COVERSHEET

3 1 1 7 1

S. E. C. Registration Number

PETRON CORPORATION

(Company's Full Name)

SMC HEAD OFFICE COMPLEX 40 SAN MIGUEL AVE. MANDALUYONG CITY

(Business Adress: No. Street City / Town / Province)

ATTY. JHOANNA JASMINE M. JAVIER-ELACIO	**8884-9200**
Contact Person	Company Telephone Number

1 2 / 3 1	**ANNUAL REPORT 2023 (SEC FORM 17-A)**	0 5 / 2 1	
Month / Day Fiscal Year	FORM TYPE	Month / Day Annual Meeting (for 2024)	

Certificates of Permit to Offer Securities for Sale dated 1994, 1995, 1996, 2010, 2014, 2016, 2018, 2019 and 2021

Secondary License Type, if Applicable

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total Amount of Debt Outstanding: P246,806 Million (as of December 31, 2023 - CONSO)

144,097 (as of December 31, 2023)

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

Fiscal Numer

LCU

Document I. D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND
THE REVISED CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended December 31, 2023
   Date of Report (Date of earliest event reported)

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

4. PETRON CORPORATION ("Petron" or the "Company")
   Exact name of issuer as specified in its charter

5. Philippines
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

7. SMC Head Office Complex, #40 San Miguel Avenue, Mandaluyong City 1550
   Address of principal office Postal Code

8. (0632) 8.886-3888; 8.884-9200
   Issuer's telephone number, including area code

9. None
   Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Number of Shares of Stock Outstanding and Amount of Debt Outstanding (as of December 31, 2023)

Title of Each Class	**Number of Shares Outstanding**
Common Stock	**9,375,104,497 shares**
Series 3A Preferred Shares	**13,403,000 shares**
Series 3B Preferred Shares	**6,597,000 shares**
Series 4A Preferred Shares	**5,000,000 shares**
Series 4B Preferred Shares	**2,995,000 shares**
Series 4C Preferred Shares	**6,005,000 shares**
Total Debt Outstanding (consolidated)	**Php246,806 million**
Series C Bonds due 2024	**₱ 13.2 billion**
Series D Bonds due 2025	**₱ 6.8 billion**
Series E Bonds due 2025	**₱ 9.0 billion**
Series F Bonds due 2027	**₱ 9.0 billion**

11. Are any or all of these securities listed on any Philippine stock exchange?

Yes [X] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange	Common Shares Series 3A Preferred Shares Series 3B Preferred Shares Series 4A Preferred Shares Series 4B Preferred Shares Series 4C Preferred Shares
Philippine Dealing & Exchange Corp.	Series C Bonds due 2024 Series D Bonds due 2025 Series E Bonds due 2025 Series F Bonds due 2027

12. Check whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines (the "Corporation Code") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);

Yes [X] No [ ]

The SEC Form 17-Q for the first quarter of 2024 will be filed by the Company by May 15, 2024.

(b) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

13. The aggregate market value of the voting stock held by non-affiliates of the Company *(i.e.,* other than San Miguel Corporation, SEA Refinery Corporation, Petron Corporation Employees' Retirement Plan and the directors and executive officers of Petron Corporation from Vice President and up and the Corporate Secretary) as of December 31, 2023 totaling 2,504,101,078 common shares was Php8,814,435,794.56 based on the price of Php3.52 per share as of December 29, 2023, the last trading day of 2023. Petron had a public ownership of 26.71% as of December 31, 2022. The aggregate market value of the voting stock held by non-affiliates of the Company as of March 31, 2024 totaling 2,504,724,893 common shares was Php7,889,883,412.95 based on the price of Php3.15 per share as of March 29, 2024, the last trading day of March 2024. Petron had a public ownership of 26.72% as of March 31, 2024. Attached as A and B are the public ownership reports of the Company as of December 31, 2023 and March 31, 2024, respectively.

DOCUMENTS INCORPORATED BY REFERENCE

N o n e

PART I – BUSINESS AND GENERAL INFORMATION

(A) Description of Business

(1) Business Development

(i) The Company

Petron was incorporated in the Philippines on December 22, 1966 as "Esso Philippines Inc." Petron was renamed "Petrophil Corporation" in 1974 when the Philippine National Oil Company ("PNOC") acquired it. In 1985, Petrophil and Bataan Refinery Corporation (formerly, the "Standard Vacuum Refining Corporation") were merged with Petrophil Corporation as the surviving corporation. The Company changed its corporate name to "Petron Corporation" in 1988. On September 13, 2013, the SEC approved the amendment of the Company's Articles by extending the corporate term of the Company for another 50 years from and after December 22, 2016. However, as a general rule under the Revised Corporation Code of the Philippines ("Revised Corporation Code"), which took effect on February 23, 2019, corporations with certificates of incorporation prior to the effectivity of the Revised Corporation Code, and which continue to exist, shall have perpetual existence. By operation of law, therefore, the Company shall now have perpetual existence.

As of March 31, 2024, the three (3) principal common shareholders of the Company holding at least 5% of its common stock were SEA Refinery Corporation ("SEA Refinery") (50.10%), PCD Nominee Corporation - Filipino (20.16%) and San Miguel Corporation ("SMC") (18.16%). SEA Refinery is wholly-owned by SMC. SMC thus holds an aggregate 68.26% ownership of the common shares of the Company.

The registered office address of Petron is at the SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City.

(ii) Subsidiaries

The direct subsidiaries of the Company as of December 31, 2023 are listed below:

- **New Ventures Realty Corporation** ("NVRC") is a realty firm established on August 24, 1995. NVRC is authorized to acquire and develop land but it does not engage in the subdivision business. Land suitable for use as service station sites, bulk plants or sales offices are purchased by NVRC, which are then leased to Petron for use in the latter's operation. NVRC's wholly owned subsidiary, Las Lucas Development Corporation, which was acquired in 2003, was later renamed "Las Lucas Construction and Development Corporation" upon approval by the SEC in September 2009 ("LLCDC"). In 2012, NVRC acquired 100% of Parkville Estates and Development Corporation and 60% of Mariveles Landco Corporation. In 2013, NVRC further acquired 100% of South Luzon Prime Holdings Incorporated, MRGVeloso Holdings, Inc. (which was merged into LLCDC effective June 1, 2018) and Abreco Realty Corp.

- **Overseas Ventures Insurance Corporation Ltd.** ("Ovincor") was incorporated on November 16, 1995 under the laws of Bermuda for the purpose of expediting the reinsurance of Petron's insurable interests and other insurances covered by Petron affiliate Petrogen Insurance Corporation. Reinsurance includes the insurance cover for the refinery of Petron in Bataan (the "Petron Bataan Refinery"), the bulk plants and service station properties, petroleum and cargo insurance and performance bonds for Petron contractors and haulers as well.

- **Petron Freeport Corporation** ("PFC"; formerly, "Petron Treats Subic, Inc.") was incorporated on November 6, 2003. The company is registered with the Subic Bay Metropolitan Authority ("SBMA") as a Subic Bay Freeport ("SBF") enterprise. PFC is engaged in the business of importing, exporting, transporting, trading, selling and blending of petroleum products and related products, the operation and management of required facilities and the establishment, operation and/or management of retail service stations and non-fuel businesses such as convenience stores. As a registered SBF enterprise, PFC is entitled to tax-free and duty-free importation of raw materials and capital equipment for use solely within SBF. PFC has two (2) divisions - retail and manufacturing. The retail division handles the service station operations (*i.e.*, forecourt, quick-service restaurant, and locators). The manufacturing division is engaged in refining, distilling and manufacturing any and all kinds of petroleum products, oil, gas and other vehicle substances. Direct operations of the retail facilities and the manufacturing plant of PFC allows Petron to deal in the business of purchasing, marketing, distributing and trading petroleum, oil, gas, and related products.

- **Petron Marketing Corporation** ("PMC") was incorporated on January 27, 2004 with the same business purpose as PFC but operated outside the SBF. PMC is a wholly-owned subsidiary of Petron. PMC turned over to Petron the operation of service stations that PMC held and the operation of Treats stores, effective August 1, 2016 and November 30, 2016, respectively. PMC also terminated its franchises to the fastfood stores.

- **Mema Holdings Inc.** ("Mema") was acquired by Petron in 2022. It is a holding company intended for the hauling and logistics requirements of Petron.

- **Petron Singapore Trading Pte. Ltd.** ("PSTPL") was established in 2010 as Petron's trading subsidiary in Singapore. The subsidiary aims to optimize crude procurement and petroleum product procurement and participate in Singapore's Global Trader Program, which allows the Company access to a wider selection of crude and petroleum product alternatives, resulting in further optimization of Petron's crude and petroleum product selection.

- **Petron Global Limited** ("Petron Global") is a holding company incorporated under the laws of the British Virgin Islands acquired by the Company on February 24, 2012.

- **Petron Finance (Labuan) Limited** ("Petron Finance") is a holding company incorporated under the laws of Labuan, Malaysia acquired by the Company on March 2, 2012.

- **Petrochemical Asia (HK) Limited** ("PAHL") is a holding company incorporated under the laws of Hong Kong over which the Company obtained control in January 2013.

- **Petron Oil & Gas Mauritius Ltd.** ("POGM") is a holding company incorporated under the laws of Mauritius acquired by the Company on February 8, 2012.

  Petron Oil & Gas International Sdn. Bhd. ("POGI") is a subsidiary of POGM and incorporated under the laws of Malaysia. It owns 73.4% of Petron Malaysia Refining & Marketing Bhd. ("PMRMB"), a public company listed on Malaysia's Stock Exchange ("Bursa"). POGI also wholly owns Petron Fuel International Sdn. Bhd. ("PFISB") and Petron Oil (M) Sdn. Bhd. ("POMSB"). PMRMB, PFISB and POMSB (collectively, the "Petron Malaysia") are companies incorporated under the laws of Malaysia and are engaged in the downstream petroleum business in Malaysia.

  The Petron Malaysia's distribution network is comprised of 10 product terminals and facilities all over Malaysia. PMRMB owns and operates the Port Dickson Refinery ("PDR") with a rated capacity of 88,000 bpd. The PDR produces a range of products, including liquefied petroleum gas ("LPG"), naphtha, gasoline, diesel, jet fuel, and low sulfur waxy residue ("LSWR"). Further, it also operates a palm methyl ester ("PME") plant in Lumut, Perak, with a rated capacity of 78,000 metric tons per year of PME used for biodiesel blend.

Petron Malaysia's fuels marketing business caters to both retail and commercial segments. The retail business markets fuels and other products through its network of more than 750 service stations, both company-owned or dealer-owned, located throughout Peninsular and East Malaysia. Retail sells top-of-the line fuel from Blaze 100, the only RON 100 gasoline in Malaysia, Blaze 97 and Blaze 95, all meeting Euro 4M standards specifications, while its premium Turbo Diesel and Diesel Max are all Euro 5-compliant diesel products, with 7% and 10% PME biodiesel blend, respectively. Petron's premier LPG brand, Petron Gasul, is also available in about 180 selected service stations in Peninsular Malaysia to add more convenience to the Malaysian household. Petron also provides one-stop shop service experience for motorists on the road through more than 300 Treats and approximately 430 P-Kedai convenient stores located within its service station network, along with other amenities and restaurants. Retail business also serves more than 10,000 fleet accounts nationwide through Petron Fleet Card, with microchip technology and available in both post-paid and pre-paid.

Petron Malaysia's commercial business serves four (4) segments: industrial and wholesale, aviation fuels, LPG and lubricants/specialties. The industrial business sells diesel and gasoline fuels to mini-stations and power plants, as well as to the manufacturing, plantation, transportation, fisheries, commercial and construction sectors, among others, while the wholesale segment primarily engages in diesel sales to company-appointed resellers catering to other industrial customers. PMRMB's aviation group sells jet fuel to key airline customers which operate at the Kuala Lumpur International Airport where the product is supplied through pipeline connected from the Port Dickson Terminal. PMRMB also markets Gasul LPG in 12-kg and 14-kg cylinders for domestic household use and 50-kg and bulk for commercial use. PFISB has its lubricants and specialties business, selling automotive lubricants both through the Retail service stations and appointed distributors network.

The above-named subsidiaries of the Company have no plans of engaging in lines of products or services other than those provided in connection with the promotion and enhancement of the business of the Company.

The Company and its subsidiaries are not subject of any bankruptcy, receivership or similar proceedings.

Operating Highlights

Sales

For the whole of 2023, the Company's consolidated sales volume stood at 126.9 million barrels, 13% higher than 2022's 112.8 million barrels.

Refining

The Petron Bataan Refinery Master Plan Phase-2 Upgrade ("RMP-2") upgraded the Petron Bataan Refinery to a full conversion refining complex. RMP-2 started its full commercial operation in January 2016.

Since the closure of the Shell Refinery in May 2020, the Petron Bataan Refinery is the only oil refining facility in the country.

In December 2021, the Petron Bataan Refinery renewed its registration with The Authority of the Freeport Area of Bataan ("AFAB") as a registered enterprise. The registration shall be valid and in effect as long as the registered enterprise remains in good standing or until revoked or cancelled. As a registered domestic market enterprise engaged in the oil refinery facility as its registered business activity, the Petron Bataan Refinery is granted duty-free importation of merchandise, including capital equipment, raw materials, spare parts, and accessories, subject to compliance with conditions specified under the Corporate Recovery and Tax Incentives for Enterprises Act (the "CREATE") Act. Meanwhile, pursuant to Section 295(G) of the Tax Code, as amended by the CREATE Act, the Petron Bataan Refinery's crude oil importations are exempt from duties and taxes, while applicable taxes are paid upon withdrawal of finished products sourced from the crude oil importation.

Product Supply and Distribution

The Company continues to implement programs to ensure adequate and timely product supply such as storage capacity additions, effective inventory management, a sufficient fleet of tank trucks and marine vessels, and an inter-depot support system during periods of calamities.

Human Resources

Petron aimed at strengthening its development programs to enhance both the hard and soft skills of its talents. The company gradually transitioned back to facilitating live programs while taking advantage of online platforms to employ self-directed learning tools. By year-end, training hours per employee increased by 91% from the previous year. Petron dedicated 124,455 training hours for all employees or an average of 55 hours training per employee.

To enrich the leadership pipeline, learning opportunities for leadership development offered by San Miguel Corporation were maximized. The growth of key talents was supplemented through Petron's coaching program composed of 45 coaches and 54 coachees which generated 1,436 coaching hours in 2023.

Health, Safety and Environment ("HSE")

The Company's HSE programs continue to be an important element in the operations of its facilities. HSE programs of the Company include the ECOWATCH assessment and oversight safety assessment and compliance inspections of the depots/terminals, service stations and third-party LPG filling plants, industrial accounts and contractor's site, participation in industry-wide oil spill response exercises, emergency drills and exercises, seminars/trainings, and maintenance of management systems and ISO certifications on environment, health and safety.

All 30 terminals are certified in accordance with the ISO 9001:2015 (QMS), while 29 terminals are certified under the ISO 14001:2015 (EMS) standards and ISO 45001:2018 (Occupational Health and Safety (OH&S) Management System). Furthermore, all 15 Petron pier facilities are compliant with the International Ship and Port Facility Security Code ("ISPS Code") and certified by the Office of the Transport Security under the Department of Transportation ("DOTr"). The ISPS certification is a requirement by the International Maritime Organization for all international vessels calling on international ports and for all ports accepting international vessels.

The Terminal Operations Division of the Company implemented the Loss Prevention System ("LPS"). LPS is a system to prevent or reduce losses using behavior-based tools and proven management techniques. With this new system, the Company aims to improve the over-all safety culture of the division to prevent all types of losses, and eventually apply the same system throughout the organization.

From January to December 2023, a total of 13.2 million safe man hours were achieved by the Head Office, the Petron Bataan Refinery, and the terminals.

Corporate Social Responsibility ("CSR")

Petron Foundation, Inc. ("PFI" or "Petron Foundation") remains integral to keep Petron top-of-mind among the Filipino public and help protect the company's reputation while contributing to the company's business growth. The Company likewise continue to help uplift the lives of the host communities of the Company and strengthen partnerships with the Company's key stakeholders through relevant and strategic CSR programs that focus on education, environment, entrepreneurship and livelihood, and community engagement. At the same time, PFI is at the forefront of advocating ESG and sustainability within Petron with its active participation in Petron's ESG Council.

Education

- **Tulong Aral ng Petron ("Tulong Aral")**. In partnership with the Department of Social Welfare and Development ("DSWD") and the Department of Education ("DepEd"), Petron continued to implement its flagship education program Tulong Aral ng Petron ("Tulong Aral") in sending deserving children and youth through elementary, high school and college. For school year 2022 to 2023, a total of 515 scholars completed their schooling from elementary to college. Furthermore, seven of the eight remaining college scholars from the National Capital Region graduated in 2023 with business-related courses and engineering degrees. Of the seven college graduates, two finished with academic honors: one graduated *magna cum laude*, and one as a *cum laude*.

  In the third quarter of 2023, one former *Tulong Aral* graduate was hired by the Company as Utilities/RSFFB Plant Engineer in the Petron Bataan Refinery.

  For school year 2023 to 2024, *Tulong Aral* has a total of 2,302 scholars from elementary to college in Petron's partner schools where its terminals are located.

Tulong Aral ng Petron Scholars (SY 2023-2024)							
	Elementary		High School				College
	Gr. 1	Gr. 6	Gr. 7	Gr. 8	Gr. 9	Gr. 10	1st Year
NCR	-	17	-	75	128	-	2
Luzon	40	24	103	163	153	63	-
Visayas	240	73	116	225	231	57	-
Mindanao	20	74	201	289	-	-	8
TOTAL	**300**	**188**	**420**	**752**	**512**	**120**	**10**

  This includes the first batch of *Tulong Aral* college scholars from Mindanao that entered college, with eight coming from General Santos, Iligan, Jimenez, and Tagoloan, along with two scholars from the National Capital Region. It also includes a fresh batch of 300 Grade 1 scholars from Luzon (Poro, La Union, and Puerto Prinsesa, Palawan), Visayas (Bacolod, Negros Occidental; Mandaue and Mactan, Cebu; Roxas, Capiz, and; Tagbilaran, Bohol) and Mindanao (Davao City).

- **Bataan scholarships.** Petron's engineering scholarships also produced a number of milestones. In 2023, the Company hired three (3) graduates of the Petron Engineering Scholarship program. This brings the number of Bataan scholars employed in the Company to 206. Of this number, 84 continue to be employed in Petron.

- **Brigada Eskwela.** Petron broadened its participation in the annual National Schools Maintenance Week beyond financial assistance for the partner schools of the Company as the country slowly moved on from the Covid pandemic restrictions. In 2023, Petron Terminals and the Petron Bataan Refinery physically volunteered to help prepare partner schools for the opening of the school year 2023 to 2024. Collectively, Petron supported Brigada Eskwela activities of 103 public schools in fenceline communities nationwide to benefit some 38,913 students and educators.

Environment

- **Carbon capture and biodiversity conservation**. Petron remained cognizant of its environmental impact, with its continued efforts to help reduce carbon footprint. Through the Company's Puno ng Buhay program, the Company formally adopted a total of 55 hectares in 2023 to reforest with mangroves:
    - 20 hectare - Hagonoy, Davao Del Sur
    - 25 hectares – Municipality of Ivisan, Roxas City
    - 10 hectares - Bgy. Salambao, Obando, Bulacan

  In the first quarter of 2024, a third-party entity will be engaged to undertake carbon sequestration measurement of Petron's reforestation sites. This will be a five-year engagement to be done annually for 10 selected sites, with the pilot site in Hagonoy, Davao. The Company targets to produce its initial carbon sequestration report by the first half of 2024.

  Additionally, PFI supported greening efforts by the Operations Division and the Refinery Division to plant nearly 19,100 seedlings and mangrove propagules in various activities celebrating Earth Month, Environment Month, and International Coastal Cleanup Day.

  These are consistent with efforts to also comply with government regulations, contribute to operational efficiency, and maintain the sustainable practices of the Company.

- **Bataan Integrated Coastal Management Program ("BICMP").** Petron continued to support the implementation of the Bataan Integrated Coastal Management Program in 2023. In particular, the Company remained a partner of the Bataan Provincial Government in hosting the Pawikan Festival. Petron again sponsored the Environmental Forum as part of a number of events held at the Pawikan Conservation Center in the town of Morong.

Health and Human Services

- **Petron Clinics.** Petron Clinics in Rosario, Pandacan and Limay remained closed to the community due to continuing Covid precautions in 2023. The Company will review the resumption of operations for the community in the first quarter of 2024, beginning with the Petron Rosario Clinic, whose laboratory License to Operate was successfully renewed in December 2023. The clinic is now equipped to offer blood chemistry procedures.

- **Community Engagement**. Petron Foundation supported the request of the Limay local government to build a pedestrian bridge over the busy Roman Highway. This aims to promote road safety, especially among Limay residents.

- **Engaging employees and partners.** Petron employees continued to take to heart their responsibility to society through active participation in the Volunteers in Action or VIA program. Employee volunteers from various divisions in the Company joined in painting school chairs in San Joaquin Elementary School in Pasig City. Employees and other stakeholders have also resumed participation in various activities celebrating Earth Month, Environment Month, and International Coastal Cleanup Day.

- **Adopt-a-School Program.** Petron's education investments since 2006 have benefitted more than 17,000 children.

ESG and Sustainability

PFI continued to serve as the Secretariat to the Petron ESG Council in developing the Company's sustainability report ("SR"). For the 2022 SR, Petron transitioned its format from the SEC template to the latest Global Reporting Initiative (GRI) international guidelines. PFI coordinated the activities of the University of Asia & the Pacific-Center for Social Responsibility, which was engaged to develop the SR including field visits to Petron Bataan Refinery, select Petron terminals and service station for stakeholder consultations and sustainability briefings. PFI also contributed to the review and finalization of the SR drafts.

Governance

PFI successfully renewed its License to Operate from the Department of Social Welfare and Development. The License to Operate, effective from July 2023 to August 2027, reaffirms PFI's status as an Auxiliary Social Welfare and Development Agency and enables the Company to implement its CSR programs nationwide. This is effective for three (3) years from July 2023 to August 2027.

Petron Malaysia

Petron Malaysia, in its drive for sustainable operations, has equipped its Port Dickson Refinery with a diesel hydrotreater facility unit, enabling production of Euro-5 diesel in line with the Malaysian government's thrust to provide cleaner and more environment-friendly fuels to consumers. Its Marine Fuel Import Facility 2 has allowed importation of larger parcel finished products, thereby optimizing freight costs and reducing carbon emission with fewer sea vessel deliveries. Petron has also started to install solar panels in its service stations to reduce electricity consumption and replace it with renewable power source. As part of Petron's firm commitment to provide better value to consumers, Petron Malaysia launched the mobile app version of its P-Miles Loyalty Program, offering better experience, more functionalities and tighter security features as compared to the conventional card-based program. The Company is also in the process of enhancing customers' point of sale experience through new indoor and outdoor payment terminals at the stations which will provide better payment features and convenience to the motorists.

(2) Business of Petron

(i) Principal products or services and their markets

Petron's principal business involves the refining of crude oil and the marketing and distribution of a full range of refined petroleum products such as gasoline, naphtha, LPG, diesel, jet fuel, kerosene, and petrochemicals (benzene, toluene, mixed xylene, propylene and polypropylene). When necessary, some refined petroleum products are imported.

The major markets in the petroleum industry are the retail (service station), industrial, LPG and lube trades. Petron sells its products to motorists and consumers through a nationwide network of service stations, LPG dealerships and lube outlets as well as to industrial end-users and bulk off-takers.

The Company also continues to expand its non-fuel businesses through the relaunch of the Treats convenience store and the addition of various food kiosks, restaurants, and other service establishments at its stations.

(ii) Percentage of sales or revenues by foreign sales

Below is the summary of the percentage of sales or revenues of domestic and foreign sales of the Company and its subsidiaries from 2021 to 2023:

	Domestic	**Exports/International**	**Total**
2021, in million pesos	223,222	214,835	438,057
2021, in percentage	51%	49%	100%
2022, in million pesos	412,743	444,895	857,638
2022, in percentage	48%	52%	100%
2023, in million pesos	413,175	387,852	801,027
2023, in percentage	52%	48%	100%

(iii) Distribution methods of products or services

From the Petron Bataan Refinery, Petron moves its products by vessels or trucks to depots, terminals and airport installations situated throughout the Philippines. It has the most extensive distribution network, comprised of 35 terminals and sales offices across the country, for petroleum products in the country. Through this nationwide network, Petron supplies its various petroleum products such as gasoline, diesel, and LPG to its customers. Petron also supplies jet fuel to international and domestic carriers at key airports in the Philippines through its 12 into-plane facilities.

Petron sells gasoline, diesel, and kerosene to motorists and to the public transport sector through its network of around 1,900 retail service stations in the Philippines as of December 31, 2023.

Petron also sells its LPG brands *Gasul* and *Fiesta Gas* to households and other consumers through its extensive dealership network.

Petron also manufactures lubricants and greases through its blending plant in Manila, and these products are sold through its service stations and various lubes outlets.

(iv) New products or services

The Company's 2023 new products and approvals from accredited global industry certifying bodies and original equipment manufacturers ("OEMs") are described below.

For 2023, Petron was able to secure the renewal of licenses and approvals for industry standards such as the American Petroleum Institute (API) alongside with the International Lubricant Specification Advisory Committee ("ILSAC"), Association des Constructeurs Européens d'Automobiles/Association European Automobile Manufacturers Association ("ACEA"), National Marine Manufacturers Association ("NMMA"), and OEM approvals from Porsche, Volvo, Mack, Renault, Cummins, MTU, and Scania. Petron also obtained new industry standard licenses from Japan Lubricating Oil Society (“JALOS”), Halal, Kosher and National Sanitation Foundation (“NSF”).

These globally accepted OEM approvals and licenses are not only applicable to the Philippines but also to the Malaysian, Chinese, Brunei, Vietnamese, and Cambodian markets where the products of the Company are being served.

- License with American Petroleum Institute (“API“)

  Listed below are the Petron automotive engine oil products that have their API service symbol and API certification mark renewed for 2023:

Product	API Quality Level
Blaze Racing Fully Synthetic SAE 0W-20	API SP/SN Plus Resource Conserving, ILSAC GF-6A
Blaze Racing Fully Synthetic SAE 5W-30	API SN
Blaze Racing Fully Synthetic SAE 5W-40	API SN
Blaze Racing Premium Multigrade SAE 20W-50	API SL
Petron Blaze Racing HTP SAE 0W-40	API SN
Rev-X All Terrain SAE 5W-40	API CJ-4/SM
Rev-X Fully Synthetic 5W-40	API CJ-4 / SN
Rev-X Fully Synthetic 5W-40	API CJ-4 / SM
Rev-X Premium Multi-grade 15W-40	API CI-4 / SL
Rev-X Trekker 15W-40	API CI-4 / SL
Rev-X Turbo HTP SAE 5W-40	API CJ-4 / SN
Ultron Fully Synthetic 5W-40	API SN
Ultron Premium Multi-Grade 20W-50	API SL
Ultron Race 5W-40	API SN

- Registration with Association des Constructeurs Européens d’Automobiles/Association European Automobile Manufacturers Association (“ACEA”)

  In 2023, Petron renewed the registration for its Petron Blaze Racing and Petron Rev-X automotive lubricants with ACEA in compliance with the European Engine Lubricant Quality Management System (EELQMS).

- National Marine Manufacturers Association (“NMMA”)

  Renewal was applied in 2023 for Petron Regatta as TC-W3 approved two-stroke cycle outboard engine lubricant.

- OEM Approval Renewals

  The following OEM approvals were renewed in 2023:

  - Blaze Racing HTP SAE 0W-40: Porsche A40
  - Rev-X Turbo HTP SAE 5W-40: Volvo VDS-4, Mack EO-O Premium Plus and Renault VI RLD-3; Cummins CES 20081

- ➢ Rev-X Premium Multi-Grade SAE 15W-40: MTU Oil Category 2
- ➢ Petron Regatta 2T Outboard: NMMA TC-W3
- ➢ Rev-X Fully Synthetic SAE 5W-40: Scania LDF-3

- New Industry Standard Licenses

  Petron was also able to secure new industry licenses for the following products:

Product	Approval
Sprint 4T HTP SAE 5W-40 JASO MA/MA2	JASO MA2
Petron Hydrotur FG H1-68	Halal Kosher NSF H1
Petron Hypex FG H1-150	
Petron Hypex FG H1-220	
Petron Hypex FG H1-320	
Petron Petrogrease EP FG H1-2	

(v) Competition

Petron operates in a deregulated oil industry along with over 400 industry players. With this large number of players participating in the market, competition is intense. Retail and depot network expansion, pricing, and various marketing programs are employed to gain a bigger share of the domestic market. However, Petron's wide retail and depot network and its full range of products allow it to reach the domestic market more effectively than competition.

(vi) Sources and availability of raw materials and the names of principal suppliers

In 2023, Petron purchased all of its term and spot crude requirements through its wholly-owned subsidiary, PSTPL. Majority of the crude purchases were sourced under term contracts with three (3) suppliers, with various spot suppliers completing the balance of requirements. For its 2024 crude requirements, Petron, through PSTPL, will continue to source from both term and spot suppliers.

Petron purchased most of its finished product requirements in 2023 also through PSTPL. For 2024, aviation gasoline, asphalt, LPG, gasoline, base oil, jet A-1, and diesel term contracts will be renewed through PSTPL.

For its coco-methyl ester ("CME") and ethanol supply, Petron continued to support the directive of the Department of Energy ("DOE") on the prioritization of locally produced CME and ethanol, complying with government regulation. About 49% of the total ethanol and 100% of CME requirements of the Company in 2023 were sourced from various local producers.

(vii) Dependence on one or a few major customers and identity of any such major customers

Petron and its subsidiaries do not have a single external customer from which sales revenue generated amounted to 20% or more of the total revenue.

(viii) Transactions with and/or dependence on related parties

Petron, certain of its subsidiaries and its affiliate, as well as SMC and certain of its subsidiaries, purchase products and services from one another in the normal course of business.

On August 6, 2019, the Board of Directors of the Company approved the Policy on Related Party Transactions of the Company that requires all related party transactions of the Company be conducted on an arm's length basis and under fair terms so that no shareholder or stakeholder will be unduly disadvantaged and there will be no prejudice to the interest of the Company's stakeholders. Under the terms of this policy, board approval is required for related party transactions with the same related party, either individually or in aggregate over a 12-month period from the first transaction, amounting to at least 10% of the Company's total consolidated assets based on its latest audited financial statements.

For 2023, the proposed transactions between the Company and PSTPL were approved by the Board of Directors on November 8, 2022, upon the recommendation of the Related Party Transaction Committee of the Board of Directors and pursuant to the Policy on Related Party Transactions of the Company.

Described below are transactions of Petron with related parties as of 2023:

1. Supply agreements with various SMC subsidiaries. Under these agreements, Petron supplies the fuel and lube requirements of selected SMC plants and subsidiaries.

2. Purchase of goods and services, such as those related to construction, information technology, shipping and terminaling, from various SMC subsidiaries.

~~3.~~ Lease agreements with San Miguel Properties, Inc. for office space covering 6,747 square meters and certain parcels of lands where service stations are located.

4. Lease agreements with SMC covering certain parcels of lands where service stations are located.

5. Payment to SMC for its share in common expenses such as utilities and management fees.

6. Long-term lease agreements with NVRC covering certain parcels of lands where the Petron Bataan Refinery and some of its depots, terminals and service stations are located.

7. Retail of its fuel products through its subsidiary PFC and of lube products through PFISB.

8. Insurance coverage from its affiliate Petrogen which, in turn, obtains reinsurance coverage from Ovincor and other local reinsurers.

9. Certain advances to PCERP for investment opportunities.

10. Trading agreement with PSTPL for the procurement of crude oil, and trading of finished petroleum products and other materials such as ethanol, coal, catalysts and additives.

11. Engagement of PSTPL to perform the chartering function such as the renewal and negotiation of contract of affreightments and commodity risk management via hedging transactions.

12. General management services to PFISB.

13. NVRC and SMC subsidiaries entered into various lease agreements for portion of lands located at Limay, Bataan.

14. Logistics freight forwarding and into-plane service agreement with PLI.

15. Short-term loans from Bank of Commerce.

16. Certain advances from San Miguel Insurance Co. Lt. and Ovincor.

(ix) Patents, trademarks, licenses, franchises, concessions, royalty agreements

The Company's intellectual property registrations and applications as of December 31, 2023 are described below.

Trademark. Petron has registered the following trademarks for a term of 10 years: Petron (word mark), Petron (logo), P logo (color), P logo (black and white), Petron Canopy Fascia, Petron Canopy Fascia (color), Petron Canopy Fascia (black and white), Blaze, Diesel Max, Petron Blaze 100, Blaze 100 Octane Euro 6, Petron XCS3, Petron Super Xtra Gasoline, Xtra Advance (inside a rectangle device), Blaze Racing, Thermal Control System, Tri-Action Advantage, Petron XCS3, Triangle Device, Boomerang Device, Gasul (stylized), Gasulite, LPG Gasul Cylinder 50 kg, Gasul and Device, LPG Gasul Cylinder 11 kg, Petron Gasul 11-kg POL-VALVED Cylinder, New Gasulito (word mark), Petron Gasul Elite (wordmark), Petron Gasul Elite (Black & white), Petron Gasul Elite Blue Pantone 298, Fiesta Gas with device, Xtra, Fiesta Gas 2.7kg cylinder, Fiesta Gas 5kg cylinder, Fiesta Gas 5kg POL-VALVED, Fiesta Gas 11kg cylinder, Fiesta Gas 11kg POL-VALVED, Fiesta Gas 22kg POL-VALVED, Fiesta Gas 50kg POL-VALVED, REV-X, Rev-X Hauler, Rev-X HD, Rev-X Turbo, Ultron Rallye, Ultron Extra, Ultron Touring, Sprint 4T, Clean 'n Shine, Rider, Rider 4T, ADVANSTRASSE MOTO (word mark), ADVANSTRASSE MOTO (logo), 3D Engine Oil Lubricant Bottle 1L and 6L (black), 3D Engine Oil Lubricant Bottle 1L and 6L (red), 3D Engine Oil Lubricant Bottle 1L and 6L (silver), 3D Engine Oil Lubricant Bottle 1L and 6L (blue), 3D Specialty Lubricant Bottle 1L (silver), 3D Specialty Lubricant Bottle 1L (black), Petron Value Card and Device, Petron Super Driver, Petron Fleet Card & device, e-fuel, Car Care Center & Logo, Treats (word mark), Treats & device, Treats & device with blue background, Lakbay Alalay (word mark), LakbayAlalay (logo), LakbayAlalay, LakbayLigtas, LakbayAlalay Para saKalikasan, Sagip Alalay, Tulong Aral ng Petron & Device, Puno ng Buhay, Fuel Hope, Fuel Trust, Fuel Experience, Fuel Drive, Fuel Excellence, Fuel Efficiency, I fuel (logo), I Fuel Hope, I Fuel Communities, Petron Blaze Spikers, Petron Lakbay Pinoy, Ultimate Release from Engine Stress, Your friend on the Road, Super Tsuper, Road Safety & device, Ronnie Mascot, Seat Belts Save Lives, Pay with Points Save your Cash, Thermal Stress Stabilizing System, Dynamic Cleaning Technology, Your Fleet Your Rules, Blu & Device, Blu with Gasul Tank, Performance Run, Petron Best Day, Super Saya, Power that Persists, Mean Clean Machine, Petron Motorsports, Fuel Wise (long form), Fuel Wise (flag type), Fuel Wise (long form in black), Fuel Wise (flag type in black), Fuel Wise, Kalmakina (colored), Kalmakina (word mark), Kalmakina (black and white), Hypex, 2T, Turnol, Gearfluid, Petron Autokote, GEP, Marinekote, Petron 2040, Pchem, Xtend, HTP, Petrolene, PCHEM DEF (Diesel Exhaust Fluid), Petromate, TCS and Device, TDH50 (word mark), Petron Pinoy Fuels & Device, Maxi Gas, Xtra Exceed, Xtra Ultra, Xtra Prime, Xtra Miles, Pinoy HP Gasoline, Xtra Excel, UnliPower Saver Gasoline, Petron PMB, Reyna (logo), and Reyna (word mark), Turbo Diesel (logo), Vision Petron, 3D Gasul 2.7kg, 3D Fiesta 2.7kg, 3D Gasul 2.7kg (colored), 3D Fiesta 2.7kg (colored), AUTO ADVANSTRASSE, AUTO ADVANSTRASSE logo, REV-X HD4X, REV-X HD, Sprint 4T (logo), ELITE (logo), Fe Dela Fiesta (logo), New Petron Logo, Vision Petron (logo), 2T (logo), Zerflo and Puno ng Buhay (updated mark), Petron Sagip Alalay (new logo), XCS (logo), Reyna and Reyna Gas, Ultron (logo), Petron Super Driver Card (logo-long form), Petron Super Driver Card (logo-flag form), Car Care Center (logo), Rev-X Hauler (word mark), Ultron Touring (word mark),Voltran (word mark), Spinol (word mark), Petron XD3, Blaze 100 Octane (logo), Petron Motorsports (word mark), Petrogrease (wordmark); HiComp, Hydrotur, Sprint 4T Racer, Gearkote (word mark), Airlube (word mark), Petromar (word mark), Milrol (word mark), Pchem (word mark), Petron HDX (word mark), Petrokut (word mark), Petron GEP (word mark), Petromul (word mark), Petrotherm (word mark), Rubbex (word mark), Petrocyl 680 (word mark).

Pending Trademark Applications. Petron has pending applications for registration of the following trademarks: Miles Better (word mark), 3D Petron Engine Oil Jerry Can Bottle 1L and 800ml (black), 3D Petron Engine Oil Jerry Can Bottle 1L and 800ml (dark grey), 3D Petron Engine Oil Jerry Can Bottle 1L and 800ml (blue), 3D Petron Engine Oil Jerry Can Bottle 1L and 800ml (red), 3D Petron Engine Oil Jerry Can Bottle 1L and 800ml (silver), CCC Automotive Fluids Specialist, XTEND (logo), Petron Value Card (logo – long form), Petron Value Card (logo – flag form), Petron Chinese name (logo – long form), Petron Chinese name (logo – flag form), Gas Up & Dine, Champion Gasoline, Xtra Advance, Petron Pinoy Fuels (wordmark), and Turbo Plus (logo), Petron Value Card (word mark), Petron ATF Premium, Grease Away, Stemol, Greasolve, Lakbay Alalay Para sa Kalikasan-A Journey of Nurturing Nature, Hi-Torq TX, Petron GST, Motorsports with the P-swoosh logo, Petron GX (word mark), Performance Run, Gasulite, Petron TF, Petron Railroad Extra, Petromul, Petromate Power Booster, Molygrease, Engine Stress Reliever, Petron Penetrating Oil, Rev-X Trekker, Ultron Race, Sprint 4T Rider, Sprint 4T Enduro, Sprint 4T Extra, Sprint 4T Racer, Gearfluid, Petron Ronnie Mascot (logo), PShop (logo), Petron Super Driver (word mark), Best Day@Petron (logo), Performnce Run (logo), Gasulette (word mark), Turnol, Petromate Oil Saver, Petron STM, Petron Marinekote, Hypex, Xtra Excel, Unli Power-saver Gasoline, Pinoy HP Gasoline, Xtra Ultra, Xtra Exceed, Maxi-Gas, Treats to Go, and 3D Petron Gasul Elite.

Petron also has registered and pending trademarks in Malaysia, Indonesia, Cambodia, Thailand, Myanmar, Australia, China, United Kingdom, India, Japan, Republic of Korea, Singapore, Hong Kong, China and Saudi Arabia. The Company has filed trademark applications in Malaysia relating to its Malaysian operations. It has obtained copyright protection for the stylized letter "P" and has registered trademarks in Malaysia, including but not limited to the Petron, Petron Logo, Gas Miles, Gasul, Fiesta Gas, Energen, Petron Plus, Perks, Miles, Propel, XCS, Petromate, Hydrotur, Miles with P-Logo, MILES with P Logo and 'Privilege Miles Card' words, Petroil, Fuel Journeys, Better by Miles, Petron Cares, DCL 100, Petromar, Energy, Treats with Crocodile Logo, and Petron Greenfuel, Kedai Mart with P logo, Rider, Rider 4T, Petrolaysia, Prime, Petron with Canopy Fascia logo, Petron Racing, Sprint 4T, Rev-X Diesel Engine Oils, Prestige, Xtra Mile, Xtra Unleaded, Treats and Device, Petron Value Card Rewards & Benefits, Turbo Diesel, Diesel Maz, Blaze Gasoline, Petron XCS3, Powerburn 2T & Device, Racing, Powerburn, Petrogrease, Greaseway, GEP, Gearfluid, Clean 'n Shine, ATF, Treats & Device, Powered by Petron, Miles with P Logo & Petrol Word, Petromar HD, Petrogrease EP, Blaze with P Logo and Petrol, Fuel Trust, Fuel Success, Fuel Hope, Blaze Racing, Fuel Care, Treats, Petron Motorsports, Fuel Life, Fueled by Petron, Miles Better, Your Fleet Your Rules, 5th year Anniversary Fuel Happy, and Petron Car Care Center.

Copyright. Petron has copyrights for its seven (7)-kg LPG container, Gasulito with stylized letter "P" and two (2) flames, Powerburn 2T, Petron New Logo (22 styles), Philippine Card Designs and Malaysian Card Designs, and Petron font. Copyrights are protected during the lifetime of the creator and for 50 years after the creator's death.

Industrial Design. Petron has registered the following industrial designs: Petron Specialty Lubricant Bottle (1Liter container), Petron Engine Oil Bottles (4L and 6L container), Petron Fiesta 2.7kg LPG Cylinder, Petron Gasul 2.7kg LPG cylinder and Petron Engine Oil Bottles (1L and 800ML Jerry can bottle container).

Pending Industrial Design Applications. Petron has a pending application for registration of the industrial designs for its Gas Cylinder and Gas Cylinder Valve.

(x) Government Approval of Principal Products or Services

Government approval of Petron products and services is not generally required. Petroleum products, both locally refined and imported, however, must conform to specifications under the Philippine National Standards. Importations of petroleum products and additives are reported to the DOE, in accordance with the Downstream Oil Industry Deregulation Act of 1998 and its implementing rules and regulations. Clearances are secured from concerned government authorities for importations of restricted goods. The supply of products or services to government and government agencies undergo a bidding process in accordance with law.

(xi) Effect of existing or probable government regulations on the business

- Extended Producer's Responsibility Act of 2022 ("EPR Law"). Republic Act No. 11898 or the "EPR Law" lapsed into law on July 23, 2022. The law, which amends Republic Act No. 9003, otherwise known as "The Ecological Solid Waste Management Act of 2000", requires product manufacturers and obliged companies to recover a certain portion of their plastic packaging wastes to reduce their plastic footprint. As required under the law, the Company is obliged to comply with target recovery rates starting with 20% in 2023 and gradually increasing to 80% until 2028.

- Electric Vehicle Industry Development Act ("EVIDA"); Department Circular 2021-07-0023. Republic Act No. 11697 or EVIDA lapsed into law on April 15, 2022. The law provides for a national policy framework to develop the electric vehicle ("EV") industry in the Philippines. The DOE issued the above circular on July 2, 2021 which provides the framework for the adoption and development of EVs and electric charging stations in the Philippines, including the installation of EVCs in retail stations. The promotion of the purchase and use of electric vehicles may impact oil industry demand.

- Corporate Recovery and Tax Incentives for Enterprise Act ("CREATE Act"). Republic Act No. 11534 or the CREATE Act took effect on April 11, 2021. The CREATE Act lowers corporate income taxes and rationalizes fiscal incentives.

  The corporate income tax rate for domestic corporations and resident foreign corporations has been reduced to 25% effective July 1, 2021 and on January 1, 2021 for non-resident foreign corporations. Domestic corporations and resident foreign corporations no longer have an option to be taxed at 15% on gross income and the rate of the minimum corporate income tax shall be lowered to 1%. Under the CREATE Act, persons that directly import petroleum products for resale in the Philippine customs territory and/or in free zones will be subject to applicable duties and taxes. However, importers can file for the refund of duties and taxes for direct or indirect export of petroleum products, including the subsequent export of fuel, subject to the appropriate rules of the fuel marking program and/or other tax-exempt sales by the importer.

  The CREATE Act also provides for the rationalization of tax incentives that may be granted by investment promotion agencies (such as the AFAB) to qualified registered business enterprises. As part of the rationalization of tax incentives, the CREATE Act provides that (i) any law to the contrary notwithstanding, the importation of petroleum products by any person will be subject to the payment of applicable duties and taxes under the Customs Modernization and Tariff Act and the National Internal Revenue Code, respectively, upon importation into the Philippine customs territory and/or into free zones (as defined in the Customs Modernization and Tariff Act), subject to the right of the importer to file claims for refund of duties and taxes under applicable law; and (ii) the importation of crude oil that is intended to be refined at a local refinery, including the volumes that are lost and not converted to petroleum products when the crude oil actually undergoes the refining process, will be exempt from payment of applicable duties and taxes, provided the applicable duties and taxes on the refined petroleum products shall be paid upon the lifting of the petroleum products produced from the imported crude oil in accordance with the rules and regulations that may be prescribed by the Bureau of Customs and the Bureau of Internal Revenue.

  Under the CREATE Act, the Company shall be entitled to, among others: (i) a lower corporate income tax and (ii) the tax exemption for the importation of crude oil to be refined at a local petroleum refinery.

  Under the tax regime prior to the effectivity of the CREATE Act, domestic refiners are disadvantaged because they are made to pay VAT upon importation of crude oil which they cannot recover until the finished products refined from them are sold. Compared to non-refiners, which pay VAT upon importation of finished products, domestic refiners are unable to recover the VAT for a longer period.

The Company believes that the CREATE Act allows it to be more competitive as domestic petroleum refineries are now taxed on finished products, similar to importers of refined fuel which only pay after sales tax.

- LPG Industry Regulation Act. Republic Act No. 11592 or the "LPG Industry Regulation Act", enacted into law on October 14, 2021, aims to ensure health, safety, security, environmental and quality standards in the LPG industry by instituting reforms in the existing standards and practices. The law defines prohibited acts such as engaging in LPG industry activities without the required licenses, certificates, and permits; selling, fabricating, or refilling unfilled LPG cylinders without the approval of the trademark owner; selling, exchanging, possessing empty LPG cylinders that belong to another trademark owner; and non-compliance with standards such as those relating to safety, materials, and markings. It also provides for the establishment of an LPG Cylinder Exchange and Swapping Program for the exchange, swapping or buy back of LPG cylinders among industry participants and the establishment of accredited swapping centers. As of date, various circulars are currently being implemented and/or subject to public consultations to ensure timely and effective implementation of the law.

- Tax Reform for Acceleration and Inclusion (the "TRAIN Law"). Republic Act No. 10963 or the TRAIN Law, which took effect on January 1, 2018, imposed a phased increase in excise taxes on petroleum products from 2018 to 2020. The schedule of increase for this three (3)-year period was P2.65-P2-P1 per liter ("/li") per year for gasoline, P2.50-P2-P1.50/li for diesel and fuel oil, P1-P1-P1/kg for LPG, and P0.33-P0-P0/li for jet fuel. The incremental excise tax is further subject to 12% VAT. Higher excise taxes can potentially constrain demand growth, especially for LPG given there are substitutes such as charcoal, kerosene and electric, and gasoline with public transportation as alternative.

  The TRAIN law also mandates the implementation of a fuel marking program for diesel, gasoline and kerosene to help curb illicit trading of fuel products. While the cost for the fuel marker was shouldered by the government in the initial year of implementation, this cost was eventually passed on to oil companies beginning 2020.

- Biofuels Act of 2006 (the "Biofuels Act"). The Biofuels Act and its implementing circulars mandate that gasoline and diesel volumes contain 10% bioethanol and 2% biodiesel/cocomethyl ester ("CME") components, respectively. To produce compliant fuels, the Company invested in CME injection systems at the Petron Bataan Refinery and the depots. On the bioethanol component, the DOE issued in June 2015 its Circular No. 2015-06-0005 entitled "Amending Department Circular No. 2011-02-0001 entitled Mandatory Use of Biofuel Blend" which currently exempts premium plus gasoline from the 10% blending requirement. In terms of reportorial requirements, the DOE issued the "Revised Circular for the Accreditation and Submission of Notices and Reports of the Philippine Downstream Oil Industry Pursuant to the Biofuels Act" on July 2, 2021 (Department Circular 2021-06-0014) requiring oil companies to submit notices, accreditation and reportorial requirements using revised templates in relation to the utilization of biofuels. The new circular provides for more stringent penalties and additional monthly and quarterly reports for DOE to monitor compliance with regard to the utilization of biofuels, including compliance with local monthly allocation for ethanol.

- Renewable Energy Act of 2008 (the "Renewable Energy Act"). The Renewable Energy Act aims to promote development and commercialization of renewable and environment-friendly energy resources (*e.g.*, biomass, solar, wind, hydro, geothermal) through various tax incentives such as seven (7)-year income tax holiday and duty-free importation of renewable energy equipment and machinery. The sale of power generated from these sources is also exempt from value-added tax under the TRAIN Law. The growth in renewable energy may displace or reduce use of oil-based power plants affecting the Company's sales to the power sector.

- Clean Air Act of 1999 (the "Clean Air Act"). The Clean Air Act established air quality guidelines and emission standards for stationary and mobile equipment. It also included the required specifications for gasoline, diesel and IFO to allow attainment of emission standards. Petron invested in a gasoil hydrotreater plant and an isomerization plant to enable it to produce diesel and gasoline compliant with the standards set by law.

- Laws on Controlled Chemicals (Presidential Decree No. 1866 as amended by Republic Act No. 9516). The implementing rules and regulations for this amended law were approved on June 9, 2016 and listed the chemicals under the control of the Philippine National Police. These rules reduced the controlled list from 101 to 32 chemicals and further classified 15 chemicals as high-risk and 17 as low-risk substances. The rules also outline the procedures for regulating, storing, handling and transporting chemicals.

- Compliance with Euro 4 standards. In September 2010, the DENR issued Administrative Order 2010-23 mandating that, by 2016, all new motor vehicles that would be introduced in the market shall comply with Euro 4 emission limits, subject to Euro 4 fuel availability. In June 2015, the DOE issued Circular 2015 - 06-0004 entitled "Implementing the Corresponding Philippine National Standard Specifications (PNS) for the Euro 4/IV PH Fuels Complying with the Euro 4/IV Emissions" directing all oil companies to adopt Euro4-compliant fuels. With its RMP-2, Petron is now producing Euro 4-compliant fuels ahead of the 2016 mandate.

- Department Circular 2014-01-0001. The DOE issued Department Circular 2014-01-0001 directed at ensuring safe and lawful practices by all LPG industry participants as evidenced by standards compliance certificates. The circular also mandates that all persons engaged or intending to engage as a refiller of LPG shall likewise strictly comply with the minimum standards requirements set by the DTI and the DOE. The circular imposes penalties for, among others, underfilling, illegal refilling and adulteration.

- Laws on Oil Pollution. To address issues on marine pollution and oil spillage, the Maritime Industry Authority ("MARINA") mandated the use of double-hull vessels for transporting black products beginning end-2008 and white products by 2011. Petron has been using double-hull vessels in transporting all its products.

- Oil Marine Pollution Circulars. The Philippine Coast Guard has memorandum circulars prescribing the rules and regulations on the prevention, containment, abatement and control of oil marine pollution by all marine vessels, coastal and offshore facilities and other facilities utilizing or storing petroleum products. The circulars identify the prohibited acts and provide the penalties.

- Anti-Competition Law (the "Philippine Competition Act"). The Philippine Competition Act, approved in July 2015, prohibits anti-competitive agreements, abuses of dominant positions, and mergers and acquisitions that limit, prevent, and restrict competition. To implement the national competition policy and attain the objectives and purposes of the law, the Philippine Competition Commission ("PCC") was created. Among the powers of the PCC is the review of mergers and acquisitions based on factors it may deem relevant. The PCC, after due notice and hearing, may impose administrative fines on any entity found to have violated the provisions of the law on prohibited arrangements or to have failed to provide prior notification to the PCC of certain mergers and acquisitions. The PCC is empowered to impose criminal penalties on an entity that enters into any anti-competitive agreement and, when the entities involved are juridical persons, on its officers, directors, or employees holding managerial positions who are knowingly and willfully responsible for such violation. Currently pending with the House of Representatives are two bills to amend the Philippine Competition Act to, among others, legislate competition policy, amend requirements for PCC notification, and strengthen the powers of the PCC.

- Amended Price Freeze Act of 2013. Republic Act No. 10623 was signed on September 6, 2013, and mandates the implementation of a 15-day price freeze of basic necessities, including LPG and kerosene, for areas declared under a state of emergency or calamity. Further to this, senior citizens and persons with disabilities ("PWDs") are entitled to discount for LPG and kerosene as mandated by the following:

    - Joint Administrative Order 17-01. Issued on February 17, 2021, this order provides for 5% special discount for basic necessities, which includes household LPG and kerosene.

    - Joint Memorandum Circular No. 01, s. 2022. Issued on May 6, 2022, this joint circular ensures that the discounts and privileges of senior citizens and PWDs are recognized if transactions are made online.

- Executive Order 890: Removing Import Duties on All Crude and Refined Petroleum Products. After the ASEAN Trade in Goods Agreement was implemented in 2010, the tariff rate structure in the oil industry was distorted with crude and product imports from ASEAN countries enjoying zero tariff while crude and product imports from outside the ASEAN were levied 3% tariff. To level the playing field, Petron filed a petition with the Tariff Commission to apply the same tariff duty on crude and petroleum product imports, regardless of source. In June 2010, the government approved Petron's petition and issued Executive Order 890 which eliminated import duties on all crude and petroleum products regardless of source. The reduction of duties took effect on July 4, 2010.

- Oil Deregulation Law. Approved on February 10, 1998, the law provides for a liberalized and deregulated framework for the downstream oil industry. Recent circulars that serve as additional and more updated guidelines in implementing the law include:

    - Department Circular 2019-05-008. This DOE circular requires oil companies to submit a detailed computation, with corresponding explanation and supporting documents, of the cost components of liquid fuel and LPG on a per liter and per product basis. The circular has not been implemented following the temporary restraining orders and writs of preliminary injunction issued by the Regional Trial Courts of Taguig and Mandaluyong.

    - Department Circular 2021-06-0014. The DOE issued the "Revised Circular for the Accreditation and Submission of Notices and Reports of the Philippine Downstream Oil Industry Pursuant to the Biofuels Act" on July 2, 2021 requiring oil companies to submit notices, accreditation and reportorial requirements using revised templates in relation to the utilization of biofuels. The new circular provides for more stringent penalties and additional monthly and quarterly reports for DOE to monitor compliance with regard to the utilization of biofuels, including compliance to local monthly allocation for ethanol.

    - Department Circular 2021-09-0029. The "Revised Guidelines on Notices and Reportorial Requirements Pursuant to the Oil Deregulation Law", published on November 5, 2021, requires the submission of monthly and annual reports using revised templates for DOE to monitor importation and/or production of oil companies (and for Petron as a refiner) and includes additional reportorial requirements for lubes and blending plants, with more stringent penalties for non-compliance.

- Energy Regulatory Commission Resolution 17 (Series of 2003). The Energy Regulatory Commission issued a resolution dated September 13, 2023 that provides for revised guidelines for the application and issuance of a Certificate of Compliance for generation facilities.

(xii) Estimate of the amount spent during each of the last three fiscal years on research and development activities

The Company's Research and Development ("R&D") is responsible for all product development that complies with government laws and regulations such as the Clean Air Act and the Biofuels Act. Other drivers of product innovations are the requirements of original engine manufacturers and the latest technological trends in the industry.

In 2023, Petron R&D spent a total of Php87.42 million, an increase from the Php61.07 million spent in 2022 and the Php61.72 million expended in 2021.

(xiii) Costs and effects of compliance with environmental laws

Compliance with the various environmental laws such as the Renewable Energy Act, the Biofuels Act, the Clean Air Act, and the Clean Water Act entails costs and additional investments on the part of the Company, resulting in higher production costs and operating expenses. In 2023, the Company spent a total of Php50.63 million for treatment of wastes, monitoring and compliance, permits, and personnel training at the Petron Bataan Refinery while in 2022, it spent a total of Php41.45 million.

(xiv) Total number of employees

As of December 31, 2023, the Company and its subsidiaries had 3,572 employees, with 2,251 employees in the Company (comprising one president, one general manager, 29 vice presidents and assistant vice presidents, 1,619 managerial, professional and technical employees, and 601 rank-and-file employees); 660 employees of the Company's Malaysian operations; 20 in PSTPL; 668 in PLI; and 12 in PFC.

Petron has CBAs with its three (3) labor unions, namely: (i) Bataan Refiners Union of the Philippines ("BRUP"), which is affiliated with the Philippine Transport and General Workers Organization; (ii) Petron Employees Labor Union ("PELU"), affiliated with the Philippine Transport and General Workers Organization, and (iii) Petron Employees Association ("PEA"), which is affiliated with the National Association of Trade Unions. The CBAs of BRUP and PELU cover the period January 1, 2022 to December 31, 2024. While PEA's CBA covers the period from January 1, 2023 to December 31, 2025.

In addition to the statutory benefits, the Company provides medical and life insurance, vacation, sick and emergency leaves, computer and emergency loans to employees, and a savings plan program.

(xv) Major Risks Involved

The Company has established an Enterprise-Wide Risk Management ("ERM") framework and ERM programs that are designed to enable the organization to achieve its corporate objectives through managing risks that may adversely impact such objectives. Risk management is integrated in the daily operations and performance of the entire organization. Identified risks are analyzed and evaluated 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 all major divisions and departments, with the resulting annual business plan formulated being presented to the Board for approval. The ERM framework likewise searches for strategic risks that present opportunities and may create or add value to the Company.

ERM Structure

The Company has a Chief Risk Officer 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 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 the heads of the Company's divisions 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.

<u>Major Risks</u>

The Company classifies a risk as a major risk if it assesses the risk event to have a relatively high probability of occurring and a substantial adverse impact on the Company if the risk would occur. The major risks identified for 2023 are the following:

1. **Competition in the Industry.** The Company has experienced challenges in domestic demand due to the increased level of competition in the deregulated oil industry its operates in, with over 400 industry players. With this large number of players participating in the market, competition is intense. To mitigate this risk, the Company employs retail and depot network expansion, pricing, and various marketing programs to gain a bigger share of the domestic market. However, Petron's wide retail and depot network and its full range of products allow it to reach the domestic market more effectively than competition.

2. **Competition for Personnel**. The Company depends highly on skilled, experienced, and qualified personnel. Loss of such personnel, or inability to replace and retrain with sufficient speed may result in disruptions in the Company's operations, output, and financial performance.

   The Company mitigates this risk by its continuous hiring of qualified individuals to replace those who have separated from the organization and ensure that the vacancies are immediately covered. Moreover the Company's compensation and benefit packages are comprehensive, relevant, and at par with industry standards. Promotions and pay raises are given to recognize outstanding work performance. Performance appraisals are conducted regularly to ensure alignment of employees' performance towards the Company's objectives and targets. Meaningful training and other employee programs are planned and conducted to sustain employee engagement and improve retention.

3. **Crude Supply Risk**. As a crude oil importer, the Company is subject to supply risk, with crude availability affected by external factors such as geopolitical developments, stability, and government regulations especially in the Middle East and other oil-producing countries, availability of vessels, weather conditions, and overall global economic conditions.

   The Company mitigates this risk through its continuing programs on supply diversification and crude optimization at the Petron Bataan Refinery, evaluation of the mix of term and spot crude sourcing, and assessment of capabilities to store and manage inventories. The Company also evaluates processing and logistics facilities upgrades, such as Petron Bataan Refinery's Refinery Master Plan 2 (RMP-2) and Petron Malaysia Refinery's Diesel Hydrotreater unit, to enable the receipt and processing of an improved range of processable crudes.

4. **Financial Risks.** The Company is exposed to financial risk resulting from the volatility in prices of input crude and output finished products. Fluctuations and mismatches in price movements are brought about by changes in global supply and demand for crude oil and finished products, international economic conditions, global conflicts, and other factors over which the Company has no control. Recently, events such as the COVID-19 pandemic and the Russia-Ukraine war have resulted in substantial oil price swings. Such volatility may result in significant cash flow variability and higher financing expenses.

The Company mitigates this risk by entering into commodity hedging for its crude and product exposure. The Company has a Commodity Risk Management Committee that actively evaluates hedging policies and strategies to protect the Company from risks of inventory losses and margin contraction. The Company also regularly assesses refinery utilization considering the latest available price outlook and domestic demand forecast, and prudently manages its capital and operating expenses and receivables, particularly during times of high volatility.

5. **Foreign Exchange Risk**. The risk arises from the difference in the denomination of majority of the Company's revenues (Philippine Pesos) and the bulk of its costs (US Dollars). In addition, exposure to foreign exchange risk also arises from foreign-denominated debt obligations that are exposed to revaluation and could increase in peso terms with forex fluctuations.

   The Company manages this risk by hedging dollar-denominated liabilities using forwards and other derivative instruments and generating dollar-denominated sales. Moreover, the Company uses an enterprise resource planning software that monitors financial transactions. This planning tool allows real-time awareness and response to contain losses posed by foreign exchange exposure.

6. **IT Security and Privacy Risk**. Information technology plays a vital part in the organization and reliance on technology also exposes assets to security and privacy risks.

   To mitigate this risk, the Company has established an IT security infrastructure that is equipped with features which are capable to protect the hardware and software assets of the organization from cyber security risks. To further prevent cyber risks from happening, the Company's Management Information Systems Division periodically administers a health check to spot early signs of hardware or firmware issues. For long-term protection, regular end-to-end inspection of the entire system are done proactively to identify faults in the hardware as well as bugs in the firmware and apply corrective actions as these are identified. Asset, software, or facility upgrades are regularly identified and funded to protect the Company's data and privacy.

7. **Operational Disruptions Risk**. These may be caused by unplanned events such as serious process or machine failure, accidents, weather-related events, or human error at the Company's Refinery terminals and other facilities. These disruptions may result in injury or loss of life, damage to Company property, or damage to other properties in the immediate area where the facility is situated. Such disruptions may result in significant financial losses from product run-outs and loss of sales, loss of margins from product discounting or from required spot purchases, equipment repair or replacement, and insurance cost escalation.

   To mitigate these risks, the Company ensures that the Petron Bataan Refinery and terminals adhere to a program of planned and strategic maintenance. For the Petron Bataan Refinery, scheduled shutdown maintenance is periodically carried out in accordance with an established turnaround planning cycle. In addition, routine, preventive and corrective reliability and maintenance programs are done, supported by adequate and advanced instrumentation and the latest tools and equipment. The Petron Bataan Refinery, the country's only oil refining facility, continued to be Integrated Management System ("IMS")-certified which demonstrates the Company's continuous adherence to global standards on safety, health, quality and environmental management. The Company's IMS certification covers the Environmental Management System (EMS, ISO 14001:2004), Quality Management System (QMS, ISO 9001:2008S) and Occupational Health and Safety Management System (OHSMS, 18001:2007).

   All of the Company's 30 terminals have been certified under the ISO 9001:2015 (QMS), while 29 terminals received certification for ISO 14001:2015 (EMS), and ISO 45001:2018 (Occupational Health and Safety Management System) standards. Moreover, the Petron pier facilities are compliant with the International Ship and Port Facility Code which is certified by the Office of the Transport Security under the Department of Transportation.

The Company likewise maintains insurance whose coverage includes property, marine cargo and third party liability, as well as personal injury, accidental death and dismemberment, sabotage and terrorism, and machinery breakdown. 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 cover.

(B) Description of Property

Petron operates an extensive network of terminals, depots, LPG refilling plants and aviation installations which are located in Luzon, Visayas and Mindanao. As of December 31, 2023, its bulk fuel terminals were in Limay, Bataan; Mabini, Batangas; Mandaue City, Cebu; Poro Point, San Fernando, La Union; Navotas, Metro Manila; Rosario, Cavite; Puerto Princesa, Palawan; Culasi, Roxas City; Lapuz, Iloilo City; Bacolod City, Negros Occidental; Ormoc City, Leyte; Anibong, Tacloban City; Isabel, Leyte; Tagoloan, Misamis Oriental; Sasa, Davao City; Iligan City, Lanao del Norte; Jimenez, Misamis Occidental; Bawing, General Santos City; Nasipit, Agusan del Norte; and Zamboanga City. It has third-party facilities at Harbor Center, Tondo, Manila; Limay, Bataan; Subic, Zambales; and PHIVIDEC, Tagoloan, Misamis Oriental. Its sales offices are located in Calapan, Oriental Mindoro; San Jose in Occidental Mindoro; Odiongan, Romblon; Pasacao, Camarines Sur; Mobo, Masbate; Amlan, Negros Oriental; and Tagbilaran City, Bohol. Petron has LPG bulk refilling plants in Ugong, Pasig City; San Fernando, Pampanga; San Pablo City, Laguna; and Legazpi City, Albay. Among its other installations are aviation depots at JOCASP-NAIA, Pasay City; Mactan, Cebu; Laguindingan, Misamis Oriental; Panglao, Bohol; and Davao City; third-party aviation facilities at Kalibo, Aklan and Clark, Pampanga; airport installations at Laoag City; Puerto Princesa, Palawan; Iloilo City; Caticlan, Aklan; and Zamboanga City;; an additive plant in Subic, Zambales, a grease plant in Pandacan Manila, and a lube oil blending plant in Harbor Center, Tondo, Manila. Petron owns the largest petroleum refinery complex in the Philippines located in Limay, Bataan, with a crude distillation capacity of 180,000 barrels per day. In addition to major process units, the Petron Bataan Refinery also has several crude and product storage tanks, along with its own piers and other berthing facilities, one of which can accommodate very large crude carriers.

The Company entered into commercial leases with the PNOC for parcels of land occupied by the Petron Bataan Refinery, depots, terminals and some of its service stations. The lease agreements include upward escalation adjustment of the annual rental rates. In 2009, the Company renewed its lease with PNOC (through NVRC) for the continued use of the Petron Bataan Refinery for 30 years starting January 1, 2010 (renewable upon agreement of the parties for another 25 years). In 2015, the Company also entered into another 25-year lease agreement with PNOC effective August 1, 2014 for additional lots near the Petron Bataan Refinery for its expansion projects. Expenses relating to the PNOC leases amounted to Php330 million in 2023.

On October 20, 2017, the Company filed with the Regional Trial Court of Mandaluyong City a complaint against PNOC for Resolution and Reconveyance, and Damages, with Verified Ex Parte Application for 72-hour Temporary Restraining Order and Verified Applications for 20-day Temporary Restraining Order and Writ of Preliminary Injunction.

In its complaint, the Company sought the reconveyance of the various landholdings it conveyed to PNOC in 1993 as a result of the government-mandated privatization of the Company. These landholdings consist of the refinery lots in Limay, Bataan, 23 bulk plant sites and 66 service station lots located in different parts of the country. The Deeds of Conveyance covering the landholdings provide that the transfer of these lots to PNOC was without prejudice to the continued long-term use by the Company of the conveyed lots for its business operation. Thus, PNOC and the Company executed three lease agreements covering the refinery lots, the bulk plants, and the service station sites, all with an initial lease term of 25 years to expire in August 2018, with a provision for automatic renewal for another 25 years. Earlier in 2009, the Company, through its realty subsidiary, NVRC, had an early renewal of the lease agreement for the refinery lots with an initial lease term of 30 years, renewable for another 25 years.

The complaint stemmed from PNOC's refusal to honor both the automatic renewal clause in the lease agreements for the bulk plants and the service station sites and the renewed lease agreement for the refinery lots on the alleged ground that all such lease agreements were grossly disadvantageous to PNOC, a government-owned and -controlled corporation. The Company alleged that by unilaterally setting aside both the renewal clauses of the lease agreements for the bulk plants and the service station sites and the renewed lease agreement for the refinery lots, and by categorically declaring its refusal to honor them, PNOC committed a fundamental breach of such lease agreements with the Company.

On December 11, 2017, the trial court granted the Company's prayer for a writ of preliminary injunction, enjoining PNOC from committing any act aimed at ousting the Company of possession of the subject properties until the case is decided, conditioned upon the posting by the Company of a bond in the amount of Php100 million. The Company has posted the required bond.

The court-mandated mediation and judicial dispute resolution proceedings were terminated without any agreement between the parties. Without prejudice to any further discussion between the parties regarding settlement, the case was remanded to the trial court for trial proper.

The Company also filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13, 2019, the trial court granted the Company's motion for summary judgment and ordered (i) the rescission of the Deeds of Conveyance dated 1993 relating to the Company's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993, (ii) the reconveyance by PNOC to the Company of all such properties, and (iii) the payment by the Company to PNOC of the amount of Php143 million, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. The Company also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to the Company all lease payments the latter had paid to PNOC since 1993. Following the trial court's denial of their separate motions for reconsideration, both PNOC and the Company filed their notices of appeal with the trial court.

In a decision dated December 13, 2021, the Court of Appeals dismissed both appeals of the Company and PNOC and affirmed the resolution of the trial court. The Court of Appeals upheld the position of the Company that PNOC committed a substantial breach of its contractual obligation under the lease agreements when it dishonored the automatic renewal clause in the lease agreements and threatened to terminate the Company's lease thereby depriving the Company a long-term lease consistent with its business requirements, which was the primordial consideration in the Deeds of Conveyance. The Court of Appeals ruled, however, that, consistent with jurisprudence, while rescission repeals the contract from its inception, it does not disregard all the consequences that the contract has created and that it was therefore only proper that the Company paid PNOC the rentals for the use and enjoyment of the properties which PNOC could have enjoyed by virtue of the Deeds of Conveyance were it not for the lease agreements.

On January 11, 2022, the Company filed its motion for reconsideration insofar as the decision dismissed the Company's appeal to return the lease payments made by it to PNOC. PNOC also filed its own motion for reconsideration. In a resolution promulgated on October 6, 2022, the Court of Appeals denied the respective motions for reconsideration of the Company and PNOC.

In consideration of the possible delay in the resolution of the case if the Company were to proceed with the filing of a petition for review with the Supreme Court and the decision in favor of Petron on the rescission of the Deeds of Conveyance and the reconveyance to it of the properties that has been affirmed by the trial court and the Court of Appeals, the Company decided to no longer pursue a petition for review with the Supreme Court. The PNOC filed a petition for review with the Supreme Court in December 2022, which was denied by the Supreme Court in its resolution dated July 25, 2023 on the ground that PNOC failed to sufficiently show that the Court of Appeals committed any reversible error in the challenged decision and resolution as to warrant the Supreme Court's exercise of its discretionary appellate jurisdiction. In December 2023, PNOC filed a motion for reconsideration and moved to refer the case to the Supreme Court *en banc*. As of the date of this report, PNOC's motion is pending.

Petron anticipates that it may lease desirable lots for development as service stations in the next 12 months.

(C) Contingent Liabilities

Petron is involved in certain cases that may trigger a direct or contingent financial obligation, the material of which is discussed below based on information available to the Company as of the date of this report:

1. **Guimaras Oil Spill**

   a. **In the Matter of the Sinking of the MT Solar I**
   SBMI No. 936-06
   Special Board of Marine Inquiry

   Background: Petron hired on a "single voyage basis" the vessel MT Solar I owned by Sunshine Maritime Development Corporation ("SMDC") for the transport of industrial fuel oil from the Petron Bataan Refinery to Zamboanga. Petron, as a shipper of the cargo, conducted inspection of the vessel MT Solar I and likewise, relied on the documents presented by SMDC as carrier. Petron also relied on the implied warranties of SMDC as a carrier with respect to the seaworthiness of the vessel MT Solar I and other statutory/trading certificates issued by MARINA and other pertinent government agencies.

   SMDC, taking into consideration the vessel's trim, stability and draft, declared to Petron that the vessel MT Solar I can safely load approximately 13,500 barrels of cargo as stated in the Fixture Note, Notice of Readiness and Seaworthiness Certificate. On this basis and relying on the declaration of SMDC, Petron loaded the quantity as specified by SMDC. Unfortunately, the vessel MT Solar I sank off Guimaras when it encountered bad weather on or about August 11, 2006.

   In September 2006, the Special Board of Marine Inquiry ("SBMI") was created by the Philippine Coast Guard for the purpose of determining the administrative liability of the crew, owner of the vessel and other involved parties. The SBMI in its initial findings found Petron liable for allegedly overloading the vessel.

   On November 21, 2006, Petron filed a memorandum of appeal with the DOTr (then "Department Transportation and Communication ("DOTC")), elevating the disputed ruling of the SBMI for review.

   Exposure: Considering the nature of this investigation, no potential liability exists for Petron at this point.

   Relief sought: Reversal of the SBMI's initial finding that Petron was liable for allegedly overloading the vessel.

   Status: The appeal to the DOTr of the finding of the SBMI that Petron was negligent and responsible for overloading the MT Solar I remained pending as of the date of this report.

b. **Rogelio Arsenal, Jr., et al. v. SMDC, Petron, et a.**
Civil Case No. 09-0394;
RTC Br. 65, Jordan, Guimaras

Oliver S. Chavez, et al. v. SMDC, Petron, et al.
Civil Case No. 09-0395;
RTC Br. 65, Jordan, Guimaras

Background: These are complaints for damages filed on August 6, 2009 by a total of 1,063 plaintiffs who allegedly did not receive any payment from the defendants of their claims for damages arising from the oil spill due to the sinking of MT Solar 1 on August 11, 2006. Total claims for both cases amount to Php291.9 million (Php286.4 million and Php5.5 m). The reception of plaintiffs' evidence is on-going.

In the Arsenal case, respondents filed a motion to hear affirmative defenses based on lack of jurisdiction for non-payment of docket fees, prescription and lack of cause of action but it was denied. The respondents went to the CA on a petition for *certiorari*. On May 29, 2014, the CA rendered a decision directing the plaintiffs to file their respective affidavits substantiating their claims of indigency. The plaintiffs filed a motion for partial reconsideration of the decision which was denied by the CA on January 30, 2015.
In the Chavez case, the respondents likewise filed the same motion based on the same grounds. The lower court also denied the motion so the respondents went to the CA on a petition for *certiorari*. The CA dismissed the petition for failing to attach the necessary pleadings and orders.

Status: Both the Arsenal and Chavez cases have been remanded to and are now pending with the trial courts. In the course of plaintiffs' presentation of evidence, the plaintiffs moved for trial by commissioner, which was denied by the trial court. The plaintiffs elevated the matter by way of a petition for certiorari to the Court of Appeals in Cebu City, which, on January 9, 2020 issued a Resolution ordering the Company to file its comment on plaintiffs' petition within 10 days. The Company filed a motion for reconsideration of the said resolution, which remains pending as of the date of this report. In the meantime, proceedings before the trial court continue as of the date of this report.

Other cases involving Petron are discussed in its audited financial statements.

PART II – SECURITIES OF THE REGISTRANT

A) Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

(1) Market Information and Voting Rights of Shares

The Company's common shares, Series 3 preferred shares, and Series 4 preferred shares are traded at the PSE.

As of March 31, 2024, the Company had 143,917 common stockholders. As of December 31, 2023, the total number of common stockholders of the Company was 144,015.

Common Shares

The price of the common shares of the Company as of March 31, 2024 was Php3.20 per share. The price of the common shares of the Company on December 29, 2023, the last trading day of 2023, was Php3.55 per share. And the price of the common shares of the Company on December 29, 2022, the last trading day of 2022, was Php2.40 per share.

