

SEC FORM – I-ACGR

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT

1. For the fiscal year ended **2019**

2. SEC Identification Number **31171**
3. BIR Tax Identification No. **000-168-801**

4. Exact name of issuer as specified in its charter
PETRON CORPORATION

5. **PHILIPPINES**
Province, Country or other
jurisdiction of incorporation or
organization
6. (SEC Use Only)
Industry Classification Code:

7. **40 San Miguel Avenue, Mandaluyong City**
Address of principal office
- 1550**
Postal Code

8. **(632) 8.884.9200; (632) 8.886-3888**
Issuer's telephone number, including area code

9. **N/A**
Former name, former address, and former fiscal year, if changed since last report.

INTEGRATED ANNUAL CORPORATE GOVERNANCE REPORT OF PETRON CORPORATION (“PETRON” OR THE “COMPANY”)			
	COMPLIANT/ NON- COMPLIANT	ADDITIONAL INFORMATION	EXPLANATION
The Board’s Governance Responsibilities			
Principle 1: The company should be headed by a competent, working board to foster the long- term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the long- term best interests of its shareholders and other stakeholders.			
Recommendation 1.1			
1. The Board of Directors of the Company (the “Board”) is composed of directors with collective working knowledge, experience or expertise that is relevant to the company’s industry/sector.	Compliant	Petron’s SEC Form 20-IS for the 2019 Annual Stockholders’ Meeting (“2019 Information Statement”) and 2019 SEC Form 17-A, with Sustainability Report (“2019 SEC Form 17-A (Annual Report)”) contain information on the academic qualifications, industry knowledge, professional experience, expertise and relevant trainings of the nominees for directors.	
2. Board has an appropriate mix of competence and expertise.	Compliant		
3. Directors remain qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.	Compliant	<ul style="list-style-type: none"> 2019 Information Statement (pages 14-19) https://www.petron.com/wp-content/uploads/2019/06/Petron-2019-Revised-Definitive-Information-Statement.pdf https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf 2019 SEC Form 17-A (Annual Report) (pages 49-54) https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf The trainings of the directors in 2019 are set out in the Recommendation 8.3 below. 	

		<p>Petron's latest by-laws (the "By-laws") and Manual on Corporate Governance ("Corporate Governance Manual") set out the qualification standards for directors to facilitate the selection of potential nominees and to serve as benchmark for the evaluation of their performance.</p> <ul style="list-style-type: none"> • By-laws (Article III, §2) https://www.petron.com/wp-content/uploads/2018/10/Amended-By-Laws-as-of-11.29.11.pdf • Corporate Governance Manual (§2.2.1.5 and 2.2.1.6) https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf 	
--	--	--	--

Recommendation 1.2			
<p>1. Board is composed of a majority of non-executive directors.</p>	<p>Compliant</p>	<p>Of the 15-person board, only Messrs. Ramon S. Ang and Lubin B. Nepomuceno are the directors who concurrently hold executive positions (i.e., as Chief Executive Officer & President and General Manager, respectively).</p> <p>The 2019 Information Statement and the 2019 SEC Form 17-A (Annual Report) identify the directors and the directors who hold executive positions.</p> <ul style="list-style-type: none"> 2019 Information Statement (page 14 and 15) https://www.petron.com/wp-content/uploads/2019/06/Petron-2019-Revised-Definitive-Information-Statement.pdf https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf 2019 SEC Form 17-A (Annual Report) (pages 49 and 50) https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf 	
Recommendation 1.3			
<p>1. Company provides in its Board Charter and Manual on Corporate Governance a policy on training of directors.</p>	<p>Compliant</p>	<p>The Petron Board Charter and the Corporate Governance Manual set out the policy on training of directors.</p> <ul style="list-style-type: none"> Corporate Governance Manual (§2.2.1.4(h)) https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017..pdf 	

		<ul style="list-style-type: none"> • Petron Board Charter (page 6) https://www.petron.com/wp-content/uploads/2018/09/a.-Petron-Board-of-Directors-Charter.pdf 	
2. Company has an orientation program for first time directors.	Compliant	<p>Petron conducts an orientation program (called “Petron 101”) for first-time directors.</p> <p><i>Petron 101</i> includes a presentation on an overview of the industry and the Company and its business and facilities. Pertinent materials on the business overview and corporate document such as Petron’s articles of incorporation, the By-laws, the Corporate Governance Manual, various policies (including those relating to insider trading and whistle –blowing) and the schedule of the meetings for the year are provided the new directors.</p> <p>The Petron Board Charter and the Corporate Governance Manual set out the policy on the conduct of an orientation program for first-time directors.</p> <ul style="list-style-type: none"> • Corporate Governance Manual (§6.6) https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_C_G_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf • Petron Board Charter (page 7) https://www.petron.com/wp-content/uploads/2018/09/a.-Petron-Board-of-Directors-Charter.pdf 	

		On July 27, 2018, Petron conducted <i>Petron 101</i> for Messrs. Horacio C. Ramos and Carlos Jericho L. Petilla who were newly elected as director and independent director, respectively, at the 2018 annual stockholders' meeting.	
--	--	--	--

<p>3. Company has relevant annual continuing training for all directors.</p>	<p>Compliant</p>	<p>All directors attended continuing training seminars in 2019 as reported in various Petron SEC Form 17-Cs:</p> <ul style="list-style-type: none"> ➤ https://www.petron.com/wp-content/uploads/2019/11/11-19-19-SEC-Form-17-C-Certificates-of-Attendance-2019-ECJ-RSA-VSJ-NFV-and-FPY-as-filed-with-SEC-on-November-20-2019..pdf ➤ https://www.petron.com/wp-content/uploads/2019/11/11-08-19-SEC-Form-17-C-Certificates-of-Attendance-for-Corporate-Governance-2019-Directors-and-Key-Officers..pdf ➤ https://www.petron.com/wp-content/uploads/2019/12/12-10-19-SEC-Form-17-C-Certificate-of-Attendance-ATC-as-filed-with-SEC-on-December-9-2019..pdf ➤ https://www.petron.com/wp-content/uploads/2019/10/10-21-19-SEC-Form-17-C-Certificate-of-Attendance-for-Corporate-Governance-Seminar-2019-AVP..pdf <ul style="list-style-type: none"> • The topics of the seminar conducted by SGV & Co. included a refresher on sustainability, the Revised Corporation Code, and related party transactions. • The topics of the seminar conducted by Risks, Opportunities, Assessment and Management included the Revised Corporation Code, risk governance, trends I corporate governance, and data privacy compliance. • The topic of the seminar conducted by Center for Global Best Practices covered analyzing and understanding financial statements. 	
--	------------------	--	--

1. Board has a policy on board diversity.	Compliant	<ul style="list-style-type: none"> The Corporate Governance Manual sets out Petron's board diversity policy (§2.2.1). https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf Petron had two (2) female directors in 2019, namely, Ms. Aurora T. Calderon and Atty. Nelly Favis-Villafuerte. <p>2019 General Information Sheet (page 4) https://www.petron.com/wp-content/uploads/2020/07/Petron-Corporation_Amended-GIS-2019_June-19-2020-redacted-copy.pdf</p>	
Optional: Recommendation 1.4			
1. Company has a policy on and discloses measurable objectives for implementing its board diversity and reports on progress in achieving its objectives.		<p>Provide information on or link/reference to a document containing the company's policy and measurable objectives for implementing board diversity.</p> <p>Provide link or reference to a progress report in achieving its objectives.</p>	
Recommendation 1.5			

<p>1. Board is assisted by a Corporate Secretary.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> • Atty. Joel Angelo C. Cruz, Vice President and General Counsel, is Petron's Corporate Secretary. <p><u>2019 Amended General Information Sheet (page 4)</u> https://www.petron.com/wp-content/uploads/2020/07/Petron-Corporation-Amended-GIS-2019-June-19-2020-redacted-copy.pdf</p> <p>The qualifications, functions and duties of the Corporate Secretary are set out in the Corporate Governance Manual and the By-laws.</p> <ul style="list-style-type: none"> ➤ Corporate Governance Manual (§2.2.4.5) https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron-Manual-on-Corporate-Governance-Based-on-2016-SEC-CG-Code-for-PLCs-as-filed-with-SEC-on-May-29-2017_.pdf ➤ By-laws (Article V, Section 10) https://www.petron.com/wp-content/uploads/2018/10/Amended-By-Laws-as-of-11.29.11.pdf <ul style="list-style-type: none"> • Atty. Cruz's qualifications are set out in the 2019 Information Statement and the 2019 SEC Form 17-A (Annual Report). <ul style="list-style-type: none"> ➤ 2019 Information Statement (page 23) https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf ➤ 2019 SEC Form 17-A (page 57) https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf 	
---	------------------	--	--

<p>2. Corporate Secretary is a separate individual from the Compliance Officer.</p>	<p>Not compliant</p>		<p>The positions of Corporate Secretary and Compliance Officer are presently held by the same person, Atty. Joel Angelo C. Cruz, to allow the maximization of personnel resources and supplies at the disposal of the Office of the General Counsel and Corporate Secretary.</p> <p>To ensure that the responsibilities and duties of each position are clearly delineated and performed, the Corporate Governance Manual provides the specific duties of each position.</p> <p><u>Corporate Governance Manual (§2.1 and 2.2.4)</u> https://www.petrone.com/wp-content/uploads/201</p>
---	----------------------	--	--

			8/09/05 29 17 - Petron Manual on Corporate Governan ce Based on 2016 SE C CG Code for PLC s as filed with SEC o n May 29 2017. .pdf
--	--	--	---

<p>3. Corporate Secretary is not a member of the Board of Directors.</p>	<p>Compliant</p>	<p>Corporate Secretary Atty. Joel Angelo C. Cruz is not a director.</p> <p><u>2019 General Information Sheet (page 4)</u></p> <p>https://www.petron.com/wp-content/uploads/2020/07/Petron-Corporation-Amended-GIS-2019-June-19-2020-redacted-copy.pdf</p>	
<p>4. Corporate Secretary attends training/s on corporate governance.</p>	<p>Compliant</p>	<p>Atty. Joel Angelo C. Cruz attended a corporate governance training in 2019 conducted by SGV & Co. on November 6, 2019.</p> <p>The topics of the seminar included a refresher on sustainability, the Revised Corporation Code, and related party transactions.</p> <p>.</p> <p>https://www.petron.com/wp-content/uploads/2019/11/11-08-19-SEC-Form-17-C-Certificates-of-Attendance-for-Corporate-Governance-2019-Directors-and-Key-Officers..pdf</p>	

Optional: Recommendation 1.5

1. Corporate Secretary distributes materials for board meetings at least five business days before scheduled meeting.		Provide proof that corporate secretary distributed board meeting materials at least five business days before scheduled meeting	
---	--	---	--

Recommendation 1.6

<p>1. Board is assisted by a Compliance Officer.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> • Atty. Joel Angelo C. Cruz, Vice President and General Counsel, is Petron's Compliance Officer. • <u>2019 General Information Sheet (page 4)</u> https://www.petron.com/wp-content/uploads/2020/07/Petron-Corporation-Amended-GIS-2019-June-19-2020-redacted-copy.pdf • The qualifications, functions and duties of the Compliance Officer are set out in the Corporate Governance Manual. <ul style="list-style-type: none"> ➤ Corporate Governance Manual (§2.1) https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron-Manual-on-Corporate-Governance-Based-on-2016-SEC-CG-Code-for-PLCs-as-filed-with-SEC-on-May-29-2017..pdf • Atty. Cruz's qualifications are set out in the 2019 Information Statement and the 2019 SEC Form 17-A (Annual Report). <ul style="list-style-type: none"> ➤ 2019 Information Statement (page 23) https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf ➤ 2019 SEC Form 17-A (Annual Report) (page 57) https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf 	
--	------------------	---	--

<p>2. Compliance Officer has a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation.</p>	<p>Compliant</p>	<p>Atty. Joel Angelo C. Cruz, Petron's Compliance Officer, holds the position of Vice President and General Counsel, the highest legal position in the Company thereby granting him stature and authority in the Company.</p>	
--	------------------	---	--

<p>3. Compliance Officer is not a member of the board.</p>	<p>Compliant</p>	<p>Compliance Officer Atty. Joel Angelo C. Cruz is not a director.</p> <p><u>2019 General Information Sheet (page 4)</u></p> <p>https://www.petron.com/wp-content/uploads/2020/07/Petron-Corporation-Amended-GIS-2019-June-19-2020-redacted-copy.pdf</p>	
<p>4. Compliance Officer attends training/s on corporate governance.</p>	<p>Compliant</p>	<p>Atty. Joel Angelo C. Cruz attended a corporate governance training in 2018 conducted by SGV & Co. on November 6, 2019.</p> <p>The topics of the seminar included a refresher on sustainability, the Revised Corporation Code, and related party transactions.</p> <p>.</p> <p>https://www.petron.com/wp-content/uploads/2019/11/11-08-19-SEC-Form-17-C-Certificates-of-Attendance-for-Corporate-Governance-2019-Directors-and-Key-Officers..pdf</p>	

Principle 2: The fiduciary roles, responsibilities and accountabilities of the Board as provided under the law, the company's articles and by-laws, and other legal pronouncements and guidelines should be clearly made known to all directors as well as to stockholders and other stakeholders.

Recommendation 2.1

<p>1. Directors act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company.</p>	<p>Compliant</p>	<p>Atty. Joel Angelo C. Cruz, in his capacity as the Corporate Secretary, hereby certifies that directors participate in the discussions during board meetings by requesting clarifications, raising questions, and making recommendations as they deem necessary.</p>	
---	------------------	--	--

Recommendation 2.2

<p>1. Board oversees the development, review and approval of the company's business objectives and strategy.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> • The Company's thrust and strategy for each year, together with its budget and its specific strategy projects, plans and programs, form part of the Company's annual business plan which is presented for review and approval by the Board on an annual basis. • Atty. Joel Angelo C. Cruz, in his capacity as the Corporate Secretary, hereby certifies that the 2019 business plan containing the company's thrusts, strategies and strategy projects for 2019 was presented to, discussed, and approved by the Board on February 12, 2019. 	
--	------------------	---	--

<p>2. Board oversees and monitors the implementation of the company's business objectives and strategy.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> • At the regular quarterly board meetings, the report on the performance of the Company (including its comparison to the year's business plan and to last year's performance for the same period) is presented for the approval by the Board. This ensures that corrective action can be taken should negative variances occur. • Atty. Joel Angelo C. Cruz, the Corporate Secretary, hereby certifies that the report on the 2019 performance of the Company (including its comparison to the 2019 operating plan and to last year's performance for the same period) was presented to and discussed and approved by the Board during the Board's regular quarterly meetings in 2019 and the first one in 2020. ➤ https://www.petron.com/wp-content/uploads/2019/06/05-07-19-Matters-Approved-at-the-May-7-2019-Board-Meeting..pdf ➤ https://www.petron.com/wp-content/uploads/2019/09/08-06-19-Matters-Approved-at-the-August-6-2019-Meeting..pdf ➤ https://www.petron.com/wp-content/uploads/2019/11/11-05-19-Matters-Approved-at-the-November-5-2019-Meeting..pdf ➤ https://www.petron.com/wp-content/uploads/2020/05/05-26-20-Matters-Approved-at-the-May-26-2020-Board-Meeting..pdf 	
---	------------------	---	--

--	--	--	--

Supplement to Recommendation 2.2

1. Board has a clearly defined and updated vision, mission and core values.	Compliant	The Company's vision, mission and core values are available on the Petron website. https://www.petron.com/who-we-are/ The Board periodically reviews and approves the vision and the mission of the Company as the need arises.	
---	-----------	--	--

<p>2. Board has a strategy execution process that facilitates effective management performance and is attuned to the company's business environment, and culture.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> • The Board-approved business plan (that includes the strategy, thrusts and strategic projects for the year) is communicated to the company divisions and departments to ensure that officers and employees understand the year's strategic plans and that their respective roles are aligned with the implementation of the strategy and thrusts for the year. <p>At the regular quarterly board meetings, a report on the performance of the Company (including its comparison to the year's business plan and to the previous year's performance for the same period) is presented for the approval by the Board. Corrective actions are taken should negative variances occur.</p> <ul style="list-style-type: none"> • Atty. Joel Angelo C. Cruz, the Corporate Secretary, hereby certifies that the report on the 2019 performance of the Company (including its comparison to the 2019 operating plan and to last year's performance for the same period) was presented to and discussed and approved by the Board during the Board's regular quarterly meetings in 2019 and the first quarter of 2020. <ul style="list-style-type: none"> ➤ https://www.petron.com/wp-content/uploads/2019/06/05-07-19-Matters-Approved-at-the-May-7-2019-Board-Meeting..pdf ➤ https://www.petron.com/wp-content/uploads/2019/09/08-06-19-Matters-Approved-at-the-August-6-2019-Meeting..pdf ➤ https://www.petron.com/wp-content/uploads/2019/11/11-05-19-Matters-Approved-at-the-November-5-2019-Meeting..pdf 	
---	------------------	---	--

		<p>➤ https://www.petron.com/wp-content/uploads/2020/05/05-26-20-Matters-Approved-at-the-May-26-2020-Board-Meeting..pdf</p>	
--	--	--	--

Recommendation 2.3

<p>1. Board is headed by a competent and qualified Chairperson.</p>	<p>Compliant</p>	<p>Mr. Eduardo M. Cojuangco, Jr. was the Petron Chairperson in 2019. His qualifications were set out in the 2019 Information Statement and the 2019 SEC Form 17-A (Annual Report).</p> <ul style="list-style-type: none">• 2019 Information Statement (pages 15) https://www.petron.com/wp-content/uploads/2019/06/Petron-2019-Revised-Definitive-Information-Statement.pdf https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf• 2019 SEC Form 17-A (Annual Report) (page 49) https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf	
---	------------------	---	--

