

A Better Tomorrow

2022 SUSTAINABILITY REPORT

Our Vision

To be the leading provider of total customer solutions in the energy sector and its derivative businesses.

Our Mission

To achieve our mission, we have set out specific goals to guide us in:

- Being an integral part of our customers' lives, delivering consistent customer experience through innovative products and services;
- Developing strategic partnerships in pursuit of growth and opportunity;
- Leveraging on our refining assets to achieve competitive advantage;
- Fostering an entrepreneurial culture that encourages teamwork, innovation, and excellence;
- Caring for the community and the environment;
- Conducting ourselves with professionalism, integrity, and fairness; and
- Promoting the best interest of all our stakeholders.

By following these goals, we believe that we can continue to be a reliable partner in powering the growth and development of the markets where we operate.



ABOUT THE COVER

In light of the COVID-19 pandemic and the looming climate emergencies, it has become apparent that building sustainable communities is a collective obligation and the only practical path moving forward. At Petron, we recognize that our success is intertwined with the well-being of the communities we serve and the natural environment in which we operate. Therefore, we are committed to conducting our business in a manner that addresses important concerns relating to the economy, environment, and people.

To build a better tomorrow, we must do better. We closely monitor and report our sustainability performance and extending our contributions to fulfill global goals and targets. While the oil and gas industry is considered a hard-to-abate sector, we are determined to set our strategic direction and journey towards a more sustainable future.

Through this Sustainability Report, we aim to share our progress with our stakeholders to join us in building a better tomorrow. It is time to inspire, empower, and start taking action to build a more sustainable and resilient future.

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ABOUT THE REPORT 2-2

To better respond to the changing needs of our external environment, we recognize the urgent and significant shift required in how we conduct our business. As we strive to become an integral part of the lives of our stakeholders, we aim not only to improve our operational performance but also to serve as a key partner in caring for the community and the environment. In keeping with our promise of transparency and accountability, this Sustainability Report showcases our objectives and progress in managing our impact on the world.

To ensure the quality of our reporting, we prepared our 2022 Sustainability Report in accordance with the latest GRI Standards (2022) and the Sustainability Reporting Guidelines of the Philippine Securities and Exchange Commission (SEC) particularly the Memorandum Circular No. 4 Series of 2019.

Our report covers Petron's sustainability performance from January 1 to December 31, 2022, including information on the following facilities in the Philippines: Corporate Head Office, Petron Bataan Refinery (also, PBR or Refinery) and Polypropylene Plant, 32 terminals and sales offices nationwide, 23 select company-owned service stations, and our corporate social responsibility arm, Petron Foundation, Inc.

We conducted a robust materiality assessment to identify the sustainability topics that have a current or potential impact on our Company and our socio-economic environment. Our assessment included reviewing the important sustainability issues that may present the largest and most critical risks and opportunities to our Company and engaging with our stakeholders to seek valuable inputs on the sustainability topics that matter to them. Our material topics were assessed and validated by our sustainability champions from the Senior Management.

In determining our material topics, we referred to the GRI 11: Oil and Sector Standards (2021) and the United Nations Sustainable Development Goals (UN SDGs). We also aim to continuously contribute to our country's goals and aspirations towards sustainable and inclusive growth. With this, we aligned our material topics with the focus areas of the Philippine Development Plan (PDP) 2023-2028. The full list of our disclosures on our material topics may be found in the GRI Content Index of this report.

Throughout this report, we used the terms "Petron", "we", "our Company", and "our business" to refer to Petron Corporation.

MESSAGE FROM THE PRESIDENT AND CEO

2-22

‘By prioritizing the best interests of all our stakeholders, and by taking care of the environment and the community, we align ourselves with society in building a better tomorrow.’

We have always believed in sustainability since the inception of our Company 89 years ago. Our growth has been fueled by our unwavering passion for excellence in our products and services and our commitment to the growth of our nation. Our dedication and goals have remained unchanged throughout the years. However, we acknowledge the importance of evolving into a company that not only flourishes as a business but also serves as a catalyst for hope and progress for future generations of Filipinos. We aim to become a company that not only meets the needs of the present but also ensures the sustainable development of our country for years to come. Amidst the multiple and continuing challenges of market volatility, heightened competition, and climate change, among others, we continue to evolve as an organization. This has allowed us to remain resilient throughout the COVID-19 pandemic that crippled global economies. It has enabled us to successfully navigate the ever-shifting business landscape and prepared us to immediately resume our role in building—and shaping—a better tomorrow for our business, our stakeholders, and our country.

Through our collective efforts, we have made much progress in our sustainability journey. In 2022, we strengthened our financial performance compared to the previous year, maintained market leadership, reduced

GHG emissions, minimized water use, and ensured safer and greener operations across our business. Through faithful compliance with laws and regulations, coupled with efficient operations and proactive stakeholder engagement, we have not only achieved additional economic benefits but also earned the trust and support of the communities we serve, securing our social license to operate.

Emerging Stronger and Building Back Better

In 2022, we maintained our positive momentum and successfully left behind the uncertainties caused by the pandemic. Our strategic management of operating costs and optimization of refining assets resulted in an operating income of P19.21 billion, a 12% improvement from last year's P17.21 billion. Moreover, we achieved a net income of P6.7 billion, reflecting a 9% increase from the previous year. Our market performance was impressive, as we experienced growth in both retail and industrial volumes, recapturing our leadership in the LPG business. Furthermore, we continued to hold the largest service station network nationwide, boasting around 1,900 service stations. We also expanded our retail network by adding new LPG stores, Treats convenience stores, commercial locators, and Petron Car Care Centers (CCC). In summary, we sustained our positive momentum in 2022 by strategically managing our operations, resulting in impressive financial performance and

Ramon S. Ang
President and
Chief Executive Officer



market growth, all while continuing to expand our retail network.

We are also thrilled to announce our upcoming project of establishing our own plant to produce coco-methyl ester (CME), which is mandated by the Biofuels Law to be blended in diesel products. With this project, we aim to achieve greater self-sufficiency, and produce renewable fuel from plant-based components. This will help ensure the stability of supply and quality of CME for our world-class diesel fuel. In addition to these benefits, our initiative will also contribute to the local economy by sourcing raw materials from our coconut farmers. We are committed to pursuing sustainable business practices that not only benefit our company but also create a positive impact on the environment and society as a whole.

Doing Good for Our Environment

We recognize as we supply the fuel and energy needs of the country, our challenge to ourselves is how to manage and minimize our environmental impact especially with the growing concern for climate change and the continuing decline of our natural resource. To ensure that we minimize our impact, Petron has been implementing various measures throughout our business operations.

Through best practices, such as adopting the circular economy model, we tackle waste across all our business operations, recycling and reusing products without compromising quality or safety. We monitor our environmental performance nationwide and strictly comply with environmental laws and regulations.

We believe that improving our water and energy management is crucial to reducing our environmental impact. As part of San Miguel Corporation's Water for All program, Petron has attained the highest total volume of water savings among all SMC subsidiaries. One of the ways we have achieved this is through our rainwater harvesting program, which has been implemented in many of our facilities. These facilities now have access to alternative sources of water for non-critical operations. In addition, we are gradually transitioning our service stations to more energy-efficient lighting sources and investing in solar technology to improve our energy utilization. This will not only help us reduce our environmental footprint but also make our operations more sustainable in the long run.

We also regularly coordinate with the Department of Environment and Natural Resources (DENR) and the local government units (LGUs) in the areas where we operate to ensure that our efforts align with theirs in safeguarding critical ecosystems. Our long-standing projects such as the Puno ng Buhay reforestation program and the Bataan Integrated Coastal Management program aim to accelerate restoration and conservation efforts with the support of local communities and key stakeholders.

Through exclusively-designed programs such as our Terminal EcoWatch program and Pollution Control Officers (PCO) trainings, we raise the environmental awareness of personnel in our facilities and service stations nationwide while ensuring their compliance with existing laws and regulations. Eight years into the program, our Terminal EcoWatch program has become a 'badge

of honor' among the top performers and serves to motivate our entire Terminal Operations.

By promoting sustainable practices and reducing our environmental impact, we are not only doing the right thing for the environment but also positioning ourselves for long-term success. We are committed to sharing more about our environmental impact reduction processes, from managing our greenhouse gas emissions (GHG) to energy and water usage, in this Sustainability Report.

Uplifting Our Communities

As we continue to further strengthen our business, we remain mindful of our commitment to our internal and external communities: our employees, business associates, and stakeholders. As partners in our growth, we exert every effort to improve their economic and social conditions by enabling them to become empowered and engaged citizens.

Within the organization, we ensure that our employees experience a safe, healthy, and conducive work environment, with opportunities for their development. In our sustained efforts to protect our people from the pandemic, we made sure that our entire workforce, as well as their dependents and third-party service personnel, received full vaccination against COVID-19, even as we retained strict health protocols in our plants and offices nationwide. Specifically in Bataan, we extended this benefit to residents of our host LGU.

Throughout the country, we have remained committed to fueling hope, particularly in the areas where we operate. Our *Tulong Aral ng Petron* scholarship program, which has been

running for 21 years, continues to support thousands of children from our fenceline communities from elementary to college, providing a pathway out of poverty through education. Meanwhile, our Refinery Engineering Scholarship program offers graduates the opportunity to work in our Refinery and Terminals. Despite the challenges posed by COVID-19, we have found ways to continue supporting our communities, such as sustaining reforestation efforts and providing for the repairs and maintenance of public schools. Additionally, we sent relief assistance to families affected by major calamities such as the earthquake in Abra province. Despite the physical limitations imposed by the pandemic, our commitment to supporting the community remain unwavering.

Upholding the Principles of Operational Excellence and Good Governance

We remain fully committed to conducting our business in accordance with the highest standards of corporate governance and operational excellence. To demonstrate this commitment, we are proud to share that 30 of our terminals and sales offices have achieved certification under ISO 9001:2015 (QMS) while 29 are certified ISO 14001:2015 (EMS), and ISO 45001:2018 (Occupational Health and Safety Management System) – a testament to the quality of our processes, commitment to environmental responsibility, and our prioritization of employee safety and well-being.

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Our growth has been fueled by our unwavering passion for excellence in our products and services and our commitment to the growth of our nation.

Our dedication and goals have remained unchanged throughout the years.

However, we acknowledge the importance of evolving into a company that not only flourishes as a business but also serves as a catalyst for hope and progress for future generations of Filipinos. We aim to become a company that not only meets the needs of the present but also ensures the sustainable development of our country for years to come.



Moreover, 15 of our facilities have also been certified under the International Ship and Port Facility Security Code (ISPS Code) by the Office for Transportation Security under the Department of Transportation (DOTr). This highlights our unwavering commitment to the safety and security of our people and the communities in which we operate. Our pursuit of these certifications serves as evidence of our unrelenting focus on delivering excellence across all facets of our operations.

As part of our sustainability priorities, we have made good governance a fundamental aspect of how we operate our business. Among the hallmarks of our faithful compliance to this is our record of human rights, where there have been no incidents of discrimination, child labor, nor any hurdles to the exercise of our employees' freedom of association and collective bargaining. And we remain committed to upholding this in the highest standards. Which is why we are proud to have been recognized by the Institute of Corporate Directors (ICD) through their ASEAN Corporate Governance Scorecards (ACGS). Petron was awarded two Golden Arrows for our commitment to excellence in corporate governance.

We are also pleased to share that our compliance and cooperation have been recognized by government agencies such as the Department of Finance (DOF) and Bureau of Customs (BOC), when Petron was named as the top importer for 2022. Our prompt tax payments and compliance, support these agencies in achieving their target revenue generation for the country. We are proud to have played a role in contributing to the growth and development of our nation, and we remain committed to upholding our values and principles in everything we do.

Deepening our Commitment to Sustainability

Despite the ongoing global health crisis and the many other challenges that we face, we are proud to say that Petron has remained resilient and has continued to consistently provide exceptional customer experiences. As we approach our 90th year, we are firmly committed to the long-term improvement of our business, our people, our consumers, and our communities. We look at our future with a firm intent on building on the successes of our

past and evolving to become a company of and for tomorrow. We will achieve this by making sustainability the cornerstone of our corporate philosophy, principles, plans, and programs.

In 2022, we established an ESG Council to ensure that our Environmental, Social, and Governance initiatives are well-aligned with our long-term goals. This committee is responsible for overseeing the development, implementation, and monitoring of our ESG strategies and initiatives as we embed sustainability in all our business operations. At the same time, we developed our ESG Policy that defines the principles and establishes our sustainability priorities of Environmental Stewardship, Economic and Environmental Responsibility, and Good Governance. These steps mirror the broader sustainability goals of the entire San Miguel Group.

As a means to this end, we have adopted the widely recognized Global Reporting Initiative or GRI Standards in our sustainability reporting. By providing a comprehensive account of our environmental, social, and economic impacts and performance, we aim to improve our sustainability performance and meet the expectations of our stakeholders.

All these reflect the same Filipino values and principles embraced throughout the San Miguel Group: *MALASAKIT*. This is our greatest sustainable resource and reflects our positive outlook. This attitude of gratitude and concern for others guides us to make our business last. By prioritizing the best interests of all our stakeholders, and by taking care of the environment and the community, we align ourselves with society in building a better tomorrow. ■

Ramon S. Ang
President and CEO



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As we approach our 90th year, we are firmly committed to the long term improvement of our business, our people, our consumers, and our communities.

We look at our future with a firm intent on building on the successes of our past and evolving to become a company of and for tomorrow. We will achieve this by making sustainability the cornerstone of our corporate philosophy, principles, plans, and programs.



Petron is the largest oil company in the Philippines and the only one with a refinery, and is a leading player in the Malaysian market.



Who We Are

ABOUT THE COMPANY 2-1

Petron Corporation is the largest oil company in the Philippines and the only one with a refinery. Our product offerings include a full range of world-class fuels and petrochemicals that fuel the lives of millions of Filipinos. We are also a leading player in the Malaysian market, with a combined refining capacity of 268,000 barrels per day.

Philippines

In the Philippines, we supply approximately 30% of the country's total fuel requirements through our 180,000 barrel per day oil refinery in Bataan, which is widely regarded as one of the most advanced facilities in the region. Our Refinery processes crude oil into a variety of petroleum products, including gasoline, diesel, liquefied petroleum gas (LPG), jet fuel, kerosene, and petrochemicals.

From the Petron Bataan Refinery (PBR or Refinery), we move our products, mainly by sea,

to terminals and airport installations situated throughout the Philippines, representing the most extensive distribution network for petroleum products in the country. Through this robust distribution network, we fuel strategic industries such as power generation, manufacturing, mining, and agribusiness, among others. Petron also supplies jet fuel at key airports to international and domestic carriers.

Through our network of around 1,900 retail service stations in the Philippines as of December 31, 2022, Petron sells gasoline, diesel, and kerosene to motorists and to the public transport sector.

Since 2010, we have been a subsidiary of San Miguel Corporation (SMC), one of the largest and most diversified conglomerates in the Philippines. We are committed to expanding and growing our business to have a positive impact on the markets where we operate.

Petron has long been a stalwart partner in the nation-building efforts of the Philippines, powering industries, fueling economic growth, and

improving the lives of Filipinos, despite significant socio-economic changes over the years.

Our headquarters is located in San Miguel Corporation Head Office Complex in Mandaluyong City, Philippines. Additionally, Petron's shares are listed on the Philippine Stock Exchange (PSE).

Malaysia

To expand our presence in the region, we established our business in Malaysia in March 2012, which includes integrated refining, distribution, and marketing. Our subsidiaries in Malaysia are Petron Fuel International Sdn. Bhd. (PFISB), Petron Oil (M) Sdn. Bhd. (POMSB), and Petron Malaysia Refining & Marketing Bhd (PMRMB), which is publicly listed on the Main Board of Bursa Malaysia.

Our 88,000 barrel per day refinery, Petron Port Dickson Refinery, produces a wide range of petroleum products such as gasoline, diesel, LPG, and aviation fuel. We have established a robust distribution network to ensure a continuous and reliable supply of quality fuels to our customers

in Malaysia, distributing our world-class fuels from 10 strategically-located depots and terminals of Petron subsidiaries. Our network of more than 750 service stations throughout Malaysia reinforces our mission of being an integral part of our customers' lives.

We strive to exceed our customers' expectations and meet their changing needs, embodying what our brand stands for—innovative products, excellent service, successful partnerships built on trust, and care for our customers. This is reflected in our top-of-the-line products and programs for safety, environment, and education, as we continue to contribute to sustainability and social development.

How Petron Products Get to Our Customers

Through our robust distribution network, we fuel strategic industries such as power generation, manufacturing, and others. We also supply jet fuel at key airports to international and domestic carriers. Through our service station network—the most extensive in the country—we retail gasoline, diesel, and lube products to motorists and the public transport sector. We also sell our LPG brands to household and commercial consumers through an extensive retail network.



1 CRUDE OIL / IMPORT PRODUCTS

Petron Bataan Refinery converts crude oil into various petroleum products and petrochemical feedstocks



2 PRIMARY DISTRIBUTION

From the refinery, Petron's products are delivered via vessels to 32 terminals across the country for storage, and then sent to Petron service stations and industrial customers via tank trucks



3 TERMINALS



4 TANK TRUCKS

5 SECONDARY DISTRIBUTION



SERVICE STATIONS



LPG OUTLETS



INDUSTRIAL FACILITIES



AIRPORTS

OUR BUSINESS MODEL 2-6

As a key player in the Philippine oil industry, we are committed to delivering world-class petroleum products across our operating facilities while creating value for our customers.

Our Products

We provide a wide range of world-class fuels, including Blaze 100, XCS, Xtra Advance, Turbo Diesel, and Diesel Max, through our operating facilities. Additionally, we offer Gasul and Fiesta Gas, our LPG brands, to households and commercial consumers through our extensive retail network.

FUELS



LUBRICANTS



LPG



**JET A-1 • KEROSENE
PROPYLENE • POLYPROPYLENE
BTX (Benzene, Toulene, Xylene)**

We take pride in our product leadership, which extends to our premium line of engine oils that meet or exceed global standards. These engine oils are formulated, tested, and produced locally at our state-of-the-art Lube Oil Blending Plant located in Tondo, Manila. With twice the capacity of our former plant in Pandacan, we are now able to produce even more high-quality engine oils. In addition, we source our fuel additives from our blending facility in the Subic Bay Freeport, giving us a unique capability to formulate additives that are specifically suited for the driving conditions in the Philippines.



Petron engine oils are formulated, tested, and produced locally at our state-of-the-art Lube Oil Blending Plant.



Our blending facility in Subic Bay Freeport gives us the unique capability to formulate additives specifically suited for Philippine driving conditions.



Petron's sustainability efforts start from the moment it plans and contracts for delivery of crude and products/components to the refinery, where crude oil is processed into a full range of petroleum products, industrial fuel and petrochemical feedstock.

Where We Operate ²⁻⁶

OUR BUSINESS AREAS

Our 2022 Sustainability Report focuses on our operations in the Refinery, as well as our terminals and select company-owned service stations nationwide.

For more than 50 years, our Refinery has been a reliable source of quality fuel products for the country. Our terminals have also played a crucial role in expanding our supply and distribution network across the nation, while maintaining a commendable track record in monitoring environmental impacts. Finally, our service stations serve as vital touchpoints with our customers, enabling us to deliver our products and services conveniently and safely, while staying committed to being environmentally friendly and sustainable.

Refinery

PBR is the only Refinery in the Philippines, occupying a total land area of 240 hectares in Limay, Bataan. Since its establishment in 1961, PBR has significantly progressed from its original crude processing capacity of 25,000 barrels per day to its current capacity of 180,000 barrels per day.

To keep up with the ever-changing market conditions and stringent product and environmental specifications, we have invested in downstream facilities. This has allowed us to not only enhance our crude processing capacity but also ensure that we can provide high-quality products that meet the needs of our customers and comply with relevant regulations.

Our diversification into petrochemicals began with the establishment of our mixed xylene plant in 2000 and our propylene recovery unit in 2008. In 2010, we acquired an original 40 percent stake in Petrochemical Asia (HK) Ltd. (PAHL), which owns Philippine Polypropylene Inc. (PPI) that operated then a polypropylene plant in Mariveles, Bataan. In 2014, we acquired full ownership of

PPI, and have since taken over its operations. This significant undertaking has allowed us to enhance our overall efficiency in petrochemical operations and pursue our expansion plans to become a major producer of resin in the country.

The Refinery processes crude oil from various parts of the world, such as the Middle East and the Far East, to produce major petroleum products such as gasoline, jet fuel, diesel, kerosene, and LPG. Additionally, we produce petrochemicals that are essential in our daily lives, from the production of home appliances and electronic devices to the clothes we wear. As the largest and most complex industry in the Philippines, our Refinery has the capability to convert low-value products into high-value white products through crude separation and conversion. This also allows us to convert heavy fuel oil which has high GHG intensity and convert to petrochemicals and higher value lighter fuel which has lower or zero GHG intensity.

Our Refinery relies on stable and reliable cogeneration power plants that supply power and steam at more energy efficient way. We have also optimized use of water resources including operating a desalination plant using waste heat from refinery operation. Together with other facilities, the refinery is able to sustain its operation and ensure uninterrupted production.



From the refinery, Petron transports its products mainly by sea to its terminals strategically located throughout the Philippines. From this nationwide network, fuel products are delivered direct to Petron service stations all across the country.

Terminals

Our petroleum products are transported from the Refinery to a nationwide network of terminals and sales offices through barges and marine vessels in partnership with leading marine transport firms. This partnership ensures the quality and continuity of our primary distribution to strategic industries such as power generation, manufacturing, mining, and agribusiness. In addition to fueling these industries, we supply jet fuel to international and domestic carriers at key airports through a robust distribution network.

To maintain efficient operational performance, Petron's terminals strictly monitor their environmental impacts through a company-initiated rating system. This system adheres to national regulations and international standards and ensures that we uphold our commitment to environmental responsibility while providing top-quality products and services.

Service Stations

Our extensive network of service stations across the Philippines receives our petroleum products from depots and terminals for distribution. Our fuel retail services cover around 1,900 stations and cater to motorists and the public transport sector, primarily with fuel products such as gasoline and diesel. We likewise strive to provide our customers with a one-stop, full-service experience by partnering with popular food and service locator chains. Our select service stations have Treats convenience stores, where motorists on the go can find a variety of food, beverages, and personal items. We also offer professional

automotive maintenance and repair services through our Car Care Center (CCC) and Car Care Center Express (CCCE) outlets. Our experienced technicians use modern tools and equipment to provide a complete line of services, including Change Oil and Brakes/Suspension.

At Petron, we are proud to adopt an environmental management plan in our service stations. We started implementing solar power in 2021, with On-Grid PV System solar panels installed in four service stations, one of which is our Petron Expressway Center in Marilao, Bulacan which will have a net metering arrangement. We plan to roll out this program to more locations to increase the percentage of solar power in our energy mix.



In constructing new stations, we use a modular and panelized construction system that not only provides an efficient and eco-friendly way of building but also results in an industrial and minimalist exterior. Our new signages and framing design prioritize safety and minimize risks and damages during typhoons and other calamities. With these initiatives, we aim to offer high-quality products and services while demonstrating our commitment to environmental responsibility.



It is at these service stations where Petron retails the fuels to motorists and public transport businesses alike.

Our Commitment to Sustainability

Consistent with our vision and mission, our goal is to maintain our position as the leader in the local oil industry. We recognize our duty not only to fuel the productivity of the economy and the lives of every Filipino but also to create lasting and positive change. Our sustainability priorities guide us in maximizing our positive impact on our business, society, and nation, anchored on national and global development goals and principles. We align our priorities with the sustainability blueprint of our parent company, San Miguel Corporation, as we actively participate in the fulfillment of our overall goals and objectives.

A BLUEPRINT FOR SAN MIGUEL



VISION

A resilient and globally-competitive Philippines where everyone can enrich and enjoy their lives.

PURPOSE

To lead in nation-building by sustainably investing in creating quality jobs and opportunities that will uplift generations of Filipinos, enabling all to share in the rewards of a growing economy.

CORPORATE VALUES

We do what is right. We believe in doing our best. We take accountability for our decisions. We think innovation. We help our people succeed. We are a good neighbor. We advocate sustainable development.

SUSTAINABILITY AGENDA

We envision a world of good, where our business fosters a sustainable future that is good for the planet, good for people, and good for progress, benefiting present and future generations of Filipinos.

KALIKASAN
'Good for Planet'

KALINGA
'Good for People'

KASAGANAHAN
'Good for Progress'

Establish a circular economy approach by 2040

Net zero by 2050

At least 15 million people uplifted by 2030

A fully sustainable and ethical supply chain by 2040

ENVIRONMENTAL

SOCIAL

GOVERNANCE



Caring for the community and the environment is enshrined in Petron's corporate mission.

We uphold our values by implementing ESG strategies that demonstrate our commitment to sustainability. To ensure transparency in measuring and managing our impacts, we incorporate sustainability metrics into our processes. This enables us to objectively assess our program development and meet the requirements of various certifying and auditing bodies such as the International Organization for Standardization (ISO) and the Philippine Council for NGO Certification. Additionally, local and international investing and financing firms require tangible proof of accomplishments, and our sustainability metrics allow us to provide this evidence.

As part of our extensive efforts to mitigate climate change, we have set targets for reducing our GHG emissions. We also prioritize engaging with our stakeholders, specifically enhancing their livelihoods, education, environment, and other development initiatives. Our commitment

to sustainability is ingrained in our culture, as we encourage our employees to actively participate in our ESG efforts.