The high and low prices of the common shares for each quarter of the last two (2) fiscal years and for the period ended March 31, 2024 are indicated in the table below:

	Highest Close		**Lowest Close**	
Period	**Price (in Peso)**	**Date**	**Price (in Peso)**	**Date**
2024				
For period ended March 31, 2024	3.50	January 2, 3, and 4	3.13	April 1
2023				
1st Quarter	3.73	March 23	2.37	January 3
2nd Quarter	4.65	May 26	3.30	June 24
3rd Quarter	3.82	July 17	3.47	September 30
4th Quarter	3.55	December 29	3.24	December 9
2022				
1st Quarter	3.94	March 8	3.17	March 23 and 24
2nd Quarter	3.52	May 4	3.01	May 27
3rd Quarter	3.11	August 17 and 30	2.55	August 31
4th Quarter	2.58	October 5	2.27	December 1

Preferred Shares

Series 2 Preferred Shares issued in 2014 ("Series 2 Shares")

On November 3, 2014, Petron issued and listed on the PSE 10 million cumulative, non-voting, non-participating, non-convertible peso-denominated perpetual preferred shares at an offer price of ₽1,000.00 per share. The preferred shares issue, which reached a total of ₽10 billion, was composed of Series 2A Preferred Shares amounting to ₽7.12 billion and the Series 2B Preferred Shares amounting to ₽2.88 billion.

The Series 2A Preferred Shares were redeemed by the Company on November 4, 2019.

The Series 2B Preferred Shares were redeemed by the Company on November 3, 2021.

Series 3 Preferred Shares issued in 2014 ("Series 3 Shares")

On June 25, 2019, Petron issued and listed on the PSE 20 million cumulative, non-voting, non-participating, non-convertible peso-denominated perpetual preferred shares at an offer price of ₽1,000.00 per share. The preferred shares issue, which reached a total of ₽20 billion, was composed of Series 3A Preferred Shares amounting to ₽13.403 billion and the Series 3B Preferred Shares amounting to ₽6.597 billion.

The Series 3A Preferred Shares may be redeemed by the Company starting on 5.5th anniversary form the listing date. The Series 3B Preferred Shares may be redeemed starting on the seventh anniversary from the listing date.

Series 3A Preferred Shares

The price of the Series 3A Preferred Shares as of March 31, 2024 was Php962.00 per share. The price of the Series 3A Preferred Shares on December 29, 2023, the last trading day of 2023, was Php970.00. And the price of the Series 3A Preferred Shares on December 29, 2022, the last trading day of 2022, was Php1,015.00 per share.

The high and low prices of the Series 3A preferred shares for each quarter of the last two (2) fiscal years and for the period ended March 31, 2024 are indicated in the table below:

	Highest Close		**Lowest Close**	
Period	**Price (in Peso)**	**Date**	**Price (in Peso)**	**Date**
2024				
For period ended March 31, 2024	999.00	February 21	962.00	March 27
2023				
1st Quarter	1,030.00	January 5 and February 3	980.00	March 24
2nd Quarter	1,008.00	May 25	960.00	May 15
3rd Quarter	1,050.00	July 6	951.00	September 21
4th Quarter	997.50	October 2	965.00	October 10

2022				
1st Quarter	1,080.00	March 14 and 29	1,040.00	January 12 and 25
2nd Quarter	1,070.00	April 1, 4, 6, 12, 18 and 29; May 2, 10 and 17	1,045.00	June 29
3rd Quarter	1,058.00	August 4 and 18	980.00	September 29
4th Quarter	1,015.00	November 15; December 13 and 29	980.00	November 4

Series 3B Preferred Shares

The price of the Series 3B Preferred Shares as of March 31, 2024 was Php989.00 per share. The price of the Series 3B Preferred Shares on December 29, 2023, the last trading day of 2023, was Php979.50 per share. And the price of the Series 3B Preferred Shares on December 29, 2022, the last trading day of 2022, was Php1,030.00 per share.

The high and low prices of the Series 3B preferred shares for each quarter of the last two (2) fiscal years and for the period ended March 31, 2024 are indicated in the table below:

	Highest Close		**Lowest Close**	
Period	**Price (in Peso)**	**Date**	**Price (in Peso)**	**Date**
2023				
For period ended March 31, 2024	1,010.00	February 13 and 15	960.00	March 13 and 18
2023				
1st Quarter	1,048.00	January 5	1,008.00	March 21
2nd Quarter	1,020.00	April 5 and 25; May 29 June 2 and 5	1,001.00	April 17
3rd Quarter	1,015.00	July 5, 12, 17 and 19; August 25, 29 and 31	960.00	September 20
4th Quarter	1,000.00	October 3-4, 12 and 26; November 23; December 11	967.00	November 13
2022				
1st Quarter	1,150.00	March 30	1,052.00	January 31
2nd Quarter	1,117.00	April 29	1,060.00	June 24
3rd Quarter	1,100.00	August 22	1,029.00	August 30
4th Quarter	1,051.00	September 13, 19 and 20	1,000.00	October 18 and November 28

Series 4 Preferred Shares issued in 2023 ("Series 4 Shares")

On July 7, 2023, Petron issued and listed on the PSE 12.5 million with oversubscription of up to 10 million cumulative, deferrable, non-voting, non-participating, non-convertible, redeemable, reissuable peso-denominated perpetual preferred shares under its 50 million Series 4 Preferred Shares shelf registration at an offer price of Php1,000.00 per share. The preferred shares issue, which reached a total of Php14 billion, was composed of the Series 4A Preferred Shares amounting to Php5 billion, the Series 4B Preferred Shares amounting to Php2.995 billion, and the Series 4C Preferred Shares amounting to Php6.005 billion.

The Series 4A Preferred Shares may be redeemed by the Company starting two years and six months from the listing date. The Series 4B Preferred Shares may be redeemed starting on the third anniversary from the listing date. The Series 4C Preferred Shares may be redeemed starting on the fifth anniversary from the listing date.

Series 4A Preferred Shares

The price of the Series 4A Preferred Shares as of March 31, 2024 was Php994.50 per share. The price of the Series 4A Preferred Shares on December 29, 2023, the last trading day of 2023, was Php1,000.00.

	Highest Close		**Lowest Close**	
Period	**Price (in Peso)**	**Date**	**Price (in Peso)**	**Date**
2024				
For period ended March 31, 2024	1,010.00	February 2	971.00	January 19
2023				
3rd Quarter	1,010.00	July 24 and 31; August 10; September 4	960.00	August 15
4th Quarter	1,005.00	November 22-23	998.00	October 12

Series 4B Preferred Shares

The price of the Series 4B Preferred Shares as of March 31, 2024 was Php1,010.00 per share. The price of the Series 4B Preferred Shares on December 29, 2023, the last trading day of 2023, was Php1,000.00.

	Highest Close		**Lowest Close**	
Period	**Price (in Peso)**	**Date**	**Price (in Peso)**	**Date**
2024				
For period ended March 31, 2024	1,010.00	February 6; March 11 and 27	965.00	January 12
2023				
3rd Quarter	1,005.00	September 4-5	940.00	July 10
4th Quarter	1,010.00	November 6	950.00	December 13

Series 4C Preferred Shares

The price of the Series 4C Preferred Shares as of March 31, 2024 was Php998.23 per share. The price of the Series 4C Preferred Shares on December 29, 2023, the last trading day of 2023, was Php973.00.

	Highest Close		Lowest Close	
Period	Price (in Peso)	Date	Price (in Peso)	Date
2024				
For period ended March 31, 2024	1,000.00	January 16, 19, 22, 29, and 30; February 13, 16, 20, 21, 22, and 26	973.00	January 2 and 8
2023				
3rd Quarter	1,027.00	September 27	972.00	September 19
4th Quarter	1,005.00	December 11	960.00	December 13

(2) Holders

The lists of the top 20 stockholders of the common shares and preferred shares of the Company as of March 31, 2024 are as follows:

Common Shares

RANK	STOCKHOLDER NAME	Common	TOTAL SHARES	% OF O/S
1	SEA REFINERY CORPORATION	4,696,885,564	4,696,885,564	50.099554 %
2	PCD NOMINEE CORP. (FILIPINO)	1,889,884,092	1,889,884,092	20.158539 %
3	SAN MIGUEL CORPORATION	1,702,870,560	1,702,870,560	18.163750 %
4	PETRON CORPORATION EMPLOYEES RETIREMENT PLAN	459,156,097	459,156,097	4.897610 %
5	PCD NOMINEE CORP. (NON-FILIPINO)	181,196,276	181,196,276	1.932739 %
6	F. YAP SECURITIES INC.	15,704,918	15,704,918	0.167517 %
7	ERNESTO CHUA CHIACO &/OR MARGARET SY CHUA CHIACO	6,000,000	6,000,000	0.063999 %
8	SYSMART CORP.	4,000,000	4,000,000	0.042666 %
9	MARGARET S. CHUACHIACO	3,900,000	3,900,000	0.041600 %
10	MARY FELICCI B. ONGCHUAN	2,950,100	2,950,100	0.031467 %
11	GENEVIEVE S. CHUACHIACO	2,735,000	2,735,000	0.029173 %
12	ERNESSON S. CHUACHIACO	2,732,000	2,732,000	0.029141 %
13	Q - TECH ALLIANCE HOLDINGS, INC.	2,648,500	2,648,500	0.028250 %
14	GENEVIEVE S. CHUA CHIACO	2,490,000	2,490,000	0.026560 %
15	BENEDICT CHUA CHIACO	2,365,000	2,365,000	0.025226 %
16	ANTHONY CHUA CHIACO	2,008,000	2,008,000	0.021418 %
17	MANUEL AWITEN DY	2,000,000	2,000,000	0.021333 %
18	SHAHRAD RAHMANIFARD	2,000,000	2,000,000	0.021333 %
19	KRISTINE CHUA CHIACO	1,956,000	1,956,000	0.020864 %
20	CHING HAI GO &/OR MARTINA GO	1,500,000	1,500,000	0.016000 %

Series 3A Preferred Shares

RANK	STOCKHOLDER NAME	Preferred 3-A	TOTAL SHARES	% OF O/S
1	PCD NOMINEE CORPORATION (FILIPINO)	13,313,827	13,313,827	99.334679 %
2	PCD NOMINEE CORPORATION (NON-FILIPINO)	67,313	67,313	0.502223 %
3	NCC RETIREMENT PLAN	7,000	7,000	0.052227 %
4	FELIX BELLEN CHAVEZ OR AIDA TANG LEE SAY CHAVEZ OR IRENE TANG LEE SAY CHAVEZ	3,500	3,500	0.026114 %
5	SMITS, INC. RETIREMENT PLAN	3,000	3,000	0.022383 %
6	MILA LEONINA DIAZ JUSTINIANO	2,000	2,000	0.014922 %
7	ANCHOR INSURANCE BROKERAGE CORP. RETIREMENT PLAN	2,000	2,000	0.014922 %
8	LUZ DELA CRUZ CANLAPAN	1,500	1,500	0.011192 %
9	CAROLINA N. DIONISIO	1,000	1,000	0.007461 %
10	PROCESS SYNERGY, INC. RETIREMENT PLAN	960	960	0.007163 %
11	ANA UY GAN OR ALBERT DAVID UY GAN, EDWIN FERDINAND UY GAN OR PHILIP BENJAMIN UY GAN	500	500	0.003731 %
12	ALMA FLORENCE A. LOGRONIO	300	300	0.002238 %
13	NSJS REALTY & DEVELOPMENT CORPORATION	50	50	0.000373 %
14	ENRICO DELA LLANA YUSINGCO	50	50	0.000373 %
		13,403,000	13,403,000	100.000000 %

TOTAL NO. OF SHARES :	13,403,000
TOTAL NO. OF DISTINCT STOCKHOLDERS :	14
TOTAL NO. OF ACCOUNTS :	14

Series 3B Preferred Shares

RANK	STOCKHOLDER NAME	Preferred 3-B	TOTAL SHARES	% OF O/S
1	PCD NOMINEE CORPORATION (FILIPINO)	6,523,620	6,523,620	98.887676 %
2	PCD NOMINEE CORPORATION (NON-FILIPINO)	45,080	45,080	0.683341 %
3	CAN ASIA INC., RETIREMENT PLAN	5,000	5,000	0.075792 %
4	SMHC MULTI-EMPLOYER RETIREMENT PLAN	5,000	5,000	0.075792 %
5	DISTILERIA BAGO INCORPORATED RETIREMENT PLAN	5,000	5,000	0.075792 %
6	JOIE TINSAY &/OR IRENE TINSAY	4,500	4,500	0.068213 %
7	G. D. TAN & CO. INC.	2,000	2,000	0.030317 %
8	ROMUALDO ESTACIO FRANCO OR VIRGINIA M. FRANCO	1,000	1,000	0.015158 %
9	AGNES LOGRONIO BANIQUED	1,000	1,000	0.015158 %
10	FELIX BELLEN CHAVEZ OR AIDA TANG LEE SAY CHAVEZ OR IRENE TANG LEE SAY CHAVEZ	1,000	1,000	0.015158 %
11	ANTONIO M. OSTREA	500	500	0.007579 %
12	ENRIQUE LL. YUSINGCO	500	500	0.007579 %
13	CONCHITA PEREZ JAMORA	500	500	0.007579 %
14	ENRIQUE NOEL L YUSINGCO	500	500	0.007579 %
15	ENRIQUE MIGUEL L YUSINGCO	500	500	0.007579 %
16	MA. TERESA L YUSINGCO	500	500	0.007579 %
17	ANGELO DE GUZMAN MACABUHAY OR MARITESS SIGUA MACABUHAY	400	400	0.006063 %
18	MICHELLE MARIE Y. SAN JUAN	100	100	0.001516 %
19	JOSE MANUEL R. SAN JUAN	100	100	0.001516 %
20	HENRY P. YUSINGCO IV	100	100	0.001516 %

Series 4A Preferred Shares

RANK	STOCKHOLDER NAME	Preferred 4-A	TOTAL SHARES	% OF O/S
1	PCD NOMINEE CORPORATION (FILIPINO)	4,966,380	4,966,380	99.327600 %
2	PCD NOMINEE CORPORATION (NON-FILIPINO)	30,120	30,120	0.602400 %
3	G. D. TAN & CO., INC.	2,500	2,500	0.050000 %
4	MICHAEL ANGELO O. LOPEZ OR MA. ANA KHRISTINA L. ATIENZA OR JOSE EMANUEL O. LOPEZ	1,000	1,000	0.020000 %
		5,000,000	5,000,000	100.000000 %

TOTAL NO. OF SHARES : 5,000,000
TOTAL NO. OF DISTINCT STOCKHOLDERS : 4
TOTAL NO. OF ACCOUNTS : 4

Series 4B Preferred Shares

RANK	STOCKHOLDER NAME	Preferred 4-B	TOTAL SHARES	% OF O/S
1	PCD NOMINEE CORPORATION (FILIPINO)	2,834,490	2,834,490	94.640735 %
2	SAN MIGUEL FOODS, INC. RETIREMENT PLAN	100,000	100,000	3.338898 %
3	PCD NOMINEE CORPORATION (NON-FILIPINO)	21,510	21,510	0.718197 %
4	THE PUREFOODS-HORMEL CO., INC. EMPLOYEES' RETIREMENT PLAN	15,000	15,000	0.500835 %
5	SMHC MULTI-EMPLOYER RETIREMENT PLAN	12,000	12,000	0.400668 %
6	SAN MIGUEL EQUITY INVESTMENTS, INC. RETIREMENT PLAN	2,500	2,500	0.083472 %
7	PROCESS SYNERGY, INC. RETIREMENT PLAN	2,000	2,000	0.066778 %
8	G. D. TAN & CO., INC.	1,500	1,500	0.050083 %
9	SMCGP MULTI-EMPLOYER RETIREMENT PLAN	1,500	1,500	0.050083 %
10	ARCHEN TECHNOLOGIES, INC. RETIREMENT PLAN	1,500	1,500	0.050083 %
11	SAN MIGUEL FOOD AND BEVERAGE INC. RETIREMENT PLAN	1,000	1,000	0.033389 %
12	AGNES LOGRONIO BANIQUED OR EDRIAN JAMES LOGRONIO BANIQUED	1,000	1,000	0.033389 %
13	EAST PACIFIC STAR BOTTLERS PHILS INC. RETIREMENT PLAN	1,000	1,000	0.033389 %
		2,995,000	2,995,000	100.000000 %

TOTAL NO. OF SHARES : 2,995,000
TOTAL NO. OF DISTINCT STOCKHOLDERS : 13
TOTAL NO. OF ACCOUNTS : 13

Series 4C Preferred Shares

RANK	STOCKHOLDER NAME	Preferred 4-C	TOTAL SHARES	% OF O/S
1	PCD NOMINEE CORPORATION (FILIPINO)	5,222,180	5,222,180	86.963863 %
2	SAN MIGUEL BREWERY INC. RETIREMENT PLAN	250,000	250,000	4.163197 %
3	SAN MIGUEL FOODS, INC. RETIREMENT PLAN	150,000	150,000	2.497918 %
4	SAN MIGUEL YAMAMURA PACKAGING CORPORATION RETIREMENT PLAN	150,000	150,000	2.497918 %
5	GINEBRA SAN MIGUEL INC. RETIREMENT PLAN	50,000	50,000	0.832639 %
6	PCD NOMINEE CORPORATION (NON-FILIPINO)	44,320	44,320	0.738052 %
7	NCC RETIREMENT PLAN	25,000	25,000	0.416320 %
8	THE PUREFOODS-HORMEL CO., INC. EMPLOYEES' RETIREMENT PLAN	20,000	20,000	0.333056 %
9	SMITS, INC. RETIREMENT PLAN	18,000	18,000	0.299750 %
10	MAGNOLIA, INC. RETIREMENT PLAN	15,000	15,000	0.249792 %
11	SMHC MULTI-EMPLOYER RETIREMENT PLAN	12,000	12,000	0.199833 %
12	SAN MIGUEL MILLS, INC. RETIREMENT PLAN	12,000	12,000	0.199833 %
13	DISTILERIA BAGO, INC. RETIREMENT PLAN	5,000	5,000	0.083264 %
14	CAN ASIA INC., RETIREMENT PLAN	4,000	4,000	0.066611 %
15	SMC SHIPPING AND LIGHTERAGE CORP. RETIREMENT PLAN	4,000	4,000	0.066611 %
16	SAN MIGUEL PROPERTIES, INC. RETIREMENT PLAN	4,000	4,000	0.066611 %
17	SAN MIGUEL EQUITY INVESTMENTS, INC. RETIREMENT PLAN	2,500	2,500	0.041632 %
18	ANCHOR INSURANCE BROKERAGE CORP. RETIREMENT PLAN	2,500	2,500	0.041632 %
19	SMC YAMAMURA FUSO MOLDS CORPORATION RETIREMENT PLAN	2,000	2,000	0.033306 %
20	PROCESS SYNERGY, INC. RETIREMENT PLAN	2,000	2,000	0.033306 %

(3) Dividends

It is the policy of the Company under its Corporate Governance Manual to declare dividends when its retained earnings exceed 100% of its paid-in capital stock, except: (a) when justified by definite corporate expansion projects or programs approved by the Board, (b) when the Company is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent and such consent has not been secured, or (c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Company, such as when there is a need for special reserve for probable contingencies.

Share Issuances

On November 3, 2014, the Company issued 7,122,320 Series 2A Preferred Shares and 2,877,680 Series 2B Preferred Shares. The dividend on the Series 2A Preferred Shares was at the fixed rate of 6.30% per annum and on the Series 2B Preferred Shares at the fixed rate of 6.8583% per annum, each as calculated based on the offer price of Php1,000 per share on a 30/360-day basis and payable quarterly in arrears, whenever approved by the Board of Directors. If the dividend payment date is not a banking day, dividends will be paid on the next succeeding banking day, without adjustment as to the amount of dividends to be paid. Cash dividends have been paid out on the Series 2 Shares in February 2015 since their listing in November 2014. The Series 2A Preferred Shares and the Series 2B Preferred Shares were redeemed on November 4, 2019 and November 3, 2021, respectively.

On June 25, 2019, the Company issued 13,403,000 Series 3A Preferred Shares and 6,596,900 Series 3B Preferred Shares. The dividend on the Series 3A Preferred Shares is at the fixed rate of 6.8713% per annum and on the Series 3B Preferred Shares at the fixed rate of 7.1383% per annum, each as calculated based on the offer price of ₽1,000.00 per share on a 30/360-day basis and payable quarterly in arrears, whenever approved by the Board of Directors. If the dividend payment date is not a banking day, dividends will be paid on the next succeeding banking day, without adjustment as to the amount of dividends to be paid. Cash dividends have been paid out on the Series 3 Shares since their listing in June 2019.

On July 7, 2023, the Company issued 5,000,000 Series 4A Preferred Shares, 2,995,000 Series 4B Preferred Shares and 6,005,000 Series 4C Preferred Shares. The dividend on the Series 4A Preferred Shares is at the fixed rate of 6.7079% per annum, 6.7972% per annum on the Series 4B Preferred Shares, and 7.0861% per annum on the Series 4C Preferred Shares, each as calculated based on the offer price of Php1,000.00 per share on a 30/360 basis and payable quarterly in arrears, whenever approved by the Board of Directors. If the dividend payment date is not a banking day, dividends will be paid on the next succeeding banking day, without adjustment as to the amount of dividends to be paid. Cash dividends have been paid out on the Series 4 Shares since their listing in July 2023.

Dividend Declarations and Payments

2024

On March 5, 2024, the Board of Directors approved cash dividends of Php0.10 per share to the common shareholders, with a record date of March 19, 2024 and a pay-out date of April 4, 2024.

2023

On March 6, 2023, the Board of Directors approved cash dividends of Php0.10 per share to the common shareholders, with a record date of March 20, 2023 and a pay-out date of April 4, 2023.

On May 10, 2023, the Board of Directors approved cash dividends of (i) Php17.17825 per share to the shareholders of the Series 3A Preferred Shares for the second quarter of 2023, with a record date of May 31, 2023 and a pay-out date of June 26, 2023 (with June 25, 2023 falling on a Sunday); and (ii) Php17.84575 per share to the shareholders of the Series 3B Preferred Shares for the second quarter of 2023, with a record date of May 31, 2023 and a pay-out date of June 26, 2023 (with June 25, 2023 falling on a Sunday).

On August 1, 2023, the Board of Directors approved cash dividends of (i) Php17.17825 per share to the shareholders of the Series 3A Preferred Shares for the third quarter of 2023, with a record date of August 31, 2023 and a pay-out date of September 25, 2023; (ii) Php17.84575 per share to the shareholders of the Series 3B Preferred Shares for the third quarter of 2023, with a record date of August 31, 2023 and a pay-out date of September 25, 2023; (iii) Php16.76975 per share to the shareholders of the Series 4A Preferred Shares for the third quarter of 2023, with a record date of September 14, 2023 and a pay-out date of October 9, 2023 (with October 7, 2023 falling on a Saturday); (iv) Php16.99300 per share to the shareholders of the Series 4B Preferred Shares for the third quarter of 2023, with a record date of September 14, 2023 and a pay-out date of October 9, 2023 (with October 7, 2023 falling on a Saturday); and (v) Php17.71525 per share to the shareholders of the Series 4C Preferred Shares for the third quarter of 2023, with a record date of September 14, 2023 and a pay-out date of October 9, 2023 (with October 7, 2023 falling on a Saturday).

On November 7, 2023, the Board of Directors approved cash dividends of (i) Php17.17825 per share to the shareholders of the Series 3A Preferred Shares for the fourth quarter of 2023, with a record date of November 29, 2023 and a pay-out date of December 26, 2023 (with December 25, 2023 being a holiday); (ii) Php17.84575 per share to the shareholders of the Series 3B Preferred Shares for the fourth quarter of 2023, with a record date of November 29, 2023 and a pay-out date of December 26, 2023 (with December 25, 2023 being a holiday); (iii) Php17.17825 per share to the shareholders of the Series 3A Preferred Shares for the first quarter of 2024, with a record date of March 1, 2024 and a pay-out date of March 25, 2024; (iv) Php17.84575 per share to the shareholders of the Series 3B Preferred Shares for the first quarter of 2024, with a record date of March 1, 2024 and a pay-out date of March 25, 2024; (v) Php16.76975 per share to the shareholders of the Series 4A Preferred

Shares for the first quarter of 2024, with a record date of December 13, 2023 and a pay-out date of January 8, 2024 (with January 7, 2024 falling on a Sunday); (vi) Php16.99300 per share to the shareholders of the Series 4B Preferred Shares for the first quarter of 2024, with a record date of December 13, 2023 and a pay-out date of January 8, 2024 (with January 7, 2024 falling on a Sunday); (vii) Php17.71525 per share to the shareholders of the Series 4C Preferred Shares for the first quarter of 2024, with a record date of December 13, 2023 and a pay-out date of January 8, 2024 (with January 7, 2024 falling on a Sunday); (viii) Php16.76975 per share to the shareholders of the Series 4A Preferred Shares for the second quarter of 2024, with a record date of March 13, 2024 and a pay-out date of April 8, 2024 (with April 7, 2024 falling on a Sunday); (ix) Php16.99300 per share to the shareholders of the Series 4B Preferred Shares for the second quarter of 2024, with a record date of March 13, 2024 and a pay-out date of April 8, 2024 (with April 7, 2024 falling on a Sunday); and (x) Php17.71525 per share to the shareholders of the Series 4C Preferred Shares for the second quarter of 2024, with a record date of March 13, 2024 and a pay-out date of April 8, 2024 (with April 7, 2024 falling on a Sunday).

2022

On August 1, 2022, the Board of Directors approved cash dividends of (i) Php17.17825 per share to the shareholders of the Series 3A Preferred Shares for the third quarter of 2022, with a record date of August 31, 2022 and a pay-out date of September 26, 2022 (with September 25, 2022 falling on a Sunday); and (ii) Php17.84575 per share to the shareholders of the Series 3B Preferred Shares for the third quarter of 2022, with a record date of August 31, 2022 and a pay-out date of September 26, 2022 (with September 25, 2022 falling on a Sunday).

On November 8, 2022, the Board of Directors approved cash dividends of (i) Php17.17825 per share to the shareholders of the Series 3A Preferred Shares for the fourth quarter of 2022, with a record date of November 29, 2022 and a pay-out date of December 26, 2022 (with December 25, 2022 falling on a Sunday); (ii) Php17.84575 per share to the shareholders of the Series 3B Preferred Shares for the fourth quarter of 2022, with a record date of November 29, 2022 and a pay-out date of December 26, 2022 (with December 25, 2022 falling on a Sunday); (iii) Php17.17825 per share to the shareholders of the Series 3A Preferred Shares for the first quarter of 2023, with a record date of March 2, 2023 and a pay-out date of March 27, 2023 (with March 25, 2023 falling on a Saturday); and (iv) Php17.84575 per share to the shareholders of the Series 3B Preferred Shares for the first quarter of 2023, with a record date of March 27, 2023 (with March 25, 2023 falling on a Saturday).

Distributions

Under the terms and conditions of the undated unsubordinated capital securities issued by the Company on January 19, 2018 and April 19, 2021 (collectively, the "Capital Securities"), more particularly described below in *"Recent Sales of Unregistered or Exempt Securities Including Recent Issuances of Securities Constituting an Exempt Transaction,* the Company cannot declare dividends on any Junior Securities (as defined thereunder), which include any class of shares of the Company, in case the payment of all distributions scheduled to be made on the Capital Securities is not made in full by reason of the Company deferring such distributions in accordance with the terms of the Capital Securities.

(4) Recent Sales of Unregistered or Exempt Including Recent Issuances of Securities Constituting an Exempt Transaction

Under the Securities and Regulation Code (the "Code"), securities are not permitted to be sold or offered for sale or distribution within the Philippines unless such securities are approved for registration by the SEC or are otherwise exempt securities under Section 9 of the Code or sold pursuant to an exempt transaction under Section 10 of the Code.

The securities discussed below were offered and/or sold in the Philippines to institutional lenders not exceeding 19 or to not more than 19 non-qualified buyers and/or to any number of qualified buyers as defined in the Code, or redeemed, in the past three (3) years (from 2021). Thus, the offer and sale of the subject securities qualified as exempt transactions pursuant to Sections 10.1 (k) and 10.1(l) of the Code. A confirmation of exemption from the SEC that the offer and sale of the securities in the Philippines qualified as an exempt transaction under the Code was not required to be, and had not been, obtained.

The securities discussed below were not registered with the SEC under the Code. Any future offer or sale thereof is subject to registration requirements under the Code, unless such offer or sale qualifies as an exempt transaction.

US$500 Million Senior Perpetual Capital Securities

a. On January 19, 2018, the Company issued US$500 million senior perpetual capital securities (the "2018 Capital Securities").

b. The joint lead managers were Australia and New Zealand Banking Group Limited, DBS Bank Ltd., Deutsche Bank AG, Singapore Branch, The Hongkong and Shanghai Banking Corporation, Singapore Branch, Standard Chartered Bank, and UBS AG, Singapore Branch.

c. The offer price for the 2018 Capital Securities was at 100%.

d. As the 2018 Capital Securities were offered to qualified buyers in the Philippines, the issuance of such securities was considered an exempt transaction and no confirmation or notice of exemption from the registration requirements of the Code was required to be filed with the SEC pursuant to the Code and the 2015 SRC rules. The capital securities were listed with the Singapore Exchange Securities Trading Limited on January 22, 2018.

e. Pursuant to a tender offer for purchase made by the Company in January 2023, a portion of the above securities with an aggregate principal amount of US$22,470,000 was purchased by the Company thereby leaving securities with a total principal amount of US$477,530,000.

f. On July 19, 2023, the Company redeemed the remaining 2018 Capital Securities with an aggregate amount of US$477,530,000. The 2018 were also cancelled and delisted from the Singapore Exchange Securities Trading Limited.

US Dollar Redeemable Perpetual Securities

a. On November 27, 2019, June 22, 2020, and August 10, 2020, the Company issued redeemable perpetual securities (the "Redeemable Perpetual Securities") in the amounts of US$6 million, US$130 million and US$100 million, respectively.

b. As the Redeemable Perpetual Securities were offered to not more than 19 non-qualified buyers, each issuance of such securities was considered an exempt transaction and no confirmation or notice of exemption from the registration requirements of the Code was required to be filed with the SEC pursuant to the Code and the 2015 SRC rules.

c. On May 26, 2023, the Redeemable Perpetual Securities issued in 2019 were redeemed.

US$550 Million Senior Perpetual Capital Securities

a. On April 19, 2021, the Company issued US$550 million senior perpetual capital securities (the "2021 Capital Securities").

b. The sole global coordinator for the transaction was The Hongkong and Shanghai Banking Corporation Limited and the joint lead managers were DBS Bank Ltd., HSBC, MUFG Securities Asia Limited, SMBC Nikko Capital Markets Limited, Standard Chartered Bank and UBS AG Singapore Branch.

c. The offer price for the 2021 Capital Securities was at 100%.

d. As the 2021 Capital Securities were offered to qualified buyers in the Philippines, the issuance of such securities was considered an exempt transaction and no confirmation or notice of exemption from the registration requirements of the Code was required to be filed with the SEC pursuant to the Code and the 2015 SRC rules. The capital securities were listed with the Singapore Exchange Securities Trading Limited on April 20, 2021.

(B) Description of Petron's Shares

The Company has an authorized capital stock of Php10 billion divided into 9,375,104,497 common shares and 624,895,503 preferred shares, with a par value of Php1 each. The outstanding shares of the Company is comprised of 9,375,104,497 common shares, 13,403,000 Series 3A Preferred Shares, 6,597,000 Series 3B Preferred Shares, 5,000,000 Series 4A Preferred Shares, 2,995,000 Series 4B Preferred Shares, and 6,005,000 Series 4C Preferred Shares. The Company has 76,000,000 treasury shares.

The Series 2 Preferred Shares, with an aggregate issue value of Php10 billion, were offered during the period October 20-24, 2014 pursuant to the order of registration and the permit to sell issued by the SEC on October 17, 2014. The Series 2 Preferred Shares were issued and listed on the PSE on November 3, 2014. The Series 2A Preferred Shares and the Series 2B Preferred Shares were redeemed by the Company on November 4, 2019 and November 3, 2021, respectively.

The Series 3 Preferred Shares, with an aggregate issue value of Php20 billion, were offered during the period June 3-18, 2019 pursuant to the order of registration and the permit to sell issued by the SEC on May 31, 2019 and issued out of the treasury shares of the Company. The Series 3 Preferred Shares were issued and listed on the PSE on June 25, 2019.

The Series 4 Preferred Shares, with an aggregate issue value of Php14 billion, were offered during the period June 15-27, 2023 pursuant to the order of registration and the permit to sell issued by the SEC on June 14, 2023. The Series 4 Preferred Shares were issued and listed on the PSE on July 7, 2024.

The common shares of the Company are voting shares while preferred shares are generally non-voting, except in cases provided by law.

(C) Stock Ownership Plan

Petron currently does not have a stock ownership plan or program. In 1994, when Petron's initial public offering was undertaken, a special secondary sale of Petron's shares was offered to its employees. The entitlement of shares at the listing price of Php9.00 per share was made equivalent to the employee's base pay factored by his/her service years with Petron. Petron's executive officers, except the Chairman, the President and the Vice President for Corporate Planning, were entitled to own Petron shares under this stock ownership plan. Preparatory to the listing of the Company's preferred shares, availment of said shares was offered to employees from February 15 to 19, 2010.

(D) Public Ownership

Based on the report provided by SMC Stock Transfer Services Corporation, the stock transfer agent of the Company, 26.71% of the outstanding common shares of the Company was owned by the public as of December 31, 2023 in compliance with the minimum public ownership set by the PSE and the SEC. Attached as Annexes A and B are the public ownership reports of the Company as of December 31, 2023 and March 31, 2024, respectively.

[Rest of page intentionally left blank;
"Part I–I - Management's Discussion and Analysis of Financial Position
and Financial Performance" follows on next page]

PART I-I - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE

<u>Financial Performance</u>

<u>2023 vs 2022</u>

The Group posted a consolidated net income of **₱ 10.13 billion** in 2023, surpassing previous year's net earnings of ₱ 6.70 billion by 51%, fueled by Petron's continuing efforts to capture continued demand recovery, optimize assets and resources, and respond to market volatility amidst persistent geopolitical tensions and global inflationary concerns pressuring the market. The 60% increase in operating income to ₱ 30.72 billion allowed the Company to absorb higher expenses yet still end 2023 with improved financial results compared with the previous year.

Consolidated Sales Volume grew by 13% to **126.9 million barrels** (MMB), 14.1 MMB more than the previous year. Petron's strong volume performance was driven by the remarkable growth in its sale of Jet Fuel and LPG. As economic activities returned to pre-pandemic levels, domestic demand also bounced back. The incremental sales volume was backed by higher production at the Bataan and Port Dickson refineries in the Philippines and Malaysia, respectively Exports and PSTPL trading volume also contributed to the overall volume growth.

	Years Ended December 31		Horizontal Analysis Favorable (Unfavorable)		Vertical Analysis	
	2023	2022	Amount	%	2023	2022
		(in Millions)				
Sales	**801,027**	857,638	(56,611)	(7%)	100%	100%
Cost of Goods Sold	**(754,429)**	(823,788)	69,359	8%	94%	96%
Gross Profit	**46,598**	33,850	12,748	38%	6%	4%
Selling and Administrative Expenses	**(17,560)**	(16,175)	(1,385)	(9%)	2%	2%
Other Operating Income	**1,683**	1,538	145	9%	0%	0%
Interest Expense and Other Financing Charges	**(19,095)**	(13,094)	(6,001)	(46%)	2%	2%
Interest Income	**1,284**	898	386	43%	0%	0%
Share in Net Income of an Associate and Joint Ventures	**89**	66	23	35%	0%	0%
Other Income - net	**139**	1,018	(879)	(86%)	0%	0%
Income Before Income Tax	**13,138**	8,101	5,037	62%	2%	1%
Income Tax Expense	**(3,004)**	(1,404)	(1,600)	(high)	0%	0%
Net Income	**10,134**	6,697	3,437	51%	1%	1%
Attributable to Equity Holders of the Parent Company	**9,241**	5,727	3,514	61%	1%	1%
Attributable to Non-controlling Interests	**893**	970	(77)	(8%)	0%	0%
	10,134	6,697	3,437	51%	1%	1%
Sales Volume in Million Barrels	**126,914**	112,812	14,102	13%		

Despite the growth in sales volume, **Net Sales** dropped by 7% to **₱ 801.03 billion** from ₱ 857.64 billion in the previous year traced mainly to lower average selling price per liter as market prices further corrected from the peak levels in 2022.

Cost of Goods Sold also declined by ₱ 69.36 billion or 8% to **₱ 754.43 billion** attributable to lower average cost per liter, partly offset by the increase in sales volume. Price of benchmark Dubai crude oil decreased by 15% to US$82/bbl in 2023 from the 2022 average of US$96/bbl.

Gross profit was up by 38% from ₱ 33.85 billion to **₱ 46.60 billion** largely from incremental sales volume and improved margins.

Selling and Administrative Expenses climbed 9% to **₱ 17.56 billion** as the Company spent more on maintenance and repairs of service stations and terminal facilities, LPG cylinder purchases, advertising and promotions, operation of company-owned services stations and other operating requirements to support volume growth.

Other Operating Income amounted to **₱ 1.68 billion**, higher by 9% or ₱ 145 million versus last year's ₱ 1.54 billion due to increase in rental income.

Interest Expense and Other Financing Charges escalated by 46% from ₱ 13.09 billion in 2022 to **₱ 19.10 billion** primarily due to higher interest rates in 2023.

Interest Income of **₱ 1.28 billion** was 43% more than 2022's ₱ 898 million on account of higher interest rate.

Share in Net Earnings of an Associate and Joint Ventures (JV) was 35% higher at **₱ 89 million**, representing the Company's share in net income of Petrogen Insurance Corporation (associate) and Terminal Bersama Sdn. Bhd. (JV).

Other Income - net was lower at **₱ 139 million** from last year's ₱ 1.02 billion, chiefly attributed to lower mark-to-market valuation gain on commodity hedges.

Income tax expense of **₱ 3 billion was** more than double of previous year's ₱ 1.40 billion, mainly traced to higher pre-tax income combined with minimal tax incentives availed by Petron Malaysia in 2023.

2022 vs 2021

2022 was marked with record high oil prices as the global oil supply was disrupted by the invasion of Ukraine by Russia in February. Amid economic sanctions imposed on Russia and OPEC's efforts to manage production, demand continued to grow from the previous year. While China enforced Zero-Tolerance policy against COVID for most of the year, many countries exerted all efforts to achieve full recovery from the pandemic. Meanwhile, prices remained elevated compared to 2021 levels despite the correction in the second half. Prices of finished petroleum products also rose bringing the regional refining cracks to all-time highs during the year. Against this backdrop, the Company ended the year with a consolidated net income of **₱ 6.7 billion**, 9% higher than last year.

Consolidated Sales volume grew by 37% to **112.81 million barrels (MMB)**, 30.57 MMB more than the previous year. Commercial sales exhibited notable recovery particularly in the industrial and aviation sectors with the continued increase in domestic travels and business activities. Likewise, the combined retail sales of Philippines and Malaysia improved by 26%. PSTPL trading volume more than doubled while sales of polypropylene substantially increased with the resumption of polypropylene plant's operation in 2022.

	Years Ended December 31		Horizontal Analysis Favorable (Unfavorable)		Vertical Analysis	
	2022	2021	Amount	%	2022	2021
		(in Millions)				
Sales	**857,638**	438,057	419,581	96%	100%	100%
Cost of Goods Sold	**(823,788)**	(407,558)	(416,230)	(high)	96%	93%
Gross Profit	**33,850**	30,499	3,351	11%	4%	7%
Selling and Administrative Expenses	**(16,175)**	(14,557)	(1,618)	(11%)	2%	3%
Other Operating Income	**1,538**	1,273	265	21%	0%	0%
Interest Expense and Other Financing Charges	**(13,094)**	(10,008)	(3,086)	(31%)	2%	2%
Interest Income	**898**	564	334	59%	0%	0%
Share in Net Income of an Associate and Joint Ventures	**66**	11	55	high	0%	0%
Other Income (Expense) - net	**1,018**	(485)	1,503	high	0%	0%
Income Before Income Tax	**8,101**	7,297	804	11%	1%	2%
Income Tax Expense	**(1,404)**	(1,161)	(243)	(21%)	0%	0%
Net Income	**6,697**	6,136	561	9%	1%	1%
Attributable to Equity Holders of the Parent Company	**5,727**	5,369	358	7%	1%	1%
Attributable to Non-controlling Interests	**970**	767	203	26%	0%	0%
	6,697	6,136	561	9%	1%	1%
Sales Volume in Million Barrels	**112,812**	82,241	30,571	37%		

The following contributed to the Group's improved performance during the year:

Net sales escalated to **₱ 857.64 billion** from ₱ 438.06 billion in previous year driven by the 37% increase in sales volume and record high prices that prevailed in 2022.

Cost of Goods Sold (CGS) more than doubled to **₱ 823.79 billion** from ₱ 407.56 billion in the previous year brought about by the spike in the price of benchmark Dubai crude oil averaging US$96/barrel in 2022 versus US$69/barrel in 2021.

Gross profit improved by 11% from ₱ 30.50 billion to **₱ 33.85 billion** largely attributed to volume growth and sustained strength in product cracks but tempered by higher crude and finished product importations costs.

Selling and Administrative Expenses increased to **₱ 16.18 billion,** 11% or ₱ 1.62 billion more than the previous year traced to higher maintenance and repairs related to service stations, terminals and information technology, outsourced services, advertising expenses and employee costs.

Other Operating Income was at **₱ 1.54 billion**, higher by 21% compared to last year's ₱ 1.27 billion due to higher rental income.

Interest Expense and Other Financing Charges was up by **31%** at **₱ 13.09 billion** from ₱ 10.00 billion in 2021 due to higher borrowing levels brought about by the increase in working capital as well as higher average interest rates.

Interest Income increased by 59% to **₱ 898 million** from ₱ 564 million on account of higher average placements and interest rates versus previous year.

Share in Net Earnings of an Associate and Joint Ventures was at **₱ 66 million,** ₱ 55 million higher than the previous year mainly due to higher share in net income of Petrogen Insurance Corporation (associate).

Other Income - net amounted to **₱ 1.02 billion** in 2022 as against ₱ 485 million Other Expense - net in 2021 mainly from unrealized gains from mark-to-market valuation of commodity hedges.

Income tax expense was at **₱ 1.40 billion,** 21% higher than last year's ₱ 1.16 billion on account of higher pre-tax income, expired Minimum Corporate Income Tax (MCIT) and Net Operating Loss Carryover (NOLCO).

2021 vs 2020

As global vaccination rate continued to improve, pandemic restrictions were relaxed and more economic activities were resumed. This supported the continued recovery in global demand towards its pre-pandemic level. This rebound was complemented by the OPEC's managed approach in increasing crude supply back in the market which allowed the oil sector to regain momentum and enjoy improved margins. With this as the backdrop, Petron Corporation's consolidated net income for 2021 reached **₱6.14 billion**, a turnaround from ₱ 11.41 billion net loss suffered in the previous year.

Consolidated Sales volume grew by 5% to **82.24 million barrels (MMB)** from 78.58 MMB in prior year. Through the Company's volume-generating programs, retail volumes in the Philippines managed to grow despite granular lockdowns. Petrochemical sales and PSTPL trading volume were also up. However, growth in commercial sales remained subdued largely due to the slowdown in the aviation industry.

	Years Ended December 31		Horizontal Analysis Favorable (Unfavorable)		Vertical Analysis	
	2022	2021	Amount	%	2022	2021
		(in Millions)				
Sales	**857,638**	438,057	419,581	96%	100%	100%
Cost of Goods Sold	**(823,788)**	(407,558)	(416,230)	(high)	96%	93%
Gross Profit	**33,850**	30,499	3,351	11%	4%	7%
Selling and Administrative Expenses	**(16,175)**	(14,557)	(1,618)	(11%)	2%	3%
Other Operating Income	**1,538**	1,273	265	21%	0%	0%
Interest Expense and Other Financing Charges	**(13,094)**	(10,008)	(3,086)	(31%)	2%	2%
Interest Income	**898**	564	334	59%	0%	0%
Share in Net Income of an Associate and Joint Ventures	**66**	11	55	high	0%	0%
Other Income (Expense) - net	**1,018**	(485)	1,503	high	0%	0%
Income Before Income Tax	**8,101**	7,297	804	11%	1%	2%
Income Tax Expense	**(1,404)**	(1,161)	(243)	(21%)	0%	0%
Net Income	**6,697**	6,136	561	9%	1%	1%
Attributable to Equity Holders of the Parent Company	**5,727**	5,369	358	7%	1%	1%
Attributable to Non-controlling Interests	**970**	767	203	26%	0%	0%
	6,697	6,136	561	9%	1%	1%
Sales Volume in Million Barrels	**112,812**	82,241	30,571	37%		

Net Sales more than doubled to **₱ 438.06 billion** from ₱ 286.03 billion in prior year traced to the steady rise in regional reference MOPS prices during the year.

Cost of Goods Sold (CGS) likewise surged by 47% to **₱ 407.56 billion** from ₱ 277.32 billion mainly due to higher cost per liter. Benchmark crude Dubai breached the \$80/bbl-mark in the 4th quarter and averaged US\$69/bbl for the year, up by 64% from US\$42/bbl average in 2020.

Gross profit climbed up to **₱ 30.50 billion** traced to the absence of inventory losses and improved refining cracks.

Selling and Administrative Expenses at **₱ 14.56** billion was the same level as previous year. Savings on terminalling and storage expenses, outsourced services and increase in rent income were offset by higher maintenance and repairs related to service stations, depot and information technology as well as higher LPG cylinder purchases.

Other Operating Income rose by 22% to **₱ 1.27 billion** owing to higher rental income.

Interest Expense and Other Financing Charges declined by 12% to **₱ 10.01 billion** largely due to reduced borrowing level and interest rates.

Interest Income dropped to **₱ 564 million** from 780 million the previous year traced to lower average placements and interest rates.

Share in Net Earnings of an Associate and Joint Ventures (JV) amounted to **₱ 11 million** representing share in earnings of Terminal Bersama Sdn. Bhd. (JV) and Petrogen Insurance Corporation (PIC). The latter became an associate of the Parent Company starting February 4, 2021. Prior to the said date, PIC was a wholly owned subsidiary of the Parent Company.

Other Expense - net declined by 54% to **₱ 485 million** traced mainly to lower unrealized losses on commodity hedges versus 2020.

Income tax expense amounted to **₱ 1.16 billion** in contrast to last year's ₱ 4.80 billion tax benefit from huge loss before tax.

Financial Position

2023 vs 2022

	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis December 31	
	2023	2022	Amount	%	**2023**	2022
Cash and cash equivalents	**27,519**	37,183	(9,664)	(26%)	**6%**	8%
Financial assets at fair value	**1,162**	1,753	(591)	(34%)	**0%**	0%
Trade and other receivables - net	**86,479**	81,979	4,500	5%	**19%**	18%
Inventories	**77,318**	85,347	(8,029)	(9%)	**17%**	19%
Other current assets	**40,529**	37,027	3,504	9%	**9%**	8%
Total Current Assets	**233,007**	243,287	(10,280)	(4%)	**52%**	53%
Investment in shares of stock of an associate and joint ventures	**1,158**	1,085	73	7%	**0%**	0%
Property, plant and equipment - net	**166,046**	170,153	(4,107)	(2%)	**37%**	37%
Right of Use - net	**5,286**	5,398	(112)	(2%)	**1%**	1%
Investment property - net	**27,194**	28,437	(1,243)	(4%)	**6%**	6%
Deferred tax assets - net	**1,190**	1,812	(622)	(34%)	**0%**	0%
Goodwill - net	**8,093**	8,509	(416)	(5%)	**2%**	2%
Other noncurrent assets - net	**1,930**	1,390	540	39%	**0%**	0%
Total Noncurrent Assets	**210,897**	216,784	(5,887)	(3%)	**48%**	47%

Total Assets	**443,904**	460,071	(16,167)	(4%)	**100%**	100%
Short term loans	**137,910**	137,886	24	0%	**31%**	30%
Liabilities for crude oil and petroleum products	**44,840**	51,067	(6,227)	(12%)	**10%**	11%
Trade and other payables	**23,890**	22,896	994	4%	**5%**	5%
Current portion of lease liability	**1,566**	1,380	186	13%	**0%**	0%
Derivative liabilities	**749**	723	26	4%	**0%**	0%
Income tax payable	**132**	204	(72)	(35%)	**0%**	0%
Current portion of long-term debt – net	**25,642**	13,399	12,243	91%	**6%**	2%
Total Current Liabilities	**234,729**	227,555	7,174	3%	**53%**	49%

Forward

	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis December 31	
	2023	2022	Amount	%	**2023**	2022
Long-term debt - net of current portion	**83,254**	93,662	(10,408)	11%	**19%**	20%
Retirement benefits liability – net	**2,261**	3,261	(640)	(20%)	**1%**	1%
Deferred tax liabilities - net	**4,432**	3,601	831	23%	**1%**	1%
Lease liability - net of current portion	**14,378**	13,714	664	5%	**3%**	3%
Asset retirement obligation	**3,612**	3,527	85	2%	**1%**	1%
Other noncurrent liabilities	**1,243**	1,201	42	3%	**0%**	0%
Total Noncurrent Liabilities	**109,540**	118,966	(9,426)	(8%)	**25%**	26%
Total Liabilities	**344,269**	346,521	(2,252)	(1%)	**78%**	75%
Capital stock	**9,485**	9,485	-	0%	**2%**	2%
Additional paid-in capital	**40,985**	37,500	3,485	9%	**9%**	8%
Capital securities	**37,529**	62,712	(25,183)	(40%)	**8%**	14%
Retained earnings	**31,834**	30,357	1,477	5%	**7%**	7%
Equity Reserves	**(21,252)**	(16,887)	(4,356)	26%	**(5%)**	(4%)
Treasury stock	**(7,600)**	(18,000)	10,400	(58%)	**(2%)**	(4%)
Total Equity Attributable to Equity Holders of the Parent Company	**90,981**	105,167	(14,186)	(13%)	**20%**	23%
Non-controlling Interests	**8,654**	8,383	271	3%	**2%**	2%

Total Equity	**99,635**	113,550	(13,915)	(12%)	**22%**	25%
Total Liabilities and Equity	**443,904**	460,071	(16,167)	(4%)	**100%**	100%

The **Consolidated assets** of Petron Corporation and its Subsidiaries as of end-2023 stood at **₱ 443.90 billion**, 4% or ₱ 16.17 billion lower than end-2022 level of ₱ 460.07 billion. The decrease in total assets can be traced primarily to lower cash and cash equivalents, and inventories.

Cash and cash equivalents decreased by ₱ 9.66 billion to **₱ 27.52 billion** from ₱ 37.18 billion as cash was used for the settlement of loans, redemption of capital securities, and cash dividends and distribution.

Financial assets at fair value dropped to **₱ 1.16 billion** from ₱ 1.75 **b**illion primarily from lower mark-to-market valuation of outstanding currency hedges.

Trade and other receivables - net went up by 5% to **₱ 86.48 billion** attributable to higher government receivables of Parent company partly offset by the reduction in trade accounts receivables.

Inventories declined by ₱ 8.03 billion to **₱ 77.32 billion** mainly from lower prices of crude and finished product prices coupled with reduced volume.

Other current assets rose by 9% to **₱ 40.53 billion** from additional creditable withholding taxes, input VAT and prepayments.

Investment in shares of stock of an associate and joint ventures increased by 7% to **₱ 1.16 billion** after the recognition of the Company's share in net income and other comprehensive income for the year.

Deferred tax assets - net went down from ₱ 1.81 billion to **₱ 1.19 billion** owing to the temporary differences in inventory valuation and depreciation per tax accounting vis-à-vis financial reporting, application of Net Operating Loss Carry-Over (NOLCO) from prior years, partly offset by Minimum Corporate Income Tax (MCIT) for the year.

Goodwill dropped by 5% to **₱ 8.09 billion** due to currency translation losses with the depreciation of the Malaysian Ringgit versus the US dollar and Philippine peso.

Other noncurrent assets – net went up to **₱ 1.93 billion** from ₱ 1.39 billion mainly from additional catalyst materials and the reclassification of proprietary membership shares from current assets.

Liabilities for crude oil and petroleum products stood lower at **₱ 44.84 billion** compared to end-2022 level of ₱ 51.07 billion owing primarily to lower level of outstanding crude purchases at the end of 2023 vs 2022.

Income tax payable dropped from ₱ 204 million to **₱ 132 million** as tax liabilities of foreign subsidiaries decreased.

Total **Lease liabilities** increased by ₱ 850 million to **₱ 15.94 billion** primarily from new leases, partly offset by payments made during the year.

Deferred tax liabilities - net went up by 23% **to ₱ 4.43 billion** from ₱ 3.60 billion attributable to Petron Malaysia's utilization of deferred tax on reinvestment allowance.

Additional paid-in capital increased by ₱ 3.49 billion to **₱ 40.99 billion**, while the negative balance of **Treasury stock** decreased by ₱ 10.40 billion to **₱ 7.60 billion** as a result of the reissuance of preferred treasury shares.

Retained earnings rose by 5% to **₱ 31.83 billion** traced to the net income realized in 2023 partly offset by the cash dividends and distributions declared during the year.

The negative balance of **Equity reserves** went up from ₱ 16.89 billion to **₱ 21.25 billion** on account of the translation losses related to the redemption of US$500 million capital securities as well as the investment in Petron Malaysia.

2022 vs 2021

	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis December 31	
	2022	2021	Amount	%	**2022**	2021
Cash and cash equivalents	**37,183**	36,406	777	2%	**8%**	9%
Financial assets at fair value	**1,753**	1,005	748	74%	**0%**	0%
Trade and other receivables - net	**81,979**	51,745	30,234	58%	**18%**	13%
Inventories	**85,347**	67,684	17,663	26%	**19%**	17%
Other current assets	**37,025**	31,195	5,830	19%	**8%**	8%
Total Current Assets	**243,287**	188,035	55,252	29%	**53%**	46%
Investment in shares of stock of an associate and joint ventures	**1,085**	1,012	73	7%	**0%**	0%
Property, plant and equipment - net	**170,153**	171,602	(1,449)	(1%)	**37%**	42%
Right of Use - net	**5,398**	5,648	(250)	(4%)	**1%**	1%
Investment property - net	**28,437**	29,175	(738)	(3%)	**6%**	7%
Deferred tax assets - net	**1,812**	2,172	(360)	(17%)	**0%**	1%
Goodwill - net	**8,509**	8,235	274	3%	**2%**	2%
Other noncurrent assets - net	**1,390**	1,541	(151)	(10%)	**0%**	0%
Total Noncurrent Assets	**216,784**	219,385	(2,601)	(1%)	**47%**	54%
Total Assets	**460,071**	407,420	52,651	13%	**100%**	100%
Short term loans	**137,886**	109,196	28,690	26%	**30%**	27%

Liabilities for crude oil and petroleum products	**51,067**	42,641	8,426	20%	**11%**	10%
Trade and other payables	**22,896**	14,001	8.895	64%	**5%**	3%
Current portion of lease liability	**1,380**	1,335	45	3%	**0%**	0%
Derivative liabilities	**723**	997	(274)	(27%)	**0%**	0%
Income tax payable	**204**	302	(98)	(32%)	**0%**	0%
Current portion of long-term debt – net	**13,399**	21,580	(8,181)	(38%)	**3%**	5%
Total Current Liabilities	**227,555**	190,052	37,503	20%	**49%**	47%

Forward

	December 31		**Horizontal Analysis** Increase (Decrease)		**Vertical Analysis** December 31	
	2022	2021	Amount	%	**2022**	2021
Long-term debt - net of current portion	**93,662**	81,065	12,597	16%	**20%**	20%
Retirement benefits liability – net	**3,261**	3,327	(66)	(2%)	**1%**	1%
Deferred tax liabilities - net	**3,601**	3,784	(183)	(5%)	**1%**	1%
Lease liability - net of current portion	**13,714**	14,220	(506)	(4%)	**3%**	3%
Asset retirement obligation	**3,527**	2,857	670	23%	**1%**	1%
Other noncurrent liabilities	**1,201**	1,202	(1)	(0%)	**0%**	0%
Total Noncurrent Liabilities	**118,966**	106,455	12,511	12%	**26%**	26%
Total Liabilities	**346,521**	296,507	50,014	17%	**75%**	73%
Capital stock	**9,485**	9,485	-	0%	**2%**	2%
Additional paid-in capital	**37,500**	37,500	-	0%	**8%**	9%
Capital securities	**62,712**	62,712	-	0%	**14%**	15%
Retained earnings	**30,357**	30,232	125	0%	**7%**	7%
Equity Reserves	**(16,887)**	(18,341)	1,454	(8%)	**(4%)**	(5%)
Treasury stock	**(18,000)**	(18,000)	-	0%	**(4%)**	(4%)
Total Equity Attributable to Equity Holders of the Parent Company	**105,167**	103,588	1,579	2%	**23%**	25%
Non-controlling Interests	**8,383**	7,325	1,058	14%	**2%**	2%

Total Equity	**113,550**	110,913	2,637	2%	**25%**	27%
Total Liabilities and Equity	**460,071**	407,420	52,651	13%	**100%**	100%

The **Consolidated assets** of Petron Corporation and its Subsidiaries as of end-2022 amounted to **₱ 460.07 billion**, 13% or ₱ 52.65 billion higher than end-2021 balance of ₱ 407.42 billion. The increase in total assets can be traced largely to higher inventories and receivables.

Financial assets at fair value went up to **₱ 1.75 billion** from ₱ 1.01 billion primarily from higher mark-to-market valuation of outstanding commodity hedges.

Trade and other receivables - net increased by 58% to **₱ 81.98 billion** owing to higher sales volume and prices.

Inventories rose by ₱ 17.66 billion to **₱ 85.35 billion** mainly from higher crude and finished product prices.

Other current assets increased by 19% to **₱ 37.03 billion** from higher prepaid taxes and unused creditable withholding taxes.

Investment in shares of stock of an associate and joint ventures grew by 7% to **₱ 1.09 billion** following the recognition of share in net income for the year and the reclassification of investment in joint ventures previously reported under "Other noncurrent assets – net".

Deferred tax assets – net went down from ₱ 2.17 billion to **₱ 1.81 billion** with the partial utilization of previous years' Net Operating Loss Carry Over and net decrease in temporary differences between tax and financial reporting related to depreciation, inventory valuation and unrealized forex loss.

Other noncurrent assets - net declined to **₱ 1.40 billion** from ₱ 1.54 billion mostly from the amortization of catalyst and deferred input tax.

Short-term loans jumped by 26% from ₱ 109.20 billion to **₱ 137.89 billion** with the availment of additional loans to cover the increase in working capital requirements during the year.

Liabilities for crude oil and petroleum products stood higher at **₱ 51.07 billion** compared to end-2021 level of ₱ 42.64 billion owing primarily to the increase in prices during the period.

Trade and other payables jumped by 64% to **P22.90** billion due to higher outstanding liabilities to contractors and vendors, advances from a related party, and higher excise tax payable.

Derivative liabilities declined by 27% to **₱ 723 million** with the lower expected settlement on outstanding commodity and currency hedging transactions.

Income tax payable went down from ₱ 302 million to **₱ 204 million** as tax liabilities of foreign subsidiaries decreased.

Long-term debt including current portion increased to **₱ 107.06 billion** mainly from the revaluation of outstanding US Dollar-denominated loans and availment of long-term loans, net of maturities paid during the period.

Deferred tax liabilities - net dropped by 5% **to ₱ 3.60 billion** from ₱ 3.78 billion level of end-2021 due to the net decrease in temporary differences with respect to depreciation and capital allowance of qualifying assets and leases.

Asset retirement obligation rose by 23% to **₱ 3.53 billion** compared to end-2021 level of ₱ 2.86 billion owing to the provision for accretion booked during the period and the remeasurement of future liability.

The **negative balance of Equity reserves** decreased from ₱ 18.34 billion to **₱ 16.89 billion** mainly from the translation gain on investments in foreign subsidiaries following the weakening of the peso against the US dollar.

Non-controlling interests rose by 14% to **₱ 8.38 billion** mainly from its proportionate share in net income during the period, net of dividends paid.

<u>2021 vs 2020</u>

	December 31		Horizontal Analysis Increase (Decrease)		Vertical Analysis December 31	
	2021	2020	Amount	%	**2021**	2020
Cash and cash equivalents	**36,406**	27,053	9,353	35%	**9%**	8%
Financial assets at fair value	**1,005**	603	402	67%	**0%**	0%
Investments in debt instruments	**-**	184	(184)	(100%)	**0%**	0%
Trade and other receivables - net	**51,745**	27,195	24,550	90%	**13%**	8%
Inventories	**67,684**	44,922	22,762	51%	**17%**	13%
Other current assets	**31,195**	32,337	(1,142)	(4%)	**8%**	9%
Total Current Assets	**188,035**	132,294	55,741	42%	**46%**	38%
Investment in debt instruments	**-**	197	(197)	(100%)	**0%**	0%
Investment in shares of stock of an Associate	**1,012**	-	1,012	high	**0%**	0%
Property, plant and equipment - net	**171,602**	168,831	2,771	2%	**42%**	48%
Right of Use - net	**5,648**	6,045	(397)	(7%)	**1%**	2%
Investment property - net	**29,175**	30,049	(874)	(3%)	**7%**	9%
Deferred tax assets - net	**2,172**	2,190	(18)	(1%)	**1%**	1%
Goodwill - net	**8,235**	8,031	204	3%	**2%**	2%
Other noncurrent assets - net	**1,541**	2,088	(547)	(26%)	**0%**	1%
Total Noncurrent Assets	**219,385**	217,431	1,954	1%	**54%**	62%
Total Assets	**407,420**	349,725	57,695	16%	**100%**	100%
Short term loans	**109,196**	77,704	31,492	41%	**27%**	22%
Liabilities for crude oil and petroleum products	**42,641**	22,320	20,321	91%	**10%**	6%
Trade and other payables	**14,001**	15,402	(1,401)	(9%)	**3%**	4%

Current portion of lease liability	**1,335**	1,243	92	7%	**0%**	0%
Derivative liabilities	**997**	1,124	(127)	(11%)	**0%**	0%
Income tax payable	**302**	162	140	86%	**0%**	0%
Current portion of long-term debt - net	**21,580**	31,114	(9,534)	(31%)	**5%**	9%
Total Current Liabilities	**190,052**	149,069	40,983	27%	**47%**	43%

Forward

	December 31		**Horizontal Analysis** Increase (Decrease)		**Vertical Analysis** December 31	
	2021	2020	Amount	%	**2021**	2020
Long-term debt - net of current portion	**81,065**	88,340	(7,275)	(8%)	**20%**	25%
Retirement benefits liability - net	**3,327**	3,705	(378)	(10%)	**1%**	1%
Deferred tax liabilities - net	**3,784**	3,084	700	23%	**1%**	1%
Lease liability - net of current portion	**14,220**	14,561	(341)	(2%)	**3%**	4%
Asset retirement obligation	**2,857**	2,867	(10)	(0%)	**1%**	1%
Other noncurrent liabilities	**1,202**	1,904	(702)	(37%)	**0%**	1%
Total Noncurrent Liabilities	**106,455**	114, 461	(8,006)	(7%)	**26%**	33%
Total Liabilities	**296,507**	263,530	32,977	13%	**73%**	75%
Capital stock	**9,485**	9,485	-	0%	**2%**	3%
Additional paid-in capital	**37,500**	37,500	-	0%	**9%**	11%
Capital securities	**62,712**	36,481	26,231	72%	**15%**	10%
Retained earnings	**30,232**	29,799	433	1%	**7%**	9%
Equity Reserves	**(18,341)**	(18,371)	30	(0%)	**(5%)**	(5%)
Treasury stock	**(18,000)**	(15,122)	(2,878)	19%	**(4%)**	(4%)
Total Equity Attributable to Equity Holders of the Parent Company	**103,588**	79,772	23,816	30%	**25%**	23%
Non-controlling Interests	**7,325**	6,423	902	14%	**2%**	2%
Total Equity	**110,913**	86,195	24,718	29%	**27%**	25%
Total Liabilities and Equity	**407,420**	349,725	57,695	16%	**100%**	100%

The **Consolidated assets** of Petron Corporation and its Subsidiaries as of end-2021 amounted to **₱ 407.42 billion**, 16% or ₱ 57.69 billion higher than end-2020 balance of ₱ 349.73 billion. The increase in total assets can be traced to higher inventories, trade and other receivables, and cash and cash equivalents.

Cash and cash equivalents increased by **35**% to **₱ 36.41 billion** from ₱ 27.05 billion mainly from the proceeds of perpetual securities issuance and availment of loans, reduced by cash dividend and distribution payments, spending for capital projects and increase in working capital requirements during the year.

Financial assets at fair value went up to **₱ 1.01 billion** from ₱ 603 million due to higher gains on outstanding currency hedges.

Investments in debt instruments (current and non-current) became **nil** from the **₱ 381 million** balance as of end-2020 with the deconsolidation of Petrogen Insurance Corporation (PIC) from the Petron Group.

Trade and other receivables - net rose by 90% to **₱ 51.75 billion** owing to higher prices, and further elevated by the increase in government receivables of Petron Malaysia, partly countered by the decrease in non-trade receivables of the Parent Company.

Inventories increased by ₱ 22.76 billion to **₱ 67.68 billion** mainly from higher prices partly offset by lower volume of finished products versus the end 2020 level.

Investment in shares of stock of an associate amounting to **₱ 1.01 billion** is a result of the decrease in ownership interest of the Parent Company in PIC from 100% to 25.06% effective February 2021.

Right of use asset – net declined by 7% or ₱ 397 million to **₱ 5.65 billion** due to depreciation for the period.

Other noncurrent assets – net declined to **₱ 1.54 billion** from ₱ 2.09 billion mostly from the amortization of deferred input tax.

Short-term loans increased to **₱ 109.20 billion** from end-2020 level of ₱ 77.70 billion due to borrowings to support the increase in working capital requirements.

Liabilities for crude oil and petroleum products stood higher at **₱ 42.64 billion** compared to end-2020 level of ₱ 22.32 billion owing primarily to the continuous increase in prices during the period.

Trade and other payables declined by 9% or ₱ 1.40 billion to **₱ 14.00 billion** due to lower outstanding liabilities to contractors and vendors.

Derivative liabilities decreased by 11% to **₱ 997 million** with the lower expected payout on outstanding commodity hedges, as well as currency hedges under hedge accounting.

Income tax payable grew by 86% from ₱ 162 million to **₱ 302 million** as tax liabilities of Petron Malaysia increased.

Long-term debt (including current portion) declined to **₱ 102.65 billion** from end-2020 balance of ₱ 119.45 billion as a result of the Parent Company's prepayment and amortization of existing peso and dollar loans partly offset by the issuance of retail bonds.

Retirement benefits liability – net decreased by 10% to **₱ 3.33 billion** after considering the contributions made to the retirement fund during the year.

Deferred tax liabilities – net went up to **₱ 3.78 billion** from ₱ 3.08 billion due to Petron Malaysia's temporary differences with respect to depreciation of qualifying assets.

Other noncurrent liabilities stood at **₱ 1.20 billion**, 37% lower than end-2020 level due to lower customer deposits and liabilities from cash flow hedges.

Capital Securities moved up by 72% to **₱ 62.71 billion** traced to the issuance of the US$550 million Senior Perpetual Capital Securities.

Treasury Stock increased by 19% to **₱ 18.00 billion** attributed to redemption of preferred shares.

Non-controlling interests rose by 14% to **₱ 7.33 billion** mainly from its proportionate share in net income during the period.

Cash Flows

2023 vs 2022

As of December 31, 2023, cash and cash equivalents stood at **₱ 27.52 billion,** lower by ₱ 9.66 billion compared to its balance at the beginning of the year. Cash generated from operations of ₱ 43.40 billion were used to cover the increase in working capital requirement (₱ 5.26 billion), pay interest and taxes (₱ 19.21 billion), and fund various capital projects (₱ 6.44 billion). Proceeds received from the reissuance of preferred shares, net long-term loans availed, and excess cash from operations were used to redeem the outstanding capital securities amounting to ₱ 27.47 billion

In Million Pesos	**December 21, 2023**	**December 31, 2022**	**Change**
Operating inflows (outflows)	19,204	(22,674)	41,878
Investing outflows	(6,438)	(2,382)	(4,056)
Financing inflows (outflows)	(21,753)	22,807	(44,560)

2022 vs 2021

As of December 31, 2022, cash and cash equivalents stood at **₱ 37.18 billion**. During the year, cash generated from operations of ₱ 31.95 billion was used to fund the P 13.09 billion in interest and tax payments, ₱ 5.68 billion spending for various refinery, terminal, and service station capital projects, and to partly cover the increase in working capital requirement of ₱ 38.31 billion. The ₱ 22.81 billion net cash provided by financing activities covered the balance of the higher working capital requirements.

In Million Pesos	**December 21, 2022**	**December 31, 2021**	**Change**
Operating outflows	(22,674)	(10,668)	(12,006)
Investing outflows	(2,382)	(9,759)	7,377
Financing inflows	22,807	28,098	(5,291)

2021 vs 2020

As of end-2021, cash and cash equivalents stood at **₱ 36.41 billion**. Cash generated from internal operations of ₱ 28.45 billion and the issuance of Capital securities amounting to ₱ 26.23 billion were used to finance the increase in working capital requirements of ₱ 29.32 billion, pay interest and taxes amounting to ₱ 9.64 billion, and settle maturing loans, dividends and distributions. During the year, the Company also spent ₱ 9.89 billion for various capital projects at the refinery, service stations and terminals.

In Million Pesos	**December 31, 2021**	December 31, 2020	Change
Operating inflows (outflows)	**(10,668)**	2,533	(13,201)

Investing outflows	**(9,759)**	(8,437)	(1,322)
Financing inflows	**28,098**	318	27,780

Discussion of the Company's key performance indicators:

Ratio	**December 31, 2023**	December 31, 2022	December 31, 2021
Current Ratio	**1.0**	1.1	1.0
Debt to Equity Ratio	**3.5**	3.1	2.7
Return on Equity (%)	**9.5**	6.0	6.2
Interest Rate Coverage Ratio	**1.7**	1.6	1.7
Assets to Equity Ratio	**4.5**	4.1	3.7

Current Ratio - Total current assets divided by total current liabilities.

This ratio is a rough indication of a company's ability to service its current obligations. Generally, higher current ratio indicates greater ability of the company to pay currently maturing obligations.

Debt to Equity Ratio - Total liabilities divided by total stockholders' equity (including non-controlling interest).

This ratio expresses the relationship between capital contributed by creditors and that contributed by owners. It indicates the degree of protection provided by the owners for the creditors. The higher the ratio, the greater the risk being assumed by creditors. A lower ratio generally indicates greater long-term financial safety.

Return on Equity - Net income divided by average total stockholders' equity.

This ratio reveals how much profit a company earned in comparison to the total amount of shareholder equity fund in the statements of financial position. A business that has a high return on equity is more likely capable of generating cash internally. For the most part, the higher a company's return on equity compared to its industry, the better.

Interest Rate Coverage Ratio – Earnings before interests and taxes divided by interest expense and other financing charges.

This ratio is used to assess the company's financial stability by examining whether it is profitable enough to pay off its interest expenses. A ratio greater than 1 indicates that the company has more than enough interest coverage to pay off its interest expense.

Assets to Equity Ratio – Total assets divided by total equity (including non-controlling interest).

This ratio is used as a measure of financial leverage and long-term solvency. The function of the ratio is to determine the value of the total assets of the company less any portion of the assets that are owned by the shareholders of the corporation.

[Rest of page intentionally left blank]

BUSINESS ENVIRONMENT

Philippine Economy

Philippine GDP growth fell to 5.6% in 2023, lower than 2022 growth of 7.6%, and also below the government target of 6% to 7%. However, despite the slower growth, the country has maintained its position as one of the fastest growing economies in Asia, together with Vietnam, China, and Malaysia with their GDP growth at 6.7%, 5.2%, and 3.4%, respectively. The country's economy was mainly driven by household consumption at 5.6%, as revenge spending extended longer than previously anticipated, but tempered by high inflation resulting in a slower expansion than last year's 8.3%. Growth was also supported by the jump on the spending on durable air transport equipment as a local airline conducted refleeting operations, together with the resumption of construction activities driven by robust government construction efforts. Meanwhile, pulling down the economic growth was the sluggish government spending and the decline in exports amidst increasing imports. Demand for tech products globally has also been sluggish throughout the year.

The peso averaged Php55.6/US$ in 2023, a 2.0% depreciation from Php54.5/US$ in 2022, as aggressive US Federal interest rate hikes underpin US dollar strength, and the Philippines remaining in a wide current deficit adds to the weakness of the peso.

Inflation averaged 6.0% in 2023, higher than the 5.8% average in 2022, and above the official 2%-4% target band. Increasing food prices, specifically those of rice due to global rice inflation and El Niño, kept inflation elevated. Price pressures from higher prices of fuel and electricity, as well as a weakening peso, also pushed up inflation.

Oil Market

Oil demand in the country grew by 6.6% to 80,956 thousand barrels ("MB") in the first half of 2023 from 75,962 MB in in the first half of 2022. The return to normality of the daily economic activities and lifting of the COVID-related state of public health emergency throughout the country contributed to the growth in demand for petroleum products. Crude price benchmark, Dubai, averaged $82.1 per barrel ("/bbl") in 2023, a decline from its 2022 average of $96.3/bbl with the slower economic and oil demand growth. Product cracks also weakened, with gasoline cracks declining from $18.8/bbl in the same period last year to $16.7/bbl, diesel cracks from $39.0/bbl to $24.3/bbl, and kero-jet cracks from $30.3/bbl to $22.5/bbl..

Any event that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

Guimaras Oil Spill Incident

On August 11, 2006, MT Solar I, a third party vessel contracted by the Company to transport approximately two million liters of industrial fuel oil, sank 13 nautical miles southwest of Guimaras, an island province in the Western Visayas region of the Philippines. In separate investigations by the Department of Justice ("DOJ") and the Special Board of Marine Inquiry ("SBMI"), both agencies found the owners of MT Solar I liable. The DOJ found the Company not criminally liable, but the SBMI found the Company to have overloaded the vessel. The Company has appealed the findings of the SBMI to the DOTr (then DOTC) and is awaiting its resolution. The Company believes that SBMI can impose administrative penalties on vessel owners and crew, but has no authority to penalize other parties, such as the Company, which are charterers.

Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims for both cases amount to Php292 million. The cases are still pending.

Any significant elements of income or loss (from continuing operations)

There are no significant elements of income or loss from continuing operations.

Seasonal aspects that have material effect on the financial statement

There were no seasonal items that have material effect on the financial statement.

All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

There were no off-balance sheet transactions, arrangements and obligations with unconsolidated entities or persons during the reporting period.

Audit and Audit-Related Fees

The Company paid KPMG the fees set out below for 2023 and 2022:

	2023 (in Pesos)	**2022 (in Pesos)**
Audit fees for professional services - Annual Financial Statement (tax-exempt and exclusive of out-of-pocket expenses)	7,134,200	6,744,200
Professional fees for due diligence and study on various internal projects	3,000,000	3,150,000
Professional fees for tax consulting services	-	-

KPMG, the external auditor of SMC, was first appointed by the Company in 2010. With a common external auditor, the consolidation of results of operations and account balances among the subsidiaries of SMC using a uniform audit approach was facilitated.