Recommendation 2.4

<p>1. Board ensures and adopts an effective succession planning program for directors, key officers and management.</p>	<p>Compliant in respect of key officers and management</p>	<p><u>Key Officers and Management</u></p> <ul style="list-style-type: none"> The Company is committed to provide its employees with a work environment that promotes the realization of their potential to become future leaders of the Company. This commitment is expressed, embodied and institutionalized through the Management Succession and Career Development Program. The program aims to ensure an adequate reserve of highly qualified manpower who can respond to immediate and long-term replacements for executive, managerial and supervisory positions. The retirement of key officers are generally governed by the Petron Retirement Plan. 	<p><u>Directors</u></p> <ul style="list-style-type: none"> The selection of new directors is primarily based on the determination of whether one has a balance of the appropriate knowledge, competencies, expertise, skills, and independence that are aligned with the strategic direction of the Company. The Corporate Governance Committee pre-screens and shortlists candidates for directors. Directors are elected annually and hold office until the next stockholders' meeting and until their successor shall have been elected and qualified.
---	--	---	---

<p>2. Board adopts a policy on the retirement for directors and key officers.</p>	<p>Compliant in respect of key officers and management</p>	<p><u>Key Officers and Management</u></p> <p>The retirement of key officers are generally governed by the Petron Retirement Plan.</p>	<p><u>Directors</u></p> <p>Directors are elected annually and hold office until the next stockholders' meeting and until their successor shall have been elected and qualified.</p>
<p>Recommendation 2.5</p>			
<p>1. Board aligns the remuneration of key officers and board members with long-term interests of the company.</p>	<p>Non-compliant</p>		<p>Under the Corporate Governance Manual, the salaries and other remuneration of officers and directors are set at level adequate to attract and retain directors and officers with the qualifications and experience needed to manage the Company successfully.</p> <p>(§2.2.2.2(c)) https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC.CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p> <p>The Company's Rewarding Excellence through Alternative Pay program is a variable component of the total compensation package of employees that aims to provide contingent financial incentives linked with the Company's financial performance and individual or group performance.</p>

<p>2. Board adopts a policy specifying the relationship between remuneration and performance.</p>	<p>Non-compliant</p>		
<p>3. Directors do not participate in discussions or deliberations involving his/her own remuneration.</p>	<p>Not applicable; please see</p>		

	reply to immediately preceding item (1)		
Optional: Recommendation 2.5			
1. Board approves the remuneration of senior executives.		Provide proof of board approval	
2. Company has measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interest, such as claw back provision and deferred bonuses.		Provide information on or link/reference to a document containing measurable standards to align performance-based remuneration with the long-term interest of the company.	

Recommendation 2.6			
1. Board has a formal and transparent board nomination and election policy.	Compliant	<ul style="list-style-type: none"> • Corporate Governance Manual https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_C_G_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf 	
2. Board nomination and election policy is disclosed in the company's Manual on Corporate Governance.	Compliant	<ul style="list-style-type: none"> ➤ It is the policy of the Company that individuals with the appropriate balance of knowledge, competencies, expertise, skills, and independence that are aligned with its strategic direction be nominated and elected as directors of the Company. (§2.2.2.2.2 (b), Corporate Governance Manual) ➤ The Corporate Governance Committee is tasked with pre-screening and shortlisting candidates nominated to become directors, giving due consideration to, among others, (i) their knowledge, skills and expertise, (ii) record of integrity, (iii) having sufficient time to discharge their duties as directors, (iv) their ability to interact with other directors, and (v) their possession of all qualifications and none of the disqualifications to be director (or independent director, as the case may be). The effectiveness of the Board's nomination and election processes is required to be assessed. (§2.2.2.2.2 (b), Corporate Governance Manual) ➤ All the stockholders are expressly provided the right to nominate directors. (§5.1.2.2, Corporate Governance Manual) 	

<p>3. Board nomination and election policy includes how the company accepted nominations from minority shareholders.</p>	<p>Compliant</p>		
<p>4. Board nomination and election policy includes how the board shortlists candidates.</p>	<p>Compliant</p>		

5. Board nomination and election policy includes an assessment of the effectiveness of the Board's processes in the nomination, election or replacement of a director.	Compliant	<ul style="list-style-type: none"> • <u>Corporate Governance Manual</u> https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_C_G_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf <p>Among the functions of the Corporate Governance Committee is to assess the effectiveness of the processes and procedures of the Board of Directors in the election or replacement of directors (§2.2.2.2(b)(iii), Corporate Governance Manual)</p>	
6. Board has a process for identifying the quality of directors that is aligned with the strategic direction of the company.	Compliant	In the annual assessment of board, committee and director performance, the directors evaluate whether the individuals nominated and then elected as directors added value and contributed independent judgment to the formulation of sound policies and strategies of the Company.	

Optional: Recommendation to 2.6			
1. Company uses professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors.		Identify the professional search firm used or other external sources of candidates	
Recommendation 2.7			
1. Board has overall responsibility in ensuring that there is a group-wide policy and system governing related party transactions (RPTs) and other unusual or infrequently occurring transactions.	Compliant	Pursuant to the provisions of the Corporate Governance Manual, the Board approved on August 6, 2019 the Policy on Related Party Transactions of the Company.	

<p>2. RPT policy includes appropriate review and approval of material RPTs, which guarantee fairness and transparency of the transactions.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> • <u>Corporate Governance Manual</u> https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_C_G_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf <p>Under the Corporate Governance Manual, the Board is tasked with the formulation and implementation of policies and procedures that would ensure the integrity and transparency of related party transactions and which shall include the appropriate review and approval of material or significant RPTs, which guarantee fairness and transparency of the transactions, encompassing all entities within the group and taking into account their size, structure, risk profile and complexity of operations. (§2.2.1.2 (m), Corporate Governance Manual)</p>	
<p>3. RPT policy encompasses all entities within the group, taking into account their size, structure, risk profile and complexity of operations.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> • <u>Policy on Related Party Transactions (RPT Policy)</u> https://www.petron.com/wp-content/uploads/2019/10/Petron-Related-Party-Transactions-Policy-as-filed-with-SEC-on-October-2-2019.pdf <ul style="list-style-type: none"> ➢ Under the RPT Policy, all RPTs are conducted on an arm's length basis and under fair terms in order that no shareholder or stakeholder is unduly disadvantaged and there is no prejudice to the interest of the stakeholders of the Company. ➢ The Board of Directors shall have the overall responsibility in ensuring that RPTs are handled in a sound and prudent manner, with integrity, and in 	

		<p>effective compliance with applicable laws, rules and regulations at all times to protect the interests of the Company and its subsidiaries and their shareholders and other stakeholders.</p> <ul style="list-style-type: none"> ➤ The RPT Policy requires the review and endorsement by the Board RPT Committee and the approval by the Board of all related party transactions (either singly or in the aggregate during a 12-month period) involving an amount of at least equal to 10% of the total consolidated assets of the Company based on its latest audited financial statements. <p>On November 5, 2019, the Board, upon recommendation of the Board RPT Committee approved material RPTs of the Company prior to the execution of the relevant contracts.</p> <p>https://www.petron.com/wp-content/uploads/2019/11/11-08-19-Petron-Advisement-Report-on-Material-Related-Party-Transactions-for-2019-as-filed-with-SEC-on-November-8-2019..pdf</p>	
--	--	---	--

Supplement to Recommendations 2.7

<p>1. Board clearly defines the threshold for disclosure and approval of RPTs and categorizes such transactions according to those that are considered <i>de minimis</i> or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPTs within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> • <u>Policy on Related Party Transactions (RPT Policy)</u> https://www.petron.com/wp-content/uploads/2019/10/Petron-Related-Party-Transactions-Policy-as-filed-with-SEC-on-October-2-2019.pdf <ul style="list-style-type: none"> ➤ Under the RPT Policy, all RPTs are conducted on an arm's length basis and under fair terms in order that no shareholder or stakeholder is unduly disadvantaged and there is no prejudice to the interest of the stakeholders of the Company. ➤ The RPT Policy requires the review and endorsement by the Board RPT Committee and the approval by the Board of all related party transactions (either singly or in the aggregate during a 12-month period) involving an amount of at least equal to 10% of the total consolidated assets of the Company based on its latest audited financial statements. 	
<p>2. Board establishes a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions during shareholders' meetings.</p>	<p>Compliant</p>	<p>Under the RPT Policy, all material RPTs require the approval by at least two-thirds (2/3) vote of the Board, with at least a majority of the independent directors voting to approve the Material RPT.</p>	

		<ul style="list-style-type: none"> • <u>Policy on Related Party Transactions (RPT Policy) (§F(9))</u> https://www.petron.com/wp-content/uploads/2019/10/Petron-Related-Party-Transactions-Policy-as-filed-with-SEC-on-October-2-2019.pdf 	
Recommendation 2.8			

<p>1. Board is primarily responsible for approving the selection of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>	<p>Compliant</p>	<ul style="list-style-type: none"> Under the Corporate Governance Manual, the Board is tasked with the appointment of the Chief Executive Officer and the heads of the other control functions, as part of the Company's internal control system. <p>Corporate Governance Manual (§2.2.1.3.1(c) and (e)) https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p> <ul style="list-style-type: none"> The Board appointed the Chief Executive Officer and President, the Compliance Officer, the AVP for Internal Audit and the other key officers of the Company. <p>https://www.petron.com/wp-content/uploads/2019/06/05-21-19-Results-of-Organizational-Meeting-Held-on-May-21-2019..pdf</p>	
--	------------------	--	--

<p>2. Board is primarily responsible for assessing the performance of Management led by the Chief Executive Officer (CEO) and the heads of the other control functions (Chief Risk Officer, Chief Compliance Officer and Chief Audit Executive).</p>	<p>Non-compliant</p>		<p>Management forms part of the personnel of Petron.</p> <p>A regular annual assessment of all employees (including the executives) is undertaken by their respective immediate supervisors (or by the person to whom they directly report, in the case of executives). In the rating of the employee, special emphasis is given to results obtained against established objectives.</p>
--	----------------------	--	--

Recommendation 2.9

<p>1. Board establishes an effective performance management framework that ensures that Management's performance is at par with the standards set by the Board and Senior Management.</p>	<p>Non-compliant</p>		<p>Management forms part of the personnel of Petron.</p> <p>A regular annual assessment of all employees (including the executives) is undertaken by their respective immediate supervisors. In the rating of the employee, special emphasis is given to results obtained against established objectives.</p>
<p>2. Board establishes an effective performance management framework that ensures that personnel's performance is at par with the standards set by the Board and Senior Management.</p>	<p>Non-compliant</p>		

Recommendation 2.10

<p>1. Board oversees that an appropriate internal control system is in place.</p>	<p>Compliant</p>	<p>Under the Corporate Governance Manual, the Board has the oversight responsibilities for ensuring the presence of an appropriate, adequate, strong, and effective internal control system that embodies (i) management oversight and control culture; (ii) risk recognition and assessment; (iii) control activities; (iv) information and communication; and (v) monitoring activities and correcting deficiencies.</p> <p><u>Corporate Governance Manual (§2.2.1.3.1)</u> https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p>	
<p>2. The internal control system includes a mechanism for monitoring and managing potential conflict of interest of the Management, members and shareholders.</p>	<p>Compliant</p>	<p>Among the internal control mechanisms of the Company under the Corporate Governance Manual is a mechanism for monitoring and managing potential conflicts of interest of Management, board members, and shareholders.</p> <p><u>Corporate Governance Manual (§2.2.1.3.1(g))</u> https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p>	

--	--	--	--

<p>3. Board approves the Internal Audit Charter.</p>	<p>Compliant</p>	<p>The Board approved the Internal Audit Charter on May 8, 2017.</p> <p><u>SEC Form 17-C</u> <u>(on matters approved by the Board on May 8, 2017)</u> https://www.petron.com/wp-content/uploads/2018/10/05_08_17_-_Matters_Appeared_at_the_May_8_2017_Board_Meeting_.pdf</p> <p><u>Internal Audit Charter</u> https://www.petron.com/wp-content/uploads/2018/09/Petron-Internal-Audit-Charter.pdf</p>	
--	------------------	---	--

--	--	--	--

Recommendation 2.11			
1. Board oversees that the company has in place a sound enterprise risk management (ERM) framework to effectively identify, monitor, assess and manage key business risks.	Compliant	<ul style="list-style-type: none"> Under the Corporate Governance Manual, the Board is tasked to oversee that a sound enterprise risk management framework is in place to effectively identify, monitor, assess, and manage key business risks. <p><u>Corporate Governance Manual (§2.2.1.3.2)</u> https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_C_G_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p> <ul style="list-style-type: none"> As Petron's operation is an integrated value chain, risks emanate from every process and some can cut across divisions. The results of these activities flow up to the Management Committee and eventually the Board through the Company's annual business plan presented to and approved by the Board. <p>The Company's risk management framework, process and strategies are discussed in the 2019 SEC Form 17-A (Annual Report), pages 19-21.</p> <p>https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf</p>	
2. The risk management framework guides the board in identifying units/business lines and enterprise-level risk exposures, as well	Compliant		

<p>as the effectiveness of risk management strategies.</p>			
Recommendation 2.12			
<p>1. Board has a Board Charter that formalizes and clearly states its roles, responsibilities and accountabilities in carrying out its fiduciary role.</p>	<p>Compliant</p>	<p>The Board approved the Board Charter on May 16, 2017, a copy of which is posted in the Petron website.</p> <p>The Board Charter provides for the duties and responsibilities of the Board and guides the Board in the discharge of its duties.</p> <ul style="list-style-type: none"> • Board approval https://www.petron.com/wp-content/uploads/2018/10/05_24_17_-_Amended_Matters_Approved_at_the_May_16_2017_Organizational_Board_Meeting_.pdf 	

2. Board Charter serves as a guide to the directors in the performance of their functions.	Compliant	<ul style="list-style-type: none"> Board Charter https://www.petron.com/wp-content/uploads/2018/09/a.-Petron-Board-of-Directors-Charter.pdf 	
3. Board Charter is publicly available and posted on the company's website.	Compliant		

Additional Recommendation to Principle 2			
1. Board has a clear insider trading policy.	Compliant	The Company has an insider trading policy adopted by the Board on May 8, 2013. https://www.petron.com/wp-content/uploads/2018/09/Policy-on-Dealings-in-Securities.pdf	
Optional: Principle 2			
1. Company has a policy on granting loans to directors, either forbidding the practice or ensuring that the transaction is conducted at arm's length basis and at market rates.	Compliant	The Company has a general related party transactions policy that requires that all related party transactions must be done on an arm's length basis to safeguard the interests of the Company and its minority shareholders and other stakeholders. https://www.petron.com/wp-content/uploads/2019/10/Petron-Related-Party-Transactions-Policy-as-filed-with-SEC-on-October-2-2019.pdf	
2. Company discloses the types of decision requiring board of directors' approval.	Compliant	Except for transactions in the ordinary course of business which are covered by the General Resolutions approved by the Board and amended by it from to time as the needs of the Company require, all corporate acts are approved by the Board or the Executive Committee of the Board.	

		<p>Matters approved by the Board in 2019 include the matters set out Annex B of the 2020 Information Statement and various disclosures made after each and every material matter approved by the Board:</p> <p>https://www.petron.com/wp-content/uploads/2020/04/04-28-20-Petron-Definitive-Information-Statement-2020-ASM..pdf</p> <p>https://www.petron.com/investor-relations/our-disclosures/</p>	
--	--	---	--

Principle 3: Board committees should be set up to the extent possible to support the effective performance of the Board's functions, particularly with respect to audit, risk management, related party transactions, and other key corporate governance concerns, such as nomination and remuneration. The composition, functions and responsibilities of all committees established should be contained in a publicly available Committee Charter.