To ensure our consistent compliance with regulations, we continuously improve our internal systems, specifically those related to our corporate policies and risk management. This allows us to maintain our high standards and effectively manage potential risks associated with our operations.

Our Environmental, Social, and Governance (ESG) Policy

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As the owner of the Philippines' only oil refinery, Petron plays an integral role in our nation's economic growth and progress. We ensure energy security by meeting the Philippines' requirement for petroleum products and operating the country's largest fuel distribution network.

Our sustainability goals support those of the national government, focusing on minimizing environmental impact; positively affecting and uplifting the lives and well-being of our employees and our communities; and raising standards of governance.

Consistent with these principles and aligned with the sustainability goals of the San Miguel Group, we commit to meeting the following priorities:



ENVIRONMENTAL STEWARDSHIP

- Adhere to all applicable regulatory requirements aimed at minimizing the Company's impact on the environment;
- Effectively manage our environmental footprint with focus on reducing greenhouse gas emissions, conserving water, and managing our wastes;
- Actively support the government's programs on the use of clean fuel; and
- Continually develop or embrace additional future technologies that will result in environmentally and socially beneficial offsets.



SOCIAL WELL-BEING

- Foster a safe, healthy and decent workplace for our employees;
- Promote a work environment that would provide opportunities for employees' development and engagement; and
- Improve the quality of life of our communities and external stakeholders through relevant social responsibility programs in education, environment, entrepreneurship, and health and human services.






GOOD GOVERNANCE






- Foster a governance structure that is founded on strong ethical standards, integrity and transparency through our ongoing commitment to all applicable legislation, regulations, and codes of conduct and practices, and exceeding such standards where possible; and
- Ensure the long-term viability of our business by managing our risks and improving our supply chain to enhance shareholder value, contribute to national development, and the betterment of our fenceline communities.

We will further strengthen our engagement with our stakeholders in relation to our ESG initiatives by reporting our progress in accordance with applicable guidelines issued by relevant regulatory authorities and global standards for sustainability reporting.

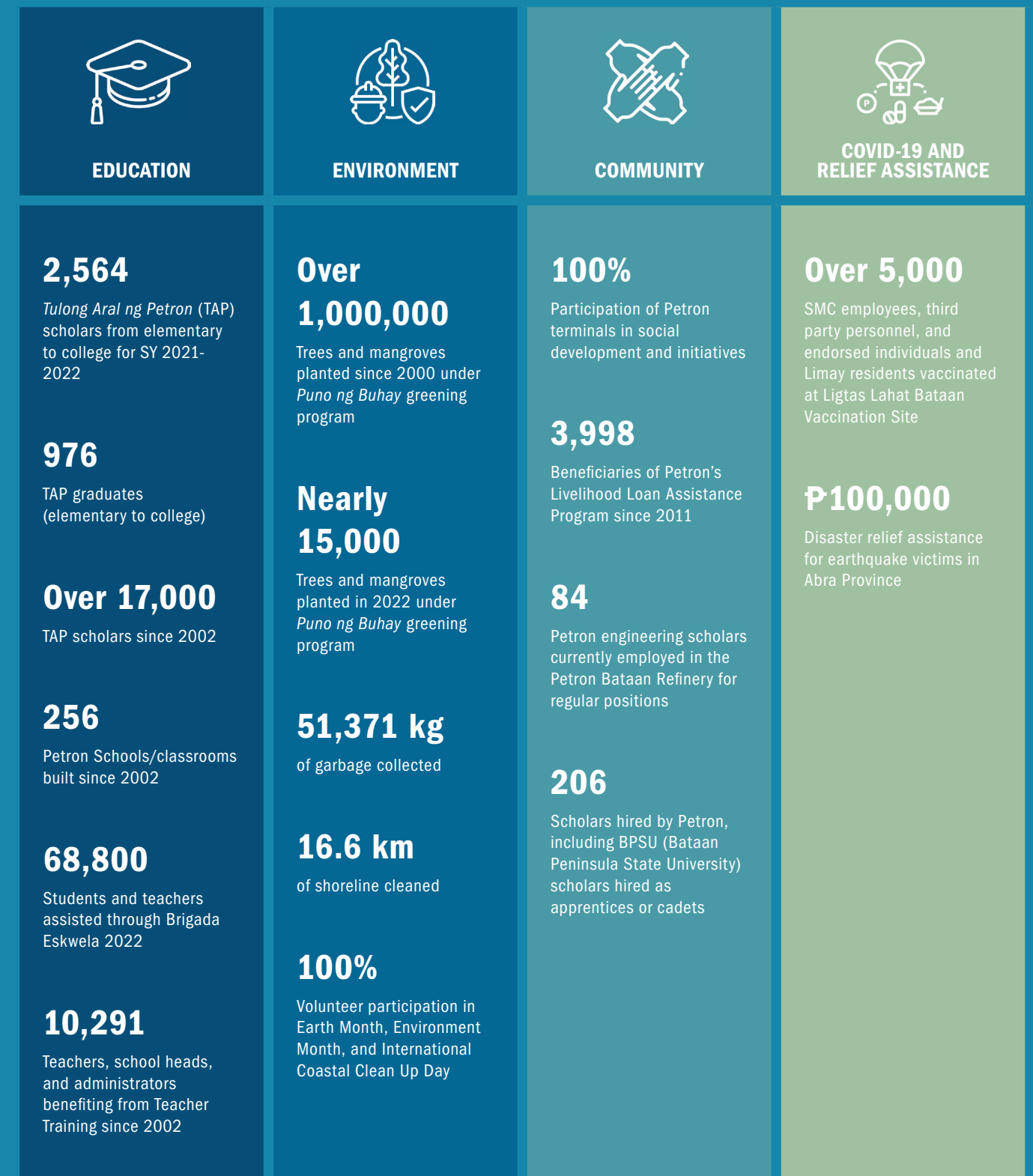
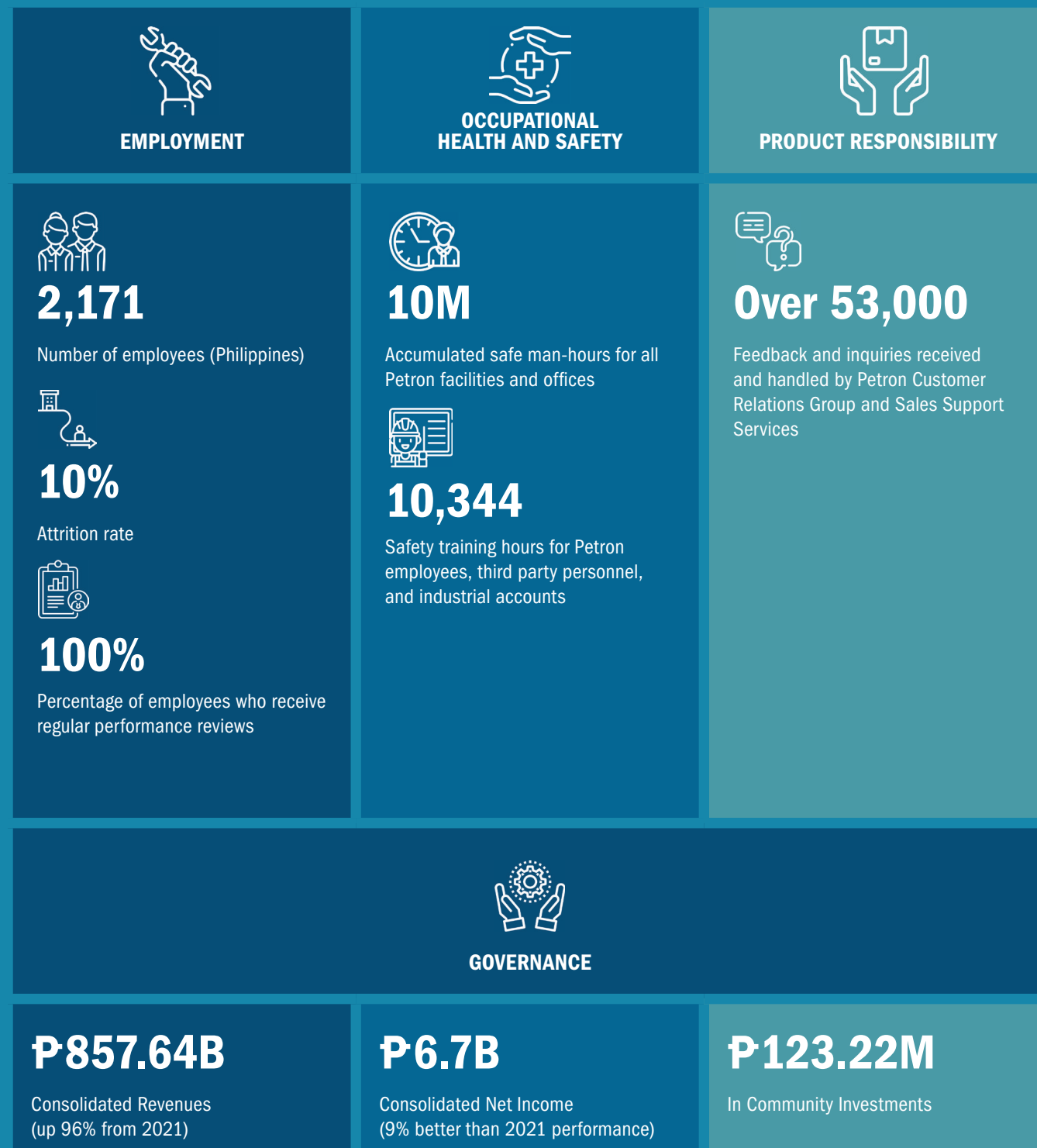


Sustainability Performance Highlights

PROGRAM / INITIATIVE	STARTING YEAR OF IMPLEMENTATION	GAINS	SAVINGS (IN PHP)
SMC Water for All	2016	Refinery & Terminals: 17.38 million m³ scarce water (2.08 million m³ in 2022) reduction and used 3.94 million m³ recycled water (0.61 million m³ in 2022) since 2016	Refinery: P111M savings on scarce water (P17.8M in 2022) based on deepwell equivalent and P16.1M savings on recycled water (P2.5M in 2022)
		Terminals: 58,342m³ of harvested rainwater since 2016	Terminals: P2.0M water savings from rainwater
Use of Waste Energy (Low Pressure Steam) in Desalination Plant	2016	Refinery: <i>Avoided GHG:</i> 601,669.615 tons CO₂e since 2016 (91,331.254 tons CO ₂ e in 2022) <i>Avoided Fuel:</i> 182,672.171 MT of petcoke since 2016 (27,728.970 MT in 2022)	Refinery: P780.92M Fuel Savings (P118.54M in 2022) 
Commissioning of Cogeneration Facility Phase 3	2022	Refinery: 38,038.21 kL Fuel Oil savings 114,926.444 tons of avoided CO ₂ e	Refinery: P1,276.9M savings from avoided Fuel Oil 
Diversification to Petrochem (Benzene, Toluene, Mixed Xylene, Propylene, Polypropylene)	1999 (Mixed Xylene) 2008 (Propylene, Benzene, Toluene) 2014 (Polypropylene)	Refinery: In 2022 the avoided GHG as Scope 3 if used as fuel was at 1,542,627.32 tons CO₂e	
LED Conversion and Solar Power Usage	Refinery (2013 for offices, 2016 for streetlights)	Refinery: 12,536.31 kWh saved/ 8.9 tons CO₂e reduced (1,252.51 kWh/ 0.9 tons CO ₂ e in 2022) for offices since 2013	Refinery: P22,440 for offices since 2013 (P2,242 in 2022)
		22,614.53 kWh saved/ 16.1 tons CO₂e reduced (3,232.40 kWh/ 2.3 tons CO ₂ e in 2022) for streetlights since 2016	P40,480 for streetlights since 2016 (P5,786 in 2022)

PROGRAM / INITIATIVE	STARTING YEAR OF IMPLEMENTATION	GAINS	SAVINGS (IN PHP)
LED Conversion and Solar Power Usage	2018 (Terminals)	Terminals: 137,000 kWh saved/ 98 tons CO₂e reduced in 2022	Terminals: P1.37M on electricity cost
	2018 (Service Stations)	Service Stations: 3,018 MWH/2,149 tons CO₂e reduced in 2022 for 347 service stations (8,700 kWh/6.2 tons CO ₂ e per SS)	Service Stations: P30.18M on electricity cost
Bulk Additives Delivery (Terminals)	2019	156 metric tons (MT) per year of steel drums avoided 	P29.7M per year 
Waterless Receiving (Terminals)	2019	Eliminated 10,000 m³ per year of wastewater 	Avoided P70.0M investment cost on wastewater treatment facilities (P7.0M/facility × 10 facilities)
Hazardous Waste Recycling (Refinery)	2018	2018-2022: 4,650 MT hazardous waste diverted from disposal 2022 only: 1,633 MT hazardous waste diverted from disposal	2018-2022: P39.07M 2022 only: P10.97M
Continuous to Batch Treatment at Spent Caustic Treater (Refinery)	2020	2020-2022: 7,804.32 MT CO₂e reduced 109,287.23 GJ energy reduced 2022 only: 1,921.57 MT CO₂e reduced 26,908.61 GJ energy reduced	2020-2022: P57.04M savings 2022 only: P21.35M savings
Restoration of Superheater Coils (Refinery)	2022	873.26 GJ energy reduced 	P690,000 savings 

Social Performance Highlights



2022 Petron Standards Certifications

MANAGEMENT SYSTEMS	
30 Terminals nationwide 29 Terminals nationwide	· ISO 9001:2015 (QMS) · ISO 14001:2015 (EMS) · ISO 45001:2018 (Occupational Health and Safety (OH&S) Management System) Certified
15 Terminals nationwide*	· International Ship and Port Facility Security Code (“ISPS Code”) and certified by the Office of the Transport Security under the Department of Transportation (DOTr)
CERTIFICATIONS	
27 Terminals and offices nationwide 32 Terminals and offices nationwide	· BFP Kaisa Program certificate recipient · Safety Seal certificate (from DOLE and LGUs) recipient
1 Petron Foundation	· Philippine Council for NGO Certification (PCNC) accredited for non-stock, non-profit corporations from September 28, 2022 to September 27, 2027

*Iloilo Terminal's ISPS Certification is valid until October 2022 and is in the process of recertification as of report publication

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT
2-29, 3-1, 3-2

At Petron, we believe that our stakeholders are essential partners in our journey towards sustainability. We value their feedback and actively engage with them through regular consultations, such as interviews and market research surveys, to better understand their perceptions of our products and services. This feedback helps us improve and strengthen our relationships with the public, consumers, and the industry. In particular, we take investor feedback seriously as it informs our efforts to institutionalize our ESG structure and policies and establish well-defined metrics to measure the impacts of our business.

We also partner with our stakeholders in various corporate social responsibility (CSR) activities to ensure the effective implementation of our programs. By developing needs-based programs, we enable a sense of ownership for the communities we serve and create a multiplier effect that can sustain benefits over the long term. Overall, our engagement with stakeholders is a critical component of our operations, and we are committed to deepening our relationships with them as we continue to build a sustainable future.

To address the urgent socio-economic issues, we understand the need to strengthen our sustainability commitment and take decisive actions. As a step towards this, we engaged the University of Asia and the Pacific–Center for

Social Responsibility (UA&P-CSR) to conduct a materiality assessment process. This process helped us identify the sustainability issues that are significant for our Company and our stakeholders, and therefore, require our attention in terms of measurement, monitoring, and reporting.

UA&P-CSR conducted a materiality assessment using a pioneering approach. This approach involves two main processes: the Process of Surfacing and the Process of Prioritization.

The Process of Surfacing includes four activities: desk research (literature review), benchmarking with local and global industry peers, consultation with internal and external stakeholders, and consultation with our Senior Management. The Process of Prioritization involves the prioritization and filtering of the final material topics by our Senior Management.

To ensure a comprehensive view, we used a double materiality approach, which considers a topic as “material” if it has a current or potential impact on both the value creation of Petron and our socio-economic environment. This approach takes into account the impacts of the topics on our financial value as well as our impact on the economy, environment, and society.



In this process, we consulted a total of 104 internal and external stakeholders from the following facilities:

REFINERY	TERMINAL OPERATIONS	SERVICE STATIONS
Petron Bataan Refinery	· San Fernando, Pampanga · Mandaue City, Cebu · Davao City · Bawing, General Santos City · Joint Oil Companies Aviation Fuel Storage Plant (JOCASP, Pasay City) · Tacloban City, Leyte · Ormoc City, Leyte	· Mandaue City, Cebu · Davao City · Petron Express Center 1 (NLEX, Marilao, Bulacan) · Petron Express Center 3 (SLEX, San Pedro, Laguna) · Quezon City · Marikina City

Distribution of Stakeholders Consulted

41% External 59% Internal

In evaluating the material topics of our report, we were able to identify the stakeholders that are key to the conduct of our business operations:

- Shareholders
- Government and regulators
- Industry/business groups
- Consumers
- Employees
- Investors and financial institutions
- Local/host communities and civil society groups
- Academe
- Suppliers, contractors, and third-party service providers
- International organizations/donor agencies
- Media

The UA&P-CSR conducted an initial materiality assessment based on stakeholder consultations. This assessment identified a total of 31 topics, including seven (7) economic, seven (7) environmental, and 17 social topics. To validate and prioritize these topics, we organized a session with Petron Senior Management.

Following this session, our final materiality assessment resulted in 20 material topics. These topics are comprised of six (6) economic, six (6) environmental, and eight (8) social topics, and are aligned with both the GRI 11: Oil and Gas Sector Standards and the UN SDGs. Overall, this process allowed us to refine and narrow down our focus to the most important topics for our 2022 Sustainability Report.



Consultations among internal and external stakeholders of Petron were vital to identifying the sustainability issues vital to our business and our communities.

LIST OF MATERIAL TOPICS

3-2

ECONOMIC (6)	Economic Performance • Market Presence • Indirect Economic Impacts • Anti-corruption • Anti-competitive Behavior • Tax																
ENVIRONMENTAL (6)	Materials • Energy • Water and Effluents • Biodiversity • Emissions • Waste																
SOCIAL (8)	Employment • Labor/Management Relations • Occupational Health and Safety • Training and Education Local Communities • Customer Health and Safety • Marketing and Labelling • Customer Privacy																
UN SDGs	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH									
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS									
SDG No. ▶	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Economic Performance								●	●				●				
Market Presence	●				●			●									
Indirect Economic Impacts	●		●		●			●	●		●						
Anti-Corruption																●	
Anti-Competitive Behavior																●	
Tax	●									●							●
Materials								●				●					
Energy							●	●				●	●				
Water and Effluents						●						●					
Biodiversity						●								●	●		
Emissions			●									●	●	●	●		
Waste			●			●		●			●	●			●		
Employment			●		●			●		●							
Labor/Management Relations								●									
Occupational Health and Safety			●					●								●	
Training and Education				●	●			●		●							
Local Communities	●	●															
Customer Health and Safety																●	
Marketing and Labeling												●				●	
Customer Privacy																●	

How We
Fuel a Better
Tomorrow





Fueling a Climate-Resilient Path: Our Environmental Approach

We recognize the critical role of climate action in achieving sustainable development, and as a company, we remain dedicated to minimizing our environmental impact and promoting sustainable practices across all our operations. We are constantly striving to manage our environmental footprint through a range of initiatives, including reducing greenhouse gas emissions, conserving energy, and managing waste. We also ensure that our environmental policies and practices are implemented consistently throughout our operations, from our Refinery to our network of service stations. As an industry leader, we believe it is our responsibility to care for the environment and ensure that future generations can enjoy a safe and healthy environment. We are committed to maintaining this responsibility and will continue to take proactive steps towards achieving our environmental goals.

FEATURE STORY

Initiating, Improving, and Innovating for the Environment

For almost 90 years, Petron has operated its business with due consideration for the environment. Our mission of “caring for the community and the environment” and our corporate commitment to health, safety, and environmental policies aim to protect and preserve the natural environment and promote the health, safety, and security of all stakeholders throughout our value chain. We go beyond merely complying with existing regulations and actively seek ways to initiate, improve, and innovate our business practices to nurture nature.

Terminal Ecowatch Program

Petron developed the Terminal EcoWatch that is unique in the industry. This program builds on the Industrial EcoWatch Rating System (IERS), an initiative under Department of Environment and Natural Resources (DENR) Administrative Order 2003-26, which encourages self-regulation among industries to improve environmental compliance and performance through a rating system. While the IERS mainly focuses on improving air and water quality, our EcoWatch Program goes further by assessing the environmental performance of our Terminal Operations.

Specifically, it evaluates the maturity of our management programs in several areas, including Wastewater Quality, Air Quality, Solid Waste, Toxic and Hazardous Waste, as well as Environmental Impact Assessment and Environmental Management System. The goal is to promote self-monitoring and compliance with environmental standards among our operating facilities, while also encouraging pollution reduction beyond compliance and enhancing efficiency and bottom-line performance. Furthermore, the program aims to develop the capability of our terminals to self-regulate through environmental management systems.



A team of highly qualified personnel audits all Petron terminals each year to evaluate their environmental performance.

Since the start of 2014, our Terminal Ecowatch Program has been fully implemented in all of our terminals across the Philippines. This program is an important step in improving our environmental performance and demonstrating our commitment to sustainable practices. It allows us to identify areas where we can improve our environmental performance and strengthen our environmental management systems, ultimately helping us achieve our goal of sustainable operations.

A team of highly qualified personnel, composed of members from Corporate Technical Services Group (CTSG)-Environment, Operations HSSE, and the Petron Environment Council, conducts an annual audit of every Terminal to evaluate its environmental performance. The team assesses the Terminal’s performance based on several broad parameters.

Firstly, the team evaluates a Terminal’s level of compliance with various environmental laws and regulations and their respective implementing rules and regulations. Specifically, the following environmental laws are taken into consideration: 1) Presidential Decree (P.D.) No. 1586 that established the Philippine Environmental Impact Statement [EIS] System; 2) Republic Act (R.A.) No. 6969 or the “Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990”; 3) R.A. No. 8749 or the “Philippine Clean Air Act of 1999”; 4) R.A. No. 9003 or the “Ecological Solid Wastes Management Act of 2000”; and 5) R.A. No. 9275 or the “Philippine Clean Water Act of 2004”.

“

Our mission of “caring for the community and the environment” and our corporate commitment to health, safety, and environmental policies aim to protect and preserve the natural environment and promote the health, safety, and security of all stakeholders throughout our value chain.

We go beyond merely complying with existing regulations and actively seek ways to initiate, improve, and innovate our business practices to nurture nature.

Secondly, the assessment team evaluates the extent of the Terminal’s management effort to reduce and control pollution, and to implement environmental management plans and programs. Finally, the team evaluates the consistency and continual improvement through the years of implementation.

To ensure the rating criteria remain relevant and attuned to the latest environmental laws and regulations implemented by DENR and other allied regulatory agencies, and on the requirements of our stakeholders, including from investors and financial institutions, the assessment team updates its rating criteria annually.

To evaluate performance, our terminals are rated using a color-coding system, with Platinum being the highest rating at 6.00, followed by Gold, Silver, Green, and Blue. Terminals that fail to perform adequately are marked Red for insufficient compliance and Black for non-compliance. A Platinum Plus rating is awarded to terminals that sustain their Platinum rating for three consecutive years and are elevated to the Hall of Fame.

Since the inception of the program, our Terminals have steadily improved in their ratings, from an average rating of 2.98 in 2014 to an average of 5.64 in 2022, or an 89% increase in collective score. At the end of 2022, all 30 of our terminals and sales offices received high ratings, with the Davao Terminal earning a Platinum Plus rating for four consecutive years, and ten terminals achieving Platinum rating, while the remaining received Gold or Silver ratings.

Through the Terminal EcoWatch Program, we are able to further support Petron’s sustainability efforts by promoting self-monitoring and compliance with environmental standards among our terminals, encouraging pollution reduction beyond compliance, and enhancing the capability of our facilities to self-regulate through environmental management systems. Additionally, this supports our commitment to greening initiatives such as mangrove reforestation, which contributes to our carbon sequestration efforts.



Pollution Control Officers (PCO) Training

To further encourage sustainable practices across our supply chain, we established a PCO Training program in 2010 as an essential learning tool for Petron employees, service station dealers, and other stakeholders. This is recognized by the DENR Central Office and fulfills the 40-hour environmental training requirement for accreditation as a pollution control officer by the Environmental Management Bureau.

The PCO Training course promotes awareness of environmental laws and regulations, both locally and globally, and highlights the most pressing environmental issues of our time. By completing this course, participants gain a better understanding of their role in promoting environmental compliance and best “green” practices in their communities. Moreover, the PCO’s responsibility is to monitor and report on environmental performance and ensure compliance with environmental regulations. Thus, we empower our stakeholders to take on this role and enhance their capabilities to drive sustainable practices within their operations.

Since its inception, the PCO Training program has successfully trained and graduated 3,627 individuals. Moreover, the CTSG Environment has been recognized as a Training Organization for Category A Pollution Control Officers, with a valid certification until December 15, 2023. This allows us to continue providing the 40-hour PCO training and 8-hour Managing Head training to our service station dealers and qualified terminals for PCO accreditation.