For 2023, the Audit Committee, at its meeting held on March 6, 2023, endorsed the re-appointment of KPMG as external auditor of the Company for 2023 and the approval of KPMG's proposed fees. At its meeting held later on the same day, the Board of Directors, finding the recommendation of the Audit Committee to be in order, endorsed the re-appointment of KPMG as external auditor of the Company for 2023 and approved its fees for the approval and ratification, respectively, of the stockholders at the annual stockholders' meeting. At the 2023 annual stockholders' meeting held on May 16, 2023, the re-appointment of KPMG as external auditor of the Company for 2023 and KPMG's fees were approved and ratified, respectively, by the stockholders.

A new engagement partner of KPMG, Ms. Rohanie C. Galicia, was assigned to the Company beginning with the 2022 audit of financial statements.

Set out in the next page is the report of the Audit Committee for the year 2023.

AUDIT COMMITTEE REPORT

The Board of Directors
Petron Corporation

The Audit Committee assists the Board of Directors in its oversight function with respect to the adequacy and effectiveness of internal control environment, compliance with corporate policies and regulations, integrity of the financial statements, the independence and overall direction of the internal audit function, and the selection and performance of the external auditor.

In the performance of our responsibilities, we report that in 2023:

- We reviewed and discussed with Controllers management the quarterly and annual financial statements of Petron Corporation and Subsidiaries and endorsed these for approval by the Board;
- We endorsed the re-appointment of R.G. Manabat & Co./KPMG as the Company's independent auditors for 2023;
- We reviewed with R.G. Manabat & Co./KPMG the scope and timing of their annual audit plan, audit methodology, and focus areas related to their review of the financial statements;
- We reviewed with R.G. Manabat & Co./KPMG, the audit observations and recommendations on the Company's internal controls and management's response to the issues raised;
- We reviewed with the Internal Audit Head the annual internal audit plan, approved the same, and satisfied ourselves on the independence of the internal audit function; and
- We reviewed on a quarterly basis Internal Audit's report on the adequacy and effectiveness of the internal control environment in the areas covered during the period.

The Board Audit Committee is satisfied with the scope and appropriateness of the Committee's mandate and that the Committee substantially met its mandate in 2023.

Margarito B. Teves
Chairperson
Independent Director

Estelito P. Mendoza
Director

Artemio V. Panganiban
Independent Director

Aurora T. Calderon
Director

Ricardo C. Marquez
Independent Director

Commitments for Capital Expenditure

In 2023, the Company spent Php3.38 billion in capital investments, of which Php2.38 billion was spent for refinery projects, including the Refinery Solid Fuel Fired Boilers ("RSFFFB") Phase 3. In addition, expenditures incurred for projects in depots amounted to Php312 million, service-station related expenditures totaled Php223 million and spending for other commercial, maintenance and miscellaneous projects amounted to Php461 million.

In 2022, the Company spent Php4.36 billion in capital investments, of which Php3.63 billion was spent for refinery projects, including the RSFFFB Phase 3. In addition, expenditures incurred for projects in depots amounted to Php319 million, service-station related expenditures totaled Php336 million and spending for other commercial, maintenance and miscellaneous projects amounted to Php75 million.

Any Known Trends, Events or Uncertainties with Material Impact on Liquidity and Net Sales or Revenues or Income

The Company is in a healthy liquidity position with ample cash balances, and strong support from domestic and international banks for its working capital lines. The Company is not in default or breach of any loans or other financing arrangements, does not anticipate any cash flow or liquidity problems, and does not have a significant amount of trade payables that has not been paid within agreed trade terms. Working capital requirements are sufficiently addressed by the Company's healthy cash balances, available credit lines from financial institutions, and continuous and prudent management of the Company's cash position.

Crude oil accounts for over 40% of the Company's total cost of goods sold. Because of the commodity nature of oil, the cost of the Company's refined products is highly dependent on international crude oil and product prices. Fluctuations in the price of crude oil and finished products in the global market arise from factors that are beyond the Company's control, such as changes in global oil supply and demand. The Company's financial results are primarily affected by the differential or margin between the prices for its refined petroleum products and the prices for the crude oil that is the main raw material for these refined petroleum products, geopolitical factors (such as the current Russia-Ukraine conflict), global economic conditions, weather, and government regulations. The Company holds approximately two months of crude oil and finished petroleum products inventory in the Philippines, which is accounted for using the first in-first-out method. Thus, a sharp drop in crude oil prices, for example, will result in losses, as the Company sells products produced from higher-priced crude oil, at lower prices.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no changes in and disagreements with accountants on accounting and financial disclosures.

[Rest of page intentionally left blank;
"Part IV - Management and Certain Security Holders" follows on next page]

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

(A) Directors, Executive Officers and Board Committees of the Registrant

(i) Director and Executive Officers

Listed below are the directors and officers of the Company from Vice President and up (including the Corporate Secretary), with their respective ages, citizenships, and current and past positions held and business experience for at least the past five (5) years.

Directors

Name	Age	Position	Year Appointed as Director
Ramon S. Ang	70	President and Chief Executive Officer	2009
Lubin B. Nepomuceno	72	Director and General Manager	2013
Ron W. Haddock	83	Director	2008
Estelito P. Mendoza*	94	Director	2009
Aurora T. Calderon	69	Director	2010
Mirzan Mahathir	65	Director	2010
Francis H. Jardeleza	74	Director	2020
Virgilio S. Jacinto	67	Director	2010
Nelly F. Villafuerte	87	Director	2011
Jose P. de Jesus	89	Director	2014
Horacio C. Ramos	78	Director	2018
John Paul L. Ang	44	Director	2021
Artemio V. Panganiban	87	Independent Director	2010
Margarito B. Teves	80	Independent Director	2014
Ricardo C. Marquez	63	Independent Director	2022

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

Set out below are the profiles of the Directors of the Company.

Ramon S. Ang, Filipino, born 1954, has served as the Chief Executive Officer and an Executive Director of the Company since January 8, 2009 and the President of the Company since February 10, 2015. He is also a member of the Company's Executive Committee. In relation to the oil and gas industry, Mr. Ang holds the following positions, among others: Chairman of SEA Refinery Corporation ("SEA Refinery"), New Ventures Realty Corporation ("NVRC"), Petron Freeport Corporation ("PFC"), Petron Fuel International Sdn. Bhd. (Malaysia) ("PFISB"), Petron Malaysia Refining & Marketing Bhd. (Malaysia) ("PMRMB"), and Petron Oil (M) Sdn. Bhd. ("POMSB") (Malaysia); Chairman and President of Mariveles Landco Corporation ("MLC"), Petrochemical Asia (HK) Ltd. ("PAHL"), and Robinson International Holdings Ltd. (Cayman Islands); Director of Las Lucas Construction and Development Corporation ("LLCDC"), Petron Oil & Gas Mauritius Ltd. ("POGM") and Petron Oil & Gas International Sdn. Bhd. ("POGI"). He also holds the following positions, among others: Chairman and Chief Executive Officer and President and Chief Operating Officer of San Miguel Global Power Holdings Corp. (formerly, SMC Global Power Holdings Corp.), Chairman and President of San Miguel Holdings Corp., SMC SLEX Inc. (formerly, South Luzon Tollway Corporation), San Miguel Equity Investments Inc., San Miguel Properties, Inc., San Miguel Aerocity Inc. and Privado Holdings Corporation; Chairman of San Miguel Brewery Inc. ("SMB"), San Miguel Foods, Inc., San Miguel Yamamura Packaging Corporation ("SMYPC"), Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, Petrogen Insurance Corporation ("Petrogen"), Philippine Diamond Hotel and

Resort, Inc., and Eagle Cement Corporation; Chairman, President and Chief Executive Officer of SMC TPLEX Corporation (formerly, Private Infra Dev Corporation); President and Chief Executive Officer of Northern Cement Corporation; Chairman and Chief Executive Officer of SMC Asia Car Distributors Corp.. He is also the sole director and shareholder of Master Year Limited. Mr. Ang formerly held the following positions, among others: Chairman of Cyber Bay Corporation and Liberty Telecoms Holdings, Inc.; President and Chief Operating Officer of PAL Holdings, Inc., and Philippine Airlines, Inc.; Director of Air Philippines Corporation; Chairman of Manila North Harbour Port Inc. ("MNHPI") (2015 – 2017); Vice Chairman and Director of the Manila Electric Company ("MERALCO"). Mr. Ang has held directorships in various domestic and international subsidiaries of SMC in the last five (5) years. He has a Bachelor of Science degree in Mechanical Engineering from the Far Eastern University. He holds a doctoral degree in Business Engineering (Honoris Causa, 2018) from the Far Eastern University and a Ph.D. in Humanities (Honoris Causa, October 1, 2006) from the National University.

Mr. Ang also holds the following positions in other publicly listed companies: Vice Chairman, President and Chief Executive Officer of San Miguel Corporation ("SMC") and San Miguel Food and Beverage, Inc. ("SMFB"); President and Chief Executive Officer of Top Frontier Investment Holdings Inc. ("Top Frontier"); Chairman of PMRMB (a company publicly listed in Malaysia), and San Miguel Brewery Hongkong Limited (a company publicly listed in Hong Kong); and President of Ginebra San Miguel, Inc. ("GSMI").

Lubin B. Nepomuceno, Filipino, born 1951, has served as a Director of the Company since February 19, 2013 and the General Manager of the Company since February 10, 2015. He is also a member of the Company's Executive Committee. He holds the following positions, among others: President and Chief Executive Officer of Petron Marketing Corporation ("PMC"); Director and Chief Executive Officer of PMRMB and Chairman of its Sustainability Committee; Director of POGI, PFISB, POMSB, LLCDC, NVRC, PFC, Philippine Polypropylene Inc. ("PPI"), PAHL, Mariveles Landco Corporation, Robinson International Holdings, Ltd., Petron Singapore Trading Pte. Ltd. ("PSTPL"), SMYPC and San Miguel Yamamura Packaging International, Ltd.; Chairman and Chief Executive Officer of Petron Foundation, Inc. ("PFI"); Chairman and President of Mema Holdings, Inc.; Chairman of Overseas Ventures Insurance Corporation Ltd. ("Ovincor") and Petrofuel Logistics, Inc. Mr. Nepomuceno has held various board and executive positions in the San Miguel Group. He started with SMC as a furnace engineer at the Manila Glass Plant in 1973 and rose to the ranks to become the General Manager of the San Miguel Packaging Group in 1998. He was also formerly the Senior Vice President and General Manager of the Company (September 2009 - February 2013) and the President of the Company (February 2013 - February 2015). He also served as the Chairman of Petrogen (until 2021) and a Director of MNHPI (2012 - 2014). Mr. Nepomuceno holds a Bachelor of Science degree in Chemical Engineering and master's degree in Business Administration from the De La Salle University. He also attended the Advanced Management Program at the University of Hawaii, University of Pennsylvania and Japan's Sakura Bank Business Management.

Mr. Nepomuceno does not hold a directorship in any company listed with the PSE other than Petron.

Estelito P. Mendoza, Filipino, born 1930, served as a Director of the Company from 1974 to 1986; thereafter, since January 8, 2009. He is a member of the Corporate Governance Committee and the Audit Committee. He is likewise a member of the Board of Directors of SMC, and Philippine National Bank ("PNB"). He has now been engaged in the practice of law for more than 70 years, and presently under the firm name Estelito P. Mendoza and Associates. He has been consistently listed for several years as a "Leading Individual in Dispute Resolution" among lawyers in the Philippines in the following directories/journals: "The Asia Legal 500", "Chambers of Asia" and "Which Lawyer?" yearbooks. He was also a Professorial Lecturer of law at the University of the Philippines and served as Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Provincial Governor of Pampanga. He was also the Chairman of the Sixth (Legal) Committee, 31st Session of the UN General Assembly and the Special Committee on the Charter of the United Nations and the Strengthening of the Role of the Organization. He holds a Bachelor of Laws degree from the University of the Philippines (*cum laude*) and

Master of Laws degree from Harvard University. He is the recipient on June 28, 2010 of a Presidential Medal of Merit as Special Counsel on Marine and Ocean Concerns and was also awarded by the University of the Philippines Alumni Association its 1975 “Professional Award in Law” and in 2013 its “Lifetime Distinguished Achievement Award”.

Of the companies in which Atty. Mendoza currently holds directorships other than Petron, SMC and PNB are also listed with the PSE.

Jose P. de Jesus, Filipino, born 1934, has served as a Director of the Company since May 20, 2014. He is an Independent Director and the Chairman of Converge ICT Solutions, Inc. He was the Chairman of Clark Development Corporation (March 2017 – November 2020), the President and Chief Executive Officer of Nationwide Development Corporation (September 2011 - June 2015), the Secretary of the Department of Transportation and Communications (July 2010 - June 2011), the President and Chief Operating Officer of MERALCO (February 2009 - June 2010), the President and Chief Executive Officer of Manila North Tollways Corporation (January 2000 - December 2008), Executive Vice President of the Philippine Long Distance Telephone Company (1993 - December 1999), Chairman of the Manila Waterworks & Sewerage System (1992 - 1993), the Secretary of the Department of Public Works and Highways (January 1991 - February 1993), and the President of the Development Academy of the Philippines (December 1987 – January 1991). He was awarded the Philippine Legion of Honor, Rank of Commander in June 1992 by then President Corazon C. Aquino. He was *Lux in Domino* Awardee (Most Outstanding Alumnus) of the Ateneo de Manila University in July 2012. He is also a Director of SMC Skyway Corporation, SMC TPLEX Corporation, SMC SLEX, Inc., Comstech Integration Alliance, Inc., AirAsia, Inc., Philippines AirAsia, Inc., as well as an Independent Director of Alviera Country Club. He is a Trustee of the Kapampangan Development Foundation and Holy Angel University, a Member of the Board of Advisors of Bantayog ng mga Bayani Foundation, an Eisenhower Exchange Fellow (1977 – present), and a member of the Management Association of the Philippines. Mr. de Jesus earned his Bachelor of Arts degree in Economics and holds a Master of Arts in Social Psychology from the Ateneo de Manila University. He also finished Graduate Studies in Human Development from the University of Chicago under university scholarship and Fulbright grant.

Of the companies in which Mr. de Jesus currently holds directorships, Converge Information and Communications Technology Solutions, Inc. is also listed with the PSE.

Ron W. Haddock, American, born 1940, has served as a Director of the Company since December 2, 2008. He holds the following positions, among others: Chairman and Chief Executive Officer of AEI; and lead independent director of the board of Delek Logistics Partners LP. Mr. Haddock was formerly Honorary Consul of Belgium in Dallas, Texas. He also served as Chairman of Safety-Kleen Systems; Chairman and Chief Executive Officer of Prisma Energy International and FINA, and held various management positions in Exxon Mobil Corporation including as Manager of Baytown Refinery, Corporate Planning Manager, Vice President for Refining, and Executive Assistant to the Chairman; and Vice President and Director of Esso Eastern, Inc. He holds a degree in Mechanical Engineering from Purdue University.

Mr. Haddock does not hold a directorship in any company listed with the PSE other than Petron.

Mirzan Mahathir, Malaysian, born 1958, has served as a Director of the Company since August 13, 2010. He is the Chairman and Chief Executive Officer of Crescent Capital Sdn. Bhd and Managing Director of Betamek Berhad. He holds directorships in several public and private companies. He was formerly the Executive Chairman of SBI Offshore Ltd., which is listed on the Singapore Stock Exchange (2017 - 2020) and the Executive Chairman and President of Konsortium Logistik Berhad (1992 - 2007). Mr. Mirzan graduated with a Bachelor of Science (Honours) degree in Computer Science from Brighton Polytechnic, United Kingdom and obtained his master's degree in Business Administration from the Wharton School, University of Pennsylvania, USA.

Mr. Mirzan does not hold a directorship in any company listed with the PSE other than Petron.

Aurora T. Calderon, Filipino, born 1954, has served as a Director of the Company since August 13, 2010. She is a member of the Executive Committee, the Audit Committee, the Risk Oversight Committee and the Related Party Transaction Committee. She holds the following positions, among others: Senior Vice President and Senior Executive Assistant to the President and Chief Operating Officer of SMC; President of Petrogen; Director of SMC, PMRMB, POGM, POGI, PMC, PFC, PSTPL, SEA Refinery, NVRC, LLCDC, SMYPC, Thai San Miguel Liquor Co., Ltd., SMC Global Power Holdings Corp., Rapid Thoroughfares Inc., Trans Aire Development Holdings Corp., and various subsidiaries of SMC; and Director and Treasurer of Petron-affiliate Top Frontier. She has served as a Director of MERALCO (January 2009 - May 2009), Senior Vice President of Guoco Holdings (1994 - 1998), Chief Financial Officer and Assistant to the President of PICOP Resources (1990-1998) and Assistant to the President and Strategic Planning at the Elizalde Group (1981 - 1989). She is a certified public accountant and is a member of the Capital Market Development Committee of the Financial Executives Institute of the Philippines and the Philippine Institute of Certified Public Accountants. She is also a director of the Market Governance Board of the Philippine Dealing System Holdings. Ms. Calderon graduated *magna cum laude* from the University of the East in 1973 with a degree in Business Administration major in Accounting and earned her master's degree in Business Administration from the Ateneo de Manila University in 1980.

Of the companies in which Ms. Calderon currently holds directorships other than Petron, SMC and Petron-affiliate Top Frontier are also listed with the PSE.

Francis H. Jardeleza, Filipino, born 1949, has served as a Director of the Company since August 4, 2020. He is likewise a Director of GSMI and SMFB. He is also a director of MORE Electric and Power Corporation. He has been a Professorial Lecturer in Constitutional, Administrative, Remedial and Corporation Law at the University of the Philippines College of Law since 1993. Justice Jardeleza is also currently a member of the International and Maritime Law Department of the Philippine Judicial Academy. He was formerly the Senior Vice President and General Counsel of SMC (1996 – 2010), a partner of Angara Abello Concepcion Regala and Cruz Law Offices (1975 – 1987), Roco Buñag Kapunan Migallos and Jardeleza Law Offices (1992 – 1995), Jardeleza Sobreviñas Diaz Hayudini and Bodegon Law Offices (1987 – 1990) and Jardeleza Law Offices (1990 – 1992). He is a retired Associate Justice of the Supreme Court of the Philippines (August 19, 2014 – September 25, 2019). He also served as Solicitor General of the Office of the Solicitor General of the Philippines (February 20, 2012 – August 18, 2014) and Deputy Ombudsman for Luzon of the Office of the Ombudsman of the Philippines (July 7, 2011 – February 19, 2012). Justice Jardeleza earned his Bachelor of Laws degree (salutatorian and *cum laude*) from the University of the Philippines in 1974, placed third in the bar exam that same year, and earned his Master of Laws degree from Harvard Law School in 1977.

Of the companies in which Justice Jardeleza currently holds directorships other than Petron, Petron-affiliates GSMI and SMFB are also listed with the PSE.

Virgilio S. Jacinto, Filipino, born 1956, has served as a Director of the Company since August 13, 2010. He is a member of the Corporate Governance Committee of the Company and an alternate member of the Executive Committee. He holds the following positions, among others: Corporate Secretary, Compliance Officer, Senior Vice President and General Counsel of SMC; Corporate Secretary and Compliance Officer of Top Frontier; Corporate Secretary of GSMI and the other subsidiaries and affiliates of SMC; and Director of various other local and offshore subsidiaries of SMC. Atty. Jacinto has served as a Director and Corporate Secretary of United Coconut Planters Bank, a Director of SMB, and San Miguel Northern Cement, Inc., a Partner of Villareal Law Offices (June 1985 - May 1993) and an Associate of SyCip Salazar Feliciano & Hernandez Law Office (1981 - 1985). Atty. Jacinto was an Associate Professor of Law at the University of the Philippines until October 2021. He obtained his law degree from the University of the Philippines (*cum laude*) where he was the class salutatorian and placed sixth in the 1981 bar examinations. He holds a Master of Laws degree from Harvard University.

Atty. Jacinto does not hold a directorship in any company listed with the PSE other than Petron.

Nelly Favis-Villafuerte, Filipino, born 1937, has served as a Director of the Company since December 1, 2011. She was a columnist with two columns in the Manila Bulletin for more than 34 years and resigned recently. She was also a former Member of the Monetary Board of the Bangko Sentral ng Pilipinas from 2005 until July 2011. She is the President and General Manager of LRV Agri-Science Farm, Inc., a family-owned corporation involved in organic farming, and a Director of Bicol Broadcasting Systems, Inc. (also a family-owned corporation). She is an author of business handbooks on microfinance, credit card transactions, exporting and cyberspace and a four (4)-volume series on the laws on banking and financial intermediaries (Philippines). Atty. Villafuerte has served as Governor of the Board of Investments (1998 - 2005), Undersecretary for the International Sector (Trade Promotion and Marketing Group) of the Department of Trade and Industry ("DTI") (July 1998 - May 2000), and Undersecretary for the Regional Operations Group of the DTI (May 2000 - 2005). She holds a master's degree in Business Management from the Asian Institute of Management ("AIM") and was a professor of international law/trade/marketing at the graduate schools of AIM, Ateneo Graduate School of Business and De La Salle Graduate School of Business and Economics. Atty. Villafuerte obtained her Associate in Arts and law degrees from the University of the Philippines, Diliman, Quezon City and ranked seventh place in the bar examinations held immediately after graduation.

Atty. Villafuerte does not hold a directorship in any company listed with the PSE other than Petron.

Horacio C. Ramos, Filipino, born 1945, has served as a Director of the Company since May 2018. He is also the President of Clariden Holdings, Inc. (2012 - present). He was previously a Director of SMC (2014 to 2016), the Secretary of the Department of Environment and Natural Resources (February 12 - June 30, 2010), and the Director of Mines and Geosciences Bureau (June 1996 - February 2010). Mr. Ramos has a Bachelor of Science degree in Mining Engineering from the Mapua Institute of Technology obtained in 1967, and has a Graduate Diploma in Mining and Mineral Engineering from the University of New South Wales, Australia in 1976, and a Master of Engineering in Mining Engineering also from the University of New South Wales, Australia in 1978.

Mr. Ramos does not hold a directorship in any company listed with the PSE other than Petron.

John Paul L. Ang, Filipino, born 1980, was elected as a Director of the Company on March 9, 2021. He has been a director of SMC since January 21, 2021, SMC Global Power Holdings Corp. since June 1, 2021, SMFB since June 2, 2021 and Top Frontier since July 9, 2021. On January 1, 2024, he accepted the position of President of San Miguel Equity Investments, Inc. He holds and has held various positions in Eagle Cement Corporation, such as the President and Chief Executive Officer since 2008, a Director since 2010, a member of the Audit Committee since 2020 and the Chairman of the Executive Committee since February 2017. He also served as a member of the Nomination and Remuneration Committee (February 13, 2017 – July 15, 2020) and the General Manager and Chief Operating Officer (2008 – 2016). He has been the President and Chief Executive Officer of South Western Cement Corporation since 2017 and a

Director of KB Space Holdings, Inc. since 2016. He was the Managing Director of Sarawak Clinker Sdn. Bhd. Malaysia (2002 – 2008) and the Purchasing Officer of Basic Cement (2002 – 2003). Mr. Ang has a Bachelor of Arts in Interdisciplinary Studies from the Ateneo de Manila University.

Of the companies in which Mr. Ang currently holds directorships, parent companies Top Frontier and SMC and Petron affiliate SMFB are also listed with the PSE.

Artemio V. Panganiban, Filipino, born 1936, has served as an Independent Director of the Company since October 21, 2010. He is the Chairman of the Related Party Transaction Committee and a member of the Audit and Corporate Governance Committees. He is a columnist of the Philippine Daily Inquirer, and an officer, adviser or consultant to several other business, civic, educational and religious organizations. He was the Chief Justice of the Philippines in 2005 - 2006; Associate Justice of the Supreme Court (1995 - 2005); Chairperson of the Philippine House of Representatives Electoral Tribunal (2004 - 2005); Senior Partner of Panganiban Benitez Parlade Africa & Barinaga Law Office (1963-1995); President of Baron Travel Corporation (1967 - 1993); and professor at the Far Eastern University, Assumption College and San Sebastian College (1961 - 1970). He authored over a dozen books and received various awards for his numerous accomplishments, most notably the “Renaissance Jurist of the 21st Century” conferred by the Supreme Court in 2006 and the “Outstanding Manilan” for 1991 by the City of Manila. Chief Justice Panganiban earned his Bachelor of Laws degree (*cum laude*) from the Far Eastern University in 1960, placed sixth in the bar exam that same year, and holds honorary doctoral degrees in law from several universities. He co-founded and headed the National Union of Students of the Philippines in 1957-1959. He is also an independent advisor of Metro Pacific Investments Corporation and an Independent Director of non-listed companies Asian Hospital, Inc., Metro Pacific Tollways Corporation, and TeaM Energy Corporation.

Apart from Petron, Chief Justice Panganiban is an Independent Director of the following listed companies: MERALCO, JG Summit Holdings, Inc., PLDT, Inc., RL Commercial REIT, Inc., GMA Network, Inc., GMA Holdings, Inc., and Asian Terminals, Inc. and is a non-executive Director of Jollibee Foods Corporation.

Margarito B. Teves, Filipino, born 1943, has served as an Independent Director of the Company since May 20, 2014 and currently sits as the Lead Independent Director of the Company. He is the Chairman of the Audit Committee and is a member of the Corporate Governance, the Related Party Transaction, and the Risk Oversight Committees of the Company. He is also an Independent Director of SMC and Atok Big Wedge Corporation, as well as Alphaland Corporation, Alphaland Balesin Island Club, Inc., and Atlantic Atrium Investments Philippines Corporation. He is also the Managing Director of The Wallace Business Forum. He was the Secretary of the Department of Finance of the Philippine government (2005 - 2010), and was previously the President and Chief Executive Officer of the Land Bank of the Philippines (2000 - 2005), among others. He was awarded as “2009 Finance Minister of Year/Asia” by the London-based *The Banker* Magazine. He holds a Master of Arts degree in Development Economics from the Center for Development Economics, Williams College, Massachusetts and is a graduate of the City of London College, with a degree of Higher National Diploma in Business Studies which is equivalent to a Bachelor of Science in Business Economics.

Of the companies in which Mr. Teves currently holds directorships other than Petron, SMC and Atok are also listed with the PSE.

Ricardo C. Marquez, Filipino, born 1960, has served as independent director of the Company since May 17, 2022. He currently holds the following positions: an independent director and the Chairman of the Risk Oversight Committee of SMFB (since March 2017); an independent director and the Chairman of the Risk Oversight Committee of Eagle Cement Corporation (since February 2017); an independent director of Top Frontier (since June 2022) and a member of the Board of Trustees of the Public Safety Mutual Benefit Fund, Inc. (beginning July 2015), after serving as its Chairman from July 2015 to June 2016. He served the Philippine National Police ("PNP") in various capacities before he became the PNP Chief in July 2015. He was awarded twice the Philippine Legion of Honor by the President of the Philippines, and feted by his alma mater with her highest award, the Cavalier Award as the Most Outstanding Alumnus in Special Operations. He completed the Senior Leadman Course of the University of the Philippines Open University; Leaders in Development Executive Program of the Harvard Kennedy School; the Strategic Business Economics Program of the University of Asia and the Pacific; the 224th Session of the Federal Bureau of Investigation National Academy; and the Senior Crisis Management Course of the Anti-Terrorism Assistance Program, Department of Homeland Security in Washington, D.C. He graduated from the Philippine Military Academy and holds a Master in Management degree from the Philippine Christian University.

Of the companies in which Gen. Marquez currently holds directorships other than Petron, Petron-affiliate SMFB is also listed with the PSE.

Board Attendance and Trainings/Corporate Governance Seminars in 2023

The schedule of the meetings for any given year is presented to the directors the year before.

The Board of Directors was therefore advised of the schedule of the board meetings for 2024 at the board meeting held on November 7, 2023. Similarly for 2023, the schedules of the meetings for this year was approved by the Board of Directors on November 8, 2022. Should any matter requiring immediate approval by the Board of Directors arise in between meetings, such matters are reviewed, considered and approved at meetings of the Executive Committee, subject to the Company's by-laws. Special meetings of the Board of Directors may also be called when necessary in accordance with the Company's by-laws.

In keeping abreast of the latest best practices in corporate governance and complying with applicable legal requirements, including SEC Memorandum Circular No. 13 (Series of 2013), all the directors of the Company (including all its executive officers and the Internal Auditor) attended a corporate governance seminar in 2023 conducted by providers duly accredited by the SEC and conducted in accordance with SEC Memorandum Circular No. 20, Series of 2013.

The list of the directors of the Company and the directors' attendance at meetings held in 2023 are set out below.

ATTENDANCE FOR 2023 MEETINGS AND CORPORATE COVERNANCE SEMINAR 2023

Director's Name	February 15 Special Board Meeting	March 6 Regular Board Meeting	May 10 Regular Board Meeting	May 16 Annual Stockholders' Meeting	May 16 Organizational Board Meeting	August 1 Regular Board Meeting	November 7 Regular Board Meeting	Attendance at Corporate Governance Seminar in 2023
1. Ramon S. Ang	✓	✓	✓	✓	✓	✓	✓	✓
2. Lubin B. Nepomuceno	✓	✓	✓	✓	✓	✓	✓	✓
3. Estelito P. Mendoza	✓	✓	✓	✓	✓	✓	✓	✓
4. Jose P. De Jesus	✓	✓	✓	✓	✓	✓	✓	✓
5. Ron W. Haddock	✓	✓	✓	✓	✓	✓	✓	✓
6. Mirzan Mahathir	✓	✓	✓	✓	✓	✓	✓	✓
7. Aurora T. Calderon	✓	✓	✓	✓	✓	✓	✓	✓
8. Francis H. Jardeleza	✓	✓	✓	✓	✓	✓	✓	✓
9. Virgilio S. Jacinto	✓	✓	✓	✓	✓	✓	✓	✓
10. Nelly Favis-Villafuerte	✓	✓	✓	✓	✓	✓	✓	✓
11. Horacio C. Ramos	✓	✓	✓	✓	✓	✓	✓	✓
12. John Paul L. Ang	✓	✓	✓	✓	✓	✓	✓	✓
13. Artemio V. Panganiban	✓	✓	✓	✓	✓	✓	✓	✓
14. Margarito B. Teves	✓	✓	✓	✓	✓	✓	✓	✓
15. Ricardo C. Marquez	✓	✓	✓	✓	✓	✓	✓	✓

Legend: ✓ - Present

Officers

The following were the officers from Vice President and up (including the Corporate Secretary) of the Company as of the date of this report:

Name	Age	Nationality	Position	Year Appointed as Officer
Ramon S. Ang	70	Filipino	President and Chief Executive Officer	as President: 2015; as Chief Executive Officer: 2009
Lubin B. Nepomuceno	72	Filipino	General Manager	2015
Emmanuel E. Eraña	63	Filipino	Senior Vice President and Chief Finance Officer	2009
Freddie P. Yumang	66	Filipino	Senior Vice President – Chief Risk Officer	2023
Albertito S. Sarte	57	Filipino	Deputy Chief Finance Officer and Treasurer	as Treasurer: 2009; as Deputy Chief Finance Officer and Treasurer: 2021
Maria Rowena Cortez	59	Filipino	Vice President – Supply	2009
Jaime O. Lu	60	Filipino	Vice President and Executive Assistant to the President on Petron Malaysia Operations, Refinery Special Projects and Retail Engineering and Network Development	2018

Maria Rosario D. Vergel de Dios	60	Filipino	Vice President – Human Resources	2018
Myrna C. Geronimo	57	Filipino	Vice President and Controller	as Controller: 2019; as Vice President: 2020
Allister J. Go	58	Filipino	Vice President, Refinery	2020
Reynaldo V. Velasco, Jr.	58	Filipino	Vice President, Refinery Plant Operations	2020
Magnolia Cecilia D. Uy	57	Filipino	Vice President, Retail Sales	2021
Virgilio V. Centeno	54	Filipino	Vice President, Industrial Sales	2021
Mark Tristan Caparas	40	Filipino	Vice President and Chief Finance Officer, Petron Malaysia	2022
Jonathan F. Del Rosario	56	Filipino	Vice President, Operations and Corporate Technical Services Group	2023
Lemuel C. Cuezon	58	Filipino	Vice President, Marketing	2023
Jhoanna Jasmine M. Javier-Elacio	51	Filipino	Assistant Vice President – General Counsel and Corporate Secretary	2023

Set out below are the profiles of the officers of the Company from Vice President and up (including the Corporate Secretary) as of the date of this report who are not nominees for directors.

Emmanuel E. Eraña, Filipino, born 1960, has served as the Senior Vice President and Chief Finance Officer of the Company since January 2009. He holds the following positions, among others: Chairman, President and Chief Executive Officer of LLCDC; Chairman and President of South Luzon Prime Holdings Inc. ("SLPHI") and Parkville Estates Development Corporation ("PEDC"); President and Chief Executive Officer of NVRC; President of PFI and SEA Refinery; Vice President of Ovincor; Director of PFC, PMC, Abreco Realty Corporation ("ARC"), PPI, Mema, Weldon, PLI, PFISB, POMSB, and Petron Finance (Labuan) Limited; and Alternate Director of POGM and POGI. He was formerly the President of Petrogen. Mr. Eraña also held the following positions in the San Miguel Group: as the Vice President and Chief Information Officer (January 2008 – December 2009), Vice President and Executive Assistant to the Chief Financial Officer, Corporate Service Unit (December 2006 – January 2008), Vice President and Chief Finance Officer of SMFBIL/NFL Australia (May 2005 – November 2006), Vice President and Chief Finance Officer of SMPFC (July 2002 – May 2005), and Assistant Vice President and Finance Officer (January 2001 – June 2002), Assistant Vice President and Finance and Management Services Officer, San Miguel Food Group (2000 – 2001). He also served as a Director of MNHPI (2012 – 2017). Mr. Eraña has a Bachelor of Science degree in Accounting from the Colegio de San Juan de Letran.

Freddie P. Yumang, Filipino, born 1958, has served as the Senior Vice President – Chief Risk Officer of the Company since January 1, 2023. He held the following positions in the Company: as Petron Consultant (January 2020 – December 2022), Senior Vice President – Bataan Refinery (February 2018 – December 2019) and Vice President – Bataan Refinery (June 2009 – January 2018). He is a Director of MLC, PAHL and RIHL. He was formerly the President of the National Association of Mapua Alumni, former President of the Foundation of Outstanding Mapuans, the President of Mechanical Engineering Alumni of Mapua, and the National Director of the Philippine Society for Mechanical Engineers. He is the current President of Philippine Society of Industrial Plant Specialists. Mr. Yumang is a Professional Mechanical Engineer who graduated from the Mapua Institute of Technology, with earned units for a master's degree in Business Administration from the De La Salle University and completed short Management courses at the Asian Institute of Management.

Maria Rowena O. Cortez, Filipino, born 1964, has served as the Vice President for Supply of the Company since November 2013. She is also a Director of PSTPL, PPI, PAHL, RIHL and MLC. The various positions she has held in the Company include Vice President for Supply & Operations (July 2010 – November 2013), Vice President for Supply (June 2009-June 2010) and various managerial and supervisory positions in the Marketing/Sales and Supply and Operations Divisions of Petron. Ms. Cortez also held various positions at the Phil. National Oil Company-Energy Research and Development Center from 1986 to 1993. She holds a Bachelor of Science degree in Industrial Engineering and a Master's Degree in Business Administration both from the University of the Philippines, Diliman. She also took post graduate courses at the AIM, University of Oxford in Oxfordshire, UK and ExecOnline-Columbia University. She has attended local and foreign trainings and seminars on leadership, market research, supply chain, commodity risk management, petroleum, petrochemicals and energy oil trading.

Albert S. Sarte, Filipino, born 1967, has served as Deputy Chief Finance Officer and Treasurer of the Company since May 4, 2021 and was Vice President – Treasurer since August 2009. He is also the Treasurer of most of the Company's subsidiaries. Mr. Sarte served as Assistant Vice President for SMC International Treasury until June 2009. He graduated from the Ateneo de Manila University in 1987 with a Bachelor of Science degree in Business Management and has attended the Management Development Program of the AIM in 1995.

Jaime O. Lu, Filipino, born 1963, has served as the Company's Vice President and Executive Assistant to the President on Petron Malaysia Operations, Retail Engineering and Network Development, and other Special Projects since November 2018. He is also a director of PLI, PFISB and POMSB. Mr. Lu was formerly the Company's Vice President – Operations Manager for Petron Malaysia (April 2012 – October 2018), and Vice President - General Manager of PPI (January 2011 – February 2012). He holds a Bachelor of Science Degree in Chemical Engineering from the Pamantasan ng Lungsod ng Maynila and a master's degree in Business Administration from the Ateneo de Manila University.

Maria Rosario D. Vergel de Dios, Filipino, born 1963, has served as Vice President for Human Resources Management of the Company since November 16, 2018. Other positions she has held include Assistant Vice President for Human Resources (July 2012 – November 15, 2018), Head for Human Resources (October 2011 – June 2012), Human Resources Planning and Services Manager (October 2008 – September 2011), Payroll and Benefits Officer (January 2002 – September 2008), Payroll Officer (February 1997 to – December 2001), Assistant for Treasury/ Funds Management (May 1994 to – January 1997), Assistant for Treasury/ Foreign Operations (September 1991 – April 1994) and Secretary for the Office of the President (April 1991 – August 1991). She has a Bachelor of Science degree in Economics from the University of the Philippines and a master's degree in Business Management from the Ateneo de Manila University.

Magnolia Cecilia D. Uy, Filipino, born 1966, has served as Vice President for Retail Sales since October 1, 2021. She was formerly the Vice President for Management Services Division of the Company from February 13, 2020 to September 30, 2021. Other positions she has held include Assistant Vice President for Management Services (June 2018 – February 2020), Assistant Vice President for Market Planning, Research and Sales Information and concurrent Head of the Management Information Systems (February 2018 – May 2018) and Assistant Vice President for Market Planning, Research and Sales Information (February 2013 – January 2018). She is Chief Executive Officer and President of PFC; Director of PMC, NVRC and LLCDC; and a Trustee of PFI. She has a Bachelor of Science degree in Computer Science and a master's degree in Business Administration from the University of the Philippines.

Myrna C. Geronimo, Filipino, born 1966, has served as Vice President for Controllers and Controller the Company since February 13, 2020. She holds the following positions, among others: Controller of PFC, PMC, NVRC, LLCDC, MLC, PPI, Mema and PLI; Director, Controller and Treasurer of SLHPI and PEDC; and Director of PSTPL. She is also the Controller of PFI. Ms. Geronimo was formerly the Assistant Vice President for Controllers and Controller of the Company and the Chief Finance Officer of PMRMB, PFISB and POMSB. Ms. Geronimo holds a Bachelor in Accountancy *(magna cum laude)* from the Polytechnic

University of the Philippines. She is a certified public accountant and a certified management accountant (Australia).

Allister J. Go, Filipino, born 1965, has served as Vice President for Refinery of the Company since February 13, 2020. He is Director of MLC, ARC, PPI, PAHL and RIHL. He is also a Trustee of PFI. Other positions he has held include Head of Refinery Plant Operations (February 2018 – November 2019), Assistant Vice President for Refinery Production A (January 2018), Officer-in-Charge of Refinery Production A (April 2017 – December 2017), Operations Manager of Refinery Production B (July 2014 – March 2017), Project Manager of RMP2 Project (December 2010 – June 2014), Supply Head, Supply Division (June 2010 – November 2010), Manager of Production Division B Expansion Facilities (June 2009 – May 2010), Manager of Refinery Planning and Quality Control (January 2007 – May 2009), Refinery Engineering Technology Manager (April 2003 – Dec 2006), and Assistant Manager of Business Development, Corporate Planning (June 2001 – March 2003), Business Development Officer, Corporate Planning (March 1995 – May 2001). He joined the Company as a Refinery Process Design Engineer in May 1988 and has handled several positions in the refinery, including Linear Program Engineer, prior to his assignment in Corporate Planning. He graduated from Adamson University in 1987 with a Bachelor of Science degree in Chemical Engineering and placed Top 2 in the November 1987 Chemical Engineering Licensure Exam. He has attended the Management Development Program of the Asian Institute of Management in 2002 as well as several foreign and local trainings and seminars, including an Engineering Design Course at UOP in Illinois, USA in 1993.

Reynaldo V. Velasco, Jr., Filipino, born 1965, has served as Vice President for Refinery Plant Operations (Production A and B) since February 13, 2020. He is a Director of ARC. He was formerly Assistant Vice President – Technical Services Refinery (November 2018 – January 2020), Assistant Vice President – Production B Refinery (January 2018 – October 2018), Officer-in-Charge – Production B Refinery (April 2017 – December 2017), Manager – Technical Services B Refinery (July 2014 – March 2017), Project Manager – Block B RMP 2 Refinery (December 2010 – June 2014), Manager – PBR SPG Technology Operations (November 2009 – November 2010), Area Manager – Operations Process Block 1 (January 2007 – November 2009), Area Manager – Operations Process Block 2 (July 2005 – December 2006), Area Manager – Operations Process Block 1 (July 2003 – June 2005), Process Specialist (January 2002 – June 2003), Senior Process Engineer (April 2000 – December 2001), Shift Supervisor – PBR Operations (November 1998 – March 2000), Operations Engineer – PBR Engineering (September 1993 – October 1998), Process Design Engineer – PBR Engineering (July 1990 – August 1993). He has a Bachelor of Science degree in Chemical Engineering from the University of Sto. Tomas.

Virgilio V. Centeno, Filipino, born 1969, has been serving as Vice President for Industrial Sales since October 1, 2021. Other positions he has held include Vice President for LPG and Strategic Business Development (May 1, 2021 – September 30, 2021), Assistant Vice President – LPG Business Group (September 2019 – April 2021), Assistant Vice President – LPG, Lubes & Greases/Commercial Sales (June 2018 – August 2019), Assistant Vice President – Lubes & Greases/National Sales (September 2016 – May 2018), LPG and Lubes & Greases Trade Manager/National Sales (March 2016 – August 2016), Card Sales Manager/Reseller Trade/National Sales (August 2013 – February 2016), Card Sales Manager/LPG, Lubes & Greases, and Cards/National Sales (July 2012 – July 2013), National Accounts Manager/Industrial Trade (June 2009 – June 2012), Fleet Cards Sales Manager/Cards Business Group (August 2006 – June 2009), Business Development Coordinator/Direct Retail/Convenience Retail (November 2005 – July 2006), IMD Account Executive/Industrial Trade (February 2003 – October 2005), Special Projects Engineer/Technical Services (April 2002 – January 2003), Field Technical Services Engineer/Technical Services (February 1993 – March 2002) and Analyst, EDD/Geothermal (February 1992 – January 1993). Mr. Centeno has a BS Mechanical Engineering degree from the Bulacan College of Arts and Trades (*magna cum laude*).

Mark Tristan D. Caparas, Filipino, born 1983, has served as Vice President for Petron Malaysia since March 8, 2022. He is the Chief Finance Officer of PMRMB, PFISB and POMSB. He is a Director of SLPHI and PEDC. Other positions he has held include Assistant Vice President and Chief Finance Officer for Petron Malaysia (February 13, 2020 – March 7, 2022), Chief Finance Officer for Petron Malaysia (July 1, 2019 – February 12, 2020), Assistant Controller, Office of the CFO (September 2015 – June 2019), Financial Analysis and Compliance Manager (August 2014 – August 2015), Finance Manager, Philippine Polypropylene Inc./Office of the CFO (July 2010 – July 2014), Financial Analyst (April 2009 – June 2010) and Credit Analyst, Credit/Finance Subsidiaries (February 2006 – March 2009). Mr. Caparas has a Bachelor of Science degree in Business Administration and Accountancy (*magna cum laude*) from the University of the Philippines and has a master's degree in Business Administration from the Ateneo Graduate School of Business and is a licensed CPA.

Jonathan F. Del Rosario, Filipino, born 1967, is the Vice President for Operations and Corporate Technical Services Group of the Company appointed on March 6, 2023 effective April 1, 2023. Other positions he has held include Assistant Vice President for Operations and CTSG OIC (April 1, 2022 – March 2023), Assistant Vice President for Metro Manila and Manufacturing District (March 8 – July 31, 2022), Manager – Metro Manila and Manufacturing District (August 2021 – March 7,2022), Manager – Lube Manufacturing (January 2021 – July 2021), Manager – Special Assignment (November 2020 – December 2020), Manager – Visayas Operations (September 2019 – November 2020), Manager – Batangas Terminal (April 2015 – August 2019), Manager – Limay Terminal (October 2012 – April 2015), Manager – Pandacan Terminal (May 2011 – October 2012), Manager – Limay Terminal (May 2005 – April 2011), Engineer – Luzon Operations (August 2000 – May 2005), Engineer – Luzon Operations/Poro (December 1996 – July 2000) and Engineer – Pandacan Terminal (December 1991 – November 1996). Mr. Del Rosario has a Bachelor of Science degree in Electrical Engineering from the FEATI University.

Lemuel C. Cuezon, Filipino, born 1965, has served as Vice President for Marketing since March 6, 2023. Other positions he has held include Assistant Vice President for Marketing Division of the Company (April 4, 2022 – March 2023), Assistant Vice President – Market Planning, Research and Sales Information (February 13, 2020 – April 3, 2022), National Manager – Market Planning, Research and Sales Information (June 2018 – February 12, 2020), Luzon Regional Manager – Reseller Luzon (December 2017 – May 2018), VisMin Regional Manager – Reseller VisMin (July 2014 – November 2017), Metro Area Sales Manager – Reseller South Metro (February 2012 – June 2014), Mindanao Area Sales Manager – Reseller VisMin (June 2008 – January 2012), Marketing Coordinator – Retail Luzon (November 2003 – May 2008), Planning and Economics Coordinator – MPRAD (June 2003 – October 2003), Pricing and Business Coordinator – MPRAD (January 2001 – May 2003), Senior Pricing and Business Analyst – MPRAD (January 1999 – July 2000) and HR Assistant (February 1989 – December 1993). Mr. Cuezon has a Bachelor of Science degree in Industrial Engineering from the University of the Philippines.

Jhoanna Jasmine M. Javier-Elacio, Filipino, born 1972, has served as the Assistant Vice President – General Counsel, Corporate Secretary and Compliance Officer of the Company since March 6, 2023. She was the Corporate Secretary and Compliance Officer from March 31, 2022 to March 5, 2023, Assistant Corporate Secretary and Alternate Compliance Officer from May 15, 2012 until March 31, 2022. She is also the Corporate Secretary of a number of the domestic subsidiaries of the Company. Atty. Javier-Elacio was also the Legal Manager of Petron Corporation and the Assistant Corporate Secretary of Petron Foundation, Inc. and a number of the domestic subsidiaries of the Company (May 15, 2012 – March 31, 2022). She previously held the positions of Associate General Counsel of San Miguel Yamamura Packaging Corporation (January 2010-February 2012), Manager for Corporate Restructuring and Reorganization of San Miguel Corporation (December 2007-December 2009) and legal counsel of San Miguel Corporation (October 20005-November 2007). She has also acted as Corporate Secretary and Assistant Corporate Secretary of various subsidiaries of San Miguel Corporation. She was a former associate at the law firm Sycip Salazar Hernandez & Gatmaitan. Atty. Javier-Elacio holds a Bachelor of Arts degree in English (*cum laude*) and a Bachelor of Laws degree from the University of the Philippines, and a master's degree in law from the Kyushu University in Fukuoka, Japan.

Officer Trainings in 2023

All the executive officers of the Company completed a corporate governance seminar for year 2023 conducted in accordance with SEC Memorandum Circular No. 20, Series of 2013.

(ii) Board Committees; Board and Committee Charters

Pursuant to the new Corporate Governance Manual of the Company approved by the Board on May 8, 2017 (the "Corporate Governance Manual"), the Company has Executive, Audit, Corporate Governance, Risk Oversight, and Related Party Transaction Committees constituted in accordance with Corporate Governance Manual and the Company's By-Laws.

Their respective members were appointed at the organizational meeting held on May 16, 2023.

The Board charter and the charter of each of the board committees were adopted on May 16, 2017.

- **Executive Committee.** The Executive Committee is composed of not less than three (3) members, which shall include the Chairman of the Board of Directors and the President, with two (2) alternate members. The Executive Committee, when the Board of Directors of Directors is not in session, may exercise the powers of the latter in the management of the business and affairs of the Company, except with respect to (a) the approval of any action for which stockholders' approval is also required, (b) the filling of vacancies in the Board of Directors, (c) the amendment or repeal of the by-laws of the adoption of new by-laws; (d) the amendment or repeal of any resolution of the Board of Directors which by its express terms is not so amendable or repealable, (e) a distribution of dividends to the stockholders, and (f) such other matters as may be specifically excluded or limited by the Board of Directors.

  As of the date of this Annual Report, the members of the Executive Committee are Mr. Ramon S. Ang, Ms. Aurora T. Calderon, and Mr. Lubin B. Nepomuceno. Mr. John Paul L. Ang and Atty. Virgilio S. Jacinto are the two (2) alternate members of the Executive Committee.

  The Executive Committee held five (4) meetings in 2023, with attendance as shown below. The resolutions approved by the Executive Committee were passed with the unanimous vote of the committee members in attendance (whether regular members or alternate members) and later presented to and ratified by the Board of Directors at the board meeting held after each approved resolution.

Members	**January 4**	**March 27**	**June 1**	**December 19**
Ramon S. Ang (Chairperson)	✓	✓	✓	✓
Lubin B. Nepomuceno (Member)	✓	✓	✓	✓
Aurora T. Calderon (Member)	✓	✓	✓	✓
Virgilio S. Jacinto (Alternate Member)	-	-	-	-
John Paul L. Ang (Alternate Member)	-	-	-	-

- **Corporate Governance Committee.** The Corporate Governance Committee, created on May 8, 2017, is composed of at least three (3) independent directors as members. The Chairperson of the committee is an independent director.

  The Corporate Governance Committee is tasked to assist the Board of Directors in the performance of its corporate governance, nomination and remuneration responsibilities and ensure compliance with and proper observance of corporate governance principles and practices.

As of the date of this Annual Report, the Corporate Governance Committee is chaired by independent director former Chief Justice Artemio V. Panganiban, with independent directors Mr. Margarito B. Teves and Mr. Ricardo C. Marquez, Atty. Estelito P. Mendoza, and Atty. Virgilio S. Jacinto as members.

In 2023, the Corporate Governance Committee held two (2) meetings, with the following members in attendance:

Members	March 6	August 1
Artemio V. Panganiban (Independent Director)	✓	✓
Margarito B. Teves (Independent Director)	✓	✓
Ricardo C. Marquez (Independent Director)	✓	✓
Estelito P. Mendoza	✓	✓
Virgilio S. Jacinto	✓	✓

- **Audit Committee.** The Audit Committee is composed of at least three (3) appropriately qualified non-executive directors, majority of whom are independent directors. The Chairperson is an independent director and is not the Chairperson of the Board of Directors or of any other board committee. The members of the Audit Committee are required to have relevant background, knowledge, skills, and/or experience in the areas of accounting, auditing and finance.

  The Audit Committee is responsible for overseeing the senior Management in establishing and maintaining an adequate, effective and efficient internal control framework. The Audit Committee 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.

  Among its functions set out in the Corporate Governance Manual and the Audit Committee Charter, the Audit Committee primarily recommends to the Board each year the appointment of the external auditor to examine the accounts of the Company for that year and performs oversight functions over the Company's internal and external auditors to ensure that they act independently from each other or from interference of outside parties and that they are given unrestricted access to all records, properties and personnel necessary in the discharge of their respective audit functions.

  As of the date of this Annual Report, the Audit Committee is chaired by independent director Mr. Margarito B. Teves, and its members are independent directors former Chief Justice Artemio V. Panganiban and Mr. Ricardo C. Marquez, Atty. Estelito P. Mendoza, and Ms. Aurora T. Calderon (who is also an accountant). Mr. Ferdinand K. Constantino acted as advisor to the committee.

  In 2023, the Audit Committee held four (4) meetings, with attendance as indicated below.

Members	March 6	May 10	August 1	November 7
Margarito B. Teves (Independent Director; Chairperson)	✓	✓	✓	✓
Artemio V. Panganiban (Independent Director)	✓	✓	✓	✓
Ricardo C. Marquez (Independent Director)	✓	✓	✓	✓
Estelito P. Mendoza	✓	✓	✓	✓

Aurora T. Calderon	✓	✓	✓	✓
Ferdinand K. Constantino (Advisor)	✓	✓	✓	✓

- **Risk Oversight Committee.** The Risk Oversight Committee, created on May 8, 2017, is composed of at least three (3) members, the majority of whom are independent directors. The Chairperson is an independent director and is not the Chairperson of the Board of Directors or any other board committee. At least one member of the committee has relevant thorough knowledge and experience on risk and risk management.

  The Risk Oversight Committee that shall be responsible for the oversight of the enterprise risk management system of the Company to ensure its functionality and effectiveness.

  As of the date of this Annual Report, the Risk Oversight Committee is chaired by independent director Mr. Ricardo C. Marquez, with independent director Mr. Margarito B. Teves and Ms. Aurora T. Calderon as members. No meeting was held by the Risk Oversight Committee in 2023.

- **Related Party Transaction Committee.** The Related Party Transaction Committee, created on May 8, 2017, is composed of at least three (3) non-executive directors, two (2) of whom are independent directors. The Chairperson is an independent director.

  The Related Party Transaction Committee is tasked with reviewing all material related party transactions of the Company.

  As of the date of this Annual Report, the Related Party Transaction Committee is chaired by independent director former Chief Justice Artemio V. Panganiban, with independent director Mr. Margarito B. Teves and Ms. Aurora T. Calderon as members.

  In 2023, the Related Party Transaction Committee held one (1) meeting, with attendance indicated below:

Members	November 7
Artemio V. Panganiban (Independent Director; Chairperson)	✓
Margarito B. Teves (Independent Director)	✓
Aurora T. Calderon	✓

(3) Significant Employees

There was no significant employee or personnel who was not an executive officer but was expected to make a significant contribution to the business.

(4) Family Relationships

Director John Paul L. Ang is the son of Director Ramon S. Ang. Other than this, the Company has no director or executive officer related to any other director or executive officer up to the fourth degree of consanguinity or affinity.

(5) Involvement in Certain Legal Proceedings

The Company is not aware that any one of the incumbent directors and executive officers and persons nominated to become a director and executive officer has been the subject of a bankruptcy petition or a conviction by final judgment in a criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses, or has been by final judgment or decree found to have violated securities or commodities law and enjoined from engaging in any business, securities, commodities or banking activities for the past five (5) years until the date of this Annual Report.

(B) Executive Compensation

Standard Arrangements. Petron's executive officers are also regular employees of the Company and are similarly remunerated with a compensation package comprising of 12 months base pay. They also receive whatever gratuity pay the Board of Directors extends to the managerial, supervisory and technical employees of the Company.

The members of the Board of Directors who are not executive officers are elected for a term of one year. They receive remuneration for 12 months in director's fees and gas allowance, in addition to compensation on a per meeting participation.

Other Arrangements. There are no other arrangements for which the directors are compensated by the Company for services other than those provided as a director.

Warrants or Options. There are no warrants or options held by directors or officers.

Employment Contract. In lieu of an employment contract, the directors are elected at the annual meeting of stockholders for a one-year term until their successors shall have been duly elected and qualified pursuant to the Company's By-Laws. Any director elected in the interim will serve for the remaining term until the next annual meeting of the stockholders.

The aggregate compensation paid or estimated to be paid to the executive officers and the aggregate fees and *per diem* allowances paid or estimated to be paid to the directors of the Company during the periods indicated below are as follows (in million pesos):

(a) Name & Principal Position		*(b) Year*	*(c) Salary (including Fee and Per Diem Allowance of Directors)*	*(d) Bonus*	*(e) Other Annual Compensation*
Ramon S. Ang Lubin B. Nepomuceno Emmanuel E. Eraña Freddie P. Yumang Ma. Rowena O. Cortez	President & CEO General Manager SVP / Chief Finance Officer SVP / Chief Risk Officer Vice President - Supply	2024 (est)	129.09	45.57	0.84
Ramon S. Ang Lubin B. Nepomuceno Emmanuel E. Eraña Freddie P. Yumang Susan Y. Yu	President & CEO General Manager SVP / Chief Finance Officer SVP / Chief Risk Officer Vice President - Procurement	2023	123.58	40.10	1.93
Ramon S. Ang Lubin B. Nepomuceno Emmanuel E. Eraña Ma. Rowena O. Cortez Susan Y. Yu	President & CEO General Manager SVP / Chief Finance Officer Vice President - Supply Vice President - Procurement	2022	114.12	62.01	2.45
All Other Officers as a Group Unnamed		2024 (est)	105.38	34.35	4.09
		2023	87.05	23.67	4.20
		2022	72.67	36.17	3.50
All Directors as a Group		2024 (est)	16.48	0.00	0.00
		2023	16.34	0.00	0.00
		2022	15.46	0.00	0.00

The Company provides each non-executive director with reasonable *per diem* of Php75,000 and Php50,000 for each board and board committee meeting attended, respectively, in addition to monthly fees and monthly fuel allowances. In 2023, the Company paid the following fees to these directors (in thousand pesos):

	Per Diem for Board and Board Committee Meetings (MP)	Directors' Fees (MP)	Total (MP)
John Paul L. Ang	525	635	1,160
Jose P. De Jesus	525	447	972
Ronald W. Haddock	525	635	1,160
Mirzan Bin Mahathir	525	635	1,160
Estelito P. Mendoza	825	433	1,258
Artemio V. Panganiban	875	635	1,510
Margarito B. Teves	875	635	1,510
Nelly F. Villafuerte	525	635	1,160
Horacio C. Ramos	525	635	1,160
Francis H. Jardeleza	525	635	1,160
Ricardo C. Marquez	825	635	1,460
Aurora T. Calderon	775	635	1,410
Virgilio S. Jacinto	625	635	1,260
TOTAL	**MP 8,475**	**MP 7,863**	**MP 16,338**

Under the Corporate Governance Manual of the Company, the Corporate Governance Committee is tasked with the establishment of a formal and transparent procedure to determine the remuneration of directors and officers that is consistent with the Company's culture and strategy as well as the business environment in which it operates.

On March 6, 2023, the fees of the directors for 2023 were reviewed by the Corporate Governance Committee and favorably endorsed for approval by the Board of Directors and were later approved by the Board of Directors on the same day. The directors' fees were ratified by the stockholders at the 2023 annual stockholders' meeting held on May 16, 2023.

(C) Security Ownership of Certain Beneficial Owners and Management

The security ownership of certain record and beneficial owners of more than 5% of the common shares of the Company as of December 31, 2023 is as follows:

- SEA Refinery Corporation - 50.10%
- PCD Nominee Corporation (Filipino) - 20.03%
- San Miguel Corporation - 18.16%

As of March 31, 2024, the security ownership of certain record and beneficial owners of more than 5% of the common shares of the Company as of December 31, 2023 is as follows:

- SEA Refinery Corporation - 50.10%
- PCD Nominee Corporation (Filipino) - 20.16%
- San Miguel Corporation - 18.16%

SEA Refinery Corporation is wholly-owned by SMC. SMC thus holds an aggregate 68.26% ownership of the common shares of the Company.

The Company had no beneficial owner under the PCD Nominee Corporation that held no more than 5% of the common shares of the Company.

The security ownership of directors and officers holding the position of Vice President and up as of March 31, 2024 is as follows:

Directors

Title of Class	Name of Record Owner	Citizenship	Amount and Nature of Beneficial Ownership	Direct (D) or Indirect (I)	Percentage of Ownership
Directors					
Common	Ramon S. Ang	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Lubin B. Nepomuceno	Filipino	5,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Estelito P. Mendoza	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.

Common	Jose P. De Jesus	Filipino	500 225,000	D I	0.00% 0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Ron W. Haddock	American	1	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Mirzan Mahathir	Malaysian	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Aurora T. Calderon	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Francis H. Jardeleza	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.

Common	Virgilio S. Jacinto	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Nelly Favis-Villafuerte	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Horacio C. Ramos	Filipino	500	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	John Paul L. Ang	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Artemio V. Panganiban	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.

Common	Margarito B. Teves	Filipino	500	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Ricardo C. Marquez	Filipino	1,000	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.

Officers

Title of Class	Name of Record Owner	Citizenship	Amount and Nature of Beneficial Ownership	Direct (D) or Indirect (I)	Percentage of Ownership
Executive Officers					
Common	Emmanuel E. Eraña	Filipino	-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Freddie P. Yumang	Filipino	352,600	I	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			3,000	I	0.00%
Series 4C Preferred			-	-	N.A.
Common	Albertito S. Sarte	Filipino	765,500	I	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			5,000	I	0.00%
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Maria Rowena O. Cortez	Filipino	8,580	D	0.00%
Series 3A Preferred			500	I	0.00%
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			2,000	I	0.00%

Common	Jaime O. Lu	Filipino	14,200	I	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			2,000	I	0.00%
Common	Maria Rosario D. Vergel de Dios	Filipino	-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Magnolia Cecilia D. Uy	Filipino	-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Myrna C. Geronimo	Filipino	-	-	N.A.
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			3,000	I	0.00%
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			3,000	I	0.00%
Common	Allister J. Go	Filipino	11,030	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			300	I	0.00%
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Reynaldo V. Velasco, Jr.	Filipino	5,200 17,100	D I	0.00% 0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Virgilio V. Centeno	Filipino	13,200 1,532	D I	0.00% 0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	0.00%
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Mark Tristan D. Caparas	Filipino	2,000	I	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			1,000	I	0.00%
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.

Common	Jonathan F. Del Rosario	Filipino	-	-	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Lemuel C. Cuezon	Filipino	42,939	D	0.00%
Series 3A Preferred			-	-	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			-	-	N.A.
Series 4C Preferred			-	-	N.A.
Common	Jhoanna Jasmine M. Javier-Elacio	Filipino	-	-	0.00%
Series 3A Preferred			200	I	N.A.
Series 3B Preferred			-	-	N.A.
Series 4A Preferred			-	-	N.A.
Series 4B Preferred			500	I	0.00%
Series 4C Preferred			500	I	0.00%
Directors and Officers from Vice President and up (including the Corporate Secretary) as a Group	Common	**241,501** **1,233,881** **1,475,382**		0.00%	
	Series 3A Preferred	1,200		0.00%	
	Series 3B Preferred	8,300		0.00%	
	Series 4A Preferred	1,000		0.00%	
	Series 4B Preferred	3,500		0.00%	
	Series 4C Preferred	7,500		0.00%	

As of March 31, 2024, the directors and executive officers of the Company owned 1,475,382 common shares, 1,200 Series 3A Preferred Shares, 8,300 Series 3B Preferred Shares, 1,000 Series 4A Preferred Shares, 3,500 Series 4B Preferred Shares, and 7,500 Series 4C Preferred Shares, for a total of 1,496,882 or 0.02% of the Company's total outstanding capital stock. No one of the directors and executive officers of the Company directly owns 5% or more of the outstanding capital stock of the Company.

(2) Voting Trust Holders of 5% or more

The Company is not aware of any person holding 5% or more of the Company's outstanding shares under a voting trust agreement.

(3) Changes in Control

The Company is not aware of any change in control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

(D) Certain Relationships and Related Transactions

The major related stockholders of the Company as of December 31, 2023 and March 31, 2024 holding at least 5% of the common stock were as follows:

- SEA Refinery Corporation - 50.10%
- San Miguel Corporation - 18.16%

The basis of control is the number of the percentage of voting shares held by each.

The Company had no transactions or proposed transactions with any of its directors or officers.

Related party transactions are discussed under Part I(A)(2)(viii) (*Transactions with and/or dependence on related parties*).

[Rest of page intentionally left blank;
"Part IV – Corporate Governance and Sustainability" follows on next page]

PART IV – CORPORATE GOVERNANCE AND SUSTAINABILITY

(A) Corporate Governance

Corporate Governance Manual

On May 8, 2017, the Board of Directors approved the new Corporate Governance Manual of the Company primarily based on the Code of Corporate Governance for Publicly-Listed Companies approved by the SEC pursuant to its Memorandum Circular No. 19 (2016). A copy of the Corporate Governance Manual was submitted to the SEC on May 29, 2017.

Various Corporate Policies; Adoptions and Revisions in 2023

In 2023, in furtherance of good governance, the Company adopted and revised various policies of the Company and its subsidiaries (the "Petron Group"), as described below.

Revised Whistle-blowing and Non-Retaliation Policy

The Revised Whistle-blowing and Non-Retaliation Policy of the Petron Group expanded the coverage of the original policy. In addition to concerns on accounting, internal controls, auditing or financial reporting matters such as malpractice, impropriety, theft or fraud, gross mismanagement or waste of funds, the policy now also covers illegal or non-compliant conduct and misconduct such as violations of any law or regulation, violations of the Revised Code of Business Conduct and Ethical Business Policy and other policies of the Company, and improper or unethical behavior likely to cause financial loss or prejudice to company reputation or constituting abuse of authority, harassment or duress. A Whistleblowing Relations Officer and a Whistleblowing Committee have been designated for the conduct of investigations.

The Company also reiterated under this policy its commitment against retaliation, which action will be subject to appropriate sanctions that include dismissal or termination of contractual relations with the Company.

Policy on Anti-Corruption and Anti-Money Laundering and Sanctions Compliance

Under this policy, the Petron Group reiterated its compliance with all applicable laws on anti-corruption and -bribery, anti-money laundering and combating terror financing (“AML-CTF”), and trade and economic sanctions. This policy also sets forth the Petron Group’s policy of zero-tolerance for bribery, corruption, money-laundering, terror financing, and sanctions violations.

Anti-Sexual Harassment Policy

The Petron Group values the dignity of every individual, strives to enhance the development of their human resources, guarantees full respect for human rights and uphold the dignity of their employees, applicants for employment, consultants and service providers. Towards this end, all forms of sexual harassment against any personnel in the workplace are prohibited. The Petron Group is committed to upholding the rights and dignity of all its personnel through the creation of a work environment characterized by professionalism, fairness, openness, trust and respect. In addition, the Petron Group has adopted procedures for the handling and investigation of sexual harassment cases. Not only does this policy document the Petron Group's zero-tolerance policy for any form of sexual harassment in the workplace, it also expressly states the position of the Petron Group against victimization for making a reasonable complaint.

Policy on Conflict of Interest

This policy highlights and reiterates the principle in the Company's Revised Code of Conduct and Ethical Business Policy that officers and employees of the Petron Group have a duty to act in the best interest of the Petron Group. The Petron Group shall be protected by identifying and resolving any possible conflict of interest between the Petron Group and officers and employees that will negatively affect current and future business, legal obligations, and good governance. The officers and employees of the Petron Group agree and acknowledge that they are not influenced by personal, family, financial or other considerations which might affect their judgment as to what is best for the Petron Group and that there is a conflict of interest if they compromise their exclusive commitment to the Petron Group. In the event that the personal business interests of an officer or employee may conflict with the interests of the Petron Group, the proper disclosure by the relevant officer or employee and a review by higher Management are required to resolve the conflict.

Diversity, Equity, and Inclusion Policy

This policy documents the dedication of the Petron Group to foster a welcoming and positive working environment. Recognizing that the workplace is an extension of an employee's social and cultural identity, the Petron Group aligns this with its core values and cultivates an open and safe space for its most valuable asset, its human capital. With this policy, the Petron Group expressly and consciously advocates an inclusive organization which is representative of all the sectors of society and which promotes an equal and inclusive workplace, respects diversity, and accepts differences in order to attract and retain skilled employees, enhance productivity, and foster loyalty and unity within the Petron Group.

Policy on Child and Forced Labor

This policy reiterates the Petron Group's commitment to value the dignity of every human person, including children, and guarantees the respect of individual rights. Children shall be afforded special protection from all forms of exploitation and other conditions prejudicial to their development, including child labor. Moreover, the Company expressly commits that it shall not engage, tolerate, or support forced or involuntary labor.

Board Diversity Policy

This policy provides a framework for inclusion to promote diversity in the Board of Directors **of** Petron by promoting the inclusion of a wide range of perspectives and ideas that can inspire creativity and drive innovation and improve decision-making and corporate governance. In determining the structure and composition of the Board of Directors, diversity will be considered from varied aspects, including, but not limited to, gender, age, ethnicity, religion, culture, sexual orientation, skills, backgrounds, competencies, knowledge, experience, length of service of directors, and applicable regulatory rules and regulations. The Board of Directors is also tasked to strive to maintain a balanced mix of executive, non-executive, and independent directors, having due regard to the requirements of the Company and the Board of Directors.

Revised Code of Conduct and Ethical Business Policy

The Company's Code of Conduct and Ethical Business Policy was likewise updated to specifically include in its anti-bribery coverage all commercial or private transactions of the Company. A conflict of interest in relation to the employment by another person also now extends to any organization engaged in a business that is directly in competition with any of the businesses of the Petron Group.

Policy on Dealings in Securities

On May 6, 2013, the Company adopted this policy, under which the directors, officers and employees of the Company are obliged to exercise extreme caution when dealing in the Company's securities and ensure that such dealings comply with this policy and the requirements under the Securities Regulation Code ("SRC"). The policy sets out the conditions and rules under which the directors, officers and employees of the Company should deal in securities of the Company.

Board Assessment;
Summary of 2023 Assessment

Board Assessment Form and Coverage

In August 2013, the Board of Directors adopted a new format for the annual self-assessment by each director of his/her performance and that of the Board of Directors and the board committees.

The self-assessment forms covers the evaluation of the (i) fulfillment of the key responsibilities of the Board of Directors including the consideration of the interests of minority shareholders and stakeholders and their equitable treatment in its decision-making processes, the pursuit of good corporate governance, the establishment of a clear strategic direction for the Company designed to maximize long-term shareholder value, the review and approval of financial statements and budgets, and the appointment of directors who can add value and contribute independent judgment to the formulation of sound policies and strategies of the Company and officers who are competent and highly motivated; (ii) relationship between the Board of Directors and the Management of the Company including having a clear understanding of where the role of the Board of Directors ends and where that of Management begins, the participation of the Board of Directors and the board committees in major business policies or decisions, the continuous interaction with Management for an understanding of the businesses better, and the consideration of the correlation between executive pay and Company performance; (iii) effectiveness of board process and meetings through the adequacy of the frequency, duration and scheduling of board and committee meetings, the ability of the Board of Directors to balance and allocate its time effectively in discussing issues related to the Company's strategy and competitiveness, the attendance at board and committee meetings and the conduct of meetings in a manner that ensures open communication, meaningful participation, and timely resolution of issues, the wide and diverse range of expertise and occupational and personal backgrounds of the directors, and the institutionalization of a formal review process for monitoring the effectiveness of the Board of Directors and the individual directors; and (iv) individual performance of the directors including a director's understanding of the mission, values and strategies of the Company, his/her duties as a director and the Company's Articles, the Company's By-Laws and governing policies and applicable law, rules and regulations, the attendance at meetings and the conscious effort to avoid entering into situations where a director may be placed in a conflict of interest with that of the Company.

Results of the 2023 Board Assessment

All the 15 directors accomplished the annual self-assessment for 2023. The average self-rating by the Directors covering all four (4) topics discussed above was 4.73 (out of a possible 5.0), broken down as follows: (1) Fulfilment of Board Key Responsibilities – The ratings averaged 4.76 based on a series of nine (9) questions; (2) Board-Management Relationship – The ratings averaged 4.68 based on a series of four (4) questions; (3) Effectiveness of Board Processes and Meetings - The ratings averaged 4.73 based on a series of nine (9) questions; and (4) Individual Performance of Directors - The ratings averaged 4.78 based on a series of 10 questions.

Compliance with the Corporate Governance Manual

The Company is in compliance with the provisions of the Corporate Governance Manual.

- Its directors possess all the qualifications and none of the disqualifications of a director under the Corporate Governance Manual, the Company's By-laws and applicable laws and regulations.
- The Company had three (3) independent directors (Retired Supreme Court Chief Justice Artemio V. Panganiban, Mr. Margarito B. Teves, and Mr. Ricardo C. Marquez) and a Compliance Officer (Atty. Jhoanna Jasmine M. Javier-Elacio).
- The Company had a Lead Independent Director (Mr. Margarito B. Teves).
- The Company regularly held board meetings and board committee meetings, at which a quorum was always present.
- The directors properly discharge their duties and responsibilities as directors and attended a corporate governance seminar.
- Each director accomplished a self-assessment form for 2023.
- The Company has an external auditor.
- The Company has an Internal Audit Department.
- The Company respects and observes the rights of its stockholders under applicable law.
- The Company is in material compliance with laws and regulations applicable to its business operations, including applicable accounting standards and disclosure requirements.

Pursuit of Corporate Governance

As above-discussed, the Company adopted on May 8, 2017 its new Corporate Governance Manual to align with the Code of Corporate Governance for Publicly Listed Company approved by the SEC and which took effect on January 1, 2017.

The Company is committed in pursuing good corporate governance by keeping abreast of new developments in and leading principles and practices on good corporate governance. The Company also continuously reviews its own policies and practices as it competes in a continually evolving business environment while taking into account the Company's corporate objectives and the best interests of its stakeholders and the Company.

To further instill good governance in the Company, the Company will continue to coordinate with accredited providers for the attendance of the directors and officers in more extensive corporate governance programs to keep them updated with the latest developments in and best practices on good corporate governance. The Office of the General Counsel and Corporate Secretary will also continue to periodically release internal memoranda to explain and/or reiterate the Company's corporate governance practices and the latest good corporate governance practices in general.

Integrated Annual Corporate Governance Report ("i-ACGR")

Other matters relating to the governance of the Company are discussed in the i-ACGR of the Company filed with the SEC and posted on the company website.

(B) Sustainability Report

Please find attached as Annex C the Sustainability Report of the Company for 2023.

[Rest of page intentionally left blank;
"Part V – Exhibits and Schedules" follows on next page]

PART V – EXHIBITS AND SCHEDULES

Exhibits and Reports on SEC Form 17-C

Below is a list of the annexes to this SEC Form 17-A and the reports on SEC Form 17-C and the press releases submitted to the SEC in 2023 until the date of this report.

