more remote degree or any other person who is dependent on the employee.</p> <p>The following situations are prohibited and should not be done in any case:</p>	
--	--	---	--



		<p>(1) For officers or employees, without proper authority:</p> <p>a. to give or release to anyone not employed by the Company any data or information of a confidential nature concerning the Company, such as, but not limited to, those relating to decisions, plans, earnings, financial or business forecasts, or competitive bids; and</p> <p>b. to use such information not generally known to the public for his personal advantage;</p> <p>c. to acquire or induce others to acquire such information which may be used against the Company;</p> <p>(2) For officers, employees or any dependent member of their families to accept or to solicit in exchange for a favor given or to be extended, commissions, share in profits, gifts in cash, gift certificates or other payments, loans or advances (other than from established banking or financial institutions), materials, services, repairs or improvements at no cost or at unreasonably low prices, manifestly excessive or extravagant entertainment, travel or gifts of merchandise</p>	
--	--	--	--

		<p>which are more than nominal value or significant value from any organization, firm or individual, doing or seeking to do business with the Company;</p> <p>(3) For officers or employees to engage in "insider trading" of shares of stock of the Company by using material information not generally known to the investing public but acquired by the officer or the employee by virtue of his work or functions in the Company.</p> <p>The conflict of interest policy is enforced through the requirement for the execution by incoming officers and employees, as a condition for employment, of the conflict of interest undertaking conflict of interest undertaking that documents the affirmation by the signatory that he has read the policy and agrees to abide by its terms and that he is not in a conflict of interest situation and, in the event he that he will be, he will disclose the same to Management through the Conflict of Interest Committee.</p> <p><u>Corporate Policy Manual</u></p> <p>The Corporate Policy Manual of the Company revised on April 26, 2000 (the "Corporate Policy Manual") also contains a policy statement against conflict of interest that requires officers and</p>	
--	--	---	--

		<p>employees to avoid any conflict between personal interest and the interest of the Company in dealing with suppliers, customers and all other organizations and individuals doing to seeking to do business with the Company or any of its affiliates.</p> <p><u>Code of Conduct</u></p> <p>The Code of Conduct of Conduct reiterates the conflict of interest policy of the Company that proscribes the engagement in any business relationship or activity which might detrimentally conflict with the interest of the Company.</p> <p>Under its terms, a conflict of interest, actual or potential, may arise where, directly or indirectly, where (a) one engages in a business relationship or activity with anyone who is party to a transaction with the Company, (b) one is in a position to derive a personal benefit or a benefit by making or influencing decisions relating to any transaction, (c) an independent judgment of the Company's best interest cannot be exercised, and (d) an employee with close relative(s) is employed by another oil company.</p> <p>A full disclosure of any interest which the</p>	
--	--	---	--



		<p>director, his immediate family or close relatives and friends may have in the Company is required to be made.</p> <p>The Code of Conduct further generally prohibits against (a) taking a business or financial opportunity that Petron would have an interest in pursuing, (b) using Company property, information or position for personal gain; and (c) competing with the Company.</p>	
<p>(b) Conduct of Business and Fair Dealings</p>	<p>The CG Manual embodies the policy that a director's office is one of trust and confidence.</p> <p>In any business or dealing in which a director acts in his capacity as director of the Company, he should thus act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. He shall exercise leadership, prudence and integrity in directing the Company towards sustained progress.</p>	<p><u>Corporate Policy Manual</u></p> <p>Under the Corporate Policy Manual, it is the policy of the Company maintain a respectable reputation in the business community in exercising the highest level of honesty, integrity, competence and prudence in the conduct of its operations.</p> <p>The Corporate Policy Manual requires that the Company only deal with licensed, reputable, reliable, competent and responsible suppliers and contractors which have passed the pre-qualification requirements of the Company.</p> <p><u>Code of Conduct</u></p> <p>The Code of Conduct further embodies Petron's commitment to conduct its business affairs fairly, honestly,</p>	<p>The conduct of business and fair dealings policy of the Company as described in the preceding column on senior management applies to employees as well.</p>

		<p>impartially, in good faith and in an uncompromising ethical and proper manner and requires, among others, the following:</p> <ol style="list-style-type: none"> <li>1. Being guided at all times by the Company's vision and mission which highlight professionalism, integrity, fairness commitment to excellence and care of the environment;</li> <li>2. dealing with professionalism, honesty, integrity and uphold high moral and ethical standards;</li> <li>3. dealing openly and honestly with customers, suppliers, contractors, financial institutions and joint venture participants of the Company and dealings on arm's length basis with dealers, contractors, vendors and suppliers of the Company;</li> <li>4. supply of goods and services of the highest quality standards backed by efficient after sales service;</li> <li>5. conduct of business affairs in a manner that preserves the environment and protects the health and safety of all its employees, customers,</li> </ol>	
--	--	--	--