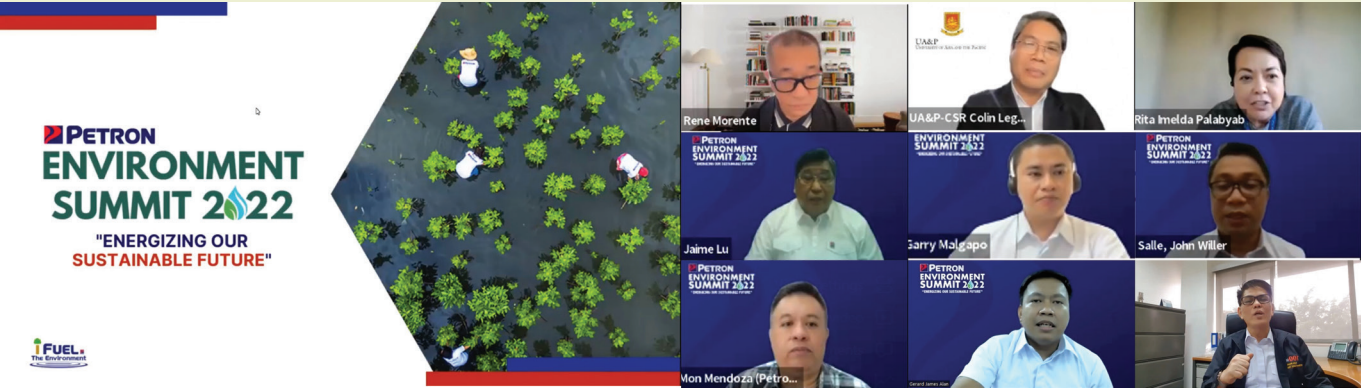
To further motivate our PCOs, we have implemented a recognition program that acknowledges their crucial role in executing Petron’s pollution prevention initiatives, resource efficiency, compliance with legal requirements, and social development. The recognition program comprises the Outstanding Pollution Control Officer award and the Environmental Initiative Award, both of which are presented during the National Environment Month Celebration in June.

The Environment Council of Petron reviews all nominations for the Outstanding Pollution Control Officer award and evaluates all applications for the Environmental Initiative Award. The nominees are evaluated based on the following criteria:

- All accredited Pollution Control Officers of Petron’s facilities; and
- Innovativeness and impact of environmental programs implemented.

Petron Environment Summit

The Petron Environment Summit was initially organized by CTSG-Environment as a virtual forum for the company’s Management Committee, Managing Heads, Pollution Control Officers, and select participants within the San Miguel Group. Its purpose was to foster a shared understanding of the latest environmental issues that impact our business continuity and sustainability, as well as the best ways to address them. The session was quickly elevated to become an environment summit, with the goal of expanding its reach and elevating the learnings among the company’s key officers and personnel. It was also an excellent opportunity to showcase



the best practices on environmental management implemented in various Petron facilities and benchmark with colleagues from SMC.

This was made more relevant by being scheduled in November, to coincide with National Environmental Awareness Month, National Climate Change Consciousness Week, Clean Air Month, and National Day for Youth in Climate Action. The forum covered topics such as the latest regulatory environment, climate change, and disaster risk reduction, and featured a distinguished lineup of resource speakers from government agencies such as the Department of Science and Technology (DOST) and DENR-EMB, as well as industry experts from both within and outside of the SMC organization.

The second installment of Petron’s Environment Forum in 2022 was focused on sustainability and ESG and featured critical inputs from UA&P-CSR and SMC’s Corporate Sustainability Office. A highlight of the forum was the presentation of SMC’s ESG Roadmap, which will guide the different business units of SMC, including Petron, in formulating their respective long-term frameworks and aligning them into a cohesive pathway towards long-term success.

Petron has always been committed to caring for the environment and communities, which is why the sustainability summit is an important milestone in our journey. Since our incorporation in 1933, we have made it a priority to measure, manage, and minimize our environmental footprint at every stage of our operations.



However, we acknowledge that achieving our ESG goals requires much more; we need to be equipped with the knowledge and tools necessary to succeed. That is why we are continuously learning, improving, and innovating by seeking the expertise of external partners and collaborating internally to identify the best practices for our company. We understand that our ESG efforts don’t just benefit our company, but also our stakeholders. The Terminal EcoWatch, PCO Training, and Sustainability Summit allow us to share our progress, learn from our peers, and chart a path forward to a more sustainable future for our company, our communities, and our country.

Materials: Managing our Resources Responsibly

Alignment with Standards/Frameworks	
GRI Standards	GRI 3-3, 301-1, 301-2, 301-3
UN Sustainable Development Goals	 
Philippine Development Plan	Accelerate Climate Action and Strengthen Disaster Resilience

As the largest oil company in the Philippines, we understand the importance of resource conservation, as these resources are crucial inputs in ensuring an efficient and effective business operation. We are committed to expanding and growing our business, while also ensuring that we have a positive impact in our existing markets. We demonstrate this commitment by responsibly managing both renewable and non-renewable materials that we use, with a focus on reducing waste, improving efficiency, and minimizing our environmental footprint. By taking these actions, we aim to ensure that our business remains sustainable over the long-term, and that we continue to meet the needs of our customers and stakeholders while contributing to the well-being of the planet.

We rely on crude oil as a primary raw material for our business, even though it is a non-renewable resource that may become depleted in the future. However, the prices of crude oil and refined petroleum products are notoriously volatile, and are influenced by a variety of factors such as geopolitical tensions, global economic conditions, and supply and demand dynamics. Despite these challenges, we remain committed to responsible and sustainable practices.

We recognize that the extraction of crude oil has significant negative impacts on the environment, which is why we do not engage in upstream crude extraction. Instead, we focus on refining imported crude oil, which allows us to minimize our environmental impacts while still meeting the needs of our stakeholders.

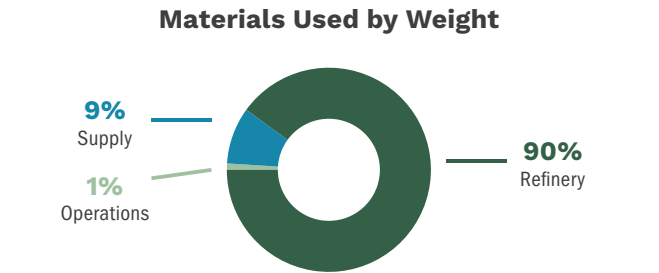
Materials used by weight or volume

In 2022, Petron utilized a total of 7,098,890.15 metric tons (MT) of non-renewable materials, such as crude oil, imported fuels, raw materials, and packaging materials. Additionally, we utilized a total of 148,258.44 MT of renewable materials, including ethanol and CME, as mandated by R.A. No. 9367 or the “Biofuels Act of 2006.”

MATERIALS	2022
Non-renewable materials used ¹	7,098,890.15 MT
Renewable materials used ²	148,258.44 MT

¹ Resource that does not renew in short periods
² Material that is derived from plentiful resources that are quickly replenished by ecological cycles or agricultural process, so that the services provided by these and other linked resources are not endangered and remain available for the next generation.

Out of the total materials used by Petron in 2022, the Refinery was the largest contributor with 6,514,255 MT, followed by imported fuel products and petrochemicals at 662,134.29 MT, and operations at 70,759.18 MT.



Recycled input materials used

We are committed to reducing waste and promoting circularity. To achieve this, we are taking steps to minimize the amount of waste we generate, such as using recycled materials. While we currently do not incorporate recycled materials into our primary products and services, we have implemented the use of recycled plastic materials in our plastic packaging for lube products. On average, this packaging contains 10% recycled plastic, amounting to a total of 209.56 MT.

Reclaimed products and their packaging materials

We aim to promote sustainability in all our operations by minimizing waste and maximizing resource efficiency. For example, our retail LPG products are packaged in reusable steel cylinders or composite materials. We also have a system in place to recover empty cylinders, which we refill at our LPG filling plants. Any remaining cylinders are disposed of as scrap metal for recycling.

Moreover, we have made significant strides in reducing our steel drum usage by shifting to bulk deliveries of fuel additives at our major terminals. We store these additives in steel drums that we later donate, recycle, or send to smelting plants. As a result, we have been able to reduce our annual steel drum usage by 129 MT.





Additionally, we have a Logistics Management Plan in place to ensure the availability of petroleum products while managing the risks from price volatility. Our Refinery and fuel terminals are implementing environment, safety, and quality management systems based on ISO standards to address potential risks and impacts.

We have developed an Extended Producer Responsibility Program (EPR) that aims to reduce and/or recover plastic packaging materials used for our lube oil products in compliance with R.A. No. 11898 or the “EPR Act of 2022.” The program will be implemented in 2023, and we have established goals and targets that align with the reduction targets mandated by the EPR Law. We will conduct an annual audit to track the program’s effectiveness.

Moreover, as we move towards a low-carbon economy, we are building a Biodiesel Manufacturing Plant (i.e., Coco Methyl Ester/CME) for the production of biofuels. These efforts demonstrate our commitment to responsibly managing our materials while contributing up to 30% of the country’s fuel requirements.

By aligning our practices with environmental regulations and international standards, we demonstrate our commitment to sustainable business operations. More importantly, Petron will remain committed to our goal of sustainability and continue to explore opportunities to minimize waste, reduce our environmental impact, and promote the circular use of materials.

Energy: Ensuring Sustainable Actions in our Operations

Alignment with Standards/Frameworks	
GRI Standards	GRI 3-3, 302-1, 302-2, 302-4, 302-5 Topic 11.1 GHG emissions
UN Sustainable Development Goals	   
Philippine Development Plan	Accelerate Climate Action and Strengthen Disaster Resilience Expand and Upgrade Infrastructure

To demonstrate our commitment to environmental stewardship, Petron continues to explore opportunities to reduce our environmental footprint through energy conservation and efficiency programs. Our Health, Safety, and Environment (HSE) policy is built on the principles of protecting and preserving the natural environment while promoting the health, safety, and security of all stakeholders including workers, customers, suppliers, contractors, and the general public.

In 2022, Petron’s operations consumed a total of 42.38 million gigajoules (GJ) of energy, accounting for approximately 50% of our total operational spending. This energy consumption includes both renewable and non-renewable sources, with 41.46 million GJ from non-renewable sources and 7,169 GJ from renewable sources. Unfortunately, 99.98% of our energy consumption comes from non-renewable sources, primarily fossil fuels.

Within our non-renewable energy consumption, the Refinery accounts for 99.82% of the total, while the remaining usage comes from vehicles, electricity, and fuel-burning equipment such as generator sets and fire pumps. The Refinery, which is comprised of our Petron Bataan Refinery and PP Plant, also accounts for 86.6% of the total electricity consumption. Despite our reliance on non-renewable sources, Petron remains committed to finding innovative ways to reduce our environmental impact and move towards a more sustainable future.

Energy consumption within the organization

ENERGY	2022
Total energy consumption from non-renewable sources	41,463,853.50 GJ
Total energy consumption from renewable sources	7,169.10 GJ
Electricity sold	262,824.80 GJ
Total energy consumption within the organization (includes 840,100 GJ from flare gas burned)	42,376,468.40 GJ

We recognize the significant impact of our operations’ energy consumption on the environment, and we have taken steps to reduce this consumption and promote energy conservation. Through our efforts, we were able to achieve a total energy reduction of 28,275 GJ in 2022. This calculation was based on the difference in energy consumption before and after the implementation of our projects.

Amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives

ENERGY	2022
Fuel	27,782 GJ
Electricity	493 GJ
Total	28,275 GJ

To continuously reduce energy utilization and GHG emissions, Petron implements a variety of programs aimed at conserving energy through heat recovery. Energy available from hot process streams are being used to preheat feed to furnaces while hot flue gases from furnaces are being used to generate steam or heat up combustion air for more efficient operation of furnaces.

Additionally, the Refinery is shifting to more energy-efficient LED lighting technology and renewable solar energy for post lamps and buildings, while similar programs are implemented in our terminals and service stations. Beyond operational programs, Petron also implements energy conservation initiatives in non-plant facilities such as offices, admin buildings, and housing complexes, which include turning off lights and air conditioners during off-hours.

Petron also participates in the annual Earth Hour event organized by the World Wide Fund for Nature, having done so for the past 10 years, as part of its commitment to environmental sustainability.

To reduce our electricity use at the terminals, Petron is installing solar panels and solar-powered lamps in some of our terminals and service stations. These efforts have increased the use of renewable materials and reduced our reliance on traditional electricity sources.

From 2014 to 2022, Petron has made significant strides in energy conservation and efficiency, saving a total of 652,076.87 GJ of energy. Key projects that contributed to these savings include the installation of a Flare Gas Recovery Unit and the optimization of steam utilization in process units. Additionally, the latest co-generation facility is expected to further contribute to higher energy efficiency of the Refinery.

Furthermore, Petron’s Desalination Plant uses waste heat from excess exhaust Low Pressure Steam from steam turbine- driven equipment allowing more efficient use of energy. Additionally, the new co-generation facility employs technology that allow a more efficient production of steam and power. The very high-pressure steam is used to generate power while the exhaust high pressure steam and medium pressure steam are used for the steam



The flare gas system in the refinery recovers usable fuel and reduces the need for gas flaring, resulting in lower fuel consumption and minimized GHG emissions in our operations.

requirements of the Refinery. With another two trains of co-generation facility coming on-line, we will be able to further reduce the utilization of old and less efficient TPP boilers. It is in this sense that Petron continues to explore innovative ways to reduce energy consumption and promote sustainability while maintaining efficient operations.

In 1999, Petron began its venture into petrochemicals by installing a Catalytic Reformer Unit and Mixed Xylene Plant. This allowed Petron to produce mixed xylene and lead-free gasoline. In 2008, Petron expanded its petrochemical production by installing Fluidized Catalytic Cracker (FCC) No. 1 and Benzene-Toluene-Xylene (BTX) facilities. This enabled Petron to produce three new petrochemical products: propylene, benzene, and toluene. Additionally, the revamp of the existing Continuous Catalytic Regeneration (CCR) unit increased mixed xylene production.

In 2014, Petron installed its second FCC facility as part of the Refinery Master Plan 2 (RMP-2) project. This project allowed Petron to convert all of its fuel oil production to

petrochemicals, gasoline, and diesel. By shifting to petrochemicals, Petron was able to reduce the GHG intensity of the Refinery output. This is because fuel oil has the highest GHG intensity at 3 kg/Li, whereas propylene has zero GHG, and gasoline and diesel have GHG intensities of 2.3 and 2.7, respectively.

In addition to these projects, we have been setting annual reduction targets in power consumption at our terminals as part of our commitment to improving our environmental management system and achieving a higher rating in our Terminal EcoWatch Program. To ensure the continuity of our energy conservation and efficiency efforts, we have certified Energy Managers under the ASEAN Energy Management Scheme and the Department of Energy (DOE). These managers are instrumental in formulating policies and programs that promote energy conservation and efficiency throughout our operations.

Water and Effluents: Ensuring Water Security for All

Alignment with Standards/Frameworks	
GRI Standards	GRI 3-3, 303-1, 303-2, 303-3, 303-4, 303-5 Topic 11.6 Water and Effluents
UN Sustainable Development Goals	<div><div>6</div><div>CLEAN WATER AND SANITATION</div></div> <div><div>12</div><div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div></div>
Philippine Development Plan	Accelerate Climate Action and Strengthen Disaster Resilience Expand and Upgrade Infrastructure Promote Human and Social Development

We acknowledge that water is a crucial shared resource that sustains our operations and the lives of our neighboring communities. As water is considered a fundamental human right according to the UN SDGs, we prioritize identifying, monitoring, and assessing our water-related impacts. We aim to strengthen our water conservation initiatives to improve the quality of life in the areas where we operate. Effective water management not only benefits our stakeholders but also enhances our operational efficiency, enabling us to deliver greater value.



Our desalination plant in the refinery directly sources salt water from the sea and processes this into consumable water to prevent groundwater depletion and saltwater intrusion.

At Petron, we have consistently prioritized responsible water management practices throughout the years. Our efforts have been reinforced by our parent company, SMC, through its “Water for All Program,” which seeks to reduce water consumption by 50% by 2025 through the use of non-scarce sources. We are proud to say that Petron has contributed significantly to achieving this goal. In 2022, we reduced our scarce water consumption by 19.39% compared to our 2016 baseline, saving 2,082,244.25 m³ of scarce water for the year. Our total accumulated water savings since 2016 amount to 17.38 million m³, which is equivalent to the monthly consumption of over 579,000 households. We monitor our performance and establish annual water reduction targets through our company-wide Ecowatch Program across our terminals. As a result, we have attained 68% reduction in 2022, which already surpasses our 2025 targets.

To further contribute to reducing our water consumption, we implemented Project CODy in our Refinery in 2010. After completing our major

expansion programs in 2016, we reinforced the project, which aims to identify all waste streams, characterize their quality, and find opportunities to reduce, reuse, or recycle wastewater. Through this project, we were able to implement various initiatives, such as reusing stripped sour water, reducing condensable blowdown, and lowering wastewater from crude desalter. In 2022, our Refinery successfully reused a total of 605,009 m³ of wastewater, equivalent to around 11.2% of the total treated water discharged from our treatment facilities.

Furthermore, we established rainwater harvesting and wastewater treatment facilities in our terminals to further support our commitment to responsible water management. These initiatives demonstrate our continuous efforts to identify and implement innovative solutions to minimize our water-related impacts while improving the efficiency of our operations.

Ten of our terminals have implemented waterless fuel-receiving facilities to date, which eliminates the use of seawater to push residual fuel in pipelines. Launched in 2019, this has prevented the use of up to 10,000 m³ of seawater per year. By doing so, we have also eliminated the generation of oily waste and sludge which is classified as hazardous waste, and avoided the construction of wastewater treatment facilities needed to treat the oily wastewater generated from water pushing.

Given the water-intensive nature of our industry, we recognize the importance of reducing our dependence on groundwater sources and preventing potential harm to these resources such as over extraction, saltwater intrusion, and ground subsidence. To achieve this, we have implemented proactive measures such as utilizing seawater and installing a desalination plant. Our desalination plant provides us with the equivalent of 21% of our total freshwater requirement. It directly sources salt water from the sea and processes this into consumable water to prevent groundwater depletion and saltwater intrusion. In 2022, we utilized 2,830,185 m³ of desalinated water, higher compared to the 1,956,835 m³ used in 2021. The plant also makes use of the waste heat from the low-pressure steam from the Refinery, contributing significantly to energy

efficiency efforts. These alternatives were chosen based on the results of a groundwater resource study conducted by our Refinery. We also identified the areas of our operations that experience water stress, water scarcity, or absolute scarcity, based on the Philippine Water Supply and Sanitation Plan 2019-2030 of the National Economic and Development Authority and findings from San Miguel’s Bulk Water Company. By implementing these measures, we are able to reduce our impact on groundwater resources and ensure sustainable water management practices in our operations.

Water withdrawal

In terms of our water usage, majority of our water withdrawal (92.27%) comes from seawater, a non-scarce water source, while 7.36% comes from groundwater. For wastewater, 99.88% is discharged into seawater, with the balance going to surface water such as rivers.

Our primary source of water in operations is seawater, which accounts for 99.96% of our total seawater withdrawal. The primary use of seawater is for cooling, while the Refinery uses a desalination plant to process seawater into soft water for steam generation. This has reduced our dependence on groundwater as a water source. In 2022, 28.7% of the water used in our operations came from alternative sources,

including desalinated seawater and recycled wastewater at our Refinery, and rainwater harvested at most of our terminals. This initiative helps mitigate the impact of water scarcity in Bataan, where the Refinery is located, which is anticipated to worsen due to climate change. Our Refinery accounts for 99.20% of our total groundwater withdrawal. However, following the mandate of The Philippine Clean Water Act to reduce groundwater consumption, we are constantly exploring new ways to recycle wastewater and collect rainwater to minimize our usage of scarce water sources.

Furthermore, in 2023, we have allocated P10 million to install rainwater harvesting facilities in 123 service stations across the country, with a modest capacity of 1,600 liters per station. This will help us to further reduce our reliance on scarce water sources and minimize our environmental impact.

Petron operates in places that are experiencing different levels of water scarcity. In fact, 99.96% of the total water volume withdrawn comes from these areas. Additionally, only 7.68% of the water withdrawn in water-stressed areas comes from freshwater sources. We will continue to reduce our use of freshwater sources in stressed areas and enhance our ability to adapt to changing environmental conditions as we move towards climate change resilience.

WATER WITHDRAWAL FROM ALL AREAS (IN MEGALITERS)							
Surface water	Groundwater	Seawater	Produced water	Third-party water	Total	Breakdown of total water withdrawal in megaliters according to:	
						Freshwater	Other water
4.34	10,497.77	131,622.16	---	500.04	142,641.31	11,019.61	131,622.16
Rainwater = 16.99							
WATER WITHDRAWAL FROM ALL AREAS WITH WATER STRESS (IN MEGALITERS)							
Surface water	Groundwater	Seawater	Produced water	Third-party water	Total	Breakdown of total water withdrawal in megaliters according to:	
						Freshwater	Other water
0	10,495.85	131,615.81	0	493.20	142,581.58	10,965.77	131,615.81

Water discharge

The majority of our water consumption, which amounts to 133,834.04 megaliters, is discharged into seawater, with only a small amount (155.22 megaliters) being released into surface water. Refinery accounts for 99.8% of the total wastewater discharge. In 2022, almost all (99.88%) of the treated wastewater was discharged to coastal surface water.

We continue to implement water conservation programs such as Project CODy in our Refinery and waterless receiving in most terminals to minimize wastewater generation. For terminals where process wastewater cannot

be avoided, we have invested P49.58 million for the upgrading of our treatment facilities to comply with the effluent standards of the Clean Water Act. For service stations that generate process wastewater, Petron has likewise allocated P60 million for new and upgrading of treatment facilities. Our Company ensures that wastewater discharge from its facilities is consistently compliant with standards.

By taking these steps, we aim to reduce our impact on the environment while still meeting the demands of our operations.

WATER DISCHARGE TO ALL AREAS (IN MEGALITERS)						
Surface water	Groundwater	Seawater	Third-party water	Total	Breakdown of total water discharge in megaliters according to:	
					Freshwater	Other water
155.22	---	133,834.04	0.73	133,989.99	7,724.09	127,992.56
WATER DISCHARGE TO ALL AREAS WITH WATER STRESS (IN MEGALITERS)						
Surface water	Groundwater	Seawater	Third-party water	Total	Breakdown of total water discharge in megaliters according to:	
					Freshwater	Other water
5,948.06	---	127,986.21	---	133,934.27	5,948.06	127,986.21

Water consumption

In 2022, our total water consumption from all areas of our operations was 8,651.47 megaliters. Moreover, for our areas with water stress, we have consumed a total of 8,647.46 megaliters. This is a favorable result of our consistent efforts in reducing water consumption in the areas where we operate.

WATER CONSUMPTION (IN MEGALITERS)	AMOUNT
Total water consumption from all areas	8,651.47
Total water consumption from all areas with water stress	8,647.46
Change in water storage	0

FEATURE STORY

Conserving our Scarce Resources: Petron Tops SMC's 'Water for All' Project

In 2010, the Petron Bataan Refinery (PBR)

initiated Project CODy through the CTSG-Environment. This initiative aimed to establish our water footprint for us to better understand our water usage, thereby allowing us to identify opportunities for possible reuse and recycling before water treatment and disposal. By managing our water resources more effectively, we were able to achieve three important goals simultaneously. Firstly, we conserved water by minimizing and optimizing its use in our Refinery operations. Secondly, we significantly reduced our water consumption to ensure that our surrounding communities could continue to enjoy the same scarce resources. And thirdly, we realized cost savings by using less water. Our approach to water management allowed us to achieve these three objectives, contributing to the sustainability of our operations and the well-being of our surrounding communities.

In 2010, the full implementation of Project CODy resulted in system-wide savings of 14.4% in water usage, equivalent to P9.7 million in savings for Petron due to reduced water extraction from our own deep wells. Our initiatives also included reducing raw water consumption in the condensable blowdown drum, an essential part of our Refinery's gas relieving system, and routing stripped water to the Flue Gas Desulfurizer (FGD) unit. As a result, we were able to decommission two deep wells that provided groundwater for our Refinery operations, helping to enhance the water supply in our fenceline barangays Alangan and Lamao.

The completion of Petron's RMP-2 in 2014, along with new water reduction programs, helped lower the Refinery's Water Consumption Index by 44%, from 1.74 to 0.97. This brought the water footprint of the Refinery within the lower range

of typical US refineries. A component of the RMP-2 project is the construction of the desalination plant which supplies around 23% (equivalent to 2,830,185 m³) of the total water demand of the Refinery in 2022 and helps us prevent groundwater depletion and saltwater intrusion.

Project CODy is an innovative environmental initiative that has enabled Petron to join forces with San Miguel Corporation's Water for All program, making it even more significant. The program was launched in 2016 with the aim of drastically cutting down the conglomerate's group-wide water consumption by half by 2025. According to SMC President and CEO Ramon S. Ang, "Water is a precious resource, not just for San Miguel, but for all of us. We have continued to work towards improving water use efficiency across all our businesses as we confront the challenges of water scarcity." By participating in this program, Petron is actively contributing to this worthy cause and doing its part to conserve water resources for a sustainable future.

Specifically, the SMC Water for All program seeks to reduce our scarce water consumption by 20% in 2020 and by 50% in 2025 compared to the 2016 baseline level, by implementing water consumption reduction programs and promoting the use of infinite water sources. The program is crucial in mitigating the effects of our operations on water resources and ensures their sustainable use for future generations. The SMC 'Water for All' program is a testament to our commitment to sustainability and responsible resource management.