Annexes

1. Annex A - Public Ownership Report as of December 31, 2023
2. Annex B - Public Ownership Report as of March 31, 2023
3. Annex C - 2023 Audited Financial Statements, with the Index to Financial Statements and the Supplementary Schedules and the Statement of Management's Responsibility (Separate and Consolidated)
4. Annex D - 2023 Sustainability Report

Reports on SEC Form 17-C

The following reports on SEC Form 17-C were submitted for year 2023 until the date of this Annual Report:

Date of Report	Item Description
January 4, 2023	Advice that the Company intended to make an announcement in the Singapore Exchange Securities Trading Limited ("SGX-ST") on its proposed tender offer to purchase up to U.S.$50,000,000 of its outstanding U.S.$500,000,000 Senior Perpetual Capital Securities (ISIN: XS1740858540; Common Code: 174085854), subject to certain conditions.
January 6, 2023	Disbursement of the Company from the balance of the net proceeds of its offering of the Series E and Series F fixed rate bonds
January 13, 2023	Disbursement of the Company from the balance of the net proceeds of its offering of the Series E and Series F fixed rate bonds
January 13, 2023	Further to disclosure dated January 4, 2023, advice that the period for the tender offer conducted by the Company to purchase up to U.S.$50,000,000 of its outstanding U.S.500,000,000 Senior Perpetual Capital Securities (ISIN: XS1740858540; Common Code: 174085854) (the "Securities"), and the tender offer to purchase such Securities (the "Tender Offer") that are listed with the Singapore Exchange Securities Trading Limited ("SGX-ST") ended on January 12, 2023. Accordingly, the Company intended to make an announcement in the SGX-ST relating to the results of the Tender Offer.
January 20, 2023	Disbursement of the Company from the balance of the net proceeds of its offering of the Series E and Series F fixed rate bonds
January 31, 2023	Disbursement of the Company from the balance of the net proceeds of its offering of the Series E and Series F fixed rate bonds
February 15, 2023	Matter approved at the special board meeting held: Appointment of Mr. Freddie P. Yumang as Senior Vice President – Chief Risk Officer effective January 1, 2023
March 6, 2023	Matters approved at the board meeting held: A. 2022 Audited Financial Statements of the Company showing that the Company posted a net income of ₱6.7 Billion; B. Cash dividend of P0.10 per share for common shareholders with a record date of March 20, 2023 and payment date of April 4, 2023;

	C. Election of the following officers: 1. Mr. Jonathan F. Del Rosario – Vice President for Operations and Corporate Technical Services Group (effective April 1, 2023) 2. Mr. Lemuel C. Cuezon – Vice President for Marketing 3. Atty. Jhoanna Jasmine M. Javier-Elacio – Assistant Vice President – General Counsel and Corporate Secretary/Compliance Officer 4. Mr. Andrew F. Tan – Assistant Vice President for LPG Business 5. Mr. Arnel Roman M. Atienza – Assistant Vice President for Luzon Provincial Operations 6. Mr. Gildo P. Destreza – Assistant Vice President for Metro Manila and Manufacturing District D. Approval of the public offer and issuance of preferred shares of up to P50 billion, with features to be determined by Management, including the conduct of a written assent solicitation from stockholders with a record date of March 20, 2023 and closing of books by March 20-24, 2023 E. Approval of directors' fees for 2023 F. Endorsement of the re-appointment of R. G. Manabat & Co./KPMG as external auditor of the Company for 2023 at the annual stockholders' meeting scheduled on May 16, 2023 and approval of its fees for the review of 2023 financial statements of the Company and its subsidiaries G. Annual Stockholders' Meeting Date of meeting : May 16, 2023, Tuesday, 2:00 pm Venue : To be livestreamed via a streaming site Record Date : March 20, 2023 Closing of Books : March 20-24, 2023 Media release on performance also submitted.
March 17, 2023	Further to the Company's disclosure dated March 6, 2023, the Company filed with the Securities and Exchange Commission a registration statement for the shelf registration of up to 50,000,000 preferred shares of the Company. The initial tranche to be offered and sold shall be 20,000,000 preferred shares, with an oversubscription option of up to 10,000,000 preferred shares.
March 23, 2023	Advice on the receipt of the Company of the letter of the Market and Securities Regulation Department of the Securities and Exchange Commission dated March 23, 2023 granting the requests of the Company for exemptive relief from the requirement under Rule 68 of the Revised Securities Regulation Code that the interim financial statements of the Company for the first quarter of 2023 (the "2023 Q1 Reports") be attached to the Definitive Information Statement (the "DIS") for its 2023 Annual Stockholders' Meeting scheduled on May 16, 2023 and the release of the DIS without the 2023 Q1 Reports
April 3, 2023	Disbursement of the Company from the balance of the net proceeds of its offering of the Series E and Series F fixed rate bonds.

April 4, 2023	Further to the Company's disclosure dated March 6, 2023, advice that the Company has received on April 4, 2023 from its stock transfer agent, SMC Stock Transfer Service Corporation, the report that the written assent of stockholders representing 73.17% of the total outstanding common capital stock of the Company (more than the minimum required stockholder written assent), with 0% voting against the proposal, has been received in relation to the Company's solicitation for stockholders' written assent to the proposed listing with the Philippine Stock Exchange of up to 30,000,000 Series 4 preferred shares of the Company.
April 12, 2023	Disbursement of the Company from the balance of the net proceeds of its offering of the Series E and Series F fixed rate bonds.
April 20, 2023	Disbursement of the Company from the balance of the net proceeds of its offering of the Series E and Series F fixed rate bonds.
April 24, 2023	Response to the request for clarification by the Philippine Stock Exchange on the news article entitled "Supreme Court grants Petron's P219-M refund claim"
May 2, 2023	Disbursement of the Company from the balance of the net proceeds of its offering of the Series E and Series F fixed rate bonds.
May 8, 2023	Disbursement of the Company from the balance of the net proceeds of its offering of the Series E and Series F fixed rate bonds.
May 10, 2023	Matters approved at the board meeting held: A. Year-to-date March 2023 Financial Performance B. Declaration of cash dividends for preferred shareholders C. Reversal of the appropriation of P7 Billion in retained earnings. Media release on performance also submitted.
May 16, 2023	Matters approved at the annual stockholders' and organizational meetings held: A. Annual Stockholders' Meeting 1. Approval of the Management Report and the Audited Financial Statements of the Company for the year-ended December 31, 2022; 2. Ratification of all acts of the Board of Directors and Management since the 2022 Annual Stockholders' Meeting; 3. Appointment of R.G. Manabat & Co. as external auditor of the Company for year 2023 and ratification of external auditor fees; 4. Election of the following as directors of the Company for 2023-2024: 1. Ramon S. Ang 2. Lubin B. Nepomuceno 3. Estelito P. Mendoza 4. Jose P. De Jesus 5. Ron W. Haddock 6. Mirzan Mahathir 7. Aurora T. Calderon 8. Francis H. Jardeleza 9. Virgilio S. Jacinto 10. Nelly Favis-Villafuerte 11. Horacio C. Ramos

	12. John Paul L. Ang Independent Directors 1. Artemio V. Panganiban 2. Margarito B. Teves 3. Ricardo C. Marquez 5. Ratification of Directors' fees for 2023 B. Organizational Meeting 1. Appointment of the following as members of the board committees and lead independent director: **<u>Executive Committee</u>** Ramon S. Ang - Chairman Lubin B. Nepomuceno - Member Aurora T. Calderon - Member Virgilio S. Jacinto - Alternate Member John Paul L. Ang - Alternate Member **<u>Audit Committee</u>** Margarito B. Teves - Chairman (Independent Director) Artemio V. Panganiban - Member (Independent Director) Ricardo C. Marquez - Member (Independent Director) Estelito P. Mendoza - Member Aurora T. Calderon - Member Ferdinand K. Constantino - Advisor **<u>Risk Oversight Committee</u>** Ricardo C. Marquez - Chairman (Independent Director) Margarito B. Teves - Member (Independent Director) Aurora T. Calderon - Member **<u>Corporate Governance Committee</u>** Artemio V. Panganiban - Chairman (Independent Director) Margarito B. Teves - Member (Independent Director) Ricardo C. Marquez - Member (Independent Director) Estelito P. Mendoza - Member Virgilio S. Jacinto - Member **<u>Related Party Transaction Committee</u>** Artemio V. Panganiban - Chairman (Independent Director) Margarito B. Teves - Member (Independent Director) Aurora T. Calderon - Member

Lead Independent Director

Margarito B. Teves

2. Election of the following as officers of the Company for 2023-2024:

Name	Position
Ramon S. Ang	President & CEO
Lubin B. Nepomuceno	General Manager
Emmanuel E. Eraña	SVP & Chief Finance Officer
Freddie P. Yumang	SVP and Chief Risk Officer
Susan Y. Yu	VP, Procurement
Maria Rowena O. Cortez	VP, Supply
Albertito S. Sarte	Deputy Chief Finance Officer and Treasurer
Jaime O. Lu	VP & Executive Assistant to the President on Petron Malaysia Operations, Refinery Special Projects and REND
Maria Rosario D. Vergel de Dios	VP, Human Resources Management
Magnolia Cecilia D. Uy	VP, Retail Sales
Myrna C. Geronimo	VP, Controllers
Allister J. Go	VP, Refinery Division
Reynaldo V. Velasco, Jr.	VP, Refinery Plant Operations (Production A and B)
Virgilio V. Centeno	VP, Industrial Sales
Mark Tristan D. Caparas	VP, Chief Finance Officer, Petron Malaysia
Jonathan F. Del Rosario	VP, Operations and Corporate Technical Services Group
Lemuel C. Cuezon	VP, Marketing
Fe Irma A. Ramirez	AVP, Supply Optimization, Commercial Services & Synergy
Jacqueline L. Ang-Chai	AVP, Procurement
Agnes Grace P. Perez	AVP/Head, Business Planning and Development
Leon G. Pausing II	AVP, Commercial Sales
Ferdinando H. Enriquez	AVP, Thermal Power Plant and Refinery Solid Fuel-Fired Boiler
Francisco Rizal G. Bumagat, Jr.	AVP, PBR Production B
Michael D. Flores	AVP, Service Station
Mia S. Delos Reyes	AVP, Corporate Affairs
Brian R. Ocampo	AVP, Management Information Systems
Alejandro R. Romulo	AVP, PBR Technical Services
Jhoanna Jasmine M. Javier-Elacio	AVP - General Counsel & Corporate Secretary/Compliance Officer

<table>
<tr><td></td><td><table>
<tr><td>Andrew F. Tan</td><td>AVP, LPG Business</td></tr>
<tr><td>Arnel Roman M. Atienza</td><td>AVP, Luzon Provincial Operations</td></tr>
<tr><td>Gildo P. Destreza</td><td>AVP, Metro Manila & Manufacturing District</td></tr>
<tr><td>Maria Crisselda T. Torcuator</td><td>Assistant Corporate Secretary</td></tr>
</table></td></tr>
<tr><td>May 31, 2023</td><td>Disbursement of the Company from the net proceeds of its offering of the Series E and Series F fixed rate bonds</td></tr>
<tr><td>June 1, 2023</td><td>Advice that the Executive Committee of the Board of Directors of the Company authorized the redemption of the remaining outstanding US$500,000,000 Senior Perpetual Capital Securities issued by the Company in 2018 (the “2018 SPCS”) and listed on Singapore Exchange Securities Trading Limited. The remaining outstanding 2018 SPCS subject of the redemption was in the aggregate amount of US$477,530,000.00. The redemption date was on July 19, 2023, the step-up date under the terms and conditions of the 2018 SPCS.</td></tr>
<tr><td>June 7, 2023</td><td>Response to the request for clarification by the Philippine Stock Exchange on the news article entitled “Petron shelf registration gets nod”</td></tr>
<tr><td>June 9, 2023</td><td>Further to the Company’s disclosures dated March 6, 2023 and March 17, 2023, advice that Management of the Company approved on June 9, 2023 the initial dividend rates of the Series 4A, Series 4B, and Series 4C preferred shares and other features of the Series 4 preferred shares. The initial dividend rate of the Series 4 preferred shares were as follows:

Series 4A Preferred Shares (PRF4A): 6.7079% p.a.
Series 4B Preferred Shares (PRF4B): 6.7972% p.a.
Series 4C Preferred Shares (PRF4C): 7.0861% p.a.</td></tr>
<tr><td>June 13, 2023</td><td>Further to the Company’s disclosures dated March 6, 2023, March 17, 2023 and June 9, 2023, advice that the timetable of offering activities has been revised as indicated below, including moving the offer period by one trading day to allow the parties to finalize the documents and submit the same to the Securities and Exchange Commission for purposes of obtaining the Order of Registration and the Certificate of Permit to Offer Securities for Sale:

<table>
<tr><td>Dividend Rate Setting</td><td>June 9, 2023</td></tr>
<tr><td>Dividend Rate Announcement</td><td>June 13, 2023</td></tr>
<tr><td>Issuance of Permit to Sell and Order of Registration</td><td>June 14, 2023</td></tr>
<tr><td>Offer Period</td><td>June 15 to 27, 2023</td></tr>
<tr><td>Submission of Firm Order from Trading Participants</td><td>June 23, 2023</td></tr>
<tr><td>Target Listing Date and Commencement of trading on the PSE</td><td>July 7, 2023</td></tr>
</table></td></tr>
<tr><td>June 14, 2023</td><td>Further to the Company’s disclosures dated March 6, 2023, March 17, 2023, June 9, 2023 and June 13, 2023, advice that the Company received on June 14, 2023 from the Securities and Exchange Commission the order rendering effective the registration statement for the shelf registration of up to 50 million perpetual Series 4 preferred shares of the Company (the “Order of Registration”) and the corresponding Certificate of Permit to Offer Securities for Sale for the first tranche consisting of 12.5 million perpetual Series 4 preferred shares of the Company, with an oversubscription option of up to 10 million perpetual Series 4 preferred shares (the “Permit to Sell”).</td></tr>
<tr><td>July 3, 2023</td><td>Notice of completion of the offer of Series 4 preferred shares on June 27, 2023 as filed on July 3, 2023 with the Markets and Securities Regulation Department of the Securities and Exchange Commission.</td></tr>
<tr><td>July 7, 2023</td><td>Media release on the Company’s perpetual preferred shares offering submitted.</td></tr>
</table>

July 19, 2023	Further to the Company's disclosure dated June 1, 2023, advice that the Company has fully redeemed on July 19, 2023 (the "Step Up Date") all remaining outstanding Senior Perpetual Capital Securities issued in 2018 with an aggregate amount of US$477,530,000.00 (the "Securities"). Following such redemption, distributions would cease to accrue as of the Step Up Date and the redeemed securities would be cancelled and delisted from the Singapore Exchange Securities Trading Limited. The redemption was partly funded by using the entire net proceeds from the Company's 2023 offering and issuance of its Series 4 preferred shares.
July 19, 2023	Full disbursement of the Company of the net proceeds of its offering of Series 4A, 4B and 4C preferred shares
July 24, 2023	Disbursement of the Company from the balance of the net proceeds of its offering of the Series E and Series F fixed rate bonds
July 31, 2023	Disbursement of the Company from the balance of the net proceeds of its offering of the Series E and Series F fixed rate bonds
August 1, 2023	Matters approved at the board meeting held: 1. First Semester 2023 Financial Statements 2. Cash dividends for preferred shareholders 3. Use of all the foreign-sourced dividends of the Company for 2023 for working capital requirements 4. Adoption of the Board Diversity Policy and amendment of the Code of Conduct and Ethical Business Policy 5. Ratification and confirmation of the following matters approved by the Executive Committee: • Redemption of the Company's remaining 2018 Senior Perpetual Capital Securities • Applications for Certificates of Registration and Permits to Operate with the Philippine Ports Authority Media release on performance also submitted.
August 15, 2023	Disbursement of the Company from the balance of the net proceeds of its offering of the Series E and Series F fixed rate bonds
August 22, 2023	Disbursement of the Company from the balance of the net proceeds of its offering of the Series E and Series F fixed rate bonds
August 31, 2023	Disbursement of the Company from the balance of the net proceeds of its offering of the Series E and Series F fixed rate bonds
September 8, 2023	Disbursement of the Company from the balance of the net proceeds of its offering of the Series E and Series F fixed rate bonds
September 14, 2023	Disbursement of the Company from the balance of the net proceeds of its offering of the Series E and Series F fixed rate bonds
September 15, 2023	Filing of Certificates of Attendance of Directors Ret. Justice Francis H. Jardeleza and Ret. Gen. Ricardo C. Marquez in a corporate governance seminar held on September 8, 2023
September 27, 2023	Filing of Certificates of Attendance of the following directors and key officers at the Corporate Governance Seminar held via remote communication through MS Teams: Date: September 20, 2023, Wednesday Time: 2:00 pm to 5:00 pm Provider: SGV & Co.

<table>
<tr>
<td></td>
<td>Topics: (1) Integrating Sustainability into Risk Management
(2) Anti-Bribery and Anti-Corruption
(3) Artificial Intelligence and ChatGPT in the Industry

<table>
<tr><th>Name</th><th>Position</th></tr>
<tr><td>1. Lubin B. Nepomuceno</td><td>Director/General Manager</td></tr>
<tr><td>2. Jose P. De Jesus</td><td>Director</td></tr>
<tr><td>3. Ron W. Haddock</td><td>Director</td></tr>
<tr><td>4. Mirzan Mahathir</td><td>Director</td></tr>
<tr><td>5. Virgilio S. Jacinto</td><td>Director</td></tr>
<tr><td>6. Nelly Favis-Villafuerte</td><td>Director</td></tr>
<tr><td>7. Horacio C. Ramos</td><td>Director</td></tr>
<tr><td>8. John Paul L. Ang</td><td>Director</td></tr>
<tr><td>9. Margarito B. Teves</td><td>Lead Independent Director</td></tr>
<tr><td>10. Artemio V. Panganiban</td><td>Independent Director</td></tr>
<tr><td>11. Ricardo C. Marquez</td><td>Independent Director</td></tr>
<tr><td>12. Emmanuel E. Eraña</td><td>Senior Vice President and Chief Finance Officer</td></tr>
<tr><td>13. Freddie P. Yumang</td><td>Senior Vice President and Chief Risk Officer</td></tr>
<tr><td>14. Susan Y. Yu</td><td>Vice President, Procurement</td></tr>
<tr><td>15. Maria Rowena O. Cortez</td><td>Vice President, Supply</td></tr>
<tr><td>16. Albertito S. Sarte</td><td>Deputy Chief Finance Officer and Treasurer</td></tr>
<tr><td>17. Jaime O. Lu</td><td>Vice President and Executive Assistant to the President on Petron Malaysia Operations, Refinery Special Projects and Retail Engineering and Network Development</td></tr>
<tr><td>18. Maria Rosario D. Vergel De Dios</td><td>Vice President, Human Resources Management</td></tr>
<tr><td>19. Magnolia Cecilia D. Uy</td><td>Vice President, Retail Sales</td></tr>
<tr><td>20. Myrna C. Geronimo</td><td>Vice President, Controllers</td></tr>
<tr><td>21. Allister J. Go</td><td>Vice President, Refinery Division</td></tr>
<tr><td>22. Reynaldo V. Velasco, Jr.</td><td>Vice President, Refinery Plant Operations (Production A and B)</td></tr>
<tr><td>23. Virgilio V. Centeno</td><td>Vice President, Industrial Sales</td></tr>
<tr><td>24. Mark Tristan D. Caparas</td><td>Vice President, Petron Malaysia Chief Finance Officer</td></tr>
<tr><td>25. Jonathan F. Del Rosario</td><td>Vice President, Operations and Corporate Technical Services Group</td></tr>
<tr><td>26. Lemuel C. Cuezon</td><td>Vice President, Marketing</td></tr>
<tr><td>27. Jhoanna Jasmine M. Javier-Elacio</td><td>Assistant Vice President - General Counsel and Corporate Secretary/Compliance Officer</td></tr>
<tr><td>28. Maria Crisselda T. Torcuator</td><td>Assistant Corporate Secretary</td></tr>
<tr><td>29. Liane Mel C. Apilado</td><td>Head, Internal Audit</td></tr>
</table>
</td>
</tr>
<tr><td>September 29, 2023</td><td>Disbursement of the Company from the balance of the net proceeds of its offering of the Series E and Series F fixed rate bonds</td></tr>
<tr><td>October 12, 2023</td><td>Quarterly Progress Report for the period ended September 30, 2023 dated October 4, 2023 on the full utilization of the proceeds from the offer and issuance of the Series 4 preferred shares of the Company, together with the external auditor’s report dated October 4, 2023.</td></tr>
</table>

October 13, 2023	Disbursement of the Company from the balance of the net proceeds of its offering of the Series E and Series F fixed rate bonds
October 20, 2023	Disbursement of the Company from the balance of the net proceeds of its offering of the Series E and Series F fixed rate bonds
October 27, 2023	Advice that the Company completed on October 27, 2023 the redemption of all its Series B fixed rate bonds with an aggregate principal amount of P7 billion. These bonds were issued in 2016 and matured on October 27, 2023.
November 7, 2023	Matters approved at the board meeting held: 1. Year-to-Date September 2023 Financial Statements 2. Cash dividends for the preferred shareholders 3. Approval of material related party transactions for 2024 4. Approval of the amendments of the Company's by-laws to: (i) complete the indicated principal office of the Company from "Metro Manila" to "San Miguel Head Office Complex, 40 San Miguel Avenue, Mandaluyong City" (Article I, Section 1), (ii) change the annual stockholders' meeting date from "third Tuesday of May" to the "first Thursday of May" (Article II, Section 2), and (iii) amend the minimum period for the release of the annual stockholders' meeting notice from "15 days" to "21 days" and add electronic mail or other manner allowed by law or regulation as a means to deliver such notice (Article II, Section 4). Media release on performance also submitted
November 8, 2023	Disbursement of the Company from the net proceeds of its offering of the Series E and Series F fixed rate bonds
November 15, 2023	Disbursement of the Company from the net proceeds of its offering of the Series E and Series F fixed rate bonds
November 17, 2023	Filing of Certificates of Attendance of Mr. Ramon S. Ang, President and Chief Executive Officer, and Ms. Aurora T. Calderon, Director, in a corporate governance training held on November 10, 2023
November 22, 2023	Disbursement of the Company from the net proceeds of its offering of the Series E and Series F fixed rate bonds
November 30, 2023	Disbursement of the Company from the net proceeds of its offering of the Series E and Series F fixed rate bonds
December 11, 2023	Disbursement of the Company from the net proceeds of its offering of the Series E and Series F fixed rate bonds
December 11, 2023	Filing of Certificates of Attendance of Atty. Estelito P. Mendoza, Director, in a corporate governance seminar held on December 1, 2023
December 15, 2023	Disbursement of the Company from the net proceeds of its offering of the Series E and Series F fixed rate bonds
December 22, 2023	Disbursement of the Company from the net proceeds of its offering of the Series E and Series F fixed rate bonds
December 27, 2023	Response to the request for clarification by the Philippine Stock Exchange on the news article entitled "Petron expects profit to reach P12b this year"
January 5, 2024	Annual Report on the use of proceeds for the year ended December 31, 2023
January 23, 2024	Disbursement of the Company from the net proceeds of its offering of the Series E and Series F fixed rate bonds

February 5, 2024	Advice on the receipt of the Company of the letter of the Market and Securities Regulation Department of the Securities and Exchange Commission dated February 2, 2024 granting the request of the Company for exemptive relief from the requirements under Part II, Item 5(C)(i) and (ii) of the Revised Securities Regulation Code Rule 68 that the interim financial statements of the Company for the first quarter of 2024 (the "2024 Q1 Reports") be attached to the Definitive Information Statement (the "DIS") for its 2024 Annual Stockholders' Meeting scheduled on May 21, 2024 and the release of the DIS without the 2024 Q1 Reports.
February 15, 2024	Disbursement of the Company from the net proceeds of its offering of the Series E and Series F fixed rate bonds
February 16, 2024	Disbursement of the Company from the net proceeds of its offering of the Series E and Series F fixed rate bonds
February 22, 2024	Disbursement of the Company from the net proceeds of its offering of the Series E and Series F fixed rate bonds
February 29, 2024	Disbursement of the Company from the net proceeds of its offering of the Series E and Series F fixed rate bonds
February 29, 2024	Cessation of Ms. Susan Y. Yu as Vice President for Procurement effective end of business of February 29, 2024
March 5, 2024	Matters approved at the board meeting held: 1. 2023 Audited Financial Statements 2. Cash dividend for the common shareholders 3. Approval of directors' fees for 2024 4. Appointment of the external auditor i. Endorsement of the re-appointment of R. G. Manabat & Co./KPMG as external auditor of the Company for 2024 at the annual stockholders' meeting scheduled on May 21, 2024 and approval of its fees for the audit and finalization/word processing of the 2024 financial statements of the Company and its subsidiaries ii. Appointment of R.G. Manabat & Co./KPMG for non-audit services and limited assurance engagements 5. Use of all foreign-sourced dividends of the Company for 2024 for working capital requirements 6. Annual Stockholders' Meeting Date of meeting : May 21, 2024, Tuesday, 2:00 pm Venue : To be livestreamed via a streaming site Record Date : March 19, 2024 Closing of Books : March 19-26, 2024 Media release on performance also submitted.
March 11, 2024	Disbursement of the Company from the net proceeds of its offering of the Series E and Series F fixed rate bonds
March 15, 2024	Disbursement of the Company from the net proceeds of its offering of the Series E and Series F fixed rate bonds
March 22, 2024	Disbursement of the Company from the net proceeds of its offering of the Series E and Series F fixed rate bonds
April 5, 2024	Disbursement of the Company from the net proceeds of its offering of the Series E and Series F fixed rate bonds

Press Releases

The following press releases were made for year 2023 until the date of this Annual Report:

March 6, 2023	"Petron marks two straight years of growth; reports P6.7B net income in 2022"
May 10, 2023	"Petron reports consolidated net income of P3.4 billion in Q1 2023"
July 7, 2023	"Petron's Perpetual Preferred Shares offering raises P14B"
August 1, 2023	"Petron closes first half with P6.14 billion net income amid market challenges"
November 7, 2023	"Petron reports P9.5 billion net income in first nine months buoyed by steady volume growth"
March 5, 2024	"Petron caps 2023 with P10.1 billion net income"
March 6, 2023	"Petron marks two straight years of growth; reports P6.7B net income in 2022"
May 10, 2023	"Petron reports consolidated net income of P3.4 billion in Q1 2023"
July 7, 2023	"Petron's Perpetual Preferred Shares offering raises P14B"
August 1, 2023	"Petron closes first half with P6.14 billion net income amid market challenges"
November 7, 2023	"Petron reports P9.5 billion net income in first nine months buoyed by steady volume growth"
March 5, 2024	"Petron caps 2023 with P10.1 billion net income"

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and of the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, on April 15 , 2024.

RAMON S. ANG
President and Chief Executive Officer

JHOANNA JASMINE M. JAVIER-ELACIO
Corporate Secretary

LUBIN B. NEPOMUCENO
General Manager

EMMANUEL E. ERAÑA
Senior Vice President and Chief Finance Officer

MYRNA C. GERONIMO
Vice President and Controller

APR 15 2024

SUBSCRIBED AND SWORN to before me this __ of April 2024 at Mandaluyong City, affiants exhibiting to me their Competent Evidence of Identity as follows:

Name	Passport Number	Date of Issue (mm-dd-yy)	Place of Issue
Ramon S. Ang	P2247867B	5-22-2019	DFA, Manila
Lubin B. Nepomuceno	P6495754B	3-16-2021	DFA, NCR East
Emmanuel E. Eraña	P0502156B	2-01-2019	DFA NCR East
Myrna C. Geronimo	P9015769B	2-18-2022	DFA Manila
Jhoanna Jasmine M. Javier-Elacio	P5960067B	12-16-2020	DFA Antipolo

Doc. No. 120;
Page No. 25;
Book No. III;
Series of 2024.

MARIA CRISSELDA T. TORCUATOR
Notary Public for Mandaluyong City
40 San Miguel Avenue, 1550 Mandaluyong City
Appointment No. 0582-23
Until December 31, 2024
Attorney's Roll No. 71094
PTR No. 5420853 /01-03-2024/ Mandaluyong
IBP No. 391617 /01-03-2024/ RSM
MCLE Compliance No. VII-0014988/06-17-2022

ANNEX A

Public Ownership Report
as of December 31, 2023

PETRON

PCOR

PUBLIC OWNERSHIP REPORT

Report Date: December 31, 2023

Computation of Public Ownership

Number of Issued Common Shares	9,375,104,497
Less: Number of Treasury Common Shares, if any	0
Number of Outstanding Common Shares	9,375,104,497

Less:

A. Directors

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
Ramon S. Ang	1,000	0	1,000	0.0000%
Lubin B. Nepomuceno	5,000	0	5,000	0.0001%
Estelito P. Mendoza	1,000	0	1,000	0.0000%
Jose P. de Jesus	500	225,000	225,500	0.0024%
Ron W. Haddock	1	0	1	0.0000%
Mirzan Mahathir	1,000	0	1,000	0.0000%
Aurora T. Calderon	1,000	0	1,000	0.0000%
Francis H. Jardeleza	1,000	0	1,000	0.0000%
Virgilio S. Jacinto	1,000	0	1,000	0.0000%
Nelly Favis-Villafuerte	1,000	0	1,000	0.0000%
Horacio C. Ramos	500	0	500	0.0000%
John Paul L. Ang	1,000	0	1,000	0.0000%
Artemio V. Panganiban	1,000	0	1,000	0.0000%
Margarito B. Teves	500	0	500	0.0000%
Ricardo C. Marquez	1,000	0	1,000	0.0000%

B. Officers

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
Ramon S. Ang (same as above)			0	0.0000%
Lubin B. Nepomuceno (same as above)			0	0.0000%
Emmanuel E. Erana	0	0	0	0.0000%
Freddie P. Yumang	0	352,600	352,600	0.0038%
Susan Y. Yu	0	791,600	791,600	0.0084%

Maria Rowena O. Cortez	8,580	0	8,580	0.0001%
Albertito S. Sarte	0	765,500	765,500	0.0082%
Jaime O. Lu	0	14,200	14,200	0.0002%
Maria Rosario D. Vergel de Dios	0	0	0	0.0000%
Magnolia Cecilia D. Uy	0	0	0	0.0000%
Myrna C. Geronimo	0	0	0	0.0000%
Allister J. Go	11,030	0	11,030	0.0001%
Reynaldo V. Velasco, Jr.	5,200	17,100	22,300	0.0002%
Virgilio V. Centeno	13,200	1,532	14,732	0.0002%
Mark Tristan D. Caparas	0	2,000	2,000	0.0000%
Jonathan F. del Rosario	0	0	0	0.0000%
Lemuel C. Cuezon	42,939	0	42,939	0.0005%
Jhoanna Jasmine M. Javier-Elacio	0	0	0	0.0000%

C. Principal / Substantial Stockholders

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
SEA Refinery Corporation	4,696,885,564	0	4,696,885,564	50.10%
San Miguel Corporation	1,702,870,560	0	1,702,870,560	18.16%

D. Affiliates

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
Petron Corporation Employees' Retirement Plan (PCERP)	459,156,097	0	459,156,097	4.90%

E. Government

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
None	0	0	0	0

F. Banks

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
None	0	0	0	0

G. Employees

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
None	0	0	0	0

H. Lock-Up Shares

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
	9,824,216	0	9,824,216	0.1048%

I. Others

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
None	0	0	0	0

Number of Listed Common Shares *	9,375,104,497
Total Number of Non-Public Shares	6,871,003,419
Total Number of Shares Owned by the Public	2,504,101,078
Public Ownership Percentage	26.71%

* As indicated in the PSE website

ANNEX B

Public Ownership Report as of March 31, 2024

PCOR
PUBLIC OWNERSHIP REPORT

Report Date: March 31, 2024

Computation of Public Ownership

Number of Issued Common Shares	9,375,104,497
Less: Number of Treasury Common Shares, if any	0
Number of Outstanding Common Shares	9,375,104,497

Less:

A. Directors

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
Ramon S. Ang	1,000	0	1,000	0.0000%
Lubin B. Nepomuceno	5,000	0	5,000	0.0001%
Estelito P. Mendoza	1,000	0	1,000	0.0000%
Jose P. de Jesus	500	225,000	225,500	0.0024%
Ron W. Haddock	1	0	1	0.0000%
Mirzan Mahathir	1,000	0	1,000	0.0000%
Aurora T. Calderon	1,000	0	1,000	0.0000%
Francis H. Jardeleza	1,000	0	1,000	0.0000%
Virgilio S. Jacinto	1,000	0	1,000	0.0000%
Nelly Favis-Villafuerte	1,000	0	1,000	0.0000%
Horacio C. Ramos	500	0	500	0.0000%
John Paul L. Ang	1,000	0	1,000	0.0000%
Artemio V. Panganiban	1,000	0	1,000	0.0000%
Margarito B. Teves	500	0	500	0.0000%
Ricardo C. Marquez	1,000	0	1,000	0.0000%

B. Officers

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
Ramon S. Ang (same as above)			0	0.0000%
Lubin B. Nepomuceno (same as above)			0	0.0000%
Emmanuel E. Erana	0	0	0	0.0000%
Freddie P. Yumang	0	352,600	352,600	0.0038%

Maria Rowena O. Cortez	8,580	0	8,580	0.0001%
Albertito S. Sarte	0	765,500	765,500	0.0082%
Jaime O. Lu	0	14,200	14,200	0.0002%
Maria Rosario D. Vergel de Dios	0	0	0	0.0000%
Magnolia Cecilia D. Uy	0	0	0	0.0000%
Myrna C. Geronimo	0	0	0	0.0000%
Allister J. Go	11,030	0	11,030	0.0001%
Reynaldo V. Velasco, Jr.	5,200	17,100	22,300	0.0002%
Virgilio V. Centeno	13,200	1,532	14,732	0.0002%
Mark Tristan D. Caparas	0	2,000	2,000	0.0000%
Jonathan F. del Rosario	0	0	0	0.0000%
Lemuel C. Cuezon	42,939	0	42,939	0.0005%
Jhoanna Jasmine M. Javier-Elacio	0	0	0	0.0000%

C. Principal / Substantial Stockholders

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
SEA Refinery Corporation	4,696,885,564	0	4,696,885,564	50.10%
San Miguel Corporation	1,702,870,560	0	1,702,870,560	18.16%

D. Affiliates

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
Petron Corporation Employees' Retirement Plan (PCERP)	459,156,097	0	459,156,097	4.90%

E. Government

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
None	0	0	0	0

F. Banks

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
None	0	0	0	0

G. Employees

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
None	0	0	0	0

H. Lock-Up Shares

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
	9,992,001	0	9,992,001	0.1066%

I. Others

Name	Direct	Indirect	Total Direct & Indirect Shares	% to Total Outstanding Shares
None	0	0	0	0

Number of Listed Common Shares *	9,375,104,497
Total Number of Non-Public Shares	6,870,379,604
Total Number of Shares Owned by the Public	2,504,724,893
Public Ownership Percentage	26.72%

* As indicated in the PSE website

ANNEX C

2023 Audited Financial Statements, with Statement of Management's Responsibility

(Separate Financial Statements and Consolidated Financial Statements)

The following document has been received:

Receiving: ARIEL FETALVO
Receipt Date and Time: March 22, 2024 01:57:03 PM

Company Information

SEC Registration No.: 0000031171
Company Name: Petron Corporation
Industry Classification: E40200
Company Type: Stock Corporation

Document Information

Document ID: OST10322202482152328
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2023
Submission Type: Parent
Remarks: None

Acceptance of this document is subject to review of forms and contents

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

3 1 1 7 1

COMPANY NAME

P E T R O N   C O R P O R A T I O N

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

S M C   H e a d   O f f i c e   C o m p l e x

4 0   S a n   M i g u e l   A v e n u e

M a n d a l u y o n g   C i t y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		Certificates of Permit to Offer Securities for Sale dated 1994, 1995, 2010, 2014 and 2020

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
contactus@petron.com	8-884-9200	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
144,097 as of December 31, 2023	May 21, 2024	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
MYRNA C. GERONIMO	mcgeronimo@ petron.com	8-884-9200 loc 49189	

CONTACT PERSON's ADDRESS

SMC Head Office Complex, 40 San Miguel Avenue, Makati City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Petron Corporation** (the "Company") is responsible for the preparation and fair presentation of the separate financial statements including the schedules attached therein, for the years ended **December 31, 2023 and 2022**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors (the "Board") is responsible for overseeing the Company's financial reporting process.

The Board reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

RAMON S. ANG
President, Chief Executive Officer and Acting Chairman

EMMANUEL E. ERAÑA
Senior Vice President and Chief Finance Officer

Signed this 5th day of March 2024

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
MAR 22 2024

PETRON CORPORATION, SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City 1550, Metro Manila, Philippines
PO Box 014 MCPO 0708 Tel.: (632) 8-884-9200 • Pandacan Terminal, Jesus St., Pandacan, Manila Tel.: (632) 8-563-8526 to 32 • Mandaue Terminal, Looc, Mandaue City, Cebu Tel.: (032) 344-7341 • Davao Depot, Km. 9, Bo. Pampanga, Davao City Tel.: (082) 234-2185 / 233-0399 • Internet: http://www.petron.com

SUBSCRIBED AND SWORN TO before me, a Notary Public for and in the City of Mandaluyong, Metro Manila, this MAR 05 2024, affiants being personally known to me and signed this instrument in my presence and avowed under penalty of law to the whole truth of contents thereof.

Name	Competent Evidence of Identity	Date/Place of Issue
Ramon S. Ang		
Emmanuel E. Eraña		

Doc. No. 79;
Page No. 17;
Book No. 111;
Series of 2024

MARIA CRISSELDA T. TORCUATOR
Notary Public for Mandaluyong City
40 San Miguel Avenue, 1550 Mandaluyong City
Appointment No. 0582-23
Until December 31, 2024
Attorney's Roll No. 71094
PTR No. 5420853 /01-03-2024/ Mandaluyong
IBP No. 391617 /01-03-2024/ RSM
MCLE Compliance No. VII-0014988/06-17-2022

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
RECEIVED
MAR 22 2024
BY: ERWIN PATINIO
LT DOCUMENT PROCESSING AND QUALITY ASSURANCE DIVISION

PETRON CORPORATION

SEPARATE FINANCIAL STATEMENTS
December 31, 2023 and 2022

With Independent Auditors' Report

KPMG

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Petron Corporation
SMC Head Office Complex
40 San Miguel Avenue
Mandaluyong City

Opinion

We have audited the separate financial statements of Petron Corporation (the "Company"), which comprise the separate statements of financial position as at December 31, 2023 and 2022, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2023 and 2022, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

The engagement partner on the audit resulting in this independent auditors' report is Rohanie C. Galicia.

R.G. MANABAT & CO.

Rohanie C. Galicia

ROHANIE C. GALICIA
Partner
CPA License No. 0118706
Tax Identification No. 249-773-914
BIR Accreditation No. 08-001987-044-2021
Issued September 2, 2021; valid until September 1, 2024
PTR No. MKT 10075180
Issued January 2, 2024 at Makati City

March 22, 2024
Makati City, Metro Manila

PETRON CORPORATION

SEPARATE STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousand Pesos)

	Note	December 31 2023	2022
ASSETS			
Current Assets			
Cash and cash equivalents	*5, 33, 34*	**P19,433,870**	P26,989,260
Financial assets at fair value	*6, 13, 33, 34*	**542,551**	1,426,368
Trade and other receivables - net	*4, 7, 27, 33, 34*	**56,265,671**	53,092,113
Inventories	*4, 8*	**60,821,016**	67,277,154
Other current assets	*13, 27*	**39,629,645**	36,513,090
Total Current Assets		**176,692,753**	185,297,985
Noncurrent Assets			
Property, plant and equipment - net	*4, 10, 12, 36*	**139,989,634**	144,147,212
Right-of-use assets - net	*4, 11*	**4,878,523**	4,976,644
Investments and advances - net	*4, 9, 33, 34*	**39,558,828**	36,399,660
Investment property - net	*4, 10, 12*	**9,914,652**	10,511,986
Deferred tax assets - net	*26*	**598,491**	1,395,572
Other noncurrent assets - net	*4, 6, 13, 33, 34*	**1,126,018**	642,956
Total Noncurrent Assets		**196,066,146**	198,074,030
		P372,758,899	P383,372,015
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term loans	*14, 32, 33, 34*	**P125,544,000**	P122,355,000
Liabilities for crude oil and petroleum products	*15, 27, 30, 33, 34*	**18,698,167**	23,438,723
Trade and other payables	*16, 27, 32, 33, 34, 38*	**21,614,421**	18,462,846
Lease liability - current portion	*4, 30, 32, 33*	**1,120,878**	1,083,101
Derivative liabilities	*33, 34*	**477,640**	323,455
Current portion of long-term debt - net	*17, 32, 33, 34*	**25,641,705**	13,399,136
Total Current Liabilities		**193,096,811**	179,062,261
Noncurrent Liabilities			
Long-term debt - net of current portion	*17, 32, 33, 34*	**83,253,974**	93,661,890
Retirement benefits liability	*29*	**1,623,193**	2,272,047
Lease liability - net of current portion	*4, 30, 32, 33*	**14,479,465**	13,972,931
Asset retirement obligation	*4, 18*	**3,374,165**	3,274,115
Other noncurrent liabilities	*19, 27, 33, 34*	**1,636,681**	934,099
Total Noncurrent Liabilities		**104,367,478**	114,115,082
Total Liabilities		**297,464,289**	293,177,343

Forward

	Note	December 31 2023	2022
Equity	*20*		
Capital stock		**P9,485,104**	P9,485,104
Additional paid-in capital		**40,985,233**	37,500,314
Capital securities		**37,529,459**	62,712,253
Retained earnings		**12,859,146**	14,097,548
Equity reserves		**(17,964,332)**	(15,600,547)
Treasury stock		**(7,600,000)**	(18,000,000)
Total Equity		**75,294,610**	90,194,672
		P372,758,899	P383,372,015

See Notes to the Separate Financial Statements.

PETRON CORPORATION

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousand Pesos, Except Per Share Amounts)

		Years Ended December 31	
	Note	**2023**	2022
SALES	*27, 36*	**P435,955,903**	P430,733,719
COST OF GOODS SOLD	*21*	**401,282,591**	408,761,134
GROSS PROFIT		**34,673,312**	21,972,585
SELLING AND ADMINISTRATIVE EXPENSES	*22*	**(11,550,462)**	(10,405,325)
OTHER OPERATING INCOME	*4, 28*	**520,817**	549,949
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*25*	**(18,418,914)**	(12,291,576)
INTEREST INCOME	*25*	**1,077,810**	800,491
OTHER INCOME - Net	*25*	**1,453,571**	2,807,815
		(26,917,178)	(18,538,646)
INCOME BEFORE INCOME TAX		**7,756,134**	3,433,939
INCOME TAX EXPENSE	*26, 35*	**(1,372,298)**	(897,779)
NET INCOME		**6,383,836**	2,536,160
OTHER COMPREHENSIVE LOSS			
Item that will not be reclassified to profit or loss			
Equity reserve for retirement plan	*29*	**(35,407)**	(647,212)
Income tax benefit	*26*	**8,852**	161,803
		(26,555)	(485,409)
Item that may be reclassified to profit or loss			
Income (loss) on cash flow hedges	*34*	**(67,988)**	72,887
Income tax benefit (expense)	*26*	**16,997**	(18,222)
		(50,991)	54,665
OTHER COMPREHENSIVE LOSS - Net of tax		**(77,546)**	(430,744)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR - Net of tax		**P6,306,290**	P2,105,416
BASIC/DILUTED LOSS PER SHARE	*31*	**(P0.03)**	(P0.33)

See Notes to the Separate Financial Statements.

PETRON CORPORATION
SEPARATE STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousand Pesos)

Years Ended December 31

	Note	Capital Stock	Additional Paid-in Capital	Capital Securities	Retained Earnings		Equity Reserves		Treasury Stock	Total
					Appropriated	Unappropriated	Reserves for Retirement Plan	Other Reserves		
As of December 31, 2022		P9,485,104	P37,500,314	P62,712,253	P7,000,000	P7,097,548	(P6,428,362)	(P9,172,185)	(P18,000,000)	P90,194,672
Net loss on cash flow hedges - net of tax	34	-	-	-	-	-	-	(50,991)	-	(50,991)
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(26,555)	-	-	(26,555)
Other comprehensive loss		-	-	-	-	-	(26,555)	(50,991)	-	(77,546)
Net income for the year		-	-	-	-	6,383,836	-	-	-	6,383,836
Total comprehensive income (loss) for the year		-	-	-	-	6,383,836	(26,555)	(50,991)	-	6,306,290
Cash dividends	20	-	-	-	-	(3,052,753)	-	-	-	(3,052,753)
Distributions paid	20	-	-	-	-	(4,569,485)	-	-	-	(4,569,485)
Reissuance of preferred shares	20	-	3,484,919	-	-	-	-	-	10,400,000	13,884,919
Redemption of capital securities	20	-	-	(25,182,794)	-	-	-	(2,286,239)	-	(27,469,033)
Reversal of retained earnings appropriation	20	-	-	-	(7,000,000)	7,000,000	-	-	-	-
Transactions with owners		-	3,484,919	(25,182,794)	(7,000,000)	(622,238)	-	(2,286,239)	10,400,000	(21,206,352)
As of December 31, 2023		**P9,485,104**	**P40,985,233**	**P37,529,459**	**P -**	**P12,859,146**	**(P6,454,917)**	**(P11,509,415)**	**(P7,600,000)**	**P75,294,610**

Forward

Years Ended December 31

	Note	Capital Stock	Additional Paid-in Capital	Capital Securities	Retained Earnings		Equity Reserves		Treasury Stock	Total
					Appropriated	Unappropriated	Reserves for Retirement Plan	Other Reserves		
As of December 31, 2021		P9,485,104	P37,500,314	P62,712,253	P7,000,000	P10,151,116	(P5,942,953)	(P9,226,850)	(P18,000,000)	P93,678,984
Net income on cash flow hedges - net of tax	*34*	-	-	-	-	-	-	54,665	-	54,665
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(485,409)	-	-	(485,409)
Other comprehensive income (loss)		-	-	-	-	-	(485,409)	54,665	-	(430,744)
Net income for the year		-	-	-	-	2,536,160	-	-	-	2,536,160
Total comprehensive income (loss) for the year		-	-	-	-	2,536,160	(485,409)	54,665	-	2,105,416
Cash dividends	*20*	-	-	-	-	(1,043,906)	-	-	-	(1,043,906)
Distributions paid	*20*	-	-	-	-	(4,545,822)	-	-	-	(4,545,822)
Transactions with owners		-	-	-	-	(5,589,728)	-	-	-	(5,589,728)
As of December 31, 2022		P9,485,104	P37,500,314	P62,712,253	P7,000,000	P7,097,548	(P6,428,362)	(P9,172,185)	(P18,000,000)	P90,194,672

See Notes to the Separate Financial Statements.

PETRON CORPORATION
SEPARATE STATEMENTS OF CASH FLOWS
(Amounts in Thousand Pesos)

		Years Ended December 31	
	Note	**2023**	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P7,756,134**	P3,433,939
Adjustments for:			
Interest expense and other financing charges	*25*	**18,418,914**	12,291,576
Depreciation and amortization	*24*	**10,622,177**	9,639,089
Retirement benefits costs	*29*	**181,142**	293,760
Interest income	*25*	**(1,077,810)**	(800,491)
Unrealized foreign exchange losses (gains) - net		**(233,362)**	663,891
Marked-to-market and hedging gains - net	*25*	**(64,912)**	(591,686)
Other gains - net	*9, 25*	**(331,725)**	(1,901,130)
Operating income before working capital changes		**35,270,558**	23,028,948
Changes in noncash assets, certain current liabilities and others	*32*	**(1,153,449)**	(32,420,275)
Cash generated from (used in) operations		**34,117,109**	(9,391,327)
Interest paid		**(17,578,466)**	(11,286,559)
Contribution to retirement fund	*29*	**(1,014,629)**	(900,000)
Income taxes paid		**(36,686)**	(18,209)
Interest received		**1,001,447**	688,662
Net cash flows provided by (used in) operating activities		**16,488,775**	(20,907,433)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	*10*	**(3,311,348)**	(4,258,974)
Acquisition of investment property	*12*	**(67,755)**	(103,261)
Additional investment in a subsidiary	*9*	**(1,781,000)**	(1,003,264)
Proceeds from disposal of long-term advances		**209,431**	189,533
Increase in other noncurrent assets		**(501,660)**	(157,496)
Proceeds from sale of property and equipment		**45,319**	7,919
Net cash flows used in investing activities		**(5,407,013)**	(5,325,543)

Forward

	Note	2023	2022
		Years Ended December 31	
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans, bonds and advances	*32*	**P213,655,206**	P293,523,072
Payments of:			
Loans and bonds	*32*	**(208,925,723)**	(261,399,195)
Lease liabilities	*28, 32*	**(2,403,615)**	(2,259,353)
Cash dividends	*20, 32*	**(2,573,499)**	(1,402,240)
Distributions to holders of capital securities	*20, 32*	**(4,569,485)**	(4,545,822)
Reissuance of preferred shares	*20*	**13,884,919**	-
Redemption of capital securities	*20*	**(27,469,033)**	-
Net cash flows provided by (used in) financing activities		**(18,401,230)**	23,916,462
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(235,922)**	2,152,149
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(7,555,390)**	(164,365)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**26,989,260**	27,153,625
CASH AND CASH EQUIVALENTS AT END OF YEAR	*5*	**P19,433,870**	P26,989,260

See Notes to the Separate Financial Statements.

PETRON CORPORATION

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

(Amounts in Thousand Pesos, Except Par Value, Number of Shares and Per Share Data, Exchange Rates and Commodity Volumes)

1. Reporting Entity

Petron Corporation (the “Company” or “Petron”) was incorporated under the laws of the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 1966. On September 13, 2013, the SEC approved the extension of the Company’s corporate term to December 22, 2066. Under its Articles of Incorporation (AOI), the Company has a corporate life of 50 years or for such longer period as may hereafter be authorized by the laws of the Philippines. Pursuant to the Revised Corporation Code of the Philippines, which took effect in February 2019, the Company shall have a perpetual existence because the Company did not elect to retain its specific corporate term under its AOI.

Petron is the only oil refining and the leading marketing company in the Philippines. Petron envisions an energy-secure and prosperous nation where everyone’s journey is fueled by opportunities for meaningful experiences and sustainable success.

The Company operates the modern refinery in Bataan, with a rated capacity of 180,000 barrels a day. Petron’s refinery processes crude oil into a full range of world-class petroleum products including liquefied petroleum gas (LPG), gasoline, diesel, jet fuel, kerosene, and petrochemicals. From the refinery, Petron moves its products mainly by sea to more than 30 terminals and facilities strategically located across the country. Through this network, Petron supplies fuels to its service stations and various essential industries such as power-generation, transportation, manufacturing, agriculture, etc. Petron also supplies jet fuel at key airports to international and domestic carriers.

With around 1,800 service stations and hundreds of industrial accounts, Petron remains the leader in the Philippine fuel market. The Company retails gasoline and diesel to motorists and public transport operators. Petron also sells its LPG brands “Gasul” and “Fiesta” to households and other industrial consumers through an extensive dealership network. In line with efforts to increase its presence in the regional market, Petron exports various products to Asia-Pacific countries.

Petron sources its fuel additives from its blending facility in Subic Bay. This gives the Company the capability to formulate unique additives suitable for the driving conditions in the Philippines. The Company also has a facility in Mariveles, Bataan where the refinery’s propylene production is converted into higher-value polypropylene resin.

The Company is a public company under Section 17.2 of the Securities Regulation Code (SRC) and its shares of stock are listed for trading at the Philippine Stock Exchange (PSE). As of December 31, 2023, the Company’s public float stood at 26.71%.

The intermediate parent company of Petron is San Miguel Corporation (SMC) while its ultimate parent company is Top Frontier Investment Holdings, Inc. (TF). Both companies are incorporated in the Philippines.

The registered office address of Petron is SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City.

2. Basis of Preparation

Statement of Compliance

The accompanying separate financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial and Sustainability Reporting Standards Council (FSRSC).

The Company also prepares and issues consolidated financial statements for the same period as the separate financial statements presented in compliance with PFRS. These may be obtained at the Company's registered office address (Note 1).

The separate financial statements were approved and authorized for issuance by the Board of Directors (BOD) on March 5, 2024.

Basis of Measurement

The separate financial statements of the Company have been prepared on the historical cost basis of accounting except for the following items which are measured on an alternative basis at each reporting date:

Items	Measurement Bases
Derivative financial instruments	Fair value
Financial assets at fair value through profit or loss (FVPL)	Fair value
Retirement benefits liability	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency

The separate financial statements are presented in Philippine peso, which is the Company's functional currency. All financial information presented in Philippine peso is rounded off to the nearest thousand (P000), except when otherwise indicated.

3. Summary of Material Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the separate financial statements, except for the changes in accounting policies as explained below.

<u>Adoption of Amended Standards</u>
The FSRSC approved the adoption of a number of amended standards as part of PFRS.

The Company has adopted the following PFRS effective January 1, 2023 and accordingly, changed its accounting policies in the following areas:

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Developing an accounting estimate includes selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

- Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements. The amendments to PFRS Practice Statement 2 provide guidance and examples on the application of materiality to accounting policy disclosures.

  The Company reviewed the accounting policies and although the amendments did not result in any changes to the accounting policies themselves, updates were made to the accounting policy information disclosed in Note 3 Material Accounting Policies in certain instances in line with the amendments.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments require an entity to recognize deferred tax on transactions, such as leases for the lessee and decommissioning obligations, that give rise to equal amounts of taxable and deductible temporary differences on initial recognition.

- International Tax Reform - Pillar Two Model Rules (Amendments to IAS 12, *Income Taxes*). The amendments include a temporary, mandatory exemption from accounting for deferred taxes resulting from the introduction of the global minimum taxation and targeted disclosures in the notes for affected entities to enable users of financial statements to understand the extent to which an entity will be affected by the minimum tax, particularly before the legislation comes into force.

The adoption of the amended standards did not have a material effect on the separate financial statements.

New and Amended Standards Not Yet Adopted

A number of new and amended standards are effective for annual periods beginning after January 1, 2023 and have not been applied in preparing the separate financial statements. None of these are expected to have a significant effect on the separate financial statements.

The Company will adopt the following new and amended standards on the respective effective dates:

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16, *Leases*). The amendments confirm the following:

    - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.

    - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

    A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

    The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Under PAS 8, the amendments apply retrospectively to sale-and-leaseback transactions entered into on or after the date of initial application of PFRS 16.

- Classification of Liabilities as Current or Noncurrent - 2020 amendments and Non-Current Liabilities with Covenants - 2022 amendments (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

    - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting date;

    - clarified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

    - provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and

    - clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

    The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted.

- Supplier Finance Arrangements (Amendments to PAS 7, S*tatement of Cash Flows*, and PFRS 7, *Financial Instruments: Disclosures*). The amendments introduce new disclosure objectives to provide information about the supplier finance arrangements of an entity that would enable users to assess the effects of these arrangements on the liabilities and cash flows, and the exposure to liquidity risk.

  Under the amendments, entities also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.

  The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in PFRS 7 on factors an entity might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.

- PFRS 17, *Insurance Contracts*, replaces the interim standard, PFRS 4, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard reflects the view that an insurance contract combines features of both a financial instrument and a service contract, and considers the fact that many insurance contracts generate cash flows with substantial variability over a long period. PFRS 17 introduces a new approach that: (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract; (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

  Under PFRS 17, groups of insurance contracts are measured based on fulfillment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfillment cash flows remeasured at each reporting date to reflect current estimates.

  Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

  PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 and PFRS 15, *Revenue from Contracts with Customers*, on or before the date of initial application of PFRS 17.

- Lack of Exchangeability (Amendments to IAS 21, *The Effects of Changes in Foreign Exchange Rates*). The amendments clarify that a currency is exchangeable into another currency when a company is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

  When a currency is not exchangeable, a company needs to estimate a spot rate. The objective in estimating the spot rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments do not specify how to estimate the spot exchange rate to meet the objective and an entity can use an observable exchange rate without adjustment or another estimation technique.

  The amendments require new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements, including the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process, and risks to the company because the currency is not exchangeable.

  The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted. Comparative information is not restated and the effect of initially applying the amendments are adjusted to the opening balance of retained earnings, or to the cumulative amount of translation differences if the company uses a presentation currency other than its functional currency.

Deferral of the local implementation of Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28). The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. However, on January 13, 2016, the FSRSC decided to postpone the effective date until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Financial Instruments

Recognition and Initial Measurement. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Company recognizes a financial asset or a financial liability in the separate statements of financial position when it becomes a party to the contractual provisions of the instrument.

A financial asset (unless a trade receivable without a significant financing component) or financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as at FVPL, includes transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets

The Company classifies its financial assets, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Company for managing the financial assets.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the separate statements of comprehensive income when the financial asset is derecognized, modified or impaired.

The Company’s cash and cash equivalents, trade and other receivables, noncurrent receivables and deposits, and restricted cash and advances to a subsidiary are included under this category.

Financial Assets at FVPL. All financial assets not classified as measured at amortized cost or FVOCI are measured at FVPL. This includes derivative financial assets that are not designated as cash flow hedge. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVPL.

At initial recognition, the Company may irrevocably designate a financial asset as at FVPL if the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on different bases.

The Company carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in the separate statements of comprehensive income as incurred. Changes in fair value and realized gains or losses are recognized in the separate statements of comprehensive income. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in OCI. Any interest earned from investment in debt instrument designated as at FVPL is recognized in the separate statements of comprehensive income. Any dividend income from investment in equity instrument is recognized in the separate statements of comprehensive income when the right to receive payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment.

The Company's derivative assets not designated as cash flow hedge and investments in equity instruments at FVPL are classified under this category.

<u>Financial Liabilities</u>
The Company determines the classification of its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Financial Liabilities at FVPL. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The Company carries financial liabilities at FVPL using their fair values and reports fair value changes in the separate statements of comprehensive income. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in the separate statements of comprehensive income.

The Company's derivative liabilities that are not designated as cash flow hedge are classified under this category.

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense and other financing charges" account in the separate statements of comprehensive income. Gains and losses are recognized in the separate statements of comprehensive income when the liabilities are derecognized as well as through the amortization process.

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in the separate statements of comprehensive income.

The Company's liabilities arising from its trade or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, lease liabilities and other noncurrent liabilities are included under this category.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company is required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in separate statements of comprehensive income.

Impairment of Financial Assets

The Company recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Company recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company recognizes lifetime ECLs for receivables that do not contain significant financing component. The Company uses provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the restructuring of a financial asset by the Company on terms that the Company would not consider otherwise;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

The Company considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Company directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in the separate statements of comprehensive income.

Classification of Financial Instruments between Liability and Equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;

- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or

- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

Derivative Financial Instruments and Hedge Accounting
The Company uses derivative financial instruments, such as forwards, swaps and options to manage its exposure on foreign currency, interest rate and commodity price risks. Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in fair value of derivatives that are not designated as hedging instruments are recognized in separate statements of comprehensive income.

Freestanding Derivatives. The Company designates certain derivatives as hedging instruments to hedge the exposure to variability in cash flows associated with recognized liabilities arising from changes in foreign exchange rates and interest rates.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedging instrument are expected to offset the changes in cash flows of the hedged item.

Cash Flow Hedge. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and presented in the “Other reserves” account in the separate statements of changes in equity. The effective portion of changes in the fair value of the derivative that is recognized in OCI is limited to the cumulative change in fair value of the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the separate statements of comprehensive income.

The Company designates only the intrinsic value of options and the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the time value of options, the forward element of forward contracts and the foreign currency basis spread of financial instruments are separately accounted for as cost of hedging and recognized in OCI. The cost of hedging is removed from OCI and recognized in separate statements of comprehensive income, either over the period of the hedge if the hedge is time related, or when the hedged transaction affects separate statements of comprehensive income if the hedge is transaction related.

When the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is transferred and included in the initial cost of the hedged asset or liability. For all other hedged transactions, the amount accumulated in equity is reclassified to separate statements of comprehensive income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect separate statements of comprehensive income.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument expires, is sold, is terminated or is exercised, hedge accounting is discontinued prospectively. The amount that has been accumulated in equity is: (a) retained until it is included in the cost of non-financial item on initial recognition, for a hedge of a transaction resulting in the recognition of a non-financial item; or (b) reclassified to separate statements of comprehensive income as a reclassification adjustment in the same period or periods as the hedged cash flows affect separate statements of comprehensive income, for other cash flow hedges. If the hedged future cash flows are no longer expected to occur, the amounts that have been accumulated in equity are immediately reclassified to separate statements of comprehensive income.

The Company has no outstanding derivatives accounted for as cash flow hedge designated under hedge accounting as at December 31, 2023 (Note 34).

Inventories

Inventories are carried at the lower of cost and net realizable value (NRV). For petroleum products and crude oil, the NRV is the estimated selling price in the ordinary course of business, less the estimated costs to complete and/or market and distribute.

For financial reporting purposes, the Company uses the first-in, first-out method in costing petroleum products and crude oil. Cost is determined using the moving-average method in costing lubes and greases, blending components, polypropylene, materials and supplies inventories. For income tax reporting purposes, cost of all inventories is determined using the moving-average method.

For financial reporting purposes, duties and taxes related to the acquisition of inventories are capitalized as part of inventory cost. For income tax reporting purposes, such duties and taxes are treated as deductible expenses in the year these charges are incurred.

Investments in Shares of Stock of Subsidiaries and Associate

The Company's investments in shares of stock of subsidiaries and associate are accounted for under the cost method as provided for under PAS 27, *Consolidated and Separate Financial Statements*. A subsidiary is an entity controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. An associate is an entity in which the Company has significant influence. Significant influence is the power to participate in the financial and operating policies of the investee, but not control over those policies.

The investments are carried in the Company's separate statements of financial position at cost less any impairment in value. The Company recognizes dividends from subsidiaries and associate in separate statements of comprehensive income when its right to receive the dividend is established.

The Company's subsidiaries include the following:

Name of Subsidiary	Percentage of Ownership 2023	2022	Country of Incorporation
Overseas Ventures Insurance Corporation Ltd. (Ovincor)	**100.00**	100.00	Bermuda
Petron Freeport Corporation (PFC)	**100.00**	100.00	Philippines
Petron Singapore Trading Pte., Ltd. (PSTPL)	**100.00**	100.00	Singapore
Petron Marketing Corporation (PMC)	**100.00**	100.00	Philippines
New Ventures Realty Corporation (NVRC) and Subsidiaries	**85.55**	85.55	Philippines
Petron Global Limited (PGL)	**100.00**	100.00	British Virgin Islands
Petron Finance (Labuan) Limited (PFL)	**100.00**	100.00	Malaysia
Petron Oil and Gas Mauritius Ltd. (POGM) and Subsidiaries	**100.00**	100.00	Mauritius
Petrochemical Asia (HK) Limited (PAHL) and Subsidiaries	**100.00**	100.00	Hong Kong
Mema Holdings Inc. (Mema) and Subsidiaries	**100.00**	100.00	Philippines

Ovincor is engaged in the business of non-life insurance and re-insurance.

The primary purpose of PFC and PMC is to, among others, sell on wholesale or retail and operate service stations, retail outlets, restaurants, convenience stores and the like.

PSTPL's principal activities include those relating to the procurement of crude oil, ethanol, catalysts, additives, coal and various petroleum finished products; crude vessel chartering and commodity risk management.

NVRC's primary purpose is to acquire real estate and derive income from its sale or lease. As of December 31, 2023 and 2022, NVRC owns 100% of Las Lucas Construction and Development Corporation (LLCDC), Parkville Estates & Development Corporation (PEDC), South Luzon Prime Holdings, Inc. (SLPHI), Abreco Realty Corporation (ARC) and 60% of Mariveles Landco Corporation (MLC).

PGL is a holding company incorporated in the British Virgin Islands.

POGM is a holding company incorporated under the laws of Mauritius. POGM owns an offshore subsidiary Petron Oil and Gas International Sdn. Bhd. (POGI).

As of December 31, 2023 and 2022, POGI owns 73.4% of Petron Malaysia Refining & Marketing Bhd (PMRMB) and 100% of both Petron Fuel International Sdn Bhd (PFISB) and Petron Oil (M) Sdn Bhd (POMSB), collectively hereinafter referred to as "Petron Malaysia".

Petron Malaysia is involved in the refining and marketing of petroleum products in Malaysia.

PFL is a holding company incorporated under the laws of Labuan, Malaysia.

PAHL is a holding company incorporated in Hong Kong in March 2008. As of December 31, 2023 and 2022, PAHL owns 100% of Robinsons International Holdings Limited (RIHL) which owns 100% of Philippine Polypropylene, Inc. (PPI) and 40% of MLC.

Mema is a holding company acquired by the Company on June 30, 2022. As of December 31, 2023 Mema owns 100% of Weldon Offshore Strategic Limited Incorporated which owns 100% of Petrofuel Logistics, Inc (PLI). PLI provides logistics and freight forwarding services for the hauling, carriage, transportation, forwarding, and/or storage, and into-plane operation requirements mainly of the Company.

The Company's 25.06% interest in Petrogen Insurance Corporation (Petrogen), accounted for as an investment in an associate as part of "Investments and Advances - net" account in the separate statements of financial position, is accounted for under the cost method of accounting. The investment in associate is carried in the separate statements of financial position at cost less any impairment in value.

Interest in a Joint Venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Company's 33.33% joint venture interest in Pandacan Depot Services, Inc. (PDSI), included under "Investments and advances" account in the separate statements of financial position, is accounted for under the cost method of accounting. The interest in joint venture is carried in the separate statements of financial position at cost less any impairment in value. The Company has no capital commitments or contingent liabilities in relation to its interest in this joint venture.

Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less any impairment value, if any.

The initial cost of property, plant and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as an expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably.

Capital projects in progress (CPIP) represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. CPIP is not depreciated until such time that the relevant assets are ready for use.

For financial reporting purposes, depreciation for property, plant and equipment, other than those assets used in production, which commences when the assets are available for its intended use, are computed using the straight-line method. Depreciation of refinery and plant equipment used in production is computed based on the unit of production method (UPM) which considers the expected capacity over the estimated useful lives of these assets. UPM closely reflects the expected pattern of consumption of the future economic benefits embodied in these assets.

The estimated useful lives of the assets are as follows:

	Number of Years
Buildings and improvements and related facilities	7 - 31
Refinery and plant equipment	4 - 37
Service stations and other equipment	3 - 10
Computers, office and motor equipment	2 - 10
Land leasehold improvements	10 - 12 or the term of the lease, whichever is shorter

For financial reporting purposes, duties and taxes related to the acquisition of property, plant and equipment are capitalized. For income tax reporting purposes, such duties and taxes are treated as deductible expenses in the year these charges are incurred.

For income tax reporting purposes, depreciation is computed using the double-declining balance method.

The remaining useful lives, residual values and depreciation method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods of depreciation is consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property, plant and equipment is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in separate statements of comprehensive income in the period of retirement and disposal.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use:

- the Company has the right to obtain substantially all the economic benefits from use of the identified asset; and

- the Company has the right to direct the use of the identified asset.

Company as a Lessee
The Company recognizes a right-of-use asset and a lease liability at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. The carrying amount of the lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in the separate statements of comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases (i.e., lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets, including pallets and computer equipment. The Company recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single component.

Company as a Lessor
The Company determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. As part of the assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Company applies the recognition exemption, it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Company applies PFRS 15 to allocate the consideration in the contract.

The Company identified the use of loaned equipment related to the sale of goods to be accounted under PFRS 16. The Company provides equipment such as pumps, tanks, signage and other ancillary equipment necessary for the operation of the business. These are loaned to the customers for the duration of the contract for the sole purpose of storing, handling and selling products and shall, at all times, remain the property of the Company. The Company allocates portion of the revenue to the use of loaned equipment and presented as part of “Sales” in the separate statements of comprehensive income based on adjusted market assessment approach. Lease revenue from the use of loaned equipment is contingent to, and recognized at the same time as, the sale of goods.

The Company recognizes lease payments received under operating leases as rent income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

Investment Property
Investment property consists of property held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and any accumulated impairment in value. Cost also includes any related asset retirement obligation (ARO), if any. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Depreciation, which commences when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Buildings and improvements	7 - 20
Land leasehold improvements	10-12 or the term of the lease, whichever is shorter

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement and disposal of investment property are recognized in separate statements of comprehensive income in the period of retirement and disposal.

Transfers are made to investment property when, and only when, there is an actual change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is an actual change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in separate statements of comprehensive income in the year in which the related expenditures are incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in separate statements of comprehensive income consistent with the function of the intangible asset.

Amortization is computed using the straight-line method over 5 to 16 years.

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in separate statements of comprehensive income when the asset is derecognized.

As of December 31, 2023 and 2022, the Company has existing and pending trademark registration for its products for a term of 10 and renewable every 10 years. It also has copyrights for its 7-kg LPG container, Gasulito with stylized letter "P" and two flames, Powerburn 2T, Petron New Logo (22 styles), Philippine Card Designs, and Petron font. Copyrights endure during the lifetime of the creator and for another 50 years after creator's death. It also has registered industrial designs for its certain lubricant and oil bottles and containers, and 2.7kg LPG cylinders, with pending applications for registration of the industrial designs for its Gas Cylinder and Gas Cylinder Valve.

The amount of intangible assets is included as part of "Other noncurrent assets - net" in the separate statements of financial position.

Expenses incurred for research and development of internal projects and internally developed patents and copyrights are expensed as incurred and are part of "Selling and administrative expenses" account in the separate statements of comprehensive income.

Impairment of Nonfinancial Assets

The carrying amounts of property, plant and equipment, right-of-use assets, investment property, intangible assets with finite useful lives, investments in shares of stock of subsidiaries and associate and interest in a joint venture are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in separate statements of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in separate statements of comprehensive income. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. An impairment loss with respect to goodwill is not reversed.

Cylinder Deposits

The Company purchases LPG cylinders which are loaned to dealers upon payment by the latter of an amount equivalent to about 90% of the acquisition cost of the cylinders.

The Company maintains the balance of cylinder deposits at an amount equivalent to three days worth of inventory of all its dealers, but in no case lower than P200,000 at any given time, to take care of possible returns by dealers.

At the end of each reporting date, cylinder deposits, shown under "Other noncurrent liabilities" account in the separate statements of financial position, are reduced for estimated non-returns. The reduction is recognized directly in the separate statements of comprehensive income.

Fair Value Measurements

The Company measures financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For purposes of the fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy.

<u>Provisions</u>
Provisions are recognized when: (a) the Company has a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

The Company recognizes provisions arising from legal and/or constructive obligations associated with the cost of dismantling and removing an item of property, plant and equipment and restoring the site where it is located, the obligation for which the Company incurs either when the asset is acquired or as a consequence of using the asset during a particular year for purposes other than to produce inventories during the year.

<u>Capital Stock</u>
Common Shares. Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Preferred Shares. Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the Company's option, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Company.

Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in separate statements of comprehensive income as accrued.

Additional Paid-in Capital
When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Capital Securities
Senior Perpetual Capital Securities (SPCS) and *Redeemable Perpetual Securities (RPS)* are classified as equity instruments in the separate financial statements since these securities are perpetual securities in respect of which there is no fixed redemption date and the redemption is at the option of the Company. Also, the Company has the sole and absolute discretion to defer payment of any or all of the distribution (Note 20).

Incremental costs directly attributable to the issuance of capital securities are recognized as a deduction from equity, net of tax. The proceeds received net of any directly attributable transaction costs are credited to capital securities.

Retained Earnings
Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

Equity Reserve
The equity reserve includes the effect of transactions with equity adjustments.

Reserve for Retirement Plan
The reserve for retirement plan represents re-measurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest).

Hedging Reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

The hedging reserve also includes cost of hedging which reflects gain or loss on the portion excluded from the designated hedging instrument that relates to the forward element of forward contracts, time value of options and foreign currency basis spread which are initially recorded in other comprehensive income.

Treasury Stock
Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue

The Company recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

The Company assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal as it controls the goods or services before transferring to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods. Revenue is recognized at the point in time when control of petroleum and related products is transferred to the customer, which is normally upon delivery of the goods. The Company provides trade discounts and volume rebates to certain customers based on the level of their purchases which may be applied against the amount of their existing or future payables to the Company. Trade discounts and volume rebates do not result to significant variable consideration and are generally determined based on concluded sales transactions as at the end of each month. The general payment terms with customers are combination of prepayments and credit terms on an average of 45 days from invoice date.

The Company identified several performance obligations related to the sale of goods and accounted for them separately:

- *Provision of Technical Support.* The Company provides technical information, assistance and advice relating to the use, handling and disposition of the products, loaned equipment and the machinery and equipment necessary or appropriate for the customers' needs. Revenue is recognized over time upon rendering of services to the customer. The Company allocates portion of the revenue to the technical support based on expected cost plus a margin approach.

- *Consumer Loyalty Program.* The Company has Consumer Loyalty Programs which allows customers to accumulate points when they purchase products at participating service stations. These points can be redeemed for Company's products, rewards, discounts and other privileges from partner merchants. Revenue is allocated between the goods sold and the points issued that are expected to be redeemed. This allocation is based on the relative stand-alone selling price of the points. A deferred liability account is set up for these points. The liability will be reversed when the Company has fulfilled its obligations to supply the discounted products under the terms of the program or when it is no longer probable that the points under the program will be redeemed. The deferred liability is based on the best estimate of future redemption profile. All the estimates are reviewed on an annual basis or more frequently, where there is indication of a material change.

Other sources of revenue are as follows:

Interest Income. Interest income is recognized using the effective interest method. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset.

Dividend Income. Dividend Income is recognized when the Company's right to receive the payment is established.

Rent Income. Rent income from operating leases (net of any incentives given to the lessees), other than from the use of loaned equipment, is recognized on a straight-line basis over the lease terms. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

Other Income. Other income is recognized when there is incidental economic benefit, other than the usual business operations, that will flow to the Company and that can be measured reliably.

Cost and Expense Recognition
Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

Borrowing Costs
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Employee Benefits
Short-term Employee Benefits. Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Costs and Other Employee Benefit Costs. The Company has a tax qualified and funded defined benefit pension plan covering all permanent, regular, full-time employees administered by trustee banks. Some of its subsidiaries have separate unfunded, noncontributory, retirement plans.

The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning projected salaries of employees. Actuarial gains and losses are recognized in full in the period in which they occur in OCI. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:

- Service costs;
- Net interest on the defined benefit retirement liability or asset;
- Remeasurements of defined benefit retirement liability or asset; and
- Settlement gain or loss, if any

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the separate statements of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in the separate statements of comprehensive income.

Remeasurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to separate statements of comprehensive income in subsequent periods.

Settlement gain or loss pertains to the difference between the present value of the defined benefit obligation being settled, as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the entity in connection with the settlement. Any gain or loss on settlement is recognized as income or expense in the separate statements of comprehensive income.

The Company also provides other benefits to its employees as follows:

Corporate Performance Incentive Program. The Company has a corporate performance incentive program that aims to provide financial incentives for the employees, contingent on the achievement of the Company's annual business goals and objectives. The Company recognizes achievement of its business goals through key performance indicators (KPIs) which are used to evaluate performance of the organization. The Company recognizes the related expense when the KPIs are met, that is when the Company is contractually obliged to pay the benefits.

Savings Plan. The Company established a Savings Plan wherein eligible employees may apply for membership and have the option to contribute 5% to 15% of their monthly base pay. The Company, in turn, contributes an amount equivalent to 50% of the employee-member's contribution. However, the Company's 50% share applies only to a maximum of 10% of the employee-member's contribution. The Savings Plan aims to supplement benefits upon employees' retirement and to encourage employee-members to save a portion of their earnings. The Company accounts for this benefit as a defined contribution pension plan and recognizes a liability and an expense for this plan as the expenses for its contribution fall due. The Company has no legal or constructive obligations to pay further contributions after payments of the equivalent employer-share. The accumulated savings of the employees plus the Company's share, including earnings, will be paid in the event of the employee's: (a) retirement, (b) resignation after completing at least five years of continuous services, (c) death, or (d) involuntary separation not for cause.

Land/Home Ownership Plan. The Company established the Land/Home Ownership Plan, an integral part of the Savings Plan, to extend a one-time financial assistance to Savings Plan members in securing housing loans for residential purposes.

<u>Foreign Currency</u>
Foreign Currency Translations. Transactions in foreign currencies are initially recorded in the Company's functional currency at exchange rates at the dates of the transactions.

Monetary assets and monetary liabilities denominated in foreign currencies are translated to the functional currency at exchange rate at the reporting date.