		<p>suppliers, contractors and the general public;</p> <p>6. competing fairly and ethically within the framework of applicable competition laws; and</p> <p>7. except as may be permitted by the Board, not (a) taking a business or financial opportunity that Petron would have an interest in pursuing, (b) using Company property, information or position for personal gain; and (c) competing with the Company.</p> <p>The Code of Conduct also requires fair dealings with the Company's suppliers, contractors, competitors, officers and employees with no one taking unfair advantage of anyone through manipulation, concealment or abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice.</p>	
(c) Receipt of gifts from third parties	The CG Manual embodies the policy that a director's office is one of trust and confidence. A director shall thus act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. He shall exercise leadership, prudence and integrity in directing the	<p><u>Code of Conduct</u></p> <p>The Code of Conduct expressly provides that the giving or accepting gifts that equal more than the amount that would be considered customary courtesies may be deemed a bribe and that bribes are strictly prohibited by law and are against Company policy.</p> <p>The Company prohibits</p>	The receipt of gifts rule as described in the preceding column on senior management applies to employees as well.



	<p>Company towards sustained progress.</p> <p>While there is no specific receipt of gifts policy applicable to directors, the foregoing policy that a director's office is one that demands prudence and integrity already provides the guidelines in the acceptance by a director of gifts that may be prohibited by law or the Company receipt of gifts policy that applies to officers and employees.</p>	<p>the solicitation, receipt, offer or making, directly or indirectly, of any illegal payments, remuneration, gifts, favors, commissions, donations, or comparable benefits which are intended or perceived to obtain business or uncompetitive favors for the conduct of business.</p> <p>The Code of Conduct further generally prohibits the solicitation and acceptance of loans, preferential discounts, extended credits, gifts, gratuities, remuneration, commissions, valuable privileges, vacations or trips, entertainment or other treatment special or excessive/extravagant in nature from a person or organization that might influence, or appear to influence, the performance of duties or to favor a dealer, contractor, supplier, vendor or competitor against the best interest of the Company.</p> <p>Lending money to, or borrowing money from, any customer, dealer, contractor, vendor or supplier is also strictly prohibited.</p> <p>Under no circumstances will the acceptance or giving of gifts in monetary form be allowed.</p> <p>The Code also expressly provides that anyone who is offered or receives an inappropriate gift must refuse or return it in a</p>	
--	--	---	--

		<p>tactful and dignified manner, advising the giver of the Company's policy that prohibits acceptance of such gifts.</p> <p><u>Personnel Manual</u></p> <p>Under the conflict of interest policy of the Personnel Manual, officers, employees or any dependent member of their families is prohibited from accepting or soliciting in exchange for a favor given or to be extended commissions, share in profits, gifts in cash, gift certificates or other payments, loans or advances (other than from established banking or financial institutions), materials, services, repairs or improvements at no cost or at unreasonably low prices, manifestly excessive or extravagant entertainment, travel or gifts of merchandise which are more than nominal value or significant value from any organization, firm or individual, doing or seeking to do business with the Company.</p> <p>The receipt of gift policy of the Company is enforced through the requirement for the execution by incoming officers and employees, as a condition for employment, of the conflict of interest undertaking that specifically includes the</p>	
--	--	--	--

		undertaking to comply with such receipt of gift policy.	
(d) Compliance with Laws & Regulations	<p>The CG Manual embodies the policy that a director's office is one of trust and confidence. A director shall thus act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. He shall exercise leadership, prudence and integrity in directing the Company towards sustained progress.</p> <p>Under the CG Manual, one of the specific duties of a director is to to have a working knowledge of the statutory and regulatory requirements affecting the Company, including the rules and regulations or requirements of the SEC, and where applicable, the requirements of other relevant regulatory agencies.</p>	<p>The Code of Conduct mandates the knowledge and respect of and compliance with the letter and spirit of applicable laws, rules and regulations of places in which Company conducts its business or those applicable to the Company.</p>	<p>The policy on compliance with laws and regulations as described in the preceding column on senior management applies to employees as well.</p>
(e) Respect for Trade Secrets/Use of Non-public Information	<p>The conflict of interest policy in the Personnel Manual, to the extent that it relates to the non-disclosure of confidential information, is made expressly applicable to the directors of the Company. The non-disclosure obligation provides the prohibition against (a) giving or releasing to anyone not employed by the</p>	<p><u>Code of Conduct</u></p> <p>The Code of Conduct requires the confidentiality of information entrusted by the Company or its customers or business partners.</p> <p>The Code of Conduct also requires fair dealings with the Company's suppliers, contractors, competitors, officers and employees</p>	<p>The policy on the use of non-public information as described in the preceding column on senior management applies to employees as well.</p>