Petron willingly accepted the SMC Water for All challenge, despite already having initiatives in place to optimize our water consumption. However, we were determined to not only meet but exceed its target. The Refinery went a step further by implementing low-investment programs to further reduce our domestic water consumption. These initiatives include the installation of Dual Flush Toilets, Sink Urinals, and aerators in faucets. Additionally, the Refinery aims to reuse rejects from Continuous Electrodeionization (CEDI) for non-critical water applications and from Drinking Water Purification for Laboratory wash area for cleaning sample bottles by 2024. PBR is also exploring several relatively more capital-intensive projects, such as Wastewater Effluent Recycling and



Rainwater Harvesting for firewater and raw water applications to help meet the Water for All target. Petron's Terminal Operations nationwide have also been doing their part in improving their respective water footprints. They have invested in rainwater collectors to harvest rainfall for use in non-critical functions such as toilet water, housekeeping, and maintenance of plants. By implementing these initiatives, Petron is taking an active role in conserving water resources for a sustainable future.

Petron's collective efforts to reduce water consumption have already led to significant progress towards meeting our reduction goals. From 2016 to 2022, we saved a total of 17.28 million m³ of water, the highest among all SMC subsidiaries. Our Terminal Operations rainwater harvesting program alone collected 58 million liters of rainwater since 2017, equivalent to the monthly consumption of 1,945 households. For 2022, we used around 17,000 m³ of rainwater for non-essential chores, equivalent to the monthly consumption of 567 households. The Refinery also played a significant role in SMC's group-wide water savings in terms of absolute volume, generating 1.97 million m³ in 2022, more than any other SMC facility. Before the pandemic hit in 2019, we had already exceeded our 2020 target reduction with a 27.09% reduction in scarce water consumption. This achievement was largely due to the Seawater Desalination Facility of the Refinery and our Operations Group's leadership in rainwater harvesting, with rainwater collectors installed in all terminals nationwide. In recognition of our efforts, 23

Petron terminals nationwide were among SMC's top 48 facilities in the Water for All project in 2022 with 15.29 million m³ of water saved or 55.8% of the conglomerate's total accumulated water savings. While we had already implemented many low-investment programs, we also plan to invest in more capital-intensive projects, such as Wastewater Effluent Recycling and Rainwater Harvesting, to help achieve the Water for All target. Our commitment to conserving water resources remains steadfast, and we will continue to take action towards creating a sustainable future for all.

Despite the challenges posed by the COVID-19 pandemic, including the temporary shutdown of our Refinery, we are proud to report that Petron had the highest total volume accumulated water savings among all of San Miguel Corporation's operating units until 2022. Overall, Petron has contributed 51.31% to the total volume of scarce water conserved since 2017, and 32.12% of the total volume of scarce water conserved in 2022.

As the largest oil company and sole refiner in the country, we recognize the importance of practicing sustainability and reducing our water consumption to address the increasing demand and threat to groundwater supply and availability. Therefore, we are committed to implementing programs to reduce water consumption and explore alternative resources beyond groundwater. Regardless of our size or scale, we will continue to build on these initiatives to promote positive change and to become better stewards of the environment.

Biodiversity: Protecting Our Common Home

Alignment with Standards/Frameworks	
GRI Standards	GRI 3-3, 304-1, 304-2, 304-3, 304-4 Topic 11.4 Biodiversity
UN Sustainable Development Goals	<div><div>6</div><div>14</div><div>15</div></div>
Philippine Development Plan	Accelerate Climate Action and Strengthen Disaster Resilience



Maintaining the diversity of living organisms is essential for preserving different species of plants and animals, as well as their natural habitats. At Petron, we are committed to caring for communities and the environment, which includes preserving biodiversity. We recognize that the diversity of life directly affects the livelihoods of people in a particular region, and therefore plays a crucial role in reducing poverty and promoting sustainable growth.

To achieve this, we pledge to adopt business practices that prioritize environmental preservation, as we understand that this will benefit both our company and its stakeholders in the long term.

We acknowledge that our activities have a considerable impact on the environment, and we

believe that meeting environmental regulations alone is not enough. To reduce the potential impact of our offshore activities, such as product receiving and marine vessel transport, Petron uses oil spill booms to contain possible spills. Additionally, we prioritize preventive maintenance to ensure the integrity of our pier facility and receiving pipelines.

Given that Petron’s operations occur in sensitive areas like coastlines, we are committed to investing in activities that help restore natural habitats in these regions. This includes initiatives like reforestation projects, which includes mangrove and tree planting, as well as coastal cleanup programs. By undertaking these measures, we aim to minimize our ecological footprint and contribute to the long-term preservation of the environment.

As part of our commitment to preserving biodiversity, we have set a goal to reforest 48 hectares of upland sites by planting at least 120,000 mangroves in coordination with the DENR throughout 2023. Additionally, we plan to partner with academic institutions to measure the carbon sequestration rates of each adopted site and establish baseline data by conducting an initial species inventory.

To ensure our progress is recognized officially, we are looking to partner with the University of the Philippines Los Baños–College of Forestry and Natural Resources to have carbon sequestration rate calculations measured and certified annually. These measurements will be validated by the DENR through its Ecosystems Research and Development Bureau.

We recognize that it is essential to support local communities and will complement our reforestation efforts with activities to provide supplemental livelihood options to host communities. By doing so, we hope to not only preserve biodiversity but also promote sustainable development and empower local communities.

Petron is committed to upholding our HSE Policy, which guides our compliance with government regulations aimed at promoting health and safety, protecting the environment, and implementing

effective procedures. Towards this end, we prioritize adequate resources, leadership support, coordination with local government units (LGUs), and stakeholder involvement. Our ultimate goal is to continually improve our performance by setting and meeting targets for excellence. We continuously develop strategies to enhance our business practices and ensure that our efforts are directed towards areas of greatest need. This approach enables us to remain focused on our objectives and maintain our high standards.

Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

NAME OF PROTECTED AREA	ACTIVITY	LOCATION
Tañon Strait Protected Seascape	Sales Office	Amlan, Negros Oriental
Saranggani Bay Protected Seascape	Fuel Terminal	Bawing, General Santos City

Petron is dedicated to promoting biodiversity and reducing the negative impact of our operations on the natural environment. As some of our operational sites are situated near protected areas, we take extra precautions to ensure that we preserve the local biodiversity. For instance, our sales office in the town of Amlan in Negros Oriental is located next to the Tañon Strait Protected Seascape, while our Bawing Terminal in General Santos City is situated within the Sarangani Bay Protected Seascape. These locations have both been officially recognized as protected areas under the National Integrated Protected Area System Law and classified as Category V Protected Areas by the International Union for Conservation of Nature (IUCN).

Significant impacts of activities, products, and services on biodiversity

At our Bawing Terminal, we have identified pollution from the operations of marine vessels and water discharge from fuel terminal operations as our major direct impacts on biodiversity. However, we are pleased to note that there are no species affected by these impacts. The extent of the areas impacted is limited to the immediate vicinity of the terminal,

and the duration of the impact is short term. Moreover, we have implemented measures to mitigate and manage these impacts, and we are confident that the impacts are reversible.

To address environmental and socio-economic issues in the protected area, Petron has developed a comprehensive ten-year rehabilitation plan for the Bawing Terminal. This plan focuses on reducing water pollution and habitat destruction, as well as promoting alternative livelihoods. We plan to review and update the plan every ten years, or sooner if necessary, to ensure that it remains effective and relevant to the changing environment and regulations.

In addition, Petron conducts ambient water quality monitoring to evaluate the impact of our terminal’s operations on the water quality in Sarangani Bay. We also partner with the DENR on a mangrove reforestation program that trains program beneficiaries to maintain and protect the site. We bi-annually track propagule survival rates and prepare progress reports to monitor the project’s success. Through regular monitoring and reporting, Petron is taking ownership of our environmental impact and striving for a more sustainable future.

Habitats protected or restored

Petron recognizes the need to protect and restore habitats. In 2022, we implemented protection measures on an aggregate of 2.137 hectares of land in our Tagoloan Terminal in Misamis Oriental and in our Bawing Terminal. We have also established partnerships with third parties such as LGUs, DENR, and program beneficiaries to protect or restore habitat areas outside our operations. We are proud to report that our efforts are ongoing, and we are actively monitoring the progress of each area. In Tagoloan, we have planted 150 seedlings and bamboo, while in Bawing, we have planted 3,335 mangrove seedlings. We recognize the urgency of the global call to preserve and restore our natural habitats, and we remain steadfast in our commitment to sustainable practices that balance economic progress with environmental conservation.

FEATURE STORY

From Ripples to Waves: Saving the Pawikan, Building a Sustainable Environment for Bataan

Petron has been supporting the Pawikan Festival since 2007. Organized by the Bataan Provincial Tourism Council on behalf of the province, has become an annual celebration of the presence of the endangered giant sea turtles in the coastal towns of Morong and Bagac. Bataan is a significant nesting site for these sea turtles, according to the DENR's Biodiversity Management Bureau with three out of the five sea species in the country, namely the Hawksbill, Olive Ridley, and Green Turtle, using the beaches facing the West Philippine Sea as their nesting grounds.

Having been a 'resident' of Bataan for more than 50 years, Petron takes on the responsibility of preserving the area's biodiversity, particularly the pawikan. Supporting this advocacy not only protects the pawikan but also fosters sustainable development. The Pawikan Festival serves as an excellent platform to create awareness and appreciation for these ancient creatures that have been in existence for over 220 million years. Unfortunately, their eggs are deemed delicacies, and their dorsal shells are sought-after as decorations, thus making them an endangered species. Petron recognizes the significance of safeguarding the pawikan and will continue to contribute to their survival not only in Bataan but also in other areas where we are both present.

To further emphasize our support for the festival, Petron organizes the Environment Forum as among its main activities. This aims to educate residents and visitors of Morong, Bataan about the science of protecting sea turtles and their significance not only to the marine ecosystem but also to humans.

Petron engages scientists and marine experts as resource speakers for the lectures together with Bantay Pawikan, the NGO tasked with managing



Petron's host province of Bataan is a significant nesting site for three out of the five species of endangered giant sea turtles in the country, according to the DENR's Biodiversity Management Bureau.

the Pawikan Conservation Center year-round. The learning experience is then complemented by a Night Patrol, where participants can witness the nesting of an adult female green sea turtle and the hatching of eggs from the Pawikan Conservation Center. The program concludes with the symbolic release of hatchlings into the sea.

Through this effort, the Sangguniang Panlalawigan of Bataan issued Provincial Ordinance No. 30 in 2021, designating 105 hectares of nesting beaches of the marine turtle along the coastline of Morong, Bataan, as the critical habitat for pawikans. Moreover, in October 2022, the province passed Provincial Ordinance No. 24 or the Pawikan Protocol, which prescribes the rules governing marine turtle interaction during hatching and nesting and the management of threats on their nesting habitats in Bataan. As part of the province's Framework for the Sustainable Development of Coastal Areas through Integrated Coastal Management (ICM), the Pawikan Conservation Program is proposed to be institutionalized as among the steps to maintain and sustain the integrity of resources, habitats, and biodiversity of Bataan.



In September 2022, Petron joined forces with local officials, NGOs, and private sector organizations to participate in the One Bataan PawiCAN Conservation Alliance Network or the 1PawiCan Program. This program hopes to institutionalize conservation and environmental protection efforts for the marine turtles found beyond the towns of Morong and Bagac, including Mariveles and Limay. As part of the initiative, each town will establish a Pawikan Conservation and Protection Group to spearhead the care of these endangered creatures.

Our involvement in the 1PawiCan Program demonstrates our commitment to environmental conservation and protection and to the sustainable development of Bataan. This collaborative effort ensures their long-term survival while preserving the natural resources of the region. Petron recognizes the significance of the pawikan not only as an endangered species but also as a symbol of a clean and healthy environment.

In 2000, we took the lead in implementing the Bataan ICM program together with the provincial

government, the UNDP's Partnerships in Environmental Management for the Seas of East Asia program, the various LGUs of Bataan, and business locators in the province. As part of this program, Petron regularly participates in coastal cleanup activities, mangrove planting, and upland reforestation in different areas of the province. And through our partnership with stakeholders in the province, we have produced several important documents, including the Bataan Sustainable Development Strategy, the Bataan Coastal Land- and Sea-Use Zoning Plan, and the State of the Coast Report for the Province of Bataan. These provide a clear roadmap to help the province achieve its 2030 vision of quality growth through sustainable development.

Our support for the Pawikan Festival and conservation efforts for the pawikan is just one aspect of our commitment to the sustainable development of the entire province. Our efforts reflect our dedication to preserving the environment and contributing to the long-term prosperity of the communities we serve.

Emissions: Addressing Climate Change through our Integrated Strategies

Alignment with Standards/Frameworks	
GRI Standards	GRI 3-3, 302-3, 305-1, 305-2, 305-3, 305-4, 305-5, 305-6, 305-7 Topic 11.1 GHG emissions Topic 11.2 Climate adaptation, resilience, and transition Topic 11.3 Air emissions
UN Sustainable Development Goals	<div><div>3</div><div>12</div><div>13</div><div>14</div><div>15</div></div>
Philippine Development Plan	Accelerate Climate Action and Strengthen Disaster Resilience Promote Human and Social Development

As the Philippines begins to slowly recover from the COVID-19 health crisis, it is now faced with another major global concern - climate change. The accelerating impacts of climate change in the country are severely affecting the lives, properties, and livelihoods of millions of Filipinos. The increased temperatures, sea level rise, frequency of extreme weather events, and storm surges have particularly impacted food security and safety for the population. Consequently, many companies and businesses, including ours, have begun prioritizing and addressing this global concern.

Being a key player in the oil and gas industry, we acknowledge the crucial role we have in helping the country transition towards a low-carbon economy. Therefore, we have integrated climate action strategies into our operations. For instance, we have implemented several initiatives to reduce GHG emissions, including carbon sequestration, carbon substitution, and carbon conservation.

To achieve carbon sequestration, we have carried out mangrove reforestation and tree planting activities, covering a total area of 75.14 hectares. In addition, we will explore participation in DENR’s Carbon Accounting, Verification, and Certification System program to obtain carbon credits for our future reforestation projects.

In terms of carbon substitution, we will continue to look at how best to increase our use of renewable energy, such as expanding the utilization of solar power and completing our CME plant for the production of biodiesel. Furthermore, we will identify more opportunities

for carbon conservation through the broader implementation of energy conservation programs. As a responsible industry leader, we are committed to taking proactive measures to mitigate climate change and contribute to a sustainable future.

To further mitigate the physical risks from climate change, we have implemented adaptation and resiliency measures. For instance, our new service stations are designed to withstand severe wind hazards and minimize material damage to the structure.

In 2018, the DOST published a report entitled “*Observed Climate Trends and Projected Climate Change in the Philippines,*” which provides climate projections for moderate (RCP 4.5) and high (RCP 8.5) emissions scenarios up to mid-21st century (2036-2065). By utilizing these projected scenarios on temperature change, rainfall, and sea level rise, we were able to identify facilities that are vulnerable to climate change.

We have also updated our Business Continuity Plan to incorporate adaptation measures to address the identified vulnerabilities. Additionally, we utilize this information in our project planning to ensure that the necessary mitigating measures are incorporated to address any physical risks that may arise.

Direct (Scope 1) GHG emissions, Energy direct (Scope 2) GHG emissions, and Other indirect (Scope 3) GHG emissions

We use GHG and energy intensity index on a per MB crude processed since the Refinery accounts for over 99% of emissions. This is also in line with other ASEAN refineries that use a per MB crude process as normalizing factor. In 2022, our Company recorded a total of 3,626,279 tons of carbon dioxide equivalent (tCO₂e) for our Scope 1 and Scope 2 GHG emissions. These are primarily due to our use of stationary fuel combustion equipment (such as boilers and generator sets) and mobile resources (such as service vehicles), which are our main sources of emissions.

Out of our Company’s overall GHG emissions, which includes both Scope 1 and Scope 2 emissions, 99.70% (equivalent to 3,615,272 tCO₂e) are attributed to the operation of the

Refinery, which also emits more than 99% of our Company’s recorded air pollutants. It is worth noting that the biogenic CO₂ emissions from the biofuel component of fuels used amounted to 503.8 metric tons.

As we continue to prioritize our commitment to reduce our carbon footprint and contribute to mitigating climate change, we will explore various ways to further reduce our GHG emissions. Our aim is to achieve a low-carbon economy and ensure the sustainability of our operations while providing safe and reliable energy to the Philippines.

GHG EMISSIONS	2022 (MT, CO ₂ E)
Gross Direct (Scope 1)	3,561,286
Gross location-based energy indirect (Scope 2)	64,992
Total GHG Emissions	3,626,278
Biogenic CO ₂ emissions	503.80

Similarly, it is worth noting that our Refinery is also the primary contributor to our Company’s Scope 1 and Scope 2 GHG emissions at 99.94% and 86.50%, respectively.

Energy and GHG Emissions Intensity and GHG Emissions Reduction

ENERGY INTENSITY	2022
Refinery	497 GJ / MB Crude Processed
Co-Generation Facility	3.2 GJ / MWH
Integrated (Refinery + Co-Generation Facility)	717 GJ / MB Crude Processed

GHG EMISSIONS INTENSITY	2022
Refinery	33.8 TCO ₂ e / MB Crude Processed
Co-Generation Facility	0.34 T CO ₂ e/MWH
Integrated (Refinery + Co-Generation Facility)	58.1 TCO ₂ e / MB Crude Processed

In 2022, the energy intensity of our Refinery was 497 GJ/MB, which is 10% lower than the baseline figure from 2018. This improvement can be attributed to our higher run in 2022, which has allowed us to utilize energy more efficiently. Furthermore, we commissioned the more efficient co-generation facility Phase 3 and replaced the Refinery’s Thermal Power Plant with a co-generation facility. This new power plant produces both steam and power at the same time, producing very high-pressure steam at 1800 psi compared to only 600 psi from the old unit. Additionally, the co-gen facility utilizes excess energy from power production in the form of low-pressure and low-temperature steam to preheat water that is converted to steam, reducing the amount of fuel required for full conversion. This not only reduces energy utilization but also contributes to reduction in the Refinery’s GHG Emission Intensity. Our GHG emissions intensity was 24.20% lower than our 2018 baseline. This places us within reach of our 2025 target to reduce emission intensity by 25%. Meanwhile, the energy and GHG emissions intensity of our co-generation facility remains the same compared to our 2018 baseline, highlighting the success of our efforts to improve energy efficiency and reduce emissions.

By 2023, we will be defining the coverage and boundaries for accounting GHG emissions across our organization’s value chain. Baseline values for the identified Scope 3 emission sources, which may include suppliers, service providers, and customers, will be established.

Emissions of ozone-depleting substances (ODS) and Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions

As part of our commitment to address climate change, we are proud to state that we do not emit any ozone-depleting substance. However, we do acknowledge that significant air emissions occur during our operations, including particulate matter. In addition, we have recorded 1,564.41 MT of emissions (i.e., carbon monoxide) that are identified in relevant regulations.

EMISSIONS	2022
NOx	1,886.31
SOx	9,334.00
Persistent organic pollutants (POP)	0
Volatile organic compounds (VOC)	NOT BEING MEASURED
Hazardous air pollutants (HAP)	NOT BEING MEASURED
Particulate matter (PM)	444.83
Carbon Monoxide (CO)	1,564.41

Waste: Monitoring Our Wastes

Alignment with Standards/Frameworks	
GRI Standards	GRI 3-3, 306-1, 306-2, 306-3, 306-4, 306-5 Topic 11.5 Waste Topic 11.8 Asset integrity and critical incident management
UN Sustainable Development Goals	<div></div>
Philippine Development Plan	Accelerate Climate Action and Strengthen Disaster Resilience Promote Human and Social Development

To mitigate our impact on the environment, we prioritize proper waste management in our operations. This includes implementing strategies to improve our reusing and recycling practices. We recognize that our activities have the potential to affect not only our employees but also the communities in which we operate, as well as the overall carbon footprint of the environment.

Waste generated

Petron’s facilities produce both solid and hazardous wastes. In 2022, we generated a total of 11,880 MT of waste. Hazardous waste accounts for majority of the generated waste at 7,454 MT. Most of this hazardous waste comes from waste oil sludge (56.8%) and reactive chemical waste (35.8%) from our Refinery. Non-hazardous waste accounts for the remaining 4,426 MT, with spent catalysts from the Refinery making up 64% of the non-hazardous waste. Paper and cartons from lube oil manufacturing account for 17.5% of non-hazardous waste, and plastic waste from our Polypropylene Plant accounts for 9.4%. We take responsibility for ensuring proper waste management in our operations, including improving our reusing and recycling practices. We understand that our operations may have an impact not only on our employees but also on local communities and the environment.

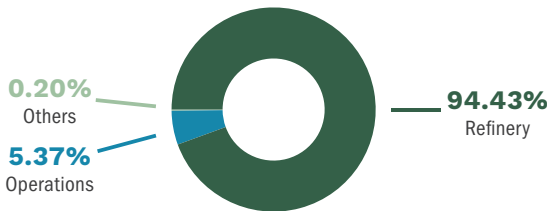
WASTE GENERATED	
Hazardous Waste	7,454 MT
Non-Hazardous Waste	4,426 MT
Total	11,880 MT

The co-generation facility generated a significant amount of spent limestone powder, amounting to 183,699.13 MT in 2022, which is used to remove sulfur oxides from air emissions. At present, this waste is disposed of off-site in a lined disposal facility. However, the Refinery is currently looking into potential opportunities to recycle and reuse this waste, as part of our commitment to improving our waste management practices.

Total Solid Waste Generation



Total Hazardous Waste Generation



Petron’s waste diversion efforts have resulted in the diversion of 3,509.57 MT of waste from disposal. Hazardous waste accounts for the majority at 62.7%, most of which is recycled on-site at the Refinery. Specifically, oily sludge waste is recycled as quench water in a Refinery process unit, accounting for the bulk of recycled hazardous waste at 1,866 MT. Spent catalysts and spent absorbents (223.47 MT) are also used as bed material for the co-generation facility of the Refinery. These achievements are attributed to the implementation of Project Solhaze at PBR, which characterizes hazardous waste streams and identifies opportunities to reduce waste generation. Other programs implemented include supplier buy-back of waste catalysts, dewatering of waste sludge, maximized use of phenolic caustic treatment unit to eliminate ex-situ disposal of hazardous spent caustic waste and more efficient management of hazardous wastes generated in various Refinery areas. All these efforts contributed to a 31.69% reduction in hazardous waste disposal at the Refinery in 2022 compared to 2021.

Over the past five years (2018-2022), the Refinery has been able to reuse 4,649.97 MT of hazardous waste in its process, thanks to our program and improvements in waste handling processes. As a result, we have been able to significantly reduce the cost of disposal by P10.97 million for 2022 alone. Moving forward, our facilities will continue

to closely monitor both solid and hazardous waste footprint, and compare our performance within and outside the company to ensure that our operations remain at the forefront of environmental responsibility and sustainability.

To minimize the use of steel drums, some of our terminals practice bulk delivery of fuel additives. However, in areas where drums are still the most cost-effective option, we send the empty drums off-site to be reconditioned or recycled at smelting plants. This is a significant contributor to the amount of hazardous waste we divert from our facilities. Furthermore, we donate clean empty drums to our host communities to serve as waste segregation bins. This initiative not only supports the local communities but also promotes proper waste management.

At our research and testing centers, we have reduced chlorinated hazardous waste by 32% through the implementation of alternative methods such as Fourier Transform Infrared Spectroscopy (FTIR) instead of chlorobenzene to determine the total base number (TBN) of fresh lube oil. We have also ensured proper segregation of product samples tested in the laboratory and initiated programs to minimize solvent-washing wastes. These efforts have reduced hazardous waste exposure to personnel, the workplace, and the environment.

Petron’s lube and grease manufacturing plants collect corrugated cartons that are used as packaging for empty lube oil containers. The supplier collects these cartons for reuse as packaging for succeeding batches of lube oil container delivery. Waste propylene blocks from the polypropylene plant are also recycled off-site, with these two types of waste accounting for 59% and 31%, respectively, of the non-hazardous waste diverted from disposal. These practices support Petron’s circular economy efforts.

At Petron, biodegradable waste generated from fuel terminals is composted on-site and used for landscaping and tree-planting activities. The Refinery recycles non-hazardous spent catalysts as bed material for its co-generation facility. These two programs account for the majority of on-site recycling of non-hazardous wastes.

WASTE DIRECTED TO DISPOSAL BY DISPOSAL OPERATION (IN MT)			
	ONSITE	OFFSITE	TOTAL
HAZARDOUS WASTE			
Preparation for reuse	0	0	0
Recycling	2,115.47	85.68	2,201.14
Other recovery operations	0	0	0
Total			2,201.14
NON-HAZARDOUS WASTE			
Preparation for reuse	7.60	828.24	835.84
Recycling	47.04	425.55	472.59
Other recovery operations	0	0	0
Total			1,308.43

Waste directed to disposal

Petron disposes of its hazardous waste off-site through DENR-accredited Hazardous Waste Treatment and Disposal (TSD) facilities. We take care to conduct due diligence on TSD facilities before engaging their services to ensure that the hazardous wastes we dispose of are treated in an environmentally acceptable manner.

To ensure compliance with environmental regulations, we also conduct regular inspections of our contracted TSD facilities and verify their treatment methodology. Waste oil and sludge from the Refinery account for 84% of the hazardous waste that we dispose of off-site. This waste has a low heating value and a high water content, making it unsuitable for recycling at the Refinery. In 2022, we were able to divert a total of 1,633 MT of hazardous waste from disposal, equivalent to P10.97 million in cost savings.

To minimize the amount of solid waste that we dispose of in landfills, Petron practices waste minimization, recycling, and reuse. At the Petron Bataan Refinery, we have implemented Project WRAP, which prohibits the use of non-environmentally acceptable products within the Refinery compound. With the full participation of our employees and the Peninsula School, we have significantly reduced the amount of residual waste generated within the Refinery premises. This initiative is also being implemented in our terminals.