Nonmonetary assets and nonmonetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate when the fair value was determined. Nonmonetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in separate statements of comprehensive income, except for differences arising on the translation of financial assets at FVOCI, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognized in OCI.

<u>Taxes</u>
Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in separate statements of comprehensive income. The Company periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax are recognized in the separate statements of comprehensive income except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Other current assets" or "Trade and other payables" accounts in the separate statements of financial position.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities.

Operating Segments

The Company's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 36 to the separate financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Company used for segment reporting under PFRS 8 are the same as those used in its separate financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods. All inter-segment transfers are carried out at arm's length prices.

Segment revenues, expenses and performance include sales and purchases between business segments.

4. Use of Judgments, Estimates and Assumptions

The preparation of the Company's separate financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the separate financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the separate financial statements:

Determining Functional Currency. The Company has determined that its functional currency is the Philippine peso. It is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the sales price of goods and services and the costs of providing these goods and services.

Identification of Distinct Performance Obligation. The Company assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either: (a) a good or service (or a bundle of goods or services) that is distinct; or (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. The Company has determined that it has distinct performance obligations other than the sale of petroleum products such as the provision of technical support and consumer loyalty program and allocates the transaction price into these several performance obligations.

Determining the Incremental Borrowing Rate. The Company cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR, therefore, reflects what the Company would have to pay, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) and to make adjustments to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific judgement estimates.

Determining the Lease Term of Contracts with Renewal Options - Company as Lessee. The Company determines the lease term as the noncancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Company has several lease contracts that include extension options. At lease commencement date, the Company applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

Determining Whether the Company is acting as a Principal or Agent in a Revenue Transaction. The determination whether the Company is a principal or agent in a contract is made by identifying each specified goods or services promised to the customers in the contract and evaluating whether the Company obtains control of the specified goods and services before it is transferred to the customer.

For the sale of petroleum products to dealers, the Company transfers the control of the goods upon delivery, hence, the Company has determined that it is acting as principal in the sales transactions with dealers. The dealers are likewise acting as principal in the sales transactions to end consumers on the basis of the following: (a) the dealers have the primary responsibility to provide specified goods to the end consumers; (b) the dealers bear inventory risk before the goods are transferred to end consumers; and (c) the dealers have discretion to establish prices for specified goods.

For the Company's fleet card transactions, the Company has likewise determined that it is acting as principal in the sales transactions with the customers since the Company has the primary responsibility for providing goods purchased through fleet cards and the Company has discretion to establish prices for specified goods in a fleet card transaction.

Determining Impairment Indicators of Other Nonfinancial Assets. PFRS requires that an impairment review be performed on property, plant and equipment, investments in shares of stock of an associate and interest in joint ventures, investment property, right-of-use assets and intangible assets when events or changes in circumstances indicate that the carrying value may not be recoverable. Determining the recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of recoverable amounts are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on financial performance.

Taxes. Significant judgment is required in determining current and deferred tax expense. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax expenses in the year in which such determination is made.

Contingencies. The Company is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Company. The Company's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Company currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings.

Estimates and Assumptions

The key estimates and assumptions used in the separate financial statements are based upon the Company's evaluation of relevant facts and circumstances as at the date of the separate financial statements. Actual results could differ from such estimates.

Assessment for ECL on Trade and Other Receivables. The Company, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade and other receivables. The Company also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. The Company then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Company adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Company regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience. The determination of the relationship between historical default rates and forecasted economic conditions is a material accounting estimate.

The Company has assessed that the forward-looking default rate component of its ECL on trade and other receivables is not material because substantial amount of receivables are normally collected within one year. Moreover, based on Management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Company from its trade receivables.

Impairment losses on trade and other receivables amounted to nil and P14,906 in 2023 and 2022, respectively (Notes 7 and 22). Receivables written-off amounted to nil and P89,760 in 2023 and 2022, respectively (Note 7). Reversal of impairment loss amounted to P25,693 in 2023 and P18,598 in 2022 (Note 7).

The carrying amount of trade and other receivables amounted to P56,265,671 and P53,092,113 as of December 31, 2023 and 2022, respectively (Note 7).

Assessment for ECL on Other Financial Assets at Amortized Cost. The Company determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Company also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Company has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks, the Government of the Philippines and companies with good credit standing and relatively low risk of defaults.

Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2023 and 2022. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2023**	2022
Cash in banks and cash equivalents	*5*	**P16,292,300**	P25,629,924
Advances to a subsidiary	*9*	**991,423**	1,078,037
		P17,283,723	P26,707,961

Net Realizable Values of Inventories. In determining the NRV of inventories, management takes into account the most reliable evidence available at the times the estimates are made. Future realization of the carrying amount of inventories of P60,821,016 and P67,277,154 as of the end of 2023 and 2022, respectively (Note 8), is affected by price changes in different market segments for crude and petroleum products. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Company's inventories within the next financial year.

The Company recognized loss on inventory write-down amounting to P76,416 and P107,564 in 2023 and 2022, respectively (Note 8).

Allowance for Inventory Obsolescence. The allowance for inventory obsolescence consists of collective and specific valuation allowance. A collective valuation allowance is established at a certain percentage based on the age and movement of stocks. In case there is write-off or disposal of slow-moving items during the year, a reduction in the allowance for inventory obsolescence is made. Review of allowance is done every quarter, while a revised set-up or booking is posted at the end of the year based on evaluations or recommendations of the proponents. The amount and timing of recorded expenses for any year would therefore differ based on the judgments or estimates made.

In 2023 and 2022, the Company provided an additional loss on inventory obsolescence amounting to P43,336 and P72,981, respectively (Note 8).

Fair Value Measurements. A number of the Company's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Company uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Note 34.

Estimated Useful Lives of Property, Plant and Equipment, Right-of-Use Asset, Investment Property and Intangible Assets with Finite Useful Lives. The Company estimates the useful lives of property, plant and equipment, right-of-use asset, investment property and intangible assets with finite useful lives based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, right-of-use asset, investment property and intangible assets with finite useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment, right-of-use asset, investment property and intangible assets with finite useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, right-of-use asset, investment property and intangible assets with finite useful lives would increase recorded cost of goods sold and selling and administrative expenses and decrease noncurrent assets.

There is no change in the estimated useful lives of property, plant and equipment, right-of-use asset, investment property and intangible assets with finite useful lives based on management's review at the reporting date.

Property, plant and equipment, net of accumulated depreciation, amounted to P139,989,634 and P144,147,212 as of December 31, 2023 and 2022, respectively. Accumulated depreciation of property, plant and equipment amounted to P100,153,340 and P92,064,035 as of December 31, 2023 and 2022, respectively (Note 10).

Right-of-use of assets, net of accumulated depreciation, amounted to P4,878,523 and P4,976,644 as of December 31, 2023 and 2022, respectively. Accumulated depreciation of right-of-use asset amounted to P2,311,756 and P2,017,678 as of December 31, 2023 and 2022, respectively (Note 11).

Investment property, net of accumulated depreciation, amounted to P9,914,652 and P10,511,986 as of December 31, 2023 and 2022, respectively. Accumulated depreciation of investment property amounted to P10,352,003 and P9,184,158 as of December 31, 2023 and 2022, respectively (Note 12).

Intangible assets with finite useful lives, net of accumulated amortization, amounted to P38,623 and P60,970 as of December 31, 2023 and 2022, respectively (Note 13). Accumulated amortization of intangible assets with finite useful lives amounted to P210,285 and P187,938 as of December 31, 2023 and 2022, respectively.

Fair Value of Investment Property. The fair value of investment property presented for disclosure purposes is based on market values, being the estimated amount for which the property can be sold or based on a most recent sale transaction of a similar property within the same vicinity where the investment property is located.

In the absence of current prices in an active market, the valuations are prepared by considering: (a) the aggregate estimated future cash flows expected to be received from leasing out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation; or (b) the depreciated replacement cost of the asset, which estimates the current replacement cost of new assets and adjusted for obsolescence, including physical, functional and economic obsolescence.

Estimated fair values of investment property amounted to P17,350,061 and P15,652,593 as of December 31, 2023 and 2022, respectively (Note 12).

Realizability of Deferred Tax Assets. The Company reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences and carry forward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P13,068,075 and P13,350,869 as of December 31, 2023 and 2022, respectively (Note 26).

Present Value of Defined Benefit Retirement Obligation. The present value of defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 29 to the separate financial statements and include discount rate and salary increase rate.

The Company determines the appropriate discount rate at the end of each year. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement liabilities. In determining the appropriate discount rate, the Company considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement benefits liability.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the assumptions of the Company are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company's retirement benefits liability.

Retirement benefits costs recognized in separate statements of comprehensive income amounted to P330,368 and P395,987 in 2023 and 2022, respectively. Remeasurement losses of the net defined retirement obligation recognized in OCI amounted to P35,407 and P647,212 in 2023 and 2022, respectively. The retirement benefits liability amounted to P1,623,193 and P2,272,047 as of December 31, 2023 and 2022, respectively (Note 29).

Asset Retirement Obligation. The Company has ARO arising from the refinery, leased service stations, terminals and blending plant. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Company determined the amount of ARO, based on the dismantling costs as estimated by the operating unit responsible for the asset, discounted at the Company's current credit-adjusted risk-free rate ranging from 7.12% to 7.37% depending on the life of the capitalized costs. The Company also conducts periodic review of the estimates of dismantling costs to consider actual expenses incurred during the actual retirement of assets and uses this as input in determining future liability. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

The ARO amounted to P3,374,165 and P3,274,115 as of December 31, 2023 and December 31, 2022 (Note 18).

5. Cash and Cash Equivalents

This account consists of:

	Note	**2023**	2022
Cash on hand		**P3,141,570**	P1,359,336
Cash in banks		**1,767,416**	2,258,267
Short-term placements		**14,524,884**	23,371,657
	33, 34	**P19,433,870**	P26,989,260

Cash in banks earn annual interest at the respective bank deposit rates. Short-term placements include demand deposits which can be withdrawn at anytime depending on the immediate cash requirements of the Company and earn annual interest at the respective short-term placement rates ranging from 1.50% to 6.94% in 2023 and 0.05% to 6.32% in 2022 (Note 25).

6. Financial Assets at Fair Value

This account consists of:

	Note	2023	2022
Derivative assets not designated as cash flow hedge		**P542,551**	P931,079
Proprietary membership shares		**388,623**	352,123
Derivative assets designated as cash flow hedge		**-**	180,638
	33, 34	**931,174**	1,463,840
Less: Noncurrent portion	*13*	**388,623**	37,472
		P542,551	P1,426,368

The fair values presented have been determined directly by reference to published market prices, except for derivative assets which are based on inputs other than quoted prices that are observable (Note 34).

The noncurrent portion pertaining to proprietary membership shares and derivative assets designated as cash flow hedge which are not expected to be realized in the next 12 months, is included in "Other noncurrent assets - net" account in the separate statements of financial position (Note 13).

Changes in fair value of assets at FVPL including proprietary membership shares and derivative assets not designated as cash flow hedge recognized in separate statements of comprehensive income in 2023 and 2022 amounted to P36,500 and P54,260, respectively (Note 25) while changes in fair value of derivative assets designated as cash flow hedge were recognized in OCI.

7. Trade and Other Receivables

This account consists of:

	Note	2023	2022
Trade		**P36,296,095**	P37,352,343
Related parties - trade	*27*	**6,451,620**	7,488,119
Allowance for impairment loss on trade receivables		**(681,431)**	(706,870)
		42,066,284	44,133,592
Government		**9,562,950**	2,749,424
Related parties - non-trade	*27*	**2,893,570**	4,141,658
Others		**1,885,885**	2,210,711
Allowance for impairment loss on non-trade receivables		**(143,018)**	(143,272)
		14,199,387	8,958,521
	33, 34	**P56,265,671**	P53,092,113

Trade receivables are noninterest-bearing and are generally on a 45-day average term. Penalties are charged when the account becomes overdue.

Government receivables pertain to duty drawback, VAT and specific tax claims. The filing and the collection of claims is a continuous process and is closely monitored.

Related parties - non-trade consists of advances made by the Company to Petron Corporation Employee Retirement Plan (PCERP), noninterest and interest-bearing receivables from its subsidiaries and other receivables from SMC and its subsidiaries.

Others mainly consist of receivables from various non-trade customers and counterparties for matured hedging transactions.

A reconciliation of the allowance for impairment losses at the beginning and end of 2023 and 2022 is shown below:

	Note	**2023**	2022
Balance at beginning of year		**P861,336**	P954,788
Additions	*4, 22*	**-**	14,906
Write-off	*4*	**-**	(89,760)
Reversal of impairment	*4, 22*	**(25,693)**	(18,598)
Balance at end of year		**835,643**	861,336
Less: Noncurrent portion for long-term receivables		**11,194**	11,194
		P824,449	P850,142

The Company computes impairment loss on trade and other receivables based on past collection experiences, current circumstances, and the impact of future economic conditions, if any, available at the reporting period. Loss rates are based on actual credit loss experience over the past three years. Economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of the impact of future economic conditions, if any, over the expected lives of the trade and other receivables are also considered.

The following table provides information about the exposure to credit risk and ECL of trade and other receivables as of December 31, 2023 and 2022:

	Weighted Average Loss Rate	**Gross Carrying Amount**	**ECL**
December 31, 2023			
Retail	**1.29%**	**P6,362,216**	**P81,951**
Lubes	**0.07%**	**1,442,913**	**1,015**
Gasul	**3.71%**	**1,424,043**	**52,877**
Industrial	**1.13%**	**22,554,942**	**254,341**
Others	**1.72%**	**25,306,006**	**434,265**
	1.44%	**P57,090,120**	**P824,449**

	Weighted Average Loss Rate	Gross Carrying Amount	ECL
December 31, 2022			
Retail	1.68%	P4,777,783	P80,243
Lubes	0.09%	841,208	769
Gasul	4.16%	1,272,331	52,877
Industrial	0.95%	29,274,719	277,762
Others	2.47%	17,776,214	438,491
	1.58%	P53,942,255	P850,142

8. Inventories

This account consists of:

	2023	2022
Crude oil and others	**P26,594,295**	P34,360,398
Petroleum	**25,018,720**	23,610,951
Materials and supplies	**4,809,686**	4,858,620
Lubes, greases and aftermarket specialties	**4,398,315**	4,447,185
	P60,821,016	P67,277,154

The cost of these inventories amounted to P61,582,757 and P68,026,707 as of December 31, 2023 and 2022, respectively.

If the Company had used the moving-average method (instead of the first-in, first-out method, which is the Company's policy), the cost of petroleum, crude oil and other products would have increased by P763,431 and P2,363,496 as of December 31, 2023 and 2022, respectively.

Inventories (including distribution or transshipment costs) charged to cost of goods sold amounted to P381,471,581 and P391,553,852 in 2023 and 2022, respectively (Note 21).

Research and development costs on these products constituted the expenses incurred for internal projects in 2023 and 2022 (Note 22).

The movements in allowance for write-down of inventories to NRV and inventory obsolescence at the beginning and end of 2023 and 2022 follow:

	Note	**2023**	2022
Balance at beginning of year		**P749,553**	P571,641
Addition:			
Obsolescence of non-fuel products, materials and supplies	*4*	**43,336**	72,981
Loss on inventory write-down	*4*	**76,416**	107,564
Reversals		**(107,564)**	(2,633)
Balance at end of year		**P761,741**	P749,553

The losses and reversals are included as part of "Cost of goods sold" account in the separate statements of comprehensive income. Reversal of write-down corresponds to inventories sold during the year (Note 21).

9. Investments and Advances

This account consists of:

	Note	**2023**	2022
Advances to a subsidiary	*27, 33, 34*	**P991,423**	P1,078,037
Investments and advances in shares of stock of subsidiaries - net	*(i)*	**37,564,040**	34,318,258
Investment in a joint venture - net	*(ii)*	**-**	-
Investment in associate	*(iii)*	**1,003,365**	1,003,365
		P39,558,828	P36,399,660

i. Investments and advances in shares of stock of subsidiaries pertain to the following:

	Note	2023	2022
POGM and Subsidiaries		**P26,764,842**	P26,764,842
PAHL and Subsidiaries	*(b)*	**4,988,402**	4,988,402
PGL		**3,700,610**	3,700,610
NVRC and Subsidiaries		**3,127,500**	3,127,500
Mema and Subsidiaries	*(c)*	**4,549,124**	1,303,124
PMC		**289,455**	289,455
PFC		**50,000**	50,000
Ovincor		**351,488**	351,488
PSTPL		**33,181**	33,181
PFL	*(a)*	**2,062**	2,062
Total cost		**43,856,664**	40,610,664
Less: Allowance for impairment loss		**6,292,624**	6,292,406
Investments in shares of stock - net		**P37,564,040**	P34,318,258

A reconciliation of the allowance for impairment losses at the beginning and end of 2023 and 2022 is shown below:

	Note	2023	2022
Balance at beginning of year		**P6,292,406**	P6,252,777
Addition	*(a), (b), 25*	**218**	39,629
Balance at end of year		**P6,292,624**	P6,292,406

The following are the major developments relating to the Company's investment in shares of stock of subsidiaries:

a. *PFL*
The Company recognized impairment loss on the investment in PFL amounting to P218 in 2023 and P54 in 2022 (Note 25).

b. *PAHL and Subsidiaries*
The Company recognized impairment loss on the investment in PAHL and Subsidiaries amounting to nil in 2023 and P39,575 in 2022 (Note 25).

c. *Mema and Subsidiaries*
On February 16, 2022, the Company paid P104,124 for the acquisition of 10,000,000 common shares with par value of P1.00 per share representing 100% of the authorized capital stock of Mema. The Mema group includes the subsidiary engaged in hauling and logistics services (Note 3). On June 30, 2022, control over the investee has been transferred to the Company after the resolution of the substantive pending issues agreed by both the seller and the Company. On October 27, 2022, the Company and Mema executed a Subscription Agreement to subscribe to an additional 1,375,000,000 common shares of Mema for a subscription price of P1,375,000 or P1.00 per common share, of which P899,000 was paid in 2022 as deposit for future stock subscription pending SEC's approval of Mema's increase in authorized capital stock which was obtained in March 2023. The remaining P476,000 was paid in 2023. On December 29, 2022, P300,000 adjustment in purchase price was agreed by the Company and the seller which was settled in February 2023.

On July 19, 2023, the Company and Mema executed another Subscription Agreement to subscribe to an additional 2,770,000,000 common shares of Mema for a subscription price of P2,770,000 or P1.00 per common share, of which P1,305,000 was paid in 2023 and P278,000 was paid in January 2024.

ii. The Company has a 33.33% joint venture interest in PDSI, which is engaged in the business of receiving, storing and handling the out-loading of petroleum products of the three major oil companies to serve the fuel requirement of their respective customers. PDSI was incorporated on September 29, 2004 and has a principal place of business in Manila, Philippines. On June 22, 2022, the Bureau of Internal Revenue (BIR) has approved the cancellation of PDSI's registration.

The Company recognized impairment of P4,000 in 2022. The amount of investment in PDSI is fully impaired as of December 31, 2023 and 2022.

Condensed financial information of PDSI as of and for the years ended December 31, 2023 and 2022 follows:

	2023	2022
Current assets	**P2,646**	P2,646
Current liabilities	**-**	-
Net assets	**P2,646**	P2,646

iii. As of December 31, 2023 and 2022, the Company owns 25.06% of Petrogen accounted for as an investment in an associate following the decrease of its ownership interest in Petrogen from 100% to 25.06% effective February 4, 2021.

Petrogen was incorporated and registered with the Philippine SEC on August 23, 1996 primarily to engage in the business of non-life insurance and re-insurance and has principal place of business in Mandaluyong City.

The following are the dividends received by the Company in 2023 and 2022.

2023

Subsidiaries	**Date of Declaration**	**Date of Receipt**	**Amount**
POGM	**March 15, 2023**	**March 21, 2023**	**P374,899**
POGM	**July 10, 2023**	**July 12, 2023**	**595,866**
PSTPL	**May 11, 2023**	**June 20, 2023**	**445,376**
PSTPL	**November 16, 2023**	**December 12, 2023**	**893,824**
Total			**P2,309,965**

2022

Subsidiaries	Date of Declaration	Date of Receipt	Amount
POGM	March 15, 2022	March 22, 2022	P376,202
POGM	July 15, 2022	July 18, 2022	505,083
POGM	December 9, 2022	December 16, 2022	267,420
PSTPL	May 26, 2022	June 21, 2022	408,556
PSTPL	November 29, 2022	December 16, 2022	718,795
Total			P2,276,056

The Company, through its BOD, has appropriated to reinvest the dividends received from POGM and PSTPL in its business operations to fund its working capital requirements. As of December 31, 2023 and 2022, dividends received from POGM and PSTPL in 2023 and 2022 have been fully disbursed in the year of receipt in accordance with the purpose set forth.

10. Property, Plant and Equipment

The movements and balances of property, plant, and equipment as of and for the years ended December 31 follow:

	Note	Buildings and Improvements and Related Facilities	Refinery and Plant Equipment	Service Stations and Other Equipment	Computers, Office and Motor Equipment	Land and Leasehold Improvements	Construction in-Progress	Total
Cost								
January 1, 2022		P18,455,161	P182,516,983	P10,284,983	P3,839,474	P1,854,651	P14,721,158	P231,672,410
Additions		107,625	1,650,663	133,438	120,371	90	2,782,939	4,795,126
Disposals/retirements		(15,487)	-	(497,161)	(47,589)	-	(37,962)	(598,199)
Reclassifications to/from investment property	*12*	1,874,911	2,898,550	151,511	70,814	79,472	(4,733,348)	341,910
December 31, 2022		20,422,210	187,066,196	10,072,771	3,983,070	1,934,213	12,732,787	236,211,247
Additions		103,938	963,236	131,312	189,863	148,932	2,191,259	3,728,540
Disposals/retirements		(63,370)	-	(81,259)	(16,356)	(110)	-	(161,095)
Reclassifications to/from investment property	*12*	727,048	9,984,723	33,468	6,455	189,578	(10,576,990)	364,282
December 31, 2023		**21,189,826**	**198,014,155**	**10,156,292**	**4,163,032**	**2,272,613**	**4,347,056**	**240,142,974**
Accumulated Depreciation								
January 1, 2022		11,218,644	60,279,298	9,078,153	3,553,303	1,210,168	-	85,339,566
Depreciation		770,685	5,779,957	604,043	160,877	91,500	-	7,407,062
Disposals/retirements		(14,896)	-	(493,504)	(43,809)	-	-	(552,209)
Reclassifications to/from investment property	*12*	(136,938)	-	2,791	-	3,763	-	(130,384)
December 31, 2022		11,837,495	66,059,255	9,191,483	3,670,371	1,305,431	-	92,064,035
Depreciation		788,441	6,881,048	448,825	134,816	102,293	-	8,355,423
Disposals/retirements		(63,341)	-	(77,789)	(15,215)	(110)	-	(156,455)
Reclassifications to/from investment property	*12*	(184,143)	-	13,820	-	60,660	-	(109,663)
December 31, 2023		**12,378,452**	**72,940,303**	**9,576,339**	**3,789,972**	**1,468,274**	**-**	**100,153,340**
Carrying Amount								
December 31, 2022		P8,584,715	P121,006,941	P881,288	P312,699	P628,782	P12,732,787	P144,147,212
December 31, 2023		**P8,811,374**	**P125,073,852**	**P579,953**	**P373,060**	**P804,339**	**P4,347,056**	**P139,989,634**

In 2023 and 2022, certain property, plant and equipment were reclassified to/from investment property due to change in usage of the asset from/to used in operations to/from leased to another party under an operating lease agreement (Note 12).

No impairment loss was required to be recognized in 2023 and 2022 based on management's assessment of impairment indicators.

Certain fully depreciated property, plant and equipment with aggregate costs of P15,705,811 and P14,442,848 as of December 31, 2023 and 2022, respectively, are still being used in the Company's operations.

The Company capitalized interest amounting to P417,192 and P536,152 in 2023 and 2022, respectively (Notes 14, 17, 25 and 28). The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 2.83% to 9.52% in 2023 and from 2.27% to 8.22% in 2022.

Capital Commitments

As of December 31, 2023 and 2022, the Company has outstanding commitments to acquire property, plant and equipment amounting to P2,799,062 and P3,149,537, respectively.

11. Right-of-Use Assets

The movements and balances of right-of-use assets as of and for the years ended December 31 follow:

	Land	Buildings and Improvements and Related Facilities	Service Stations and Other Equipment	Total
Cost				
January 1, 2022	P5,659,380	P1,055,106	P24,331	P6,738,817
Additions	60,154	-	-	60,154
Remeasurements	195,351	-	-	195,351
December 31, 2022	5,914,885	1,055,106	24,331	6,994,322
Additions	689,855	-	-	689,855
Remeasurements	(493,898)	-	-	(493,898)
December 31, 2023	**6,110,842**	**1,055,106**	**24,331**	**7,190,279**
Accumulated Depreciation				
January 1, 2022	1,298,151	202,878	8,376	1,509,405
Depreciation	395,004	206,524	2,792	604,320
Remeasurements	(96,047)	-	-	(96,047)
December 31, 2022	1,597,108	409,402	11,168	2,017,678
Depreciation	377,250	206,524	2,792	586,566
Remeasurements	(292,488)	-	-	(292,488)
December 31, 2023	**1,681,870**	**615,926**	**13,960**	**2,311,756**
Carrying Amount				
December 31, 2022	P4,317,777	P645,704	P13,163	P4,976,644
December 31, 2023	**P4,428,972**	**P439,180**	**P10,371**	**P4,878,523**

The Company recognized right-of-use assets for leases of office space, buildings, machinery and equipment, service stations and parcels of land. The leases typically run for a period of two to 30 years. Some leases contain an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals. The renewal option provides operational flexibility in managing the leased asset portfolio and aligns the business needs of the Company. The Company recognized interest expense related to these leases amounting to P1,155,899 and P1,117,742 in 2023 and 2022, respectively (Note 28).

The Company also has certain leases of property and equipment with lease terms of 12 months or less and leases of equipment with low value. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases. The expenses relating to short-term leases and leases of low-value assets amounted to P538,147 and P30,305, respectively, in 2023 and P458,498 and P10,226, respectively, in 2022 (Note 28).

The Company had total payment for leases of P2,945,265 and P2,677,899 in 2023 and 2022, respectively (Note 28).

The remeasurements pertain mainly to the change in the estimated dismantling costs of ARO during the year (Note 4).

12. Investment Property

The movements and balances as of and for the years ended December 31 follow:

	Note	Land and Leasehold Improvements	Buildings and Improvements	Construction In-progress	Right-of-use	Total
Cost						
January 1, 2022		P868,793	P8,463,617	P254,936	P10,071,923	P19,659,269
Additions		-	55,571	47,690	295,175	398,436
Remeasurements	*10*	-	-	-	204,408	204,408
Reclassifications from/to property, plant, and equipment		(34,248)	(149,235)	(158,427)	-	(341,910)
Disposals		-	-	-	(224,059)	(224,059)
December 31, 2022		834,545	8,369,953	144,199	10,347,447	19,696,144
Additions		-	2,051	65,704	1,075,370	1,143,125
Remeasurements		-	-	-	86,126	86,126
Reclassifications from/to property, plant, and equipment	*10*	(31,106)	(327,378)	(5,798)	-	(364,282)
Disposals		-	-	-	(294,458)	(294,458)
December 31, 2023		**803,439**	**8,044,626**	**204,105**	**11,214,485**	**20,266,655**
Accumulated Depreciation						
January 1, 2022		804,563	4,324,023	-	2,814,379	7,942,965
Depreciation		25,010	328,700	-	1,036,811	1,390,521
Remeasurements		-	-	-	(55,653)	(55,653)
Reclassifications from/to property, plant, and equipment	*10*	(3,763)	134,147	-	-	130,384
Disposals		-	-	-	(224,059)	(224,059)
December 31, 2022		825,810	4,786,870	-	3,571,478	9,184,158
Depreciation		21,688	311,325	-	1,020,745	1,353,758
Remeasurements		-	-	-	(1,118)	(1,118)
Reclassifications from/to property, plant, and equipment	*10*	(60,660)	170,323	-	-	109,663
Disposals		-	-	-	(294,458)	(294,458)
December 31, 2023		**786,838**	**5,268,518**	**-**	**4,296,647**	**10,352,003**
Carrying Amount						
December 31, 2022		P8,735	P3,583,083	P144,199	P6,775,969	P10,511,986
December 31, 2023		**P16,601**	**P2,776,108**	**P204,105**	**P6,917,838**	**P9,914,652**

In 2023 and 2022, certain investment property were reclassified from/to property, plant and equipment due to change in usage of the asset from/to used in operations to/from leased to another party under an operating lease agreement (Note 10).

No impairment loss was required to be recognized in 2023 and 2022 based on management's assessment of impairment indicators.

There are no other direct selling and administrative expenses other than depreciation and real property taxes arising from investment property that generated income in 2023 and 2022.

The fair value of investment property amounting to P17,350,061 and P15,652,593 as of December 31, 2023 and 2022, respectively, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques.

For properties with available appraisal reports, the fair value of investment property amounting to P52,813 as of December 31, 2023 and 2022 was determined by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Company's investment property on a regular basis. The fair value of investment property amounting to P6,224,911 and P6,109,794 as of December 31, 2023 and 2022, respectively, was determined using the depreciated replacement cost method. The net present value of lease liability recognized in investment property represents the remaining fair value amounting to P11,072,337 and P9,489,986 as of December 31, 2023 and 2022, respectively.

<u>Valuation Technique and Significant Unobservable Inputs</u>
The valuation of investment property applied the following approaches below:

Sales Comparison Approach. The market value of the land was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established through such process of comparing available data. The property being valued is compared with sales transactions involving similar properties in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

Depreciated Replacement Cost Method. The fair value of land and leasehold improvements, buildings and improvements and facilities were arrived at using the depreciated replacement cost method, which estimates the current replacement cost of new assets and adjusted for obsolescence, including physical, functional and economic obsolescence.

Income Approach. The rental value of the subject property was determined using the Income Approach. Under the Income Approach, the remaining lease payments on the property is first determined followed by the application of the proper capitalization rate to arrive at its net present value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/or rate of return a prudent lessor generally expects on the return on its investment.

13. Other Assets

This account consists of:

	Note	**2023**	2022
Current:			
Prepaid taxes		**P36,229,684**	P33,440,624
Input VAT		**2,009,102**	1,845,338
Prepaid expenses	*27*	**1,221,109**	1,058,543
Special-purpose fund		**169,750**	168,585
		P39,629,645	P36,513,090
Noncurrent:			
Catalyst - net		**P629,043**	P420,820
Proprietary membership shares	*6, 33, 34*	**388,623**	-
Input VAT		**21,955**	65,272
Derivative assets designated as cash flow hedge	*6, 33, 34*	**-**	37,472
Others - net		**86,397**	119,392
		P1,126,018	P642,956

Prepaid taxes include unused creditable withholding taxes and excise taxes paid by the Company for products sold to tax-exempt entities for subsequent filing with the government as refund claims.

The “Others - net” under “Noncurrent” account includes licenses, other intangibles and other noncurrent assets amounting to P86,397 and P119,392 as of December 31, 2023 and 2022, respectively, net of amortization amounting to P210,219 and P168,174 in 2023 and 2022, respectively.

Amortization of other intangibles included as part of “Depreciation and amortization” under “Selling and administrative expenses” account in the separate statements of comprehensive income amounted to P15,824 both in 2023 and 2022 (Notes 22 and 24).

Amortization of catalysts, licenses and other noncurrent assets included as part of “Depreciation and amortization” under “Cost of goods sold” account in the separate statements of comprehensive income amounted to P310,606 and P221,362 in 2023 and 2022, respectively (Notes 21 and 24).

14. Short-term Loans

This account pertains to unsecured Philippine peso and US dollar-denominated loans obtained from local and foreign banks with maturities ranging from 4 to 180 days and annual interest ranging from 5.00% to 7.53% in 2023 and 2.00% to 6.88% in 2022 (Note 25). These loans are intended to fund the importation of crude oil and petroleum products (Note 8) and working capital requirements.

Interest expense on short-term loans amounted to P7,621,376 in 2023 and P3,881,512 in 2023 (Note 25). Interest expense capitalized as part of property, plant and equipment amounted to P176,490 and P169,275 in 2023 and 2022, respectively (Note 10).

15. Liabilities for Crude Oil and Petroleum Products

This account pertains to liabilities to suppliers of crude oil, petroleum and other products that are noninterest-bearing and generally settled on a 30-day term. Details of the supply agreements in relation to importations of crude oil requirements of the Company are disclosed in Note 30.

Liabilities for crude oil and petroleum products are payable to the following:

	Note	**2023**	2022
Related parties	*27*	**P15,990,355**	P21,436,156
Third parties		**2,707,812**	2,002,567
	33, 34	**P18,698,167**	P23,438,723

16. Trade and Other Payables

This account consists of:

	Note	**2023**	2022
Trade		**P4,047,853**	P3,627,530
Specific taxes and other taxes payable		**7,643,178**	6,692,232
Due to related parties	*27*	**6,672,059**	5,626,531
Accrued interest		**1,362,751**	1,209,043
Dividends payable	*32*	**949,895**	470,641
Deferred liability on consumer loyalty program		**568,872**	505,774
Accrued payroll		**121,936**	106,721
Accrued rent		**53,831**	52,662
Retention payable		**23,251**	24,053
Others		**170,795**	147,659
	33, 34	**P21,614,421**	P18,462,846

Trade payables are liabilities to haulers, contractors and suppliers that are non-interest bearing and are generally settled on a 30-day term.

Others include provisions (Note 38) and accruals of selling and administrative expenses which are normally settled within a year.

The Company recognized revenue that was included in deferred liability on consumer loyalty program amounting to P427,742 and P391,308 in 2023 and 2022, respectively (Note 36).

17. Long-term Debt

This account consists of:

	Note	2023	2022
Unsecured Peso-Denominated (net of debt issue costs)			
Fixed rate retail bonds of 7.8183% due in 2024 and 8.0551% due in 2025	*(c)*	**P19,947,903**	P19,906,090
Fixed retail bond of 3.4408% due until 2025 and 4.3368% due until 2027	*(g)*	**17,869,357**	17,823,453
Term loan of 7.1663% due until 2027	*(h)*	**4,974,766**	4,967,000
Term loan of 7.4206% due until 2027	*(i)*	**4,354,889**	4,968,467
Term Loan of 7.5496% due until 2027	*(j)*	**4,354,847**	4,968,428
Term Loan of 6.4920% due in 2025	*(k)*	**2,364,547**	2,358,884
Term loan of 5.5276% due until 2024	*(b)*	**1,606,146**	3,744,091
Term loan of 4.5900% due until 2025	*(f)*	**1,871,650**	3,115,562
Term Loan of 6.8672% due in 2025	*(l)*	**622,190**	620,679
Fixed rate retail bonds of 4.5219% due in 2023	*(a)*	**-**	6,990,299
Unsecured Foreign Currency-Denominated (net of debt issue costs)			
Floating rate dollar loan - US$669 million due until 2027	*(m)*	**36,245,521**	26,794,410
Floating rate dollar loan - US$225 million due until 2028	*(n)*	**12,172,156**	-
Floating rate yen loan - JP¥15 billion due until 2025	*(e)*	**2,511,707**	4,527,466
Floating rate dollar loan - US$800 million due until 2024	*(d)*	**-**	6,276,197
	32, 33, 34	**108,895,679**	107,061,026
Less: current portion		**25,641,705**	13,399,136
		P83,253,974	P93,661,890

a. On October 27, 2016, the Company issued P20,000,000 retail bonds (the "Bonds") divided into Series A (P13,000,000) and Series B (P7,000,000). Series A Bonds is due on October 27, 2021 with interest rate of 4.0032% per annum. Series B Bonds will mature on October 27, 2023 with interest rate of 4.5219% per annum. Interests on these Bonds are payable quarterly on January 27, April 27, July 27 and October 27 of each year. The proceeds from the issuance of the Bonds were used to partially settle the US$475 million and US$550 million Term Loan facilities, to repay short-term loans and for general corporate requirements. The Bonds were listed with the Philippine Dealing & Exchange Corp. on October 27, 2016. The Company redeemed its P13,000,000 Series A and P7,000,000 Series B bonds on October 27, 2021 and October 27, 2023, respectively.

b. On July 25, 2017, the Company drew P15,000,000 from a P15,000,000 term loan facility which was signed on July 14, 2017 and executed on July 17, 2017. The facility is amortized over 7 years and is subject to a fixed interest rate of 5.5276% per annum. The proceeds were used to refinance the bridge loan availed on December 23, 2016 for the acquisition of the Refinery Solid Fuel-Fired Power Plant in 2016. As of December 31, 2023, the P13,392,857 portion of the facility has already been paid.

c. On October 19, 2018, the Company offered P20,000,000 fixed retail bonds (the "Offer Bonds") divided into Series C (P13,200,000) bearing interest at 7.8183% per annum and Series D (P6,800,000) bearing interest at 8.0551% per annum. The Series C Offer Bonds will mature on April 19, 2024 (5.5-year term) while the Series D Offer Bonds is due on October 19, 2025 (7-year term). Interests on these Offer Bonds are payable quarterly, commencing on January 19, 2019, and thereafter, on April 19, July 19, October 19 and January 19 of each year. The net proceeds from the issuance of the Offer Bonds were used primarily to settle short-term loans availed by the Company to fund crude oil purchases and redeem a portion of the Company's remaining Undated Subordinated Capital Securities (USCS) (Note 20), and the balance for general corporate purposes. The Offer Bonds were listed with the Philippine Dealing & Exchange Corp. on October 19, 2018.

d. On May 10, 2019, the Company signed and executed a US$800 million term loan facility. Initial drawdown of US$300 million was made on May 15, 2019, the proceeds of which were used to refinance the Company's existing dollar-denominated bilateral short-term loans. On May 31, 2019, the Company drew an additional US$236 million from the facility to partially prepay its US$1,000 million term loan facility. Finally, the remaining balance of US$264 million was drawn on July 10, 2019 to refinance various peso-denominated short-term loans and for general corporate purposes. The facility is amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning May 15, 2021. The facility is subject to a floating interest rate based on LIBOR plus a spread, repriced every 1, 3 or 6 months. The Company has fully settled the facility as of December 31, 2023.

e. On April 22, 2020, the Company drew JP¥15 billion from a JP¥15 billion term loan facility signed and executed on March 27, 2020. The proceeds were used to partially prepay its US$1 billion term loan facility. The JP¥ facility is amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning March 27, 2022. It is subject to a floating interest rate based on JP¥ LIBOR plus a spread, repriced every 1, 3 or 6 months. Due to the global discontinuation of JPY LIBOR by December 31, 2021, an amendment was made to the JPY Facility adopting the Tokyo Overnight Average Rate (TONA) as the new benchmark rate. Beginning December 29, 2021, the floating interest rate on the JPY15 billion facility is based on TONA plus a spread, repriced every 1, 3 or 6 months. The Company has paid principal amortizations amounting to JP¥4.29 billion each in 2023 and 2022.

f. On April 27, 2020, the Company drew P5,000,000 from a P5,000,000 term loan facility which was signed and executed on April 23, 2020. The facility is subject to a fixed interest rate of 4.59% per annum and amortized over 5 years with a 12-month grace period, after which the total principal will be amortized in 16 equal quarterly payments beginning July 27, 2021. The proceeds were used for general corporate purposes. The Company has paid principal amortizations amounting to P1,250,000 each in 2023 and 2022.

g. On October 12, 2021, the Company issued P18,000,000 retail bonds divided into Series E due in 2025 (P9.0 billion) and Series F due in 2027 (P9.0 billion) with interest rates of 3.4408% p.a. and 4.3368% p.a., respectively. The Bonds are listed on the Philippine Dealing & Exchange Corp. The proceeds were used for the redemption of the Company's Series A Bonds, the partial financing of the power plant project and payment of existing indebtedness.

h. On May 19, 2022, the Company drew and availed a P5,000,000 term loan facility which was signed and executed on May 17, 2022. The facility is subject to a fixed interest rate of 7.1663% per annum and amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 semi-annual payments beginning May 19, 2024. The proceeds were used for partial financing of the power plant project.

i. On June 15, 2022, the Company drew and availed a P5,000,000 term loan facility which was signed and executed on June 10, 2022. The facility is subject to a fixed interest rate of 7.4206% interest per annum and amortized over 5 years with a 15th-month grace period, after which the total principal will be amortized in 16 equal quarterly payment beginning September 15, 2023. The proceeds were used to partially pay the US$1,000 million term loan facility. As of December 31, 2023, the P625,000 portion of the facility has already been paid.

j. On June 16, 2022, the Company drew and availed a P5,000,000 term loan facility which was signed and executed on June 7, 2022. The facility is subject to a fixed interest rate of 7.5496% interest per annum and amortized over 5 years with a 15-month grace period, after which the total principal will be amortized in 16 equal quarterly payments beginning September 16, 2023. The proceeds were used to pay balances of the US$1,000 million and various loan facilities. As of December 31, 2023, the P625,000 portion of the facility has already been paid.

k. On September 8, 2022, the Company drew and availed a P2,375,000 term loan facility which was signed and executed on September 6, 2022. The facility is subject to a fixed interest rate of 6.4920% per annum and will be fully paid on September 8, 2025. The proceeds were partially used to pay existing indebtedness.

l. On September 30, 2022, the Company drew and availed a P625,000 term loan facility which was signed and executed on September 6, 2022. The facility is subject to a fixed interest rate of 6.8672% per annum and will be fully paid on September 8, 2025. The proceeds were used to pay existing indebtedness.

m. On November 8, 2022, the Company signed and executed a US$550 million term loan facility. Initial drawdown of US$117 million was made on November 15, 2022 the proceeds of which were used to partially pay the US$800 million loan term loan facility. On November 29, 2022 the Company drew an additional US$150 million from the facility to fully prepay its US$150 million term loan facility. Additional US$228 million was drawn on December 15, 2022 to further partially prepay the US$800 million loan term loan facility. The US$550 million term loan facility is amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning November 8, 2024. The facility is subject to a floating interest rate based on Secured Overnight Financing Rate (SOFR) plus a spread, repriced every 1, 3 or 6 months.

   On January 20, 2023, the Company drew US$30 million to partially prepay its JP¥15 billion term loan facility. Additional US$25 million was drawn on February 3, 2023, to partially prepay the US$800 million long-term loan facility.

   On February 17, 2023, the Company has upsized its US$550 million term loan facility to US$669 million and drew US$88 million from the additional US$119 loan facility on May 15, 2023 to fully preterminate the US$800 million long-term loan facility. On August 14, 2023, the remaining US$31 million was drawn. Proceeds were used to redeem the Company’s P7,000,000 Series B Bonds on October 27, 2023.

n. On July 13, 2023, the Company made a full drawdown of US$225 million term loan which was used to partially fund the redemption of US$500 million SPCS. The facility was signed on March 28, 2023, which subsequently increased from US$150 million to US$225 million on June 8, 2023. The facility is amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning on March 28, 2025. The facility is subject to a floating interest rate based on SOFR plus a spread, repriced every 1, 3 or 6 months.

The above-mentioned debt agreements contain, among others, covenants relating to merger and consolidation, maintenance of certain financial ratios, restrictions on loans and guarantees, disposal of a substantial portion of assets, significant changes in the ownership or control of subsidiaries, payments of dividends and redemption of capital stock.

The Company has two financial covenants, namely, net leverage ratio not to exceed 6.5x and ratio of consolidated gross debt to consolidated net worth not to exceed 2.75x. In November 2020, the Company secured consent to amend the testing of its net leverage ratio from semi-annual to incurrence-based, while the ratio of consolidated gross debt to consolidated net worth remained to be tested quarterly.

As of December 31, 2023 and 2022, the Company has complied with the financial covenants of its debt agreements.

Total interest incurred on the above-mentioned long-term loans (including amortization of debt issue costs) amounted to P8,331,596 and P6,164,964 for the years ended 2023 and 2022, respectively (Note 25). Interest amounting to P186,995 and P268,877 was capitalized in 2023 and 2022, respectively (Note 10).

Movements in debt issue costs follow:

	Note	**2023**	2023
Balance at beginning of year		**P1,334,732**	P981,426
Additions		**616,405**	955,917
Amortization for the year	*25, 32*	**(584,893)**	(602,611)
Balance at end of year		**P1,366,244**	P1,334,732

Repayment Schedule

As of December 31, 2023 and 2022, the annual maturities of long-term debt are as follows (Note 33):

2023

Year	**Gross Amount**	**Debt Issue Costs**	**Net**
2024	**P26,034,933**	**P393,228**	**P25,641,705**
2025	**37,411,080**	**556,987**	**36,854,093**
2026	**18,922,830**	**237,264**	**18,685,566**
2027	**26,113,330**	**174,702**	**25,938,628**
2028 and beyond	**1,779,750**	**4,063**	**1,775,687**
	P110,261,923	**P1,366,244**	**P108,895,679**

2023

Year	Gross Amount	Debt Issue Costs	Net
2023	P13,472,429	P73,293	P13,399,136
2024	31,177,494	638,269	30,539,225
2025	31,225,136	348,188	30,876,948
2026	10,885,350	131,584	10,753,766
2027 and beyond	21,635,349	143,398	21,491,951
	P108,395,758	P1,334,732	P107,061,026

18. Asset Retirement Obligation

Movements in the ARO are as follows:

	Note	**2023**	2022
Balance at beginning of year		**P3,274,115**	P2,670,930
Additions		**3,203**	2,347
Accretion for the year	*25*	**216,274**	209,451
Effect of change in estimates	*4*	**(264,355)**	141,045
Effect of change in discount rate		**144,928**	253,757
Settlement		**-**	(3,415)
Balance at end of year		**P3,374,165**	P3,274,115

19. Other Noncurrent Liabilities

This account consists of:

	Note	**2023**	2022
Due to related parties	*27*	**P628,000**	P -
Cash bonds		**439,383**	419,116
Cylinder deposits		**344,325**	291,401
Deferred lease	*28*	**184,153**	181,676
Others		**40,820**	41,906
	33, 34	**P1,636,681**	P934,099

Cash bonds represent deposits from customers as a form of collateral.

20. Equity

a. Capital Stock

Common Shares

Pursuant to the registration statement rendered effective by the SEC on May 18, 1995 and the permit to sell issued by the SEC dated May 30, 1995, 10,000,000,000 common shares of the Company with par value of P1.00 per share were offered for sale at an offer price of P1.00 per share. As of December 31, 2023 and 2022, the Company had 97,977 and 98,382 stockholders with at least one board lot at the PSE, respectively, for a total of 9,375,104,497 (P1.00 per share par value) issued and outstanding common shares.

Preferred Shares

On January 21, 2010, the SEC approved the Company's amendment to its AOI to reclassify 624,895,503 unissued common shares into preferred shares with a par value of P1.00 per share, as part of its authorized capital stock. On February 12, 2010, the SEC issued an order permitting the Company's offer and sale of 50,000,000 peso-denominated, cumulative, non-participating and non-voting preferred shares, with an oversubscription option of 50,000,000 preferred shares (collectively, the "2010 Preferred Shares") to the public at an issue price of P100.00 per share. Proceeds from issuance in excess of par value less related transaction costs amounting to P9,764,404 was recognized as additional paid-in capital. Dividend rate of 9.5281% per annum computed in reference to the issue price was payable every March 5, June 5, September 5 and December 5 of each year, when declared by the Company's BOD. The 2010 Preferred Shares were listed with PSE on March 5, 2010.

On October 17, 2014, the SEC issued an order permitting the Company's public offering and sale of 7,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated perpetual preferred shares with an oversubscription option of 3,000,000 preferred shares (collectively, the "Series 2 Preferred Shares") at an issue price of P1,000.00 per share.

On November 3, 2014, the Company issued and listed in the PSE 10,000,000 Series 2 Preferred Shares at an offer price of P1,000.00 per share. The Series 2 Preferred Shares were issued in two (2) sub-series, (i) 7,122,320 Series 2A preferred shares (the "Series 2A Preferred Shares") and (ii) 2,877,680 Series 2B preferred shares (the "Series 2B Preferred Shares"). Proceeds from issuance in excess of par value less related transaction costs amounting to P9,888,298 was recognized as additional paid-in capital.

The Series 2A Preferred Shares may be redeemed by the Company starting on the fifth anniversary from the listing date while the Series 2B Preferred Shares may be redeemed starting on the seventh anniversary from the listing date. Series 2A and Series 2B Preferred Shares have dividend rates of 6.3000% and 6.8583%, respectively. Cash dividends are payable quarterly every February 3, May 3, August 3 and November 3 of each year, as and if declared by the Company's BOD.

All shares rank equally as regards to the Company's residual assets, except that holders of preferred shares participate only to the extent of the issue price of the shares plus any accumulated and unpaid cash dividends.

On March 5, 2015, the Company redeemed the 2010 Preferred Shares at P100.00 per share, which were delisted by the PSE on March 6, 2015 in line with the latter's rule on the delisting of redeemed shares which are not re-issuable at the time of redemption under the issuing Company's AOI. On July 6, 2015, the SEC approved the amendment of the AOI of the Company to provide a re-issuability feature of its preferred shares.

On May 31, 2019, the SEC issued a permit for the Company's public offering and sale of 15,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated perpetual preferred shares with an oversubscription option of 5,000,000 preferred shares (collectively, the "Series 3 Preferred Shares") at an issue price of P1,000.00 per share.

On June 25, 2019, the Company issued and listed on the PSE 20,000,000 Series 3 Preferred Shares. The net proceeds from the issuance were used for the repayment of the Company's outstanding short-term loans and for general corporate purposes while the remaining balance was allocated for the redemption of the Series 2A Preferred Shares in November 2019.

The Series 3 Preferred Shares were issued in two (2) sub-series: (i) 13,403,000 Series 3A Preferred Shares with dividend rate of 6.8713% per annum and first optional redemption date on its 5.5th anniversary from the issuance date; and (ii) 6,597,000 Series 3B Preferred Shares with dividend rate of 7.1383% per annum and first optional redemption date on its 7th anniversary from the issuance date. Cash dividends are payable quarterly on March 25, June 25, September 25 and December 25 of each year, as and if declared by the Company's BOD. Proceeds from reissuance of treasury stocks in excess of cost less related transaction costs amounting to P17,847,620 was recognized as additional paid-in capital.

On November 4, 2019, the Company redeemed its 7,122,320 Series 2A Preferred Shares issued on November 3, 2014 at a redemption price of P1,000.00 per share, with a record date of October 10, 2019. The redemption was approved by the Company's BOD on March 12, 2019.

On November 3, 2021, the Company redeemed its 2,877,680 Series 2B Preferred Shares issued on November 3, 2014 at a redemption price of P1,000.00 per share, with a record date of October 7, 2021. The redemption was approved by the Company's BOD on March 9, 2021.

On July 7, 2023, the Company issued and listed on the PSE 5,000,000 Series 4A, 2,995,000 Series 4B, and 6,005,000 Series 4C preferred shares (inclusive of the oversubscription of 1,500,000 shares) under the 50,000,000 Series 4 Shelf Registered Preferred Shares at an issue price of P1,000.00 or for a total amount of P14,000,000. The Series 4 Shelf Registered Preferred Shares, which were approved for issue by the SEC on June 14, 2023, are cumulative, deferrable, non-voting, non-participating, non-convertible, redeemable, and reissuable Peso-denominated perpetual preferred shares. Proceeds from reissuance of treasury stocks in excess of cost less related transaction costs amounting to P3,484,919 was recognized as additional paid-in capital. The net proceeds were used to partly fund the full redemption on July 19, 2023 of the remaining US$477.53 million SPCS issued in 2018.

The Company has the redemption option starting on the second and half, third and fifth year or on any dividend payment date thereafter for Series 4A, Series 4B and Series 4C preferred shares, respectively. Dividend rates are 6.7079%, 6.7972%, 7.0861% per annum for Series 4A, Series 4B and Series 4C preferred shares, respectively.

As of December 31, 2023 and 2022, the Company had 34,000,000 and 20,000,000 (P1 par value) issued and outstanding preferred shares, respectively. The total number of preferred shareholders with at least one board lot at the PSE as of December 31, 2023 and 2022 are as follows:

	2023	2022
Series 3A Preferred Shares	**14**	10
Series 3B Preferred Shares	**25**	25
Series 4A Preferred Shares	**3**	-
Series 4B Preferred Shares	**13**	-
Series 4C Preferred Shares	**27**	-
	82	35

b. Retained Earnings

Declaration of Cash Dividends
On various dates in 2023 and 2022, the Company's BOD approved the declaration of cash dividends for common and preferred shareholders with the following details:

Type	Per Share	Date of Declaration	Date of Record	Date of Payment
2023				
Common	**P0.10**	**March 6, 2023**	**March 20, 2023**	**April 4, 2023**
Series 3A	**17.17825**	**May 10, 2023**	**May 31, 2023**	**June 26, 2023**
Series 3B	**17.84575**	**May 10, 2023**	**May 31, 2023**	**June 26, 2023**
Series 3A	**17.17825**	**August 1, 2023**	**August 31, 2023**	**September 25, 2023**
Series 3B	**17.84575**	**August 1, 2023**	**August 31, 2023**	**September 25, 2023**
Series 4A	**16.76975**	**August 1, 2023**	**September 14, 2023**	**October 9, 2023**
Series 4B	**16.99300**	**August 1, 2023**	**September 14, 2023**	**October 9, 2023**
Series 4C	**17.71525**	**August 1, 2023**	**September 14, 2023**	**October 9, 2023**
Series 3A	**17.17825**	**November 7, 2023**	**November 29, 2023**	**December 26, 2023**
Series 3B	**17.84575**	**November 7, 2023**	**November 29, 2023**	**December 26, 2023**
Series 3A	**17.17825**	**November 7, 2023**	**March 1, 2024**	**March 25, 2024**
Series 3B	**17.84575**	**November 7, 2023**	**March 1, 2024**	**March 25, 2024**
Series 4A	**16.76975**	**November 7, 2023**	**December 13, 2023**	**January 8, 2024**
Series 4B	**16.99300**	**November 7, 2023**	**December 13, 2023**	**January 8, 2024**
Series 4C	**17.71525**	**November 7, 2023**	**December 13, 2023**	**January 8, 2024**
Series 4A	**16.76975**	**November 7, 2023**	**March 13, 2024**	**April 8, 2024**
Series 4B	**16.99300**	**November 7, 2023**	**March 13, 2024**	**April 8, 2024**
Series 4C	**17.71525**	**November 7, 2023**	**March 13, 2024**	**April 8, 2024**
2022				
Series 3A	17.17825	August 1, 2022	August 31, 2022	September 26, 2022
Series 3B	17.84575	August 1, 2022	August 31, 2022	September 26, 2022
Series 3A	17.17825	November 8, 2022	November 29, 2022	December 26, 2022
Series 3B	17.84575	November 8, 2022	November 29, 2022	December 26, 2022
Series 3A	17.17825	November 8, 2022	March 2, 2023	March 27, 2023
Series 3B	17.84575	November 8, 2022	March 2, 2023	March 27, 2023

Total cash dividends declared amounted to P3,052,753 and P1,043,906 in 2023 and 2022, respectively.

Appropriation for Capital Projects
On May 5, 2016, the Company's BOD approved the re-appropriation of retained earnings amounting to P15,000,000 for capital projects in 2016 and 2017 which are expected to be completed within five years from the date of the approval.

On March 9, 2021, the BOD of the Company approved the reversal of P8,000,000 of the P15,000,000 appropriated retained earnings of the Company since majority of the 2016 and 2017 capital projects were already completed while the others were deferred. The remaining P7,000,000 is maintained for the Power Plant project.

On May 10, 2023, the Company's BOD approved the reversal of P7,000,000 of the remaining appropriated retained earnings since the Power Plant project no longer needs the subject appropriation to fund its completion.

c. Equity reserves comprise of the following:

Reserve for retirement plan pertains to the cumulative remeasurements of the Company's defined benefit retirement plan.

Other reserves comprise the net income (loss) on cash flows hedges and effect of redemption of capital securities with details as follows:

	Net Income (Loss) on Cash Flows Hedges		**Redemption of Capital Securities**	
	2023	2022	**2023**	2022
Balance at beginning of year	**P50,991**	(P3,674)	**(P9,223,176)**	(P9,223,176)
Movement	**(50,991)**	54,665	**(2,286,239)**	-
Balance at end of year	**P -**	P50,991	**(P11,509,415)**	(P9,223,176)

d. SPCS

On January 19, 2018, the Company issued US$500 million SPCS with an issue price of 100% for the partial repurchase and redemption of the Company's existing US$750 million USCS, the repayment of indebtedness and general corporate purposes including capital expenditures. The SPCS were listed with the Singapore Exchange Securities Trading Ltd. on January 22, 2018.

Holders of the SPCS are conferred a right to receive distribution on a semi-annual basis from their issue date at the rate of 4.6% per annum, subject to a step-up rate. The Company has a right to defer the distribution under certain conditions.

The SPCS have no fixed redemption date and are redeemable in whole, but not in part, at their principal amounts together with any accrued, unpaid, or deferred distributions, at the Company's option on or after July 19, 2023 or on any distribution payment date thereafter or upon the occurrence of certain other events.

On January 19, 2023, the Company redeemed US$22.47 million (P1,118,165) from US$500 million SPCS issued in 2018 at a purchase price of US$927 per US$1,000 in principal amount.

On July 19, 2023, the remaining outstanding SPCS with an aggregate amount of US$477.53 million (P23,763,115) was fully redeemed at a purchase price of US$1,000 per US$1,000 in principal amount. Following such redemption, distributions ceased to accrue and the redeemed securities were cancelled and delisted from the Singapore Exchange Securities Trading Limited.

Payments of distributions pertaining to US$500 million SPCS were made on the following dates: July 19, 2023 (P796,823), January 19, 2023 (P840,727), July 18, 2022 (P863,895), and January 18, 2022 (P786,907).

On April 19, 2021, the Company issued US$550 million SPCS at an issue price of 100%, with an initial distribution rate of 5.95% per annum. The securities were listed in the Singapore Exchange Securities Trading Limited on April 20, 2021. The net proceeds were used for the repayment of indebtedness and for general corporate purposes.

Payments of distributions pertaining to US$550 million SPCS was made on the following dates: October 19, 2023 (P1,237,834), April 19, 2023 (P1,223,784), October 18, 2022 (P1,285,656), and April 18, 2022 (P1,139,505).

The SPCS were offered for sale and sold to qualified buyers and not more than 19 institutional lenders. Hence, the sale of SPCS was considered an exempt transaction for which no confirmation of exemption from the registration requirements of the SRC was required to be filed with the SEC.

e. RPS

On November 27, 2019, the Company issued US$6 million RPS to be used for capital expenditure requirements.

Holders of the RPS are conferred a right to receive distribution on a quarterly basis, every February 27, May 27, August 27 and November 27. The Company has a right to defer the distribution under certain conditions.

On May 26, 2023, the Company fully redeemed its US$6 million (P301,515) RPS.

Distributions to holders of the RPS were made on May 26, 2023 (P3,350), February 27, 2023 (P3,319), November 25, 2022 (P3,405), August 30, 2022 (P3,375), May 27, 2022 (P3,138), and March 1, 2022 (P3,075).

On June 22, 2020, the Company issued US$130 million RPS used for general corporate purposes. Holders of the RPS are conferred a right to receive distributions on a quarterly basis every March 22, June 22, September 22 and December 22.

Payments of distributions pertaining to RPS were made on December 22, 2023 (P65,248), September 22, 2023 (P66,961), June 22, 2023 (P65,498), March 22, 2023 (P64,230), December 22, 2022 (P64,950), September 22, 2022 (P68,810), June 22, 2022 (P64,189), and March 22, 2022 (P61,766).

On August 10, 2020, the Company issued additional US$100 million RPS used for general corporate purposes. Holders of the RPS are conferred a right to receive distributions on a quarterly basis every February 10, May 10, August 10 and November 10.

Payments of distributions pertaining to RPS were made on November 10, 2023 (P50,709), August 10, 2023 (P51,031), May 10, 2023 (P50,541), February 10, 2023 (P49,430), November 10, 2022 (P52,676), August 10, 2022 (P50,525), May 10, 2022 (P47,489), and February 10, 2022 (P46,461).

The RPS have no fixed redemption date and are redeemable in whole or in part at their principal amounts together with any accrued, unpaid, or deferred distributions, at the Company’s option on any distribution payment date after 90 days from Issuance Date.

21. Cost of Goods Sold

This account consists of:

	Note	2023	2022
Inventories	*8*	**P381,471,581**	P391,553,852
Depreciation and amortization	*24*	**7,824,734**	6,577,887
Materials and supplies		**6,059,361**	5,279,560
Purchased services and utilities		**1,609,197**	1,843,015
Personnel expenses	*23*	**1,198,918**	1,084,047
Others	*28, 30*	**3,118,800**	2,422,773
		P401,282,591	P408,761,134

Distribution or transshipment costs included as part of inventories amounted to P7,759,590 and P5,531,018 in 2023 and 2022, respectively.

Others include manufacturing and overhead costs such as maintenance and repairs, taxes and licenses, insurance and rent.

22. Selling and Administrative Expenses

This account consists of:

	Note	2023	2022
Purchased services and utilities		**P3,044,253**	P2,516,171
Depreciation and amortization	*24*	**2,797,443**	3,061,202
Personnel expenses	*23*	**2,398,398**	2,472,768
Maintenance and repairs		**1,263,552**	878,724
Materials and office supplies		**822,476**	620,640
Rent	*4, 28, 30*	**440,167**	328,265
Taxes and licenses		**378,610**	225,962
Advertising		**345,078**	226,973
Insurance		**57,830**	54,861
Net reversal of impairment losses on trade and other receivables	*4, 7*	**(25,693)**	(3,692)
Others		**28,348**	23,451
		P11,550,462	P10,405,325

Selling and administrative expenses include research and development costs amounting to P87,424 and P61,072 in 2023 and 2022, respectively (Note 8).

23. Personnel Expenses

This account consists of:

	Note	2023	2022
Salaries, wages and other employee costs	*27*	**P3,327,911**	P3,179,995
Retirement benefits costs - defined benefit plan	*27, 29*	**181,142**	293,760
Retirement benefits costs - defined contribution plan	*27*	**88,263**	83,060
		P3,597,316	P3,556,815

The above amounts are distributed as follows:

	Note	2023	2022
Cost of goods sold	*21*	**P1,198,918**	P1,084,047
Selling and administrative expenses	*22*	**2,398,398**	2,472,768
		P3,597,316	P3,556,815

24. Depreciation and Amortization

This account consists of:

	Note	2023	2022
Cost of goods sold:			
Property, plant and equipment	*10*	**P7,299,702**	P6,130,360
Right-of-use assets	*11*	**214,426**	226,165
Other assets	*13*	**310,606**	221,362
	21	**7,824,734**	6,577,887
Selling and administrative expenses:			
Property, plant and equipment	*10*	**1,055,721**	1,276,702
Right-of-use assets	*11*	**372,140**	378,155
Investment property	*12*	**1,353,758**	1,390,521
Intangible assets	*13*	**15,824**	15,824
	22	**2,797,443**	3,061,202
		P10,622,177	P9,639,089

25. Interest Expense and Other Financing Charges, Interest Income and Other Income - net

This account consists of:

	Note	2023	2022
Interest expense and other financing charges:			
Long-term debt	*17*	**P7,574,493**	P5,319,758
Short-term loans	*14*	**7,267,234**	3,662,540
Bank charges		**1,201,408**	1,122,581
Accretion on lease liabilities	*28*	**1,155,899**	1,117,742
Amortization of debt issue costs	*17, 32*	**570,108**	576,329
Defined benefit obligation	*29*	**255,277**	174,882
Accretion on ARO	*18*	**216,274**	209,451
Advances from related parties	*27*	**177,652**	49,697
Others		**569**	58,596
		P18,418,914	P12,291,576
Interest income:			
Short-term placements	*5*	**P702,411**	P533,621
Advances to related parties	*27*	**126,982**	147,072
Plan assets	*29*	**106,051**	72,655
Hedging	*34*	**93,539**	17,021
Trade receivables	*7*	**40,029**	20,140
Cash in banks	*5*	**8,798**	9,982
		P1,077,810	P800,491
Other income - net:			
Dividend income	*9*	**P2,309,965**	P2,276,056
Changes in fair value of financial assets at FVPL	*6*	**36,500**	54,260
Foreign currency gains (losses) - net	*33*	**18,796**	(3,198,039)
Impairment loss on investments in shares of stock of subsidiaries and joint venture	*9*	**(218)**	(43,629)
Hedging losses - net		**(104,051)**	(739,083)
Marked-to-market gains (losses) - net	*34*	**(1,489,706)**	3,894,533
Others - net	*9, 27*	**682,285**	563,717
		P1,453,571	P2,807,815

Bank charges amounting to P26,905 and P47,822 was capitalized in 2023 and 2022, respectively (Note 10).

26. Income Taxes

The components of income tax expense (benefit) are shown below:

	2023	2022
Current	**P549,368**	P328,871
Deferred	**822,930**	568,908
	P1,372,298	P897,779

The movements of deferred tax assets and liabilities are accounted for as follows:

2023	**Balance at January 1**	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Balance at December 31**
NOLCO	**P6,725,309**	**(P435,634)**	**P -**	**P6,289,675**
Various allowances, accruals and others	**1,926,989**	**75,911**	**-**	**2,002,900**
Net retirement benefits liability	**1,762,472**	**(171,500)**	**8,852**	**1,599,824**
Rental	**1,330,832**	**53,197**	**-**	**1,384,029**
MCIT	**508,078**	**512,683**	**-**	**1,020,761**
ARO	**482,452**	**97,576**	**-**	**580,028**
Inventory differential	**590,874**	**(400,016)**	**-**	**190,858**
Unrealized foreign exchange gains - net	**23,863**	**(195,429)**	**16,997**	**(154,569)**
Capitalized taxes and duties on inventories deducted in advance	**(848,056)**	**(109,692)**	**-**	**(957,748)**
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	**(3,464,020)**	**160,332**	**-**	**(3,303,688)**
Excess of double-declining over straight-line method of depreciation and amortization	**(7,643,221)**	**(410,358)**	**-**	**(8,053,579)**
	P1,395,572	**(P822,930)**	**P25,849**	**P598,491**

2022	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31
NOLCO	P7,793,250	(P1,067,941)	P -	P6,725,309
Various allowances, accruals and others	2,116,882	(189,893)	-	1,926,989
Net retirement benefits liability	1,745,692	(145,023)	161,803	1,762,472
Rental	1,250,704	80,128	-	1,330,832
MCIT	688,906	(180,828)	-	508,078
ARO	412,209	70,243	-	482,452
Inventory differential	(181,924)	772,798	-	590,874
Unrealized foreign exchange losses - net	(222,889)	264,974	(18,222)	23,863
Capitalized taxes and duties on inventories deducted in advance	(764,202)	(83,854)	-	(848,056)
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	(3,544,422)	80,402	-	(3,464,020)
Excess of double-declining over straight-line method of depreciation and amortization	(7,473,307)	(169,914)	-	(7,643,221)
	P1,820,899	(P568,908)	P143,581	P1,395,572

As of December 31, 2023, the NOLCO and MCIT of the Company that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	**Carryforward Benefits Up To**	**NOLCO**	**MCIT**
2020	December 31, 2025	**P23,466,330**	**P -**
2021	December 31, 2026	**1,677,882**	**-**
2021	December 31, 2024	**-**	**197,417**
2022	December 31, 2025	**-**	**310,661**
2023	December 31, 2026	**-**	**512,683**
		P25,144,212	**P1,020,761**

As of December 31, 2022, the NOLCO and MCIT of the Company that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	Carryforward Benefits Up To	NOLCO	MCIT
2020	December 31, 2025	P25,208,869	P -
2021	December 31, 2026	1,677,882	-
2021	December 31, 2024	-	197,417
2022	December 31, 2025	-	310,661
		P26,886,751	P508,078

A reconciliation of tax on the pretax income computed at the applicable statutory rates to tax expense (benefit) reported in the separate statements of comprehensive income is as follows:

	2023	2022
Statutory income tax rate	**25.00%**	25.00%
Increase (decrease) in income tax rate resulting from:		
Write-off of NOLCO/MCIT	**-**	17.75%
Nondeductible interest expense	**0.14%**	0.15%
Nondeductible expense	**0.24%**	0.05%
Interest income subjected to lower final tax and others	**(0.25%)**	(0.24%)
Nontaxable income	**(7.44%)**	(16.57%)
Effective income tax rate	**17.69%**	26.14%

27. Related Party Disclosures

The Company, certain subsidiaries, joint venture, associate and SMC and its subsidiaries in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. The Company requires approval of the BOD for certain limits on the amount and extent of transactions with related parties.

Amounts owed by/owed to related parties are collectible/to be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The balances and transactions with related parties as of and for the years ended December 31 follow:

	Note	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Ultimate Parent	*b, n*	**2023**	**P125**	**P -**	**P15**	**P -**	On demand;	Unsecured;
		2022	95	-	50	-	non-interest bearing	no impairment
Retirement Plan	*7, 29, a*	**2023**	**45,298**	**-**	**893,548**	**-**	On demand;	Unsecured;
		2022	57,671	-	893,548	-	interest bearing	no impairment
	a	**2023**	**-**	**-**	**43,940**	**-**	On demand;	Unsecured;
		2022	-	-	-	-	non-interest bearing	no impairment
Intermediate	*b, c, e, f, n, o*	**2023**	**28,426**	**220,957**	**17,947**	**461,083**	On demand;	Unsecured;
Parent		2022	19,953	206,784	16,088	452,717	non-interest bearing	no impairment
Subsidiaries	*g, h, I, j, k,*	**2023**	**24,092,648**	**275,545,909**	**5,787,985**	**22,506,111**	On demand;	Unsecured;
	n, o	2022	19,159,054	296,312,949	6,501,657	30,832,948	non-interest bearing	no impairment
Associate and	*j, n, o*	**2023**	**528**	**64,635**	**16,390**	**13,795**	On demand;	Unsecured;
Joint Venture		2022	423	143,488	68,798	28,715	non-interest bearing	no impairment
Under	*b, c, d, n, o, l*	**2023**	**15,885,907**	**5,807,822**	**3,551,477**	**2,553,957**	On demand;	Unsecured;
Common Control		2022	16,410,044	4,624,721	6,070,952	2,152,854	non-interest bearing	no impairment
		2023	**-**	**166,601**	**-**	**3,392,913**	On demand;	Unsecured;
	l	2022	-	34,847	-	3,345,300	interest bearing	no impairment
Associates and	*m*	**2023**	**-**	**94,314**	**-**	**1,100,550**	Short-term; interest	Unsecured;
Joint Venture		2022	-	101,482	-	2,865,000	bearing	no impairment
under Common								
Control	*b, m, n*	**2023**	**325,540**	**-**	**88,458**	**-**	On demand;	Unsecured;
		2022	365,426	-	71,402	18,520	non-interest bearing	no impairment
		2023	**P40,378,472**	**P281,900,238**	**P10,399,760**	**P30,028,409**		
		2022	P36,012,666	P301,424,271	P13,622,495	P39,696,054		

a. As of December 31, 2023 and 2022, the Company has interest bearing advances to PCERP, included as part of “Trade and other receivables - net” account in the separate statements of financial position, for some investment opportunities (Notes 7 and 29).

b. Sales relate to the Company’s supply agreements with TF, SMC and various SMC subsidiaries. Under these agreements, the Company supplies diesel fuel, gasoline and lubes requirements of selected SMC plants and subsidiaries.

c. Purchases relate to purchase of goods and services such as construction, information technology, shipping and terminalling from SMC and various SMC subsidiaries.

d. Petron entered into a various lease agreements with San Miguel Properties, Inc. for office space covering 6,747 square meters and certain parcels of land where service stations are located.

e. Petron has existing lease agreements with SMC covering certain parcels of land where service stations are located.

f. The Company also pays SMC for its share in common expenses such as utilities and management fees.

g. Petron has existing logistics, freight forwarding and into-plane services agreement with PLI.

h. The Company has long-term lease agreements with NVRC covering certain parcels of land whereby the Company pays annual fixed rentals and uses the premises for petroleum marketing business for a period of 30 years (Note 30).

i. The Company also grants unsecured, noninterest and interest-bearing cash advances (interest rates ranging from 5% to 9%) to NVRC, which are payable monthly over an average period of 25 years. The advances are initially recognized at their present values at the time of grant and are subsequently accreted to their maturity values at their effective yields.

j. The Company obtains insurance coverage from Petrogen, which in turn obtains reinsurance coverage from Ovincor and other local reinsurers.

k. Petron has an existing trading agreement with PSTPL for the procurement of crude oil and trading of finished petroleum products and other materials such as ethanol, coal, catalysts and additives (Note 30).

l. Amounts owed to entities under common control include interest-bearing advances from San Miguel Insurance Company Ltd.

m. Amounts owed to associate of entities under common control include interest-bearing short-term loans payable to Bank of Commerce.

n. Amounts owed by related parties consist of trade and non-trade receivables, advances and prepaid expenses.

o. Amounts owed to related parties consist of trade payables, non-trade payables, subscription payable and other noncurrent liabilities.

p. The compensation and benefits of key management personnel of the Company, by benefit type, included in the "Personnel expenses" account follow (Note 23):

	2023	2022
Salaries and other short-term employee benefits	**P808,691**	P818,705
Retirement benefits costs - defined benefit plan	**115,731**	138,890
Retirement benefits costs - defined contribution plan	**21,748**	21,358
	P946,170	P978,953

28. Lease Commitments

Company as Lessee

The Company entered into commercial leases on office space, buildings, machinery and equipment service stations and certain parcels of land for its refinery and service stations (Note 11, 12 and 30). These leases' life ranges from one to 30 years with renewal options included in the contracts. There are no restrictions placed upon the Company by entering into these leases. The lease agreements include upward escalation adjustments of the annual rental rates.

Amounts recognized in profit or loss.

	Note	2023	2022
Interest on lease liabilities	*11*	**P1,155,899**	P1,117,742
Income from sub-leasing		**(480,250)**	(443,949)
Expenses relating to short-term leases		**538,147**	458,498
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets		**30,305**	10,226
		P1,244,101	P1,142,517

Rent expense included in "Cost of goods sold - others" account amounted to P128,286 in 2023 and P140,460 in 2022 (Note 21). Interest amounting to P26,802 and P50,178 was capitalized as part of property, plant and equipment in 2023 and 2022, respectively (Note 10).

Amounts recognized in separate statements of cashflows.

	Note	2023	2022
Interest expense under operating activities	*32*	**P1,155,899**	P1,117,742
Principal lease payments under financing activities	*32*	**1,220,914**	1,091,433
Cash outflows for short-term and low-value leases		**568,452**	468,724
	11	**P2,945,265**	P2,677,899

Company as Lessor - Operating Lease

The Company has entered into lease agreements on its service stations and other related structures. The non-cancellable leases have remaining terms of between three to ten years. All leases include a clause to enable upward escalation adjustment of the annual rental rates.

The following table sets out a maturity analysis of lease payments, showing undiscounted lease payments to be received after the reporting period.

	2023	2022
Less than one year	**P118,381**	P93,723
One to two years	**14,999**	22,715
Two to three years	**3,051**	20,228
Three to four years	**-**	14,180
Four to five years	**-**	2,659
More than five years	**-**	10,744
	P136,431	P164,249

29. Retirement Plan

The succeeding tables summarize the components of net retirement benefits costs (income) under defined benefit retirement plan recognized in separate statements of comprehensive income and the funding status and amounts of retirement plan recognized in the separate statements of financial position. The Company has a funded, noncontributory, defined benefit retirement plan. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is as of December 31, 2023. Valuations are obtained on a periodic basis.