Recommendation 3.1

<p>1. Board establishes board committees that focus on specific board functions to aid in the optimal performance of its roles and responsibilities.</p>	<p>Compliant</p>	<p>In addition to then existing Executive Committee, Petron established and/or re-organized its board committees on May 8, 2017 as follows committees pursuant to the Corporate Governance Manual:</p> <ol style="list-style-type: none"> 1. Audit Committee 2. Corporate Governance Committee 3. Risk Oversight Committee 4. Related Party Transaction Committee <ul style="list-style-type: none"> • Corporate Governance Manual https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC.CG_Code_for_PLCS_as_filed_with_SEC_on_May_29_2017_.pdf • Board creation of the committees https://www.petron.com/wp-content/uploads/2018/10/05_08_17_-_Matters_Appeared_at_the_May_8_2017_Board_Meeting_.pdf • Appointment of committee members https://www.petron.com/wp-content/uploads/2019/06/05-21-19-Results-of-Organizational-Meeting-Held-on-May-21-2019..pdf 	
--	------------------	---	--

Recommendation 3.2

<p>1. Board establishes an Audit Committee to enhance its oversight capability over the company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations.</p>	<p>Compliant</p>	<p>The Audit Committee was re-organized on May 8, 2017 pursuant to the provisions of the Corporate Governance Manual.</p> <p>Among the functions of the Audit Committee are ensuring that systems and processes are designed to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of assets and overseeing the senior Management in establishing and maintaining an adequate, effective and efficient internal control framework.</p> <p>On May 16, 2017, the Board approved the Audit Committee Charter.</p> <ul style="list-style-type: none"> • Corporate Governance Manual (§2.2.2.3) https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_f_or_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf • Board creation of the committees https://www.petron.com/wp-content/uploads/2018/10/05_08_17_-_Matters_Approved_at_the_May_8_2017_Board_Meeting_.pdf • Audit Committee Charter https://www.petron.com/wp-content/uploads/2018/09/c.-Petron-Audit-Committee-Charter.pdf 	
---	------------------	---	--

<p>2. Audit Committee is composed of at least three appropriately qualified non-executive directors, the majority of whom, including the Chairman is independent.</p>	<p>Compliant</p>	<p>The Petron Audit Committee is composed of five (5) non-executive directors, three (3) of whom are independent directors.</p> <p>It is headed by an independent director who does not hold the Chairmanship of the Board or any other board committee.</p> <ul style="list-style-type: none"> • The Chairperson and members of the Audit Committee are the following: <ul style="list-style-type: none"> ➤ Reynaldo G. David - Chairman (Independent Director; certified public accountant) ➤ Margarito B. Teves - Member (Independent Director) ➤ Artemio V. Panganiban - Member (Independent Director) ➤ Estelito P. Mendoza - Member ➤ Aurora T. Calderon - Member (certified public accountant) <p>https://www.petron.com/wp-content/uploads/2019/06/05-21-19-Results-of-Organizational-Meeting-Held-on-May-21-2019..pdf</p> <ul style="list-style-type: none"> • Board appointment of officers and committee members (indicating that only Messrs. Ramon S. Ang and Lubin B. Nepomuceno are executive directors) <p>https://www.petron.com/wp-content/uploads/2019/06/05-21-19-Results-of-Organizational-Meeting-Held-on-May-21-2019..pdf</p> <ul style="list-style-type: none"> • Qualifications of the Audit Committee members are set out in the directors' profiles in the 2019 Information Statement and the 2019 SEC Form 17-A (Annual Report) 	
---	------------------	--	--

		<ul style="list-style-type: none"> • 2019 Information Statement (pages 14-19) https://www.petron.com/wp-content/uploads/2019/06/Petron-2019-Revised-Definitive-Information-Statement.pdf https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf • 2019 SEC Form 17-A (Annual Report) (pages 49-54) https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf 	
--	--	--	--

<p>3. All the members of the committee have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.</p>	<p>Compliant</p>	<p>The members of the Audit Committee are the following:</p> <ul style="list-style-type: none"> • Reynaldo G. David - Chairman (Independent Director; certified public accountant) • Margarito B. Teves - Member (Independent Director) • Artemio V. Panganiban - Member (Independent Director) • Estelito P. Mendoza - Member • Aurora T. Calderon - Member (certified public accountant) <p>https://www.petron.com/wp-content/uploads/2019/06/05-21-19-Results-of-Organizational-Meeting-Held-on-May-21-2019..pdf</p> <p>The committee members' profiles are set out in the 2019 Information Statement and the 2019 SEC Form 17-A (Annual Report).</p> <ul style="list-style-type: none"> • 2019 Information Statement (pages 14-19) https://www.petron.com/wp-content/uploads/2019/06/Petron-2019-Revised-Definitive-Information-Statement.pdf https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf • 2019 SEC Form 17-A (Annual Report) (pages 49-54) https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf 	
<p>4. The Chairman of the Audit Committee is not the Chairman of the Board or of any other committee.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> • The Audit Committee is headed by Mr. Reynaldo G. David, an independent director and certified public accountant. <p>He is neither the Chairman of the Board nor the Chairman of any other board committee.</p>	

		<p>https://www.petron.com/wp-content/uploads/2019/06/05-21-19-Results-of-Organizational-Meeting-Held-on-May-21-2019..pdf</p> <ul style="list-style-type: none"> • Mr. David's profile is set out in the 2019 Information Statement and the 2019 SEC Form 17-A (Annual Report). <ul style="list-style-type: none"> ➤ 2019 Information Statement (page 18) <ul style="list-style-type: none"> https://www.petron.com/wp-content/uploads/2019/06/Petron-2019-Revised-Definitive-Information-Statement.pdf https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf ➤ 2019 SEC Form 17-A (Annual Report) (page 53) <ul style="list-style-type: none"> https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf 	
--	--	--	--

Supplement to Recommendation 3.2			
1. Audit Committee approves all non-audit services conducted by the external auditor.	Non-compliant		The non-audit services provided by the external auditor did not have any material and direct effect on the audited financial statements of the Company. Further, the independence and objectivity of the external auditor had been assessed and established by the Audit Committee.

<p>2. Audit Committee conducts regular meetings and dialogues with the external audit team without anyone from management present.</p>	<p>Compliant</p>	<p>The Audit Committee reviewed with the external auditor the annual audit plan, audit methodology, audit observations on the Company's internal controls, and annual financial statements.</p> <p>Audit Committee Report for 2019 <u>2019 SEC Form 17-A (Annual Report) (page 47)</u></p> <p>https://www.petrone.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf</p>	
<p>Optional: Recommendation 3.2</p>			
<p>1. Audit Committee meets at least four times during the year.</p>	<p>Compliant</p>	<p>In 2019, the Audit Committee held four (4) meetings on March 12, May 7, August 6 and November 5.</p> <p>2019 SEC Form 17-A (Annual Report) (page 60) https://www.petrone.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf</p>	

<p>2. Audit Committee approves the appointment and removal of the internal auditor.</p>	<p>Compliant</p>	<p>Atty. Joel Angelo C. Cruz, in his capacity as Corporate Secretary, hereby certifies that, on May 21, 2019, the Board appointed Mr. Ronald T. Ferrer as Assistant Vice President for Internal Audit (the head of the Internal Audit Department) upon the endorsement of the Audit Committee.</p>	
---	------------------	--	--

Recommendation 3.3			
<p>1. Board establishes a Corporate Governance Committee tasked to assist the Board in the performance of its corporate governance responsibilities, including the functions that were formerly assigned to a Nomination and Remuneration Committee.</p>	<p>Compliant</p>	<p>The Corporate Governance Committee was re-organized on May 8, 2017 pursuant to the provisions of the Corporate Governance Manual.</p> <p>Among its responsibilities are those (i) formerly undertaken by the Nomination and Compensation Committees (§2.2.2.2(b) and (c), Corporate Governance Manual; pages 3-5, Corporate Governance Committee Charter) and (ii) related to governance (§2.2.2.2(a), Corporate Governance Manual; pages 2-3, Corporate Governance Committee Charter)</p> <p>On May 16, 2017, the Board approved the Corporate Governance Committee Charter.</p> <ul style="list-style-type: none"> • Corporate Governance Manual (§2.2.2.2(a),(b) and (c)) https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_C_G_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf • Board creation of the committees https://www.petron.com/wp-content/uploads/2018/10/05_08_17_-_Matters_Approved_at_the_May_8_2017_Board_Meeting_.pdf 	

		<ul style="list-style-type: none"> Corporate Governance Committee Charter (pages 2-5) https://www.petron.com/wp-content/uploads/2018/09/e.-Petron-Corporate-Governance-Committee-Charter.pdf 	
<p>2. Corporate Governance Committee is composed of at least three members, all of whom should be independent directors.</p>	<p>Compliant</p>	<p>The members of the Corporate Governance Committee, including three (3) independent directors of the Company in 2019, were the following:</p> <ul style="list-style-type: none"> Margarito B. Teves - Chairman (Independent Director) Reynaldo G. David - Member (Independent Director) Artemio V. Panganiban - Member (Independent Director) Estelito P. Mendoza - Member (Non-Executive Director) Virgilio S. Jacinto - Member (Non-Executive Director) <p>https://www.petron.com/wp-content/uploads/2019/06/05-21-19-Results-of-Organizational-Meeting-Held-on-May-21-2019..pdf</p> <p>The committee members' profiles are set out in the 2019 Information Statement and the 2019 SEC Form 17-A (Annual Report).</p> <ul style="list-style-type: none"> 2019 Information Statement (pages 14-19) https://www.petron.com/wp-content/uploads/2019/06/Petron-2019-Revised-Definitive-Information-Statement.pdf <p>https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf</p>	

		<ul style="list-style-type: none"> 2019 SEC Form 17-A (Annual Report) (pages 49-54) https://www.petrone.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf 	
3. Chairman of the Corporate Governance Committee is an independent director.	Compliant	<p>Mr. Margarito B. Teves, an independent director, is the Chairman of the Corporate Governance Committee.</p> <p>https://www.petrone.com/wp-content/uploads/2019/06/05-21-19-Results-of-Organizational-Meeting-Held-on-May-21-2019..pdf</p>	
Optional: Recommendation 3.3.			
1. Corporate Governance Committee meets at least twice during the year.		<p>The Corporate Governance Committee held one meeting in 2019 as reported in the 2019 SEC Form 17-A (Annual Report) (page 60).</p> <p>https://www.petrone.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf</p>	
Recommendation 3.4			
1. Board establishes a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management system to ensure its functionality and effectiveness.	Compliant	<p>The BROC was created on May 8, 2017 pursuant to the provisions of the Corporate Governance Manual.</p> <p>The BROC is tasked with the oversight of the Company's Enterprise Risk Management system to ensure its functionality and effectiveness. (§2.2.2.4, Corporate Governance Manual; page 1, BROC Charter)</p>	

		<p>On May 16, 2017, the Board approved the BROC Charter.</p> <ul style="list-style-type: none"> • Corporate Governance Manual https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC.CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf • Board creation of the committees https://www.petron.com/wp-content/uploads/2018/10/05_08_17_-_Matters_Appeared_at_the_May_8_2017_Board_Meeting_.pdf • BROC Charter https://www.petron.com/wp-content/uploads/2018/09/d.-Petron-Risk-Oversight-Committee-Charter.pdf 	
--	--	---	--

<p>2. BROC is composed of at least three members, the majority of whom should be independent directors, including the Chairman.</p>	<p>Compliant</p>	<p>BROC has three (3) members, two (2) of whom are independent directors of the Company:</p> <ul style="list-style-type: none"> • Artemio V. Panganiban - Chairman (Independent Director) • Reynaldo G. David - Member (Independent Director) • Aurora T. Calderon - Member (Non-Executive Director) <p>https://www.petron.com/wp-content/uploads/2019/06/05-21-19-Results-of-Organizational-Meeting-Held-on-May-21-2019..pdf</p> <p>The committee members' profiles are set out in the 2019 Information Statement and the 2019 SEC Form 17-A (Annual Report).</p> <ul style="list-style-type: none"> • 2019 Information Statement (pages 14-19) https://www.petron.com/wp-content/uploads/2019/06/Petron-2019-Revised-Definitive-Information-Statement.pdf https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf • 2019 SEC Form 17-A (Annual Report) (pages 49-54) https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf 	
---	------------------	--	--

<p>3. The Chairman of the BROC is not the Chairman of the Board or of any other committee.</p>	<p>Compliant</p>	<p>BROC Chairman former Supreme Court Chief Justice Artemio V. Panganiban is neither the Chairman of the Board nor the Chairman of any other board committee.</p> <p>https://www.petron.com/wp-content/uploads/2019/06/05-21-19-Results-of-Organizational-Meeting-Held-on-May-21-2019..pdf</p>	
<p>4. At least one member of the BROC has relevant thorough knowledge and experience on risk and risk management.</p>	<p>Compliant</p>	<p>BROC Chairman former Supreme Court Chief Justice Artemio V. Panganiban also headed the Risk Management Committee of at least two other listed companies.</p>	
<p>Recommendation 3.5</p>			

<p>1. Board establishes a Related Party Transactions (RPT) Committee, which is tasked with reviewing all material related party transactions of the company.</p>	<p>Compliant</p>	<p>The RPT Committee was created on May 8, 2017 pursuant to the provisions of the Corporate Governance Manual.</p> <p>The RPT Committee is tasked with reviewing the material related party transactions of the Company (§2.2.2.5, Corporate Governance Manual; page 1, RPT Committee Charter).</p> <p>On May 16, 2017, the Board approved the RPT Committee Charter.</p> <ul style="list-style-type: none"> • Corporate Governance Manual (§2.2.2.5) https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_C_G_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf • Board creation of the committees https://www.petron.com/wp-content/uploads/2018/10/05_08_17_-_Matters_Approved_at_the_May_8_2017_Board_Meeting_.pdf • RPT Committee Charter https://www.petron.com/wp-content/uploads/2018/09/f.-Petron-Related-Party-Transaction-Committee-Charter.pdf 	
<p>2. RPT Committee is composed of at least three non-executive directors, two of</p>	<p>Compliant</p>	<p>The RPT Committee has three (3) members, two (2) of whom are independent directors of the Company:</p>	

<p>whom should be independent, including the Chairman.</p>		<ul style="list-style-type: none"> • Margarito B. Teves - Chairman (Independent Director) • Reynaldo G. David - Member (Independent Director) • Aurora T. Calderon - Member (Non-Executive Director) <p>https://www.petron.com/wp-content/uploads/2019/06/05-21-19-Results-of-Organizational-Meeting-Held-on-May-21-2019..pdf</p> <p>The committee members' profiles are set out in the 2019 Information Statement and the 2019 SEC Form 17-A (Annual Report).</p> <ul style="list-style-type: none"> • 2019 Information Statement (pages 14-19) https://www.petron.com/wp-content/uploads/2019/06/Petron-2019-Revised-Definitive-Information-Statement.pdf • https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf • 2019 SEC Form 17-A (Annual Report) (pages 49-54) https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf 	
--	--	---	--

Recommendation 3.6			
1. All established committees have a Committee Charter stating in plain terms their respective purposes, memberships, structures, operations, reporting process, resources and other relevant information.	Compliant	<p>Each of the board committees of the Company has its charter that sets out its (i) purpose, (ii) composition (chairmanship and membership), (iii) meeting rules and procedures, (iv) duties and responsibilities, (v) reporting procedures, (vi) access to information and resources, and (vii) evaluation and assessment.</p> <p>Each board charter requires the committee to periodically assess its effectiveness by comparing its performance with the requirements of the charter and the Corporate Governance Manual of the Company to ensure compliance with the Charter, the Corporate Governance Manual, and best practice.</p>	
2. Committee Charters provide standards for evaluating the performance of the Committees.	Compliant		

<p>3. Committee Charters were fully disclosed on the company's website.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> • Executive Committee Charter https://www.petron.com/wp-content/uploads/2018/09/b.-Petron-Executive-Committee-Charter.pdf • Audit Committee Charter https://www.petron.com/wp-content/uploads/2018/09/c.-Petron-Audit-Committee-Charter.pdf • Corporate Governance Committee https://www.petron.com/wp-content/uploads/2018/09/e.-Petron-Corporate-Governance-Committee-Charter.pdf • RPT Committee https://www.petron.com/wp-content/uploads/2018/09/f.-Petron-Related-Party-Transaction-Committee-Charter.pdf • BROCC https://www.petron.com/wp-content/uploads/2018/09/d.-Petron-Risk-Oversight-Committee-Charter.pdf 	
---	------------------	--	--

Principle 4: To show full commitment to the company, the directors should devote the time and attention necessary to properly and effectively perform their duties and responsibilities, including sufficient time to be familiar with the corporation's business.

Recommendation 4.1

<p>1. The Directors attend and actively participate in all meetings of the Board, Committees and shareholders in person or through tele-/videoconferencing conducted in accordance with the rules and regulations of the Commission.</p>	<p>Compliant</p>	<p>Atty. Joel Angelo C. Cruz, in his capacity as the Corporate Secretary, hereby certifies that directors participate in the discussions during board and committee meetings by requesting clarifications, raising questions, and making recommendations as they deem necessary.</p> <p>In case of the attendance of any director via teleconference, the electronic presence of such director is advised the Board and a confirmation that the line is clear is obtained from such director and those physically present.</p> <ul style="list-style-type: none"> • Director attendance at board and stockholders' meetings <p><u>2019 SEC Form 17-A (Annual Report) (page 55)</u> https://www.petrone.com/wp-content/uploads/2020/07/Petrone-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf</p> <p><u>Letter to SEC on 2019 Director Attendance</u> https://www.petrone.com/wp-content/uploads/2020/03/12-09-19-Letter-Advisement-re-Board-Attendance-2019-as-filed-with-SEC-on-December-9-2019.pdf</p> <ul style="list-style-type: none"> • <u>Director attendance at board committee meetings</u> <u>2019 SEC Form 17-A (Annual Report) (pages 59-61)</u> https://www.petrone.com/wp-content/uploads/2020/07/Petrone-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf 	
--	------------------	--	--

<p>2. The directors review meeting materials for all Board and Committee meetings.</p>	<p>Compliant</p>	<p>Atty. Joel Angelo C. Cruz, in his capacity as the Corporate Secretary, hereby certifies that directors participated in the discussions during board and committee meetings in 2019 by requesting clarifications, raising questions, and making recommendations as they deem necessary, which may reasonably be attributed to, among others, their review of the meeting materials.</p>	
<p>3. The directors ask the necessary questions or seek clarifications and explanations during the Board and Committee meetings.</p>	<p>Compliant</p>	<p>Atty. Joel Angelo C. Cruz, in his capacity as the Corporate Secretary, hereby certifies that the directors participated in the discussions during board and committee meetings in 2019 by requesting clarifications, raising questions, and making recommendations as they deem necessary.</p>	

Recommendation 4.2			
<p>1. Non-executive directors concurrently serve in a maximum of five publicly-listed companies to ensure that they have sufficient time to fully prepare for minutes, challenge Management's proposals/views, and oversee the long-term strategy of the company.</p>	<p>Non-compliant</p>	<p>That the non-executive directors of the Board of Directors concurrently serve as directors to a maximum of five (5) publicly listed companies shall be considered by the Company, under its Corporate Governance Manual.</p> <p>The directorships of the Company directors in listed and non-listed companies are set out in the 2019 SEC Form 17-A (Annual Report) and the 2019 Information Statement.</p> <ul style="list-style-type: none"> • 2019 Information Statement (pages 14-19) https://www.petron.com/wp-content/uploads/2019/06/Petron-2019-Revised-Definitive-Information-Statement.pdf https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf • 2019 SEC Form 17-A (Annual Report) (pages 49-54) https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf 	<p>While director former Chief Justice Artemio V. Panganiban served in more than five (5) publicly listed companies in 2019, his performance in the Petron Board that year showed that he was able to sufficiently prepare for the meetings and participate in board discussions.</p>

Recommendation 4.3			
1. The directors notify the company's board before accepting a directorship in another company.	Did not apply in 2017	<p>A director's duty to notify the Board before accepting a directorship in another company is specifically set out in the Corporate Governance Manual (§2.2.1.9). https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p> <p>To the best knowledge of the undersigned, no one of the directors was appointed as a director to any other company in 2019 and, therefore, who would have been required to notify the Petron Board.</p>	
Optional: Principle 4			
1. Company does not have any executive directors who serve in more than two boards of listed companies outside of the group.	Compliant	The only executive directors of the Company are Messrs. Ramon S. Ang (Chief Executive Officer and President) and Lubin B. Nepomuceno (General Manager).	