For non-hazardous waste that cannot be recycled, Petron disposes of it in sanitary landfills. However, the Petron Bataan Refinery accounts for 93% of the non-hazardous waste that is disposed of in landfills.

WASTE DIRECTED TO DISPOSAL BY DISPOSAL OPERATION (IN MT)			
	ONSITE	OFFSITE	TOTAL
HAZARDOUS WASTE			
Incineration (with energy recovery)	10.12	131.21	141.33
Incineration (w/o energy recovery)	0	85.68	2,201.14
Landfilling	0	0	0
Other disposal operations	0	0	0
Total			2,201.14
NON-HAZARDOUS WASTE			
Incineration (with energy recovery)	0	0	0
Incineration (w/o energy recovery)	0	0	0
Landfilling	0	3,113.87	3,113.87
Other disposal operations	0	4.12	4.12
Total			3,117.99

To minimize plastic packaging waste, particularly empty lube oil containers, Petron has created its EPR Program. The program is in alignment with the EPR law, which was enacted in 2022 and which requires up to 80% reduction of plastic packaging footprint by 2028. The EPR program will commence in 2023 and will focus on reducing and recovering plastic packaging waste.

Lastly, Petron facilities conduct regular coastal clean-up to support local government clean-up drives and the International Coastal Clean-up Day. In 2022, a total of 62 tons of garbage was collected nationwide. ■





Fueling Partnerships with our Competent Workforce and Cohesive Communities: Our Social Approach

As the leading oil company in the Philippines, we understand the importance of being a responsible corporate citizen. We are committed to making a positive difference in the lives of those around us. We take various proactive steps to contribute to national concerns such as education, environment, health and human services, and livelihood, while also empowering our employees and promoting diversity and inclusion. Our initiatives have helped drive progress and improve the quality of life for communities across the Philippines. Especially during these crucial times of recovering from a global pandemic, we believe that working collaboratively with our stakeholders and leveraging our resources can pave the way for creating a more sustainable future for everyone.

Employment: Working Towards a Shared Vision

Alignment with Standards/Frameworks	
GRI Standards	GRI 2-7, 2-8, 3-3, 401-1, 401-2, 401-3 Topic 11.10 Employment practices Topic 11.11 Non-discrimination and equal opportunity
UN Sustainable Development Goals	   
Philippine Development Plan	Promote Human and Social Development Increase Income-earning Ability

One of our sustainability priorities is people management. We put the utmost value in our human capital since our employees serve as one of the most valuable assets in our Company. Without them, we will not be able to thrive in business and contribute to our nation's growth by providing various employment opportunities. As we aim to become a leading employer of choice in the oil industry, we implement policies and guidelines that protect the rights of our employees and reflect their significant contributions to the success of the Company.

Starting with recruitment, we partner with management to identify the manpower requirements and utilize various recruitment channels to screen potential candidates. Eligible applicants will be invited to undergo HR and Management assessments and a pre-employment medical exam shouldered by the Company. Subsequently, fit-to-work employees will be offered a compensation package. Our quality employment standards are also in line with our competitive compensation and benefits package that exceeds government requirements. Newly hired employees will eventually attend our onboarding orientation that focuses on the following areas: employees management, technical skills, and leadership skills. They will also be given continuous training opportunities for further improvement of their skills as required by their respective job functions.

Employees

Our total number of employees is reported in headcount at the end of the reporting year.

TOTAL NUMBER OF EMPLOYEES* (PERMANENT)	
BY GENDER	
Male	1,556
Female	615
Other **	0
Not disclosed	0
Total	2,171

* Count does not include employees of Petron subsidiaries
** Gender as specified by the employees themselves

Workers who are not employees

In 2022, we contracted with third party service providers (TPSP) a total of 3,828 employees and 39 direct hires for our security, utility, plant maintenance and repair, and janitorial staff. The number of TPSP employees varies depending on the project, with an average of around 20 employees per major plant/facility every three months.

In our Refinery, the number of TPSP employees remains relatively consistent most months as it is dependent on the turnaround time of our activities, resulting in no significant changes.

New employee hires and employee turnover

Our latest batch of talent primarily consists of rank-and-file employees who are below 30 years old and were hired from our facilities in Region III and the National Capital Region. While the majority of these new employees are male, we also place great value on gender equality in the workplace, and we have continued to recruit a significant number of female employees for our operations.

On the other hand, in 2022, our employee turnover rate was at 10%, with most of the resignations coming from employees aged 30-50 years old.

CATEGORY	NO. OF NEW EMPLOYEE HIRES	RATE OF NEW EMPLOYEE HIRES (%)	NO. OF EMPLOYEE TURNOVER	RATE OF EMPLOYEE TURNOVER (%)
BY AGE GROUP				
Under 30 years old	325	85.75	105	43.57
30-50 years old	54	14.25	112	46.47
Over 50 years old	0	0	24	9.96
BY GENDER				
Male	241	63.59	162	67.22
Female	138	36.41	19	32.78
BY REGION				
I	1	0.26	1	0.42
II	0	0	0	0
III	134	35.36	71	29.46
IV-A	5	1.32	3	1.24
IV-B	0	0	0	0
V	0	0	0	0
VI	10	2.64	4	1.66
VII	12	3.17	7	2.9
VIII	4	1.06	0	0
IX	0	0	1	0.42
X	10	2.64	7	2.9
XI	1	0.26	4	1.66
XII	1	0.26	0	0
XIII	0	0	0	0
NCR	201	53.03	143	59.34
CAR	0	0	0	0

Benefits provided to full-time employees that are not provided to temporary or part-time employees

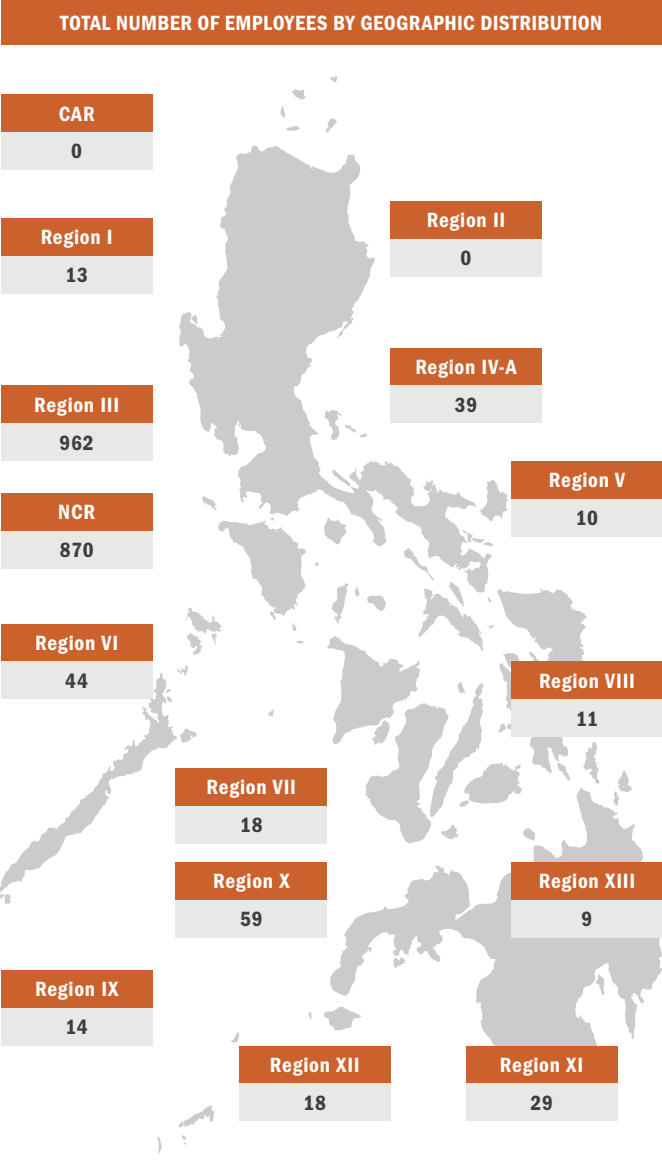
We prioritize the welfare of our employees and provide them with a competitive benefits package that helps them maintain a balanced quality of life.

- Life insurance
- Life, Accident and Corporate Travel
- Health care
- Group Health Care Plan
- Disability and invalidity coverage
- Permanent disability
- Parental leave
- Maternity, paternity, and solo parent leaves
- Retirement provision
- Retirement benefits

In recognition of the changing work conditions, we offer additional benefits to support our employees, including teleconsultation, mental health support, personal protective equipment (PPE), and free COVID-19 testing for those required to report to work.

Parental leave

We are proud to share that 96% of our employees who took parental leave were able to return to work. Furthermore, all employees who returned from their parental leave were retained at work, demonstrating our commitment to supporting our employees in fulfilling their personal responsibilities while pursuing their career paths.



FEATURE STORY

Petron Engineering Scholarship Program: Engineering a Better Future for the Filipino Youth

Petron's products are crucial in fueling commerce and communities, making the Company an integral part of the country's growth and development. At the heart of Petron's business is the Petron Bataan Refinery, which has been operational for over 50 years.

To ensure sustained growth and long-term viability amidst the rapidly changing business environment, Petron has undertaken RMP-2. This US\$2 billion upgrade is the single biggest business investment in the country and puts PBR on par with the region's most advanced refineries. The RMP-2 project includes the installation of new units and the upgrading of existing ones, leading to higher refining capacity, improved fuel quality, and enhanced operational efficiency. As a result, Petron can continue to meet the increasing demand for fuel in the Philippines and remain a key player in the country's economic progress.

The Refinery also provides employment opportunities to thousands of Filipinos, particularly engineers. As Petron expands in the local oil industry, there is a growing demand for more engineers. Yet despite over 550 vacancies for engineers at PBR's peak, there have not been enough Filipino engineers to meet the requirements.

The Department of Labor and Employment (DOLE) estimates that the country needs around 800,000 to 1 million skilled workers in construction, architecture, and engineering to address a labor shortage amidst the country's construction boom. The Bureau of Local Employment (BLE) anticipated this shortage as early as 2013, even before the Duterte

government's "Build, Build, Build" program, which aimed to accelerate infrastructure spending and industry development. DOLE has identified engineer and construction worker occupations as in-demand and hard-to-fill until 2022 or beyond. According to PhilJobNet data from January to April 2019, there were only 2,003 nationwide vacancies for engineers and construction workers.

In contrast, about three million Filipinos work in the Middle East alone, with thousands of them being engineers and many working in the oil industry. The Philippine Overseas Employment Administration, in a World Bank Report, highlighted the negative impact of the growing exodus of Filipino scientists and engineers (from 10,000 in 1998 to about 25,000 in 2009) on the country's inclusive growth. Dr. Angel L. Lazaro III of the National Academy of Science and Technology lamented that "our professionals are trained at great expense in the Philippines, only for other countries to benefit from them." It is worth noting that Filipino engineers and technologists occupy responsible positions in almost every country worldwide. The lack of engineers in the Philippines hinders the country's development and prevents it from benefiting fully from its investments in education and training.

Thus, it made good business sense for Petron to cultivate its own engineers while still in school and open the gates of PBR to scholars for practical learning about the downstream oil industry. This program aligns well with Petron's sustainability and nation-building agenda and is one way for the Company to give back to the country by creating career opportunities that encourage engineers to stay and contribute to the local industry instead of seeking better prospects abroad after graduation.

The Petron Engineering Scholarship Program.

In 2007, the Petron Engineering Scholarship Program was established by PBR in collaboration with Bataan Peninsula State University (BPSU), the top engineering school in Bataan. It aimed to give deserving students the chance to complete their engineering studies and groom promising engineering students for employment by the Refinery, in the process developing a pool of young, world-class engineers.

The expansion of the Refinery in 2011 with the RMP-2 project created a huge need—and opportunity—for hundreds of talented and passionate Filipino engineers to be part of the Company. Petron launched the Petron Scholarship Grant and Special Recruitment Program (PSG-SRP) and turned to third to fifth-year engineering students from top engineering schools all across the country.

Petron provides full support to its engineering scholars throughout their scholarship, including financial assistance for tuition fees, monthly living allowances, and annual academic expenses. The PSG SRP grant covers all of these costs per scholar, while the Petron-BPSU Engineering Scholarship Program includes Full Tuition fee coverage, an allowance per semester, and Board Exam Assistance for each graduate. In addition to financial support, scholars can gain practical experience through on-the-job training at PBR, which familiarizes them with the Company's culture and operations. This experience also deepens their understanding of the oil industry, particularly the downstream petroleum business, as they receive mentorship from Petron's seasoned engineers.

While the program is primarily a corporate social responsibility initiative, with at least 70% of slots reserved for financially disadvantaged but academically talented students, it also serves Petron's business needs by ensuring a pipeline of highly qualified engineers to fulfill the company's staffing requirements.

Making an impact. The Petron Engineering Scholarship Program initially supported nine (9) students pursuing bachelor's degrees in mechanical and electrical engineering. In 2022, the program achieved several milestones as 21 scholars graduated and passed their licensure exams in Mechanical, Chemical, and Electrical Engineering. Thirteen graduates from Adamson University, Bataan Peninsula State University, Cebu Institute of Technology University, Central Philippine University-Iloilo, and University of San Carlos-Cebu were hired to work at the Refinery and Petron Limay Terminal in the same year.



Petron's scholarship program gives students like Mark Vincent Espinosa the opportunity to become engineers while ensuring a pipeline of highly qualified professionals to complement the company's workforce.

Since the program's start, 301 engineering students have become Petron scholars, with 293 graduating and 197 passing their licensure exams. Over 70% of these graduates, or 206 individuals, have been employed by Petron, with 84 graduates currently working for the Company.

The benefits of the Petron Engineering Scholarship were affirmed by some of its scholars.

Mark Vincent Espinosa, a Chemical Engineering graduate from the University of Sto. Tomas, was among the first batch of Petron Engineering scholars. Since then, he has been a valuable member of the Company, where he currently serves as a Process Control Specialist at the Refinery.

According to him, the Petron Engineering Scholarship program has been instrumental in supporting his family, and he has felt constant support from Petron throughout his personal and career growth journey—from being a college student, undergoing on-the-job training, taking the Board exams, to working as an employee.

For Espinosa, it is fulfilling to give back to the Company and the community. He is an active volunteer in the programs of Petron Foundation, and his work not only sustains the operations of Petron but also helps the communities it serves.

John Phillip Garcia, who graduated with a Bachelor of Science in Chemical Engineering from Mapua University, considers his scholarship with Petron as a blessing. He values the support and opportunities provided by the Company, as well as the relationships he formed with his fellow scholars from different universities. As a scholar, he had the privilege of visiting Petron's sites, which provided him with valuable insights into the practical application of the concepts he learned in university. He recognizes Petron as a leading oil company in the Philippines and is grateful for the opportunity to learn from and be associated with such a prestigious organization.

Larraine Doon-Daep, a graduate of Bachelor of Science in Chemical Engineering from the University of the Philippines in Diliman, expresses her gratitude towards Petron for providing her with various opportunities through her scholarship. Despite being in a considerably male-dominated industry, Larraine is determined to showcase her capabilities as an excellent engineer. She has already experienced working as a "board woman" in the operations at the Refinery. Moreover, as a relatively young employee, Larraine has learned to adapt and work efficiently with her senior colleagues.

Despite facing challenges during their college years, these scholars have demonstrated a strong commitment and perseverance in pursuing their studies. As a result, they have become well-established and competent engineers, and are now valuable assets to the Company.

“
Petron's Engineering Scholarship program aligns well with Petron's sustainability and nation-building agenda and is one way for the Company to give back to the country by creating career opportunities that encourage engineers to stay and contribute to the local industry, instead of seeking better prospects abroad after graduation.

2022 Refinery Engineering Scholars Board Passers

BS Mechanical Engineering



BS Chemical Engineering



BS Electrical Engineering



Refinery Engineering Scholars Hired by Petron in 2022



PPP Reliability
Engineer

PPP Reliability
Engineer

PBR Budget
and Economics
Engineer

PBR Environment
Engineer

PBR Process
Engineer

PBR Process
Design Engineer

PBR Energy
Engineer

PBR Process
Engineer



PBR RSFFB Shift
Engineer

PBR OM&S
Technician

PBR Turnaround
Planner

PLT Shift
Engineer

PLT Technician

Labor/Management Relations:
Building Better Workplaces Together

Alignment with Standards/Frameworks	
GRI Standards	GRI 3-3, 402-1 Topic 11.7 Closure and rehabilitation Topic 11.10 Employment practices
UN Sustainable Development Goals	
Philippine Development Plan	Promote Human and Social Development

To ensure the long-term sustainability of our operations, we place a high value on positive labor-management relations. This involves fostering open and constructive communication with our employees and their representatives, and striving to create a workplace that is safe, fair, and respectful for everyone.

At Petron, we strongly uphold the human rights of our employees, who are encouraged to approach our HRMD team to address any work-related concerns they may have. Our policies and operational guidelines are also aligned with the labor standards set by the DOLE to ensure compliance and fairness.

To keep our employees up to date on organizational and operational changes, we use online internal communication tools and facilitate one-on-one discussions between employees and their immediate supervisors. By prioritizing positive labor-management relations, we aim to create a working environment that supports employee well-being, growth, and productivity.

To ensure that our employees have a voice in the workplace and to promote a harmonious work environment, we have implemented various measures. These include grievance mechanisms, regular labor and management meetings, and open communication channels with our employees and their unions. We also hold inter-department meetings and focus group discussions during training events and disseminate important announcements through various communication platforms such as company emails, Pethub postings, and HRMDListens e-mail. By fostering a healthy working relationship with government agencies and employee groups, we can ensure better

compliance with our policies and practices, including safety, security, and environmental protocols, which ultimately leads to uninterrupted production and supply.

Minimum notice periods regarding operational changes

Our Company values the importance of providing ample notice and consultation to its employees and their representatives before implementing significant operational changes that may substantially affect them. We follow a minimum notice period of at least 16 hours for CBA-covered employees and at least seven (7) calendar days for transfer notices, in adherence to fair labor practices. The notice period and provisions for consultation and negotiation are specified in the CBA booklet for the whole term or life of the CBA.

We are committed to maintaining positive and productive labor-management relations, and we strive to engage with our employees openly and constructively as we work together to achieve our sustainability goals.

Occupational Health and Safety:
Prioritizing a Healthy and Safe Workplace

Alignment with Standards/Frameworks	
GRI Standards	GRI 3-3, 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10 Topic 11.9 Occupational health and safety
UN Sustainable Development Goals	  
Philippine Development Plan	Promote Human and Social Development

Our Company is committed to maintaining a safe workplace by prioritizing the health, safety, and wellbeing of our employees, contractors, partners, and the communities we operate in. We go above and beyond mere compliance by fostering a safety culture and implementing various programs, measures, and initiatives to ensure a safe and healthy working environment.

Most importantly, we continuously reinforce our Company-wide Occupational Health and Safety (OHS) Management System to comply with the following legal requirements:

- Philippine Occupational Health and Safety Standards
- Department Order 198-18 Implementing Rules and Regulations of Republic Act No. 11058 or “An Act Strengthening Compliance with Occupational Safety and Health Standards and Providing Penalties for Violations Thereof”
- R.A. No. 9514 or Fire Code of the Philippines
- DOE’s Philippine National Standards on Petroleum
- Philippine Society of Mechanical Engineers Code
- Philippine Electrical Code
- National Oil Spill Contingency Plan
- Occupational Health and Safety Administration Standards
- National Fire Protection Association Standards
- American Petroleum Institute (API) Standards
- American National Standards Institute Standards
- International Safety Guide for Oil Tankers and Terminals

We highly value the contributions of our employees in fulfilling Petron’s mission, which is why we ensure that all of our employees and workers are covered by our OHS Management System. This system has undergone both internal and external audits and certifications by third-party experts.

Furthermore, we have established a Management-Worker Health and Safety Committee, which functions under the HSE Committee. This committee serves as a platform for our employees to voice their opinions and concerns on OSH-related matters.



We also offer various comprehensive programs and initiatives for our employees that provide opportunities for OSH-related consultations. Some of these programs include:

- Health and Safety Advisories
- KamOSHtahan sa Terminal
- Townhall Meetings
- Petron Safety Council Meetings
- SMC HSE Committee Meetings
- SMC-Head Office Complex Safety Council Meetings
- HSE Coordination Meetings
- Toolbox Meetings
- Contractor Safety Meetings

Throughout the years, our Company has developed a systems-based OHS Management approach to effectively manage and eliminate potential hazards and minimize risks in the workplace. To achieve this, we use a range of programs to identify work-related hazards and assess risks. These programs include:

- Hazard Identification Risk Assessment and Control
- Oversight Safety Assessment
- Hazard and Operability Analysis Study
- Loss Prevention System (LPS)
- Behavior Based System
- Job Hazard Analysis
- Work Permit System
- Contractor Safety Management

In order to ensure the quality of these programs, we conduct activities such as:

- Oversight safety inspections conducted by the CTSG Safety of DOLE-accredited OSH Practitioners and Safety Officers
- Integrated Management System (IMS) Audit conducted by internal and external ISO accredited authors
- Multifunctional audits conducted by SMC-Corporate Technical Audit
- Government inspections conducted by DOLE, Bureau of Fire Protection, Philippine Coast Guard, and DOE.

Based on the results of our assessment, we have identified the following types of work-related injury and ill health:

MAIN TYPES OF WORK-RELATED INJURY FOR EMPLOYEES AND WORKERS

Trips
Slips and falls
Being struck by or caught in moving machinery
Repetitive stress and overexertion injuries
Fire and explosions

MAIN TYPES OF WORK-RELATED ILL HEALTH FOR EMPLOYEES AND WORKERS

Hearing loss
Skin conditions
Respiratory issues
Musculoskeletal disorders

We prioritize the protection and safety of our employees by implementing programs to eliminate hazards and minimize risks. This includes the replacement of obsolete equipment, facility designs that comply with standards, training, and the provision of PPE. We also utilize LPS and BBS tools, and establish reporting mechanisms such as LPS alert, BBS alert, near-miss reporting, and accident/incident reporting to communicate work-related hazards and hazardous situations. In case of an incident or accident, we immediately investigate it with the involvement of concerned groups and conduct a separate revalidation investigation by our Petron Safety Groups (i.e., CTSG Safety, OPS-HSSE, PBR Safety, Retail Engineering and Network Development Safety, Industrial Safety, Fleet Safety, and Marine Safety).

Despite our rigorous efforts, we recorded 40 work-related injuries among our employees and workers in 2022. One of these injuries was classified as high-consequence. Among the major initiatives to address this was the implementation by our Terminal Operations Division of the Loss Prevention System (LPS). This safety management system is designed to prevent or reduce losses using behavior-based tools and proven management techniques. Through this, Petron aims to further improve the over-all safety culture of the Division and eventually make it a standard practice throughout the Company. For 2022, Terminal Operations significantly reduced HSSE incidents at the terminals by 45% and fleet safety-related incidents by 31% with the use of LPS. We will continue to improve our OHS Management System to ensure the safety and wellbeing of our employees, contractors, partners, and communities.

Training and Education: Pursuing Growth and Development for our People

Alignment with Standards/Frameworks	
GRI Standards	GRI 3-3, 404-1, 404-2, 404-3 Topic 11.7 Closure and rehabilitation Topic 11.10 Employment practices Topic 11.11 Non-discrimination and equal opportunity
UN Sustainable Development Goals	   
Philippine Development Plan	Promote Human and Social Development Increase Income-earning Ability

We believe in the growth and development of our employees, who are valuable assets to our Company. They play a crucial role in delivering outstanding products and services and enable us to fulfill our commitment to customers and communities.

To support their growth, we have implemented training policies for both local and foreign training, which are communicated to all employees through training agreements.

We provide career development and performance reviews to ensure the professional development of our employees. Our training programs are continuously improved and curated to meet the evolving needs of our employees. We adhere to high standards in facilitating our programs and evaluate their effectiveness through learning checks and feedback mechanisms such as performance appraisals and individual development plans. Employee feedback is documented and used to identify areas for improvement and to ensure that we continue to enhance our training programs.

Average hours of training per year per employee and Percentage of employees receiving regular performance and career development reviews

In 2022, male employees received an average of 31 training hours, while female employees received 23 hours on average. The supervisory category received the highest amount of training. We also ensured that all employees received regular performance and career development reviews, resulting in a 100% rating.

TRAINING HOURS (BY GENDER)

CATEGORY	TOTAL NO. OF TRAINING HOURS	NO. OF EMPLOYEES	AVERAGE TRAINING HOURS
Male	48,258	1,556	31
Female	14,063	615	23

TRAINING HOURS (BY EMPLOYEE CATEGORY)

CATEGORY	TOTAL NO. OF TRAINING HOURS	NO. OF EMPLOYEES	AVERAGE TRAINING HOURS
Contractors	0	0	0
Rank and file	15,060	595	31
Supervisory	43,458	1,334	33
Managerial	3,803	242	16

Programs for upgrading employee skills and transition assistance programs

Together with our parent company, we offer in-house training programs and opportunities to our employees. During the new employee orientation and onboarding programs, we commit to developing employees' management, technical, and leadership skills. Employees can access these programs through the Learning and Development Calendar released yearly.



E-Learning modules and other online training sessions were made available during the pandemic to ensure that our employees continued to have opportunities for professional and personal development.

In 2022, we have also implemented the following regular transition assistance programs for continuous improvement of our employees, including mental health awareness especially coming from the pandemic situation:

- Get Petronized
- Petron 101
- Educational Reimbursement Program
- Local & Foreign Programs
- LinkedIn Learning
- *Kumusta ka? Tara Usap Tayo!* A series of mental health seminars

Kumusta Ka? Tara Usap Tayo!
MENTAL HEALTH MATTERS

SEE YOU IN A WHILE!