The Company's retirement plan is registered with the BIR as a tax-qualified plan under Republic Act (RA) No. 4917, as amended. The control and administration of the retirement plan is vested in the Board of Trustees (BOT), as appointed by the BOD of the Company. The BOT of the retirement plan, who exercise voting rights over the shares and approve material transactions, are also officers of the Company, while one of the BOT is also a BOD. The retirement plan's accounting and administrative functions are undertaken by SMC's Retirement Funds Office.

The following table shows a reconciliation of the net defined benefit retirement liability and its components:

	Present Value of Defined Benefit Obligation		Fair Value of Plan Assets		Net Defined Benefit Retirement Liability	
	2023	2022	**2023**	2022	**2023**	2022
Balance at beginning of year	**(P3,445,029)**	(P3,458,509)	**P1,172,982**	P1,029,661	**(P2,272,047)**	(P2,428,848)
Recognized in Profit or Loss						
Current service cost	**(181,142)**	(189,394)	**-**	-	**(181,142)**	(189,394)
Past service cost - plan amendment*	**-**	(104,366)	**-**	-	**-**	(104,366)
Interest expense	**(255,277)**	(174,882)	**-**	-	**(255,277)**	(174,882)
Interest income	**-**	-	**106,051**	72,655	**106,051**	72,655
	(436,419)	(468,642)	**106,051**	72,655	**(330,368)**	(395,987)
Recognized in Other Comprehensive Income						
Remeasurements:						
Actuarial gains (losses) arising from:						
Experience adjustments	**(231,571)**	(145,577)	**-**	-	**(231,571)**	(145,577)
Changes in financial assumptions	**(160,996)**	266,827	**-**	-	**(160,996)**	266,827
Changes in demographic assumptions	**21,037**	1,934	**-**	-	**21,037**	1,934
Return on plan asset excluding interest	**-**	-	**336,123**	(770,396)	**336,123**	(770,396)
	(371,530)	123,184	**336,123**	(770,396)	**(35,407)**	(647,212)
Others						
Contributions	**-**	-	**1,014,629**	1,200,000	**1,014,629**	1,200,000
Benefits paid	**498,206**	358,938	**(498,206)**	(358,938)	**-**	-
	498,206	358,938	**516,423**	841,062	**1,014,629**	1,200,000
Balance at end of year	**(P3,754,772)**	(P3,445,029)	**P2,131,579**	P1,172,982	**(P1,623,193)**	(P2,272,047)

**In 2022 the Company added disability benefit for employees hired before January 1, 2022 resulting in the recognition of past service cost.*

The carrying amounts of the Company's retirement fund approximate fair values as of December 31, 2023 and 2022.

Plan assets consist of the following:

	2023	2022
Shares of stock:		
Quoted	**67%**	63%
Unquoted	**13%**	15%
Government securities	**14%**	13%
Cash and cash equivalents	**4%**	5%
Others	**2%**	4%
	100%	100%

Investment in Shares of Stock. As of December 31, 2023 and 2022, the Company's plan assets include 459,156,097 common shares of Petron with fair market value per share of P3.55 and P2.40 as of December 31, 2023 and 2022, respectively, and 14,250,900 common shares of SMC with fair market value per share of P102.10 and P92.95 as of December 31, 2023 and 2022, respectively.

The Company's plan recognized gain of P658,425 in 2023 and loss of P666,357 in 2022 on the investment in marketable securities of Petron and SMC mainly as a result of marked-to-market remeasurements.

Dividend income from the investment in shares of stock of Petron and SMC amounted to P65,867 and P14,963 in 2023 and 2022, respectively.

Government Securities represents debt instruments issued by sovereign government mainly held by two trustee banks of the plan.

Others include receivables, unit investment trust funds, and debt instruments which earn interest.

The BOT reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Company's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Company monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Company expects to contribute P523,392 to its defined benefit retirement plan in 2024.

The BOT approves the percentage of asset to be allocated for fixed income instruments and equities. The retirement plan has set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The BOT may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

The retirement plan exposes the Company to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Risk. The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments and if the return on plan asset falls below this rate, it will create a deficit in the plan. Due to the long-term nature of plan obligation, a level of continuing equity investments is an appropriate element of the Company's long-term strategy to manage the plans efficiently.

Longevity and Salary Risks. The present value of the defined obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	2023	2022
Discount rate	**6.58%**	7.41%
Future salary increases	**5.00%**	5.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit obligation is from 5.5 years and 5.2 years as of December 31, 2023 and 2022, respectively.

The reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit liabilities/assets by the amounts below:

	Defined Benefit Liabilities	
2023	**1 Percent Increase**	**1 Percent Decrease**
Discount rate	**(P192,085)**	**P216,723**
Salary increase rate	**217,985**	**(196,571)**

	Defined Benefit Liabilities	
2022	1 Percent Increase	1 Percent Decrease
Discount rate	(P166,751)	P187,330
Salary increase rate	189,977	(171,908)

The Company has advances to PCERP amounting to P937,488 and P893,548 as of December 31, 2023 and 2022, respectively, included as part of "Trade and other receivables - net" account in the separate statements of financial position (Notes 7 and 27). The advances are subject to interest of 5% in 2023 and 2022 (Note 25).

In 2022, portion of the Company's interest-bearing advances to PCERP were converted into contribution to the retirement plan (Note 27).

Transactions with the retirement plan are made at normal market prices and terms. Outstanding balances as of December 31, 2023 and 2022 are unsecured and settlements are made in cash. There have been no guarantees provided for any retirement plan receivables. The Company has not recognized any impairment losses relating to the receivables from retirement plan for the years ended December 31, 2023 and 2022.

30. Significant Agreements

Supply Agreements. The Company has assigned all its rights and obligations to PSTPL (as Assignee) to have a term contract to purchase the Company's crude oil requirements from Saudi Arabian Oil Company (Saudi Aramco), Kuwait Petroleum Corporation (KPC) and Abu Dhabi National Oil Company (ADNOC). The contract with Saudi Aramco is from January 1, 2023 to December 31, 2023 with automatic annual extension thereafter unless terminated at the option of either party, upon at least 60 days written notice. The contract with KPC is from July 1, 2023 to December 31, 2024 while the contract from ADNOC is January 1, 2023 to December 31, 2023.

Outstanding liabilities of the Company for such purchases are shown as part of "Liabilities for crude oil and petroleum products" account in the separate statements of financial position as of December 31, 2023 and 2022 (Note 15).

Lease Agreements with Philippine National Oil Company (PNOC). On September 30, 2009, the Company through NVRC, entered into a 30-year lease with PNOC without rent-free period, covering a property which it shall use as site for its refinery, commencing January 1, 2010 and ending on December 31, 2039. Based on the latest available re-appraisal made, the annual rental shall be P190,515 starting 2017, payable on the 15th day of January each year without the necessity of demand. This non-cancellable lease is subject to renewal options and annual escalation clauses of 3% per annum to be applied starting 2018 until the next re-appraisal is conducted. The leased premises shall be reappraised every fifth year in which the new rental rate shall be determined equivalent to 5% of the reappraised value, and still subject to annual escalation clause of 3% for the four years following the re-appraisal. Also, as of December 31, 2023 and 2022, the Company leases other parcels of land from PNOC for its bulk plants and service stations (Note 38).

31. Basic and Diluted Loss Per Share

Basic and diluted loss per share amounts are computed as follows:

	2023	2022
Net income for the year	**P6,383,836**	P2,536,160
Dividends on preferred shares for the year	**(2,115,243)**	(1,043,906)
Distributions to the holders of capital securities	**(4,569,485)**	(4,545,822)
Net loss attributable to common shareholders of the Company (a)	**(P300,892)**	(P3,053,568)
Weighted average number of common shares outstanding (in thousands) (b)	**9,375,104**	9,375,104
Basic/diluted loss per share (a/b)	**(P0.03)**	(P0.33)

As of December 31, 2023 and 2022, the Company has no potential dilutive debt or equity instruments.

32. Supplemental Cash Flow Information

Supplemental information with respect to the separate statements of cash flows is presented below:

a. Changes in noncash current assets, certain current liabilities and others are as follows (amounts reflect actual cash flows rather than increases or decreases of the accounts in the separate statements of financial position):

	2023	2022
Decrease (increase) in assets:		
Trade and other receivables	**(P3,428,567)**	(P23,445,414)
Inventories	**6,443,949**	(13,334,369)
Other current assets	**(2,142,159)**	(5,128,410)
Increase (decrease) in liabilities:		
Liabilities for crude oil and petroleum products	**(4,630,424)**	1,965,691
Trade and other payables	**2,617,257**	7,437,767
	(1,139,944)	(32,504,735)
Additional allowance for (net reversal of) impairment of receivables, inventory decline and/or obsolescence and others	**(13,505)**	84,460
	(P1,153,449)	(P32,420,275)

b. Changes in liabilities arising from financing activities:

	Dividends Payable	**Lease Liabilities**	**Advances from a Related Party**	**Short-term Loans**	**Long-term Debt**	**Total**
Balance as of January 1, 2023	**P470,641**	**P15,056,032**	**P3,362,280**	**P122,355,000**	**P107,061,026**	**P248,304,979**
Changes from Financing Cash Flows						
Payments of principal	**-**	**(1,220,914)**	**-**	**-**	**-**	**(1,220,914)**
Proceeds from availment of loans, bonds, and advances	**-**	**-**	**-**	**192,324,000**	**21,331,206**	**213,655,206**
Payments of loans and bonds	**-**	**-**	**-**	**(189,135,000)**	**(19,790,723)**	**(208,925,723)**
Dividends and distributions declared	**7,622,238**	**-**	**-**	**-**	**-**	**7,622,238**
Dividends and distributions paid	**(7,142,984)**	**-**	**-**	**-**	**-**	**(7,142,984)**
Total changes from financing cash flows	**479,254**	**(1,220,914)**	**-**	**3,189,000**	**1,540,483**	**3,987,823**
New leases	**-**	**1,765,225**	**-**	**-**	**-**	**1,765,225**
Interest expense	**-**	**1,155,899**	**-**	**-**	**-**	**1,155,899**
Interest paid	**-**	**(1,155,899)**	**-**	**-**	**-**	**(1,155,899)**
Effects of changes in foreign exchange rates	**-**	**-**	**-**	**-**	**(290,723)**	**(290,723)**
Amortization of debt issue costs	**-**	**-**	**-**	**-**	**584,893**	**584,893**
Balance as of December 31, 2023	**P949,895**	**P15,600,343**	**P3,362,280**	**P125,544,000**	**P108,895,679**	**P254,352,197**

	Dividends Payable	Lease Liabilities	Advances from a Related Party	Short-term Loans	Long-term Debt	Total
Balance as of January 1, 2022	P828,975	P15,792,135	P -	P94,207,500	P102,645,752	P213,474,363
Changes from Financing Cash Flows						
Payments of principal	-	(1,091,433)	-	-	-	(1,091,433)
Proceeds from availment of loans, bonds, and advances	-	-	3,362,280	245,208,000	44,952,792	293,523,072
Payments of loans and bonds	-	-	-	(217,060,500)	(44,338,695)	(261,399,195)
Dividends and distributions declared	5,589,728	-	-	-	-	5,589,728
Dividends and distributions paid	(5,948,062)	-	-	-	-	(5,948,062)
Total changes from financing cash flows	(358,334)	(1,091,433)	3,362,280	28,147,500	614,097	30,674,110
New leases	-	355,330	-	-	-	355,330
Interest expense	-	1,117,742	-	-	-	1,117,742
Interest paid	-	(1,117,742)	-	-	-	(1,117,742)
Effects of changes in foreign exchange rates	-	-	-	-	3,198,566	3,198,566
Amortization of debt issue costs	-	-	-	-	602,611	602,611
Balance as of December 31, 2022	P470,641	P15,056,032	P3,362,280	P122,355,000	P107,061,026	P248,304,979

33. Financial Risk Management Objectives and Policies

The Company's principal financial instruments include cash and cash equivalents, equity securities, bank loans and derivative instruments. The main purpose of bank loans is to finance working capital relating to importation of crude and petroleum products, as well as to partly fund capital expenditures. The Company has other financial assets and liabilities such as trade and other receivables and trade and other payables, which are generated directly from its operations.

It is the Company's policy not to enter into derivative transactions for speculative purposes. The Company uses hedging instruments to protect its margin on its products from potential price volatility of crude oil and products. It also enters into forward currency and option contracts to hedge its currency exposure on crude oil importations and long-term dollar loan, respectively.

The main risks arising from the Company's financial instruments are foreign currency risk, interest rate risk, credit risk, liquidity risk and commodity price risk. The BOD regularly reviews and approves the policies for managing these financial risks. Details of each of these risks are discussed below, together with the related risk management structure.

Risk Management Structure
The Company follows an enterprise-wide risk management framework for identifying, assessing and addressing the risk factors that affect or may affect its businesses.

The Company's risk management process is a bottom-up approach, with each risk owner mandated to conduct regular assessment of its risk profile and formulate action plans for managing identified risks. As the Company's operation is an integrated value chain, risks emanate from every process, while some could cut across groups. The results of these activities flow up to the Management Committee and, eventually, to the BOD through the Company's annual business planning process.

Oversight and technical assistance is likewise provided by corporate units and committees with special duties. These groups and their functions are:

a. The Risk and Insurance Management Group, which is mandated with the overall coordination and development of the enterprise-wide risk management process.

b. The Treasurers Department, which is in charge of foreign exchange hedging transactions.

c. The Transaction Management Unit of Controllers Department, which provides backroom support for all hedging transactions.

d. The Corporate Technical and Engineering Services Department, which oversees strict adherence to safety and environmental mandates across all facilities.

e. The Internal Audit Department, which has been tasked with the implementation of a risk-based auditing.

f. The Commodity Risk Management Department (CRMD), which sets new and updates existing hedging policies by the BOD, provides the strategic targets and recommends corporate hedging strategy to the Commodity Risk Management Committee and Steering Committee.

g. PSTPL executes the hedging transactions involving crude and product imports on behalf of the Company.

The BOD also created separate positions and board-level entities with explicit authority and responsibility in managing and monitoring risks, as follows:

a. The Audit Committee is responsible for overseeing the Senior Management in establishing and maintaining an adequate, effective and efficient internal control framework. It 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.

   The Internal Audit Department and the External Auditor directly report to the Audit Committee regarding the direction, scope and coordination of audit and any related activities.

b. The Risk Oversight Committee is responsible for the oversight of the enterprise risk management system of the Company to ensure its functionality and effectiveness.

c. The Compliance Officer, who is a senior officer of the Company reports to the BOD chairperson. Among other functions, he monitors compliance with the provisions and requirements of the Corporate Governance Manual and relevant laws and regulations and determines any possible violations and recommends corresponding penalties, subject to review and approval of the BOD. The Compliance Officer identifies and monitors compliance risk. Lastly, the Compliance Officer represents the Company before the SEC regarding matters involving compliance with the Corporate Governance Manual and other relevant rules and regulations of the SEC.

<u>Foreign Currency Risk</u>
The Company's functional currency is the Philippine peso, which is the denomination of the bulk of its revenues. The Company's exposures to foreign currency risk arise mainly from US dollar-denominated sales as well as purchases principally of crude oil and petroleum products. As a result of this, the Company maintains a level of US dollar-denominated assets and liabilities during the year. Foreign exchange risk occurs due to differences in the levels of US dollar-denominated assets and liabilities.

The Company pursues a policy of mitigating foreign currency risk by entering into hedging transactions or by substituting US dollar-denominated liabilities with peso-based debt. The natural hedge provided by US dollar-denominated assets is also factored in hedging decisions. As a matter of policy, currency hedging is limited to the extent of 100% of the underlying exposure.

The Company is allowed to engage in active risk management strategies for a portion of its foreign currency risk exposure. Loss limits are in place, monitored daily and regularly reviewed by management.

The Company assesses the existence of an economic relationship between the hedged item and the hedging instrument based on the currency, amount, and timing of their respective cash flows. For derivatives designated in a hedging relationship, the Company determines whether the derivatives are expected to be highly effective in offsetting the changes in the cash flows of the hedged item using the cumulative dollar-offset method. The dollar offset method approximates the changes in the fair value of the hedged item using a hypothetical derivative which mirrors the terms of the derivative used as hedging instrument.

For currency hedges, the Company maintains a 1:1 hedge ratio since a similar amount of hedging instrument is expected to offset the changes in the cash flows of the hedged item. The main sources of ineffectiveness are:

a. the effect of the counterparty and the Company's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in the exchange rates; and

b. changes in the timing of the hedged transactions.

The Company is exposed to foreign currency risk of its short-term loans and US dollar-denominated sales and purchases. On the other hand, both foreign currency and interest rate risks arise in the Company's long-term debts. The Company determined that foreign currency risk is a separately identifiable and measurable risk component eligible for designation since it is caused by fluctuations in US dollar to Philippine peso exchange rates and benchmark closing prices used to measure the fluctuations are available in the market.

Information on the Company's US dollar-denominated financial assets and liabilities and their Philippine peso equivalents are as follows:

	2023		2022	
	US Dollar	**Phil. Peso Equivalent**	US Dollar	Phil. Peso Equivalent
Financial Assets				
Cash and cash equivalents	**263,140**	**14,570,062**	421,958	23,526,268
Trade and other receivables	**192,958**	**10,684,084**	110,074	6,137,176
Other assets	**9,799**	**542,571**	19,939	1,111,699
	465,897	**25,796,717**	551,971	30,775,143
Financial Liabilities				
Liabilities for crude oil and petroleum products	**274,971**	**15,225,144**	444,963	24,808,912
Long-term debt (including current maturities)	**939,675**	**52,029,805**	690,893	38,520,739
Other liabilities	**10,748**	**595,117**	49,772	2,775,038
	1,225,394	**67,850,066**	1,185,628	66,104,689
Net foreign currency - denominated monetary liabilities	**(759,497)**	**(42,053,349)**	(633,657)	(35,329,546)

The Company incurred net foreign currency gains (losses) amounting to P18,796 and (P3,198,039) in 2023 and 2022, respectively (Note 25), which were mainly countered by marked-to-market and realized hedging gains (Note 25). The foreign exchange rates from Philippine peso (PhP) to US dollar (US$) as of December 31 are shown in the following table:

	PHP to US$
December 31, 2023	**55.370**
December 31, 2022	55.755

Managing foreign currency risk is also supplemented by monitoring the sensitivity of financial instruments to various foreign currency exchange rate scenarios. Foreign currency movements affect reported equity through the retained earnings and equity reserves arising from increases or decreases in unrealized and realized foreign exchange gains or losses.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, to profit before tax and equity as of December 31, 2023 and 2022:

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
2023	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P263,140)**	**(P197,355)**	**P263,140**	**P197,355**
Trade and other receivables	**(192,958)**	**(144,719)**	**192,958**	**144,719**
Other assets	**(9,799)**	**(7,349)**	**9,799**	**7,349**
	(465,897)	**(349,423)**	**465,897**	**349,423**
Liabilities for crude oil and petroleum products	**274,971**	**206,228**	**(274,971)**	**(206,228)**
Long-term debt (including current maturities)	**939,675**	**704,756**	**(939,675)**	**(704,756)**
Other liabilities	**10,748**	**8,061**	**(10,748)**	**(8,061)**
	1,225,394	**919,045**	**(1,225,394)**	**(919,045)**
	P759,497	**P569,622**	**(P759,497)**	**(P569,622)**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
2022	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P421,958)	(P316,469)	P421,958	P316,469
Trade and other receivables	(110,074)	(82,556)	110,074	82,556
Other assets	(19,939)	(14,954)	19,939	14,954
	(551,971)	(413,979)	551,971	413,979
Liabilities for crude oil and petroleum products	444,963	333,722	(444,963)	(333,722)
Long-term debt (including current maturities)	690,893	518,170	(690,893)	(518,170)
Other liabilities	49,772	37,329	(49,772)	(37,329)
	1,185,628	889,221	(1,185,628)	(889,221)
	P633,657	P475,242	(P633,657)	(P475,242)

Exposures to foreign currency risk vary during the year depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be representative of the Company's currency risk.

Interest Rate Risk
Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Company's exposure to changes in interest rates relates mainly to the 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.

The Company manages its interest 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 charged by other creditor banks.

On the other hand, the Company's investment policy is to maintain an adequate yield to match or reduce the net interest cost from its borrowings prior to deployment of funds to their intended use in operations and working capital management. However, the Company invests only in high-quality securities while maintaining the necessary diversification to avoid concentration of risk.

In managing interest rate risk, the Company aims to reduce the impact of short-term volatility on earnings. Over the longer term, however, permanent changes in interest rates would have an impact on separate statements of comprehensive income.

Managing interest rate risk is also supplemented by monitoring the sensitivity of Company's financial instruments to various standard and non-standard interest rate scenarios. Interest rate movements affect reported equity through the retained earnings arising from increases or decreases in interest income or interest expense as well as fair value changes reported in separate statements of comprehensive income, if any.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Company's profit before tax (through the impact on floating rate borrowings) and equity by P385,208 and P448,593 in 2023 and 2022, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect.

Interest Rate Risk Table. As of December 31, 2023 and 2022, the terms and maturity profile of the interest-bearing financial instruments, together with its gross undiscounted amounts, are shown in the following tables (Note 17):

2023	<1 Year	1 - <2 Years	2 - <3 Years	3 - <4 Years	4 - <5 Years	>5 Years	Total
Fixed Rate							
Philippine peso denominated	**P19,057,143**	**P22,425,000**	**P3,000,000**	**P13,750,000**	**P -**	**P -**	**P58,232,143**
Interest rate	**4.6% - 7.8%**	**3.4% - 8.1%**	**7.2% - 7.5%**	**4.3% - 7.5%**	**-**	**-**	**-**
Floating Rate							
US$ denominated (expressed in Php)	**5,291,790**	**14,143,080**	**15,922,830**	**12,363,330**	**1,779,750**	**-**	**49,500,780**
Interest rate*	**1, 3, 6 mos. SOFR + margin**	**1, 3, 6 mos. SOFR + margin**	**1, 3, 6 mos. SOFR + margin**	**1, 3, 6 mos. SOFR + margin**	**1, 3, 6 mos. SOFR + margin**	**-**	**-**
Floating Rate							
JP¥ denominated (expressed in Php)	**1,686,000**	**843,000**	**-**	**-**	**-**	**-**	**2,529,000**
Interest rate*	**1, 3, 6 mos. TONA + margin**	**1, 3, 6 mos. TONA + margin**	**-**	**-**	**-**	**-**	**-**
	P26,034,933	**P37,411,080**	**P18,922,830**	**P26,113,330**	**P1,779,750**	**P -**	**P110,261,923**

**The Company reprices every month but has been given an option to reprice every 3 or 6 months.*

2022	<1 Year	1 - <2 Years	2 - <3 Years	3 - <4 Years	4 - <5 Years	>5 Years	Total
Fixed Rate							
Philippine peso denominated	P11,642,858	P19,057,143	P22,425,000	P3,000,000	P13,750,000	P -	P69,875,001
Interest rate	4.5% - 7.5%	4.6% - 7.8%	3.4% - 8.1%	7.2% - 7.5%	4.3% - 7.5%	-	-
Floating Rate							
US$ denominated (expressed in Php)	-	10,290,780	7,885,350	7,885,350	7,885,349	-	33,946,829
Interest rate*	-	1, 3, 6 mos. Libor/SOFR + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	-	-
Floating Rate							
JP¥ denominated (expressed in Php)	1,829,571	1,829,571	914,786	-	-	-	4,573,928
Interest rate*	1, 3, 6 mos. TONA + margin	1, 3, 6 mos. TONA + margin	1, 3, 6 mos. TONA + margin	-	-	-	-
	P13,472,429	P31,177,494	P31,225,136	P10,885,350	P21,635,349	P -	P108,395,758

**The Company reprices every month but has been given an option to reprice every 3 or 6 months.*

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In effectively managing credit risk, the Company regulates and extends credit only to qualified and credit-worthy customers and counterparties, consistent with established credit policies, guidelines and credit verification procedures. Requests for credit facilities from trade customers undergo stages of review by Trade Sales and Finance Divisions. Approvals, which are based on amounts of credit lines requested, are vested among line managers and top management that include the President and the Chairman.

Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown on the face of the separate statements of financial position or in the notes to separate financial statements, as summarized below:

	Note	**2023**	2022
Cash in banks and cash equivalents	*5*	**P16,292,300**	P25,629,924
Derivative assets	*6*	**542,551**	1,111,717
Trade and other receivables - net	*7*	**56,265,671**	53,092,113
Advances to a subsidiary	*9*	**991,423**	1,078,037
		P74,091,945	P80,911,791

Cash and Cash Equivalents, Advances to a Subsidiary and Derivative Assets

Cash and cash equivalents, advances to a subsidiary and derivative assets are held with counterparties with high external credit ratings. The credit quality of these financial assets is considered to be high grade. Impairment on cash and cash equivalents, advances to a subsidiary and derivative assets has been measured on a 12-month ECL basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents, advances to a subsidiary and derivative assets have low credit risk based on the external credit ratings of its counterparties.

Trade and Other Receivables and Long-term Receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in Note 36.

Credit Quality. In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the nonfinancial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Company.

Class A "*High Grade*" are accounts with strong financial capacity and business performance and with the lowest default risk.

Class B "*Moderate Grade*" refers to accounts of satisfactory financial capability and credit standing but with some elements of risks where certain measure of control is necessary in order to mitigate risk of default.

Class C "*Low Grade*" are accounts with high probability of delinquency and default.

Below is the credit quality profile of the Company's trade accounts receivable as of December 31, 2023 and 2022:

	Trade Accounts Receivables Per Class			
	Class A	**Class B**	**Class C**	**Total**
December 31, 2023				
Retail	**P2,013,415**	**P1,800,340**	**P2,548,461**	**P6,362,216**
Lubes	**358,289**	**286,692**	**797,932**	**1,442,913**
Gasul	**938,800**	**329,360**	**155,883**	**1,424,043**
Industrial	**17,292,081**	**-**	**5,262,861**	**22,554,942**
Others	**1,502,064**	**3,460,237**	**6,001,300**	**10,963,601**
	P22,104,649	**P5,876,629**	**P14,766,437**	**P42,747,715**

	Trade Accounts Receivables Per Class			
	Class A	Class B	Class C	Total
December 31, 2022				
Retail	P1,091,481	P2,722,669	P963,633	P4,777,783
Lubes	626,146	166,726	48,336	841,208
Gasul	781,506	327,032	163,793	1,272,331
Industrial	21,388,470	2,502,067	5,384,182	29,274,719
Others	4,665,621	3,466,816	541,984	8,674,421
	P28,553,224	P9,185,310	P7,101,928	P44,840,462

Collaterals. To the extent practicable, the Company also requires collateral as security for a credit facility to mitigate credit risk in trade and other receivables (Note 7). Among the collaterals held are letters of credit, bank guarantees, real estate mortgages, and cash bonds valued at P3,528,956 and P3,273,558 as of December 31, 2023 and 2022, respectively. These securities may only be called on or applied upon default of customers.

Risk Concentration. The Company's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Company has no significant concentration of credit risk since the Company deals with a large number of homogenous trade customers. The Company does not execute any credit guarantee in favor of any counterparty.

The table below presents the summary of the Company's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	2023				
	Financial Assets at Amortized Cost				
	12-month ECL	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Financial Assets at FVPL**	**Total**
Cash in banks and cash equivalents	**P16,292,300**	**P -**	**P -**	**P -**	**P16,292,300**
Trade and other receivables	**-**	**56,265,671**	**824,449**	**-**	**57,090,120**
Long term receivables	**-**	**-**	**11,194**	**-**	**11,194**
Advances to a subsidiary	**991,423**	**-**	**-**	**-**	**991,423**
Derivative assets not designated as cash flow hedge	**-**	**-**	**-**	**542,551**	**542,551**
	P17,283,723	**P56,265,671**	**P835,643**	**P542,551**	**P74,927,588**

	2022					
	Financial Assets at Amortized Cost					
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash in banks and cash equivalents	P25,629,924	P -	P -	P -	P -	P25,629,924
Trade and other receivables	-	53,092,113	850,142	-	-	53,942,255
Long term receivables	-	-	11,194	-	-	11,194
Advances to a subsidiary	1,078,037	-	-	-	-	1,078,037
Derivative assets not designated as cash flow hedge	-	-	-	931,079	-	931,079
Derivative assets designated as cash flow hedge	-	-	-	-	180,638	180,638
	P26,707,961	P53,092,113	P861,336	P931,079	P180,638	P81,773,127

<u>Liquidity Risk</u>

Liquidity risk pertains to the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Company's objectives in managing its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Company constantly monitors and manages its liquidity position, liquidity gaps or surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The Company also uses derivative instruments such as forwards and swaps to manage liquidity.

The table below summarizes the maturity profile of the Company's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management as of December 31, 2023 and 2022.

2023	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**>1 Year - 2 Years**	**>2 Year - 5 Years**	**Over 5 Years**
Financial Assets						
Cash and cash equivalents	**P19,433,870**	**P19,433,870**	**P19,433,870**	**P -**	**P -**	**P -**
Trade and other receivables	**56,265,671**	**56,265,671**	**56,265,671**	**-**	**-**	**-**
Advances to a subsidiary	**991,423**	**991,423**	**-**	**991,423**	**-**	**-**
Derivative assets (including non-current portion)	**542,551**	**542,551**	**542,551**	**-**	**-**	**-**
Proprietary membership shares	**388,623**	**388,623**	**-**	**-**	**-**	**388,623**
Financial Liabilities						
Short-term loans	**125,544,000**	**127,385,388**	**127,385,388**	**-**	**-**	**-**
Liabilities for crude oil and petroleum products	**18,698,167**	**18,698,167**	**18,698,167**	**-**	**-**	**-**
Trade and other payables*	**10,228,375**	**10,228,375**	**10,228,375**	**-**	**-**	**-**
Derivative liabilities	**477,640**	**477,640**	**477,640**	**-**	**-**	**-**
Long-term debt (including current maturities)	**108,895,679**	**126,411,108**	**32,515,823**	**42,316,431**	**51,578,854**	**-**
Lease liabilities (including current portion)	**15,600,343**	**24,427,390**	**2,268,004**	**2,122,995**	**6,211,199**	**13,825,192**
Cash bonds	**439,383**	**439,537**	**-**	**423,576**	**15,850**	**111**
Cylinder deposits	**344,325**	**344,325**	**-**	**-**	**-**	**344,325**
Other noncurrent liabilities**	**668,820**	**668,820**	**-**	**631,371**	**26,643**	**10,806**

**excluding specific taxes and other taxes payable, deferred income, advances from customers and others*
***excluding cash bonds and cylinder deposits*

2022	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Year - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P26,989,260	P26,989,260	P26,989,260	P -	P -	P -
Trade and other receivables	53,092,113	53,092,113	53,092,113	-	-	-
Advances to a subsidiary	1,078,037	1,078,037	-	1,078,037	-	-
Derivative assets (including non-current portion)	1,111,717	1,111,717	1,074,244	37,473	-	-
Proprietary membership shares	352,123	352,123	352,123	-	-	-
Financial Liabilities						
Short-term loans	122,355,000	123,464,798	123,464,798	-	-	-
Liabilities for crude oil and petroleum products	23,438,723	23,438,723	23,438,723	-	-	-
Trade and other payables*	9,289,883	9,289,883	9,289,883	-	-	-
Derivative liabilities	323,455	323,455	323,455	-	-	-
Long-term debt (including current maturities)	107,061,026	125,709,758	20,122,794	35,912,561	69,674,403	-
Lease liabilities (including current portion)	15,056,032	24,277,035	2,188,247	2,064,391	7,715,521	14,373,537
Cash bonds	419,116	419,339	-	403,320	15,850	169
Cylinder deposits	291,401	291,401	-	-	-	291,401
Other noncurrent liabilities**	41,906	41,906	-	3,371	22,837	15,698

**excluding specific taxes and other taxes payable, deferred income, advances from customers and others*
***excluding cash bonds and cylinder deposits*

<u>Commodity Price Risk</u>

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in market prices. The Company enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Company, thus protecting raw material cost and preserving margins. For consumer (buy) hedging transactions, if prices go down, hedge positions may show marked-to-market losses, however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost. While for producer (sell) hedges, if prices go down, hedge positions may show marked-to-market gains, however, any gain in the marked-to-market position is offset by the resulting lower selling price.

To minimize the Company's risk of potential losses due to volatility of international crude and product prices, the Company implemented commodity hedging for crude and petroleum products. The hedges are intended to protect crude inventories from risks of downward price and squeezed margins. Hedging policy (including the use of commodity price swaps, time-spreads, put options, collars and 3-way options) developed by the CRMD is in place. Decisions are guided by the conditions set and approved by the Company's management.

Other Market Price Risk

The Company's market price risk arises from its investments carried at FVPL. The Company manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management

The Company's capital management policies and programs aim to provide an optimal capital structure that would ensure the Company's ability to continue as a going concern while at the same time provide adequate returns to the shareholders. As such, it considers the best trade-off between risks associated with debt financing and relatively higher cost of equity funds.

An enterprise resource planning system is used to monitor and forecast the Company's overall financial position. The Company regularly updates its near-term and long-term financial projections to consider the latest available market data in order to preserve the desired capital structure. The Company may adjust the amount of dividends paid to shareholders, issue new shares as well as increase or decrease assets and/or liabilities, depending on the prevailing internal and external business conditions.

The Company monitors capital via carrying amount of equity as shown in the separate statements of financial position. The Company's capital for the covered reporting period is summarized below:

	2023	2022
Total assets	**P372,758,899**	P383,372,015
Total liabilities	**297,464,289**	293,177,343
Total equity	**75,294,610**	90,194,672
Debt to equity ratio	**3.95:1**	3.25:1
Asset to equity ratio	**4.95:1**	4.25:1

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally-imposed capital requirements.

34. Financial Assets and Financial Liabilities

The table below presents a comparison by category of carrying amounts and fair values of the Company's financial instruments as of December 31:

		2023		2022	
	Note	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial assets (FA):					
Cash and cash equivalents	*5*	**P19,433,870**	**P19,433,870**	P26,989,260	P26,989,260
Trade and other receivables	*7*	**56,265,671**	**56,265,671**	53,092,113	53,092,113
Advances to a subsidiary	*9*	**991,423**	**991,423**	1,078,037	1,078,037
FA at amortized cost		**76,690,964**	**76,690,964**	81,159,410	81,159,410
FA at FVOCI	*6, 13*	**-**	**-**	180,638	180,638
Proprietary membership shares	*6*	**388,623**	**388,623**	352,123	352,123
Derivative assets not designated as cash flow hedge	*6*	**542,551**	**542,551**	931,079	931,079
FA at FVPL		**931,174**	**931,174**	1,283,202	1,283,202
Total financial assets		**P77,622,138**	**P77,622,138**	P82,623,250	P82,623,250

		2023		2022	
	Note	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial liabilities (FL):					
Short-term loans	*14*	**P125,544,000**	**P125,544,000**	P122,355,000	P122,355,000
Liabilities for crude oil and petroleum products	*15*	**18,698,167**	**18,698,167**	23,438,723	23,438,723
Trade and other payables*	*16*	**10,228,375**	**10,228,375**	9,289,883	9,289,883
Long-term debt including current portion	*17*	**108,895,679**	**108,895,679**	107,061,026	107,061,026
Cash bonds	*19*	**439,383**	**439,383**	419,116	419,116
Cylinder deposits	*19*	**344,325**	**344,325**	291,401	291,401
Other noncurrent liabilities**	*19*	**668,820**	**668,820**	41,906	41,906
Other FL		**264,818,749**	**264,818,749**	262,897,055	262,897,055
Derivative liabilities not designated as cash flow hedge		**477,640**	**477,640**	323,455	323,455
Total financial liabilities		**P265,296,389**	**P265,296,389**	P263,220,510	P263,220,510

**excluding specific taxes and other taxes payable, deferred income, advances from customers and others*
***excluding cash bonds, cylinder deposits, derivative liabilities, and others*

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Trade and Other Receivables and Advances to a Subsidiary. The carrying amount of cash and cash equivalents and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of the advances to a subsidiary, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

Derivatives. The fair values of freestanding and bifurcated forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Marked-to-market valuation of commodity hedges are based on forecasted crude and product prices by third parties. The fair values of derivative instruments designated as cash flow hedges are computed by discounting the future cash flows and using the valuation model based on applicable market rates of similar instruments.

Financial Assets at FVPL. The fair values of publicly traded instruments and similar investments are based on published market prices.

Long-term Debt - Floating Rate. The carrying amount of floating rate loans with quarterly interest rate repricing approximate their fair value.

Cash Bonds, Cylinder Deposits and Other Noncurrent Liabilities. Fair value is estimated as the present value of all future cash flows discounted using the applicable market rates for similar types of instruments as of reporting date. Effective rates used in 2023 and 2022 are 9.39% and 7.72%, respectively.

Short-term Loans, Liabilities for Crude Oil and Petroleum Products and Trade and Other Payables. The carrying amount of short-term loans, liabilities for crude oil and petroleum products and trade and other payables approximates fair value due to the relatively short-term maturities of these financial instruments.

Derivative Financial Instruments

The Company's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments that are categorized into those accounted for as cash flow hedges and those that are not designated as accounting hedges are discussed below.

The Company enters into various foreign currency, interest rate and commodity derivative contracts to manage its exposure on foreign currency, interest rate and commodity price risks. The portfolio is a mixture of instruments including forwards, swaps and options.

Derivative Instruments Accounted for as Cash Flow Hedges

The Company designated the following derivative financial instruments as cash flow hedges (Note 33):

	Maturity		
December 31, 2022	1 Year or Less	> 1 Year - 2 Years	Total
Foreign Currency and Interest Rate Risk			
Cross currency swap:			
Notional amount	US$20,000	US$10,000	US$30,000
Average strike rate	P47.00 to P56.50	P47.00 to P56.50	P -
Fixed interest rate	4.19% to 5.75%	4.19% to 5.75%	-
Interest Rate Risk			
Interest rate collar:			
Notional amount	30,000	15,000	45,000
Interest rate	0.44% to 1.99%	0.44% to 1.99%	-

The table below summarizes the amounts pertaining to the designated hedged item.

December 31, 2022	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
Foreign Currency and Interest Rate Risks			
US dollar-denominated loan	(P117,516)	P20,739	(P17,089)
Interest Rate Risks			
US dollar-denominated loan	(63,122)	47,341	-

There are no balances remaining in the hedging reserve from hedging relationships for which hedge accounting is no longer applied.

The table below summarizes the amounts pertaining to the designated hedging instrument as of December 31, 2023 and 2022.

December 31, 2023	Notional Amount	Carrying Amount Assets	Carrying Amount Liabilities	Line Item in the Separate Statement of Financial Position where the Hedging Instrument is Included	Changes in the Fair Value of the Hedging Instrument Recognized in OCI	Cost of Hedging Recognized in OCI	Amount Reclassified from Hedging Reserve	Amount Reclassified from Cost of Hedging Reserve to Profit or Loss	Line Item in the Separate Statements of Comprehensive Income Affected by the Reclassification
Foreign Currency and Interest Rate Risks									
Cross currency swap	**US$ -**	**P -**	**P -**	Other noncurrent assets, Derivative liabilities and Other noncurrent liabilities	**P -**	**P31,443**	**P -**	**(P8,657)**	**Interest Expense and other financing charges, and other income (expenses) - net**
Interest Rate Risk									
Interest rate collar	**-**	**-**	**-**	Other noncurrent assets and Derivative liabilities	**-**	**21,421**	**-**	**(21,421)**	**Interest Expense and other financing charges**

December 31, 2022	Notional Amount	Carrying Amount Assets	Carrying Amount Liabilities	Line Item in the Separate Statement of Financial Position where the Hedging Instrument is Included	Changes in the Fair Value of the Hedging Instrument Recognized in OCI	Cost of Hedging Recognized in OCI	Amount Reclassified from Hedging Reserve	Amount Reclassified from Cost of Hedging Reserve to Profit or Loss	Line Item in the Separate Statements of Comprehensive Income Affected by the Reclassification
Foreign Currency Risk									
Call spread swaps	US$ -	P -	P -	Financial assets at fair value, Other noncurrent assets, Derivative liabilities and Other noncurrent liabilities	P -	(P20,024)	P -	P12,484	Other income (expenses) - net
Foreign Currency and Interest Rate Risks									
Cross currency swap	30,000	117,516	-	Other noncurrent assets, Derivative liabilities and Other noncurrent liabilities	117,516	(160,990)	(171,000)	51,344	Interest Expense and other financing charges, and other income (expenses) - net
Interest Rate Risk									
Interest rate collar	45,000	63,122	-	Other noncurrent assets and Derivative liabilities	63,122	17,021	-	(17,021)	Interest Expense and other financing charges

No ineffectiveness was recognized in the 2023 and 2022 separate statements of comprehensive income.

The table below provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

	December 31, 2023		December 31, 2022	
	Hedging Reserve	**Cost of Hedging Reserve**	Hedging Reserve	Cost of Hedging Reserve
Balance at beginning of year	**P68,079**	**(P17,089)**	(P74,476)	P70,801
Changes in fair value:				
Foreign currency risk	**-**	**-**	-	(20,024)
Foreign currency risk and interest rate risk	**(27,652)**	**31,443**	294,132	(160,990)
Interest Rate Risk	**(63,122)**	**21,421**	66,941	17,021
Amount reclassified to profit or loss:				
Foreign currency risk	**-**	**-**	-	12,484
Foreign currency risk and interest rate risk	**-**	**(8,657)**	(171,000)	51,344
Interest rate risk	**-**	**(21,421)**	-	(17,021)
Income tax effect	**22,695**	**(5,697)**	(47,518)	29,296
Balance at end of year	**P -**	**P -**	P68,079	(P17,089)

Derivative Instruments not Designated as Hedges

The Company enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the separate statements of comprehensive income. Details are as follows:

Cross Currency Swaps

As of December 31, 2023 and 2022, the Company has an outstanding cross currency swap with notional amount of $10 million and net fair value of P33,586 and nil, respectively.

Interest Rate Collar

As of December 31, 2023 and 2022, the Company has an outstanding interest rate collar with notional amount of $15 million and net fair value of P11,715 and nil, respectively.

Freestanding Derivatives

Freestanding derivatives consist of commodity and currency hedges entered into by the Company.

Currency Forwards. As of December 31, 2023 and 2022, the Company has outstanding foreign currency forward contracts with aggregate notional amount of US$786 million and US$696 million, respectively, and with various maturities in 2024 and 2023. As of December 31, 2023 and 2022, the net fair value of these currency forwards amounted to (P285,187) and P14,057 respectively.

Commodity Swaps. The Company has outstanding swap agreements covering its oil requirements, with various maturities in 2024. Under the agreements, payment is made either by the Company or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. Total outstanding equivalent notional quantity covered by the commodity swaps were 30,030 thousand barrels and 18,666 thousand barrels for 2023 and 2022, respectively. The estimated net receipts for these transactions amounted to P304,790 and P593,580 as of December 31, 2023 and 2022, respectively.

Commodity Options. As of December 31, 2023 and 2022, the Company has no outstanding 3-way options entered as hedge of forecasted purchases of crude oil.

The call and put options can be exercised at various calculation dates with specified quantities on each calculation date.

Embedded Derivatives
Embedded foreign currency derivatives exist in certain US dollar-denominated sales and purchases contracts for various fuel products of Petron. Under the sales and purchase contracts, the peso equivalent is determined using the average Philippine Dealing System rate on the month preceding the month of delivery.

As of December 31, 2023 and 2022, the total outstanding notional amount of currency forwards embedded in nonfinancial contracts is minimal. These nonfinancial contracts consist mainly of foreign currency-denominated service contracts, purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. As of December 31, 2023 and 2022, the net fair value of these embedded currency forwards is minimal.

For the years ended December 31, 2023 and 2022, the Company recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to (P1,489,706) and P3,894,533, respectively (Note 25).

Fair Value Changes on Derivatives not Designated as Cash Flow Hedge
The net movements in the fair value of derivative transactions in 2023 and 2022 are as follows:

	Note	**2023**	2022
Fair value at beginning of year		**P607,624**	P58,755
Net changes in fair value during the year	*25*	**(1,489,706)**	3,894,533
Fair value of settled instruments		**946,993**	(3,345,664)
Fair value at end of year		**P64,911**	P607,624

Fair Value Hierarchy
Financial assets and liabilities measured at fair value in the separate statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

The table below analyzes financial instruments carried at fair value, by valuation method as of December 31, 2023 and 2022. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data.

	2023	2022
	Level 2	Level 2
Financial Assets:		
FVPL	**P388,623**	P352,123
Derivative assets	**542,551**	1,111,717
Financial Liabilities:		
Derivative liabilities	**(477,640)**	(323,455)

The Company has no financial instruments valued based on Level 1 and 3 as of December 31, 2023 and 2022. During the year, there were no transfers into and out of Level 2 fair value measurements.

35. Registration with the Authority of the Freeport Area of Bataan (AFAB)

In December 2021, the Petron Bataan Refinery (PBR) renewed its registration with the AFAB as a registered enterprise. The registration shall be valid and in effect as long as the registered enterprise remains in good standing or until revoked or cancelled. As a registered domestic market enterprise engaged in the oil refinery facility as its registered business activity, PBR, under Sec. 311 of Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, is granted duty-free importation of merchandise, including capital equipment, raw materials, spare parts, and accessories, subject to compliance with conditions specified under the CREATE Act. Meanwhile, pursuant to Section 295(G) of the Tax Code, as amended by the CREATE Act, PBR's crude oil importations are exempt from duties and taxes, while applicable taxes are paid upon withdrawal of finished products sourced from the crude oil importation.

36. Segment Information

Management identifies segments based on business and geographic locations. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. The CEO (the chief operating decision maker) reviews management reports on a regular basis.

The Company's major sources of revenues are as follows:

a. Sales of petroleum and other related products which include gasoline, diesel and kerosene offered to motorists and public transport operators through its service station network around the country.

b. Lease of equipment for gasoline service stations and other related structures.

c. Sales on wholesale or retail operation of service stations, retail outlets, restaurants, convenience stores and the like.

d. Export sales of various petroleum and non-fuel products to other countries such as China, Taiwan, Singapore, Indonesia, South Korea, Japan, India, and Malaysia.

Revenues are mainly derived from the sale of petroleum products to retail and commercial customers in various geographical locations.

The Company has no significant remaining performance obligations as it mainly recognized revenues in amounts that correspond directly to the value of completed performance obligations.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

Major Customer

The Company does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenue of the Company.

The following table presents information on the business segment of the Company as of and for the years ended December 31, 2023 and 2022:

	Retail	Lubes	Gasul	Industrial	Others	Total
2023						
Revenue	**P150,302,857**	**P5,485,557**	**P25,432,424**	**P124,833,304**	**P129,901,761**	**P435,955,903**
Property, plant and equipment	**2,550,164**	**60,162**	**40,261**	**62,198**	**137,276,849**	**139,989,634**
Capital expenditures	**1,080,584**	**34,205**	**9,652**	**39,827**	**3,182,787**	**4,347,055**
2022						
Revenue	152,947,336	5,252,178	24,191,132	127,330,337	121,012,736	430,733,719
Property, plant and equipment	2,207,338	25,376	27,101	21,510	141,865,887	144,147,212
Capital expenditures	848,699	4,393	(1,626)	96	11,881,225	12,732,787

a. revenues from the use of loaned equipment are presented as part of “Retail”, “Gasul” and “Industrial”
b. revenues from provisions of technical support are presented as part of “Retail” and “Industrial”
c. revenues from consumer loyalty program are presented as part of “Others”

Geographical Segments

The following table presents revenue information regarding the geographical segments of the Company for the years ended December 31, 2023 and 2022:

	2023	2022
Local	**P413,440,407**	P412,845,291
Export/international	**22,515,496**	17,888,428
Total	**P435,955,903**	P430,733,719

Disaggregation of Revenue

The following tables shows the disaggregation of revenue by geographical segments and the reconciliation of the disaggregated revenue with the Company’s business segments for the years ended December 31, 2023 and 2022:

	Retail	Lubes	Gasul	Industrial	Others	Total
2023						
Local	**P150,302,857**	**P5,152,869**	**P25,432,424**	**P124,833,304**	**P107,718,953**	**P413,440,407**
Export/international	**-**	**332,688**	**-**	**-**	**22,182,808**	**22,515,496**
2022						
Local	152,947,336	4,924,053	24,107,975	127,330,337	103,535,590	412,845,291
Export/international	-	328,125	83,157	-	17,477,146	17,888,428

a. revenues from the use of loaned equipment are presented as part of “Retail”, “Gasul” and “Industrial”
b. revenues from provisions of technical support are presented as part of “Retail” and “Industrial”
c. revenues from consumer loyalty program are presented as part of “Others”

37. Events After the Reporting Date

a. On February 12, 2024, the Company paid distributions amounting to US$906,250 (P50,811) to the holders of the US$100 million RPS.

b. On March 5, 2024, the BOD of the Company approved the declaration of P0.10/share cash dividends to common stockholders to be paid on April 4, 2024.

c. On March 5, 2024, the BOD of the Company approved the purpose of foreign sourced dividends in 2024 for working capital requirements.

38. Other Matters

a. Lease Agreements with PNOC

On October 20, 2017, Petron filed with the Regional Trial Court (RTC) of Mandaluyong City a complaint against the PNOC for the reconveyance of the various landholdings it conveyed to PNOC in 1993 as a result of the government-mandated privatization of Petron.

The subject landholdings consist of the refinery lots in Limay, Bataan, 23 bulk plant sites and 66 service station lots located in different parts of the country. The Deeds of Conveyance covering the landholdings provide that the transfer of these lots to PNOC was without prejudice to the continued long-term use by Petron of the conveyed lots for its business operation. Thus, PNOC and Petron executed three lease agreements covering the refinery lots, the bulk plants, and the service station sites, all with an initial lease term of 25 years which expired in August 2018, with a provision for automatic renewal for another 25 years. In 2009, Petron, through its realty subsidiary, NVRC, had an early renewal of the lease agreement for the refinery lots with an initial lease term of 30 years, renewable for another 25 years.

The complaint alleges that PNOC committed a fundamental breach of the lease agreements when it refused to honor both the automatic renewal clause in the lease agreements for the bulk plants and the service station sites and the renewed lease agreement for the refinery lots on the alleged ground that all such lease agreements were grossly disadvantageous to PNOC, a government-owned-and-controlled corporation.

On December 11, 2017, the trial court granted Petron’s prayer for a writ of preliminary injunction, enjoining PNOC from committing any act aimed at ousting Petron from possession of the subject properties until the case is decided.

The court-mandated mediation in 2018 and the judicial dispute resolution proceedings before the court in 2019 were likewise terminated, after the parties failed to agree to a settlement. Without prejudice to any further discussion between the parties regarding settlement, the case was remanded to the trial court for trial proper, with the pre-trial held on September 10, 2019. Petron also filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13, 2019, the trial court granted Petron's motion for summary judgment and ordered: (i) the rescission of the Deeds of Conveyance dated 1993 relating to Petron's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993, (ii) the reconveyance by PNOC to Petron of all such properties, and (iii) the payment by Petron to PNOC of the amount of P143,000, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. Petron also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to Petron all lease payments the latter had paid to PNOC since 1993.

Following the trial court's denial of their separate motions for reconsideration, both PNOC and Petron filed their respective notices of appeal with the trial court. In a decision dated December 13, 2021, the Court of Appeals dismissed both appeals of Petron and PNOC and affirmed the resolution of the trial court as described above. The Court of Appeals upheld Petron's position that PNOC committed a substantial breach of its contractual obligation under the lease agreements when it dishonored the automatic renewal clause in the lease agreements and threatened to terminate Petron's lease thereby depriving Petron a long-term lease consistent with its business requirements, which was the primordial consideration in the Deeds of Conveyance. The Court of Appeals ruled, however, that, consistent with jurisprudence, while rescission repeals the contract from its inception, it does not disregard all the consequences that the contract has created and that it was therefore only proper that Petron paid PNOC the rentals for the use and enjoyment of the properties which PNOC could have enjoyed by virtue of the Deeds of Conveyance were it not for the lease agreements. On January 11, 2022, Petron filed its motion for reconsideration insofar as the decision dismissed Petron's appeal to return the lease payments made by it to PNOC. PNOC also filed its own motion for reconsideration. In a resolution promulgated on October 6, 2022, the Court of Appeals denied the respective motions for reconsideration of Petron and PNOC. In consideration of the possible delay in the final resolution of the case if Petron were to proceed with the filing of a petition for review with the Supreme Court on the issue of rental payments it seeks to recover and the decision in favor of Petron on the rescission of the Deeds of Conveyance and the reconveyance to it of the properties that has been affirmed by the Court of Appeals, Petron decided to no longer pursue a petition for review with the Supreme Court. PNOC filed a petition for review on certiorari with the Supreme Court in December 2022. On November 30, 2023, Petron received a copy of the Supreme Court's resolution dated July 25, 2023, denying PNOC's petition for review on certiorari, on the ground that PNOC failed to sufficiently show that the Court of Appeals committed any reversible error in the challenged decision and resolution as to warrant the Supreme Court's exercise of its discretionary appellate jurisdiction. On December 6, 2023, Petron received a copy of PNOC's motion for reconsideration of the Supreme Court's resolution, coupled with motion to refer the case to the Supreme Court en banc citing, among others, the involvement of prime vital government assets. As of December 31, 2023, Petron had yet to receive from the Supreme Court any notice on its action on PNOC's motions for reconsideration and referral of the case to the Supreme Court *en banc*.

b. Oil Spill Incident in Guimaras

On August 11, 2006, MT Solar I, a third party vessel contracted by the Company to transport approximately two million liters of industrial fuel oil, sank 13 nautical miles southwest of Guimaras, an island province in the Western Visayas region of the Philippines. In separate investigations by the Philippine Department of Justice (DOJ) and the Special Board of Marine Inquiry (SBMI), both agencies found the owners of MT Solar I liable. The DOJ found the Company not criminally liable, but the SBMI found the Company to have overloaded the vessel. The Company has appealed the findings of the SBMI to the Department of Transportation (DOTr) and is awaiting its resolution. The Company believes that SBMI can impose administrative penalties on vessel owners and crew, but has no authority to penalize other parties, such as the Company, which are charterers.

Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed with the RTC of Guimaras by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims amount to P292,000. The cases were pending as of December 31, 2021. In the course of plaintiffs' presentation of evidence, they moved for trial by commissioner, which was denied by the trial court. The plaintiffs elevated the matter by way of a petition for certiorari to the Court of Appeals in Cebu City (CA). On January 9, 2020, the CA issued a Resolution granting plaintiffs' motion for reconsideration of the earlier resolution denying their petition and ordering the Company to file its comment on plaintiffs' petition within 10 days. On February 6, 2020, the Company filed a motion for reconsideration of said Resolution, which remains pending to date. In the meantime, proceedings before the trial court continues. Less than 200 of the plaintiffs have testified so far. As of December 31, 2023 and 2022, the Company has not set up any provision related to this case because while the case is still pending, the Company believes the resolution will be in its favor.

c. Other Proceedings

The Company is also a party to certain other proceedings arising out of the ordinary course of its business, including legal proceedings with respect to tax, regulatory and other matters. While the results of litigation cannot be predicted with certainty, management believes that the final outcome of these other proceedings will not have a material adverse effect on the Company's business, financial condition or results of operations.

d. The Company has unused letters of credit totaling approximately P15,094,196 and P25,671,094 as of December 31, 2023 and 2022, respectively.

39. Supplementary Information Required by the BIR

The BIR has issued RR No. 15-2010 which requires certain tax information to be disclosed in the notes to the separate financial statements. The Company presented the required supplementary tax information as a separate schedule attached to its annual income tax return.

The following document has been received:

Receiving: ARIEL FETALVO
Receipt Date and Time: March 22, 2024 01:58:30 PM

Company Information

SEC Registration No.: 0000031171
Company Name: Petron Corporation
Industry Classification: E40200
Company Type: Stock Corporation

Document Information

Document ID: OST10322202482152336
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2023
Submission Type: Consolidated
Remarks: None

Acceptance of this document is subject to review of forms and contents

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

3 1 1 7 1

COMPANY NAME

P E T R O N   C O R P O R A T I O N   A N D
S U B S I D I A R I E S

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

SMC Head Office Complex
40 San Miguel Avenue
Mandaluyong City

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		Certificates of Permit to Offer Securities for Sale dated 1994, 1995, 2010, 2014 and 2019

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
contactus@petron.com	8-884-9200	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
144,097 (as of December 31, 2023)	May 21, 2024	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
MYRNA C. GERONIMO	mcgeronimo@petron.com	8-884-9200 loc 49189	

CONTACT PERSON's ADDRESS

SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City

Note 1: *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2: *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

PETRON

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Petron Corporation and Its Subsidiaries** (collectively referred to as the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended **December 31, 2023 and 2022**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors (the "Board") is responsible for overseeing the Group's financial reporting process.

The Board reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

RAMON S. ANG
President, Chief Executive Officer and Acting Chairman

EMMANUEL E. ERAÑA
Senior Vice President and Chief Finance Officer

Signed this 5th day of March 2024

SUBSCRIBED AND SWORN TO before me, a Notary Public for and in the City of Mandaluyong, Metro Manila, this MAR 05 2024, affiants being personally known to me and signed this instrument in my presence and avowed under penalty of law to the whole truth of contents thereof.

Name	Competent Evidence of Identity	Date/Place of Issue
Ramon S. Ang		
Emmanuel E. Eraña		

Doc. No. 80;
Page No. 17;
Book No. III;
Series of 2024

MARIA CRISSELDA T. TORCUATOR
Notary Public for Mandaluyong City
40 San Miguel Avenue, 1550 Mandaluyong City
Appointment No. 0582-23
Until December 31, 2024
Attorney's Roll No. 71094
PTR No. 5420853 /01-03-2024/ Mandaluyong
IBP No. 391617 /01-03-2024/ RSM
MCLE Compliance No. VII-0014988/06-17-2022

PETRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023, 2022 and 2021

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Petron Corporation
SMC Head Office Complex
40 San Miguel Avenue
Mandaluyong City

Opinion

We have audited the consolidated financial statements of Petron Corporation and Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and of its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audits of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition (P801,027 million)
Refer to Note 3, *Summary of Material Accounting Policies* and Note 37, *Segment Information* to the consolidated financial statements.

The risk
Revenue is an important measure used to evaluate the performance of the Group. It is accounted for when the sales transactions have been completed and control over the goods and services has been transferred to the customer. Whilst revenue recognition and measurement is not complex for the Group, voluminous sales transactions and the sales target which form part of the Group's key performance measure may provide venue to improperly recognize revenue.

Our response
We performed the following audit procedures, among others, on revenue recognition:

- We tested operating effectiveness of the key controls over revenue recognition. We involved our information technology specialists, as applicable, to assist in the audit of automated controls and the design and operating effectiveness of controls over the recording of revenue transactions.

- We checked on a sampling basis, the sales transactions to the delivery documents for the year.

- We checked sales transactions for the last month of the financial year and also the first month of the following financial year to the delivery documents to assess whether these transactions are recorded in the correct financial year.

- We tested journal entries posted to revenue accounts, including any unusual or irregular items.

- We tested credit notes recorded after the financial year to identify potential reversals of revenue which were inappropriately recognized in the current financial year.

Valuation of Inventories (P77,318 million)
Refer to Note 3, *Summary of Material Accounting Policies*, Note 4, *Use of Judgments, Estimates and Assumptions* and Note 8, *Inventories* to the consolidated financial statements.

The risk
There is a risk over the recoverability of the Group's inventories due to market price volatility of crude and petroleum products. Such volatility can lead to potential issues over the full recoverability of inventory balances. In addition, determining the net realizable values of inventories is subject to management's judgment and estimation. This includes estimating the selling price of finished goods and the cost of conversion of raw materials based on available market price forecasts and current costs.

Our response
We performed the following audit procedures, among others, on the valuation of inventories:

- We obtained and reviewed the calculation of write-down of the Group's raw materials and finished goods based on the net realizable values of finished goods at yearend.

- For raw materials, projected production yield was used to estimate the cost of conversion for the raw materials as at yearend. We assessed the projected yield by comparing it to the actual yield achieved from crude oil production runs during the year. We then compared the estimated costs of finished goods to the net realizable values to determine any potential write-down.

- For finished goods, we assessed the reasonableness of estimated selling prices by checking various products' sales invoices issued around and after yearend. Any write-down is computed based on the difference between the net realizable value and the cost of inventory held at yearend.

Valuation of Goodwill (P8,093 million)
Refer to Note 3, *Summary of Material Accounting Policies*, Note 4, *Use of Judgments, Estimates and Assumptions* and Note 12, *Business Combination, Investment in Shares of Stock of Subsidiaries, Goodwill and Non-Controlling Interests* to the consolidated financial statements.

The risk
The Group has significant amount of goodwill arising from business acquisitions. We particularly focused on the valuation of goodwill allocated to Petron Oil and Gas International Sdn. Bhd. Group (Petron Malaysia Group) which accounts for 99% of total goodwill. The annual impairment test was significant to our audit as the assessment process is complex by nature and is based on management's judgment and assumptions on future market and/or economic conditions. The assumptions used include future cash flow projections, growth rates and discount rates.

Our response
We performed the following audit procedures, among others, on the valuation of goodwill:

- We tested the integrity of the discounted cash flow model used by the Group. This involved the review of component auditor's work and use of their own valuation specialist to assist in evaluating the models used and assumptions applied and comparing these assumptions to external data, where applicable. The key assumptions include sales volume, selling price and gross profit margin.

- We compared the Group's assumptions to externally derived data, where applicable, as well as our own assessments in relation to key inputs such as projected economic growth, competition, cost of inflation and discount rates, as well as performing break-even analysis on the assumptions.

- We also assessed the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions used in the valuation of goodwill.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and determine whether the other information needs to be revised.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Rohanie C. Galicia.

R.G. MANABAT & CO.

Rohanie C. Galicia

ROHANIE C. GALICIA
Partner
CPA License No. 0118706
Tax Identification No. 249-773-914
BIR Accreditation No. 08-001987-044-2021
  Issued September 2, 2021; valid until September 1, 2024
PTR No. MKT 10075180
  Issued January 2, 2024 at Makati City

March 22, 2024
Makati City, Metro Manila

PETRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Million Pesos)

		December 31	
	Note	**2023**	2022
ASSETS			
Current Assets			
Cash and cash equivalents	*5, 34, 35*	**P27,519**	P37,183
Financial assets at fair value	*6, 14, 34, 35*	**1,162**	1,753
Trade and other receivables - net	*4, 7, 28, 34, 35*	**86,479**	81,979
Inventories	*4, 8*	**77,318**	85,347
Other current assets	*14, 28*	**40,529**	37,025
Total Current Assets		**233,007**	243,287
Noncurrent Assets			
Investment in shares of stock of an associate and joint ventures	*2, 13*	**1,158**	1,085
Property, plant and equipment - net	*4, 9, 11, 37*	**166,046**	170,153
Right-of-use assets - net	*4, 10*	**5,286**	5,398
Investment property - net	*4, 9, 11*	**27,194**	28,437
Deferred tax assets - net	*4, 27*	**1,190**	1,812
Goodwill - net	*4, 12*	**8,093**	8,509
Other noncurrent assets - net	*4, 6, 14, 34, 35*	**1,930**	1,390
Total Noncurrent Assets		**210,897**	216,784
		P443,904	P460,071
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term loans	*15, 33, 34, 37*	**P137,910**	P137,886
Liabilities for crude oil and petroleum products	*16, 28, 31, 34, 35*	**44,840**	51,067
Trade and other payables	*17, 28, 30, 33, 34, 35, 39*	**23,890**	22,896
Lease liabilities - current portion	*4, 31, 33, 34*	**1,566**	1,380
Derivative liabilities	*34, 35*	**749**	723
Income tax payable		**132**	204
Current portion of long-term debt - net	*18, 33, 34, 35*	**25,642**	13,399
Total Current Liabilities		**234,729**	227,555
Noncurrent Liabilities			
Long-term debt - net of current portion	*18, 33, 34, 35*	**83,254**	93,662
Retirement benefits liability - net	*30*	**2,621**	3,261
Deferred tax liabilities - net	*27*	**4,432**	3,601
Lease liabilities - net of current portion	*4, 31, 33, 34*	**14,378**	13,714
Asset retirement obligation	*4, 19*	**3,612**	3,527
Other noncurrent liabilities	*20, 34, 35*	**1,243**	1,201
Total Noncurrent Liabilities		**109,540**	118,966
Total Liabilities		**344,269**	346,521

Forward

	Note	December 31 2023	2022
Equity Attributable to Equity Holders of the Parent Company	*21*		
Capital stock		**P9,485**	P9,485
Additional paid-in capital		**40,985**	37,500
Capital securities		**37,529**	62,712
Retained earnings		**31,834**	30,357
Equity reserves		**(21,252)**	(16,887)
Treasury stock		**(7,600)**	(18,000)
Total Equity Attributable to Equity Holders of the Parent Company		**90,981**	105,167
Non-controlling Interests	*12*	**8,654**	8,383
Total Equity		**99,635**	113,550
		P443,904	P460,071

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Million Pesos, Except Per Share Data)

	Note	**2023**	2022	2021
SALES	*28, 31, 37*	**P801,027**	P857,638	P438,057
COST OF GOODS SOLD	*22*	**754,429**	823,788	407,558
GROSS PROFIT		**46,598**	33,850	30,499
SELLING AND ADMINISTRATIVE EXPENSES	*23*	**(17,560)**	(16,175)	(14,557)
OTHER OPERATING INCOME	*4, 29*	**1,683**	1,538	1,273
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*26, 37*	**(19,095)**	(13,094)	(10,008)
INTEREST INCOME	*26, 37*	**1,284**	898	564
SHARE IN NET INCOME OF AN ASSOCIATE AND JOINT VENTURES	*13*	**89**	66	11
OTHER INCOME (EXPENSE) - Net	*26*	**139**	1,018	(485)
		(33,460)	(25,749)	(23,202)
INCOME BEFORE INCOME TAX		**13,138**	8,101	7,297
INCOME TAX EXPENSE	*27, 36, 37*	**3,004**	1,404	1,161
NET INCOME		**P10,134**	P6,697	P6,136
Attributable to:				
Equity holders of the Parent Company	*32*	**P9,241**	P5,727	P5,369
Non-controlling interests	*12*	**893**	970	767
		P10,134	P6,697	P6,136
BASIC/DILUTED EARNINGS PER COMMON SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY	*32*	**P0.27**	P0.01	P0.05

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Million Pesos)

	Note	**2023**	2022	2021
NET INCOME		**P10,134**	P6,697	P6,136
OTHER COMPREHENSIVE LOSS				
Item that will not be reclassified to profit or loss				
Equity reserve for retirement plan	*30*	**(38)**	(626)	(597)
Income tax benefit (expense)	*27*	**9**	156	(213)
		(29)	(470)	(810)
Items that may be reclassified to profit or loss				
Income (loss) on cash flow hedges	*35*	**(68)**	73	202
Exchange differences on translation of foreign operations		**(2,414)**	2,137	880
Share in other comprehensive income of an associate and joint ventures		**4**	-	-
Income tax benefit (expense)	27	**18**	(19)	(65)
		(2,460)	2,191	1,017
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		**(2,489)**	1,721	207
TOTAL COMPREHENSIVE INCOME FOR THE YEAR - Net of tax		**P7,645**	P8,418	P6,343
Attributable to:				
Equity holders of the Parent Company		**P7,162**	P7,181	P5,399
Non-controlling interests	*12*	**483**	1,237	944
		P7,645	P8,418	P6,343

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

(Amounts in Million Pesos)

		Equity Attributable to Equity Holders of the Parent Company										
					Retained Earnings		Equity Reserves					
	Note	**Capital Stock**	**Additional Paid-in Capital**	**Capital Securities**	**Appro-priated**	**Unappro-priated**	**Reserve for Retirement Plan**	**Other Reserves**	**Treasury Stock**	**Total**	**Non-controlling Interests**	**Total Equity**
As of December 31, 2022		P9,485	P37,500	P62,712	P7,003	P23,354	(P6,437)	(P10,450)	(P18,000)	P105,167	P8,383	P113,550
Net loss on cash flow hedges - net of tax	*35*	-	-	-	-	-	-	(50)	-	(50)	-	(50)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	(2,004)	-	(2,004)	(410)	(2,414)
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(29)	-	-	(29)	-	(29)
Share in other comprehensive income of an associate and joint ventures		-	-	-	-	-	-	4	-	4	-	4
Other comprehensive loss		-	-	-	-	-	(29)	(2,050)	-	(2,079)	(410)	(2,489)
Net income for the year		-	-	-	-	9,241	-	-	-	9,241	893	10,134
Total comprehensive income (loss) for the year		-	-	-	-	9,241	(29)	(2,050)	-	7,162	483	7,645
Cash dividends	*21*	-	-	-	-	(3,053)	-	-	-	(3,053)	(212)	(3,265)
Distributions paid	*21*	-	-	-	-	(4,569)	-	-	-	(4,569)	-	(4,569)
Reissuance of preferred shares	*21*	-	3,485	-	-	-	-	-	10,400	13,885	-	13,885
Redemption of capital securities	*21*	-	-	(25,183)	-	-	-	(2,286)	-	(27,469)	-	(27,469)
Share issuance cost of a subsidiary		-	-	-	-	(142)	-	-	-	(142)	-	(142)
Reversal of retained earnings appropriation	*21*	-	-	-	(7,000)	7,000	-	-	-	-	-	-
Transactions with owners		-	3,485	(25,183)	(7,000)	(764)	-	(2,286)	10,400	(21,348)	(212)	(21,560)
As of December 31, 2023		**P9,485**	**P40,985**	**P37,529**	**P3**	**P31,831**	**(P6,466)**	**(P14,786)**	**(P7,600)**	**P90,981**	**P8,654**	**P99,635**

Forward

		Equity Attributable to Equity Holders of the Parent Company										
					Retained Earnings		Equity Reserves					
	Note	Capital Stock	Additional Paid-in Capital	Capital Securities	Appro-priated	Unappro-priated	Reserve for Retirement Plan	Other Reserves	Treasury Stock	Total	Non-controlling Interests	Total Equity
As of December 31, 2021		P9,485	P37,500	P62,712	P7,003	P23,229	(P5,962)	(P12,379)	(P18,000)	P103,588	P7,325	P110,913
Net income on cash flow hedges - net of tax	*35*	-	-	-	-	-	-	54	-	54	-	54
Exchange differences on translation of foreign operations		-	-	-	-	-	-	1,875	-	1,875	262	2,137
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(475)	-	-	(475)	5	(470)
Other comprehensive income (loss)		-	-	-	-	-	(475)	1,929	-	1,454	267	1,721
Net income for the year		-	-	-	-	5,727	-	-	-	5,727	970	6,697
Total comprehensive income (loss) for the year		-	-	-	-	5,727	(475)	1,929	-	7,181	1,237	8,418
Cash dividends	*21*	-	-	-	-	(1,044)	-	-	-	(1,044)	(179)	(1,223)
Distributions paid	*21*	-	-	-	-	(4,545)	-	-	-	(4,545)	-	(4,545)
Share issuance cost of a subsidiary		-	-	-	-	(13)	-	-	-	(13)	-	(13)
Transactions with owners		-	-	-	-	(5,602)	-	-	-	(5,602)	(179)	(5,781)
As of December 31, 2022		P9,485	P37,500	P62,712	P7,003	P23,354	(P6,437)	(P10,450)	(P18,000)	P105,167	P8,383	P113,550

Forward

		Equity Attributable to Equity Holders of the Parent Company										
					Retained Earnings		Equity Reserves					
	Note	Capital Stock	Additional Paid-in Capital	Capital Securities	Appro-priated	Unappro-priated	Reserve for Retirement Plan	Other Reserves	Treasury Stock	Total	Non-controlling Interests	Total Equity
As of December 31, 2020		P9,485	P37,500	P36,481	P15,000	P14,799	(P5,148)	(P13,223)	(P15,122)	P79,772	P6,423	P86,195
Net income on cash flow hedges - net of tax	*35*	-	-	-	-	-	-	137	-	137	-	137
Exchange differences on translation of foreign operations		-	-	-	-	-	-	707	-	707	173	880
Equity reserve for retirement plan - net of tax		-	-	-	-	-	(814)	-	-	(814)	4	(810)
Other comprehensive income (loss)		-	-	-	-	-	(814)	844	-	30	177	207
Net income for the year		-	-	-	-	5,369	-	-	-	5,369	767	6,136
Total comprehensive income (loss) for the year		-	-	-	-	5,369	(814)	844	-	5,399	944	6,343
Cash dividends	*21*	-	-	-	-	(1,899)	-	-	-	(1,899)	(42)	(1,941)
Distributions paid	*21*	-	-	-	-	(3,037)	-	-	-	(3,037)	-	(3,037)
Issuance of capital securities	*21*	-	-	26,231	-	-	-	-	-	26,231	-	26,231
Redemption of preferred shares	*21*	-	-	-	-	-	-	-	(2,878)	(2,878)	-	(2,878)
Appropriation of retained earnings	*21*	-	-	-	3	(3)	-	-	-	-	-	-
Reversal of retained earnings appropriation	*21*	-	-	-	(8,000)	8,000	-	-	-	-	-	-
Transactions with owners		-	-	26,231	(7,997)	3,061	-	-	(2,878)	18,417	(42)	18,375
As of December 31, 2021		P9,485	P37,500	P62,712	P7,003	P23,229	(P5,962)	(P12,379)	(P18,000)	P103,588	P7,325	P110,913

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Million Pesos)

	Note	**2023**	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P13,138**	P8,101	P7,297
Adjustments for:				
Interest expense and other financing charges	*26, 37*	**19,095**	13,094	10,008
Depreciation and amortization	*25, 37*	**13,030**	11,876	9,848
Retirement benefits costs	*30*	**257**	367	289
Interest income	*26*	**(1,284)**	(898)	(564)
Unrealized foreign exchange losses (gains) - net		**(327)**	670	2,811
Share in net income of an associate and joint ventures	*13*	**(89)**	(66)	(11)
Other losses - net		**(424)**	(1,198)	(1,225)
Operating income before working capital changes		**43,396**	31,946	28,453
Changes in noncash assets, certain current liabilities and others	*33*	**(5,257)**	(38,295)	(29,322)
Changes in noncash assets and liabilities of new subsidiary	*12*	**-**	(3,165)	-
Cash generated from (used in) operations		**38,139**	(9,514)	(869)
Contribution to retirement fund	*30*	**(1,015)**	(900)	(810)
Interest paid		**(18,264)**	(12,086)	(9,274)
Income taxes paid		**(948)**	(1,001)	(365)
Interest received		**1,292**	840	650
Net cash flows provided by (used in) operating activities		**19,204**	(22,661)	(10,668)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	*9*	**(6,235)**	(5,397)	(9,195)
Proceeds from sale of property and equipment		**49**	9	131
Acquisition of investment property	*11*	**(244)**	(286)	(695)
Proceeds from sale of investment property		**1**	12	-
Increase in other noncurrent assets		**(9)**	(22)	-
Net cash from consolidation of a new subsidiary	*12*	**-**	3,302	-
Net cash flows used in investing activities		**(6,438)**	(2,382)	(9,759)

Forward

	Note	2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from availment of loans, bonds and advances	*28, 33*	**P289,660**	P373,935	P227,057
Payments of:				
Loans and bonds	*33*	**(287,868)**	(342,654)	(215,431)
Lease liabilities	*29, 33*	**(2,463)**	(2,347)	(2,226)
Cash dividends and distributions	*21, 33*	**(7,356)**	(6,127)	(4,655)
Issuance (redemption) of capital securities	*21*	**(27,469)**	-	26,231
Reissuance (redemption) of preferred shares	*21*	**13,885**	-	(2,878)
Share issuance cost of a subsidiary		**(142)**	(13)	-
Net cash flows provided by (used in) financing activities		**(21,753)**	22,794	28,098
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(677)**	3,026	1,682
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(9,664)**	777	9,353
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**37,183**	36,406	27,053
CASH AND CASH EQUIVALENTS AT END OF YEAR	*5*	**P27,519**	P37,183	P36,406

See Notes to the Consolidated Financial Statements.