		<p>Mr. Ang only held directorships in listed companies in the San Miguel Group to which Petron belongs.</p> <p>Mr. Nepomuceno only held directorships in listed companies in the Petron Group.</p>	
--	--	--	--

<p>2. Company schedules board of directors' meetings before the start of the financial year.</p>	<p>Compliant</p>	<p>Atty. Joel Angelo C. Cruz, in his capacity as the Corporate Secretary, hereby certifies that the schedule board meetings for the next year is presented to and approved by the Board the year before.</p> <p>For 2019, the schedule of board meetings for that year was presented and approved by the Board at its meeting held on November 6, 2018.</p>	
<p>3. Board of directors meet at least six times during the year.</p>	<p>Compliant</p>	<p>In 2019, the Petron Board held six (6) board meetings on February 12, March 12, May 7, May 21, August 6 and November 5.</p> <ul style="list-style-type: none"> • <u>2019 SEC Form 17-A (Annual Report) (page 55)</u> https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf • <u>Letter to SEC on 2019 Director Attendance</u> https://www.petron.com/wp-content/uploads/2020/03/12-09-19-Letter-Advisement-re-Board-Attendance-2019-as-filed-with-SEC-on-December-9-2019.pdf 	

4. Company requires as minimum quorum of at least 2/3 for board decisions.		Indicate the required minimum quorum for board decisions	
Principle 5: The board should endeavor to exercise an objective and independent judgment on all corporate affairs			
Recommendation 5.1			

<p>1. The Board has at least 3 independent directors or such number as to constitute one-third of the board, whichever is higher.</p>	<p>Non-compliant</p>		<p>In 2019, the 15-person Petron Board had four (4) independent directors.</p> <ul style="list-style-type: none"> • While the number of independent directors did not reach 1/3 of the Petron Board, the four (4) independent directors discharged their functions with independent judgment to safeguard the interests of all the shareholders as a whole. • To further ensure that the independent views of the independent directors are freely expressed, conflicts of interest of directors are avoided, and balance of power and authority among the directors is promoted, the Board has appointed a Lead Independent Director. <p>Mr. Reynaldo G. David was appointed on May 21, 2019 as the Company's Lead Independent Director.</p> <p>https://www.petron.com/wp-content/uploads/2019/06/05-21-19-Results-of-Organizational-Meeting-Held-on-May-21-2019..pdf</p>
---	----------------------	--	--

Recommendation 5.2

<p>1. The independent directors possess all the qualifications and none of the disqualifications to hold the positions.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> • All the independent directors elected in 2019 had all the qualifications and none of the disqualifications to hold the position of independent director as set out in applicable law and regulations, the Company's By-laws, and the Corporate Governance Manual. <ul style="list-style-type: none"> ➤ Company's By-laws (Article III, §2 and 3-A) https://www.petron.com/wp-content/uploads/2018/10/Amended-By-Laws-as-of-11.29.11.pdf ➤ Corporate Governance Manual (§2.2.1.5 and 2.2.1.6) https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf • Each of the independent directors elected in 2019, namely Mr. Reynaldo G. David, Former Chief Justice Artemio V. Panganiban, Mr. Margarito B. Teves, and Mr. Carlos Jericho L. Petilla executed the Certificate of Independent Director, certifying, among others, that he had all the qualifications and none of the disqualifications to hold the position of independent director of Petron. https://www.petron.com/wp-content/uploads/2019/06/04-03-19-Certification-of-Independent-Directors-2019-as-filed-with-SEC-on-April-2-2019..pdf 	
---	------------------	---	--

--	--	--	--

Supplement to Recommendation 5.2

<p>1. Company has no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.</p>	<p>Compliant</p>	<p>To the best knowledge of the undersigned, there are no shareholder agreements, by-laws provisions, or other arrangements that constrain the directors' ability to vote independently.</p> <p>Further, the directors of the Company are specifically mandated by the Corporate Governance Manual to act judiciously and exercise objective and independent judgment on all matters. (§2.2.1.4 (c) and (d))</p> <p>https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p>	
Recommendation 5.3			
<p>1. The independent directors serve for a cumulative term of nine years (reckoned from 2012).</p>	<p>Not yet applicable in 2019 but the term-limit rule of the Company is set out in the Corporate Governance Manual</p>	<p>The nine (9)-year term limit will first take effect in 2021 and no one of the independent directors was therefore subject of the term limit in 2019.</p> <p>The Corporate Governance Manual sets out the company policy on the nine (9)-year term limit of independent directors (§2.2.1.6.2).</p> <p>https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p>	
<p>2. The company bars an independent director from serving in such capacity after the term limit of nine years.</p>	<p>Not yet applicable in 2019 but the</p>	<p>The Corporate Governance Manual sets out the company policy on the nine (9)-year term limit of independent directors (§2.2.1.6.2).</p>	

	term-limit rule is set out in the Corporate Governance Manual	https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf	
3. In the instance that the company retains an independent director in the same capacity after nine years, the board provides meritorious justification and seeks shareholders' approval during the annual shareholders' meeting.	Not yet applicable in 2019 but the term-limit rule is set out in the Corporate Governance Manual	The Board is required to provide meritorious justification and seek shareholders' approval during the annual shareholders' meeting for the retention of an independent director in the same capacity after nine years, as set out in the Corporate Governance Manual (§2.2.1.6.2). https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf	
Recommendation 5.4			
1. The positions of Chairman of the Board and Chief Executive Officer are held by separate individuals.	Compliant	The Chairman of the Board elected in 2019 was Mr. Eduardo M. Cojuangco, Jr. The President and Chief Executive Officer of the Company appointed in 2019 was Mr. Ramon S. Ang. https://www.petron.com/wp-content/uploads/2019/06/05-21-19-Results-of-Organizational-Meeting-Held-on-May-21-2019..pdf	
2. The Chairman of the Board and Chief Executive Officer have clearly defined responsibilities.	Compliant	<ul style="list-style-type: none"> The Chairman is responsible for providing leadership to the Board, such as by ensuring that the meeting agenda focus on strategic matters and facilitating discussions on key issues among directors during board meetings. 	

		<p>The Chairman is the head of the Board, which has the task of fostering the long-term success of the Company by, among others, monitoring the performance of Management - led by the Chief Executive Officer - in implementing the Company's strategies and thrusts.</p> <ul style="list-style-type: none"> • The Chief Executive Officer is responsible for the general supervision, administration and management of the business of the Company and has the power and duty to establish general administrative and operating policies. • The separate and distinct responsibilities and duties of the Chairman of the Board and the Chief Executive Officer are set out Corporate Governance Manual (§2.2.3.1 and 2.2.3.2, respectively) <p>https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_C_G_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p>	
--	--	--	--

Recommendation 5.5			
<p>1. If the Chairman of the Board is not an independent director, the board designates a lead director among the independent directors.</p>	<p>Compliant</p>	<p>The Chairman of the Petron Board is not an independent director.</p> <p>Mr. Reynaldo G. David, an independent director, was appointed on May 15, 2018 as the Lead Independent Director.</p> <p>https://www.petron.com/wp-content/uploads/2019/06/05-21-19-Results-of-Organizational-Meeting-Held-on-May-21-2019..pdf</p>	
Recommendation 5.6			
<p>1. Directors with material interest in a transaction affecting the corporation abstain from taking part in the deliberations on the transaction.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> The Corporate Governance Manual specifically requires a director to conduct fair business transactions with the Company and to ensure that personal interest does not conflict with the interests of the Company. A director with a material interest in any transaction affecting the Company is required to abstain from taking part in the deliberations for such transaction (§2.2.1.4(a)). <p>https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017..pdf</p> <ul style="list-style-type: none"> Atty. Joel Angelo C. Cruz, in his capacity as the Corporate Secretary, hereby certifies that, in 2019, directors abstained from discussion and voting on matters in which they had a material interest, such as the matter of their respective nominations as directors for the ensuing year which was 	

		discussed and approved at the board meeting held on March 12, 2019.	
--	--	---	--

Recommendation 5.7			
1. The non-executive directors (NEDs) have separate periodic meetings with the external auditor and heads of the internal audit, compliance and risk functions, without any executive present.	Non-compliant		While no separate meeting was held among the non-executive directors, the external auditor and heads of the internal audit, compliance and risk functions, the Audit Committee (which is composed of non-executive directors and chaired by Lead Independent Director Reynaldo G. David) (i) reviewed with the external auditor the annual audit plan, audit methodology, audit observations on the Company's internal controls, and annual financial statements and (ii) reviewed with the Assistant Vice President - Internal Audit and approved the annual internal audit plan and reviewed the Internal Audit Department's report on the adequacy of the internal control environment in the areas covered by their audit.
2. The meetings are chaired by the lead independent director.	Non-compliant		
Optional: Principle 5			
1. None of the directors is a former CEO of the company in the past 2 years.		Provide name/s of company CEO for the past 2 years	

--	--	--	--

Principle 6: The best measure of the Board's effectiveness is through an assessment process. The Board should regularly carry out evaluations to appraise its performance as a body, and assess whether it possesses the right mix of backgrounds and competencies.

Recommendation 6.1

1. Board conducts an annual self-assessment of its performance as a whole.	Compliant	Atty. Joel Angelo C. Cruz, in his capacity as Corporate Secretary, hereby certifies that the directors, including the Chairman, conducted a self-assessment of their performance for 2019 as directors.	
2. The Chairman conducts a self-assessment of his performance.	Compliant		
3. The individual members conduct a self-assessment of their performance.	Compliant		
4. Each committee conducts a self-assessment of its performance.	Non-compliant		The Company is reviewing its self-assessment form for necessary revisions.
5. Every three years, the assessments are supported by an external facilitator.	Not yet applicable in 2019 but the policy is in the Corporate Governance Manual approved in 2017	<u>https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</u>	

--	--	--	--

Recommendation 6.2

<p>1. Board has in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, individual directors and committees.</p>	<p>Compliant</p>	<p>➤ The Board-adopted assessment forms are accomplished by the directors annually. The assessment covers the evaluation of the (i) fulfillment of the key responsibilities of the Board; (ii) relationship between the Board and the Management of the Company; (iii) effectiveness of board and committee processes and meetings; and (iv) individual performance of the directors.</p> <p>The details of the specific criteria covered by the annual assessment form are discussed in more detail in the 2019 SEC Form 17-A (Annual Report).</p> <p><u>2019 SEC Form 17-A (Annual Report) (page 69-70)</u> <u>https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf</u></p> <p>The self-assessment form may be enhanced such that the Board assesses itself as a whole and each committee assesses its own performance.</p> <ul style="list-style-type: none"> • Part of the annual assessment of the directors is how the Board considered the interests of all shareholder groups. Among the mechanisms for receiving shareholder feedback is the establishment of an Investor Relations Office and engagement of a stock transfer service provider that ensure constant engagement with, and timely and proper communications with, the Company's shareholders. 	
---	------------------	---	--

2. The system allows for a feedback mechanism from the shareholders.	Compliant		
--	-----------	--	--

Recommendation 7.1

<p>1. Board adopts a Code of Business Conduct and Ethics, which provide standards for professional and ethical behavior, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings of the company.</p>	<p>Compliant</p>	<ul style="list-style-type: none">The Board adopted the Code of Conduct and Ethical Business Policy of the Company on May 8, 2018. This version consolidated standards for professional and ethical behavior set out in various Petron policies. <p><u>SEC Form 17-C on the Board approval</u> https://www.petron.com/wp-content/uploads/2018/10/05_08_18_-_Matters_Approved_at_the_May_8_2018_Board_Meeting_.pdf</p> <p><u>Code of Conduct and Ethical Business Policy</u> https://www.petron.com/wp-content/uploads/2018/09/Petron-Code-of-Conduct-and-Ethical-Business-Policy-adopted-5.8.18.pdf</p>	
--	------------------	--	--

<p>2. The Code is properly disseminated to the Board, senior management and employees.</p>	<p>Compliant</p>	<p>The Code of Conduct and Ethical Business Policy of the Company formed part of the materials provided to first-time directors and the orientation program for new employees. Further, a copy is accessible in the Petron website and the Petron intranet <i>Pethub</i>.</p>	
<p>3. The Code is disclosed and made available to the public through the company website.</p>	<p>Compliant</p>	<p>The Code of Conduct and Ethical Business Policy of the Company is posted in the company website.</p> <p>https://www.petron.com/wp-content/uploads/2018/09/Petron-Code-of-Conduct-and-Ethical-Business-Policy-adopted-5.8.18.pdf</p>	

--	--	--	--

Supplement to Recommendation 7.1

<p>1. Company has clear and stringent policies and procedures on curbing and penalizing company involvement in offering, paying and receiving bribes.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> The Code of Conduct and Ethical Business Policy of the Company specifically sets out the policy against the solicitation and/or receipt or offer and/or making of illegal payments to obtain favors for the Company. <p><u>Code of Conduct and Ethical Business Policy (§5.2 and 5.3)</u> https://www.petron.com/wp-content/uploads/2018/09/Petron-Code-of-Conduct-and-Ethical-Business-Policy-adopted-5.8.18.pdf</p> <ul style="list-style-type: none"> Atty. Joel Angelo C. Cruz, in his capacity as Vice President - General Counsel and Compliance Officer, hereby further certifies that the Company Rules and Regulations on Discipline specifically provide the penalty of up to the dismissal of any employee who is found, after due investigation, to have committed bribery. The Code of Conduct and Ethical Business Policy and the Company Rules and Regulations on Discipline form part of the orientation program of new employees to ensure that they are aware of the strict policy of the Company against bribery. 	
---	------------------	--	--

Recommendation 7.2			
1. Board ensures the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics.	Compliant	<ul style="list-style-type: none"> Atty. Joel Angelo C. Cruz, in his capacity as Vice President - General Counsel and Compliance Officer, hereby certifies that the standards of conduct embodied in the Code of Conduct and Ethical Business Policy are also set out in the Company Rules and Regulations on Discipline. A violation of a standard under the Code of Conduct and Ethical Business Policy can result in a penalty of up to the dismissal of an employee who is found, after due investigation, to have committed such violation. The directors, officers and employees of the Company are required to comply with the provisions of Code of Conduct and Ethical Business Policy and any findings on non-compliance. <p><u>Code of Conduct and Ethical Business Policy</u> https://www.petron.com/wp-content/uploads/2018/09/Petron-Code-of-Conduct-and-Ethical-Business-Policy-adopted-5.8.18.pdf</p>	
2. Board ensures the proper and efficient implementation and monitoring of compliance with company internal policies.	Compliant		

Disclosure and Transparency

Principle 8: The company should establish corporate disclosure policies and procedures that are practical and in accordance with best practices and regulatory expectations.