RESILIENCE 101

Come join us in this webinar!

Mastering the skill of **RESILIENCE**
"How to Build Mental Resilience Amidst Unwanted and Unexpected Events in Life."

PETRON

Local Communities: Sharing Long-term Growth with our Partners

Alignment with Standards/Frameworks	
GRI Standards	GRI 3-3, 413-1, 413-2 Topic 11.15 Local communities
UN Sustainable Development Goals	 
Philippine Development Plan	Promote Human and Social Development

Strengthening our relationship with local communities is important to the overall growth of our Company. We encourage active collaboration with communities near our areas of operations since they are mainly affected or could be affected by our business activities. Through our regular engagement with our stakeholders, we are able to implement programs, products, and services that effectively cater to their needs.

Through our CSR arm, Petron Foundation, Inc., we strictly monitor the implementation of our nationwide programs focusing on education, environment, health and human services, livelihood, and other related initiatives that benefit the local communities. We believe that our programs have been successful because of our joint efforts with our partner schools, LGUs, and people's organizations. It is vital for us to seek the involvement of LGUs—not merely to inform them about our contributions, but also to work hand-in-hand with them in the development and implementation of our programs.

Igniting the spirit of volunteerism, we encourage our stakeholders to participate in our activities such as *Tulong Aral ng Petron* and *Brigada Eskwela* in our Petron Schools and partner public schools. To measure our success, we establish formally agreed-upon metrics with our partners and evaluate outcomes based on our activities and outputs such as regular reports (e.g., Certificate of Enrollment, Project Summary Report). Our team from Petron Foundation also conducts regular field visits to the program sites to orient our partners and discuss our programs' strengths, issues, and concerns with the stakeholders.



We make an effort to engage stakeholders from the national and local government, academe, and fenceline communities in the implementation of our social development programs.

Operations with local community engagement, impact assessments, and development programs

Part of our responsibility in maintaining the quality of our operations is ensuring the overall health and well-being of nearby communities where we operate. In all our operations, we have local community engagements and various development programs that are designed based on the needs of the communities. We also conduct site assessments to identify the community's socio-economic profile and general health condition as well as the potential impacts of our operations including health and safety issues and infrastructure construction. These are evaluated through hazard identification risk, assessment and control, environmental site assessment, environmental measurement to establish noise levels, air quality, and soil quality, and Hazard Operability Studies and fire scenario heat models for each project.

Operations with significant actual and potential negative impacts on local communities

We acknowledge the significant impacts of our operations on the environment in terms of the consumption and discharge of water, emission of gases, generation of waste and waste products, utilization of electricity, and the use of natural resources. Through our stringent risk management process, we mitigate and monitor potential risks in our operations and ensure strict compliance with local and global regulations and standards on health, safety, and the environment.

Our commitment to proactively monitor our environmental performance is reflected in our initiatives including the conduct of the Petron EcoWatch for all terminals nationwide, the PCO training for service station personnel operations employees, and full support to SMC's Water for All program participated in by all member companies of the San Miguel group. We maintain high-quality of standards because of our compliance with environmental regulations and requirements. Our Multipartite Monitoring Team (MMT) works closely with representatives from the LGUs, DENR, and nongovernmental organizations (NGO) partners to inspect our facilities and manage our impacts, particularly on air and water quality. Moreover, all our service station managers are accredited as certified PCOs who are responsible for strictly monitoring the environmental performance of our site activities.

Across our operating facilities, we have mitigating or enhancement measures to manage and mitigate our impacts. Based on our site assessments, our operations do not have significant negative impacts on indigenous peoples. Moreover, there are no collective or individual rights that have been identified as a particular concern for the community in relation to our operations.

OPERATIONS	MITIGATING OR ENHANCEMENT MEASURES
Refinery (Limay, Bataan)	<div>Economic<ul style="list-style-type: none">Expansion programs in the Refinery that generate economic activities and jobs creation</div> <div>Environment<ul style="list-style-type: none">Engagement of local contractors for maintenance, expansion projects, and environmental programsIMS CertificationInstallation of Environmental Protection FacilitiesUse of low sulfur fuel gas for furnaces and boilersOdor ManagementWaste Segregation Performance Index (WSPI) for PBR and its contractors</div>
Terminals (Nationwide)	<div>Health and Safety<ul style="list-style-type: none">COVID-19 programs: entry and exit Safety Protocols, Health Declaration, Personnel Protection, Daily and Weekly Disinfection activities, Health Advisory, Signages and reminders, COVID-19 KamOSHtahan sa Terminal, No Contact Ship – Shore Interface Guidelines, Project CREST (Communication Report Exchanges of Ship and Terminal)Safety training for customers and haulers/drivers:<ul style="list-style-type: none">Training for customers to supplement knowledge on safe and proper service station operation, and bulk fuel receiving proceduresDefensive driving and safe product unloading seminars for company contracted tank truckSafety seminars, toolbox meetings, regular drills, and refresher courses for Refinery and Terminal personnel, all contractual workers, and tank truck drivers to guarantee they are exercising correct safety procedures and behaviorFire Fighting Olympics composed of teams from the terminals and the Refinery organized by Petron's Operations HSE and Corporate Safety with LGU representatives in attendanceBasic Fire Fighting and Emergency Preparedness training for local communitiesAvailability of Petron firefighting and rescue equipment to support fenceline communities in case of emergenciesHazMat Brigade - trained to handle emergencies involving hazardous materialsOil Spill Control Brigade - trained and equipped with oil skimmers and spill booms, sorbents and dispersals, speed boat and tugboatProject TRACIE (Tracking and Recognizing All COVID-19 Infection in the workplace Environment) – use of QR code scanning technology in coordination with HRMD, HOC Admin and MISD, and implemented in the Petron Head Office and in all terminals<ul style="list-style-type: none">minimize physical contact of using manual forms, pens and long queues and shortens the processing time of accomplishing the formensures the immediate assessment and response of our medical personnel should the need ariseConducted training/seminars for employees, contractors and customers as prescribed by government agencies (i.e. DOLE, BFP) and/ or required as defined by the policies of the company. These include advanced safety courses for the development of technical skills of safety personnel, such as a Mandatory 8-hr OSH Seminar among Petron employees in compliance with R.A. 11058.Safety Evaluation of 13 third-party service providers (TPSP) for Contractor Accreditation in coordination with Procurement</div> <div>Environment<ul style="list-style-type: none">Spill containment and recovery equipment for all terminals that handle heavy grade petroleum products to help diminish the risk and environmental damage of potential spillsMember of Oil Spill Response Limited (OSRL), the world's largest international oil spill response organizationImplementation of Petron's Terminal EcoWatch that:<ul style="list-style-type: none">builds on and greatly enhances the Industrial EcoWatch Rating System or IERS, an initiative under DENR AO 2003-36 that promotes self-regulation among industries for improved environmental compliance and performance through a rating systemassesses environmental performances in terms of maturity of environmental management</div>
Retail Operations (Nationwide)	<div>Environment<ul style="list-style-type: none">Introduction of a number of industry firsts for environment-friendly products:<ul style="list-style-type: none">Early rollout of unleaded gasoline and low-sulfur diesel in the 90sPioneered in meeting the highly stringent European fuel quality standards with Blaze 100 EURO 6, the country's first premium plus gasoline that meets both Philippines and European standardsAppointment of Pollution Control Officers for all operating facilities<ul style="list-style-type: none">Renewal of recognition as a Training Organization for Category A Pollution Control Officers until December 15, 2023Conduct of 40-hour PCO training and 8-hour Managing Head Training for service station dealers and qualified terminals for PCO accreditationTesting of EURO IV fuels for sulfur, biodiesel, LPG and environmental samples by the Petron Research and Testing Center (PRTC) - examines raw materials before these are processed, as well as finished products before delivery to industrial clients or its service stations</div>

Customer Health and Safety:
Safeguarding Customer Wellbeing

Alignment with Standards/Frameworks	
GRI Standards	GRI 3-3, 416-1, 416-2 Topic 11.3 Air emissions
UN Sustainable Development Goals	
Philippine Development Plan	Promote Human and Social Development

The safety and well-being of our customers are of utmost importance to our Company. We are committed to providing safe and reliable products and services, and to implementing measures to ensure the health and safety of our customers.

To prioritize customer safety, we have implemented a number of measures at Petron. One key way we achieve this is through our Corporate Safety group, which advocates for a safety culture and ensures that all stakeholders and divisions participate in the Safety Council. In 2022, we continued to prioritize customer safety by implementing strict health and safety protocols at all of our retail outlets. This includes frequent cleaning and sanitization of high-touch areas, as well as the use of personal protective equipment by our employees. To further support our employees, we provided training on the proper handling of fuel and other products, as well as customer service protocols. In addition to training our own employees, we also conducted regular safety training for our customers. This helps supplement their knowledge on safe and proper service station operation and bulk fuel receiving procedures. By prioritizing safety at every level of our operations, we are committed to ensuring the well-being of our customers and employees alike.

At Petron, we value our customers’ feedback on health and safety concerns. To facilitate this, we offer various channels for customers to provide feedback, including our website, social media platforms, and customer service hotlines. We take every customer feedback seriously and strive to respond in a timely and effective manner. Through this commitment, we hope to build trust with our customers and demonstrate our dedication to their safety and well-being.

We gather feedback from customers nationwide by establishing various channels at Petron. These include our website, the Petron Customer Interaction Center, and Petron Talk2Us channels. Additionally, our service stations have feedback programs in place to provide customers with a convenient way to relay their feedback. At Petron, we take customer feedback seriously and work to address any concerns that are raised. Our Customer Relations Group works closely with our Corporate Affairs Department to monitor and properly address customer feedback. To ensure that concerns are properly documented and addressed, we record all feedback in a Customer Relations Management software and assign them to respective parties for resolution. Once an issue has been resolved, our feedback handlers confirm customer satisfaction through callouts and documentation.

We also worked to provide our customers with access to high-quality, sustainable products, such as biofuels, and educational materials on how to use these products safely and responsibly. We are committed to providing our customers with safe and reliable products and services, and we will continue to work to improve our customer health and safety protocols in the future. We will also work to ensure that our products are sustainable to contribute to the well-being of our communities.

Assessment of the health and safety impacts of product and service categories

We prioritize our customers’ well-being by taking every necessary step to ensure that our products and services do not compromise their safety. Our commitment to this objective includes conducting safety inspections at all of our facilities. We are proud to report that during these inspections, we assessed 100% of health and safety impacts. Additionally, we continuously monitor and evaluate the health and safety risks associated with our products and services to provide our customers with the utmost safety assurance. We prioritize the safety of our customers, employees, and the community by conducting site assessments in all of our facilities. Our Corporate Safety team provides technical assistance and conducts both virtual

and on-site assessments to ensure compliance with health and safety regulations and company policies. During these assessments, we identify and address potential health and safety risks, including hazard identification, risk assessment and control, environmental site assessments, and annual environmental measurements to establish noise levels, air quality, and soil quality. Additionally, we conduct hazard operability studies and fire scenario heat models per project to ensure the highest level of safety across all aspects of our operations.

To keep our customers informed and aware of any potential risks, we provide access to material safety data sheets for all of our products through our website. At Petron, we prioritize the health and safety of our customers throughout the entire life cycle of our products, from introduction to growth and maturity, to decline. During the maturity stage, we consistently update and enhance our products to comply with the latest health and safety standards. In the decline stage, we view product development as an opportunity for innovation driven by changes in the market and technology. Our commitment to ensuring the health and safety of our customers remains unwavering. We will continue to take proactive measures to guarantee their well-being and remain dedicated to providing the highest level of safety across all aspects of our operations.

Incidents of non-compliance concerning the health and safety impacts of products and services

At Petron, we are committed to ensuring the health and safety of our customers. We strive to comply with all applicable laws and regulations regarding the health and safety impacts of our products and services. While we are dedicated to maintaining compliance, we have encountered incidents of non-compliance in the past. However, we take immediate action to rectify these situations and ensure compliance is met.

Despite our best efforts, we received Notices of Violation in 2022 from the DENR for two (2) of our service stations that involved not being able to timely renew environmental permits, and which Petron has already implemented the required remedies. Additionally, the Bureau of Fire Prevention (BFP) has issued notice to comply warnings to three of our terminals and one service station for not adequately complying with fire safety regulations. Specifically, our Pandacan and Batangas Terminals lacked Fire Alarm and Detection Systems, which we have already resolved. Meanwhile, we are currently installing

TOTAL NUMBER OF INCIDENTS OF NON-COMPLIANCE FOR 2022	REFINERY	TERMINALS	SERVICE STATIONS
Incidents of non-compliance with regulations resulting in a fine or penalty	0	0	2
Incidents of non-compliance with regulations resulting in a warning	0	3	1
Incidents of non-compliance with voluntary codes	0	0	0

the necessary firewall at our Bacolod Terminal. We take these non-compliance incidents seriously and are committed to continuously improving our safety procedures and compliance to prevent future occurrences.

While we have encountered non-compliance incidents in the past, we are proud to disclose that we have not had any incidents of non-compliance with voluntary codes. At Petron, we hold ourselves to the highest standards and ensure that all of our products and services exceed safety standards and comply with all applicable laws and regulations, as well as voluntary codes. We believe that safety is a continuous process, and we will continue to work diligently to maintain our safety standards and ensure compliance with all regulations to provide the best possible service to our customers.

Marketing and Labeling: Optimizing Fair and Responsible Marketing

Alignment with Standards/Frameworks	
GRI Standards	GRI 3-3, 417-1, 417-2, 417-3
UN Sustainable Development Goals	<div><div>12 RESPONSIBLY CONSUMED AND PRODUCED</div><div>16 SUSTAINABLE CONSUMPTION AND PRODUCTION</div></div>

The Philippines is one of the Asia Pacific Economic Cooperation countries that have committed to implementing the Globally Harmonized System of Classification and Labeling of Chemicals (GHS). As part of this commitment, we are dedicated to maintaining transparency with our customers and stakeholders by providing them with accurate and sufficient information on the potential positive and negative impacts of our products and services on economic, environmental, and social aspects.

Due to the nature of our products, adherence to correct labeling protocols is an essential part of our product responsibility. This responsibility begins from the moment each product leaves our Refinery and continues until it is received by our customers.

Over the years, we have made significant strides in demonstrating our responsibility and commitment by optimizing our integrated marketing communications to provide adequate, fair, and responsible information and labeling of our products and services. By doing so, we believe that we are empowering our customers and stakeholders to make informed decisions.

At Petron service stations, we prioritize helping our customers make informed decisions by displaying the octane number of our fuels. Additionally, we ensure that all of our service stations follow the DOE’s guidelines for proper fuel labeling.

We take product stewardship and workplace safety seriously, which is why all of our lubricant products and greases are accurately labeled and accompanied by material safety data sheets (MSDS).

SAFETY DATA SHEET	
PETRON ATF PREMIUM	
SECTION 1:	IDENTIFICATION OF THE SUBSTANCE/PREPARATION AND THE COMPANY
Product Name	PETRON ATF PREMIUM
Product Type	Petroleum Hydrocarbons with Additives
Recommended Use	Automatic Transmission Fluid
Company Information	PETRON CORPORATION San Miguel Head Office Complex 40 San Miguel Avenue, Mandaluyong City PHILIPPINES
General Contact Numbers	(632) 802-7777
Website	www.petron.com
SECTION 2:	HAZARDS IDENTIFICATION
GHS CLASSIFICATION	Acute Toxicity - Dermal, Category 5 Acute Toxicity - Inhalation, Category 4 Skin Corrosion/Irritation, Category 3 Serious Eye Damage/Eye Irritation, Category 2B Carcinogenicity, Category 2 Specific Target Organ Toxicity (Repeated Exposure), Category 2 (Skin, lungs, blood, liver, CNS, stomach) Hazardous to the Aquatic Environment Acute Hazard, Category 3 Chronic Hazard, Category 3
GHS LABELING	
Symbols	
Signal Word	Warning
Hazard Statement	H303 May be harmful if swallowed H332 Harmful if inhaled H316 Causes mild skin irritation H320 Causes eye irritation H351 Suspected of causing cancer H373 May cause damage to organs (skin, lungs, blood, liver, CNS) through prolonged or repeated exposure H412 Harmful to the aquatic life with long lasting effects
PRECAUTIONARY STATEMENTS	
General Precautionary Statements	P101 If medical advice is needed, have product container or label at hand P102 Keep out of reach of children P103 Read label before use
Prevention Precautionary Statements	
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The MSDS is a critical component of our product stewardship and workplace safety practices, providing our personnel with procedures for handling and working with the materials we use, as well as important information on physical data, toxicity, health effects, first aid, reactivity, storage, disposal, and spill-handling procedures.

Petron’s product quality claims for lubricants follow strict adherence to industry standards such as the API, the Society of Automotive Engineers, and the ISO for viscosity grade and service level that apply to the specific type and make of engine, equipment, or vehicle. Similarly, for greases, we adhere to the quality specifications of the National Lubricating Grease Institute. These standards ensure that our lubricants and greases are of high quality and meet the requirements of our customers.

Furthermore, all our operations concerning the manufacturing, marketing, and distribution of petroleum/petrochemical products, as well as the importation of chemical substances for operational needs are subjected to GHS labeling. For instance, our Benzene-Toluene-Xylene (BTX) plant produces benzene, which is listed as a Priority Chemical by the DENR. As a result, we must obtain a PCL Compliance Certificate from the DENR’s Environmental Management Bureau and submit an annual report, MSDS, and a chemical management plan. Similarly, our additives must meet pre-manufacturing and pre-importation (PMPIN) requirements, which include submitting information on the chemical substances to be manufactured to the DENR.

To ensure compliance with DENR and existing PMPIN requirements, we are preparing GHS-compliant MSDS for petrochemical feed stocks produced at the Refinery, as well as for additives, fuels, lubricants, and other petroleum-based products. Additionally, we are converting our existing labels into GHS-compliant ones, making our Petron products suitable for international markets and potential export opportunities. Furthermore, we prioritize the safety of our employees involved in various operations by providing GHS training. This includes those involved in purchasing, forwarding, customs clearing, warehousing, emergency response, and the use of chemical substances. By ensuring compliance with GHS standards, we aim to maintain a safe and healthy workplace while meeting international market demands.

Our efforts and commitment to transparency have yielded positive results, with Petron Marketing Communications having no incidents of non-compliance with regulations such as the Advertising Standards Council Code of Ethics and the Department of Trade and Industry’s Promotions for 2022.

Customer Privacy: Upholding Protection for Our Customers

Alignment with Standards/Frameworks	
GRI Standards	GRI 3-3, 418-1
UN Sustainable Development Goals	

We operate and transact with millions of customers. To provide timely feedback and solutions to customer inquiries, we collect certain personal information. It is our Customer Relations Group, along with our Corporate Affairs Department, that is on the front of receiving, managing, and resolving customer concerns.

With this, we ensure that our customers’ information is kept private and utilized only for the reasons that are stated and disclosed to the customers. Our website also sets out our privacy statement prior to access and for which the consent of the customers for data ownership is given. We have our Data Privacy Policy (approved in May 2017 by the Board of Directors) which sets out the principle that the Company will observe transparency, legitimate use, and proportionality in the processing of personal data. Petron has also appointed its Data Privacy Officer in charge of this matter.

From a technology standpoint, Petron has an established Information Security Management System (ISMS) containing policies, guidelines, standards and procedures that enable confidentiality, integrity and availability of data in our information systems. These policies, which are aligned with ISO 27001 and the National Institute of Science and Technology frameworks, were approved by Petron’s top management in May 2020. The I.T. security function at Petron is governed by an Information Security Steering Committee, including the Data Privacy Officer as one its key members. The ISMS policies are translated into Technical I.T. and procedural internal controls, which are in place to protect sensitive customer information.

FEATURE STORY

COVID and the Culture of *Malasakit* in Petron: A Corporation’s Response to a Global Pandemic

The global pandemic has taught us a crucial lesson over the past three years - that it is no longer business as usual. As the world came to a halt, we became aware of our vulnerability to external factors beyond our control. It exposed gaps in our plans and highlighted the importance of building a business that can withstand any challenge. Amidst the daunting challenge posed by the COVID-19 pandemic, we remain steadfast in our efforts to sustain our operations. We were reminded of our core value of *malasakit*, which encompasses caring for both our internal and external communities.

Prioritizing our people. In the early stages of COVID characterized by quarantines and online meetings, we found ways to help our employees adapt to this new normal. With Petron identified as a critical industry during the pandemic, our Corporate Affairs and Human Resources worked to secure COVID-19 Inter-Agency Task Force (IATF) IDs and RapidPass accreditation to many of Petron’s employees, facilitating their travel to and from Petron offices and facilities to ensure the uninterrupted supply of fuel products to the country.

We implemented work-from-home arrangements to ensure that our business operations continued without any impediments. Our I.T. group ensured that employees had access to the necessary tools and applications to function and communicate effectively while working remotely.

Our HRMD also played a critical role in pandemic-related employee activities by closely monitoring cases and addressing the concerns of employees company-wide. This included providing free shuttle services for critical workers, distributing masks and alcohol when supplies were limited, installing thermal scanners,



By the end of 2022, 99.5% of our nationwide workforce were fully vaccinated against Covid-19 and almost 60% availed of booster shots.

hand wash stations, floor markings, and social distancing guides in Petron offices, and overseeing regular disinfection of our main offices.To ensure personnel awareness, we conducted regular training and disseminated relevant information. Our medical assistance extended beyond physical health to include support for mental health. In addition, we coordinated with the San Miguel Foundation to facilitate regular RT-PCR testing for approximately 1,900 employees and Third Party Service Providers based in the National Capital Region.

Our Corporate Safety group, in coordination with our HRMD, Head Office Administration, and MISD, established Project TRACIE (Tracking and Recognizing All COVID-19 Infection in the Workplace Environment) utilizing QR code scanning technology. This innovative approach minimizes physical contact by replacing manual forms, pens, and long queues, and shortens the processing time of accomplishing the form. Project TRACIE not only serves as an effective tool for contact tracing but also ensures immediate assessment and response from our medical personnel should the need arise. We have implemented this program not only in the Petron Head Office but also in all terminals.

As soon as vaccines became available in late 2020, Petron worked closely with SMC to develop

vaccine-related programs to complement our COVID-testing efforts, including partnerships with LGUs. Access to vaccines for employees, their extended household members, and dependents was given the highest priority to ensure their safety and resilience against the virus. In Limay, Bataan, the location of our Petron Refinery, we participated in SMC’s LIGTAS LAHAT Testing, Isolation, and Vaccination Program. This initiative included the establishment of DOH-approved COVID-19 testing and isolation facilities catering to Petron and SMC employees, third-party contractors, and residents of the town. Our Corporate Affairs Department, led by the Petron Foundation, joined the SMC LIGTAS LAHAT Core Team, which coordinated with external partners for the vaccination of Petron employees. Petron acted as the lead for the SMC Bataan Vaccination Site in partnership with the Province of Bataan, Limay LGU, and The Peninsula School, which served as the vaccination site. The vaccines administered came from both the national government, distributed to the local level, and SMC’s procured vaccines.

In 2021, this SMC’s LIGTAS LAHAT Testing, Isolation, and Vaccination Program we have participated in had operated for 51 days, Monday to Friday, accommodating up to 300 persons daily. Strict prevention protocols



were implemented resulting in testing 838 individuals with no positive cases recorded. We also inoculated a total of 4,977 individuals (4,798 had two doses, and 164 had one dose) with SMC-sponsored vaccines, while 6,996 individuals (6,763 had two doses, and 233 had one dose) received the LGU-provided vaccines. As of end 2022, 99.5% (6,492 out of 6,521) of our nationwide workforce were fully vaccinated and 59.7% (3,874 out of 6,486) received booster shots. Four (4) employees and 17 TPSPs opted not to receive the vaccine for personal convictions. The accessibility and availability of vaccines to our employees, contractors, town residents, and their dependents significantly contributed to a decrease in the cases of COVID-19 in the community. Furthermore, the efficiency of the LIGTAS LAHAT implementation ensured no vaccines were wasted.

In 2022, Petron implemented surveillance antigen testing in 26 locations nationwide, with a total of 22,560 employees tested. In September of the same year, Petron initiated a Booster Vaccination Program for our employees in partnership with the Bataan Provincial Health Office at the PBR Visitors Center. This program administered the 1st and 2nd booster shots of Pfizer vaccine to 71 qualified vaccinated employees, both organic and TPSP. Alongside this program, we also established a Self-Administered Rapid Antigen Surveillance Testing program in 2022

to monitor the health and safety of our onsite employees and contractors. This included a standardized process for self-administered antigen testing, scheduling, medical assistance, security, sanitation, waste management, and guidelines. Our efforts culminated in testing 8,912 individuals, including PBR and PPP organic and active contractors, as well as Petron Limay Terminal and SL Pan-Asia personnel.

Through these programs, we continue to mitigate the spread of COVID-19 by providing booster shots to all our employees and their families, while also offering RT-PCR testing to those in need. We now have more tools and resources at our disposal compared to 2020, but we remain vigilant in our efforts to see the end of COVID-19.

Caring for our communities. Petron has always prioritized caring for our communities, and we were among the first to respond to appeals for support during the pandemic.

Through the generosity of our Petron Value Card holders, we raised over a million pesos to purchase critical PPE for COVID-19 referral hospitals in the NCR. We also donated P2 million worth of Petron fuel cards to medical workers and transportation companies to ensure their mobility, and to help ferry locally-stranded individuals back to their homes. We provided canned goods to our host communities and stakeholders affected by the Enhanced



Petron retrofitted its offices and facilities nationwide and implemented strict Covid-19 protocols to ensure the safety of personnel who needed to report on-site. It also reinforced its I.T. infrastructure, systems and support to enable work-from-home and hybrid work scenarios.