	<p>Company any data or information of a confidential nature concerning the Company, such as, but not limited to, those relating to decisions, plans, earnings, financial or business forecasts, or competitive bids, (b) the use of such information not generally known to the public for his personal advantage, or (c) acquiring or inducing others to acquire such information which may be used against the Company.</p> <p>Moreover, the CG Manual also sets as a policy that directors observe confidentiality with respect to all matters coming before the Board.</p>	<p>with no one taking unfair advantage of anyone through manipulation, concealment or abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice.</p> <p>The obligation extends to all “Confidential information” which includes all non-public business, financial, personnel or technical information, processes or systems, whether or not in electronic form, related to any portion of Petron’s business operations that have been learned, generated or acquired in dealings with the Company.</p> <p>The Code of Conduct provides for the following:</p> <p><u>Company Information</u></p> <ul style="list-style-type: none"> <li>• The use of confidential or proprietary information or trade secrets that might be of use to competitors of the Company, or harmful to the Company or its customers or business partners, if disclosed, is prohibited.</li> <li>• No disclosure of any information that, upon its release, would be likely to affect the market price of Petron stock should be made.</li> </ul> <p><u>Third Party Information</u></p>	
--	--	---	--

		<ul style="list-style-type: none"> <li>• The confidential or proprietary information or trade secrets belonging or relating to any supplier, vendor, contractor, consultant, former employee or other person or entity should not be solicited, received or used, except as may be lawfully received from the owner or an authorized third party.</li> </ul> <p><u>Personnel Manual</u></p> <p>The conflict of interest policy in the Personnel Manual also covers the non-disclosure obligation of officers and employees that provides the prohibition against (a) giving or releasing to anyone not employed by the Company any data or information of a confidential nature concerning the Company, such as, but not limited to, those relating to decisions, plans, earnings, financial or business forecasts, or competitive bids, (b) the use of such information not generally known to the public for his personal advantage, or (c) acquiring or inducing others to acquire such information which may be used against the Company.</p> <p>The policy on the non-disclosure of non-public information is enforced through the requirement for the execution by</p>	
--	--	--	--

		incoming officers and employees, as a condition for employment, of the conflict of interest undertaking that specifically includes the statement that such officers or employees have read the policy. In addition, the undertaking includes the agreement not to engage in "insider trading" by using information of the Company not generally available to the public and acquired by virtue of the work performed for the Company.	
(f) Use of Company Funds, Assets and Information	<p>The CG Manual embodies the policy that a director's office is one of trust and confidence. A director shall thus act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. He shall exercise leadership, prudence and integrity in directing the Company towards sustained progress.</p> <p>The CG Manual also sets as a policy that directors observe confidentiality with respect to all matters coming before the Board.</p> <p>With respect to other forms of Company property, while there is no specific policy on the use thereof applicable to directors, the</p>	<p><u>Code of Conduct</u></p> <p>The Code of Conduct highlights the policy for the responsible use of all Petron property through the following:</p> <ol style="list-style-type: none"> <li>1. protection of corporate information and intellectual property;</li> <li>2. use of equipment, tools, materials, supplies, employee time and other Company resources only for Petron's legitimate business interests;</li> <li>3. lending and disposition of company assets in accordance with appropriate Petron policies;</li> <li>4. use of Company assets (both tangible assets such as equipment and machinery, systems, facilities, materials,</li> </ol>	The policy on the use of company assets as described in the preceding column on senior management applies to employees as well.