Recommendation 8.1

<p>1. Board establishes corporate disclosure policies and procedures to ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of a company's financial condition, results and business operations.</p>	<p>Compliant</p>	<p><u>Policy</u></p> <p>Under the Corporate Governance Manual, the Company should establish corporate disclosure policies and procedures that (i) are practical and in accordance with best practices and regulatory expectations and (ii) will ensure a comprehensive, accurate, reliable and timely report to shareholders and other stakeholders that gives a fair and complete picture of the financial condition, results and business operations of the Company.</p> <p><u>Procedure</u></p> <p>All disclosed information of the Company are released via the appropriate exchange procedure or mechanisms applicable to the Company (such as that of the Philippine Stock Exchange and The Philippine Dealing & Exchange Corp.) as well as through its annual report on SEC Form 17-A and such other report as may be required by the SEC or any other applicable regulatory body.</p> <p>Matters to be disclosed include: (i) all material information about the Company which could adversely affect its viability or the interest of its stockholders and other stakeholders (such as earnings results, acquisition or disposal of significant assets, board changes, related party transactions, shareholdings of directors and changes to ownership); (ii) dealings with Petron shares by directors and officers; (iii) material and reportable non-financial and sustainability issues; and (iv) any change, resignation or removal of any director, member of the senior Management, the Internal Audit Group Head, and the external auditor, and the reasons thereof.</p>	
---	------------------	--	--

		<p>Corporate Governance Manual (§4) https://www.petrone.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p>	
--	--	---	--

<p>1. Company distributes or makes available annual and quarterly consolidated reports, cash flow statements, and special audit revisions. Consolidated financial statements are published within ninety (90) days from the end of the fiscal year, while interim reports are published within forty-five (45) days from the end of the reporting period.</p>	<p>Compliant as to 2019 Interim Reports;</p> <p>Non-compliant as to the 2019 Audited financial Statements in view of the Covid-19 pandemic and the SEC-approved postponement of filing</p>	<p><u>2019 Interim Reports</u></p> <p>The quarterly reports on SEC Form 17-Q for 2019 were filed and published on the Petron website as follows:</p> <ul style="list-style-type: none"> • 1st Quarter (filed May 15, 2019; <u>45 days</u> after March 31, 2019) https://www.petron.com/wp-content/uploads/2019/06/05-15-19-Petron-Quarterly-Report-SEC-Form-17-Q-1st-Quarter-2019-as-filed-with-SEC-on-May-15-2019-1.pdf • 2nd Quarter (filed August 14, 2019, <u>45 days</u> after June 30, 2019) https://www.petron.com/wp-content/uploads/2019/10/08-14-19-Petron-Quarterly-Report-SEC-Form-17-Q-2nd-Quarter-2019-as-filed-with-SEC-on-August-14-2019.pdf • 3rd Quarter (filed November 14, 2019, <u>45 days</u> after September 30, 2019) https://www.petron.com/wp-content/uploads/2019/11/11-14-19-Petron-Quarterly-Report-SEC-Form-17-Q-3rd-Quarter-2019-as-filed-with-SEC-on-November-14-2019-1.pdf <p><u>2019 Audited Consolidated Financial Statements</u></p> <p>The 2019 consolidated financial statements of the Company (attached as Annex C to the 2020</p>	
---	--	--	--

		<p>Information Statement) were posted on the Petron website on April 28, 2020.</p> <p>https://www.petron.com/wp-content/uploads/2020/04/04-28-20-Petron-Definitive-Information-Statement-2020-ASM..pdf</p>	
--	--	---	--

<p>2. Company discloses in its annual report the principal risks associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.</p>	<p>Non-compliant</p>		<p>While the risks associated with controlling stockholders were not discussed in the SEC Form 17-A (Annual Report), this risk relating to controlling shareholders was disclosed and discussed in the prospectus for the offer and issue of the Series 3 preferred shares in 2019.</p> <p><u>Page 61</u> https://www.petron.com/wp-content/uploads/2019/06/Petron-Final-Prospectus-dated-May-30-2019-Part-1.pdf</p>
--	----------------------	--	--

--	--	--	--

Recommendation 8.2

<p>1. Company has a policy requiring all directors to disclose/report to the company any dealings in the company's shares within three business days.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> • Under §4.4 of the Corporate Governance Manual, all directors and officers are required to disclose any dealings in the Company's shares within three (3) business days. <p>https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_C_G_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p> <ul style="list-style-type: none"> • In 2019, no one of the directors had any dealings in Petron's shares. 	
<p>2. Company has a policy requiring all officers to disclose/report to the company any dealings in the company's shares within three business days.</p>	<p>Compliant</p>		

Supplement to Recommendation 8.2

<p>1. Company discloses the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This includes the disclosure of the company's purchase of its shares from the market (e.g. share buy-back program).</p>	<p>Compliant</p>	<ul style="list-style-type: none"> • The shareholdings of the directors, executive officers and the top 100 shareholders in 2019 were disclosed through the following: <ul style="list-style-type: none"> <u>Quarterly Public Ownership Reports</u> ➤ https://www.petron.com/wp-content/uploads/2020/08/04-15-19-Public-Ownership-Report-as-of-March-31-2019..pdf https://www.petron.com/wp-content/uploads/2019/09/07-15-19-Public-Ownership-Report-as-of-June-30-2019..pdf ➤ https://www.petron.com/wp-content/uploads/2019/10/10-14-19-Public-Ownership-Report-as-of-September-30-2019.pdf ➤ https://www.petron.com/wp-content/uploads/2020/01/01-15-20-Petron-Public-Ownership-Report-as-of-December-31-2019..pdf <u>Quarterly Top 100 Stockholder Reports</u> ➤ https://www.petron.com/wp-content/uploads/2019/06/04-15-19-Top-100-Stockholders-as-of-March-31-2019..pdf ➤ https://www.petron.com/wp-content/uploads/2019/09/07-12-19-Top-100-Stockholders-as-of-June-30-2019..pdf ➤ https://www.petron.com/wp-content/uploads/2019/10/10-10-19-Top-100-Stockholders-as-of-September-30-2019..pdf ➤ https://www.petron.com/wp-content/uploads/2020/01/01-15-20-Petron-Top-100-Stockholders-as-of-December-31-2019..pdf • The Company's conglomerate map as of December 31, 2019 shows the Company's direct and indirect stockholders. <p>2019 SEC Form 17-A (Annual Report) (page 242) https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf</p> 	
--	------------------	--	--

		<ul style="list-style-type: none">• The Company did not buy back any of its shares from the market in 2019.	
--	--	---	--

Recommendation 8.3

<p>1. Board fully discloses all relevant and material information on individual board members to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> • The directors' academic qualifications, membership in other boards, other executive positions, professional experiences and expertise are set out in the 2019 Definitive Information Statement and the 2019 SEC Form 17-A (Annual Report). <ul style="list-style-type: none"> ➤ 2019 Information Statement (pages 14-19) https://www.petron.com/wp-content/uploads/2019/06/Petron-2019-Revised-Definitive-Information-Statement.pdf https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf ➤ 2019 SEC Form 17-A (Annual Report) (pages 49-54) https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf • The trainings attended by the directors for 2018 were reported in various SEC Form 17-Cs. <ul style="list-style-type: none"> ➤ https://www.petron.com/wp-content/uploads/2019/11/11-19-19-SEC-Form-17-C-Certificates-of-Attendance-2019-ECJ-RSA-VSJ-NFV-and-FPY-as-filed-with-SEC-on-November-20-2019..pdf 	
---	------------------	---	--

		<ul style="list-style-type: none"> ➤ https://www.petron.com/wp-content/uploads/2019/11/11-08-19-SEC-Form-17-C-Certificates-of-Attendance-for-Corporate-Governance-2019-Directors-and-Key-Officers..pdf ➤ https://www.petron.com/wp-content/uploads/2019/12/12-10-19-SEC-Form-17-C-Certificate-of-Attendance-ATC-as-filed-with-SEC-on-December-9-2019..pdf ➤ https://www.petron.com/wp-content/uploads/2019/10/10-21-19-SEC-Form-17-C-Certificate-of-Attendance-for-Corporate-Governance-Seminar-2019-AVP..pdf • The share ownership of the directors for 2019 was reported in the Company's quarterly Public Ownership Reports. https://www.petron.com/wp-content/uploads/2020/08/04-15-19-Public-Ownership-Report-as-of-March-31-2019..pdf ➤ https://www.petron.com/wp-content/uploads/2019/09/07-15-19-Public-Ownership-Report-as-of-June-30-2019..pdf ➤ https://www.petron.com/wp-content/uploads/2019/10/10-14-19-Public-Ownership-Report-as-of-September-30-2019.pdf ➤ https://www.petron.com/wp-content/uploads/2020/01/01-15-20-Petron-Public-Ownership-Report-as-of-December-31-2019..pdf 	
--	--	--	--

<p>2. Board fully discloses all relevant and material information on key executives to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> • The executive officers' academic qualifications, membership in boards, other executive positions, professional experiences and expertise are set out in the 2019 Information Statement and the 2019 SEC Form 17-A. <p><u>2019 Information Statement (pages 21-24)</u> https://www.petron.com/wp-content/uploads/2019/06/Petron-2019-Revised-Definitive-Information-Statement.pdf</p> <p>https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf</p> <p><u>2019 SEC Form 17-A (Annual Report)(pages 55-58)</u> https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf</p> <ul style="list-style-type: none"> • The trainings attended by the officers for 2019 were reported in various SEC Form 17-Cs. <ul style="list-style-type: none"> ➤ https://www.petron.com/wp-content/uploads/2019/11/11-19-19-SEC-Form-17-C-Certificates-of-Attendance-2019-ECJ-RSA-VSJ-NFV-and-FPY-as-filed-with-SEC-on-November-20-2019..pdf ➤ https://www.petron.com/wp-content/uploads/2019/11/11-08-19-SEC-Form-17-C-Certificates-of-Attendance-for-Corporate-Governance-2019-Directors-and-Key-Officers..pdf 	
---	------------------	--	--

		<ul style="list-style-type: none"> ➤ https://www.petron.com/wp-content/uploads/2019/12/12-10-19-SEC-Form-17-C-Certificate-of-Attendance-ATC-as-filed-with-SEC-on-December-9-2019..pdf ➤ https://www.petron.com/wp-content/uploads/2019/10/10-21-19-SEC-Form-17-C-Certificate-of-Attendance-for-Corporate-Governance-Seminar-2019-AVP..pdf • The share ownership of the executive officers for 2019 was reported in the Company's quarterly Public Ownership Reports. ➤ https://www.petron.com/wp-content/uploads/2020/08/04-15-19-Public-Ownership-Report-as-of-March-31-2019..pdf ➤ https://www.petron.com/wp-content/uploads/2019/09/07-15-19-Public-Ownership-Report-as-of-June-30-2019..pdf ➤ https://www.petron.com/wp-content/uploads/2019/10/10-14-19-Public-Ownership-Report-as-of-September-30-2019.pdf ➤ https://www.petron.com/wp-content/uploads/2020/01/01-15-20-Petron-Public-Ownership-Report-as-of-December-31-2019..pdf 	
Recommendation 8.4			
<p>1. Company provides a clear disclosure of its policies and procedure for setting Board remuneration, including the level and mix of the same.</p>	<p>Compliant</p>	<p>The remuneration of directors and officers is (i) made consistent with the Company's culture and strategy as well as the business environment in which it operates and (ii) set at a level adequate to attract</p>	

<p>2. Company provides a clear disclosure of its policies and procedure for setting executive remuneration, including the level and mix of the same.</p>	<p>Compliant</p>	<p>and retain directors and officers with the qualifications and experience needed for the success of the Company.</p> <p><u>Corporate Governance Manual (§2.2.2.2(c))</u> https://www.petrone.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLGs_as_filed_with_SEC_on_May_29_2017_.pdf</p>	
<p>3. Company discloses the remuneration on an individual basis, including termination and retirement provisions.</p>	<p>Non-compliant</p>		<p>The Company reported in its SEC Form 17-A (Annual Report) the aggregate compensation paid or estimated to be paid to the executive officers and directors of the Company.</p> <p><u>2019 SEC Form 17-A (Annual Report)</u> <u>(page 62)</u></p> <p>https://www.petrone.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf</p>

Recommendation 8.5			
<p>1. Company discloses its policies governing Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions in their Manual on Corporate Governance.</p>	<p>Compliant</p>	<p>Section 4.7 of the Corporate Governance Manual states the policy of the Company that all material related party transactions not be undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to the relevant related parties than similar transactions with non-related parties under similar circumstances.</p> <p>https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p> <p>The Company also has its RPT Policy set out in its website.</p>	

		https://www.petron.com/wp-content/uploads/2019/10/Petron-Related-Party-Transactions-Policy-as-filed-with-SEC-on-October-2-2019.pdf	
--	--	---	--

<p>2. Company discloses material or significant RPTs reviewed and approved during the year.</p>	<p>Compliant</p>	<p>On November 5, 2019, pursuant to the RPT Policy of the Company, the Board RPT Committee endorsed and the Board approved the material RPTs of the Company for implementation in 2020 prior to the execution of the relevant agreements.</p> <p>https://www.petron.com/wp-content/uploads/2019/11/11-11-19-Amended-Advisement-Report-for-Material-Related-Party-Transactions-for-2019-with-Secretarys-Certificate-as-filed-with-SEC-on-November-11-2019..pdf</p>	
---	------------------	--	--

Supplement to Recommendation 8.5

<p>1. Company requires directors to disclose their interests in transactions or any other conflict of interests.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> The Corporate Governance Manual specifically requires a director to conduct fair business transactions with the Company and to ensure that personal interest does not conflict with the interests of the Company. <p>A director with a material interest in any transaction affecting the Company is required to abstain from taking part in the deliberations for such transaction (§ 2.2.1.4(a)).</p> <p>https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_C_G_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p> <ul style="list-style-type: none"> Atty. Joel Angelo C. Cruz, in his capacity as the Corporate Secretary, hereby certifies that, in 2019, directors abstained from discussion and voting on matters in which they had a disclosed material interest, such as the matter of their respective nominations as directors for the ensuing year which was discussed and approved at the board meeting held on March 12, 2019. 	
--	------------------	---	--

Optional : Recommendation 8.5			
1. Company discloses that RPTs are conducted in such a way to ensure that they are fair and at arms' length.	Compliant	Note 28 (<i>Related Party Disclosures</i>) of the 2019 consolidated audited financial statements of the Company (attached as Annex C to the 2019 SEC Form 17-A (Annual Report)) specifically state that the Company's transactions with related parties in 2019 were made at normal market prices and terms. https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf	
Recommendation 8.6			
1. Company makes a full, fair, accurate and timely disclosure to the public of every material fact or event that occur, particularly on the acquisition or disposal of significant assets, which could adversely affect the viability or the interest of its shareholders and other stakeholders.	Compliant	In 2019, the Company did not acquire or dispose of any material asset. As a general rule, however, the Company makes timely and full, fair and accurate disclosures of all material facts or events as evidenced by the SEC Form 17-Cs set out in the Petron website.	
2. Board appoints an independent party to evaluate the fairness of the transaction price on the acquisition or disposal of assets.	Not applicable in 2019 since the Company did		

	not have a material acquisition or disposal of assets in 2019.		
Supplement to Recommendation 8.6			
1. Company discloses the existence, justification and details on shareholder agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	Compliant	<p>The Company disclosed in its 2019 Information Statement and 2019 SEC Form 17-A (Annual Report) that it was not aware of the existence of any agreement that may impact control of the Company and the voting of its shares.</p> <p><u>2019 Information Statement (page 13)</u> https://www.petron.com/wp-content/uploads/2019/06/Petron-2019-Revised-Definitive-Information-Statement.pdf</p> <p>https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf</p> <p><u>2019 SEC Form 17-A (Annual Report) (page 68)</u> https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf</p>	

Recommendation 8.7			
1. Company's corporate governance policies, programs and procedures are contained in its Manual on Corporate Governance (MCG).	Compliant	The Company's corporate governance policies, programs and procedures are contained in its Corporate Governance Manual which was submitted to the SEC and disclosed to the PSE.	
2. Company's MCG is submitted to the SEC and PSE.	Compliant	https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf	
3. Company's MCG is posted on its company website.	Compliant		
Supplement to Recommendation 8.7			
1. Company submits to the SEC and PSE an updated MCG to disclose any changes in its corporate governance practices.	Compliant	<ul style="list-style-type: none"> The Board approved the updated Code of Conduct and Ethical Business Policy on May 8, 2018. The relevant filings and disclosures were made with the SEC and the PSE. https://www.petron.com/wp-content/uploads/2018/10/05_08_18_-_Matters_Approved_at_the_May_8_2018_Board_Meeting_.pdf <ul style="list-style-type: none"> There was no change to the Corporate Governance Manual of the Company was approved in 2019. 	

Optional: Principle 8			
<p>1. Does the company's Annual Report disclose the following information:</p>	<p>Compliant</p>	<ul style="list-style-type: none"> • 2019 SEC Form 17-A (Annual Report) https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf a. Corporate Objectives (pages 9-10) b. Financial performance indicators (pages 35-43, "Management's Discussion and Analysis of Financial Position and Financial Performance") c. Non-financial performance indicators (pages 6-9) d. Dividend Policy (page 30) e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors (pages 49-54) f. Attendance details of each director in all directors meetings held during the year (page 54-55) 	

		<ul style="list-style-type: none"> 2019 Glossy Annual Report https://www.petron.com/wp-content/uploads/2020/06/2019-Petron-Annual-Report-FINAL.pdf 	
a. Corporate Objectives	Compliant	a. Corporate Objectives (pages 1-9)	
b. Financial performance indicators	Compliant	b. Financial performance indicators (pages 66-67, "Financial Highlights")	
c. Non-financial performance indicators	Compliant	c. Non-financial performance indicators (pages 19-47, "We Consistently Aim for Refinery Optimization," "We Improve Every Aspect of Our Supply Chain," "We Take Care of our People," "We are Making a Difference in Malaysia," "We Take the Lead in Caring for the Community," and "Fulfilling our Mission")	
d. Dividend Policy	Compliant	d. Dividend Policy (page 54, "Right to Dividends" under "Corporate Governance")	
e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors	Compliant	e. Biographical details (at least age, academic qualifications, date of first appointment, relevant experience, and other directorships in listed companies) of all directors (page 48-51, "Board of Directors")	
f. Attendance details of each director in all directors meetings held during the year	Compliant	f. Attendance details of each director in all directors meetings held during the year (pages 57-58, "Meetings and Seminars Attended" under "Corporate Governance.")	

g. Total remuneration of each member of the board of directors	Not Compliant		<p>The Company reported in its 2019 SEC Form 17-A (Annual Report) the aggregate compensation paid or estimated to be paid to the executive officers and directors of the Company.</p> <p><u>2019 SEC Form 17-A (Annual Report) (page 62)</u></p> <p>https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf</p>

<p>2. The Annual Report contains a statement confirming the company's full compliance with the Code of Corporate Governance and where there is non-compliance, identifies and explains reason for each such issue.</p>	<p>Non-compliant</p>		<p>The non-compliance with certain provisions of the Corporate Governance Manual is explained in various parts of this report under this "Explanation" column.</p>
<p>3. The Annual Report/Annual CG Report discloses that the board of directors conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems.</p>	<p>Non-compliant</p>		<p>It was the Audit Committee that reviewed the report by the Internal Audit Department on the adequacy and effectiveness of the internal control environment in the areas covered during the period.</p> <p><u>2019 SEC Form 17-A (Annual Report) (page 47, "Audit Committee Report")</u> https://www.petrone.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf</p>