PETRON CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Million Pesos, Except Par Value, Number of Shares and Per Share Data, Exchange Rates and Commodity Volumes)

1. Reporting Entity

Petron Corporation (the “Parent Company” or “Petron”) was incorporated under the laws of the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 22, 1966. On September 13, 2013, the SEC approved the extension of the Parent Company’s corporate term to December 22, 2066. Under its Articles of Incorporation (AOI), the Parent Company has a corporate life of 50 years or for such longer period as may hereafter be authorized by the laws of the Philippines. Pursuant to the Revised Corporation Code of the Philippines, which took effect in February 2019, the Parent Company shall have a perpetual existence because the Parent Company did not elect to retain its specific corporate term under its AOI.

Petron is the only oil refining and the leading marketing company in the Philippines. Petron envisions an energy-secure and prosperous nation where everyone’s journey is fueled by opportunities for meaningful experiences and sustainable success.

Petron operates the modern refinery in Bataan, with a rated capacity of 180,000 barrels a day. Petron’s refinery processes crude oil into a full range of world-class petroleum products including liquefied petroleum gas (LPG), gasoline, diesel, jet fuel, kerosene, and petrochemicals. From the refinery, Petron moves its products mainly by sea to more than 30 terminals and facilities strategically located across the country. Through this network, Petron supplies fuels to its service stations and various essential industries such as power-generation, transportation, manufacturing, agriculture, etc. Petron also supplies jet fuel at key airports to international and domestic carriers.

With around 1,800 service stations and hundreds of industrial accounts, Petron remains the leader in the Philippine fuel market. Petron retails gasoline and diesel to motorists and public transport operators. Petron also sells its LPG brands “Gasul” and “Fiesta” to households and other industrial consumers through an extensive dealership network. In line with efforts to increase its presence in the regional market, Petron exports various products to Asia-Pacific countries.

Petron sources its fuel additives from its blending facility in Subic Bay. This gives Petron the capability to formulate unique additives suitable for the driving conditions in the Philippines. Petron also has a facility in Mariveles, Bataan where the refinery’s propylene production is converted into higher-value polypropylene resin.

Today, Petron is one of the leading oil companies in Malaysia with an integrated business which includes an 88,000 barrel-per-day refinery, 10 product terminals and facilities, and a network of more than 750 service stations.

The Parent Company is a public company under Section 17.2 of Securities Regulation Code (SRC) and its shares of stock are listed for trading at the Philippine Stock Exchange (PSE). As of December 31, 2023, the Parent Company's public float stood at 26.71%.

The intermediate parent company of Petron is San Miguel Corporation (SMC) while its ultimate parent company is Top Frontier Investment Holdings, Inc. Both companies are incorporated in the Philippines.

The registered office address of Petron is SMC Head Office Complex, 40 San Miguel Avenue, Mandaluyong City.

2. Basis of Preparation

Statement of Compliance

The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Financial and Sustainability Reporting Standards Council (FSRSC).

The consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on March 5, 2024.

Basis of Measurement

The consolidated financial statements of the Group have been prepared on the historical cost basis of accounting except for the following which are measured on an alternative basis at each reporting date:

Items	Measurement Bases
Derivative financial instruments	Fair value
Financial assets at fair value through profit or loss (FVPL)	Fair value
Retirement benefits liability	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All financial information presented in Philippine peso is rounded off to the nearest million (P000,000), except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. These subsidiaries are:

Name of Subsidiary	Percentage of Ownership 2023	Percentage of Ownership 2022	Country of Incorporation
Overseas Ventures Insurance Corporation Ltd. (Ovincor)	**100.00**	100.00	Bermuda
Petron Freeport Corporation (PFC)	**100.00**	100.00	Philippines
Petron Singapore Trading Pte., Ltd. (PSTPL)	**100.00**	100.00	Singapore
Petron Marketing Corporation (PMC)	**100.00**	100.00	Philippines
New Ventures Realty Corporation (NVRC) and Subsidiaries	**85.55**	85.55	Philippines
Petron Global Limited (PGL)	**100.00**	100.00	British Virgin Islands
Petron Finance (Labuan) Limited (PFL)	**100.00**	100.00	Malaysia
Petron Oil and Gas Mauritius Ltd. (POGM) and Subsidiaries	**100.00**	100.00	Mauritius
Petrochemical Asia (HK) Limited (PAHL) and Subsidiaries	**100.00**	100.00	Hong Kong
Mema Holdings, Inc. (Mema) and Subsidiaries	**100.00**	100.00	Philippines

Ovincor is engaged in the business of non-life insurance and re-insurance.

The primary purpose of PFC and PMC is to, among others, sell on wholesale or retail and operate service stations, retail outlets, restaurants, convenience stores and the like.

PSTPL's principal activities include those relating to the procurement of crude oil, ethanol, catalysts, additives, coal and various petroleum finished products; crude vessel chartering and commodity risk management.

NVRC's primary purpose is to acquire real estate and derive income from its sale or lease. As of December 31, 2023 and 2022, NVRC owns 100% of Las Lucas Construction and Development Corporation (LLCDC), Parkville Estates and Development Corporation (PEDC), South Luzon Prime Holdings, Inc. (SLPHI), Abreco Realty Corporation (ARC) and 60% of Mariveles Landco Corporation (MLC).

PGL is a holding company incorporated in the British Virgin Islands.

POGM is a holding company incorporated under the laws of Mauritius. POGM owns an offshore subsidiary Petron Oil and Gas International Sdn. Bhd. (POGI).

As of December 31, 2023 and 2022, POGI owns 73.4% of Petron Malaysia Refining & Marketing Bhd (PMRMB) and 100% of both Petron Fuel International Sdn Bhd (PFISB) and Petron Oil (M) Sdn Bhd (POMSB), collectively hereinafter referred to as "Petron Malaysia".

Petron Malaysia is involved in the refining and marketing of petroleum products in Malaysia.

PFL is a holding company incorporated under the laws of Labuan, Malaysia.

PAHL is a holding company incorporated in Hong Kong in March 2008. As of December 31, 2023 and 2022, PAHL owns 100% of Robinsons International Holdings Limited (RIHL) which owns 100% of Philippine Polypropylene, Inc. (PPI) and 40% of MLC.

Mema is a holding company acquired by the Parent Company on June 30, 2022. As of December 31, 2023 and 2022, Mema owns 100% of Weldon Offshore Strategic Limited Incorporated which owns 100% of Petrofuel Logistics, Inc. (PLI). PLI provides logistics and freight forwarding services for the hauling, carriage, transportation, forwarding, and/or storage, and into-plane operation requirements mainly of the Group.

Non-controlling interests represent the interests not held by the Parent Company in NVRC and PMRMB in 2023 and 2022.

3. Summary of Material Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

Adoption of Amended Standards

The FSRSC approved the adoption of a number of amended standards as part of PFRS.

The Group has adopted the following PFRS effective January 1, 2023 and accordingly, changed its accounting policies in the following area:

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Developing an accounting estimate includes selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

- Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements. The amendments to PFRS Practice Statement 2 provide guidance and examples on the application of materiality to accounting policy disclosures.

  The Group reviewed the accounting policies and although the amendments did not result in any changes to the accounting policies themselves, updates were made to the accounting policy information disclosed in Note 3 Material Accounting Policies in certain instances in line with the amendments.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments require an entity to recognize deferred tax on transactions, such as leases for the lessee and decommissioning obligations, that give rise to equal amounts of taxable and deductible temporary differences on initial recognition.

- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12, *Income Taxes*). The amendments include a temporary, mandatory exemption from accounting for deferred taxes resulting from the introduction of the global minimum taxation and targeted disclosures in the notes for affected entities to enable users of financial statements to understand the extent to which an entity will be affected by the minimum tax, particularly before the legislation comes into force.

The adoption of the amended standards did not have a material effect on the consolidated financial statements.

New and Amended Standards Not Yet Adopted

A number of new and amended standards are effective for annual periods beginning after January 1, 2023 and have not been applied in preparing the consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements.

The Group will adopt the following new and amended standards on the respective effective dates:

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16, *Leases*). The amendments confirm the following:

    - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.

    - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

    A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

    The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Under PAS 8, the amendments apply retrospectively to sale-and-leaseback transactions entered into on or after the date of initial application of PFRS 16.

- Classification of Liabilities as Current or Noncurrent - 2020 amendments and Non-Current Liabilities with Covenants - 2022 amendments (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

    - removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting date;

- clarified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

- provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; and

- clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted.

- Supplier Finance Arrangements (Amendments to PAS 7, S*tatement of Cash Flows*, and PFRS 7, *Financial Instruments: Disclosures*). The amendments introduce new disclosure objectives to provide information about the supplier finance arrangements of an entity that would enable users to assess the effects of these arrangements on the liabilities and cash flows, and the exposure to liquidity risk.

  Under the amendments, entities also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.

  The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in PFRS 7 on factors an entity might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.

- PFRS 17, *Insurance Contracts*, replaces the interim standard, PFRS 4, and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The new standard reflects the view that an insurance contract combines features of both a financial instrument and a service contract, and considers the fact that many insurance contracts generate cash flows with substantial variability over a long period. PFRS 17 introduces a new approach that: (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract; (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and (c) requires an entity to make an accounting policy choice portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

Under PFRS 17, groups of insurance contracts are measured based on fulfillment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfillment cash flows remeasured at each reporting date to reflect current estimates.

Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. There is also a transition option allowing presentation of comparative information about financial assets using a classification overlay approach on a basis that is more consistent with how PFRS 9 will be applied in future reporting periods. Early application is permitted for entities that apply PFRS 9 and PFRS 15, *Revenue from Contracts with Customers*, on or before the date of initial application of PFRS 17.

- Lack of Exchangeability (Amendments to IAS 21, *The Effects of Changes in Foreign Exchange Rates*). The amendments clarify that a currency is exchangeable into another currency when a company is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

  When a currency is not exchangeable, a company needs to estimate a spot rate. The objective in estimating the spot rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments do not specify how to estimate the spot exchange rate to meet the objective and an entity can use an observable exchange rate without adjustment or another estimation technique.

  The amendments require new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements, including the nature and financial impacts of the currency not being exchangeable, the spot exchange rate used, the estimation process, and risks to the company because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted. Comparative information is not restated and the effect of initially applying the amendments are adjusted to the opening balance of retained earnings, or to the cumulative amount of translation differences if the company uses a presentation currency other than its functional currency.

Deferral of the local implementation of Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28). The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

  Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. However, on January 13, 2016, the FSRSC decided to postpone the effective date until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Financial Instruments

Recognition and Initial Measurement. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument.

A financial asset (unless a trade receivable without a significant financing component) or financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for those designated as at FVPL, includes transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets

The Group classifies its financial assets, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Group for managing the financial assets.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the consolidated statements of income when the financial asset is derecognized, modified or impaired.

The Group's cash and cash equivalents, trade and other receivables, noncurrent receivables and deposits, and restricted cash are included under this category.

Financial Assets at FVPL. All financial assets not classified as measured at amortized cost or FVOCI are measured at FVPL. This includes derivative financial assets that are not designated as cash flow hedge. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVPL.

At initial recognition, the Group may irrevocably designate a financial asset as at FVPL if the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on different bases.

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in the consolidated statements of income as incurred. Changes in fair value and realized gains or losses are recognized in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income. Any interest earned from investment in debt instrument designated as at FVPL is recognized in the consolidated statements of income. Any dividend income from investment in equity instrument is recognized in the consolidated statements of income when the right to receive payment has been established, unless the dividend clearly represents a recovery of the part of the cost of the investment.

The Group's derivative assets that are not designated as cash flow hedge and investments in equity instruments at FVPL are classified under this category.

<u>Financial Liabilities</u>
The Group determines the classification of its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Financial Liabilities at FVPL. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective accounting hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income.

The Group's derivative liabilities that are not designated as cash flow hedge are classified under this category.

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense and other financing charges" account in the consolidated statements of income. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized as well as through the amortization process.

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in the consolidated statements of income.

The Group's liabilities arising from its trade transactions or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, lease liabilities and other noncurrent liabilities are included under this category.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group is required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of income.

<u>Impairment of Financial Assets</u>
The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group recognizes lifetime ECLs for receivables that do not contain significant financing component. The Group uses provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Group assesses whether these financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in the consolidated statements of income.

Classification of Financial Instruments between Liability and Equity
Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

Derivative Financial Instruments and Hedge Accounting
The Group uses derivative financial instruments, such as forwards, swaps and options to manage its exposure on foreign currency, interest rate and commodity price risks. Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in the fair value of derivatives that are not designated as hedging instruments are recognized in the consolidated statements of income.

Freestanding Derivatives
The Group designates certain derivatives as hedging instruments to hedge the exposure to variability in cash flows associated with recognized liabilities arising from changes in foreign exchange rates and interest rates.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedging instrument are expected to offset the changes in cash flows of the hedged item.

Cash Flow Hedge. When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and presented in the "Hedging reserve" account in the consolidated statements of changes in equity. The effective portion of changes in the fair value of the derivative that is recognized in other comprehensive income is limited to the cumulative change in fair value of the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in the consolidated statements of income.

The Group designates only the intrinsic value of options and the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the time value of options, the forward element of forward contracts and the foreign currency basis spread of financial instruments are separately accounted for as cost of hedging and recognized in other comprehensive income. The cost of hedging is removed from other comprehensive income and recognized in the consolidated statements of income, either over the period of the hedge if the hedge is time related, or when the hedged transaction affects the consolidated statements of income if the hedge is transaction related.

When the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is transferred and included in the initial cost of the hedged asset or liability. For all other hedged transactions, the amount accumulated in equity is reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the consolidated statements of income.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument expires, is sold, is terminated or is exercised, hedge accounting is discontinued prospectively. The amount that has been accumulated in equity is: (a) retained until it is included in the cost of non-financial item on initial recognition, for a hedge of a transaction resulting in the recognition of a non-financial item; or (b) reclassified to the consolidated statements of income as a reclassification adjustment in the same period or periods as the hedged cash flows affect the consolidated statements of income, for other cash flow hedges. If the hedged future cash flows are no longer expected to occur, the amounts that have been accumulated in equity are immediately reclassified to the consolidated statements of income.

The Group has no outstanding derivatives accounted for as cash flow hedge as at December 31, 2023 (Note 35).

Inventories

Inventories are carried at the lower of cost and net realizable value (NRV). For petroleum products and crude oil, the NRV is the estimated selling price in the ordinary course of business, less the estimated costs to complete and/or market and distribute.

For financial reporting purposes, the Group uses the first-in, first-out method in costing petroleum products and crude oil. Cost is determined using the moving-average method in costing lubes and greases, blending components, polypropylene, materials and supplies inventories. For income tax reporting purposes, cost of all inventories is determined using the moving-average method.

For financial reporting purposes, duties and taxes related to the acquisition of inventories are capitalized as part of inventory cost. For income tax reporting purposes, such duties and taxes are treated as deductible expenses in the year these charges are incurred.

Business Combination
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "Selling and administrative expenses" account in the consolidated statements of income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in the consolidated statements of income.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statements of income. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the consolidated statements of income. Costs related to the acquisition, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the consolidated statements of income.

- *Goodwill in a Business Combination*
  Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units.

  Each unit or group of units to which the goodwill is allocated:

  - represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments.*

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

Investments in Shares of Stock of Associates and Joint Ventures

The Group's investments in shares of stock of associates and joint ventures are accounted for using the equity method.

The Group's 25.06% interest in Petrogen, accounted for as an investment in an associate, 33.33% joint venture interest in Pandacan Depot Services, Inc. (PDSI) and 50.00% joint venture interest in Terminal Bersama Sdn Bhd (TBSB), included under "Investment in shares of stock of an associate and joint ventures" account in the consolidated statements of financial position, are accounted for under the equity method of accounting. The investment in associate and interest in joint ventures are carried in the consolidated statements of financial position at cost plus post-acquisition changes in the Group's share in net income (loss) of the joint ventures, less any impairment in value. The consolidated statements of income reflect the Group's share in the results of operations of associate and joint ventures are presented as part of "Share in net income of associate and joint ventures" account. As of December 31, 2023 and 2022, the Group has capital commitments amounting to P1.4 and P1.5 for TBSB, respectively. The Group has no contingent liabilities in relation to its interest in these associate and joint ventures.

Property, Plant and Equipment

Property, plant and equipment, except for land, are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less impairment in value, if any.

The initial cost of property, plant and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes related asset retirement obligation (ARO), if any. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Capital projects in progress (CPIP) represents the amount of accumulated expenditures on unfinished and/or ongoing projects. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. CPIP is not depreciated until such time that the relevant assets are ready for use.

For financial reporting purposes, depreciation for property, plant and equipment other than those assets used in production such as refinery and plant equipment, which commences when the assets are available for its intended use, are computed using the straight-line method. Depreciation of refinery and plant equipment used in production is computed based on the unit of production method (UPM) which considers the expected capacity over the estimated useful lives of these assets. UPM closely reflects the expected pattern of consumption of the future economic benefits embodied in these assets.

The estimated useful lives of the assets are as follows:

	Number of Years
Buildings and improvements and related facilities	7 - 50
Refinery and plant equipment	4 - 37
Service stations and other equipment	3 - 30
Computers, office and motor equipment	2 - 20
Land and leasehold improvements	5 - 12 or the term of the lease, whichever is shorter

For financial reporting purposes, duties and taxes related to the acquisition of property, plant and equipment are capitalized. For income tax reporting purposes, such duties and taxes are treated as deductible expenses in the year these charges are incurred.

For income tax reporting purposes, depreciation are computed using the double-declining balance method.

The remaining useful lives, residual values, and depreciation method are reviewed and adjusted periodic ally, if appropriate, to ensure that such periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated statements of income in the period of retirement and disposal.

Leases
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use:

- the Group has the right to obtain substantially all the economic benefits from use of the identified asset; and

- the Group has the right to direct the use of the identified asset.

Group as a Lessee
The Group recognizes a right-of-use asset and a lease liability at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. The carrying amount of the lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in the consolidated statements of income if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of use assets and lease liabilities for short-term leases (i.e., lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets, including pallets and computer equipment. The Group recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease

Group as a Lessor
The Group determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. As part of the assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the recognition exemption, it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies PFRS 15 to allocate the consideration in the contract.

The Group identified the use of loaned equipment related to the sale of goods to be accounted for under PFRS 16. The Group provides equipment such as pumps, tanks, signage and other ancillary equipment necessary for the operation of the business. These are loaned to the customers for the duration of the contract for the sole purpose of storing, handling and selling products and shall, at all times, remain the property of Petron. The Group allocates portion of the revenue to the use of loaned equipment and presented as part of “Sales” in the consolidated statements of income based on adjusted market assessment approach. Lease revenue from the use of loaned equipment is contingent to, and recognized at the same time as, the sale of goods.

The Group recognizes lease payments received under operating leases as rent income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income. Contingent rents are recognized as income in the period in which they are earned.

Investment Property

Investment property consists of property held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and any accumulated impairment in value. Cost also includes any related asset retirement obligation (ARO), if any. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Depreciation, which commences when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Buildings and improvements	7 - 50
Land and leasehold improvements	10 -12 or the term of the lease, whichever is shorter

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the consolidated statements of income in the period of retirement or disposal.

Transfers are made to investment property when, and only when, there is an actual change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is an actual change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Subsequently, intangible assets are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in the consolidated statements of income in the year in which the related expenditures are incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and amortization method used for an intangible asset with a finite useful life are reviewed at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income consistent with the function of the intangible asset.

Amortization is computed using the straight-line method over the following estimated useful lives of the other intangible assets with finite lives:

	Number of Years
Software	5 - 7
Franchise fee	3 - 10
Other intangibles	3 - 16

Gains or losses arising from the disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statements of income when the asset is derecognized.

As of December 31, 2023 and 2022, the Group has existing and pending trademark registration for its products for a term of 10 years and renewable every 10 years. It has copyrights for its 7-kg LPG container, Gasulito with stylized letter “P” and two flames, Powerburn 2T, Petron New Logo (22 styles), Philippine Card Designs and Malaysian Card Designs, and Petron font. Copyrights endure during the lifetime of the creator and for another 50 years after creator’s death. It also has registered industrial designs for its certain lubricant and oil bottles and containers, and 2.7kg LPG cylinders, with pending applications for registration of the industrial designs for its Gas Cylinder and Gas Cylinder Valve.

The amount of intangible assets is included as part of “Other noncurrent assets - net” in the consolidated statements of financial position.

Expenses incurred for research and development of internal projects and internally developed patents and copyrights are expensed as incurred and are part of “Selling and administrative expenses” account in the consolidated statements of income.

Impairment of Nonfinancial Assets

The carrying amounts of property, plant and equipment, right-of-use assets, investment property, intangible assets with finite useful lives, investment in shares of stock of an associate and interest in joint ventures are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill, licenses and trademarks and brand names with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income. After such a reversal, the depreciation and amortization charge are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. An impairment loss with respect to goodwill is not reversed.

<u>Cylinder Deposits</u>
The Group purchases LPG cylinders which are loaned to dealers upon payment by the latter of an amount equivalent to about 90% of the acquisition cost of the cylinders.

The Group maintains the balance of cylinder deposits at an amount equivalent to three days worth of inventory of all its dealers, but in no case lower than P200 at any given time, to take care of possible returns by dealers.

At the end of each reporting date, cylinder deposits, shown under "Other noncurrent liabilities" account in the consolidated statements of financial position, are reduced for estimated non-returns. The reduction is recognized directly in the consolidated statements of income.

<u>Fair Value Measurements</u>
The Group measures financial and non-financial assets and liabilities at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For purposes of the fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

The Group recognizes provisions arising from legal and/or constructive obligations associated with the cost of dismantling and removing an item of property, plant and equipment and restoring the site where it is located, the obligation for which the Group incurs either when the asset is acquired or as a consequence of using the asset during a particular year for purposes other than to produce inventories during the year.

Capital Stock

Common Shares. Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Preferred Shares. Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the option of the Parent Company, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Parent Company.

Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the consolidated statements of income as accrued.

Additional Paid-in Capital
When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Parent Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Capital Securities
Senior Perpetual Capital Securities (SPCS) and *Redeemable Perpetual Securities (RPS)* are classified as equity instruments in the consolidated financial statements since these securities are perpetual securities in respect of which there is no fixed redemption date and the redemption is at the option of the Parent Company. Also, the Parent Company has the sole and absolute discretion to defer payment of any or all of the distribution (Note 21).

Incremental costs directly attributable to the issuance of capital securities are recognized as a deduction from equity, net of tax. The proceeds received net of any directly attributable transaction costs are credited to capital securities.

Retained Earnings
Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

Equity Reserve
The equity reserve includes the effect of transactions with non-controlling interests and equity adjustments.

Translation Reserve
The translation reserve comprises of all foreign currency differences arising from the translation of the financial statements of foreign operations.

Reserve for Retirement Plan
The reserve for retirement plan represents re-measurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest).

Hedging Reserve
The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

The hedging reserve also includes cost of hedging which reflects gain or loss on the portion excluded from the designated hedging instrument that relates to the forward element of forward contracts, time value of options and foreign currency basis spread which are initially recorded in other comprehensive income.

Treasury Stock
Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Parent Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue
The Group recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has concluded that it acts as a principal as it controls the goods or services before transferring to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods. Revenue is recognized at the point in time when control of petroleum and related products is transferred to the customer, which is normally upon delivery of the goods. The Group provides trade discounts and volume rebates to certain customers based on the level of their purchases which may be applied against the amount of their existing or future payables to the Group. Trade discounts and volume rebates do not result to significant variable consideration and are generally determined based on concluded sales transactions as at the end of each month. The general payment terms with customers are combination of prepayments and credit terms on an average of 45 days from invoice date.

The Group identified several performance obligations related to the sale of goods and accounted for them separately:

- *Provisions of Technical Support.* The Group provides technical information, assistance and advice relating to the uses, handling and disposition of the products, loaned equipment and the machinery and equipment necessary or appropriate for the customers' needs. Revenue is recognized over time upon rendering of services to the customer. The Group allocates portion of the revenue to the technical support based on expected cost plus a margin approach.

- *Consumer Loyalty Program.* The Group has Consumer Loyalty Programs which allows customers to accumulate points when they purchase products at participating service stations. These points can be redeemed for Group's products, rewards, discounts and other privileges from partner merchants. Revenue is allocated between the goods sold and the points issued that are expected to be redeemed. This allocation is based on the relative stand-alone selling price of the points. A deferred liability account is set up for these points. The liability will be reversed when the Group has fulfilled its obligations to supply the discounted products under the terms of the program or when it is no longer probable that the points under the program will be redeemed. The deferred liability is based on the best estimate of future redemption profile. All the estimates are reviewed on an annual basis or more frequently, where there is indication of a material change.

Service Income. Revenue is recognized over time when the performance of contractually agreed task has been rendered and control over the services has been transferred to the customer. General payment terms is on an average of 45 days from invoice date.

Other sources of revenue are as follows:

Interest Income. Interest income is recognized using the effective interest method. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset.

Dividend Income. Dividend income is recognized when the Group’s right to receive the payment is established.

Rent Income. Rent income from operating leases (net of any incentives given to the lessees), other than from the use of loaned equipment, is recognized on a straight-line basis over the lease terms. Lease incentives granted are recognized as an integral part of the total rent income over the term of the lease.

Other Income. Other income is recognized when there is incidental economic benefit, other than the usual business operations, that will flow to the Group and that can be measured reliably.

<u>Cost and Expense Recognition</u>
Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

<u>Borrowing Costs</u>
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Investment income earned on the temporary investment of specific borrowings pending expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Employee Benefits

Short-term Employee Benefits. Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Costs and Other Employee Benefit Costs. Petron has a tax qualified and funded defined benefit pension plan covering all permanent, regular, full-time employees administered by trustee banks. Some of its subsidiaries have separate unfunded, noncontributory, retirement plans.

The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning projected salaries of employees. Actuarial gains and losses are recognized in full in the period in which they occur in OCI. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:

- Service costs;
- Net interest on the defined benefit retirement liability or asset;
- Remeasurements of defined benefit retirement liability or asset; and
- Settlement gain or loss, if any.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statements of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in the consolidated statements of income.

Remeasurements of net defined benefit retirement liability or asset comprising actuarial gains and losses, return on plan assets, and any change in the effect of the asset ceiling (excluding net interest) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to consolidated statements of income in subsequent periods.

Settlement gain or loss pertains to the difference between the present value of the defined benefit obligation being settled, as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the entity in connection with the settlement. Any gain or loss on settlement is recognized as income or expense in the consolidated statements of income.

The Group also provides other benefits to its employees as follows:

Corporate Performance Incentive Program. The Group has a corporate performance incentive program that aims to provide financial incentives for the employees, contingent on the achievement of the Group's annual business goals and objectives. The Group recognizes achievement of its business goals through key performance indicators (KPIs) which are used to evaluate performance of the organization. The Group recognizes the related expense when the KPIs are met, that is when the Group is contractually obliged to pay the benefits.

Savings Plan. The Group established a Savings Plan wherein eligible employees may apply for membership and have the option to contribute 5% to 15% of their monthly base pay. The Group, in turn, contributes an amount equivalent to 50% of the employee-member's contribution. However, the Group's 50% share applies only to a maximum of 10% of the employee-member's contribution. The Savings Plan aims to supplement benefits upon employees' retirement and to encourage employee-members to save a portion of their earnings. The Group accounts for this benefit as a defined contribution pension plan and recognizes a liability and an expense for this plan as the expenses for its contribution fall due. The Group has no legal or constructive obligations to pay further contributions after payments of the equivalent employer-share. The accumulated savings of the employees plus the Group's share, including earnings, will be paid in the event of the employee's: (a) retirement, (b) resignation after completing at least five years of continuous services, (c) death, or (d) involuntary separation not for cause.

Land/Home Ownership Plan. The Group established the Land/Home Ownership Plan, an integral part of the Savings Plan, to extend a one-time financial assistance to Savings Plan members in securing housing loans for residential purposes.

<u>Foreign Currency</u>

Foreign Currency Translations. Transactions in foreign currencies are initially recorded in the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and monetary liabilities denominated in foreign currencies are translated to the functional currency at exchange rate at the reporting date.

Non-monetary assets and non-monetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate when fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in the consolidated statements of income, except for differences arising on the translation of financial assets at FVOCI, a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognized in OCI.

Foreign Operations. The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Philippine peso at average exchange rates for the period.

Foreign currency differences are recognized in OCI and presented in the “Other reserves” account in the consolidated statements of changes in equity. However, if the operation is not a wholly-owned subsidiary, the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the consolidated statements of income as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in share of stock of an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in OCI, and presented in the “Other reserves” account in the consolidated statements of changes in equity.

Taxes

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in consolidated statements of income. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current tax and deferred tax are recognized in the consolidated statements of income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of “Other current assets” or “Trade and other payables” accounts in the consolidated statements of financial position.

Related Parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control and significant influence. Related parties may be individuals or corporate entities.

Operating Segments
The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 37 to the consolidated financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

4. Use of Judgments, Estimates and Assumptions

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining Functional Currency. The Parent Company has determined that its functional currency is the Philippine peso. It is the currency of the primary economic environment in which the Parent Company operates. It is the currency that mainly influences the sales price of goods and services and the costs of providing these goods and services.

Identification of Distinct Performance Obligation. The Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either: (a) a good or service (or a bundle of goods or services) that is distinct; or (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. The Group has determined that it has distinct performance obligations other than the sale of petroleum products such as the provision of technical support and consumer loyalty program and allocates the transaction price into these several performance obligations.

Determining the Incremental Borrowing Rate. The Group cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific judgement estimates.

Determining the Lease Term of Contracts with Renewal Options - Group as Lessee. The Group determines the lease term as the noncancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

Determining Whether the Group is acting as a Principal or Agent in a Revenue Transaction. The determination whether the Group is a principal or agent in a contract is made by identifying each specified goods or services promised to the customers in the contract and evaluating whether the Group obtains control of the specified goods and services before it is transferred to the customer.

For the sale of petroleum products to dealers, the Group transfers the control of the goods upon delivery, hence, the Group has determined that it is acting as principal in the sales transactions with dealers. The dealers are likewise acting as principal in the sales transactions to end consumers on the basis of the following: (a) the dealers have the primary responsibility to provide specified goods to the end consumers; (b) the dealers bear inventory risk before the goods are transferred to end consumers; and (c) the dealers have discretion to establish prices for specified goods.

For the Group’s fleet card transactions, the Group has likewise determined that it is acting as principal in the sales transactions with the customers since the Group has the primary responsibility for providing goods purchased through fleet cards and the Group has discretion to establish prices for specified goods in a fleet card transaction.

Determining Impairment Indicators of Other Non-financial Assets. PFRS requires that an impairment review be performed on property, plant and equipment, investment in shares of stock of an associate and interest in joint ventures, investment property, right-of-use assets and intangible assets when events or changes in circumstances indicate that the carrying value may not be recoverable. Determining the recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of recoverable amounts are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on financial performance.

Taxes. Significant judgment is required in determining current and deferred tax expense. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax expenses in the year in which such determination is made.

In the determination of the Group's current taxable income, entities within the Group has an option to either apply the optional standard deduction (OSD) or continue to claim itemized standard deduction. Entities within the Group, at each taxable year from the effectivity of the law, may decide which option to apply; once an option to use OSD is made, it shall be irrevocable for that particular taxable year. For 2023, 2022 and 2021, majority of the entities within the Group opted to continue claiming itemized standard deductions except for certain subsidiaries of NVRC such as LLCDC, MLC, SLPHI, ARC and PEDC, as they opted to apply OSD (Note 27).

Contingencies. The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings.

Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon the Group's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Assessment for ECL on Trade and Other Receivables. The Group, applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade and other receivables. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer segment to reflect the effects of current and forecasted economic conditions.

The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience. The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate.

The Group has assessed that the forward-looking default rate component of its ECL on trade and other receivables is not material because substantial amount of receivables are normally collected within one year. Moreover, based on Management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Group from its trade receivables.

Impairment losses on trade and other receivables amounted to P17, P3 and P28 in 2023, 2022 and 2021, respectively (Notes 7 and 23). Receivables written-off amounted to P7 in 2023, P97 in 2022 and P6 in 2021 (Note 7).

The carrying amount of trade and other receivables amounted to P86,479 and P81,979 as of December 31, 2023 and 2022, respectively (Note 7).

Assessment for ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

The Group adjusts historical default rates to forward-looking default rate by determining the closely related economic factor affecting each customer segment. The Group regularly reviews the methodology and assumptions used for estimating ECL to reduce any differences between estimates and actual credit loss experience. The determination of the relationship between historical default rates and forecasted economic conditions is a significant accounting estimate.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;

- Existing or forecasted adverse changes in business, financial or economic conditions; and

- Actual or expected significant adverse changes in the operating results of the borrower.

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks, the Government of the Philippines and companies with good credit standing and relatively low risk of defaults. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2023 and 2022. The carrying amounts of other financial assets at amortized cost are as follows:

	Note	**2023**	2022
Cash in banks and cash equivalents	*5*	**P24,373**	P35,819
Noncurrent deposits	*14*	**124**	127
		P24,497	P35,946

Net Realizable Values of Inventories. In determining the NRV of inventories, management takes into account the most reliable evidence available at the time the estimates are made. Future realization of the carrying amount of inventories of P77,318 and P85,347 as of the end of 2023 and 2022, respectively (Note 8), is affected by price changes in different market segments for crude and petroleum products. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next financial year.

The Group recognized loss on inventory write-down amounting to P363 in 2023, P356 in 2022 and P37 in 2021 (Note 8).

Allowance for Inventory Obsolescence. The allowance for inventory obsolescence consists of collective and specific valuation allowance. A collective valuation allowance is established as a certain percentage based on the age and movement of stocks. In case there is write-off or disposal of slow-moving items during the year, a reduction in the allowance for inventory obsolescence is made. Review of allowance is done every quarter, while a revised set-up or booking is posted at the end of the year based on evaluations or recommendations of the proponents. The amount and timing of recorded expenses for any year would therefore differ based on the judgments or estimates made.

In 2023, 2022 and 2021, the Group provided an additional loss on inventory obsolescence amounting to P43, P73, and nil, respectively (Note 8).

Fair Value Measurements. A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Note 35.

Estimated Useful Lives of Property, Plant and Equipment, Right-of-Use Asset, Investment Property and Intangible Assets with Finite Useful Lives. The Group estimates the useful lives of property, plant and equipment, right-of-use asset, investment property and intangible assets with finite useful lives based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, right-of-use asset, investment property, intangible assets with finite useful lives are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment, right-of-use asset, investment property, intangible assets with finite useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment, right-of-use asset, investment property, intangible assets with finite useful lives would increase recorded cost of goods sold and selling and administrative expenses and decrease noncurrent assets.

There is no change in estimated useful lives of property, plant and equipment, right-of-use asset, investment property and intangible assets with finite useful lives based on management’s review at the reporting date.

Property, plant and equipment, net of accumulated depreciation, amounted to P166,046 and P170,153 as of December 31, 2023 and 2022, respectively. Accumulated depreciation of property, plant and equipment, amounted to P123,553 and P115,586 as of December 31, 2023 and 2022, respectively (Note 9).

Right-of-use assets, net of accumulated depreciation, amounted to P5,286 and P5,398 as of December 31, 2023 and 2022, respectively. Accumulated depreciation of right-of-use asset amounted to P2,628 and P2,295 as of December 31, 2023 and 2022, respectively (Note 10).

Investment property, net of accumulated depreciation, amounted to P27,194 and P28,437 as of December 31, 2023 and 2022, respectively. Accumulated depreciation of investment property amounted to P21,184 and P19,965 as of December 31, 2023 and 2022, respectively (Note 11).

Intangible assets with finite useful lives, net of accumulated amortization, amounted to P101 and P110 as of December 31, 2023 and 2022, respectively (Note 14). Accumulated amortization of intangible assets with finite useful lives amounted to P780 and P759 as of December 31, 2023 and 2022, respectively.

Fair Value of Investment Property. The fair value of investment property presented for disclosure purposes is based on market values, being the estimated amount for which the property can be sold or based on a most recent sale transaction of a similar property within the same vicinity where the investment property is located.

In the absence of current prices in an active market, the valuations are prepared by considering: (a) the aggregate estimated future cash flows expected to be received from leasing out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation; or (b) the depreciated replacement cost of the asset, which estimates the current replacement cost of new assets and adjusted for obsolescence, including physical, functional and economic obsolescence.

Estimated fair values of investment property amounted to P55,065 and P53,760 as of December 31, 2023 and 2022, respectively (Note 11).

Impairment of Goodwill. The Group determines whether goodwill is impaired at least annually. This requires the estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate to calculate the present value of those cash flows.

The recoverable amount of goodwill arising from the acquisition of Petron Malaysia has been determined based on the value in use using discounted cash flows (DCF). Assumptions used in the DCF include terminal growth rate of 3% and 1% in 2023 and 2022, respectively, and discount rates of 8.4% in 2023 and 2022 (Note 12).

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

No impairment losses were recognized in 2023, 2022 and 2021 in relation to the goodwill arising from the acquisition of Petron Malaysia which accounts for almost 99% of goodwill in the consolidated statements of financial position as of December 31, 2023 and 2022.

Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carry forward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P1,190 and P1,812 as of December 31, 2023 and 2022, respectively (Note 27).

Present Value of Defined Benefit Retirement Obligation. The present value of defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 30 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each year. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement liabilities. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement benefits liability.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the assumptions of the Group are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement benefits liability.

Retirement benefits costs recognized in the consolidated statements of income amounted to P454, P519 and P434 in 2023, 2022 and 2021, respectively. Remeasurement losses of the net defined retirement obligation recognized in OCI amounted to P38, P626 and P597 in 2023, 2022 and 2021, respectively. The retirement benefits liability amounted to P2,684 and P3,327 as of December 31, 2023 and 2022, respectively (Note 17 and 30).

Asset Retirement Obligation (ARO). The Group has ARO arising from the refinery, leased service stations, terminals and blending plant. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined the amount of ARO based on the dismantling costs as estimated by the operating unit responsible for the asset, discounted at the Group's current credit-adjusted risk-free rate ranging from 3.29% to 7.37% depending on the life of the capitalized costs. The Group also conducts periodic review of the estimates of dismantling costs to consider actual expenses incurred during the actual retirement of assets and uses this as input in determining future liability. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

The ARO amounted to P3,658 and P3,559 as of December 31, 2023 and 2022, respectively (Note 17 and 19).

5. Cash and Cash Equivalents

This account consists of:

	Note	**2023**	2022
Cash on hand		**P3,146**	P1,364
Cash in banks		**7,899**	8,854
Short-term placements		**16,474**	26,965
	34, 35	**P27,519**	P37,183

Cash in banks earn annual interest at the respective bank deposit rates. Short-term placements include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn annual interest at the respective short-term placement rates ranging from 1.00% to 6.94% in 2023, 0.05% to 6.32% in 2022 and 0.01% to 2.75% in 2021 (Note 26).

6. Financial Assets at Fair Value

This account consists of:

	Note	2023	2022
Proprietary membership shares		**P389**	P352
Derivative assets not designated as cash flow hedge		**1,162**	1,257
Derivative assets designated as cash flow hedge		**-**	181
	34, 35	**1,551**	1,790
Less: noncurrent portion	*14*	**389**	37
		P1,162	P1,753

The fair values presented have been determined directly by reference to published market prices, except for derivative assets which are based on inputs other than quoted prices that are observable (Note 35).

The noncurrent portion pertains to proprietary membership shares and derivative assets designated as cash flow hedge which are not expected to be realized in the next 12 months, is included in "Other noncurrent assets - net" account in the consolidated statements of financial position (Note 14).

Changes in fair value of assets at FVPL including proprietary membership shares and derivative assets not designated as cash flow hedge recognized in the consolidated statements of income in 2023, 2022 and 2021 amounted to P37, P54 and P23, respectively (Note 26) while changes in fair value of derivative assets designated as cash flow hedge were recognized in OCI.

7. Trade and Other Receivables

This account consists of:

	Note	2023	2022
Trade	*34*	**P55,659**	P53,087
Related parties - trade	*28, 34*	**3,646**	6,112
Allowance for impairment loss on trade receivables		**(702)**	(737)
		58,603	58,462
Government		**24,351**	19,190
Related parties - non-trade	*28*	**995**	1,007
Others		**2,730**	3,509
Allowance for impairment loss on non-trade receivables		**(200)**	(189)
		27,876	23,517
	34, 35	**P86,479**	P81,979

Trade receivables are non-interest bearing and are generally on a 45-day average term. Penalties are charged when the account becomes overdue.

Government receivables pertain to duty drawback, VAT and specific tax claims as well as subsidy receivables from the Government of Malaysia under the Automatic Pricing Mechanism. The filing and the collection of claims is a continuous process and is closely monitored.

Related parties - non-trade consists of advances made by the Parent Company to Petron Corporation Employee Retirement Plan (PCERP) and other receivables from SMC and its subsidiaries.

Others mainly consist of receivables from various non-trade customers and counterparties for matured hedging transactions.

A reconciliation of the allowance for impairment losses at the beginning and end of 2023 and 2022 is shown below:

	Note	**2023**	2022
Balance at beginning of year		**P1,251**	P1,343
Additions	*23*	**17**	3
Write off	*4*	**(7)**	(97)
Reversal		**(31)**	(11)
Currency translation adjustment		**(19)**	13
Balance at end of year		**1,211**	1,251
Less noncurrent portion for long-term receivables	*34*	**309**	325
		P902	P926

The Group computes impairment loss on trade and other receivables based on past collection experiences, current circumstances and the impact of future economic conditions, if any, available at the reporting period. Loss rates are based on actual credit loss experience over the past three years. Economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of the impact of future economic conditions, if any, over the expected lives of the trade and other receivables are also considered.

The following table provides information about the exposure to credit risk and ECL of trade and other receivables as of December 31, 2023 and 2022:

	Weighted Average Loss Rate	**Gross Carrying Amount**	**ECL**
December 31, 2023			
Retail	**1.07%**	**P7,866**	**P84**
Lubes	**0.07%**	**1,499**	**1**
Gasul	**3.67%**	**1,442**	**53**
Industrial	**1.10%**	**23,106**	**254**
Others	**0.95%**	**53,468**	**510**
		P87,381	**P902**

	Weighted Average Loss Rate	Gross Carrying Amount	ECL
December 31, 2022			
Retail	1.38%	P6,091	P84
Lubes	0.11%	885	1
Gasul	4.12%	1,286	53
Industrial	0.93%	30,165	281
Others	1.14%	44,478	507
		P82,905	P926

8. Inventories

This account consists of:

	2023	2022
Crude oil and others	**P30,862**	P38,512
Petroleum	**36,997**	37,260
Materials and supplies	**5,061**	5,128
Lubes, greases and aftermarket specialties	**4,398**	4,447
	P77,318	P85,347

The cost of these inventories amounted to P78,363 and P86,346 as of December 31, 2023 and 2022, respectively.

If the Group had used the moving-average method (instead of the first-in, first-out method, which is the Group's policy), the cost of petroleum, crude oil and other products would have increased by P1,522 and P1,487 as of December 31, 2023 and 2022, respectively.

Inventories (including distribution or transshipment costs) charged to cost of goods sold amounted to P731,648, P803,977 and P393,781 in 2023, 2022 and 2021, respectively (Note 22).

Research and development costs on these products constituted the expenses incurred for internal projects in 2023, 2022 and 2021 (Note 23).

The movements in allowance for write-down of inventories to NRV and inventory obsolescence at the beginning and end of 2023 and 2022 are as follows:

	Note	**2023**	2022
Balance at beginning of year		**P999**	P607
Additions/reductions:			
Inventory obsolescence	*4*	**43**	73
Inventory write-down	*4*	**363**	356
Reversals		**(356)**	(37)
Translation adjustment		**(4)**	-
Balance at end of year		**P1,045**	P999

The losses and reversals are included as part of "Cost of goods sold" account in the consolidated statements of income. Reversal of write-down corresponds to inventories sold during the year (Note 22).

9. Property, Plant and Equipment

The movements and balances of property, plant and equipment as of and for the years ended December 31 follow:

	Note	Buildings and Improvements and Related Facilities	Refinery and Plant Equipment	Service Stations and Other Equipment	Computers, Office and Motor Equipment	Land and Leasehold Improvements	Construction in-Progress	Total
Cost								
January 1, 2022		P24,563	P206,821	P20,087	P6,330	P4,324	P15,901	P278,026
Additions		127	2,150	265	498	-	2,893	5,933
Acquisition of subsidiary	*12*	-	-	-	261	5	-	266
Disposals/reclassifications		1,724	3,049	(206)	29	48	(5,200)	(556)
Reclassification to/from investment property	*11*	222	-	-	-	32	-	254
Currency translation adjustment		480	824	332	81	63	36	1,816
December 31, 2022		27,116	212,844	20,478	7,199	4,472	13,630	285,739
Additions		295	1,179	513	2,027	167	2,471	6,652
Disposals/reclassifications		429	10,145	(657)	13	168	(11,110)	(1,012)
Reclassification to/from investment property	*11*	232	-	-	-	31	104	367
Currency translation adjustment		(104)	(1,278)	(494)	(136)	(97)	(38)	(2,147)
December 31, 2023		**27,968**	**222,890**	**19,840**	**9,103**	**4,741**	**5,057**	**289,599**
Accumulated Depreciation								
January 1, 2022		14,794	70,171	14,752	5,434	1,273	-	106,424
Depreciation		966	6,543	1,108	238	93	-	8,948
Acquisition of subsidiary	*12*	-	-	-	45	2	-	47
Disposals/reclassifications		(46)	-	(518)	(50)	4	-	(610)
Reclassification to/from investment property	*11*	(106)	-	-	-	-	-	(106)
Currency translation adjustment		263	349	208	63	-	-	883
December 31, 2022		15,871	77,063	15,550	5,730	1,372	-	115,586
Depreciation		996	7,628	950	306	105	-	9,985
Disposals/reclassifications		(85)	30	(804)	(15)	-	-	(874)
Reclassification to/from investment property	*11*	(170)	-	-	-	61	-	(109)
Currency translation adjustment		(63)	(553)	(320)	(99)	-	-	(1,035)
December 31, 2023		**16,549**	**84,168**	**15,376**	**5,922**	**1,538**	**-**	**123,553**
Carrying Amount								
December 31, 2022		P11,245	P135,781	P4,928	P1,469	P3,100	P13,630	P170,153
December 31, 2023		**P11,419**	**P138,722**	**P4,464**	**P3,181**	**P3,203**	**P5,057**	**P166,046**

In 2023 and 2022, certain property, plant and equipment were reclassified to/from investment property due to change in usage of the asset from/to used in operations to/from leased to another party under an operating lease agreement (Note 11).

No impairment loss was required to be recognized in 2023, 2022 and 2021 based on management's assessment of impairment indicators.

Certain fully depreciated property, plant and equipment with aggregate costs of P31,610 and P29,924 as of December 31, 2023 and 2022, respectively, are still being used in the Group's operations.

The Group capitalized interest amounting to P417, P536 and P337 in 2023, 2022, and 2021, respectively (Notes 15, 18, 26 and 29). The capitalization rates used to determine the amount of interest eligible for capitalization ranged from 2.83% to 9.52% in 2023 and from 2.27% to 8.22% in 2022.

Capital Commitments

As of December 31, 2023 and 2022, the Group has outstanding commitments to acquire property, plant and equipment amounting to P7,535 and P6,061, respectively.

10. Right-of-Use Assets

The movements and balances of right-of-use assets as of and for the years ended December 31 follow:

	Note	Land	Buildings and Improvements and Related Facilities	Service Stations and Other Equipment	Total
Cost					
January 1, 2022		P6,241	P1,111	P24	P7,376
Additions		61	6	-	67
Acquisition of subsidiary	*12*	-	15	-	15
Remeasurements		104	53	46	203
Currency translation adjustment		28	3	1	32
December 31, 2022		6,434	1,188	71	7,693
Additions		720	40	-	760
Remeasurements		(491)	(2)	-	(493)
Currency translation adjustment		(40)	(4)	(2)	(46)
December 31, 2023		**6,623**	**1,222**	**69**	**7,914**
Accumulated Depreciation					
January 1, 2022		1,478	241	9	1,728
Remeasurements		(109)	11	2	(96)
Depreciation		420	223	4	647
Acquisition of subsidiary	*12*	-	3	-	3
Currency translation adjustment		9	4	-	13
December 31, 2022		1,798	482	15	2,295
Remeasurements		(292)	-	-	(292)
Depreciation		407	228	4	639
Currency translation adjustment		(13)	(1)	-	(14)
December 31, 2023		**1,900**	**709**	**19**	**2,628**
Carrying Amount					
December 31, 2022		P4,636	P706	P56	P5,398
December 31, 2023		**P4,723**	**P513**	**P50**	**P5,286**

The Group recognized right-of-use assets for leases of office space, buildings, machinery and equipment, service stations and parcels of land. The leases typically run for a period of two to 999 years. Some leases contain an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals. The renewal option provides operational flexibility in managing the leased asset portfolio and aligns the business needs of the Group. The Group recognized interest expense related to these leases amounting to P1,124 and P1,065 in 2023 and 2022, respectively (Notes 26 and 29).

The Group also has certain leases of property and equipment with lease terms of 12 months or less and leases of equipment with low value. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases. The expenses relating to short-term leases, leases of low-value assets and variable lease payments that do not depend on an index or a rate amounted to P491, P30 and P4, respectively, in 2023, and P385, P10 and P4, respectively, in 2022 (Note 29).

The Group had total cash outflows for leases of P3,348, P3,082 and P2,764 in 2023, 2022 and 2021, respectively (Note 29).

The remeasurements pertain mainly to the change in the estimated dismantling costs of ARO during the year (Note 4).

11. Investment Property

The movements and balances of investment property as of and for the years ended December 31 follow:

	Note	Land	Land and Leasehold Improvements	Buildings and Improvements	Right-of-Use	Total
Cost						
January 1, 2022		P9,253	P6,257	P19,159	P12,358	P47,027
Additions		3	-	284	638	925
Disposals/reclassifications		(12)	(2,382)	(186)	2,529	(51)
Reclassifications from/to property, plant and equipment	*9*	(32)	-	(222)	-	(254)
Currency translation adjustment		114	289	352	-	755
December 31, 2022		9,326	4,164	19,387	15,525	48,402
Additions		-	-	244	1,473	1,717
Disposals/reclassifications		(17)	-	(14)	(172)	(203)
Reclassifications from/to property, plant and equipment	*9*	-	(31)	(336)	-	(367)
Currency translation adjustment		(173)	-	(533)	(465)	(1,171)
December 31, 2023		**9,136**	**4,133**	**18,748**	**16,361**	**48,378**
Accumulated Depreciation						
January 1, 2022		-	4,788	10,504	2,560	17,852
Depreciation		-	28	694	1,264	1,986
Disposals/reclassifications		-	(4,051)	(1)	3,799	(253)
Reclassifications from/to property, plant and equipment	*9*	-	-	106	-	106
Currency translation adjustment		-	109	166	(1)	274
December 31, 2022		-	874	11,469	7,622	19,965
Depreciation		-	30	663	1,249	1,942
Disposals/reclassifications		-	-	208	(487)	(279)
Reclassifications from/to property, plant and equipment	*9*	-	(61)	170	-	109
Currency translation adjustment		-	-	(533)	(20)	(553)
December 31, 2023		**-**	**843**	**11,977**	**8,364**	**21,184**
Carrying Amount						
December 31, 2022		P9,326	P3,290	P7,918	P7,903	P28,437
December 31, 2023		**P9,136**	**P3,290**	**P6,771**	**P7,997**	**P27,194**

In 2023 and 2022, certain investment property were reclassified from/to property, plant and equipment due to change in usage of the asset from/to used in operations to/from leased to another party under an operating lease agreement (Note 9).

No impairment loss was required to be recognized in 2023, 2022 and 2021 based on management's assessment of impairment indicators.

There are no other direct selling and administrative expenses other than depreciation and real property taxes arising from investment property that generated income in 2023, 2022 and 2021.

The fair value of investment property amounting to P55,065 and P53,760 as of December 31, 2023 and 2022, respectively, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques.

For properties with available appraisal reports, the fair value of investment property amounting to P24,902 and P24,390 as of December 31, 2023 and 2022, respectively, were determined by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Group's investment property on a regular basis. The fair value of investment property amounting to P19,091 and P19,880 as of December 31, 2023 and 2022, respectively, were determined by using the depreciated replacement cost method. The net present value of lease liability recognized in investment property as of December 31, 2023 and 2022 represents the remaining fair value amounting to P11,072 and P9,490, respectively.

<u>Valuation Technique and Significant Unobservable Inputs</u>
The valuation of investment property applied the following approaches below:

Sales Comparison Approach. The market value of land was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established through such process of comparing available data. The property being valued is then compared with sales transactions involving similar properties in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

Depreciated Replacement Cost Method. The fair value of land and leasehold improvements and buildings and related improvements and facilities were arrived at using the depreciated replacement cost method, which estimates the current replacement cost of new assets and adjusted for obsolescence, including physical, functional and economic obsolescence.

Income Approach. The rental value of the subject property was determined using the Income Approach. Under the Income Approach, the remaining lease payments on the property is first determined followed by the application of the proper capitalization rate is applied to arrive at its net present value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/or rate of return a prudent lessor generally expects on the return on its investment.

12. Business Combination, Investment in Shares of Stock of Subsidiaries, Goodwill and Non-Controlling Interests

Business Combination and Investment in Shares of Stock of Subsidiaries

The following are the major developments relating to the Parent Company's investment in shares of stock of subsidiaries:

Mema

On February 16, 2022, the Parent Company paid P104 for the acquisition of 10,000,000 common shares with par value of P1.00 per share representing 100% of the authorized capital stock of Mema. The Mema group includes the subsidiary engaged in hauling and logistics services (Note 2). On June 30, 2022, control over the investee has been transferred to the Group after the resolution of the substantive pending issues agreed by both the seller and the Parent Company. On December 29, 2022, P300 adjustment in purchase price was agreed by the Parent Company and the seller which was settled in February 2023.

The fair value of net assets acquired amounted to P426 on June 30, 2022. The Group recognized P22 gain on acquisition, presented under "Other income (expenses) - net" in the consolidated statement of income in 2022, which pertains to the excess of fair value of assets acquired and liabilities assumed over the consideration paid/accrued.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	June 30, 2022
Assets	
Cash and cash equivalents	P3,406
Accounts and other receivables	2,034
Prepaid expenses and other current assets	69
Property, plant and equipment - net	219
Other noncurrent assets	15
Liabilities	
Accounts and other payables	(5,303)
Other liabilities	(14)
Total Identifiable Net Assets	**P426**

The fair value of trade and other receivables amounted to P2,034. None of the receivables has been impaired and the full amount is expected to be collected. As of December 31, 2023, P2,034 was already collected.

Accounts and other payables amounting to P5,198 was settled as of December 31, 2023 from the existing cash and the collected receivables.

The fair value of the acquired property, plant and equipment was measured using depreciated replacement cost by considering the current replacement cost of new assets and adjusted for obsolescence, including physical, functional and economic obsolescence.

Mema has contributed to Group's net income of P26 from the acquisition date to December 31, 2022. Had the acquisition occurred on January 1, 2022, the Group's revenue and net income in 2022 would have been P857,638 and P6,693, respectively. Mema has no contribution to consolidated sales since the entity provides hauling and logistics services to the Parent Company.

On October 27, 2022, the Parent Company and Mema executed a Subscription Agreement to subscribe to an additional 1,375,000,000 common shares of Mema for a subscription price of P1,375 or P1.00 per common share, of which P899 was paid in 2022 as deposit for future stock subscription pending SEC's approval of Mema's increase in authorized capital stock which was obtained in March 2023. The remaining P476 was paid in 2023.

On July 19, 2023, the Parent Company and Mema executed another Subscription Agreement to subscribe to an additional 2,770,000,000 common shares of Mema for a subscription price of P2,770 or P1.00 per common share, of which P1,305 was paid in 2023 and P278 was paid in January 2024.

Goodwill

The movements and balances of goodwill as of and for the years ended December 31 are as follows:

	2023	2022
Cost		
Balance at beginning of year	**P8,509**	P8,235
Translation adjustments	**(416)**	274
Net carrying amount at end of year	**P8,093**	P8,509

Impairment of Goodwill from Petron Malaysia

Goodwill arising from the acquisition of Petron Malaysia, which accounts for 99% of total goodwill in the consolidated statements of financial position as of December 31, 2023 and 2022, is allocated at the POGI Group cash generating unit (CGU) instead of each individual acquiree company's CGU as it is expected that the POGI Group CGU will benefit from the synergies created from the acquiree companies in combination.

The Group tested the goodwill for impairment. Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the CGU and was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results, and justifiable assumptions for future business performance but excluding net cash inflows from expansion projects like new stations. Management believes that this five to ten-year forecast period was justified due to the long-term nature of the business. In 2023, the cash flows are based on long range plan anchored on budget approved by the Management for the first five (5) years. In 2022, cashflows beyond ten years were estimated by extrapolating the projections using varying growth rates up to the group of CGU's maximum capacity, as the Management believes that its current network of service stations will mature and grow with the economy for at least thirty years from 2022.

- A discount rate of 8.4% both in 2023 and 2022 was applied based on the weighted average cost of capital using the Capital Asset Pricing Model (CAPM).

- In 2023, the Group used terminal growth rate of 3% because it is in the process of increasing its network of service stations and upgrading its facilities and hence foresees growth in cash flows generated perpetually. In 2022, cash flows beyond ten years were estimated by extrapolating the projections using a growth rate of 1% up to the CGU's maximum capacity as Management believes that the current network of service stations will mature and grow with the economy for the next thirty years.

The values assigned to the key assumptions represent management's assessment of future trends in the industry and are based on internal sources (historical data).

For purposes of terminal growth rate sensitivity, terminal growth rate scenarios of 2%, 3%, and 4% in 2023 and 1%, 2% and 3% in 2022 are applied on the discounted cash flows analysis. Based on the sensitivity analysis, any reasonably possible change in the key assumptions would not cause the carrying amount of goodwill to exceed its recoverable amount.

No impairment losses were recognized in 2023, 2022 and 2021 in relation to the goodwill arising from the acquisition of Petron Malaysia.

Non-controlling Interests

The following table summarizes the financial information relating to each of the Group's subsidiaries that has material non-controlling interests:

	December 31, 2023		December 31, 2022	
	NVRC	**PMRMB**	NVRC	PMRMB
Non-controlling Interests Percentage	**14.45%**	**26.60%**	14.45%	26.60%
Carrying amount of non-controlling interest	**P481**	**P8,173**	P476	P7,907
Current assets	**P667**	**P30,567**	P567	P32,736
Noncurrent assets	**9,357**	**25,636**	9,392	27,420
Current liabilities	**(1,146)**	**(23,440)**	(1,104)	(29,269)
Noncurrent liabilities	**(3,586)**	**(3,695)**	(3,695)	(2,899)
Net assets	**P5,292**	**P29,068**	P5,160	P27,988
Net income attributable to non-controlling interests	**P8**	**P885**	P9	P961
Other comprehensive income (loss) attributable to non-controlling interests	**P -**	**(P410)**	P -	P267
Sales/Revenues	**P395**	**P209,861**	P397	P227,026
Net income	**P133**	**P3,344**	P137	P6,165
Other comprehensive income	**-**	**1**	-	24
Total comprehensive income	**P133**	**P3,345**	P137	P6,189
Cash flows provided by (used in) operating activities	**P195**	**2,631**	P249	(P25)
Cash flows provided by (used in) investing activities	**3**	**(952)**	9	(863)
Cash flows provided by (used in) financing activities	**(119)**	**(2,688)**	(317)	219
Effects of exchange rate changes on cash and cash equivalents	**-**	**(8)**	-	(3)
Net increase (decrease) in cash and cash equivalents	**P79**	**(P1,017)**	(P59)	(P672)

13. Investment in Shares of Stock of an Associate and Joint Ventures

This account consists of:

	2023	2022
Investment in an associate	**P1,153**	P1,075
Investment in joint ventures	**5**	10
	P1,158	P1,085

Investment in Shares of Stock of an Associate
As of December 31, 2023 and 2022, the Parent Company owns 25.06% of Petrogen accounted for as an investment in an associate following the decrease of its ownership interest in Petrogen from 100% to 25.06% resulting in its deconsolidation from the Group effective February 4, 2021.

Petrogen was incorporated and registered with the Philippine SEC on August 23, 1996 primarily to engage in the business of non-life insurance and re-insurance.

Following are the condensed financial information of Petrogen as of and for the years ended December 31, 2023 and 2022:

	2023	2022
Percentage of ownership	**25.06%**	25.06%
Current assets	**P5,482**	P5,708
Noncurrent assets	**1,921**	2,085
Current liabilities	**(2,806)**	(3,508)
Net assets	**P4,597**	P4,285
Revenue	**P475**	P460
Net income	**P337**	P247
Other comprehensive loss	**(P24)**	-
Share in net assets	**P1,153**	P1,075
Carrying amount of investment in shares of stock of an associate	**P1,153**	P1,075

The Group recognized P84, P63 and P8 in 2023, 2022 and 2021, respectively, as share in net income of Petrogen accounted for using equity method.

Investment in Joint Ventures
Investment in joint ventures pertains to 33.33% and 50.00% equity interest in PDSI and TBSB, respectively. PDSI is a Philippine company engaged in the business of receiving, storing and handling the out-loading of petroleum products of the three major oil companies to serve the fuel requirement of their respective customers. TBSB is a Malaysian company operating as a liquified petroleum gas bottling plant.

On June 22, 2022, the Bureau of Internal Revenue (BIR) has approved the cancellation of PDSI's registration.

The Group recognized P5, P3 and P3 in 2023, 2022 and 2021, respectively, as share in net income of joint ventures accounted for using equity method.

The investment in joint ventures amounting to P10 was reclassified from "Other noncurrent assets - net" to "Investments in shares of stock of an associate and joint ventures" to conform with the current year's presentation. Share in the net income of joint ventures amounting to P3 both in 2022 and 2021 was also reclassified from "Other income (expenses) – net" account to "Share in net income of an associate and joint ventures" in profit or loss to conform with the current year's presentation.

14. Other Assets

This account consists of:

	Note	2023	2022
Current			
Prepaid taxes		**P36,360**	P33,566
Input VAT		**2,310**	1,900
Prepaid expenses	*28*	**1,384**	1,168
Special-purpose fund		**170**	169
Tax recoverable		**-**	24
Others - net		**305**	198
		P40,529	P37,025
Noncurrent			
Catalyst - net		**P629**	P422
Proprietary membership shares	*6*	**389**	-
Prepaid rent		**165**	164
Noncurrent deposits	*34, 35*	**124**	127
Intangibles - net	*4*	**101**	110
Input VAT		**43**	94
Derivative assets designated as cash flow hedge	*6, 34, 35*	**-**	37
Others - net		**479**	436
		P1,930	P1,390

Prepaid taxes include unused creditable withholding taxes and excise taxes paid by the Group for products sold to tax exempt entities for subsequent filing with the government as refund claims.

The "Others - net" under "Noncurrent" account includes marketing assistance to dealers and other prepayments amounting to P287, P256 and P262 as of December 31, 2023, 2022 and 2022, respectively, net of amortization amounting to P108, P47 and P57 in 2023, 2022 and 2021, respectively.

The amortization of prepaid rent amounted to P70 in 2023, nil in 2022 and nil in 2021.

Amortization of intangibles, marketing assistance to dealers, other prepayments included as part of "Depreciation and amortization" under "Selling and administrative expenses" account in the consolidated statements of income amounted to P130, P58 and P67 in 2023, 2022 and 2021, respectively (Notes 23 and 25).

Amortization of catalyst, intangibles and other prepayments included as part of "Depreciation and amortization" under "Cost of goods sold" account in the consolidated statements of income amounted to P334, P237 and P176 in 2023, 2022 and 2021, respectively (Notes 22 and 25).

15. Short-term Loans

This account pertains to unsecured Philippine peso, US dollar and Malaysian ringgit-denominated loans obtained from various banks with maturities ranging from 4 to 180 days and annual interest ranging from 3.71% to 7.53% in 2023, 1.28% to 6.88% in 2022 and 1.18% to 2.95% in 2021 (Note 26). These loans are intended to fund the importation of crude oil and petroleum products (Note 9) and working capital requirements.

Interest expense on short-term loans amounted to P7,835 in 2023, P4,316 in 2022 and P2,089 in 2021 (Note 26). Interest expense amounting to P176 was capitalized as part of property, plant and equipment in 2023 while P169 in 2022 and P115 in 2021 (Note 9).

16. Liabilities for Crude Oil and Petroleum Products

This account pertains to liabilities to suppliers of crude oil, petroleum and other products that are non-interest bearing and generally settled on a 30-day term. Details of the supply agreements in relation to importations of crude oil requirements of the Group are disclosed in Note 31.

Liabilities for crude oil and petroleum products are payable to the following:

	Note	**2023**	2022
Third parties		**P44,832**	P51,057
Related parties	*28*	**8**	10
	34, 35	**P44,840**	P51,067

17. Trade and Other Payables

This account consists of:

	Note	**2023**	2022
Specific taxes and other taxes payable		**P7,852**	P8,205
Trade		**6,693**	6,075
Due to related parties	*28*	**5,099**	5,008
Accrued interest		**1,375**	1,245
Dividends payable	*33*	**948**	470
Deferred liability on consumer loyalty program		**747**	813
Accrued rent		**499**	350
Accrued payroll		**211**	204
Retirement benefits liability	*30*	**63**	66
Asset retirement obligation - current	*19*	**46**	32
Retention payable		**24**	24
Insurance liabilities		**3**	3
Others	*12, 39*	**330**	401
	34, 35	**P23,890**	P22,896

Trade payables are liabilities to haulers, contractors and suppliers that are non-interest bearing and are generally settled on a 30-day term.

Others include provisions (Note 39), accruals of selling and administrative expenses, advances and other payables which are normally settled within a year.

The Group recognized revenue that was included in the deferred liability on consumer loyalty program amounting to P1,468 and P1,452 in 2023 and 2022, respectively (Note 37).

18. Long-term Debt

This account consists of long-term debt of the Parent Company:

	Note	2023	2022
Unsecured Peso-Denominated (net of debt issue costs)			
Fixed rate retail bonds of 7.8183% due in 2024 and 8.0551% due in 2025	*(c)*	**P19,948**	P19,906
Fixed retail bond of 3.4408% due until 2025 and 4.3368% due until 2027	*(g)*	**17,869**	17,823
Term loan of 7.1663% due until 2027	*(h)*	**4,975**	4,967
Term loan of 7.4206% due until 2027	*(i)*	**4,355**	4,969
Term loan of 7.5496% due until 2027	*(j)*	**4,355**	4,968
Term loan of 6.4920% due in 2025	*(k)*	**2,365**	2,359
Term loan of 4.5900% due until 2025	*(f)*	**1,872**	3,116
Term loan of 5.5276% due until 2024	*(b)*	**1,606**	3,744
Term loan of 6.8672% due in 2025	*(l)*	**622**	621
Fixed rate retail bonds of 4.5219% due in 2023	*(a)*	**-**	6,990
Unsecured Foreign Currency-Denominated (net of debt issue costs)			
Floating rate dollar loan - US$669 million due until 2027	*(m)*	**36,245**	26,794
Floating rate dollar loan - US$225 million due in 2028	*(n)*	**12,172**	-
Floating rate yen loan - JP¥15 billion due until 2025	*(e)*	**2,512**	4,528
Floating rate dollar loan - US$800 million due until 2024	*(d)*	**-**	6,276
	33, 34, 35	**108,896**	107,061
Less current portion		**25,642**	13,399
		P83,254	P93,662

a. On October 27, 2016, the Parent Company issued P20,000 retail bonds (the "Bonds") divided into Series A (P13,000) and Series B (P7,000). Series A Bonds is due on October 27, 2021 with interest rate of 4.0032% per annum. Series B Bonds will mature on October 27, 2023 with interest rate of 4.5219% per annum. Interests on these Bonds are payable quarterly on January 27, April 27, July 27 and October 27 of each year. The proceeds from the issuance of the Bonds were used to partially settle the US$475 million and US$550 million Term Loan facilities, to repay short-term loans and for general corporate requirements. The Bonds were listed with the Philippine Dealing & Exchange Corp. on October 27, 2016. The Parent Company redeemed its P13,000 Series A and P7,000 Series B bonds on October 27, 2021 and October 27, 2023, respectively.

b. On July 25, 2017, the Parent Company drew P15,000 from a P15,000 term loan facility which was signed on July 14, 2017 and executed on July 17, 2017. The facility is amortized over 7 years and is subject to a fixed interest rate of 5.5276% per annum. The proceeds were used to refinance the bridge loan availed on December 23, 2016 for the acquisition of the Refinery Solid Fuel-Fired Power Plant in 2016. As of December 31, 2023, the P13,393 portion of the facility has already been paid.

c. On October 19, 2018, the Parent Company offered P20,000 fixed retail bonds (the "Offer Bonds") divided into Series C (P13,200) bearing interest at 7.8183% per annum and Series D (P6,800) bearing interest at 8.0551% per annum. The Series C Offer Bonds will mature on April 19, 2024 (5.5-year term) while the Series D Offer Bonds is due on October 19, 2025 (7-year term). Interests on these Offer Bonds are payable quarterly, commencing on January 19, 2019, and thereafter, on April 19, July 19, October 19 and January 19 of each year. The net proceeds from the issuance of the Offer Bonds were used primarily to settle short-term loans availed by the Parent Company to fund crude oil purchases and redeem a portion of the Parent Company's remaining Undated Subordinated Capital Securities (USCS) (Note 21), and the balance for general corporate purposes. The Offer Bonds were listed with the Philippine Dealing & Exchange Corp. on October 19, 2018.

d. On May 10, 2019, the Parent Company signed and executed a US$800 million term loan facility. Initial drawdown of US$300 million was made on May 15, 2019, the proceeds of which were used to refinance the Parent Company's existing dollar-denominated bilateral short-term loans. On May 31, 2019, the Parent Company drew an additional US$236 million from the facility to partially prepay its US$1,000 million term loan facility. Finally, the remaining balance of US$264 million was drawn on July 10, 2019 to refinance various peso-denominated short-term loans and for general corporate purposes. The facility is amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning May 15, 2021. The facility is subject to a floating interest rate based on LIBOR plus a spread, repriced every 1, 3 or 6 months. The Parent Company has fully settled the facility as of December 31, 2023.

e. On April 22, 2020, the Parent Company drew JP¥15 billion from a JP¥15 billion term loan facility signed and executed on March 27, 2020. The proceeds were used to partially prepay its US$1 billion term loan facility. The JP¥ facility is amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning March 27, 2022. It is subject to a floating interest rate based on JP¥ LIBOR plus a spread, repriced every 1, 3 or 6 months. Due to the global discontinuation of JPY LIBOR by December 31, 2021, an amendment was made to the JPY Facility adopting the Tokyo Overnight Average Rate (TONA) as the new benchmark rate. Beginning December 29, 2021, the floating interest rate on the JPY15 billion facility is based on TONA plus a spread, repriced every 1, 3 or 6 months. The Parent Company has paid the principal amortizations amounting to JP¥4.29 billion each in 2023 and 2022.

f. On April 27, 2020, the Parent Company drew P5 billion from a P5 billion term loan facility which was signed and executed on April 23, 2020. The facility is subject to a fixed interest rate of 4.59% per annum and amortized over 5 years with a 12-month grace period, after which the total principal will be amortized in 16 equal quarterly payments beginning July 27, 2021. The proceeds were used for general corporate purposes. The Parent Company has paid the principal amortizations amounting to P1,250 each in 2023 and 2022.

g. On October 12, 2021, the Parent Company issued P18,000 retail bonds divided into Series E due in 2025 (P9,000) and Series F due in 2027 (P9,000) with interest rates of 3.4408% p.a. and 4.3368% p.a., respectively. The Bonds are listed on the Philippine Dealing & Exchange Corp. The proceeds were used for the redemption of the Company's Series A Bonds, the partial financing of a power plant project and payment of existing indebtedness.

h. On May 19, 2022, the Parent Company drew and availed a P5,000 term loan facility which was signed and executed on May 17, 2022. The facility is subject to a fixed interest rate of 7.1663% per annum and amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 semi-annual payments beginning May 19, 2024. The proceed were used for partial financing of a power plant project.

i. On June 15, 2022, the Parent Company drew and availed a P5,000 term loan facility which was signed and executed on June 10, 2022. The facility is subject to a fixed interest rate of 7.4206% interest per annum and amortized over 5 years with a 15-month grace period, after which the total principal will be amortized in 16 equal quarterly payment beginning September 15, 2023. The proceeds were used to partially pay the US$1,000 million term loan facility. As of December 31, 2023, the P625 portion of the facility has already been paid.

j. On June 16, 2022, the Parent Company drew and availed a P5,000 term loan facility which was signed and executed on June 7, 2022. The facility is subject to a fixed interest rate of 7.5496% interest per annum and amortized over 5 years with a 15-month grace period, after which the total principal will be amortized in 16 equal quarterly payments beginning September 16, 2023. The proceeds were used to pay balances of the US$1,000 million and various loan facilities. As of December 31, 2023, the P625 portion of the facility has already been paid.

k. On September 8, 2022, the Parent Company drew and availed a P2,375 term loan facility which was signed and executed on September 6, 2022. The facility is subject to a fixed interest rate of 6.4920% per annum and will be fully paid on September 8, 2025. The proceeds were used to pay existing indebtedness.

l. On September 30, 2022, the Parent Company drew and availed a P625 term loan facility which was signed and executed on September 6, 2022. The facility is subject to a fixed interest rate of 6.8672% per annum and will be fully paid on September 8, 2025. The proceeds were used to pay existing indebtedness.

m. On November 8, 2022, the Parent Company signed and executed a US$550 million term loan facility. Initial drawdown of US$117 million was made on November 15, 2022, the proceeds of which were used to partially pay the US$800 million loan term loan facility. On November 29, 2022, the Company drew an additional US$150 million from the facility to fully prepay its US$150 million term loan facility. Additional US$228 million was drawn on December 15, 2022 to further partially prepay the US$800 million loan term loan facility. The US$550 million term loan facility is amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning November 8, 2024. The facility is subject to a floating interest rate based on Secured Overnight Financing Rate (SOFR) plus a spread, repriced every 1, 3 or 6 months.

   On January 20, 2023, the Parent Company drew US$30 million to partially prepay its JP¥15 billion term loan facility. Additional US$25 million was drawn on February 3, 2023, to partially prepay the US$800 million long-term loan facility.