	<p>responsible use of such property forms part of the accountability of the director to the Company.</p>	<p>and resources, as well as intangible assets such as proprietary information, relationships with customers, dealers and suppliers) solely for legitimate business;</p> <p>5. safeguarding of company property from loss, damage, theft, abuse and damage;</p> <p>6. spending of funds for valid business purposes only at prices representing the best value to the Company;</p> <p>7. holding in trust, properly accounting for and remittance and proper administration of all monies coming into one's possession in trust for other persons or for the Company; and</p> <p>8. prohibition against sending rude, obscene or harassing materials via any electronic means.</p>	
(g) Employment & Labor Laws & Policies	<p>In lieu of an employment contract, the directors are elected at the annual meeting of stockholders for a one year term until their successors shall have been duly elected and qualified pursuant to the By-laws. Any director elected in the interim will serve for the remaining term until the next annual meeting of the stockholders.</p>	<p>The Corporate Manual Policy sets out the policy of the Company that only mentally, physically and morally qualified candidates are recruited and hired for each job opening. Present employees of the Company are given priority for suitable job openings or vacancies. In the absence of qualified employees, the Company hires from outside</p>	<p>The policy on employment and labor laws and regulations as described in the preceding column on senior management applies to employees as well.</p>

		<p>sources.</p> <p>It is the general policy of the Company to require of officers and employees knowledge and respect of and compliance with the letter and spirit of applicable laws, rules and regulations of places in which Company conducts its business or those applicable to the Company.</p> <p>The Corporate Manual Policy also provides for specific employment-related policies, such as the following:</p> <ol style="list-style-type: none"> <li>1. establishment of standard terms and conditions of employment for its employees in any function, location and office which must be observed by all employees;</li> <li>2. respect for the rights of its employees to form organizations in accordance with law for collective bargaining;</li> <li>3. compliance with labor laws and rules in respect of imposing disciplinary action.</li> </ol>	
(h) Disciplinary action	The bases for disciplinary actions against the directors are set out in the CG Manual which provides for the grounds for temporary and permanent disqualifications.	Under the Corporate Policy Manual and the Personnel Manual, any regular, probationary or contractual employee in any function or location, irrespective of position or classification, who commits an offense	The policy on disciplinary actions as described in the preceding column on senior management applies to employees as well.

	<p>The procedure for implementing the disqualification is explained in Item A(5)(b) above on "Selection/Appointment, Re-Election, Disqualification, Removal, Reinstatement and Suspension".</p>	<p>against the Company, its property or its personnel is subject to disciplinary action.</p> <p>Any disciplinary action, which may include suspension and dismissal for a just or authorized cause provided by law or Company regulation, is carried out in accordance with provisions of existing labor laws and rules.</p>	
(i) Whistle Blower	<p>Prior to the adoption by the Board on May 6, 2013 of the Company's own whistle-blowing policy as disclosed to the SEC through an SEC Form 17-C filed on May 9, 2013, the Company, as a subsidiary of San Miguel Corporation, observed the <i>San Miguel Corporation and Subsidiaries Whistle-blowing Policy</i>, the salient terms of which are as follows:</p> <ol style="list-style-type: none"> <li>1. Accounting, internal accounting controls, auditing or financial reporting concerns may be communicated to the General Counsel and Compliance Officer (the "Compliance Officer").</li> <li>2. All communications received by the Compliance Officer will be kept confidential and all relevant communications to be distributed to the Audit Committee.</li> </ol>	<p>The whistle-blowing policy as described in the preceding column on directors applies to officers as well.</p>	<p>The whistle-blowing policy as described in the preceding columns on directors and officers applies to employees as well.</p>



	<p>3. The Audit Committee will determine necessary or appropriate action or response; and</p> <p>4. Retaliation in any form against any interested party who, in good faith, raises a concern or reports a possible violation will not to be tolerated.</p> <p>The Company also maintains its website and hotlines through which concerns of any party may be relayed to the Company for appropriate investigation and/or action.</p>		
(j) Conflict Resolution	<p>It is the policy of the Company to encourage the use of alternative modes of dispute resolution for amicable settlement of conflicts or differences.</p> <p>This is embodied in the CG Manual which specifically requires the Board to encourage the use of alternative modes of dispute resolution for amicable settlement of conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities.</p>	<p>It is the policy of the Company to encourage the use of alternative modes of dispute resolution for amicable settlement of conflicts or differences.</p> <p>This is embodied in the CG Manual which specifically requires the Board to encourage the use of alternative modes of dispute resolution for amicable settlement of conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities.</p>	<p>It is the policy of the Company to encourage the use of alternative modes of dispute resolution for amicable settlement of conflicts or differences.</p> <p>This is embodied in the CG Manual which specifically requires the Board to encourage the use of alternative modes of dispute resolution for amicable settlement of conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities.</p>

**2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?**

Yes. Copies of the Code of Conduct were distributed to directors, officers and employees and are readily available with the Human Resources Management and Development Department of the Company. The Code of Conduct is also available on the Petron intranet "Petron Hub".