<p>4. The Annual Report/Annual CG Report contains a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems.</p>	<p>Compliant</p>	<p>2019 SEC Form 17-A (Annual Report) (page 47, "Audit Committee Report") https://www.petrone.com/wp-content/uploads/2020/07/Petrone-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf</p> <p>2019 Glossy Annual Report (page 68, "Audit Committee Report") https://www.petrone.com/wp-content/uploads/2020/06/2019-Petrone-Annual-Report-FINAL.pdf</p>	
<p>5. The company discloses in the Annual Report the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social, economic).</p>	<p>Compliant</p>	<p>2019 SEC Form 17-A (Annual Report) (pages 19-21, "Major Risks Involved") https://www.petrone.com/wp-content/uploads/2020/07/Petrone-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf</p>	
<p>Principle 9: The company should establish standards for the appropriate selection of an external auditor, and exercise effective oversight of the same to strengthen the external auditor's independence and enhance audit quality.</p>			
<p>Recommendation 9.1</p>			
<p>1. Audit Committee has a robust process for approving and recommending the appointment, reappointment, removal, and fees of the external auditors.</p>	<p>Compliant</p>	<p>Audit Committee Charter https://www.petrone.com/wp-content/uploads/2018/09/c.-Petrone-Audit-Committee-Charter.pdf</p>	

		<p>Under its Charter, the Audit Committee recommends to the Board the appointment, reappointment, removal, and fees of the external auditor.</p> <p>The endorsement of the re-appointment of R.G. Manabat & Co./KPMG ("KPMG") as external auditor for 2019 was made by the Audit Committee after having evaluated that KPMG had satisfactorily performed its duties as the Company's external auditor for 2018.</p> <p><u>2019 SEC Form 17-A (Annual Report)</u> (page 47, "Audit Committee Report") https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf</p> <p><u>2019 Glossy Annual Report</u> (page 68, "Audit Committee Report") https://www.petron.com/wp-content/uploads/2020/06/2019-Petron-Annual-Report-FINAL.pdf</p>	
<p>2. The appointment, reappointment, removal, and fees of the external auditor is recommended by the Audit Committee, approved by the Board and ratified by the shareholders.</p>	<p>Compliant</p>	<p>On August 7, 2018 and March 12, 2019, upon recommendation by the Audit Committee, the Board approved the fees of KPMG for the review of the 2018 audited financial</p>	

		<p>statements and the re-appointment of KPMG as external auditor for 2019, respectively.</p> <p>At the 2019 Annual Stockholders' Meeting, the re-appointment of KPMG as external auditor for 2019 and its fees for 2018 were ratified by the stockholders with the following votes:</p> <table> <tr> <td>For</td> <td>7,189,118,368</td> <td>76.683%</td> </tr> <tr> <td>Against</td> <td>13,372,900</td> <td>0.143%</td> </tr> <tr> <td>Abstain</td> <td>0</td> <td>0.000%</td> </tr> </table>	For	7,189,118,368	76.683%	Against	13,372,900	0.143%	Abstain	0	0.000%	
For	7,189,118,368	76.683%										
Against	13,372,900	0.143%										
Abstain	0	0.000%										
3. For removal of the external auditor, the reasons for removal or change are disclosed to the regulators and the public through the company website and required disclosures.	Not applicable since there was no change in external auditor in 2019											
Supplement to Recommendation 9.1												
1. Company has a policy of rotating the lead audit partner every five years.	Compliant	<p>Under the Corporate Governance Manual, Petron's external auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the auditing firm engaged by Petron shall be changed every five (5) years or earlier. (§2.2.5.4)</p> <p>https://www.petrone.com/wp-content/uploads/2018/09/05_29_17_-</p>										

		Petron Manual on Corporate Governance Based on 2016 SEC CG Code for PLCs as filed with SEC on May 29 2017. .pdf	
Recommendation 9.2			
<p>1. Audit Committee Charter includes the Audit Committee's responsibility on:</p> <ul style="list-style-type: none"> i. assessing the integrity and independence of external auditors; ii. exercising effective oversight to review and monitor the external auditor's independence and objectivity; and iii. exercising effective oversight to review and monitor the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. 	Compliant	<p>Audit Committee Charter ("<i>Duties and Responsibilities</i>," Item 6 on page 3) https://www.petron.com/wp-content/uploads/2018/09/c.-Petron-Audit-Committee-Charter.pdf</p>	
<p>2. Audit Committee Charter contains the Committee's responsibility on reviewing and monitoring the external auditor's suitability and effectiveness on an annual basis.</p>	Compliant	<p>Audit Committee Charter ("<i>Duties and Responsibilities</i>," Item 6 on page 3) https://www.petron.com/wp-content/uploads/2018/09/c.-Petron-Audit-Committee-Charter.pdf</p>	

--	--	--	--

Supplement to Recommendations 9.2

<p>1. Audit Committee ensures that the external auditor is credible, competent and has the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.</p>	<p>Compliant</p>	<p>Audit Committee Charter ("Duties and Responsibilities," Item 6 on page 3) https://www.petron.com/web/Media/bank/2017/c.%20Petron%20-%20Audit%20Committee%20Charter.pdf</p> <p>The assessment by the Audit Committee of the credibility and competence of the external auditor forms part of its assessment of the integrity, independence, suitability and effectiveness of such external auditor.</p>	
---	------------------	--	--

<p>2. Audit Committee ensures that the external auditor has adequate quality control procedures.</p>	<p>Compliant</p>	<p>Audit Committee Charter ("Duties and Responsibilities," Item 6 on page 3) https://www.petrone.com/wp-content/uploads/2018/09/c.-Petron-Audit-Committee-Charter.pdf</p> <p>The adequacy of the external auditor's quality control procedures forms part of the assessment by the Audit Committee of the effectiveness of such external auditor's audit process, taking into consideration relevant Philippine professional and regulatory requirements.</p>	
--	------------------	---	--

Recommendation 9.3			
1. Company discloses the nature of non-audit services performed by its external auditor in the Annual Report to deal with the potential conflict of interest.	Compliant	In 2019, KPMG provided due diligence reviews and studies for certain of the Company's projects.	
2. Audit Committee stays alert for any potential conflict of interest situations, given the guidelines or policies on non-audit services, which could be viewed as impairing the external auditor's objectivity.	Compliant	<p>The Audit Committee shall disallow any non-audit work of the external auditor that will conflict with its duties as an external auditor or may pose a threat to its independence.</p> <p>Audit Committee Charter ("Duties and Responsibilities", Item 8 on page 3) https://www.petron.com/wp-content/uploads/2018/09/c.-Petron-Audit-Committee-Charter.pdf</p>	

Supplement to Recommendation 9.3			

<p>1. Fees paid for non-audit services do not outweigh the fees paid for audit services.</p>	<p>Compliant</p>	<p>In 2019, Petron paid its external auditor KPMG the following fees:</p> <table border="1" data-bbox="1019 403 1848 917"> <thead> <tr> <th data-bbox="1019 403 1518 523"></th> <th data-bbox="1518 403 1848 523"> 2019 (in Pesos) </th> </tr> </thead> <tbody> <tr> <td data-bbox="1019 523 1518 659"> Audit fees for professional services - Annual Financial Statement¹ </td> <td data-bbox="1518 523 1848 659"> 7,000,000 </td> </tr> <tr> <td data-bbox="1019 659 1518 798"> Professional fees for due diligence and study on various internal projects </td> <td data-bbox="1518 659 1848 798"> 3,000,00 </td> </tr> <tr> <td data-bbox="1019 798 1518 917"> Professional fees for tax consulting services </td> <td data-bbox="1518 798 1848 917"> - </td> </tr> </tbody> </table>		2019 (in Pesos)	Audit fees for professional services - Annual Financial Statement ¹	7,000,000	Professional fees for due diligence and study on various internal projects	3,000,00	Professional fees for tax consulting services	-	
	2019 (in Pesos)										
Audit fees for professional services - Annual Financial Statement ¹	7,000,000										
Professional fees for due diligence and study on various internal projects	3,000,00										
Professional fees for tax consulting services	-										

--	--	--	--

Additional Recommendation to Principle 9			
1. Company's external auditor is duly accredited by the SEC under Group A category.	Compliant	<p>The Company's external auditor has the following details:</p> <ol style="list-style-type: none"> 1. <u>Audit engagement partner:</u> Mr. Darwin P. Virocel 2. <u>Accreditation number:</u> 1386-AR-1, Group A 3. <u>Date Accredited:</u> June 15, 2017 4. <u>Expiry date of accreditation:</u> June 14, 2020; and 5. <u>Name, address, contact number of the audit firm:</u> RG Manabat & Co. 9/F The KPMG Center 6787 Ayala Avenue Tel: +63 2 8885 7000 	
2. Company's external auditor agreed to be subjected to the SEC Oversight Assurance Review (SOAR) Inspection Program conducted by the SEC's Office of the General Accountant (OGA).	Compliant	R.G. Manabat/KPMG advised that it was subjected to SOAR inspection in 2019.	
Principle 10: The company should ensure that the material and reportable non-financial and sustainability issues are disclosed.			
Recommendation 10.1			

<p>1. Board has a clear and focused policy on the disclosure of non-financial information, with emphasis on the management of economic, environmental, social and governance (EESG) issues of its business, which underpin sustainability.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> • The Corporate Governance Manual sets the policy on the disclosure of non-financial information, including EESG issues (§4.10). https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf • The Company's EESG for 2019 are disclosed in the 2019 Glossy Annual Report, the 2019 SEC Form 17-A (Annual Report), and the 2020 Information Statement. • The Corporate Governance Manual sets the policy on the disclosure of non-financial information, including EESG issues (§4.10). https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf • The Company's EESG for 2019 are disclosed in the 2019 Glossy Annual Report, the 2019 SEC Form 17-A (Annual Report), and the 2020 Information Statement. <ul style="list-style-type: none"> ➤ <u>2019 Glossy Annual Report (pages 23-48)</u> <i>("We Consistently Aim for Refinery Optimization," "We Improve Every Aspect of Our Supply Chain," "We Take Care of Our People," We are Making a Difference in Malaysia," "We Take the Lead in Caring for the Community," and "Fulfilling our Mission")</i> https://www.petron.com/wp-content/uploads/2020/06/2019-Petron-Annual-Report-FINAL.pdf 	
--	------------------	--	--

		<ul style="list-style-type: none"> ➤ 2019 SEC Form 17-A (Annual Report) (pages 6-9) https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf ➤ 2020 Information Statement (pages 58-60) https://www.petron.com/wp-content/uploads/2020/04/04-28-20-Petron-Definitive-Information-Statement-2020-ASM..pdf 	
2. Company adopts a globally recognized standard/framework in reporting sustainability and non-financial issues.	Non-compliant		While the sustainability efforts of the Company are not reported in accordance with any global framework, the Company discloses the non-financial aspects of its business, including those relating to environmental, social, employee and governance matters, as measured against

			the Company's sustainability goals that form part of its business strategy.
Principle 11: The company should maintain a comprehensive and cost-efficient communication channel for disseminating relevant information. This channel is crucial for informed decision-making by investors, stakeholders and other interested users.			
Recommendation 11.1			

<p>1. Company has media and analysts' briefings as channels of communication to ensure the timely and accurate dissemination of public, material and relevant information to its shareholders and other investors.</p>	<p>Compliant</p>	<p>Among the communication channels of the Company are its regular quarterly investors' briefings and website.</p> <ul style="list-style-type: none"> • https://www.petron.com • <u>2019 Regular Quarterly Investors' Briefings Notices</u> <ul style="list-style-type: none"> ➤ https://www.petron.com/wp-content/uploads/2020/08/05-02-19-SMC-Investors-Briefing-for-2019-First-Quarter-Results-Notice..pdf ➤ https://www.petron.com/wp-content/uploads/2019/09/07-31-19-SMC-Investors-Briefing-for-2019-First-Semester-Results-Notice.-1.pdf ➤ https://www.petron.com/wp-content/uploads/2019/10/10-23-19-SMC-Investors-Briefing-for-2019-September-YTD-Results-Notice...pdf ➤ https://www.petron.com/wp-content/uploads/2020/03/03-04-20-SMC-Investors-Briefing-for-2019-Full-Year-Results-Notice..pdf • <u>2019 Regular Quarterly Investors' Briefings Materials</u> 	
--	------------------	--	--

		<ul style="list-style-type: none"> ➤ https://www.petron.com/wp-content/uploads/2020/08/05-09-19-SMC-Investors-Briefing-for-2019-First-Quarter-Results-Materials..pdf ➤ https://www.petron.com/wp-content/uploads/2019/09/08-08-19-SMC-Investors-Briefing-for-2019-First-Semester-Results-Materials..-1.pdf ➤ https://www.petron.com/wp-content/uploads/2019/11/11-07-19-SMC-Investors-Briefing-for-2019-September-YTD-Results-Materials...pdf ➤ https://www.petron.com/wp-content/uploads/2020/03/03-12-20-SMC-Investors-Briefing-for-2019-Full-Year-Results-Materials..pdf 	
--	--	--	--

Supplemental to Principle 11			
1. Company has a website disclosing up-to-date information on the following:		https://www.petron.com	
a. Financial statements/reports (latest quarterly)		a. https://www.petron.com/investor-relations/our-financial-reports/	
b. Materials provided in briefings to analysts and media		b. https://www.petron.com/investor-relations/investors-briefing/	
c. Downloadable annual report			
d. Notice of ASM and/or SSM		c. 2019 Glossy Annual Report https://www.petron.com/wp-content/uploads/2020/06/2019-Petron-Annual-Report-FINAL.pdf	
e. Minutes of ASM and/or SSM		d. Notice of meeting in 2019 Information Statement (page 3) https://www.petron.com/wp-content/uploads/2019/06/Petron-2019-Revised-Definitive-Information-Statement.pdf https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf	

f. Company's Articles of Incorporation and By-Laws		e. Minutes of 2019 ASM https://www.petron.com/wp-content/uploads/2020/08/Minutes-ASM-dated-May-21-2019.pdf f. <ul style="list-style-type: none"> ➤ https://www.petron.com/wp-content/uploads/2018/10/Petron_-_Amended_Articles_of_Incorporation_Approved_by_the_SEC_on_July_6_2015.pdf ➤ https://www.petron.com/wp-content/uploads/2018/10/Amended-By-Laws-as-of-11.29.11.pdf 	
Additional Recommendation to Principle 11			
1. Company complies with SEC-prescribed website template.	Compliant	https://www.petron.com	
Internal Control System and Risk Management Framework			
Principle 12: To ensure the integrity, transparency and proper governance in the conduct of its affairs, the company should have a strong and effective internal control system and enterprise risk management framework.			
Recommendation 12.1			
1. Company has an adequate and effective internal control system in the conduct of its business.	Compliant	<ul style="list-style-type: none"> • The Company's Audit Plan (that includes a process review covering risk/control assessment for approved audit projects) is 	

		<p>based on company risks for five (5) years and regularly reviewed annually.</p> <ul style="list-style-type: none"> • Among the 2019 audit projects pursuant to the approved audit plan were the reviews of the following: <ul style="list-style-type: none"> ➤ select terminals/depots/refilling plants; ➤ Subic additives manufacturing plant; ➤ crude importation and vessel chartering process; ➤ Petron Customer Interaction Center; ➤ Treats store cash count and collections process; and ➤ Refinery coriolis flow meter calibration process (for measuring incoming crude quantities). 	
<p>a. Company has an adequate and effective enterprise risk management framework in the conduct of its business.</p>	<p>Compliant</p>	<p>The Company's risk management framework and process are discussed in the 2019 SEC Form 17-A (Annual Report).</p> <p><u>2019 SEC Form 17-A (Annual Report) (pages 19-21)</u> https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf</p>	

Supplement to Recommendations 12.1			
<p>1. Company has a formal comprehensive enterprise-wide compliance program covering compliance with laws and relevant regulations that is annually reviewed. The program includes appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.</p>	<p>Compliant</p>	<p>The Board approved on May 8, 2018 the Company's updated Code of Conduct and Ethical Business Policy.</p> <p>Pursuant to the Company's policy of good corporate citizenship and compliance with laws under its Code of Conduct and Ethical Business Policy, all directors, officers and employees are mandated to know, respect and comply with applicable laws, rules and regulations in all places where the Company conducts its business. The Code of Conduct and Ethical Business Policy forms parts of the orientation of new employees.</p> <p>Anyone with information or knowledge of any violation of the Code of Conduct and Ethical Business Policy is required to report such matter to his/her Department Head, any Vice President, the Human Resources Management Department, the Internal Audit Department or the General Counsel.</p> <p><u>Code of Conduct and Ethical Business Policy</u> (page 1)</p>	

		<p>https://www.petron.com/wp-content/uploads/2018/09/Petron-Code-of-Conduct-and-Ethical-Business-Policy-adopted-5.8.18.pdf</p> <p>This Code of and Ethical Business Policy forms part of the orientation program of all new employees of the Company and is accessible in the Petron website and intranet <i>Pethub</i>.</p>	
Optional: Recommendation 12.1			
<p>1. Company has a governance process on IT issues including disruption, cyber security, and disaster recovery, to ensure that all key risks are identified, managed and reported to the board.</p>			
Recommendation 12.2			
<p>1. Company has in place an independent internal audit function that provides an independent and objective assurance,</p>	Compliant	<p>The Company has its Internal Audit Department led by Mr. Ronald T. Ferrer, Assistant Vice President – Internal Audit.</p>	

<p>and consulting services designed to add value and improve the company's operations.</p>			
--	--	--	--