Community Quarantine nationwide, and our employees even raised personal funds to provide food packs to drivers and utility personnel in Petron offices nationwide. Additionally, our Petron Foundation donated isopropyl alcohol to personnel in Petron service stations.

To further assist the public, we utilized Treats convenience stores in select Petron service stations to make San Miguel Food products available at discounted prices for communities that were restricted by lockdowns. We are committed to continuing our efforts to support our communities in any way we can, and we remain vigilant in ensuring the safety and well-being of all.

We provided financial support to more than 1,300 *Tulong Aral ng Petron* (TAP) scholars across all academic levels who had to adjust to studying from home. Petron employees from all over the Philippines, as well as those from Petron Malaysia and our office in Singapore, contributed by donating a portion of their salaries during the 2020 Christmas season. This enabled the Petron Foundation to purchase tablets for TAP senior high school scholars in Mindanao to aid their online learning.

In addition, the Petron Foundation supported the “Ready for School 2022” campaign of the Philippine Business for Social Progress (PBSP). Specifically, we donated to five schools in areas

near Petron’s Head Office and terminals in the cities of Mandaluyong, Pasay, Cebu, and Davao. Our donation provided students and teachers with alcohol, disinfectants, and face masks when they resumed face-to-face classes in August. As part of the school supplies distributed to TAP scholars for the 2022–2023 school year, the Petron Foundation also included hygiene kits containing alcohol and face masks.

To date, we still require COVID-19 testing for all employees and guests. Additionally, wearing face masks remains mandatory in all Petron facilities nationwide. Although we have more resources and instruments than we did in 2020, it is still necessary for us to work together to overcome the pandemic for good. As we promote our culture of *malasakit* and strive to create a brighter future, we are committed to improving our existing resources, enhancing people’s access to opportunities and public services, and rebuilding better from the impact of this global health crisis. ■



Fueling Transparency in our Business Model: Our Economic Approach and Governance Practices

Petron recognizes the crucial role of economic growth and good governance in creating a better future for all. As a steadfast ally of the Filipino people in nation-building, we strive to contribute to sustainable economic development through transparent governance of our operations and business practices. We understand our role in contributing to the country’s economic growth and development, particularly in providing reliable energy and fuel products that power industries and transport, as well as supporting local businesses and communities through our supply chain. We believe that by demonstrating our commitment to responsible business conduct and ethical practices, we can inspire confidence among our stakeholders and contribute to the country’s economic growth and development.

Economic Performance: Creating Long-term Economic Value and Opportunities

Alignment with Standards/Frameworks	
GRI Standards	GRI 3-3, 201-1, 201-2, 201-3, 201-4 Topic 11.2 Climate adaptation, resilience, and transition Topic 11.14 Economic impacts Topic 11.21 Payments to governments
UN Sustainable Development Goals	<div> <div>8</div> <div>DECENT WORK AND ECONOMIC GROWTH</div> </div> <div> <div>9</div> <div>INDUSTRY, INNOVATION AND INFRASTRUCTURE</div> </div> <div> <div>13</div> <div>CLEAN WATER</div> </div>
Philippine Development Plan	Ensure Macroeconomic Stability and Expand Inclusive and Innovative Finance

Our company’s primary focus is refining crude oil and distributing the refined petroleum products to a range of industrial end-users, service stations, LPG dealerships, sales centers, and other retail outlets. We also serve as a supplier of jet fuel at major airports for both international and domestic carriers. To expand our presence in the regional market, we export petrochemicals, and other non-fuel products to countries and regions in the Asia-Pacific region.

Financial implications and other risks and opportunities due to climate change

However, amidst the economic value we generate, there are also risks for our business operations. We have identified the following risks: Physical Risks, like natural calamities such as typhoons and earthquakes, that can result in damage to facilities and disruption in our operations; Financial Risks, through changes in government regulations on fuels or oil markets like pricing, taxation, and business practices, that can lead to potential financial losses, and; Climate-related developments, like the shift to renewables, can affect our operations as there may be reduced demand and sales as the call for renewable energy increases. These risks could also result in reduced margins and increased expenses. Nonetheless, we always ensure that our facilities are prepared for calamities and have insurance for protection against risks posed by climate change.

Direct economic value generated and distributed

2022 ECONOMIC PERFORMANCE		AMOUNT (IN MILLION PHP)
I. Direct economic value generated		
Total Revenue		860,056
II. Economic value distributed		
Operating costs		776,205
Employee wages and benefits		5,422
Payments to providers of capital		17,855
Payments to government		49,843
Community investments		123
III. Economic value retained		
		10,608

Defined benefit plan obligations and other retirement plans

We contribute to SSS, Pag-ibig, and Philhealth to provide our employees with retirement benefits upon their separation from the company. Furthermore, we have a Savings Plan in place that allows employees to contribute a portion of their salaries, which the Company matches. These contributions form a part of their retirement benefits. These employee benefits serve as a retention tool and provide financial assistance for employees’ daily needs. They also offer the opportunity for employees to plan for their future retirement.

As a significant contributor to economic development, we acknowledge our responsibility to provide and increase economic opportunities for both our employees and the communities in which we operate. In line with this, we prioritize sustainability by fostering strategic partnerships and improving our products, services, and processes. We are dedicated to creating long-term economic value and mutual benefits for both our company and the communities we serve. We recognize the influence our business has on various regions in the country and remain steadfast in our commitment to delivering sustainable development.

Market Presence: Enhancing Inclusive Economic Growth

Alignment with Standards/Frameworks	
GRI Standards	GRI 3-3, 202-1, 202-2 Topic 11.11 Non-discrimination and equal opportunity Topic 11.14 Economic impacts
UN Sustainable Development Goals	<div>1</div> <div>5</div> <div>8</div>
Philippine Development Plan	Ensure Macroeconomic Stability and Expand Inclusive and Innovative Finance Increase Income-earning Ability

Through our nationwide operations, we have created employment opportunities across the country and help make Filipino lives better. At the same time, the valuable skills, and talent of our employees contributes to the fulfillment of our Company’s goals with their deep understanding of the local needs and environment of the areas where we operate.

As we expand the reach of our operations, we adopt localized strategic hiring in our facilities unless a highly specialized qualification and certain expertise from outside the locality is necessary. Nevertheless, as we value continuous professional development, we provide regular training to all our employees to strengthen their technical skills and adapt to the evolving needs of our Company and stakeholders.

We continuously nurture our relationship with our partner communities by generating jobs that provide a competitive salary and benefits package above the minimum wage. We provide equal employment opportunities, through which we are able to employ highly qualified employees that contribute to the productivity of our operations and business activities. We have also partnered with some local schools helping us attract graduates and candidates more easily.

Indirect Economic Impacts: Creating a Lasting Impact

Alignment with Standards/Frameworks	
GRI Standards	GRI 3-3, 203-1, 203-2 Topic 11.14 Economic impacts
UN Sustainable Development Goals	<div>1</div> <div>3</div> <div>5</div> <div>8</div> <div>9</div> <div>11</div>
Philippine Development Plan	Expand and Upgrade Infrastructure Promote Human and Social Development Increase Income-earning Ability

As a leading oil refining and marketing company in the Philippines, we at Petron are committed to being a force for positive change amidst significant socio-economic changes in the country. Our goal is to deliver on our promise of hope by working closely with partner communities, national and local government agencies, private entities, and employee volunteers to promote equitable and inclusive economic development.

Significant indirect economic impacts

Our presence in the community has generally had a positive impact on the local economy. In addition to paying taxes to both national and local governments, we create job opportunities for engineers and other skilled professionals. Our operations also have a ripple effect on the economy, as construction projects and other activities require various supplies, attracting entrepreneurs to set up businesses in support of our facilities. Furthermore, our service station network expansion stimulates economic growth in local communities by providing safe access to fuel and other products. This means even the most remote areas can benefit from our efforts to contribute to the nation’s economic development.

Petron Foundation Inc. (PFI) is our CSR arm, with a mission to create a positive impact on the communities in the areas of education, environment, health, human services, and livelihood. We are dedicated to extending our reach beyond our core business to promote the progress of the communities where we operate.

In line with our commitment, we will continue our efforts to fuel H.O.P.E. (Helping the Filipino Children and Youth Overcome Poverty through Education). Education is essential for progress and empowerment, and we are proud to support programs and initiatives that enable children and youth to reach their full potential. Our work is making a meaningful difference in the lives of the communities we serve, and we will continue to contribute to a brighter future for Filipinos.

Infrastructure investments and services supported

To emphasize our commitment to social and human development, Petron aligns itself with the key development strategies of the Philippine Development Plan 2023-2028 and the global SDGs set in the 2030 Agenda for Sustainable Development. We prioritize infrastructure investments and services that contribute to the well-being of the Filipino people, with a focus on education. Since 2002, we have been constructing 2-3 classroom buildings to add to public schools with overcrowded student populations, resulting in the establishment of 108 Petron Schools, equivalent to 258 classrooms, and benefiting over 100,000 students nationwide as of December 2022.



A three-classroom Petron School located within the Linao Central School compound in Brgy. Linao, Ormoc City.

These school facilities support the Department of Education’s efforts to address the shortage of classrooms, as outlined in its Basic Education Agenda of *MATATAG: Bansang Makabata, Batang Makabansa*. Petron’s contribution aligns with one of the agenda’s four critical components, which is to “accelerate delivery of basic education facilities and services” to promote and improve lifelong learning and education. At Petron, we believe that investing in education is a crucial step towards uplifting the quality of life for Filipinos, and we will continue to support initiatives that enable children and youth to reach their full potential.



Petron Clinics provide the community with specialized healthcare services, including x-ray, laboratory, ECG, and ultrasound.

To further support the healthcare needs of Filipinos, Petron has established Petron Community Clinics in host communities of our major facilities. These specialized healthcare facilities offer a range of services, including x-ray, laboratory, ECG, and ultrasound, and closely collaborate with nearby government health centers. Currently, three clinics are in operation in Pandacan, Manila; Limay, Bataan; and Rosario, Cavite, serving the health needs of their respective communities. To date, over 6,000 residents have benefited from the services offered by these clinics. We remain committed to supporting healthcare services in the country, particularly during these challenging times of COVID-19 pandemic recovery.

To fulfill our commitment to supporting the development of the Philippines, particularly the province of Bataan and the municipality of Limay, Petron donated ₱56 million in April 2022 to fund the construction of a six-meter-long reinforced concrete pedestrian overpass along the By-Pass Road project which stretches from Barangay Luz to Barangay San Francisco de Asis and traverses the high traffic Roman Superhighway. This vital project supports road safety and the convenience of the local community, especially as the Roman Superhighway has high traffic volume.

Our dedication to empowering underprivileged Bataños is longstanding, and we have achieved successful outcomes through partnerships with the LGU and local organizations. Petron has been operating the only remaining Refinery in Limay for over half a century, and we recognize our responsibility to contribute to the town’s progress. Our programs prioritize education, environment, health, entrepreneurship, and livelihood, in line with our larger goal of promoting sustainable development for both the town and the entire province of Bataan.

Anti-corruption and Anti-competitive Behavior: Maintaining our Integrity

Alignment with Standards/Frameworks	
GRI Standards	GRI 3-3, 205-1, 205-2, 205-3, 206-1 Topic 11.19 Anti-competitive behavior Topic 11.20 Anti-corruption
UN Sustainable Development Goals	
Philippine Development Plan	Promote Competition and Improve Regulatory Efficiency Practice Good Governance and Improve Bureaucratic Efficiency

We are dedicated to being a reliable partner to our customers and strive to develop innovative products and services that add value to their lives. Additionally, we are committed to maintaining consistent quality in our customer experience, and we place a strong emphasis on upholding integrity in all aspects of our operations.

To ensure that our business operates with the highest ethical standards, we strictly adhere to our Code of Conduct and Ethical Business Policy, which was approved by the Board of Directors of the Company in May 2018. This policy sets forth guidelines for all directors, officers, and employees to act fairly, honestly, and in good faith, while conducting business in an uncompromising ethical, and proper manner.

Our Code of Conduct and Ethical Business Policy expressly prohibits corruption and bribery. To further our commitment to fighting corruption, we integrate anti-corruption discussions into various training and orientation programs. Our leadership training seminars, employee orientation programs, and corporate governance seminars, which are mandatory for directors and key officers, all include discussions on anti-corruption measures. We also have a module on corruption in our labor relations seminars. We extend our efforts to our customers by encouraging them to follow similar ethical standards when dealing with contractual obligations related to anti-corruption practices. We have also implemented an anti-corruption policy with appropriate disciplinary actions outlined in our Company Rules and Regulations on Discipline.

Furthermore, we are committed to avoiding any form of anti-competitive behavior practices, including collusion with potential competitors. Our Code of Conduct and Ethical Business Policy expressly requires the Company to compete fairly and ethically within the framework of competition laws.

We believe that upholding good governance is a cornerstone principle at Petron, and our efforts in this area were recently recognized at the ASEAN Corporate Governance Scorecard (ACGS) Arrow Awards of the Institute of Corporate Directors. In January 2023, we received two Golden Arrows in recognition of our excellence in corporate governance.

Tax: Driving Change with Transparent Tax Disclosures

Alignment with Standards/Frameworks	
GRI Standards	GRI 3-3, 207-1, 207-2, 207-3, 207-4 Topic 11.21 Payments to governments
UN Sustainable Development Goals	  
Philippine Development Plan	Ensure Macroeconomic Stability and Expand Inclusive and Innovative Finance

Taxes are vital sources of government revenue that ensure the promotion of sustainable development and the provision of better infrastructure, health, education, jobs, and social protection for the people. As part of Petron’s commitment to nation-building, we recognize the importance of delivering our duty to the people and countries where we operate, by providing economic contributions to the government through tax remittances.

With the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) law (R.A. No. 10963), excise taxes for the importation and sale of petroleum products were gradually increased in the Philippines over the past few years. This tax increase, however, did not hinder Petron from accelerating much-needed government revenues and providing consumers with quality products. In fact, last March 2022, we were awarded by the Bureau of Customs (BOC) as one of the country’s top taxpayers and importers for 2021.

In addition, Petron has consistently shown its support for the Philippine government’s Fuel Marking Program, aimed at tackling tax leakages resulting from fuel smuggling. Petron holds the record for marking the largest volume of fuel out of the 28 oil firms participating in the program, accounting for 8.69 billion liters or 24 percent of the total 35.92 billion liters marked since September 2019. As a leader in the industry, Petron is committed to surpassing expectations of good tax practices and will continue to support laws and regulations that promote tax transparency, economic growth, and responsible industry practices.

Country-by-country reporting*

As part of our commitment to transparency and accountability, our sustainability report for this year includes a comprehensive tax disclosure that covers our resident entities in the Philippines, Malaysia, Bermuda, Singapore, British Virgin Islands, Mauritius, and Hong Kong. We believe that our tax disclosure is a testament to our commitment to sustainable business practices and responsible corporate citizenship. By providing this information, we aim to build trust and credibility with our stakeholders and contribute to the development of the communities where we operate.

*Please see table on page 102

OUR GOVERNANCE 2-9, 2-10

Our journey towards a sustainable future is further deepened because of the commitment of our Board and management. Guided by our vision and mission, we carry out our responsibility as a leading local industry leader to effectively manage our risks and implement our strategies to fulfill our sustainability commitment. Through this, we remain resilient and agile to adapt to our ever-changing business environment.

Governance structure and composition

The highest governance body in our Company is the Board of Directors composed of 15 directors, three (3) of whom our independent directors (IDs). The only executive directors of the Company are Messrs. Ramon S. Ang and Lubin B. Nepomuceno who hold the positions of President and CEO and General Manager, respectively.

NAME	AGE	NATIIONALITY	POSITION	YEAR APPOINTED AS DIRECTOR
Ramon S. Ang	69	Filipino	President and CEO	2009
Lubin B. Nepomuceno	71	Filipino	Director and General Manager	2013
Ron W. Haddock	82	American	Director	2008
Estelito P. Mendoza *	93	Filipino	Director	2009
Aurora T. Calderon	68	Filipino	Director	2010
Mirzan Mahathir	64	Malaysian	Director	2010
Francis H. Jardeleza	73	Filipino	Director	2020
Virgilio S. Jacinto	66	Filipino	Director	2010
Nelly F. Villafuerte	86	Filipino	Director	2011
Jose P. De Jesus	88	Filipino	Director	2014
Horacio C. Ramos	77	Filipino	Director	2018
John Paul L. Ang	43	Filipino	Director	2021
Artemio V. Panganiban	86	Filipino	Independent Director	2010
Margarito B. Teves	79	Filipino	Independent Director	2014
Ricardo C. Marquez	62	Filipino	Independent Director	2022

* Previously served as Director of the Company from 1974 to 1986

The Board has the following committees:

Executive Committee

- generally exercises the powers of the Board when the latter is not in session;
- composed of three (3) regular members with two (2) alternate who shall sit in the event that any one of the regular members is unable to attend the meeting.

Corporate Governance Committee

- tasked to assist the Board in the performance of its corporate governance, nomination and remuneration responsibilities and ensure compliance with and proper observance of corporate governance principles and practices;
- have at least three (3) IDs as members, including the Chairperson.

Audit Committee

- oversees Senior Management in establishing and maintaining an adequate, effective and efficient internal control framework; ensures 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;
- composed of at least three (3) appropriately qualified non-executive directors, the majority of whom shall be IDs; the Chairperson also an ID and shall not the Chairperson of the Board of Directors or of any other Board Committee.

Risk Oversight Committee

- responsible for the oversight of the enterprise risk management system of the Corporation to ensure its functionality and effectiveness;
- composed of at least three (3) appropriately qualified non-executive directors, the majority of whom shall be IDs; the Chairperson also an ID and shall not the Chairperson of the Board of Directors or of any other Board Committee.

Related Party Transaction Committee

- tasked with reviewing all material related party transactions of the Company;
- composed of at least three (3) non-executive directors, two (2) of whom shall be IDs; Chairperson also an ID.

Apart from his/her fees approved by the Board and ratified by the stockholders, an ID has no business or relationship with the Company , which could, or could reasonably be perceived to, materially interfere with the exercise of his/ her independent judgment in carrying out his/her responsibilities as a director.

Nomination and selection of the highest governance body

To have an optimum board composition, we consider a balanced representation based on age, skills, industry experience, background, gender, competence and knowledge, and other distinctions between and among directors. The profiles of the directors who were elected in 2022, which describe their educational background and business experience are available in the 2022 definitive information statement posted on our Company website.

In our selection process, the Corporate Governance Committee pre-screens and shortlists candidates nominated to become directors and ensures that director-candidates meet the following requirements:

- possess the knowledge, skills, experience, and particularly in the case of non-executive directors, independence of mind given their responsibilities to the Board and in light of the Company’s business and risk profile;
- have a record of integrity and good repute;
- have sufficient time to carry out their responsibilities; and
- have the ability to promote a smooth interaction between board members.

With our systematic corporate governance, we continuously work towards accelerating our sustainability initiatives and create long-term value for our Company and stakeholders.

Our Risk Management

ENTERPRISE RISK MANAGEMENT

We further enhanced our risk management process and practices with the appointment of the Chief Risk Officer of the Company who supervises the entire enterprise risk management process of the Company and spearheads the development, implementation, and continuous improvement of the Company's enterprise risk management processes and documentation. He also heads the Risk Management Group, the dedicated risk management group of the Company tasked to lead the enterprise risk management program of the Company. All Division Heads are designated risk owners of all risks emanating from their respective groups and each group is represented in the Risk Management Committee, the working group which was formed to become the conduit in cascading risk management efforts of Management to all employees and in receiving any feedback from them.

The primary objective in implementing the Company's enterprise risk management system is to develop our sustained ability to make apt and timely decisions on risks that may adversely impact the attainment of company objectives and goals through proper governance and the integration of risk management in the daily operations and performance of the entire organization. Identified risks are analyzed, evaluated, and treated and major risks are regularly reported and raised to top management level for continuous monitoring and decision-making. The risk management process is integrated in the yearly business planning of the all major divisions and departments, with the resulting annual business plan formulated being presented to the Board for approval.

We generally classify our risks into four major categories, namely: financial risks, strategic risks, operational risks, and compliance risks. Major risks are those which have been evaluated to have a high likelihood of occurrence with a huge magnitude of consequences if left unaddressed.

I. Major Risks

The following were the major risks identified for 2022:

- (1) **Foreign Exchange Risk** arises from the difference in the denomination of majority of the revenues of the Company in Philippine peso against the bulk of the costs of the Company denominated in US dollars. Exposure to foreign exchange arises from US dollar sales and purchases of crude oil and petroleum products, foreign-denominated liabilities and equity securities, exports, and mark-to-market of trade receivables. Changes in exchange rates between currencies impact the business financial performance or financial position of the Company.
- (2) **Liquidity Risk** is the risk of incurring losses resulting from the inability to meet payment obligations in a timely manner when they become due. This may arise from the funding gap brought about by the mismatch in the timing and the amount between cash collections and disbursements of the Company.
- (3) **Interest Rate Risk** is the risk associated with increasing cost of borrowing due to changing interest rates for loans. The Company's exposure to changes in interest rates relates mainly to long-term borrowings and investment securities. Investments or borrowings issued at fixed rates expose the Company to fair value interest rate risk. On the other hand, investments or borrowings issued at variable rates expose the Company to cash flow interest rate risk.
- (4) **Profit Margin Risk** is the risk associated with continuing volatility in crude oil and petroleum product prices that may impact operating profits. This has been on fluctuating trends brought about primarily by the impact of the COVID-19 pandemic, the Russia-Ukraine war, and other geopolitical developments which resulted in continuing imbalances between the global supply and demand of crude oil and petroleum products. Volatility in prices and margins may result in significant cash flow variability which may affect the Company's cash position and working capital requirements and possibly result in higher financing expenses.

(5) **Cyber Security Risk** is a risk related to the loss of the confidentiality, integrity or availability of information, data, and business systems that has potential adverse impact to operations, reputation, brand, financials, or assets of Petron. These risks remain to be a potential threat with the possibility of severe consequences due to continuing proliferation of insidious operations.

(6) **Substantial Disruption in Operations** is a risk resulting in a slowdown or shutdown of the Petron Bataan Refinery, terminals, depots and other similar facilities caused by serious equipment failure, accidents, operating upsets, human error or natural events. The disruption can also result in personnel injury, damage to property, loss of life, and even financial losses caused by shortage in supply of petroleum products or inventory build-up. This type of risk can also emanate from a disruption in crude or product supply caused by various adverse circumstances such as natural calamities, vessel incidents, terrorism, or war which can lead to a serious supply problem.

II. Management of Major Risks

The Company's management of the above major risks is discussed below.

(1) Foreign Exchange Risks

(a) We hedge our dollar-denominated liabilities using forwards and other derivative instruments and the generation of dollar-denominated sales. It avoids the creation of risk from derivative speculation by limiting the use of derivative instruments up to 100% of the value of the underlying dollar-denominated liabilities net of dollar-denominated assets.

(b) Dollar-denominated assets and liabilities and the resulting potential foreign exchange losses are recorded through an enterprise resource planning software that monitors financial transactions and is also capable of tracking risk exposures arising from other market sensitive financial variables, such as interest rates and commodity prices. In addition, the our overall net exposure position is monitored

daily through generation of exposure reports and is regularly reviewed by Management. This allows timely awareness and response to contain losses or provide guidance for hedging strategies posed by foreign exchange exposure.

(c) Our Company engages in active risk management strategies that include, among others, entering into derivative products which are hedge-effective based on currency, amount and timing of respective cash flows. Our Company uses hedge accounting to reduce volatility created by the repeated adjustment of a financial instrument's value by enhancing the basis for recognizing gains and losses on hedging instruments by matching the timing of their impact to profit and loss with the hedged exposure.

(d) Should prevailing market conditions favor securing Philippine peso-denominated loans to refinance US dollar-denominated liabilities, we convert our US dollar-denominated loans to minimize foreign currency exposure of the Company.

(2) Liquidity Risks

(a) We constantly monitor and manage our liquidity position, liquidity gaps or surplus daily. Stand-by credit facilities from on-shore and off-shore banks are available to ensure availability of funds when necessary.

(b) We explore alternative working capital sources to augment our funding base including, among others, debt and capital markets fund raisings.

(c) We adopt banking facilities solutions to liquidity/cash management that aid us in shortening and optimizing its cash cycle through bills purchase facilities, cash sweeping arrangements, and other collection solutions.

(d) We ensure prudent management of cash through regular monitoring and evaluation of the Company's financial performance, continuous planning of the uses of cash, and cautious spending for programs and capital projects.

(e) We maintain access to credit lines to ensure funding for working capital requirements, especially in times of increasing prices.

(3) Interest Rates Risks

(a) We manages our interest rate costs by using a combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rates and ensures that the marked-up rates levied on its borrowings are most favorable and benchmarked against the interest rates charges by other credit banks.

(b) Our Company's investment policy is to maintain adequate yield to match or reduce the net interest cost from the Company's borrowings prior to deployment of funds to their intended use in operations and working capital management. We invest only in high-quality securities while maintaining necessary diversification to avoid concentration risk.

(c) Our Company also enters derivative products under hedge accounting to partly cover its long-term floating interest rates exposure. Similarly, we proactively monitor financial markets to be able to identify opportunities to lower financing cost through refinancing.