**3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.**

The Code of Conduct forms part of the orientation of new employees of the Company and copies are distributed during the orientation. Copies of the Code of Conduct are also readily available with the Human Resources Management and Development Department of the Company. Under the terms of the Code of Conduct, every employee and officer has the responsibility, and it is the policy of the Company to encourage employees and officers, to ask questions, seek guidance and report suspected violations of the code. Each employee is required to know, understand and adhere to the Code of Conduct. All supervisors and managers are mandated to ensure that their subordinates comply with its provisions.

A failure to comply with the provisions of the Code of Conduct will subject an employee to discipline that may include counseling, reprimand, suspension and/or termination, in addition to any civil or criminal liability under existing laws. Due process will be followed. Disciplinary measures will depend on the circumstances of the violation and will be made in accordance with the provisions of the Personnel Manual and the Company Rules and Regulations on Discipline.

**4) Related Party Transactions**

**(a) Policies and Procedures**

**Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.**

Related Party Transactions	Policies and Procedures
(1) Parent Company	<p>Transactions between the Company and its parent company are on an arm's length basis in a manner similar to transactions with non-related parties. Such transactions are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the final position of the related party and the market in which the related party operates.</p> <p>Pursuant to the requirements of the CG Manual, the Corporation fully and timely discloses all material information concerning its operations, including significant related party transactions (excluding the purchase of crude oil in the normal course of business).</p> <p>The Company likewise discloses its related party transactions through its consolidated financial statements in accordance with the Philippine Financial Reporting Standards ("PFRS") and in the Definitive Information Statement and the annual report (SEC Form 17-A).</p>
(2) Joint Ventures	<p>Transactions between the Company and its joint ventures are on an arm's length basis in a manner similar to transactions with non-related parties. Such transactions are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the final</p>



	<p>position of the related party and the market in which the related party operates.</p> <p>Pursuant to the requirements of the CG Manual, the Corporation fully and timely discloses all material information concerning its operations, including significant related party transactions (excluding the purchase of crude oil in the normal course of business).</p> <p>The Company likewise discloses its related party transactions through its consolidated financial statements in accordance with PFRS and in the Definitive Information Statement and the annual report (SEC Form 17-A).</p>
(3) Subsidiaries	<p>Transactions between the Company and its subsidiaries are on an arm's length basis in a manner similar to transactions with non-related parties. Such transactions are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the final position of the related party and the market in which the related party operates.</p> <p>Pursuant to the requirements of the CG Manual, the Company fully and timely discloses all material information concerning its operations, including significant related party transactions (excluding the purchase of crude oil in the normal course of business).</p> <p>The Company likewise discloses its related party transactions through its consolidated financial statements in accordance with PFRS and in the Definitive Information Statement and the annual report (SEC Form 17-A).</p>
(4) Entities Under Common Control	<p>Transactions between the Company and its affiliates are on an arm's length basis in a manner similar to transactions with non-related parties. Such transactions are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the final position of the related party and the market in which the related party operates.</p> <p>Pursuant to the requirements of the CG Manual, the Company fully and timely discloses all material information concerning its operations, including significant related party transactions (excluding the purchase of crude oil in the normal course of business).</p> <p>The Company likewise discloses its related party transactions through its consolidated financial statements in accordance with PFRS, the Definitive Information Statement and the annual report (SEC Form 17-A).</p>



<p>(5) Substantial Stockholders</p>	<p>Transactions between the Company and its substantial stockholders are on an arm's length basis in a manner similar to transactions with non-related parties. Such transactions are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the final position of the related party and the market in which the related party operates.</p> <p>Pursuant to the requirements of the CG Manual, the Company fully and timely discloses all material information concerning its operations, including significant related party transactions (excluding the purchase of crude oil in the normal course of business).</p> <p>The Company likewise discloses its related party transactions through its consolidated financial statements in accordance with PFRS, the Definitive Information Statement and the annual report (SEC Form 17-A).</p>
<p>(6) Officers including spouse/children/siblings/parents</p>	<p>Transactions of an officer (including his spouse, children, siblings and parents) with the Company are considered a situation of conflict of interest that must be disclosed to Management through the Conflict of Interest Committee. As a condition of employment, officers are required to sign a conflict of interest undertaking that documents the affirmation by the signatory that he is not in a conflict of interest situation and, in the event he that he will be, he will disclose the same to Management through the Conflict of Interest Committee.</p> <p>Under the conflict of interest policy of the Company as embodied in the Corporate Policy Manual and the Personnel Manual, the restriction extends to an officer's relative by blood or affinity, within the third civil degree, whether or not such relative is actually dependent for his livelihood or support on such officer, or any relative of more remote degree or any other person who is dependent on such officer.</p> <p>Pursuant to the requirements of the CG Manual, the Company fully and timely discloses all material information concerning its operations, including significant related party transactions (excluding the purchase of crude oil in the normal course of business).</p> <p>The Company likewise discloses its related party transactions through its consolidated financial statements in accordance with PFRS, the Definitive Information Statement and the annual report (SEC Form 17-A).</p>