Recommendation 12.3

<p>1. Company has a qualified Chief Audit Executive (CAE) appointed by the Board.</p>	<p>Compliant</p>	<p>The Company has its Internal Audit Department led by Mr. Ronald T. Ferrer, Assistant Vice President - Internal Audit first appointed by the Board on August 8, 2017, upon the endorsement of the Audit Committee.</p> <p>He was re-appointed by the Board on May 21, 2019, upon the endorsement of the Audit Committee.</p> <p>Mr. Ferrer is a certified public accountant and a certified internal auditor (certified by The Institute of Internal Auditors, Inc., USA). His duties are set out in the Corporate Governance Manual and the Internal Audit Charter.</p> <p><u>SEC Form 17-C on the Board appointment of Mr. Ferrer</u> https://www.petron.com/wp-content/uploads/2019/06/05-21-19-Results-of-Organizational-Meeting-Held-on-May-21-2019..pdf</p> <p><u>Corporate Governance Manual (§2.2.6.2)</u> https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017..pdf</p> <p><u>Internal Audit Charter</u> https://www.petron.com/wp-content/uploads/2018/09/Petron-Internal-Audit-Charter.pdf</p>	
---	------------------	--	--

<p>2. CAE oversees and is responsible for the internal audit activity of the organization, including that portion that is outsourced to a third party service provider.</p>	<p>Compliant</p>	<p>Petron's Internal Audit Group Head oversees and is responsible for the internal audit activity of the organization, including any portion that may be outsourced to a third party service provider.</p> <p><u>Corporate Governance Manual (§2.2.6.2)</u> https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p>	
<p>3. In case of a fully outsourced internal audit activity, a qualified independent executive or senior management personnel is assigned the responsibility for managing the fully outsourced internal audit activity.</p>	<p>Not applicable since Petron has its own Internal Audit Department</p>		
<p>Recommendation 12.4</p>			
<p>1. Company has a separate risk management function to identify, assess and monitor key risk exposures.</p>	<p>Non-compliant</p>		<p>As Petron's operation is an integrated value chain, risks emanate from every process and some can cut across divisions. The results of these activities flow up to the Management Committee and eventually the Board through the Company's annual business plan presented to and approved by the Board.</p>

			<p>The Company's risk management framework, process and strategies are discussed in the 2019 SEC Form 17-A (Annual Report), pages 19-21.</p> <p>https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf</p>
Supplement to Recommendation 12.4			
<p>1. Company seeks external technical support in risk management when such competence is not available internally.</p>	<p>Not applicable in 2019 since the need therefor did not arise.</p>		

--	--	--	--

Recommendation 12.5

<p>1. In managing the company's Risk Management System, the company has a Chief Risk Officer (CRO), who is the ultimate champion of Enterprise Risk Management (ERM).</p>	<p>Non-compliant</p>		<p>As Petron's operation is an integrated value chain, risks emanate from every process and some can cut across divisions. The results of these activities flow up to the Management Committee and eventually the Board through the Company's annual business plan presented to and approved by the Board.</p> <p>The Company's risk management framework, process and strategies are discussed in the 2019 SEC Form 17-A (Annual Report), pages 19-21.</p> <p>https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf</p>
<p>2. CRO has adequate authority, stature, resources and support to fulfill his/her responsibilities.</p>	<p>Non-compliant</p>		

Additional Recommendation to Principle 12			
<p>1. Company's Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.</p>	<p>Non-compliant</p>		<p>It was the Audit Committee that issued a signed report confirming that it reviewed the report by the Internal Audit Department on the adequacy and effectiveness of the internal control environment in the areas covered during the period.</p> <p><u>2019 SEC Form 17-A (Annual Report)</u> (page 47, "Audit Committee Report") https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf</p>

Cultivating a Synergic Relationship with Shareholders

Principle 13: The company should treat all shareholders fairly and equitably, and also recognize, protect and facilitate the exercise of their rights.

Recommendation 13.1

<p>1. Board ensures that basic shareholder rights are disclosed in the Manual on Corporate Governance.</p>	<p>Compliant</p>	<p>Petron's Corporate Governance Manual sets forth shareholders' rights.</p> <p><u>Corporate Governance Manual (§ 5.1)</u> https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p>	
<p>2. Board ensures that basic shareholder rights are disclosed on the company's website.</p>		<p>Petron's Corporate Governance Manual which sets forth shareholders' rights is posted in the company website.</p> <p><u>Corporate Governance Manual (§ 5.1)</u> https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p>	
<p>1. Company's common share has one vote for one share.</p>	<p>Compliant</p>	<p>The By-laws specifically provide that each stockholder is generally entitled to vote for each share held by such stockholder.</p> <p><u>By-laws (Article II, §8)</u> https://www.petron.com/wp-content/uploads/2018/10/Amended-By-Laws-as-of-11.29.11.pdf</p>	

<p>2. Board ensures that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.</p>	<p>Compliant</p>	<p>The Company presently has outstanding common and preferred shares.</p> <p>Each common share is entitled to one vote. Preferred shareholders have no voting rights except under instances provided under the Corporation Code, as follows (i) the amendment of the Company's articles of incorporation or the By-laws; (ii) sale, lease, exchange, mortgage, pledge or other disposition of all or a substantial part of the Company's assets; (iii) incurring, creating or increasing bonded indebtedness; (iv) increase or decrease of capital stock; (v) merger or consolidation of the Company with another corporation or corporations; (vi) investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the Company was organized; and (vii) dissolution of the Company.</p>	
<p>3. Board has an effective, secure, and efficient voting system.</p>	<p>Compliant</p>	<p>The voting procedure is discussed in the rationale for agenda items appended to the notice of meeting in the 2019 Information Statement.</p> <p><u>2019 Information Statement</u> <u>(Rationale for agenda items, page 4-6)</u></p> <p><u>https://www.petron.com/wp-content/uploads/2019/06/Petron-2019-Revised-Definitive-Information-Statement.pdf</u></p>	

		https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf	
4. Board has an effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.	Compliant	<p>Under the Corporate Governance Manual, a supermajority affirmative vote of at least 2/3 of the total issued and outstanding common capital stock of the Company is required for the removal of a director, with or without cause.</p> <p><u>Corporate Governance Manual (§5.1.1.3)</u> https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p>	

<p>5. Board allows shareholders to call a special shareholders' meeting and submit a proposal for consideration or agenda item at the AGM or special meeting.</p>	<p>Compliant</p>	<p>The Corporate Governance Manual and the By-laws specifically provide that special meetings may be called upon request by stockholders owning or representing at least 20% of the outstanding capital stock for the purposes stated in their request.</p> <p><u>Corporate Governance Manual (§5.1.1.2)</u> https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p> <p><u>By-laws (Article II, §3)</u> https://www.petron.com/wp-content/uploads/2018/10/Amended-By-Laws-as-of-11.29.11.pdf</p>	
<p>6. Board clearly articulates and enforces policies with respect to treatment of minority shareholders.</p>	<p>Compliant</p>	<p>The Corporate Governance Manual sets out the policy of respecting the rights of minority interests.</p> <p><u>Corporate Governance Manual (§5.1.1)</u> https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p>	

<p>7. Company has a transparent and specific dividend policy.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> The Company's dividend policy is discussed in the 2019 Information Statement and the 2019 SEC Form 17-A (Annual Report). <p><u>2019 Information Statement (page 74)</u> https://www.petron.com/wp-content/uploads/2019/06/Petron-2019-Revised-Definitive-Information-Statement.pdf</p> <p>https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf</p> <p><u>2019 SEC Form 17-A (Annual Report) (page 30)</u> https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf</p> <ul style="list-style-type: none"> In 2019, the cash dividends declared for common shares on March 12, 2019 were paid out on April 11, 2019. <p>The cash dividends in 2019 declared and paid for the preferred shares are described in the 2020 Information Statement.</p> <p><u>2020 Information Statement (page 30)</u> https://www.petron.com/wp-content/uploads/2020/04/04-28-20-Petron-Definitive-Information-Statement-2020-ASM..pdf</p>	
---	------------------	---	--

--	--	--	--

Optional: Recommendation 13.1			
1. Company appoints an independent party to count and/or validate the votes at the Annual Shareholders' Meeting.	Compliant	The canvassing of votes at the 2019 annual stockholders' meeting was undertaken by SMC Stock Transfer Services Corporation, the Company's stock transfer agent.	
Recommendation 13.2			
1. Board encourages active shareholder participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least 28 days before the meeting.	Compliant	<p>The notice of the 2019 annual stockholders' meeting, together with the agenda and rationale for the agenda items, formed part of the 2019 Information Statement whose delivery commenced on April 8, 2019, <u>43 days before</u> the May 21, 2019 meeting.</p> <p><u>2019 Information Statement</u> <u>(Notice, Agenda and Rationale for Agenda Items on pages 3-6)</u> https://www.petron.com/wp-content/uploads/2019/06/Petron-2019-Revised-Definitive-Information-Statement.pdf</p> <p>https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf</p>	

Supplemental to Recommendation 13.2			
1. Company's Notice of Annual Stockholders' Meeting contains the following information:	Compliant	The notice of the 2019 annual shareholders' meeting of the Company, together with a discussion of the rationale for each agenda item, formed part of the 2018 Information Statement. <u>2019 Information Statement (Notice, Agenda and Rationale for Agenda Items on pages 3-6)</u> https://www.petron.com/wp-content/uploads/2019/06/Petron-2019-Revised-Definitive-Information-Statement.pdf https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf	
a. The profiles of directors (i.e., age, academic qualifications, date of first appointment, experience, and directorships in other listed companies)	Compliant	<u>2019 Information Statement (pages 14-19)</u> https://www.petron.com/wp-content/uploads/2019/06/Petron-2019-Revised-Definitive-Information-Statement.pdf https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf	
b. Auditors seeking appointment/re-appointment	Compliant	<u>2019 Information Statement (page 6 "Appointment of an External Auditor for 2019")</u>	

		https://www.petron.com/wp-content/uploads/2019/06/Petron-2019-Revised-Definitive-Information-Statement.pdf https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf	
c. Proxy documents	Compliant	<u>2019 Information Statement</u> <u>(page 7 “Sample Proxy Form”)</u> https://www.petron.com/wp-content/uploads/2019/06/Petron-2019-Revised-Definitive-Information-Statement.pdf https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf	
Optional: Recommendation 13.2			

<p>1. Company provides rationale for the agenda items for the annual stockholders meeting</p>	<p>Compliant</p>	<p>The rationale for each agenda item accompanied the notice of the 2019 annual shareholders' meeting of the Company, with both documents forming part of the 2019 Information Statement.</p> <p><u>2019 Information Statement</u> <u>(Notice, Agenda and Rationale for Agenda Items</u> <u>on pages 3-6)</u> https://www.petron.com/wp-content/uploads/2019/06/Petron-2019-Revised-Definitive-Information-Statement.pdf https://www.petron.com/wp-content/uploads/2019/06/Petron-Definitive-Information-Statement-2019-SEC-Form-20-IS-as-filed-with-SEC-on-March-25-2019.pdf</p>	
<p>Recommendation 13.3</p>			

<p>1. Board encourages active shareholder participation by making the result of the votes taken during the most recent Annual or Special Shareholders' Meeting publicly available the next working day.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> The vote canvassing results of the Company's 2019 annual stockholders' meeting was attached to the SEC Form 17-C disclosed to the PSE immediately after the meeting. <p><u>SEC Form 17-C (Annual Stockholders' Meeting Results) Vote Canvassing Results</u> https://www.petron.com/wp-content/uploads/2019/06/05-21-19-Results-of-Annual-Stockholders-Meeting-Held-on-May-21-2019..pdf</p> <ul style="list-style-type: none"> During the 2019 annual stockholders' meetings, stockholders were given the opportunity to ask Management their questions. <p><u>Minutes of the 2019 Annual Stockholders' Meetings (Question and Answer, pages 8-11)</u> https://www.petron.com/wp-content/uploads/2020/08/Minutes-ASM-dated-May-21-2019.pdf</p>	
<p>2. Minutes of the Annual and Special Shareholders' Meetings were available on the company website within five business days from the end of the meeting.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> The draft minutes of the 2019 annual stockholders' meeting held on May 21, 2019 was posted on the company website within five (5) days. The minutes of the 2019 meeting were approved at the 2020 annual stockholders' meeting. <p><u>https://www.petron.com/wp-content/uploads/2020/08/Minutes-ASM-dated-May-21-2019.pdf</u></p> <ul style="list-style-type: none"> The minutes indicated the voting results for all agenda items, including the approving, dissenting and abstaining votes. Voting was not done by poll. 	

		<ul style="list-style-type: none"> The minutes also documented the questions and answers during the open forum of the meeting. 	
Supplement to Recommendation 13.3			
<p>1. Board ensures the attendance of the external auditor and other relevant individuals to answer shareholders questions during the ASM and SSM.</p>	Compliant	<p>KPMG was present during the 2019 annual stockholders' meeting, as evidenced by the minutes of the meeting.</p> <p>2019 Annual Stockholders' Meeting Minutes https://www.petrone.com/wp-content/uploads/2020/08/Minutes-ASM-dated-May-21-2019.pdf</p>	

Recommendation 13.4			
<p>1. Board makes available, at the option of a shareholder, an alternative dispute mechanism to resolve intra-corporate disputes in an amicable and effective manner.</p>	<p>Compliant</p>	<p>It is the policy of the Company under the Corporate Governance Manual that concerns of stockholders and potential disputes between the Company and stockholders be addressed, including through the use of alternative modes of dispute resolution.</p>	

		<p>In practice, queries and concerns of stockholders generally related to dividend payments and account status are coursed through, and addressed by, the Office of the Corporate Secretary or SMC Stock Transfer Services Corporation, the Company's stock transfer agent.</p>	
<p>2. The alternative dispute mechanism is included in the company's Manual on Corporate Governance.</p>	<p>Compliant</p>	<p>It is the policy of the Company under the Corporate Governance Manual that concerns of stockholders and potential disputes between the Company and stockholders be addressed, including through the use of alternative modes of dispute resolution.</p> <p><u>Corporate Governance Manual (§5.1.8)</u> https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p>	

Recommendation 13.5			
<p>1. Board establishes an Investor Relations Office (IRO) to ensure constant engagement with its shareholders.</p>	<p>Compliant</p>	<p>Petron has an Investor Relations Office, with the following details:</p> <ul style="list-style-type: none"> 1. Mr. Erich Y. Pe Lim, Investor Relations Manager 2. Telephone number: (632) 8884-9200 3. Fax number: (632) 8884-0964 4. E-mail address: eypelim@petron.com <p>In addition, Petron has engaged a stock transfer service provider for shareholder service and assistance, with the following details:</p> <ul style="list-style-type: none"> 1. SMC Stock Transfer Services Corporation 2. Telephone number: (632) 8632-3450 to 52 3. Fax number: (632) 8632-3535 4. E-mail address: smc_stsc@sanmiguel.com.ph 	

2. IRO is present at every shareholder's meeting.	Compliant	<p>The Investor Relations Office, represented by Mr. Erich Y. Pe Lim, was present during the 2019 annual stockholders' meeting, as evidenced by the minutes of the meeting.</p> <p>2019 Annual Stockholders' Meeting Minutes https://www.petron.com/wp-content/uploads/2020/08/Minutes-ASM-dated-May-21-2019.pdf</p>	
Supplemental Recommendations to Principle 13			
1. Board avoids anti-takeover measures or similar devices that may entrench ineffective management or the existing controlling shareholder group	Compliant	The Company has not adopted anti-takeover measures.	

<p>2. Company has at least thirty percent (30%) public float to increase liquidity in the market.</p>	<p>Non-compliant</p>		<p>The Company's public float as of December 31, 2019 was 26.73%.</p> <p>While it does not result in increased liquidity in the market, the number of stockholders of the Company (almost 146,000) shows the Company's diversified investor base and dispersed shareholdings.</p>
<p>Optional: Principle 13</p>			
<p>1. Company has policies and practices to encourage shareholders to engage with</p>		<p>Disclose or provide link/reference to policies and practices to encourage shareholders' participation beyond ASM</p>	

the company beyond the Annual Stockholders' Meeting			
2. Company practices secure electronic voting in absentia at the Annual Shareholders' Meeting.		Disclose the process and procedure for secure electronic voting in absentia, if any.	

--	--	--	--

Duties to Stakeholders

Principle 14: The rights of stakeholders established by law, by contractual relations and through voluntary commitments must be respected. Where stakeholders' rights and/or interests are at stake, stakeholders should have the opportunity to obtain prompt effective redress for the violation of their rights.