(4) Profit Margin Risks

(a) Our Company uses margin hedging strategies to mitigate the risk of profit margin compression due to changes in crude and product prices. A margin hedge simultaneously fixes the future US dollar price of Dubai crude oil and that of a selected product manufactured from the crude. This partially locks in the refining margin of the Company.

(b) Our Company engages in commodity hedging to protect crude and product inventories from potential inventory losses arising from significant drops in prices.

(c) Given the high volatility of oil markets, our Company conducts a regular assessment and recalibration of Refinery

utilization considering outlook on crude and fuel prices, as well as demand, to ensure optimized operations and margins.

(d) Our Company enters into long-term sales contracts for certain fuel and petrochemical products whenever these are financially attractive. Such contracts guarantee long-term revenues and a market for Refinery production.

(5) Cyber Security Risks

(a) Petron has a robust and functioning information technology (IT) security management system that can address and respond to a wide range of cyber security risks. Examples of the technologies and tools employed are firewalls, encryptions, anti-virus software, network monitoring, mobile device management, and drive encryptions.

(b) Current major initiatives include conditional access on devices to enforce compliance with security policies, multi-factor authentication to protect accounts and identities, information classification labeling to prevent leakage of sensitive information, and regular user access reviews.

(c) Petron has a dedicated IT security function overseen by an IT Security Steering Committee to direct our IT security roadmap. This roadmap is aimed to deliver a strong internal control posture against cybersecurity and is periodically reviewed to ensure that Petron keeps up with evolving cybersecurity risks.

(6) Substantial Disruption in Operations

(a) Our Company maintains insurance whose coverage includes property, marine cargo and third-party liability, as well as personal injury, accidental death and dismemberment, sabotage and terrorism, machinery breakdown, and business interruption. One of the main insurance policies of the Company, the Industrial All Risk policy, covers the Petron Bataan Refinery for material damages, including machinery breakdown and business interruption cover.

This operational risk is more critical to the Petron Bataan Refinery because of the impact of any disruption, where a severe incident can trigger adverse disruptive consequences all the way down to the product consumer level.

(b) The Petron Bataan Refinery, while very particular in achieving operational efficiency, uses as its primary performance index its operational availability, i.e., providing the longest possible running hours. For this reason, it has long developed an asset policy program for its facilities, the main objective of which is to ensure continuous and efficient Refinery operations while regularly performing the required preventive, corrective, and turnaround maintenance works.

(c) The Petron Bataan Refinery continues to be Integrated Management System (IMS)-certified covering ISO 9001- 2015 for Quality Management System, ISO 14001- 2015 for Environmental Management System, and ISO 18001- 2007 for Occupational Health and Safety Assessment Series. All ports at the Refinery and terminals are compliant with the International Ship and Port Security Code and certified by the Office of the Transport Security under the DOTC.

(d) In the case of crude supply, crude diversification continues to reduce dependence on crudes coming from the Middle East. For both crude and products, increasing storage capacity and days' inventory are also being pursued.

III. Other Risks

Risks which are evaluated to have low likelihood of occurrence and low cost impact, or even if the likelihood of occurrence is high but the cost impact is minimal, are considered minor or medium level risks. These are included in each Division's Risk Register which is continually monitored by the Divisions and risk levels updated as internal and external developments impact on them. Examples of such risks are manpower attrition, supply chain disruption, minor equipment failure, rising market competition, counterparty risks, project delays, IT application malfunction, and data privacy.

We also closely monitor regulatory risks that can expose the Company to potential material loss, financial loss or legal penalties due to non-compliance with applicable laws, regulatory requirements, and other obligations, including contractual obligations. Our Company is maintaining close coordination with various government agencies and other parties to have the opportunity to respond proactively in various situations to avoid or minimize potential risk exposure. ■



Our View Forward

Throughout Petron's long history, we have built and sustained an organization that has fueled the lives of every Filipino. Through remarkable resilience, adaptability, creativity, *malasakit*, and an unwavering commitment to excellence and customer service, we are confident that Petron will succeed as a business beyond our generation, and will continue to be an integral part of nation building.

Petron has always been practicing sustainability even before the concept became a popular business terminology, and it is our commitment to sustain this and make it our way of life. We have been taking all the right steps in the course of our history, but we are committed to do more, do it better, do it more consistently, and do it as a community.

We intend to further institutionalize our sustainability philosophy and policies and embed these in all aspects of our operations. This aligns with the bigger roadmap being developed by the SMC Group to create a greater and more lasting positive impact to our communities.

We will continue to measure our performance against our Environmental, Social, Governance, and Economic targets to ensure that our goals are being met, and that we truly contribute to the betterment of the lives of our stakeholders. We will also evaluate our performance against globally-recognized practices on sustainability reporting and come up with a holistic, quality report that showcases the value that Petron generates for our shareholders and stakeholders.

We will continue to be more inclusive in the understanding and application of our sustainability agenda, extending our efforts throughout our entire value chain, making sure that our commitment to excellence, quality and compassion becomes a shared value.

We will continue to innovate, adapt, and evolve, and explore technologies, tools and practices that will make our operations more efficient. We will continue to nurture our communities and create more opportunities for them to grow as we grow. At the same time, we will remain mindful of our environmental footprint and exert greater effort to mitigate and manage our impact.

As we turn 90 years old, we continue to change for the better, push ahead with meeting the demands of our time, and be ready to address the challenges of the future. The extreme volatilities in our industry have sharpened our skills over the years. The unexpected hurdles put in our path by COVID-19 forced us to carve new pathways to weather the crisis and emerge stronger. As climate change poses heightened risks, we will take a closer look at our business more and more through the lens of sustainability as our way forward. And we look to continue undertaking this journey with you.

Awards and Recognition



Golden Arrow Awards for Corporate Governance– ASEAN Corporate Governance Scorecard (ACGS) Arrow Awards, Institute of Corporate Directors

Plaques of Recognition - 2022 Education Stakeholders Convergence and Partners’ Appreciation Program, Department of Education



2022 and 2021 Top Taxpayer and Importer–Bureau of Customs

GRI Content Index

Statement of use	Petron Corporation has reported in accordance with the GRI Standards for the period January 1, 2022 to December 31, 2022
GRI 1 used	GRI 1: Foundation 2021
Applicable GRI Sector Standard(s)	GRI 11: Oil and Gas Sector 2021

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	ANSWER	OMISSION			GRI SECTOR STANDARD REF. NO.
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GENERAL DISCLOSURES							
GRI 2: General Disclosures 2021	2-1 Organizational details	p. 12-13					
	2-2 Entities included in the organization's sustainability reporting	p. 3					
	2-3 Reporting period, frequency and contact point		January 1 to December 31, 2022 Annually Publication date: April 15, 2023 Contact person: Ramon S. Ang President and CEO				
	2-4 Restatements of information		None. This is the Company's first time to report using the latest GRI Standards.				
	2-5 External assurance		The report has not been externally assured.				
	2-6 Activities, value chain and other business relationships	pp. 15-19					
	2-7 Employees	pp. 57-59					
	2-8 Workers who are not employees	p. 57					
	2-9 Governance structure and composition	pp. 84-85					
	2-10 Nomination and selection of the highest governance body	p. 85					
	2-11 Chair of the highest governance body		Mr. Ramon Ang, President and CEO of Petron, acts as the chairman in the meetings of the Board. The Company's Manual on Corporate Governance of our Company sets out the functions of the Chairman and the CEO to clearly define roles and responsibilities. In matters where the interests of the CEO and the Chairman may conflict such as those relating to directors' remuneration and the independence of the Audit Committee in reviewing the controls in the operations of the Company, we have mechanisms in place such as the power of the Board Corporate Governance Committee (headed by an ID and majority of the members of which are also IDs) to review directors' fees and the Audit Committee being headed by an ID and whose members include all the IDs of the Company.				
	2-12 Role of the highest governance body in overseeing the management of impacts		The Board of Directors is responsible for formulating the Company's vision, mission, strategic objectives, policies, and procedures that shall guide our activities, including the means to effectively monitor Management's performance. It annually approves its operating plan for the year and results of operations are reported to and approved by the Board of Directors on a quarterly basis.				
	2-13 Delegation of responsibility for managing impacts		The Board of Directors delegates its responsibility for managing the Company's impacts across its committees. The Management also formed an ESG Council in June 2022.				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	ANSWER	OMISSION			GRI SECTOR STANDARD REF. NO.
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	2-14 Role of the highest governance body in sustainability reporting		The sustainability reporting of the Company is currently under the ESG Council. The ESG Council is tasked to identify the Company's ESG strategy and roadmap aligned with established reporting standards and SMC's direction and to prepare the Company's first sustainability report using the latest GRI standards. The Company has been issuing its sustainability report following the Securities and Exchange Commission (SEC) format since 2019.				
	2-15 Conflicts of interest		Petron Corporation Definitive Information Statement on SEC Form 20-IS for the 2023 annual stockholders' meeting containing disclosures on related party transactions and the review and approval by the Board Related Party Transactions Committee of material related party transactions for 2022 (pages 75 and 76): SECURITIES AND EXCHANGE COMMISSION (petron.com)				
	2-16 Communication of critical concerns		The Board of Directors approved in 2013 the Company's Whistle-blowing Policy which provides the procedures for the communication and investigation of concerns relating to accounting, internal accounting controls, auditing and financial reporting matters of the Company and our subsidiaries. The policy expressly provides the commitment of the Company that it shall not tolerate retaliation in any form against a director, officer, employee or any the other interested party who, in good faith, raises a concern or reports a possible violation of the policy. The Company also has an Internal Audit Department that assists in matters relating to risk management, control and governance process. Its head directly reports to the Board Audit Committee.				
	2-17 Collective knowledge of the highest governance body		The Company annually engages service providers to conduct training to its directors and executive officers. In September 2022, the training for the directors and key officers of the Company included the topic on developments in climate risk and decarbonization conducted by SGV. Also in September 2022, the directors and officers were given an internal briefing on sustainability by the ESG Committee. The directors and executive officers also had an orientation training by UA&P Center for Social Responsibility in October 2022.				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	ANSWER	OMISSION			GRI SECTOR STANDARD REF. NO.
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	2-18 Evaluation of the performance of the highest governance body		The directors accomplished their annual evaluation of their performance for 2022, with the coverage and results of the evaluation reported in the Petron Corporation Definitive Information Statement on SEC Form 20-IS for the 2023 annual stockholders' meeting (pages 94 and 95): SECURITIES AND EXCHANGE COMMISSION (petron.com)				
	2-19 Remuneration policies		Our management sets the remuneration of senior executives at a level that will help attract and retain executives with the qualifications and experience needed for the success of the Company and that will be commensurate to the services that they render to the Company. We provide each executive officer with a general description of executives' benefits in addition to the statutory benefits and other benefits enjoyed by all employees such as medical and life insurance, vacation, sick and emergency leaves, and a savings plan program.				
	2-20 Process to determine remuneration		The Corporate Governance Committee reviews the remuneration of directors to ensure that salaries and other remuneration of officers are set at level adequate to attract and retain directors with the qualifications and experience needed to manage the Corporation successfully. The Company provides each non-executive director with reasonable per diem for each board and board committee meeting attended in addition to monthly fees and monthly fuel allowances. Directors are not paid retirement benefits. The fees of the directors for 2022 were endorsed by the Corporate Governance Committee and approved by the Board on March 8, 2022 upon the finding of the Corporate Governance Committee that such fees were reasonable and commensurate to the services to the rendered. The matter was ratified by the stockholders at 2022 the Annual Stockholders' Meeting held on May 16, 2022, with the following vote (as disclosed in the minutes of the 2022 Annual Stockholders' Meeting: 03-08-22-Petron-Amended-Matters-Approved-at-the-March-8-2022-Board-Meeting-.pdf https://www.petron.com/wp-content/uploads/2022/05/2022-ASM-Minutes-05202022-mhbrev-Draft-for-Website-Posting.pdf				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	ANSWER	OMISSION			GRI SECTOR STANDARD REF. NO.
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
	2-21 Annual total compensation ratio			Ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees Ratio of the percentage increase in annual total compensation for the organization's highest-paid individual to the median percentage increase in annual total compensation for all employees	Confidentiality constraints	Our Company considers many factors in fixing the salaries of employees. The requested information on the ratio on the pay difference may be taken out of context when the determinants used by Petron in setting the salaries are not considered by the person receiving the ratio information.	
	2-22 Statement on sustainable development strategy	pp. 5-9; pp. 20-21					
	2-23 Policy commitments	p. 22					
	2-24 Embedding policy commitments		The compliance with the Company's policies is an obligation of all directors, officers and employees. Policies have their respective procedures for implementation (including the obligation of employees, directors, and officers to report suspected violations) and a failure to comply with such policies may subject the concerned employee to disciplinary measures (including counseling, reprimand, suspension and/or termination, in addition to any civil or criminal liability under existing laws and regulations).				
	2-25 Processes to remediate negative impacts		We comply with DOLE requirements and procedures during mediation meetings (if any). We also provide necessary documentation requested by other party, if needed. We have a Monthly Labor Management Council and Grievance Machinery in place to remediate negative impacts.				
	2-26 Mechanisms for seeking advice and raising concerns		We have direct coordination or inquiry with HR personnel handling Labor Relations through e-mail, phone call, SMS, and online platforms.				
	2-27 Compliance with laws and regulations		There has been no significant instance of non-compliance with laws and regulations in 2022, with significance being based on a material effect on the operations and/or financial condition of the Company.				
	2-28 Membership associations		Petroleum Institute of the Philippines Philippine Business for Social Progress People Management Association of the Philippines Employers Confederation of the Philippines				
	2-29 Approach to stakeholder engagement	pp. 28-29					
	2-30 Collective bargaining agreements		We have 25% of total employees covered by collective bargaining agreements. We have active company policies in place for our employees not covered by collective bargaining agreements.				

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	ANSWER	OMISSION			GRI SECTOR STANDARD REF. NO.
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
MATERIAL TOPICS							
GRI 3: Material Topics 2021	3-1 Process to determine material topics	pp. 28-29					
	3-2 List of material topics	pp. 28-30					
Economic Performance							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 79-80					11.2.1 11.14.1 11.21.1
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	p. 79					11.14.2 11.21.2
	201-2 Financial implications and other risks and opportunities due to climate change	p. 79					11.2.2
	201-3 Defined benefit plan obligations and other retirement plans	p. 80					
	201-4 Financial assistance received from government		In 2022, Petron has received tax relief and credits from the government that amounts to PHP 226 million from duties, VAT, and excise tax exemption.				11.21.3
Market Presence							
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 80					11.11.1 11.14.1
GRI 202: Market Presence 2016	202-1 Ratios of standard entry level wage by gender compared to local minimum wage		Currently at Petron, we do not have a standard level wage by gender (daily) for all the employees including Rank and File (RF). Our employees are monthly-paid and no one is categorized as a minimum wage earner. Salary ranges are in place based on current salary structure of the Company.				
	202-2 Proportion of senior management hired from the local community		As of 2022, we do not have senior management at significant locations of operation that are hired from the local community.				11.11.2 11.14.3
Indirect Economic Impacts							
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 81-82					11.14.1
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	p. 81-82					11.14.4
	203-2 Significant indirect economic impacts	p. 81					11.14.5
Anti-corruption							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 82-83					11.20.1
GRI 205: Anti- corruption 2016	205-1 Operations assessed for risks related to corruption		The Internal Audit and/or the relevant department will conduct an investigation where corruption is suspected. And where warranted, disciplinary or other measures against culpable employees will be undertaken, which may lead to the termination of employment.				11.20.2
	205-2 Communication and training about anti- corruption policies and procedures	p. 83					11.20.3
	205-3 Confirmed incidents of corruption and actions taken	p. 83					11.20.4
Anti-competitive Behavior							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 82-83					11.19.1

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	ANSWER	OMISSION			GRI SECTOR STANDARD REF. NO.
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		There are no legal actions pending or completed during the reporting period regarding anti-competitive behavior and violations of anti-trust and monopoly legislation in which the Company has been identified as a participant.	Main outcomes of completed legal actions, including any decisions or judgements	Not applicable	The Company is not and has not been subject of the described legal actions.	11.19.2
Tax							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 83-84					11.21.1
GRI 207: Tax 2019	207-1 Approach to tax	p. 83					11.21.4
	207-2 Tax governance, control, and risk management	p. 83					11.21.5
	207-3 Stakeholder engagement and management of concerns related to tax	p. 83					11.21.6
	207-4 Country-by-country reporting	pp. 84 and 102					11.21.7
Materials							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 37-38					
GRI 301: Materials 2016	301-1 Materials used by weight or volume	p. 37					
	301-2 Recycled input materials used	p. 37					
	301-3 Reclaimed products and their packaging materials	p. 38					
Energy							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 38-40					11.1.1
GRI 302: Energy 2016	302-1 Energy consumption within the organization	p. 39					11.1.2
	302-2 Energy consumption outside of the organization		The energy consumption outside of our Company will be monitored in succeeding reporting periods based on measured fuel consumption and electric meter readings.				11.1.3
	302-3 Energy intensity	pp. 51-52					11.1.4
	302-4 Reduction of energy consumption	pp. 39-40					
	302-5 Reductions in energy requirements of products and services		As we continue to strengthen our energy conservation and efficiency initiatives, we will monitor the reductions in energy requirements of our sold products and services in the succeeding reporting periods.				
Water and Effluents							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40-43					11.6.1
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	pp. 40-43					11.6.2
	303-2 Management of water discharge-related impacts	pp. 40-43					11.6.3
	303-3 Water withdrawal	p. 42					11.6.4
	303-4 Water discharge	p. 43					11.6.5
	303-5 Water consumption	p. 43					11.6.6
Biodiversity							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 46-47					11.4.1

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	ANSWER	OMISSION			GRI SECTOR STANDARD REF. NO.
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 304: Biodiversity 2016	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	p. 47					11.4.2
	304-2 Significant impacts of activities, products and services on biodiversity	p. 47					11.4.3
	304-3 Habitats protected or restored	p. 47					11.4.4
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations		No IUCN Red List species and national conservation list species were affected by our operations.				11.4.5
Emissions							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 50-52					11.1.1 11.2.1 11.3.1
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	pp. 50-51					11.1.5
	305-2 Energy indirect (Scope 2) GHG emissions	pp. 50-51					11.1.6
	305-3 Other indirect (Scope 3) GHG emissions	pp. 50-51					11.1.7
	305-4 GHG emissions intensity	pp. 51-52					11.1.8
	305-5 Reduction of GHG emissions	pp. 51-52					11.2.3
	305-6 Emissions of ozone-depleting substances (ODS)	p. 52					
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	p. 52					11.3.2
Waste							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 52-55					11.5.1 11.8.1
GRI 306: Effluents and Waste 2016	306-3 Significant spills		While we recognize critical incidents as a potential risk due to the nature of our industry, we have an Enterprise-Wide Risk Management Framework in place that addresses such risks to ensure business continuity while at the same time preventing, if not mitigating, negative impacts to our community and the public in general. For preventive and preparatory measures, we have in place contingency plans, standard operating procedures and manuals, regular drills and practices, regular inspections by authorities, insurers, consultants, and constant training of personnel. We are focused on the risk of oil spills, a risk that is considered to have a high impact, but a low probability of occurrence. For 2022, we have no incidents of significant oil spills.				11.8.2

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	ANSWER	OMISSION			GRI SECTOR STANDARD REF. NO.
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	pp. 52-55					11.5.2
	306-2 Management of significant waste-related impacts	pp. 52-55					11.5.3
	306-3 Waste generated	pp. 52-53					11.5.4
	306-4 Waste diverted from disposal	pp. 53-54					11.5.5
	306-5 Waste directed to disposal	pp. 54-55					11.5.6
Employment							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 57-59					11.10.1 11.11.1
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	pp. 57-58					11.10.2
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	p. 59					11.10.3
	401-3 Parental leave	p. 59					11.10.4 11.11.3
Labor/Management Relations							
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 64					11.7.1 11.10.1
GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	p. 64					11.7.2 11.10.5
Occupational Health and Safety							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 64-66					11.9.1
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	pp. 64-66					11.9.2
	403-2 Hazard identification, risk assessment, and incident investigation	pp. 64-66					11.9.3
	403-3 Occupational health services	pp. 64-66					11.9.4
	403-4 Worker participation, consultation, and communication on occupational health and safety	pp. 64-66					11.9.5
	403-5 Worker training on occupational health and safety	pp. 64-66					11.9.6
	403-6 Promotion of worker health	pp. 64-66					11.9.7
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	pp. 64-66					11.9.8
	403-8 Workers covered by an occupational health and safety management system	pp. 64-66					11.9.9
	403-9 Work-related injuries	p. 66					11.9.10
	403-10 Work-related ill health	p. 66					11.9.11

GRI STANDARD/ OTHER SOURCE	DISCLOSURE	LOCATION	ANSWER	OMISSION			GRI SECTOR STANDARD REF. NO.
				REQUIREMENT(S) OMITTED	REASON	EXPLANATION	
Training and Education							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 67-68					11.7.1 11.10.1 11.11.1
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	p. 67					11.10.6 11.11.4
	404-2 Programs for upgrading employee skills and transition assistance programs	pp. 67-68					11.7.3 11.10.7
	404-3 Percentage of employees receiving regular performance and career development reviews	p. 67					
Local Communities							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 68-70					11.15.1
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	p. 69					11.15.2
	413-2 Operations with significant actual and potential negative impacts on local communities	pp. 69-70					11.15.3
Customer Health and Safety							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 71-72					11.3.1
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	pp. 71-72					11.3.3
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	p. 72					
Marketing and Labeling							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 72-74					
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	pp. 72-74					
	417-2 Incidents of non-compliance concerning product and service information and labeling	p. 74					
	417-3 Incidents of non-compliance concerning marketing communications	p. 74					
Customer Privacy							
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 74					
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data		There are no substantiated complaints received concerning breaches of customer privacy and losses of customer data during the reporting period.				

TAX
Country-by-Country Reporting
207-4

Data (2022)	List all tax jurisdictions where the entities included in the organization's audited consolidated financial statements, or in the financial information filed on public record, are resident for tax purposes.	i. Names of the resident entities;	ii. Primary activities of the organization;	iii. Number of employees, and the basis of calculation of this number;	iv. Revenues from third-party sales (in millions PHP);	v. Revenues from intra-group transactions with other tax jurisdictions (in millions PHP);	vi. Profit/loss before tax (in millions PHP);	vii. Tangible assets other than cash and cash equivalents (in millions PHP);	viii. Corporate income tax paid on a cash basis (in millions PHP);	ix. Corporate income tax accrued on profit/loss (in millions PHP);	x. Reasons for the difference between corporate income tax accrued on profit/loss and the tax due if the statutory tax rate is applied to profit/loss before tax.
	Philippines	Petron Corporation	Refining and marketing/distribution of petroleum products	2,278 regulars; 42 contractuals; 15 consultants	415,217	18,060	3,434	215,806	18	898	due to permanent and temporary differences with respect to different methods of accounting for financial reporting and tax accounting
	Bermuda	Overseas Ventures Insurance Corporation Ltd.	Non-life insurance and re-insurance	0	10	-	168	-	-	-	
	Philippines	Petron Freeport Corporation	Wholesale or retail and operation of service stations	13 regulars	893	330	47	110	8	7	due to permanent and temporary differences with respect to different methods of accounting for financial reporting and tax accounting
	Singapore	Petron Singapore Trading Pte. Ltd.	Procurement of crude oil, ethanol, catalysts, additives, coal and various petroleum products; crude vessel chartering and commodity risk management	22 regulars	135,748	359,233	1,652	1	73	86	due to permanent and temporary differences with respect to different methods of accounting for financial reporting and tax accounting
	Philippines	Petron Marketing Corporation	Wholesale or retail and operation of service stations	0	4	-	3	0	1	1	
	Philippines	New Ventures Realty Corporation and Subsidiaries	Acquiring real estate and derive income from its sale or lease	0	2	-	178	6,213	3	41	due to permanent and temporary differences with respect to different methods of accounting for financial reporting and tax accounting
	British Virgin Islands	Petron Global Limited	Holding company	0	-	-	-	-	-	-	
	Malaysia	Petron Finance (Labuan) Limited	Holding company	0	-	-	(0)	-	-	-	
	Mauritius	Petron Oil and Gas Mauritius Ltd	Holding company	0	(0)	1,149	1,149	-	-	-	
	Malaysia	Petron Oil and Gas International Sdn Bhd. and Subsidiaries	Refining and marketing/distribution of petroleum products	659 regulars; 13 contractuals; 14 consultants	308,177	-	4,916	49,813	888	380	due to permanent and temporary differences with respect to different methods of accounting for financial reporting and tax accounting
	Hong Kong	Petrochemical Asia (HK) Limited and Subsidiaries	Holding company	0	2	-	(124)	2,027	-	0	
	Philippines	Mema Holdings, Inc. and Subsidiaries	Fuel hauling and logistics services	95 regulars	5	-	27	583	17	17	due to permanent and temporary differences with respect to different methods of accounting for financial reporting and tax accounting

OUR ESG COUNCIL

Co-Chair

Lubin B. Nepomuceno
General Manager

Emmanuel E. Eraña
Senior Vice President and Chief Financial Officer

Overall ESG Lead

Jaime O. Lu
Vice President and Special Executive Assistant to the President

Vice Chair

Mia S. delos Reyes
Assistant Vice President–Corporate Affairs and Petron Foundation, Inc. General Manager

TECHNICAL WORKING GROUP

Environment	Social	Governance and Economic
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Shareholder Service and Assistance

For questions and comments regarding dividend payments, change of address, account status, loss or damaged stock certificates, please get in touch with:

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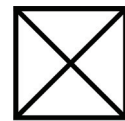
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