	<p>Further to the above, and in compliance with the requirements of the Corporation Code for contracts between the Company and an officer, the Company ensures that any such contract is fair and reasonable under the circumstances, the presence of such director in the meeting to approve the transaction should not be required for quorum purposes, his vote should not be necessary to approve such transaction, and the Board should have approved such transaction.</p> <p>In 2012, the Company did not have any transaction with any officer of the Company.</p>
(7) Directors including spouse/children/siblings/parents	<p>The CG Manual embodies the policy that a director's office is one of trust and confidence. A director shall thus act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. He shall exercise leadership, prudence and integrity in directing the Company towards sustained progress.</p> <p>One of the express duties of a director under the CG Manual is to conduct fair business transactions with the Company, fully disclose to the Board any interest he may have in any matter or transaction to be acted upon by the Board and recuse himself in the Board's decision-making process with respect thereto and, in general, ensure that personal interest does not cause actual or potential conflict of interest with, or bias against, the interest of the Company or does not prejudice Board decisions.</p> <p>A director who has a continuing material conflict of interest should seriously consider resigning from his position. A conflict of interest is considered material if the director's personal or business interest is antagonistic to that of the Company, or stands to acquire or gain financial advantage at the expense of the Company.</p> <p>And pursuant to the requirements of the CG Manual, the Company fully and timely discloses all material information concerning its operations, including significant related party transactions (excluding the purchase of crude oil in the normal course of business).</p> <p>The Company likewise discloses its related party transactions through its consolidated financial statements in accordance with PFRS, the Definitive Information Statement and the Annual Report (SEC Form 17-A).</p> <p>Further to the above, and in compliance with the requirements of the Corporation Code for contracts between the Company and a director, the Company ensures that any such contract is fair and reasonable under the circumstances, the presence of such director in the meeting to approve the transaction should not be required for quorum purposes and</p>

	<p>his vote should not be necessary to approve such transaction.</p> <p>In 2012, the Company did not have any transaction with any director of the Company.</p>
<p>(8) Interlocking director relationship of Board of Directors</p>	<p>The CG Manual embodies the policy that a director's office is one of trust and confidence. A director shall thus act in the best interest of the Company in a manner characterized by transparency, accountability and fairness. He shall exercise leadership, prudence and integrity in directing the Company towards sustained progress.</p> <p>One of the express duties of a director under the CG Manual is to conduct fair business transactions with the Company, fully disclose to the Board any interest he may have in any matter or transaction to be acted upon by the Board and recuse himself in the Board's decision-making process with respect thereto and, in general, ensure that personal interest does not cause actual or potential conflict of interest with, or bias against, the interest of the Company or does not prejudice Board decisions.</p> <p>A director who has a continuing material conflict of interest should seriously consider resigning from his position. A conflict of interest is considered material if the director's personal or business interest is antagonistic to that of the Company, or stands to acquire or gain financial advantage at the expense of the Company.</p> <p>And in compliance with the requirements of the Corporation Code for contracts between the Company and another company with which the Company has interlocking directors, the Company ensures that any such contract is fair and reasonable under the circumstances and that, in the event the interest of the interlocking director in the other corporation exceeds 20% of the outstanding capital stock and his interest in the Company is merely nominal, the Company should also ensure that the presence of such interlocking director in the meeting to approve the transaction should not be required for quorum purposes and his vote should not be necessary to approve such transaction.</p>

**(b) Conflict of Interest**

**(i) Directors/Officers and 5% or more Shareholders**

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.



While the arrangements listed below may be deemed conflict of interest situations simply because of the relationship between the Company and its substantial holder, it is the policy and practice of the Company that transactions between the Company and its parent, subsidiaries, associates and joint ventures are on an arm's length basis in a manner similar to transactions with non-related parties.

Such transactions are therefore made at normal market prices and terms. Furthermore, an assessment is undertaken at each financial year by examining the final position of the related party and the market in which the related party operates.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	None.
Name of Officer/s	None.
Name of Significant Shareholders	
1. San Miguel Corporation	1. The Company pays its parent company, San Miguel Corporation, a share in common expenses such as utilities and management fees.
2. Petron Corporation Employees' Retirement Plan	2. The Company advanced certain monies to Petron Corporation Employees' Retirement Plan for investment purposes.