Recommendation 14.1

<p>1. Board identifies the company's various stakeholders and promotes cooperation between them and the company in creating wealth, growth and sustainability.</p>	<p>Compliant</p>	<p>Petron's identified stakeholders include its shareholders, employees, contractors, business partners, customers, suppliers, surrounding communities, and government.</p> <p><u>Sustainability Efforts</u> https://www.petron.com/petron-foundation-inc/#</p> <p>https://www.petron.com/petron-foundation-inc/sustainable-development/</p> <p><u>Non-financial performance indicators and 2019 Sustainability Programs</u> https://www.petron.com/petron-foundation-inc/#</p> <p>https://www.petron.com/petron-foundation-inc/sustainable-development/</p>	
--	------------------	--	--

		<p>2020 Information Statement (pages 58-61) https://www.petron.com/wp-content/uploads/2020/04/04-28-20-Petron-Definitive-Information-Statement-2020-ASM..pdf</p> <p>2019 SEC Form 17-A Annual Report with Sustainability Report https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf</p>	
<p>Recommendation 14.2</p>			

<p>1. Board establishes clear policies and programs to provide a mechanism on the fair treatment and protection of stakeholders.</p>	<p>Compliant</p>	<p>The Corporate Governance Manual sets out the policy that the Company's stakeholders be protected and treated fairly.</p> <p><u>Corporate Governance Manual (§5.2)</u> https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p> <p><u>Sustainable Development</u></p> <p>https://www.petron.com/petron-foundation-inc/sustainable-development/ https://www.petron.com/petron-foundation-inc/</p> <p><u>Stakeholder Programs</u></p> <ul style="list-style-type: none"> • <u>2019 Glossy Annual Report (pages 23-48)</u> <i>("We Consistently Aim for Refinery Optimization," "We Improve Every Aspect of Our Supply Chain," "We Take Care of Our People," We are Making a Difference in Malaysia," "We Take the Lead in Caring for the Community," and "Fulfilling our Mission")</i> https://www.petron.com/wp-content/uploads/2020/06/2019-Petron-Annual-Report-FINAL.pdf • <u>2020 Information Statement (pages 58-61)</u> https://www.petron.com/wp-content/uploads/2020/04/04-28-20-Petron-Definitive-Information-Statement-2020-ASM..pdf 	
--	------------------	--	--

		<ul style="list-style-type: none"> • 	
Recommendation 14.3			
<p>1. Board adopts a transparent framework and process that allow stakeholders to communicate with the company and to</p>	<p>Compliant</p>	<ul style="list-style-type: none"> • The Company maintains several communication channels through which it can be reached by stakeholders. <p><u>For investor and shareholder concerns</u></p>	

<p>obtain redress for the violation of their rights.</p>		<p>Investor Relations Office:</p> <ol style="list-style-type: none"> 1. Mr. .Erich Y. Pe Lim, Investor Relations Manager 2. Telephone number: (632) 8884-9200 3. Fax number: (632) 8884-0964 4. E-mail address: eypelim@petron.com <p>Stock Transfer Service:</p> <ol style="list-style-type: none"> 1. SMC Stock Transfer Services Corporation 2. Telephone number: (632) 8632-3450 to 52 3. Fax number: (632) 8632-3535 4. E-mail address: smc_stsc@sanmiguel.com.ph <p><u>For customer and other stakeholder concerns</u></p> <p>Type: TALK2US (space) (message) and SEND to 0977-8-738766 Feedback Hotline: #PETRON (#738766) Email: talk2us@petron.com</p> <p><u>For data protection matters</u></p> <p>Data Protection Officer Telephone: (632) 8884-9200 Email: dataprotectionofficer@petron.com</p>	
--	--	--	--

		<p><u>Social media accounts</u></p> <p>www.facebook.com/PetronCorporation www.twitter.com/Petron_Corp www.instagram.com/petroncorporation/</p> <p>Petron also has a Whistleblowing Policy that facilitates the reporting by directors, officers, employees and other interested parties about wrongdoings or questionable practices. https://www.petron.com/wp-content/uploads/2018/09/Whistleblowing-Policy.pdf</p>	
Supplement to Recommendation 14.3			
<p>1. Company establishes an alternative dispute resolution system so that conflicts and differences with key stakeholders are settled in a fair and expeditious manner.</p>	<p>Compliant</p>	<p>The Company encourages the use of any alternative mode of dispute resolution that can amicably settle conflicts or differences between the Company and - not only its shareholders - but third parties as well (including regulatory agencies).</p> <p><u>Corporate Governance Manual (§2.2.1.2(o))</u> https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p>	
Additional Recommendations to Principle 14			

<p>1. Company does not seek any exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. If an exemption was sought, the company discloses the reason for such action, as well as presents the specific steps being taken to finally comply with the applicable law, rule or regulation.</p>	<p>Compliant</p>	<p>In 2019, the Company did not make any request for exemption under the application of any corporate governance law or regulation.</p>	
<p>2. Company respects intellectual property rights.</p>	<p>Compliant</p>	<p>Under the Code of Conduct and Ethical Business Policy, directors, officers and employees are responsible for the protection of all intellectual property, both owned by and licensed to Petron. Further, all licensed intellectual property is mandated to be protected in accordance with the relevant licensing agreements.</p> <p><u>Code of Conduct and Ethical Business Policy (§5.5)</u> <u>https://www.petron.com/wp-content/uploads/2018/09/Petron-Code-of-Conduct-and-Ethical-Business-Policy-adopted-5.8.18.pdf</u></p>	

--	--	--	--

Optional: Principle 14

<p>1. Company discloses its policies and practices that address customers' welfare</p>	<p>Compliant</p>	<ul style="list-style-type: none"> Under the Code of Conduct and Ethical Business Policy, Petron is committed to deal openly and honestly with its customers and to supply goods and services of the highest quality standards, backed by efficient after sales service consistent with the requirements of its customers to ensure their total satisfaction. <p><u>Code of Conduct and Ethical Business Policy §2, 3 and 4)</u> https://www.petron.com/wp-content/uploads/2018/09/Petron-Code-of-Conduct-and-Ethical-Business-Policy-adopted-5.8.18.pdf Petron has <i>Talk 2 Us</i> details in its website and maintains various social media accounts as touchpoints for customers.</p> <p><u>Talk 2 Us</u></p> <p>Type: TALK2US (space) (message) and SEND to 0977-8-738766 Feedback Hotline: #PETRON (#738766) Email: talk2us@petron.com</p> <p><u>www.facebook.com/PetronCorporation</u> <u>www.twitter.com/Petron_Corp</u> <u>www.instagram.com/petroncorporation/</u></p>	
--	------------------	---	--

<p>2. Company discloses its policies and practices that address supplier/contractor selection procedures</p>		<p>The Company deals only with licensed, reputable, reliable, competent and responsible suppliers who passed the pre-qualification requirements of the Company. Among the procedures required under the Company's Supplier Management Policies and Guidelines are (i) pre-screening/pre-qualification based on the need for the supplier product lines, (ii) evaluation of all applications for accreditation based on the results of the legal, financial and technical evaluations, and (iii) endorsement of the formal accreditation of supplier-applicants which satisfactorily passed the pre-screening and evaluation stages.</p>	
--	--	---	--

Principle 15: A mechanism for employee participation should be developed to create a symbiotic environment, realize the company's goals and participate in its corporate governance processes.

Recommendation 15.1

<p>1. Board establishes policies, programs and procedures that encourage employees to actively participate in the realization of the company's goals and in its governance.</p>	<p>Compliant</p>	<p>Under the Corporate Governance Manual, Petron is required to develop and maintain mechanisms for active employee participation to create a symbiotic environment, and encourage employee involvement in corporate governance processes and in the realization of the Corporation's goals.</p> <p><u>Corporate Governance Manual (§5.2.4)</u> https://www.petron.com/wp-content/uploads/2018/09/05_29_17_-_Petron_Manual_on_Corporate_Governance_Based_on_2016_SEC_CG_Code_for_PLCs_as_filed_with_SEC_on_May_29_2017_.pdf</p> <p><u>Engaging Petron Employees/Employee Volunteerism</u></p> <ul style="list-style-type: none"> • <u>2019 Glossy Annual Report</u> (pages 23-48, "We Consistently Aim for Refinery Optimization," "We Improve Every Aspect of Our Supply Chain," "We Take Care of Our People," "We are Making a Difference in Malaysia," "We Take the Lead in Caring for the Community," and "Fulfilling our Mission") https://www.petron.com/wp-content/uploads/2020/06/2019-Petron-Annual-Report-FINAL.pdf • 2019 SEC Form 17-A (Annual Report) (pages 7-9, "Corporate Social Responsibility"; "Sustainability Report") 	
---	------------------	--	--

		https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf <ul style="list-style-type: none"> • https://www.petron.com/petron-foundation-inc/ 	
Supplement to Recommendation 15.1			
1. Company has a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures.	Non-compliant		The Company's Rewarding Excellence through Alternative Pay program is a variable component of the total compensation package of employees that aims to provide contingent financial incentives linked

			with the Company's financial performance and individual or group performance.
--	--	--	---

<p>2. Company has policies and practices on health, safety and welfare of its employees.</p>	<p>Compliant</p>	<p>Petron has policies and programs on the health, safety and welfare of its employees.</p> <ul style="list-style-type: none"> • <u>Sustainability Policy</u> https://www.petron.com/petron-foundation-inc/sustainable-development/ • <u>Code of Conduct and Ethical Business Policy (§4)</u> https://www.petron.com/wp-content/uploads/2018/09/Petron-Code-of-Conduct-and-Ethical-Business-Policy-adopted-5.8.18.pdf • <u>2019 Glossy Annual Report</u> (pages 28-29, "We Take Care of our People") https://www.petron.com/wp-content/uploads/2019/05/Petron-AR-2018.pdf • 2019 SEC Form 17-A (Annual Report) (pages 6-7, "Human Resources"; "Health, Safety and Environment") 	
--	------------------	--	--

<p>3. Company has policies and practices on training and development of its employees.</p>	<p>Compliant</p>	<p>Petron has policies and programs on personnel development programs.</p> <ul style="list-style-type: none"> • <u>2019 Glossy Annual Report</u> (pages 29-30, "We Take Care of Our People") https://www.petron.com/wp-content/uploads/2020/06/2019-Petron-Annual-Report-FINAL.pdf • 2019 SEC Form 17-A (Annual Report) (page 6, "Human Resources; "Sustainability Report") https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf 	
Recommendation 15.2			
<p>1. Board sets the tone and makes a stand against corrupt practices by adopting an anti-corruption policy and program in its Code of Conduct.</p>	<p>Compliant</p>	<p>The Board approved on May 8, 2018 the Company's updated Code of Conduct and Ethical Business Policy which specifically sets out a policy against the solicitation and/or receipt or offer and/or making of illegal payments to obtain favors for the Company.</p> <p><u>Code of Conduct and Ethical Business Policy (§5.2 and 5.3)</u> https://www.petron.com/wp-content/uploads/2018/09/Petron-Code-of-Conduct-and-Ethical-Business-Policy-adopted-5.8.18.pdf</p>	
<p>2. Board disseminates the policy and program to employees across the organization through trainings to embed them in the company's culture.</p>	<p>Compliant</p>	<p>The Code of Conduct and Ethical Business Policy of the Company forms part of the materials provided to first-time directors and the orientation program for new employees.</p>	

		Further, a copy is accessible by Petron officers and employees in the Petron intranet <i>Pethub</i> .	
Supplement to Recommendation 15.2			

<p>1. Company has clear and stringent policies and procedures on curbing and penalizing employee involvement in offering, paying and receiving bribes.</p>	<p>Compliant</p>	<ul style="list-style-type: none"> The Code of Conduct and Ethical Business Policy of the Company specifically sets out a policy against the solicitation and/or receipt or offer and/or making of illegal payments to obtain favors for the Company. <p><u>Code of Conduct and Ethical Business Policy (§5.2 and 5.3)</u> https://www.petron.com/wp-content/uploads/2018/09/Petron-Code-of-Conduct-and-Ethical-Business-Policy-adopted-5.8.18.pdf</p> <ul style="list-style-type: none"> The Code of Conduct and Ethical Business Policy of the Company further specifically states that a violation of the code may subject a director, officer or employee to disciplinary measures that may include counseling, reprimand, suspension and/or termination under applicable company rules and policies, in addition to any civil or criminal liability under existing laws and regulations. <p><u>Code of Conduct and Ethical Business Policy (§14)</u> https://www.petron.com/wp-content/uploads/2018/09/Petron-Code-of-Conduct-and-Ethical-Business-Policy-adopted-5.8.18.pdf</p> <ul style="list-style-type: none"> Atty. Joel Angelo C. Cruz, in his capacity as Vice President – General Counsel and Compliance Officer, hereby certifies that the Company Rules and Regulations on Discipline specifically provide the penalty of up to the dismissal of any employee who is found, after due investigation, to have committed bribery. 	
--	------------------	--	--

		<ul style="list-style-type: none">• The Code of Conduct and Ethical Business Policy and the Company Rules and Regulations on Discipline form part of the orientation program of new employees to ensure that they are aware of the strict policy of the Company against bribery.	
--	--	--	--

Recommendation 15.3

<p>1. Board establishes a suitable framework for whistleblowing that allows employees to freely communicate their concerns about illegal or unethical practices, without fear of retaliation</p>	<p>Compliant</p>	<p>Petron's Whistleblowing Policy facilitates the reporting by directors, officers, employees and other interested parties about wrongdoings or questionable practices, without fear of retaliation. The policy sets out the procedure for reporting, including keeping the files confidential as one measure to curb retaliation and incentivize whistle-blowing.</p> <p>https://www.petron.com/wp-content/uploads/2018/09/Whistleblowing-Policy.pdf</p>	
<p>2. Board establishes a suitable framework for whistleblowing that allows employees to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.</p>	<p>Compliant</p>	<p>Under Petron's Whistleblowing Policy, reported wrongdoings or questionable practices are handled by the Petron Audit Committee, which determines whether any action or response is necessary or appropriate in respect of a report.</p> <p>https://www.petron.com/wp-content/uploads/2018/09/Whistleblowing-Policy.pdf</p>	

<p>3. Board supervises and ensures the enforcement of the whistleblowing framework.</p>	<p>Compliant</p>	<p>The disposition of whistle-blowing cases is vested in the Audit Committee. The Audit Committee is tasked to generally report to the Board all the decisions and recommendations made by it, which would include any whistle-blowing case it has handled.</p> <p>https://www.petrone.com/wp-content/uploads/2018/09/Whistleblowing-Policy.pdf</p>	
<p>Principle 16: The company should be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development.</p>			
<p>Recommendation 16.1</p>			
<p>1. Company recognizes and places importance on the interdependence between business and society, and promotes a mutually beneficial relationship that allows the company to grow its business, while contributing to the advancement of the society where it operates.</p>	<p>Compliant</p>	<p>Petron practices sustainable development. The Company keeps step with both international and government standards in its internal operations as well as our external impact to society.</p> <ul style="list-style-type: none"> • https://www.petrone.com/petrone-foundation-inc/sustainable-development/ • <u>2019 Glossy Annual Report</u> (pages 23-48, “We Consistently Aim for Refinery Optimization,” “We Improve Every Aspect of Our Supply Chain,” “We Take Care of Our People,” “We are Making a Difference in Malaysia,” “We Take the Lead in Caring for the Community,” and “Fulfilling our Mission”) https://www.petrone.com/wp-content/uploads/2020/06/2019-Petrone-Annual-Report-FINAL.pdf 	

		<ul style="list-style-type: none"> 2019 SEC Form 17-A (Annual Report) (pages 7-9, "Corporate Social Responsibility"; "Sustainability Report") https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf 	
Optional: Principle 16			
1. Company ensures that its value chain is environmentally friendly or is consistent with promoting sustainable development	Compliant	<p>Throughout its value chain, Petron maintains the highest standards in process quality, workplace safety and environmental management and promotes sustainable development.</p> <ul style="list-style-type: none"> https://www.petron.com/petron-foundation-inc/sustainable-development/ 2019 Glossy Annual Report (pages 23-48, "We Consistently Aim for Refinery Optimization," " We Improve Every Aspect of Our Supply Chain," "We Take Care of Our People," We are Making a Difference in Malaysia," "We Take the Lead in Caring for the Community," and "Fulfilling our Mission") 	

		https://www.petron.com/wp-content/uploads/2020/06/2019-Petron-Annual-Report-FINAL.pdf	
2. Company exerts effort to interact positively with the communities in which it operates	Compliant	<p>Petron is committed to ensuring its positive contribution to the economic and social needs of its surrounding communities through education, entrepreneurship, health, and livelihood programs.</p> <ul style="list-style-type: none"> • https://www.petron.com/petron-foundation-inc/ • Sustainable Development https://www.petron.com/petron-foundation-inc/sustainable-development/ • 2019 Glossy Annual Report (pages 37-47, "We take the lead in caring for the communities") https://www.petron.com/wp-content/uploads/2020/06/2019-Petron-Annual-Report-FINAL.pdf • 2019 SEC Form 17-A (Annual Report) (pages 7-9, "Corporate Social Responsibility"; "Sustainability Report") https://www.petron.com/wp-content/uploads/2020/07/Petron-Amended-Annual-Report-with-2019-Sustainability-Report-full-copy..pdf 	

SIGNATURES

This report, based on documents available as of the date hereof, is signed on behalf of the Petron Corporation by the undersigned in the City of Mandaluyong on August 25, 2020.

By:



RAMON S. ANG

President and Chief Executive Officer



JOEL ANGELO C. CRUZ

Vice President - General Counsel,
Corporate Secretary and Compliance Officer



REYNALDO G. DAVID

Independent Director



MARGARITO B. TEVES

Independent Director



ARTEMIO V. PANGANIBAN

Independent Director



CARLOS JERICHO L. PETILLA

Independent Director

AUG 25 2020

SUBSCRIBED AND SWORN to before me this ___ of August 2020 at Mandaluyong City, affiants exhibiting to me their competent evidence of identity as follows:

Name	Passport Number	Date of Issue (mm-dd-yy)	Place of Issue
Ramon S. Ang			
Joel Angelo C. Cruz			
Reynaldo G. David			
Artemio V. Panganiban			
Margarito B. Teves			
Carlos Jericho L. Petilla			

Doc. No. 179 ;
Page No. 37 ;
Book No. VI ;
Series of 2020.


MADAYA WILMA H. BAUTISTA
Notary Public for Mandaluyong City
40 San Miguel Avenue, 1550 Mandaluyong City
Appointment No. 0540-19
Until December 31, 2020
Attorney's Roll No. 65589
PTR No. 4330395/01-02-20/Mandaluyong
IBP No. 089175/01-02-20/RSM
MCLE Compliance No. VI-0002198/4-24-2017

Petron Corporation ("Petron" or the "Company")
Integrated Annual Corporate Governance Report
For Fiscal Year Ended 2019