**(ii) Mechanism**

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	<p>The conflict of interest policy of the Company as embodied in the Corporate Policy Manual and the Personnel Manual requires the execution by each officer and employee of an undertaking under which he expressly states that he is in compliance with such policy, will conduct himself according with the terms thereof and is not presently in violation of it, with the further undertaking to inform Management through the Conflict of Interest Committee in the event he becomes involved in a conflict of interest situation.</p> <p>A Conflict of Interest Committee (composed of the Vice Presidents for Human Resources and Management Department, Corporate Planning, National Sales, and Refinery, and the Treasurer or the Controller) is formed to assist the Chairman and the President in the implementation of the conflict of interest policy by performing the following responsibilities:</p>

	<p>1. review and make recommendations on the application of the conflict of interest policy and associated procedures to assure consistent application;</p> <p>2. review and make recommendations on any specific conflict of interest situation raised; and</p> <p>3. investigate any violation of the policy and recommend to the Chairman and the President the appropriate course of action (any situation that poses remote or insignificant danger or prejudice to the Company need not be elevated to the Chairman and the President, except when the officer involved is a member of the Conflict of Interest Committee).</p> <p>The General Counsel of the Company as the secretary of the Conflict of Interest Committee reviews all conflict of interest undertakings executed and reports to the committee any relevant conflict of interest situation.</p> <p>The conflict of interest policy provides that any violation thereof may result in disciplinary action, including termination for cause.</p> <p>Related party transactions of Company are on an arm's length basis in a manner similar to transactions with non-related parties. Such transactions are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the final position of the related party and the market in which the related party operates.</p>
Group	<p>The discussion on the implementation of the conflict of interest policy of the Company as above-discussed in the immediately preceding row in relation to the Company applies to conflict of interest situations in the rest of the Petron Group as well.</p>

## 5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,<sup>8</sup> commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
San Miguel Corporation and SEA Refinery Corporation	Parent-Subsidiary	San Miguel Corporation wholly owns SEA Refinery Corporation.

<sup>8</sup> Family relationship up to the fourth civil degree either by consanguinity or affinity.

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
San Miguel Corporation	Shared Services	The Company pays San Miguel Corporation a share in common expenses such as utilities and management fees.
Petron Corporation Employees' Retirement Plan	Advances	The Company advanced certain monies to Petron Corporation Employees' Retirement Plan for investment purposes.

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
None.	None.	None.

The Company is not aware of any.

#### 6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

Alternative Dispute Resolution System	
Corporation & Stockholders	It is the policy of the Company under the CG Manual to encourage the use of alternative modes of dispute resolution for amicable settlement of conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities. To this end, the Company encourages negotiations with stockholders to settle differences. The Company has its Office of the Corporate Secretary, investor relations unit under the CFO, and stock transfer agent to reply to concerns of stockholders.
Corporation & Third Parties	It is the policy of the Company under the CG Manual to encourage the use of alternative modes of dispute resolution for amicable settlement of conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities. In pursuance of this policy, the Company encourages negotiations with third parties to settle differences. The Company likewise has agreed under certain contractual arrangements to resolve issues through alternative modes of dispute resolution other



	than litigation, such as arbitration.
<b>Corporation &amp; Regulatory Authorities</b>	It is the policy of the Company under the CG Manual to encourage the use of alternative modes of dispute resolution for amicable settlement of conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities. To this end, the Company works closely with relevant government agencies and maintains strong lines of communication with them.

### C. BOARD MEETINGS & ATTENDANCE

#### 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

Yes, board meetings are scheduled before the beginning of the year. The schedule of the board Meetings for 2012 was presented to the Board at the board meeting held on December 1, 2011.

#### 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Ramon S. Ang	January 8, 2009	5	5	100
Member	Eduardo M. Cojuangco, Jr.	January 8, 2009	5	5	100
Member	Estelito P. Mendoza	January 8, 2009	5	5	100
Member	Roberto V. Ongpin	July 31, 2008	5	5	100
Member	Eric O. Recto	July 31, 2008	5	5	100
Member	Mirzan Mahathir	August 13, 2010	5	3	60
Member	Bernardino R. Abes	July 31, 2001	5	5	100
Member	Ron W. Haddock	December 2, 2008	5	5	100
Member	Ferdinand K. Constantino	August 13, 2010	5	5	100
Member	Virgilio S. Jacinto	August 13, 2010	5	5	100
Member	Aurora T. Calderon	August 13, 2010	5	3	60
Member	Romela M. Bengzon	August 13, 2010	5	5	100
Member	Nelly Favis-Villafuerte	December 1, 2011	5	5	100
Independent	Reynaldo G. David	May 12, 2009	5	5	100
Independent	Artemio V. Panganiban	October 21, 2010	5	5	100

#### 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

While no meeting of all the non-executive directors without any executive was held in 2012, deliberations and discussions without the presence of any executive were conducted during the meetings of the Audit Committee. The Audit Committee is composed of the two (2) independent directors and three (3) non-executive directors.

#### 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

The By-laws provide that the quorum for board meetings is a majority of the directors. Nevertheless, of the five (5) board meetings held in 2012, three (3) meetings had 100% attendance by the directors. The other two (2) meetings had an attendance of 87%, more than two-thirds of the membership of the Board and more than the majority number required by the By-laws.

## 5) Access to Information

### (a) How many days in advance are board papers<sup>9</sup> for Board meetings provided to the board?

To ensure that ample time to review them is afforded the directors, board papers are distributed no later than one day in advance of board meetings.

### (b) Do board members have independent access to Management and the Corporate Secretary?

Yes, the directors can independently communicate and get in touch with Management and the Corporate Secretary. This independent access is set out as a specific policy of the Company under the CG Manual.

### (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

Section 10 of Article V of the By-laws sets out the role of the Corporate Secretary of (i) keeping corporate books and records and the minutes of the meetings of the stockholders and the, (ii) giving notice of all meetings of stockholders and directors and all other notices required by law or the By-laws, (iii) being the custodian of the records and of the seal of the Company, (iv) keeping a register of the addresses the stockholders, and (v) performing all duties incident to the office of Secretary, and such other duties as may, from time to time, be assigned to him by the Board.

In addition to his duties and responsibilities set forth above in the by-laws, Section 2.5 of the CG Manual further prescribes the role of the Corporate Secretary as follows:

- informs the directors and stockholders of the agenda of their meetings and gives all other notices required by law or by the B-laws;
- ensures that the members of the Board have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- attends all board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents prevent him from doing so; and
- ensures that all board procedures, rules and regulations are strictly followed by the members.

### (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes. Atty. Joel Angelo C. Cruz, the Corporate Secretary of the Company, is at the same time the Vice President -General Counsel<sup>10</sup> and Compliance Officer of the Company. With his present position and legal and professional background, he has the legal skills of a general counsel and the knowledge of pertinent laws, rules and regulations necessary in the performance of duties and responsibilities of a Corporate Secretary and

<sup>9</sup> Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

<sup>10</sup> Atty. Cruz was Assistant Vice President - General Counsel during year 2012 and was promoted to Vice President - General Counsel on March 18, 2013 effective February 2013 as disclosed to the SEC through an SEC Form 17-C filed on March 19, 2013.



Compliance Officer. Atty. Cruz further possesses the following qualifications required for the position of Corporate Secretary: (1) Filipino citizenship and Philippine residence, (2) loyalty to the mission, vision and objectives of the Company, (3) willingness and ability to work fairly and objectively with the Board, Management and the stockholders of the Company, (4) appropriate administrative and interpersonal skills, and (5) working knowledge of the operations of the Company.

(e) **Committee Procedures**

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes

No

Committee	Details of the procedures
Executive	<p>Under the CG Manual, Management is required to provide complete, adequate and timely information about the matters to be taken during the meetings.</p> <p>In addition, the directors, individually or as a Board, may seek independent professional advice in the discharge of their duties at the expense of the Company.</p> <p>The directors are also given independent access to Management and the Corporate Secretary.</p> <p>Each of the board committees is also allowed to appoint an advisor who can attend and participate in meetings, but not to vote.</p>
Audit	
Nomination	
Remuneration	
Others (specify)	

6) **External Advice**

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Procedures	Details
Under the CG Manual, the directors, individually or as a Board, may seek independent professional advice in the discharge of their duties, with the reasonable expenses therefor to be borne by the Company.	Upon reasonable request, the directors may engage professional advisers to assist them in the discharge of their duties as director of the Company at the expense of the Company, provided such expense is reasonable.
The Audit, Nomination, and Compensation Committees are allowed to appoint advisor(s) to their respective committees. Advisors can attend and participate in the meetings of the committees they serve but have no right to vote.	The Nomination Committee appointed Atty. Virgilio S. Jacinto as its advisor. Atty. Jacinto is the Senior Vice President & General Counsel/Compliance Officer of San Miguel Corporation.
The appointment of advisors is specifically provided in the charter of the Audit Committee.	