On February 17, 2023, Parent Company has upsized its US$550 million term loan facility to US$669 million and drew US$88 million from the additional US$119 loan facility on May 15, 2023 to fully pre-terminate the US$800 million long-term loan facility. On August 14, 2023, the remaining US$31 million was drawn. Proceeds were used to redeem the Parent Company's P7,000 Series B Bonds on October 27, 2023.

n. On July 13, 2023, the Parent Company made a full drawdown of US$225 million term loan which was used to partially fund the redemption of US$500 million SPCS. The facility was signed on March 28, 2023, which subsequently increased from US$150 million to US$225 million on June 8, 2023. The facility is amortized over 5 years with a 2-year grace period, after which the total principal will be amortized in 7 equal semi-annual installments beginning on March 28, 2025. The facility is subject to a floating interest rate based on SOFR plus a spread, repriced every 1, 3 or 6 months.

The above-mentioned debt agreements contain, among others, covenants relating to merger and consolidation, maintenance of certain financial ratios, restrictions on loans and guarantees, disposal of a substantial portion of assets, significant changes in the ownership or control of subsidiaries, payments of dividends and redemption of capital stock.

The Group has two financial covenants, namely, net leverage ratio not to exceed 6.5x and ratio of consolidated gross debt to consolidated net worth not to exceed 2.75x. In November 2020, the Group secured consent to amend the testing of its net leverage ratio from semi-annual to incurrence-based, while the ratio of consolidated gross debt to consolidated net worth remained to be tested quarterly.

As of December 31, 2023 and 2022, the Group has complied with the financial covenants of its debt agreements.

Total interest incurred on the above-mentioned long-term loans (including amortization of debt issue costs) amounted to P8,331, P6,165 and P5,220 in 2023, 2022 and 2021, respectively (Note 26). Interest amounting to P187 was capitalized in 2023, P269 in 2022 and P130 in 2021 (Note 9).

Movements in debt issue costs follow:

	Note	**2023**	2022
Balance at beginning of year		**P1,335**	P982
Additions		**616**	956
Amortization for the year	*26*	**(585)**	(603)
Balance at end of year		**P1,366**	P1,335

Repayment Schedule
As of December 31, 2023 and 2022, the annual maturities of long-term debt are as follows (Note 34):

2023

Year	**Gross Amount**	**Debt Issue Costs**	**Net**
2024	**P26,035**	**P393**	**P25,642**
2025	**37,411**	**557**	**36,854**
2026	**18,923**	**237**	**18,686**
2027	**26,113**	**175**	**25,938**
2028 and beyond	**1,780**	**4**	**1,776**
	P110,262	**P1,366**	**P108,896**

2022

Year	Gross Amount	Debt Issue Costs	Net
2023	P13,472	P73	P13,399
2024	31,177	638	30,539
2025	31,225	348	30,877
2026	10,885	132	10,753
2027 and beyond	21,637	144	21,493
	P108,396	P1,335	P107,061

19. Asset Retirement Obligation

Movements in the ARO are as follows:

	Note	**2023**	2022
Balance at beginning of year		**P3,559**	P2,877
Additions		**6**	67
Accretion for the year	*26*	**226**	216
Effect of change in estimates	*4*	**(264)**	141
Effect of change in discount rate		**144**	252
Settlement		**-**	(3)
Translation adjustment		**(13)**	9
Balance at end of year including current portion		**P3,658**	P3,559

20. Other Noncurrent Liabilities

This account consists of:

	Note	**2023**	2022
Cylinder deposits		**P748**	P736
Cash bonds		**439**	420
Others		**56**	45
	34, 35	**P1,243**	P1,201

Cash bonds represent deposits from customers as a form of collateral.

21. Equity

a. Capital Stock

<u>Common Shares</u>
Pursuant to the registration statement rendered effective by the SEC on May 18, 1995 and the permit to sell issued by the SEC dated May 30, 1995, 10,000,000,000 common shares of the Parent Company with par value of P1.00 per share were offered for sale at an offer price of P1.00 per share. As of December 31, 2023 and 2022, the Parent Company had 97,977 and 98,382 stockholders with at least one board lot at the PSE, respectively, for a total of 9,375,104,497 (P1.00 per share par value) issued and outstanding common shares.

<u>Preferred Shares</u>
On January 21, 2010, the SEC approved the Parent Company's amendment to its AOI to reclassify 624,895,503 unissued common shares into preferred shares with a par value of P1.00 per share, as part of its authorized capital stock. On February 12, 2010, the SEC issued an order permitting the Parent Company's offer and sale of 50,000,000 peso-denominated, cumulative, non-participating and non-voting preferred shares, with an oversubscription option of 50,000,000 preferred shares (collectively, the "2010 Preferred Shares") to the public at an issue price of P100.00 per share. Proceeds from issuance in excess of par value less related transaction costs amounting to P9,764 was recognized as additional paid-in capital. Dividend rate of 9.5281% per annum computed in reference to the issue price was payable every March 5, June 5, September 5 and December 5 of each year, when declared by the Parent Company's BOD. The 2010 Preferred Shares were listed with PSE on March 5, 2010.

On October 17, 2014, the SEC issued an order permitting the Parent Company's public offering and sale of 7,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated perpetual preferred shares with an oversubscription option of 3,000,000 preferred shares (collectively, the "Series 2 Preferred Shares") at an issue price of P1,000.00 per share.

On November 3, 2014, the Parent Company issued and listed in the PSE 10,000,000 Series 2 Preferred Shares at an offer price of P1,000.00 per share. The Series 2 Preferred Shares were issued in two (2) sub-series, (i) 7,122,320 Series 2A preferred shares (the "Series 2A Preferred Shares") and (ii) 2,877,680 Series 2B preferred shares (the "Series 2B Preferred Shares"). Proceeds from issuance in excess of par value less related transaction costs amounting to P9,889 was recognized as additional paid-in capital.

The Series 2A Preferred Shares may be redeemed by the Parent Company starting on the fifth anniversary from the listing date while the Series 2B Preferred Shares may be redeemed starting on the seventh anniversary from the listing date. Series 2A and Series 2B Preferred Shares have dividend rates of 6.3000% and 6.8583%, respectively. Cash dividends are payable quarterly every February 3, May 3, August 3 and November 3 of each year, as and if declared by the Parent Company's BOD.

All shares rank equally as regards to the Parent Company's residual assets, except that holders of preferred shares participate only to the extent of the issue price of the shares plus any accumulated and unpaid cash dividends.

On March 5, 2015, the Parent Company redeemed the 2010 Preferred Shares at P100.00 per share, which were delisted by the PSE on March 6, 2015 in line with the latter's rule on the delisting of redeemed shares which are not re-issuable at the time of redemption under the issuing Parent Company's AOI. On July 6, 2015, the SEC approved the amendment of the AOI of the Parent Company to provide a re-issuability feature of its preferred shares.

On May 31, 2019, the SEC issued a permit for the Parent Company's public offering and sale of 15,000,000 cumulative, non-voting, non-participating, non-convertible, peso-denominated perpetual preferred shares with an oversubscription option of 5,000,000 preferred shares (collectively, the "Series 3 Preferred Shares") at an issue price of P1,000.00 per share.

On June 25, 2019, the Parent Company issued and listed on the PSE 20,000,000 Series 3 Preferred Shares. The net proceeds from the issuance were used for the repayment of the Parent Company's outstanding short-term loans and for general corporate purposes while the remaining balance was allocated for the redemption of the Series 2A Preferred Shares in November 2019.

The Series 3 Preferred Shares were issued in two (2) sub-series: (i) 13,403,000 Series 3A Preferred Shares with dividend rate of 6.8713% per annum and first optional redemption date on its 5.5th anniversary from the issuance date; and (ii) 6,597,000 Series 3B Preferred Shares with dividend rate of 7.1383% per annum and first optional redemption date on its 7th anniversary from the issuance date. Cash dividends are payable quarterly on March 25, June 25, September 25 and December 25 of each year, as and if declared by the Parent Company's BOD. Proceeds from reissuance of treasury stocks in excess of cost less related transaction costs amounting to P17,847 was recognized as additional paid-in capital.

On November 4, 2019, the Parent Company redeemed its 7,122,320 Series 2A Preferred Shares issued on November 3, 2014 at a redemption price of P1,000.00 per share, with a record date of October 10, 2019. The redemption was approved by the Parent Company's BOD on March 12, 2019.

On November 3, 2021, the Parent Company redeemed its 2,877,680 Series 2B Preferred Shares issued on November 3, 2014 at a redemption price of P1,000.00 per share, with a record date of October 7, 2021. The redemption was approved by the Parent Company's BOD on March 9, 2021.

On July 7, 2023, the Parent Company issued and listed on the PSE 5,000,000 Series 4A, 2,995,000 Series 4B, and 6,005,000 Series 4C preferred shares (inclusive of the oversubscription of 1,500,000 shares) under the 50,000,000 Series 4 Shelf Registered Preferred Shares at an issue price of P1,000.00 or for a total amount of P14,000. The Series 4 Shelf Registered Preferred Shares, which were approved for issue by the SEC on June 14, 2023, are cumulative, deferrable, non-voting, non-participating, non-convertible, redeemable, and reissuable Peso-denominated perpetual preferred shares. Proceeds from reissuance of treasury stocks in excess of cost less related transaction costs amounting to P3,485 was recognized as additional paid-in capital. The net proceeds were used to partly fund the full redemption on July 19, 2023 of the remaining US$477.53 million SPCS issued in 2018.

The Parent Company has the redemption option starting on the second and half, third and fifth year or on any dividend payment date thereafter for Series 4A, Series 4B and Series 4C preferred shares, respectively. Dividend rates are 6.7079%, 6.7972%, 7.0861% per annum for Series 4A, Series 4B and Series 4C preferred shares, respectively.

As of December 31, 2023 and 2022, the Parent Company had 34,000,000 and 20,000,000 (P1 par value) issued and outstanding preferred shares, respectively. The total number of preferred shareholders with at least one board lot at the PSE as of December 31, 2023 and 2022 are as follows:

	2023	2022
Series 3A Preferred Shares	**14**	10
Series 3B Preferred Shares	**25**	25
Series 4A Preferred Shares	**3**	-
Series 4B Preferred Shares	**13**	-
Series 4B Preferred Shares	**27**	-
	82	35

b. Retained Earnings

Declaration of Cash Dividends

On various dates in 2023, 2022 and 2021, the Parent Company's BOD approved the declaration of cash dividends for common and preferred shareholders with the following details:

Type	Per Share	Date of Declaration	Date of Record	Date of Payment
2021				
Series 2B	P17.14575	March 9, 2021	April 7, 2021	May 3, 2021
Series 3A	17.17825	March 9, 2021	June 2, 2021	June 25, 2021
Series 3B	17.84575	March 9, 2021	June 2, 2021	June 25, 2021
Series 2B	17.14575	May 3, 2021	July 8, 2021	August 3, 2021
Series 3A	17.17825	May 3, 2021	September 2, 2021	September 27, 2021
Series 3B	17.84575	May 3, 2021	September 2, 2021	September 27, 2021
Series 2B	17.14575	August 3, 2021	October 7, 2021	November 3, 2021
Series 3A	17.17825	August 3, 2021	November 29, 2021	December 27, 2021
Series 3B	17.84575	August 3, 2021	November 29, 2021	December 27, 2021
Series 3A	17.17825	November 9,2021	March 3, 2022	March 25, 2022
Series 3B	17.84575	November 9,2021	March 3, 2022	March 25, 2022
Series 3A	17.17825	November 9,2021	June 3, 2022	June 27, 2022
Series 3B	17.84575	November 9,2021	June 3, 2022	June 27, 2022
2022				
Series 3A	P17.17825	August 1, 2022	August 31, 2022	September 26, 2022
Series 3B	17.84575	August 1, 2022	August 31, 2022	September 26, 2022
Series 3A	17.17825	November 8, 2022	November 29, 2022	December 26, 2022
Series 3B	17.84575	November 8, 2022	November 29, 2022	December 26, 2022
Series 3A	17.17825	November 8, 2022	March 2, 2023	March 27, 2023
Series 3B	17.84575	November 8, 2022	March 2, 2023	March 27, 2023
2023				
Common	**P0.10000**	**March 6, 2023**	**March 20, 2023**	**April 4, 2023**
Series 3A	**17.17825**	**May 10, 2023**	**May 31, 2023**	**June 26, 2023**
Series 3B	**17.84575**	**May 10, 2023**	**May 31, 2023**	**June 26, 2023**
Series 3A	**17.17825**	**August 1, 2023**	**August 31, 2023**	**September 25, 2023**
Series 3B	**17.84575**	**August 1, 2023**	**August 31, 2023**	**September 25, 2023**
Series 4A	**16.76975**	**August 1, 2023**	**September 14, 2023**	**October 9, 2023**
Series 4B	**16.99300**	**August 1, 2023**	**September 14, 2023**	**October 9, 2023**
Series 4C	**17.71525**	**August 1, 2023**	**September 14, 2023**	**October 9, 2023**
Series 3A	**17.17825**	**November 7, 2023**	**November 29, 2023**	**December 26, 2023**
Series 3B	**17.84575**	**November 7, 2023**	**November 29, 2023**	**December 26, 2023**
Series 3A	**17.17825**	**November 7, 2023**	**March 1, 2024**	**March 25, 2024**
Series 3B	**17.84575**	**November 7, 2023**	**March 1, 2024**	**March 25, 2024**
Series 4A	**16.76975**	**November 7, 2023**	**December 13, 2023**	**January 8, 2024**
Series 4B	**16.99300**	**November 7, 2023**	**December 13, 2023**	**January 8, 2024**
Series 4C	**17.71525**	**November 7, 2023**	**December 13, 2023**	**January 8, 2024**
Series 4A	**16.76975**	**November 7, 2023**	**March 13, 2024**	**April 8, 2024**
Series 4B	**16.99300**	**November 7, 2023**	**March 13, 2024**	**April 8, 2024**
Series 4C	**17.71525**	**November 7, 2023**	**March 13, 2024**	**April 8, 2024**

Total cash dividends declared by the Parent Company amounted to P3,053 in 2023, P1,044 in 2022, P1,899 in 2021.

Appropriation for Capital Projects

On May 5, 2016, the Parent Company's BOD approved the re-appropriation of retained earnings amounting to P15,000 for capital projects in 2016 and 2017 which are expected to be completed within five years from the date of the approval.

On March 9, 2021, the BOD of the Parent Company approved the reversal of P8,000 of the P15,000 appropriated retained earnings of the Parent Company since majority of the 2016 and 2017 capital projects were already completed while others were deferred. The remaining P7,000 is maintained for the Power Plant project.

On May 10, 2023, the BOD of the Parent Company approved the reversal of P7,000 of the remaining appropriated retained earnings for the Parent Company since the Power Plant project no longer needs the subject appropriation to fund its completion.

On October 7, 2021, the BOD of PEDC approved the appropriation of its retained earnings amounting to P3 for acquisition of three lots located in Bulacan. As of December 31, 2023, the purchase transaction of these lots is ongoing and expected to be completed by the second half of 2024.

The appropriated retained earnings attributable to the equity holders of the Parent Company amounted to P3 and P7,003 as of December 31, 2023 and 2022, respectively.

c. The Group's unappropriated retained earnings include its accumulated equity in net earnings of subsidiaries, joint ventures and an associate amounting to P48,051, P43,604 and P33,573 as of December 31, 2023, 2022 and 2021, respectively. Such amounts are not available for declaration as dividends until declared by the respective investees.

d. Equity reserves comprise of the following:

Reserve for retirement plan pertains to the cumulative remeasurements of the Group's defined benefit retirement plan.

Other reserves comprise the net income (loss) on cash flows hedges, unrealized fair value losses on investments in debt instruments, exchange differences on translation of foreign operations, effect of redemption of capital securities and others with details as follows:

	2023	2022	2021
Balance at beginning of year	**(P10,450)**	(P12,379)	(P13,223)
Net income (loss) on cash flow hedges, net of tax	**(50)**	54	137
Cumulative translation adjustment	**(2,004)**	1,875	707
Share in other comprehensive income of an associate and joint venture	**4**	-	-
Redemption of capital securities	**(2,286)**	-	-
Balance at end of year	**(P14,786)**	(P10,450)	(P12,379)

e. SPCS

On January 19, 2018, the Parent Company issued US$500 million SPCS with an issue price of 100% for the partial repurchase and redemption of the Parent Company's existing US$750 million USCS, the repayment of indebtedness and general corporate purposes including capital expenditures. The SPCS were listed with the Singapore Exchange Securities Trading Ltd. on January 22, 2018.

Holders of the SPCS are conferred a right to receive distribution on a semi-annual basis from their issue date at the rate of 4.6% per annum, subject to a step-up rate. The Parent Company has a right to defer the distribution under certain conditions.

The SPCS have no fixed redemption date and are redeemable in whole, but not in part, at their principal amounts together with any accrued, unpaid, or deferred distributions, at the Parent Company's option on or after July 19, 2023 or on any distribution payment date thereafter or upon the occurrence of certain other events.

On January 19, 2023, the Parent Company redeemed US$22.47 million (P1,118) from US$500 million SPCS issued in 2018 at a purchase price of US$927 per US$1,000 in principal amount.

On July 19, 2023, the remaining outstanding SPCS with an aggregate amount of US$477.53 million (P23,763) was fully redeemed at a purchase price of US$1,000 per US$1,000 in principal amount. Following such redemption, distributions ceased to accrue and the redeemed securities were cancelled and delisted from the Singapore Exchange Securities Trading Limited.

Payments of distributions pertaining to US$500 million SPCS were made on the following dates: July 19, 2023 (P797), January 19, 2023 (P841), July 18, 2022 (P864), January 18, 2022 (P787), July 16, 2021 (P770), and January 15, 2021 (P737).

On April 19, 2021, the Parent Company issued US$550 million SPCS at an issue price of 100%, with an initial distribution rate of 5.95% per annum. The securities were listed in the Singapore Exchange Securities Trading Limited on April 20, 2021. The net proceeds were used for the repayment of indebtedness and for general corporate purposes.

Payments of distributions pertaining to US$550 million SPCS was made on October 19, 2023 (P1,238), April 19, 2023 (P1,224), October 18, 2022 (P1,286), April 18, 2022 (P1,140), October 18, 2021 amounting to (P1,108).

These SPCS were offered for sale and sold to qualified buyers and not more than 19 institutional lenders. Hence, the sale of SPCS was considered an exempt transaction for which no confirmation of exemption from the registration requirements of the SRC was required to be filed with the SEC.

f. RPS

On November 27, 2019, the Parent Company issued US$6 million RPS to be used for capital expenditures requirements.

Holders of the RPS are conferred a right to receive distributions on a quarterly basis, every February 27, May 27, August 27 and November 27. The Parent Company has a right to defer the distribution under certain conditions.

On May 26, 2023, the Parent Company fully redeemed its US$6 million (P302) RPS.

Distributions to holders of the RPS were made on May 26, 2023 (P3), February 27, 2023 (P3), November 25, 2022 (P3), August 30, 2022 (P3), May 27, 2022 (P3), March 1, 2022 (P3), November 27, 2021 (P3), August 27, 2021 (P3), May 27, 2021 (P3), and February 27, 2021 (P3).

On June 22, 2020, the Parent Company issued US$130 million RPS used for general corporate purposes. Holders of the RPS are conferred a right to receive distributions on a quarterly basis every March 22, June 22, September 22 and December 22.

Payment of distributions pertaining to RPS were made on December 22, 2023 (P65), September 22, 2023 (P67), June 22, 2023 (P65), March 22, 2023 (P64), December 22, 2022 (P65), September 22, 2022 (P69), June 22, 2022 (P64), March 22, 2022 (P62), December 22, 2021 (P59), September 22, 2021 (P59), June 22, 2021 (P57), and March 22, 2021 (P57).

On August 10, 2020, the Parent Company issued additional US$100 million RPS used for general corporate purposes. Holders of the RPS are conferred a right to receive distributions on a quarterly basis every February 10, May 10, August 10 and November 10.

Holders of the RPS were paid on November 10, 2023 (P51), August 10, 2023 (P51), May 10, 2023 (P51), February 10, 2023 (P49), November 10, 2022 (P53), August 10, 2022 (P50), May 10, 2022 (P47), February 10, 2022 (P46), November 10, 2021 (P45), August 10, 2021 (P46), May 10, 2021 (P43), and February 10, 2021 (P44).

The RPS have no fixed redemption date and are redeemable in whole, or in part, at their principal amounts together with any accrued, unpaid, or deferred distributions, at the Parent Company’s option on any distribution payment date after 90 days from Issuance Date.

22. Cost of Goods Sold

This account consists of:

	Note	**2023**	2022	2021
Inventories	*8*	**P731,648**	P803,977	P393,781
Depreciation and amortization	*25*	**8,420**	7,079	5,099
Materials and supplies		**6,209**	5,397	3,431
Purchased services and utilities		**2,589**	2,683	1,387
Personnel expenses	*24*	**1,839**	1,564	1,413
Others	*29, 31*	**3,724**	3,088	2,447
		P754,429	P823,788	P407,558

Distribution or transshipment costs included as part of inventories amounted to P17,113, P13,329 and P6,035 in 2023, 2022 and 2021, respectively.

Others include manufacturing and overhead costs such as maintenance and repairs, taxes and licenses, insurance and rent.

23. Selling and Administrative Expenses

This account consists of:

	Note	**2023**	2022	2021
Depreciation and amortization	*25*	**P4,610**	P4,797	P4,749
Purchased services and utilities		**4,309**	3,857	3,524
Personnel expenses	*24*	**3,892**	3,858	3,219
Maintenance and repairs		**1,960**	1,624	1,429
Materials and office supplies		**1,045**	811	673
Taxes and licenses		**608**	350	309
Advertising		**530**	464	318
Rent	*29*	**497**	381	214
Impairment losses on trade and other receivables	*4, 7*	**17**	3	28
Others	*8*	**92**	30	94
		P17,560	P16,175	P14,557

Selling and administrative expenses include research and development costs amounting to P87, P61 and P62 in 2023, 2022 and 2021, respectively (Note 8).

24. Personnel Expenses

This account consists of:

	Note	**2023**	2022	2021
Salaries, wages and other employee costs	*28*	**P5,386**	P4,972	P4,264
Retirement benefits costs - defined benefit plan	*28, 30*	**257**	367	289
Retirement benefits costs - defined contribution plan	*28*	**88**	83	79
		P5,731	P5,422	P4,632

The above amounts are distributed as follows:

	Note	**2023**	2022	2021
Costs of goods sold	*22*	**P1,839**	P1,564	P1,413
Selling and administrative expenses	*23*	**3,892**	3,858	3,219
		P5,731	P5,422	P4,632

25. Depreciation and Amortization

This account consists of:

	Note	**2023**	2022	2021
Cost of goods sold:				
Property, plant and equipment	*9*	**P7,957**	P6,702	P4,794
Right-of-use assets	*10*	**129**	140	129
Other assets	*14*	**334**	237	176
	22	**8,420**	7,079	5,099
Selling and administrative expenses:				
Property, plant and equipment	*9*	**2,028**	2,246	2,259
Right-of-use assets	*10*	**510**	507	490
Investment property	*11*	**1,942**	1,986	1,933
Intangible assets and others	*14*	**130**	58	67
	23	**4,610**	4,797	4,749
	37	**P13,030**	P11,876	P9,848

26. Interest Expense and Other Financing Charges, Interest Income and Other Expenses

This account consists of:

	Note	**2023**	2022	2021
Interest expense and other financing charges:				
Long-term debt	*18*	**P7,574**	P5,320	P4,490
Short-term loans	*15*	**7,659**	4,147	1,974
Bank charges		**1,470**	1,453	1,240
Accretion on lease liability	*29*	**1,124**	1,065	1,070
Amortization of debt issue costs	*18*	**570**	576	600
Defined benefit obligation	*30*	**303**	225	201
Accretion on ARO	*19*	**226**	216	252
Advances from a related party	*28*	**167**	35	-
Others		**2**	57	181
	37	**P19,095**	P13,094	P10,008
Interest income:				
Short-term placements	*5*	**P990**	P720	P400
Trade receivables	*7*	**134**	37	19
Plan assets	*30*	**106**	73	56
Advances to related parties	*28*	**45**	58	79
Cash in banks	*5*	**9**	10	10
	37	**P1,284**	P898	P564

Forward

	Note	**2023**	2022	2021
Other income (expenses) - net:				
Changes in fair value of financial assets at FVPL	*6*	**P37**	P54	P23
Hedging gains (losses) - net		**(104)**	(739)	104
Marked-to-market gains (losses) - net	*35*	**(133)**	4,673	315
Foreign currency losses - net	*34*	**(509)**	(3,678)	(1,242)
Others - net		**848**	708	315
		P139	P1,018	(P485)

Bank charges amounting to P28 was capitalized as part of property, plant and equipment in 2023 while P46 in 2022 and P28 in 2021 (Note 9).

Also included in "Others - net" were the following: (i) rental income amounting to P63 each in 2023, 2022 and 2021 (Note 29); (ii) gain on sale of fixed asset amounting to P33 in 2023; and (iii) gain on acquisition of Mema amounting to P22 in 2022 (Note 12).

27. Income Taxes

Deferred tax assets and liabilities are from the following:

2023

	January 1	**Recognized in Profit or Loss**	**Recognized in Other Comprehensive Income**	**Others**	**December 31**
Net retirement benefits liability	**P1,910**	**(P172)**	**P9**	**P -**	**P1,747**
Rental	**1,384**	**106**	**-**	**-**	**1,490**
NOLCO	**6,725**	**(435)**	**-**	**-**	**6,290**
Various allowances, accruals and others	**733**	**(3,441)**	**-**	**13**	**(2,695)**
Inventory differential	**651**	**(398)**	**-**	**-**	**253**
MCIT	**508**	**513**	**-**	**-**	**1,021**
ARO	**519**	**103**	**-**	**-**	**622**
Unutilized tax losses	**453**	**173**	**-**	**-**	**626**
Fair market value adjustments on business combination	**(27)**	**27**	**-**	**-**	**-**
Unrealized foreign exchange gains - net	**22**	**(223)**	**18**	**-**	**(183)**
Capitalized taxes and duties on inventories deducted in advance	**(848)**	**(110)**	**-**	**-**	**(958)**
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	**(3,524)**	**165**	**-**	**-**	**(3,359)**
Excess of double-declining over straight-line method of depreciation and amortization	**(10,295)**	**2,199**	**-**	**-**	**(8,096)**
	(P1,789)	**(P1,493)**	**P27**	**P13**	**(P3,242)**

2022

	January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31
Net retirement benefits liability	P1,883	(P135)	P156	P6	P1,910
Rental	1,262	283	-	-	1,545
NOLCO	7,793	(1,068)	-	-	6,725
Various allowances, accruals and others	509	224	-	(161)	572
Inventory differential	(172)	823	-	-	651
MCIT	689	(181)	-	-	508
ARO	444	75	-	-	519
Unutilized tax losses	402	51	-	-	453
Fair market value adjustments on business combination	(27)	-	-	-	(27)
Unrealized foreign exchange gains - net	(240)	280	(18)	-	22
Capitalized taxes and duties on inventories deducted in advance	(764)	(84)	-	-	(848)
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	(3,605)	81	-	-	(3,524)
Excess of double-declining over straight-line method of depreciation and amortization	(9,786)	(509)	-	-	(10,295)
	(P1,612)	(P160)	P138	(P155)	(P1,789)

2021

	January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Others	December 31
Net retirement benefits liability	P2,195	(P118)	(P213)	P19	P1,883
Rental	1,589	(253)	(74)	-	1,262
NOLCO	8,847	(1,054)	-	-	7,793
Various allowances, accruals and others	868	(350)	-	(9)	509
Inventory differential	73	(245)	-	-	(172)
MCIT	491	198	-	-	689
ARO	298	146	-	-	444
Unutilized tax losses	358	44	-	-	402
Fair market value adjustments on business combination	(28)	1	-	-	(27)
Unrealized foreign exchange gains - net	(984)	808	(64)	-	(240)
Capitalized taxes and duties on inventories deducted in advance	(1,234)	470	-	-	(764)
Capitalized interest, losses, duties and taxes on property, plant and equipment deducted in advance and others	(4,307)	702	-	-	(3,605)
Excess of double-declining over straight-line method of depreciation and amortization	(9,060)	(726)	-	-	(9,786)
	(P894)	(P377)	(P351)	P10	(P1,612)

The above amounts are reported in the consolidated statements of financial position as follows:

	2023	2022
Deferred tax assets - net	**P1,190**	P1,812
Deferred tax liabilities - net	**(4,432)**	(3,601)
	(P3,242)	(P1,789)

Net deferred taxes of individual companies are not allowed to be offset against net deferred tax liabilities of other companies, or vice versa, for purposes of consolidation.

The components of income tax expense are shown below:

	2023	2022	2021
Current	**P1,511**	P1,244	P784
Deferred	**1,493**	160	377
	P3,004	P1,404	P1,161

As of December 31, 2023, the NOLCO and MCIT of the Parent Company that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	**Carryforward Benefits Up To**	**NOLCO**	**MCIT**
2020	December 31, 2025	**P23,466**	**P -**
2021	December 31, 2026	**1,678**	**-**
2021	December 31, 2024	**-**	**198**
2022	December 31, 2025	**-**	**310**
2023	December 31, 2026	**-**	**513**
		P25,144	**P1,021**

As of December 31, 2022, the NOLCO and MCIT of the Parent Company that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	Carryforward Benefits Up To	NOLCO	MCIT
2020	December 31, 2025	P25,209	P -
2021	December 31, 2026	1,678	-
2021	December 31, 2024	-	198
2022	December 31, 2025	-	310
		P26,887	P508

A reconciliation of tax on the pretax income computed at the applicable statutory rates to tax expense reported in the consolidated statements of income is as follows:

	2023	2022	2021
Statutory income tax rate	**25.00%**	25.00%	25.00%
Increase (decrease) in income tax rate resulting from:			
Adjustment to income tax rate due to CREATE	**-**	-	(1.96%)
Interest income subjected to lower final tax	**(0.16%)**	(0.11%)	(0.07%)
Nontaxable income	**(4.49%)**	(7.17%)	(4.67%)
Nondeductible expense	**4.35%**	(8.39%)	(4.46%)
Nondeductible interest expense	**0.10%**	0.09%	0.04%
Excess of optional standard deduction over deductible expenses	**-**	-	(0.17%)
Write-off of NOLCO/MCIT	**-**	7.52%	-
Others, mainly income subject to different tax rates	**(1.94%)**	0.39%	2.20%
Effective income tax rate	**22.86%**	17.33%	15.91%

OSD

Effective July 2008, Republic Act (RA) No. 9504 was approved giving corporate taxpayers an option to claim itemized deduction or OSD equivalent to 40% of gross sales. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made (Note 4).

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act.

The CREATE Act, which seeks to reduce the corporate income tax rates and rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, was passed into law on March 26, 2021 and took effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or on April 11, 2021.

Key provisions of the CREATE Act which have an impact on the Group are: (i) reduction of Regular Corporate Income Tax (RCIT) rate from 30% to 25% for domestic and resident foreign corporations effective July 1, 2020; (ii) reduction of MCIT rate from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and (iii) repeal of the imposition of improperly accumulated earnings tax. Accordingly, current and deferred taxes as at and for the year ended December 31, 2021 were computed and measured using the applicable income tax rates as at December 31, 2021.

Effective July 1, 2023, MCIT rate was reverted from 1% to 2% of gross income as prescribed by BIR Revenue Memorandum Circular (RMC) No. 69-2023 issued on June 20, 2023.

28. Related Party Disclosures

The Parent Company, certain subsidiaries, associate, joint ventures and SMC and its subsidiaries in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. The Group requires approval of the BOD for certain limits on the amount and extent of transactions with related parties.

Amounts owed by/owed to related parties are collectible/to be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The balances and transactions with related parties as of and for the years ended December 31 follow:

	Note	Year	Revenues from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Retirement Plan	*7, 30, a*	**2023**	**P45**	**P -**	**P894**	**P -**	On demand; interest bearing	Unsecured; no impairment
		2022	58	-	894	-		
		2021	79	-	1,138	-		
	a	**2023**	**-**	**-**	**43**	**-**	On demand; non-interest bearing	Unsecured; no impairment
		2022	-	-	-	-		
		2021	-	-	-	-		
Intermediate Parent	*b, e, f, h, i*	**2023**	**29**	**221**	**18**	**461**	On demand; non-interest bearing	Unsecured; no impairment
		2022	20	207	16	453		
		2021	18	167	17	333		
Under Common Control	*14, b, c, d, h, i, j, k l, m*	**2023**	**15,949**	**5,808**	**3,801**	**2,638**	On demand; non-interest bearing	Unsecured; no impairment
		2022	16,473	4,625	6,278	2,178		
		2021	7,705	4,095	2,584	2,307		
	m	**2023**	**-**	**167**	**-**	**3,322**	On demand; interest bearing	Unsecured; no impairment
		2022	-	35	-	3,345		
		2021	-	-	-	-		
Associate	*b, h, k*	**2023**	**240**	**210**	**54**	**73**	On demand; non-interest bearing	Unsecured; no impairment
		2022	200	100	90	56		
		2021	-	159	283	101		
Joint Ventures	*c, g, h*	**2023**	**-**	**65**	**1**	**-**	On demand; non-interest bearing	Unsecured; no impairment
		2022	-	-	2	-		
		2021	-	-	2	-		
Associates and Joint Ventures under Common Control	*b, h, n*	**2023**	**326**	**-**	**87**	**1**	On demand; non-interest bearing	Unsecured; no impairment
		2022	365	-	71	19		
		2021	206	-	45	3		
	n	**2023**	**-**	**112**	**-**	**1,100**	Short-term; interest bearing	Unsecured; no impairment
		2022	-	101	-	2,865		
		2021	-	64	-	2,000		
		2023	**P16,589**	**P6,583**	**P4,898**	**P7,595**		
		2022	P17,116	P5,068	P7,351	P8,916		
		2021	P8,008	P4,485	P4,069	P4,744		

a. As of December 31, 2023 and 2022, the Parent Company has interest bearing advances to PCERP, included as part of "Trade and other receivables - net" in the consolidated statements of financial position, for some investment opportunities (Notes 7 and 30).

b. Sales relate to the Parent Company's supply agreements with the Intermediate Parent, various SMC subsidiaries, and an associate. Under these agreements, the Parent Company supplies diesel fuel, gasoline and lube requirements of selected SMC plants and subsidiaries.

c. Purchases relate to purchase of goods and services such as power, construction, information technology, shipping and terminalling from a joint venture and various SMC subsidiaries.

d. The Parent Company entered into various lease agreements with San Miguel Properties, Inc. for office space covering 6,747 square meters and certain parcels of land where service stations are located.

e. The Parent Company has existing lease agreements with SMC covering certain parcels of land where service stations are located.

f. The Parent Company also pays SMC for its share in common expenses such as utilities and management fees.

g. TBSB provides bottling services to PFISB and another venturer.

h. Amounts owed by related parties consist of trade, non-trade receivables, advances and prepaid expenses.

i. Amounts owed to related parties consist of trade and non-trade payables.

j. In 2015, NVRC leased out certain parcels of its land to SMC Consolidated Power Corporation for a period of 25 years.

k. On February 4, 2021, Petrogen became an associate of the Parent Company as a result of loss of control following the decrease in ownership interest from 100% to 25.06% in Petrogen (Note 13).

l. On February 22, 2021, the Asset Purchase Agreement with San Miguel Foods, Inc. and Foodcrave Marketing, Inc. for the acquisition of the Treats convenience store business by the Group was executed, for an aggregate purchase price of P68.

m. Amounts owed to entities under common control include interest-bearing advances from San Miguel Insurance Company Ltd.

n. Amounts owed to associate of entities under common control include interest-bearing short-term loans payable to Bank of Commerce.

o. The compensation and benefits of key management personnel of the Group, by benefit type, included in the "Personnel expenses" account as follows (Note 24):

	2023	2022	2021
Salaries and other short-term employee benefits	**P906**	P906	P749
Retirement benefits costs - defined benefit plan	**116**	139	104
Retirement benefits costs - defined contribution plan	**37**	35	31
	P1,059	P1,080	P884

29. Lease Commitments

Group as Lessee

The Group entered into commercial leases on office space, buildings, machinery and equipment, service stations and certain parcels of land for its refinery and service stations (Note 9, 11 and 31). These leases' life ranges from one to 999 years with renewal options included in the contracts. There are no restrictions placed upon the Group by entering into these leases. The lease agreements include upward escalation adjustments of the annual rental rates.

Amounts recognized in profit or loss:

	Note	**2023**	2022	2021
Interest on lease liabilities	*10*	**P1,124**	P1,065	P1,070
Income from sub-leasing		**(1,608)**	(1,275)	(796)
Expenses relating to the variable portion of lease payments		**4**	4	4
Expenses relating to short-term leases		**491**	385	216
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets		**30**	10	8
		P41	P189	P502

Rent expense amounting to P28 is included in "Cost of goods sold – others" account in 2023, P18 in 2022 and P14 in 2021 (Note 22). Interest expense amounting to P26 was capitalized as part of property, plant and equipment in 2023, P52 in 2022 while P64 in 2021 (Note 9).

Amounts recognized in consolidated statements of cashflows:

	Note	**2023**	2022	2021
Interest paid under operating activities	*33*	**P360**	P336	P310
Cash outflows for short term, low value leases and variable portion of lease payments		**525**	399	228
Principal lease payments under financing activities	*33*	**2,463**	2,347	2,226
	10	**P3,348**	P3,082	P2,764

Group as Lessor - Operating Lease

The Group has entered into lease agreements on its service stations and other related structures. The non-cancellable leases have remaining terms of between three to ten years. All leases include a clause to enable upward escalation adjustment of the annual rental rates.

The following table sets out a maturity analysis of lease payments, showing undiscounted lease payments to be received after the reporting period.

	2023	2022
Less than one year	**P1,238**	P1,099
One to two years	**585**	657
Two to three years	**329**	361
Three to four years	**289**	280
Four to five years	**287**	270
More than five years	**2,316**	2,456
	P5,044	P5,123

Rent income recognized in profit or loss amounted to:

	Note	**2023**	2022	2021
Other operating income		**P1,683**	P1,538	P1,273
Others - net	*26*	**63**	63	63
		P1,746	P1,601	P1,336

30. Retirement Plan

The succeeding tables summarize the components of net retirement benefits costs (income) under defined benefit retirement plans recognized in consolidated statements of income and the funding status and amounts of retirement plans recognized in the consolidated statements of financial position. The Parent Company has a funded, noncontributory, defined benefit retirement plan while several subsidiaries have unfunded, noncontributory, defined benefit retirement plans. Contributions and costs are determined in accordance with the actuarial studies made for the plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is as of December 31, 2023. Valuations are obtained on a periodic basis.

The Parent Company's Retirement Plan is registered with the BIR as a tax-qualified plan under Republic Act (RA) No. 4917, as amended. The control and administration of the retirement plan is vested in the Board of Trustees (BOT), as appointed by the BOD of the Parent Company. The BOT of the retirement plan, who exercise voting rights over the shares and approve material transactions, are also officers of the Parent Company, while one of the BOT is also a BOD. The retirement plan's accounting and administrative functions are undertaken by SMC's Retirement Funds Office.

The following table shows a reconciliation of the net defined benefit retirement asset (liability) and its components:

	Present Value of Defined Benefit Obligation			Fair Value of Plan Assets			Net Defined Benefit Retirement Asset (Liability)		
	2023	2022	2021	**2023**	2022	2021	**2023**	2022	2021
Balance at beginning of year	**(P4,500)**	(P4,486)	(P4,864)	**P1,173**	P1,027	P1,056	**(P3,327)**	(P3,459)	(P3,808)
Recognized in Profit or Loss									
Current service cost	**(257)**	(263)	(289)	**-**	-	-	**(257)**	(263)	(289)
Past service cost - plan amendment*	**-**	(104)	-	**-**	-	-	**-**	(104)	-
Interest expense	**(303)**	(225)	(201)	**-**	-	-	**(303)**	(225)	(201)
Interest income	**-**	-	-	**106**	73	56	**106**	73	56
	(560)	(592)	(490)	**106**	73	56	**(454)**	(519)	(434)
Recognized in Other Comprehensive Income									
Remeasurements:									
Actuarial gains (losses) arising from:									
Experience adjustments	**(233)**	(127)	(77)	**-**	-	-	**(233)**	(127)	(77)
Changes in financial assumptions	**(162)**	267	235	**-**	-	-	**(162)**	267	235
Changes in demographic assumptions	**22**	2	29	**-**	-	-	**22**	2	29
Return on plan asset excluding interest	**-**	-	-	**335**	(768)	(784)	**335**	(768)	(784)
	(373)	142	187	**335**	(768)	(784)	**(38)**	(626)	(597)
Others									
Benefits paid	**565**	476	711	**(498)**	(359)	(611)	**67**	117	100
Contributions	**-**	-	-	**1,015**	1,200	1,310	**1,015**	1,200	1,310
Translation adjustment	**53**	(40)	(30)	**-**	-	-	**53**	(40)	(30)
	618	436	681	**517**	841	699	**1,135**	1,277	1,380
Balance at end of year	**(P4,815)**	(P4,500)	(P4,486)	**P2,131**	P1,173	P1,027	**(P2,684)**	(P3,327)	(P3,459)

In 2022, the Parent Company added disability benefit for employees hired before January 1, 2022 resulting in the recognition of past service cost.

The above net defined benefit retirement liability was recognized in the consolidated statements of financial position as follows:

	Note	2023	2022
Trade and other payables	*17*	**P63**	P66
Retirement benefits liability (noncurrent portion)		**2,621**	3,261
		P2,684	P3,327

Retirement benefits costs (income) recognized in the consolidated statements of income by the Parent Company amounted to P181, P294 and P212 in 2023, 2022 and 2021, respectively, including past service cost on plan amendment amounting to P104 in 2022.

Retirement benefits costs recognized in the consolidated statements of income by the subsidiaries amounted to P76, P73 and P77 in 2023, 2022 and 2021, respectively.

The carrying amounts of the Parent Company's retirement fund approximate fair values as of December 31, 2023 and 2022.

Plan assets consist of the following:

	2023	2022
Shares of stock:		
Quoted	**67%**	63%
Unquoted	**13%**	15%
Government securities	**14%**	13%
Cash and cash equivalents	**4%**	5%
Others	**2%**	4%
	100%	100%

Investment in Shares of Stock. As of December 31, 2023 and 2022, the Group's plan assets include 459,156,097 common shares of Petron with fair market value per share of P3.55 and P2.40 as of December 31, 2023 and 2022, respectively, and 14,250,900 common shares of SMC with fair market value per share of P102.10 and P92.95 as of December 31, 2023 and 2022, respectively.

The Parent Company's plan recognized a gain (loss) on the investment in marketable securities of Petron and SMC amounting to P658, (P666) and (P565) in 2023, 2022 and 2021, respectively, mainly as a result of marked-to-market remeasurements.

Dividend income from the investment in shares of stock of Petron and SMC amounted to P66 in 2023, P15 in 2022 and P20 in 2021.

Government Securities represents debt instruments issued by sovereign government mainly held by two trustee banks of the plan.

Others include receivables, unit investment trust funds, and debt instruments which earn interest.

The BOT reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Parent Company's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Parent Company monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Parent Company expects to contribute P523 to its defined benefit retirement plan in 2024.

The BOT approves the percentage of asset to be allocated for fixed income instruments and equities. The retirement plan has set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The BOT may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

The retirement plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Risk. The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments and if the return on plan asset falls below this rate, it will create a deficit in the plan. Due to the long-term nature of plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plans efficiently.

Longevity and Salary Risks. The present value of the defined obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	2023	2022	2021
Discount rate	**5.00% to 6.58%**	5.00% to 7.41%	5.00% to 5.20%
Future salary increases	**5.00% to 8.00%**	5.00% to 6.50%	4.00% to 5.75%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit obligation is from 5.50 to 14.90 years as of December 31, 2023 and 5.20 to 15.40 years as of December 31, 2022.

The reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit assets/liabilities by the amounts below:

	Defined Benefit Liabilities	
2023	**1 Percent Increase**	**1 Percent Decrease**
Discount rate	**(P91)**	**P130**
Salary increase rate	**354**	**(315)**

	Defined Benefit Liabilities	
2022	1 Percent Increase	1 Percent Decrease
Discount rate	(P268)	P275
Salary increase rate	315	(281)

The Parent Company has advances to PCERP amounting to P937 and P894 as of December 31, 2023 and 2022, respectively, included as part of “Trade and other receivables - net” account in the consolidated statements of financial position (Notes 7 and 28). The advances are subject to interest of 5% in 2023 and 2022 (Note 28).

In 2022, portion of the Parent Company’s interest-bearing advances to PCERP were converted into contribution to the retirement plan (Note 28).

Transactions with the retirement plan are made at normal market prices and terms. Outstanding balances as of December 31, 2023 and 2022 are unsecured and settlements are made in cash. There have been no guarantees provided for any retirement plan receivables. The Parent Company has not recognized any impairment losses relating to the receivables from retirement plan for the years ended December 31, 2023, 2022 and 2021.

31. Significant Agreements

Supply Agreements. The Parent Company has assigned all its rights and obligations to PSTPL (as Assignee) to have a term contract to purchase the Company’s crude oil requirements from Saudi Arabian Oil Company (Saudi Aramco), Kuwait Petroleum Corporation (KPC) and Abu Dhabi National Oil Company (ADNOC). The contract with Saudi Aramco is from January 1, 2023 to December 31, 2023 with automatic annual extension thereafter unless terminated at the option of either party, upon at least 60 days written notice. The contract with KPC is from July 1, 2023 to December 31, 2024 while the contract from ADNOC is January 1, 2023 to December 31, 2023.

PMRMB acquires crude oil and condensate for the Port Dickson Refinery from various sources through a combination of term purchase contracts and spot market purchases. PMRMB has a term supply contract for Tapis crude oil and Terengganu condensate with Exxon Mobile Exploration and Production Malaysia Inc. (“EMEPMI”) for a period of 2 years until March 2024 supplemented by other short-term supply contracts and spot crude purchases. As of December 31, 2023, about 47% of the crude and condensate volume is sourced from EMEPMI, while the balance from other term and spot purchases. Pricing is determined through a formula that is linked to international industry benchmarks. PMRMB also utilizes Port Dickson Refinery spare capacity for crude processing arrangement of third parties to optimize utilization and benefits.

Outstanding liabilities of the Group for such purchases are shown as part of "Liabilities for crude oil and petroleum products" account in the consolidated statements of financial position as of December 31, 2023 and 2022 (Note 16).

Toll Service Agreement with Innospec Limited (Innospec). PFC entered into an agreement with Innospec, a leading global fuel additives supplier, in December 2006. Under the agreement, PFC shall be the exclusive toll blender of Innospec's fuel additives sold in the Asia-Pacific region consisting of the following territories: South Korea, China, Taiwan, Singapore, Cambodia, Japan and Malaysia.

PFC will provide the tolling services which include storage, blending, filing and logistics management. In consideration of these services, Innospec will pay PFC a service fee based on the total volume of products blended at PFC Fuel Additives Blending facility.

Tolling services started in 2008 on which PFC recognized revenue amounting to P76, P110 and P96 in 2023, 2022 and 2021, respectively.

Lease Agreements with Philippine National Oil Company (PNOC). On September 30, 2009, Petron through NVRC entered into a 30-year lease with PNOC without rent-free period, covering a property which it shall use as site for its refinery, commencing on January 1, 2010 and ending on December 31, 2039. Based on the latest available re-appraisal made, the annual rental shall be P191, starting 2017, payable on the 15th day of January each year without the necessity of demand. This non-cancellable lease is subject to renewal options and annual escalation clauses of 3% per annum to be applied starting 2018 until the next re-appraisal is conducted. The leased premises shall be reappraised every fifth year in which the new rental rate shall be determined equivalent to 5% of the reappraised value, and still subject to annual escalation clause of 3% for the four years following the re-appraisal. Also, as at December 31, 2023 and 2022, Petron leases other parcels of land from PNOC for its bulk plants and service stations (Note 39).

32. Basic and Diluted Earnings Per Share

Basic and diluted earnings per share amounts are computed as follows:

	2023	2022	2021
Net income attributable to equity holders of the Parent Company	**P9,241**	P5,727	P5,369
Dividends on preferred shares for the year	**(2,115)**	(1,044)	(1,899)
Distributions to the holders of capital securities	**(4,569)**	(4,545)	(3,037)
Net income attributable to common shareholders of the Parent Company (a)	**P2,557**	P138	P433
Weighted average number of common shares outstanding (in millions) (b)	**9,375**	9,375	9,375
Basic/diluted earnings per common share attributable to equity holders of the Parent Company (a/b)	**P0.27**	P0.01	P0.05

As of December 31, 2023, 2022 and 2021, the Parent Company has no potential dilutive debt or equity instruments.

33. Supplemental Cash Flow Information

Supplemental information with respect to the consolidated statements of cash flows is presented below:

a. Changes in noncash current assets, certain current liabilities and others are as follows (amounts reflect actual cash flows rather than increases or decreases of the accounts in the consolidated statements of financial position):

	2023	2022	2021
Decrease (increase) in assets:			
Trade and other receivables	**(P5,075)**	(P25,890)	(P24,308)
Inventories	**7,984**	(16,265)	(22,104)
Other assets	**(2,516)**	(4,915)	1,923
Increase (decrease) in liabilities:			
Liabilities for crude oil and petroleum products	**(5,696)**	(458)	17,929
Trade and other payables and others	**55**	9,146	(2,742)
	(5,248)	(38,382)	(29,302)
Additional allowance for (net reversal of) impairment of receivables, inventory decline and/or obsolescence, and others	**(9)**	74	(20)
	(P5,257)	(P38,308)	(P29,322)

b. Changes in liabilities arising from financing activities:

	Dividends Payable	**Lease Liabilities**	**Advances from a Related Party**	**Short-term Loans**	**Long-term Debt**	**Total**
Balance as of January 1, 2023	**P470**	**P15,094**	**P3,362**	**P137,886**	**P107,061**	**P263,873**
Changes from financing cash flows:						
Payment of principal	**-**	**(2,463)**	**-**	**-**	**-**	**(2,463)**
Proceeds from availment of loans/advances	**-**	**-**	**-**	**268,329**	**21,331**	**289,660**
Payments of loans	**-**	**-**	**-**	**(268,078)**	**(19,790)**	**(287,868)**
Dividends and distributions declared	**7,834**	**-**	**-**	**-**	**-**	**7,834**
Dividends and distributions paid	**(7,356)**	**-**	**-**	**-**	**-**	**(7,356)**
Total changes from financing cash flows	**478**	**(2,463)**	**-**	**251**	**1,541**	**(193)**
New leases	**-**	**2,234**	**-**	**-**	**-**	**2,234**
Interest expense	**-**	**1,510**	**-**	**-**	**-**	**1,510**
Interest paid	**-**	**(360)**	**-**	**-**	**-**	**(360)**
Effects of changes in foreign exchange rates	**-**	**(71)**	**-**	**(227)**	**(291)**	**(589)**
Other charges	**-**	**-**	**-**	**-**	**585**	**585**
Balance as of December 31, 2023	**P948**	**P15,944**	**P3,362**	**P137,910**	**P108,896**	**P267,060**

	Dividends Payable	Lease Liabilities	Advances from a Related Party	Short-term Loans	Long-term Debt	Total
Balance as of January 1, 2022	P829	P15,555	P -	P109,196	P102,645	P228,225
Changes from financing cash flows:						
Payment of principal	-	(2,347)	-	-	-	(2,347)
Proceeds from availment of loans/advances	-	-	3,362	325,620	44,953	373,935
Payments of loans	-	-	-	(298,315)	(44,339)	(342,654)
Dividends and distributions declared	5,768	-	-	-	-	5,768
Dividends and distributions paid	(6,127)	-	-	-	-	(6,127)
Total changes from financing cash flows	(359)	(2,347)	3,362	27,305	614	28,575
New leases	-	642	-	-	-	642
Interest expense	-	1,453	-	-	-	1,453
Interest paid	-	(336)	-	-	-	(336)
Effects of changes in foreign exchange rates	-	127	-	1,385	3,200	4,712
Other charges	-	-	-	-	602	602
Balance as of December 31, 2022	P470	P15,094	P3,362	P137,886	P107,061	P263,873

34. Financial Risk Management Objectives and Policies

The Group's principal financial instruments include cash and cash equivalents, equity securities, bank loans and derivative instruments. The main purpose of bank loans is to finance working capital relating to importation of crude and petroleum products, as well as to partly fund capital expenditures. The Group has other financial assets and liabilities such as trade and other receivables and trade and other payables, which are generated directly from its operations.

It is the Group's policy not to enter into derivative transactions for speculative purposes. The Group uses hedging instruments to protect its margin on its products from potential price volatility of crude oil and products. It also enters into forward currency and option contracts to hedge its currency exposure on crude oil importations and long-term dollar loan, respectively.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk, liquidity risk and commodity price risk. The BOD regularly reviews and approves the policies for managing these financial risks. Details of each of these risks are discussed below, together with the related risk management structure.

Risk Management Structure

The Group follows an enterprise-wide risk management framework for identifying, assessing and addressing the risk factors that affect or may affect its businesses.

The Group's risk management process is a bottom-up approach, with each risk owner mandated to conduct regular assessment of its risk profile and formulate action plans for managing identified risks. As the Group's operation is an integrated value chain, risks emanate from every process, while some could cut across groups. The results of these activities flow up to the Management Committee and, eventually, the BOD through the Group's annual business planning process.

Oversight and technical assistance is likewise provided by corporate units and committees with special duties. These groups and their functions are:

a. The Risk and Insurance Management Group, which is mandated with the overall coordination and development of the enterprise-wide risk management process.

b. The Treasurers Department, which is in charge of foreign currency hedging transactions.

c. The Transaction Management Unit of Controllers Department, which provides backroom support for all hedging transactions.

d. The Corporate Technical and Engineering Services Group, which oversees strict adherence to safety and environmental mandates across all facilities.

e. The Internal Audit Department, which has been tasked with the implementation of a risk-based auditing.

f. The Commodity Risk Management Department (CRMD), which sets new and updates existing hedging policies by the BOD, provides the strategic targets and recommends corporate hedging strategy to the Commodity Risk Management Committee and Steering Committee.

g. PSTPL executes the hedging transactions involving crude and product imports on behalf of the Group.

The BOD also created separate positions and board-level entities with explicit authority and responsibility in managing and monitoring risks, as follows:

a. The Audit Committee is responsible for overseeing the Senior Management in establishing and maintaining an adequate, effective and efficient internal control framework. It 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.

   The Internal Audit Department and the External Auditor directly report to the Audit Committee regarding the direction, scope and coordination of audit and any related activities.

b. The Risk Oversight Committee is responsible for the oversight of the enterprise risk management system of the Group to ensure its functionality and effectiveness.

c. The Compliance Officer, who is a senior officer of the Parent Company reports to the BOD chairperson. Among other functions, he monitors compliance with the provisions and requirements of the Corporate Governance Manual and relevant laws and regulations and determines any possible violations and recommends corresponding penalties, subject to review and approval of the BOD. The Compliance Officer identifies and monitors compliance risk. Lastly, the Compliance Officer represents the Group before the SEC regarding matters involving compliance with the Corporate Governance Manual and other relevant rules and regulations of the SEC.

Foreign Currency Risk

The Parent Company's functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The Group's exposures to foreign currency risk arise mainly from US dollar-denominated sales as well as purchases principally of crude oil and petroleum products. As a result of this, the Group maintains a level of US dollar-denominated assets and liabilities during the year. Foreign currency risk occurs due to differences in the levels of US dollar-denominated assets and liabilities.

In addition, starting March 31, 2012, the Group's exposure to foreign currency risks also arise from US dollar-denominated sales and purchases, principally of crude oil and petroleum products, of Petron Malaysia whose transactions are in Malaysian ringgit, which are subsequently converted into US dollar before ultimately translated to equivalent Philippine peso amount using applicable rates for the purpose of consolidation.

The Group pursues a policy of mitigating foreign currency risk by entering into hedging transactions or by substituting US dollar-denominated liabilities with peso-based debt. The natural hedge provided by US dollar-denominated assets is also factored in hedging decisions. As a matter of policy, currency hedging is limited to the extent of 100% of the underlying exposure.

The Group is allowed to engage in active risk management strategies for a portion of its foreign currency risk exposure. Loss limits are in place, monitored daily and regularly reviewed by management.

The Group assesses the existence of an economic relationship between the hedged item and the hedging instrument based on the currency, amount, and timing of their respective cash flows. For derivatives designated in a hedging relationship, the Group determines whether the derivatives are expected to be highly effective in offsetting the changes in the cash flows of the hedged item using the cumulative dollar-offset method. The dollar-offset method approximates the changes in the fair value of the hedged item using a hypothetical derivative which mirrors the terms of the derivative used as hedging instrument.

For currency hedges, the Group maintains a 1:1 hedge ratio since a similar amount of hedging instrument is expected to offset the changes in the cash flows of the hedged item. The main sources of ineffectiveness are:

a. the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in the exchange rates; and

b. changes in the timing of the hedged transactions.

The Group is exposed to foreign currency risk of its short-term loans and US dollar-denominated sales and purchases. On the other hand, both foreign currency and interest rate risks arise in the Group's long-term debts. The Group determined that foreign currency risk is a separately identifiable and measurable risk component eligible for designation since it is caused by fluctuations in US dollar to Philippine peso exchange rates and benchmark closing prices used to measure the fluctuations are available in the market.

Information on the Group’s US dollar-denominated financial assets and liabilities and their Philippine peso equivalents are as follows:

	2023		2022	
	US Dollar (in millions)	**Phil. Peso Equivalent**	US Dollar (in millions)	Phil. Peso Equivalent
Assets				
Cash and cash equivalents	**376**	**20,804**	566	31,576
Trade and other receivables	**752**	**41,644**	676	37,701
Other assets	**23**	**1,285**	25	1,383
	1,151	**63,733**	1,267	70,660
Liabilities				
Short-term loans	**223**	**12,366**	279	15,531
Liabilities for crude oil and petroleum products	**767**	**42,490**	844	47,122
Long-term debts (including current maturities)	**940**	**52,030**	691	38,521
Other liabilities	**116**	**6,425**	311	17,344
	2,046	**113,311**	2,125	118,518
Net foreign currency-denominated monetary liabilities	**(895)**	**(49,578)**	(858)	(47,858)

The Group incurred net foreign currency losses amounting to P509, P3,678 and P1,242 in 2023, 2022 and 2021, respectively (Note 26), which were mainly countered by marked-to-market and realized hedging gains (losses) (Note 26). The foreign currency rates from Philippine peso (PhP) to US dollar (US$) as of December 31 are shown in the following table:

	PHP to US$
December 31, 2023	**55.370**
December 31, 2022	55.755
December 31, 2021	50.999

Managing of foreign currency risk is also supplemented by monitoring the sensitivity of financial instruments to various foreign currency exchange rate scenarios. Foreign currency movements affect reported equity through the retained earnings and equity reserves arising from increases or decreases in unrealized and realized foreign currency gains or losses.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, to profit before tax and equity as of December 31, 2023 and 2022:

	P1 Decrease in the US Dollar Exchange Rate		**P1 Increase in the US Dollar Exchange Rate**	
2023	**Effect on Income before Income Tax**	**Effect on Equity**	**Effect on Income before Income Tax**	**Effect on Equity**
Cash and cash equivalents	**(P263)**	**(P310)**	**P263**	**P310**
Trade and other receivables	**(193)**	**(774)**	**193**	**774**
Other assets	**(10)**	**(21)**	**10**	**21**
	(466)	**(1,105)**	**466**	**1,105**
Short-term loans	**-**	**223**	**-**	**(223)**
Liabilities for crude oil and petroleum products	**289**	**984**	**(289)**	**(984)**
Long-term debts (including current maturities)	**940**	**705**	**(940)**	**(705)**
Other liabilities	**10**	**143**	**(10)**	**(143)**
	1,239	**2,055**	**(1,239)**	**(2,055)**
	P773	**P950**	**(P773)**	**(P950)**

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
2022	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P422)	(P461)	P422	P461
Trade and other receivables	(146)	(706)	146	706
Other assets	(17)	(21)	17	21
	(585)	(1,188)	585	1,188
Short-term loans	-	279	-	(279)
Liabilities for crude oil and petroleum products	449	1,196	(449)	(1,196)
Long-term debts (including current maturities)	691	518	(691)	(518)
Other liabilities	51	309	(51)	(309)
	1,191	2,302	(1,191)	(2,302)
	P606	P1,114	(P606)	(P1,114)

Exposures to foreign currency rates vary during the year depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group'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 Group to fair value interest rate risk. On the other hand, investments or borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest 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 charged by other creditor banks.

On the other hand, the Group's investment policy is to maintain an adequate yield to match or reduce the net interest cost from its borrowings prior to deployment of funds to their intended use in operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Group aims to reduce the impact of short-term volatility on earnings. Over the longer term, however, permanent changes in interest rates would have an impact on consolidated statements of income.

Managing interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios. Interest rate movements affect reported equity through the retained earnings arising from increases or decreases in interest income or interest expense as well as fair value changes reported consolidated statements of income, if any.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) and equity by P520 and P385 in 2023 and 2022, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect.

Interest Rate Risk Table. As of December 31, 2023 and 2022, the terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

2023	**<1 Year**	**1 - <2 Years**	**2 - <3 Years**	**3 - <4 Years**	**4 - <5 Years**	**>5 Years**	**Total**
Fixed Rate							
Philippine peso denominated	**P19,057**	**P22,425**	**P3,000**	**P13,750**	**P -**	**P -**	**P58,232**
Interest rate	**4.6% - 7.8%**	**3.4% - 8.1%**	**7.2% - 7.5%**	**4.3% - 7.5%**	**-**	**-**	**-**
Floating Rate							
US$ denominated (expressed in Php)	**5,292**	**14,143**	**15,923**	**12,363**	**1,780**	**-**	**49,501**
Interest rate*	**1, 3, 6 mos. SOFR + margin**	**1, 3, 6 mos. SOFR + margin**	**1, 3, 6 mos. SOFR + margin**	**1, 3, 6 mos. SOFR + margin**	**1, 3, 6 mos. SOFR + margin**		
JP¥ denominated (expressed in Php)	**1,686**	**843**	**-**	**-**	**-**	**-**	**2,529**
Interest rate*	**1, 3, 6 mos. TONA + margin**	**1, 3, 6 mos. TONA + margin**	**1, 3, 6 mos. TONA + margin**				
	P26,035	**P37,411**	**P18,923**	**P26,113**	**P1,780**	**P -**	**P110,262**

**The Parent Company reprices every month but has been given an option to reprice every 3 or 6 months.*

2022	<1 Year	1 - <2 Years	2 - <3 Years	3 - <4 Years	4 - <5 Years	>5 Years	Total
Fixed Rate							
Philippine peso denominated	P11,642	P19,057	P22,425	P3,000	P13,752	P -	P69,876
Interest rate	4.5% - 7.5%	4.6% - 7.8%	3.4% - 8.1%	7.2% - 7.5%	4.3% - 7.5%	-	-
Floating Rate							
US$ denominated (expressed in Php)	-	10,290	7,885	7,885	7,885	-	33,945
Interest rate*		1, 3, 6 mos. Libor/SOFR + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin	1, 3, 6 mos. SOFR + margin		
JP¥ denominated (expressed in Php)	1,830	1,830	915	-	-	-	4,575
Interest rate*	1, 3, 6 mos. TONA + margin	1, 3, 6 mos. TONA + margin	1, 3, 6 mos. TONA + margin				
	P13,472	P31,177	P31,225	P10,885	P21,637	P -	P108,396

**The Parent Company reprices every month but has been given an option to reprice every 3 or 6 months.*

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. In effectively managing credit risk, the Group regulates and extends credit only to qualified and credit-worthy customers and counterparties, consistent with established Group credit policies, guidelines and credit verification procedures. Requests for credit facilities from trade customers undergo stages of review by Trade Sales and Finance Divisions. Approvals, which are based on amounts of credit lines requested, are vested among line managers and top management that include the President and the Chairman.

Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown on the face of the consolidated statements of financial position or in the notes to the consolidated financial statements, as summarized below:

	Note	**2023**	2022
Cash in banks and cash equivalents	*5*	**P24,373**	P35,819
Derivative assets	*6*	**1,162**	1,438
Trade and other receivables - net	*7*	**86,479**	81,979
Noncurrent deposits	*14*	**124**	127
		P112,138	P119,363

Cash and Cash Equivalents, Derivative Assets and Noncurrent Deposits

Cash and cash equivalents, derivative assets and noncurrent deposits are held with counterparties with high external credit ratings. The credit quality of these financial assets is considered to be high grade. Impairment on cash and cash equivalents, derivative assets and noncurrent deposits has been measured on a 12-month ECL basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents, derivative assets and noncurrent deposits have low credit risk based on the external credit ratings of its counterparties.

Trade and Other Receivables and Long-term Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Details of concentration of revenue are included in Note 37.

Credit Quality. In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer’s nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

Class A “*High Grade*” are accounts with strong financial capacity and business performance and with the lowest default risk.

Class B “*Moderate Grade*” refers to accounts of satisfactory financial capability and credit standing but with some elements of risks where certain measure of control is necessary in order to mitigate risk of default.

Class C “*Low Grade*” are accounts with high probability of delinquency and default.

Below is the credit quality profile of the Group's trade accounts receivable as of December 31, 2023 and 2022:

	Trade Accounts Receivables Per Class			
	Class A	**Class B**	**Class C**	**Total**
December 31, 2023				
Retail	**P2,568**	**P2,635**	**P2,663**	**P7,866**
Lubes	**405**	**288**	**806**	**1,499**
Gasul	**947**	**339**	**156**	**1,442**
Industrial	**17,483**	**32**	**5,591**	**23,106**
Others	**11,783**	**7,524**	**6,085**	**25,392**
	P33,186	**P10,818**	**P15,301**	**P59,305**

	Trade Accounts Receivables Per Class			
	Class A	Class B	Class C	Total
December 31, 2022				
Retail	P1,701	P3,338	P1,052	P6,091
Lubes	630	196	59	885
Gasul	794	328	164	1,286
Industrial	21,581	2,891	5,693	30,165
Others	13,670	6,457	645	20,772
	P38,376	P13,210	P7,613	P59,199

Collaterals. To the extent practicable, the Group also requires collateral as security for a credit facility to mitigate credit risk in trade receivables (Note 7). Among the collaterals held are letters of credit, bank guarantees, real estate mortgages, cash bonds, cash deposits and corporate guarantees valued at P5, 669 and P5,416 as of December 31, 2023 and 2022, respectively. These securities may only be called on or applied upon default of customers.

Risk Concentration. The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous trade customers. The Group does not execute any credit guarantee in favor of any counterparty.

The table below presents the summary of the Group's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	2023				
	Financial Assets at Amortized Cost				
	12-month ECL	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Financial Assets at FVPL**	**Total**
Cash in banks and cash equivalents	**P24,373**	**P -**	**P -**	**P -**	**P24,373**
Trade and other receivables	**-**	**86,479**	**902**	**-**	**87,381**
Derivative assets not designated as cash flow hedge	**-**	**-**	**-**	**1,162**	**1,162**
Long-term receivables - net	**-**	**-**	**309**	**-**	**309**
Noncurrent deposits	**124**	**-**	**-**	**-**	**124**
	P24,497	**P86,479**	**P1,211**	**P1,162**	**P113,349**

	2022					
	Financial Assets at Amortized Cost					
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVPL	Financial Assets at FVOCI	Total
Cash in banks and cash equivalents	P35,819	P -	P -	P -	P -	P35,819
Trade and other receivables	-	81,979	926	-	-	82,905
Derivative assets not designated as cash flow hedge	-	-	-	1,257	-	1,257
Derivative assets designated as cash flow hedge	-	-	-	-	181	181
Long-term receivables - net	-	-	325	-	-	325
Noncurrent deposits	127	-	-	-	-	127
	P35,946	P81,979	P1,251	P1,257	P181	P120,614

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group's objectives in managing its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps or surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The Group also uses derivative instruments such as forwards and swaps to manage liquidity.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted payments used for liquidity management as of December 31, 2023 and 2022.

2023	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**>1 Year - 2 Years**	**>2 Years - 5 Years**	**Over 5 Years**
Financial Assets						
Cash and cash equivalents	**P27,519**	**P27,519**	**P27,519**	**P -**	**P -**	**P -**
Trade and other receivables	**86,479**	**86,479**	**86,479**	**-**	**-**	**-**
Derivative assets (including non-current portion)	**1,162**	**1,162**	**1,162**	**-**	**-**	**-**
Proprietary membership shares	**389**	**389**	**-**	**-**	**-**	**389**
Noncurrent deposits	**124**	**124**	**-**	**4**	**-**	**120**
Financial Liabilities						
Short-term loans	**137,910**	**139,785**	**139,785**	**-**	**-**	**-**
Liabilities for crude oil and petroleum products	**44,840**	**44,840**	**44,840**	**-**	**-**	**-**
Trade and other payables*	**12,008**	**12,008**	**11,904**	**-**	**104**	**-**
Derivative liabilities	**749**	**749**	**749**	**-**	**-**	**-**
Long-term debts (including current maturities)	**108,896**	**126,412**	**32,516**	**42,316**	**51,580**	**-**
Lease liability (including current portion)	**15,944**	**25,098**	**2,256**	**2,113**	**6,048**	**14,681**
Cash bonds	**439**	**439**	**-**	**424**	**15**	**-**
Cylinder deposits	**748**	**748**	**-**	**-**	**-**	**748**
Other noncurrent liabilities**	**56**	**56**	**-**	**18**	**27**	**11**

**excluding specific taxes and other taxes payable, retirement benefits liability, deferred income, advances from customers and others*

***excluding cash bonds and cylinder deposits*

2022	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P37,183	P37,183	P37,183	P -	P -	P -
Trade and other receivables	81,979	81,979	81,979	-	-	-
Derivative assets (including non-current portion)	1,438	1,438	1,401	37	-	-
Proprietary membership shares	352	352	352	-	-	-
Noncurrent deposits	127	127	-	-	-	127
Financial Liabilities						
Short-term loans	137,886	139,058	139,058	-	-	-
Liabilities for crude oil and petroleum products	51,067	51,067	51,067	-	-	-
Trade and other payables*	11,806	11,806	11,806	-	-	-
Derivative liabilities	723	723	723	-	-	-
Long-term debts (including current maturities)	107,061	125,710	20,123	35,913	69,674	-
Lease liability (including current portion)	15,094	24,534	2,138	2,015	5,486	14,895
Cash bonds	420	420	-	403	17	-
Cylinder deposits	736	736	-	-	-	736
Other noncurrent liabilities**	45	46	-	6	24	16

**excluding specific taxes and other taxes payable, retirement benefits liability, advances from customers, deferred income and others*
***excluding cash bonds and cylinder deposits*

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in market prices. The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For consumer (buy) hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost. While for producer (sell) hedges, if prices go down, hedge positions may show marked-to-market gains; however, any gain in the marked-to-market position is offset by the resulting lower selling price.

To minimize the Group's risk of potential losses due to volatility of international crude and product prices, the Group implemented commodity hedging for crude and petroleum products. The hedges are intended to protect crude inventories from risks of downward price and squeezed margins. Hedging policy (including the use of commodity price swaps, time-spreads, put options, collars and 3-way options) developed by the CRMD is in place. Decisions are guided by the conditions set and approved by the Group's management.

Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (FVPL and FVOCI). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management

The Group's capital management policies and programs aim to provide an optimal capital structure that would ensure the Group's ability to continue as a going concern while at the same time provide adequate returns to the shareholders. As such, it considers the best trade-off between risks associated with debt financing and relatively higher cost of equity funds.

An enterprise resource planning system is used to monitor and forecast the Group's overall financial position. The Group regularly updates its near-term and long-term financial projections to consider the latest available market data in order to preserve the desired capital structure. The Group may adjust the amount of dividends paid to shareholders, issue new shares as well as increase or decrease assets and/or liabilities, depending on the prevailing internal and external business conditions.

The Group monitors capital via carrying amount of equity as shown in the consolidated statements of financial position. The Group's capital for the covered reporting period is summarized below:

	2023	2022
Total assets	**P443,904**	P460,071
Total liabilities	**344,269**	346,521
Total equity	**99,635**	113,550
Debt to equity ratio	**3.5:1**	3.1:1
Assets to equity ratio	**4.5:1**	4.1:1

There were no changes in the Group's approach to capital management during the year.

The Group is not subject to externally-imposed capital requirements.

35. Financial Assets and Financial Liabilities

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments as of December 31:

		2023		2022	
	Note	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial assets (FA):					
Cash and cash equivalents	*5*	**P27,519**	**P27,519**	P37,183	P37,183
Trade and other receivables	*7*	**86,479**	**86,479**	81,979	81,979
Noncurrent deposits	*14*	**124**	**124**	127	127
FA at amortized cost		**114,122**	**114,122**	119,289	119,289
Derivative assets designated as cash flow hedge	*6*	**-**	**-**	181	181
FA at FVOCI		**-**	**-**	181	181
Proprietary membership shares	*6*	**389**	**389**	352	352
Derivative assets not designated as cash flow hedge	*6, 14*	**1,162**	**1,162**	1,257	1,257
FA at FVPL		**1,551**	**1,551**	1,609	1,609
Total financial assets		**P115,673**	**P115,673**	P121,079	P121,079

	Note	**2023** Carrying Amount	**2023** Fair Value	2022 Carrying Amount	2022 Fair Value
Financial liabilities (FL):					
Short-term loans	*15*	**P137,910**	**P137,910**	P137,886	P137,886
Liabilities for crude oil and petroleum products	*16*	**44,840**	**44,840**	51,067	51,067
Trade and other payables*	*17*	**12,008**	**12,008**	11,806	11,806
Long-term debt including current portion	*18*	**108,896**	**108,896**	107,061	107,061
Cash bonds	*20*	**439**	**439**	420	420
Cylinder deposits	*20*	**748**	**748**	736	736
Other noncurrent liabilities**	*20*	**56**	**56**	45	45
Other FL		**304,897**	**304,897**	309,021	309,021
Derivative liabilities not designated as cash flow hedge		**749**	**749**	723	723
Total financial liabilities		**P305,646**	**P305,646**	P309,744	P309,744

**excluding specific taxes and other taxes payable, retirement benefits liability, deferred income, advances from customers and others*
***excluding cash bonds, cylinder deposits and derivative liabilities*

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents and Trade and Other Receivables. The carrying amount of cash and cash equivalents and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments.

Derivatives. The fair values of freestanding and bifurcated forward currency transactions are calculated by reference to current forward exchange rates for contracts with similar maturity profiles. Marked-to-market valuation of commodity hedges are based on forecasted crude and product prices by third parties. The fair values of derivative instruments designated as cash flow hedges are computed by discounting the future cash flows and using the valuation model based on applicable market rates of similar instruments.

Financial Assets at FVPL. The fair values of publicly traded instruments and similar investments are based on published market prices.

Long-term Debt - Floating Rate. The carrying amount of floating rate loans with quarterly interest rate repricing approximate their fair value.

Cash Bonds, Cylinder Deposits and Other Noncurrent Liabilities. Fair value is estimated as the present value of all future cash flows discounted using the applicable market rates for similar types of instruments as of reporting date. Effective rates used in 2023 and 2022 are 9.39% and 7.54%, respectively.

Short-term Loans, Liabilities for Crude Oil and Petroleum Products and Trade and Other Payables. The carrying amount of short-term loans, liabilities for crude oil and petroleum products and trade and other payables approximates fair value due to the relatively short-term maturities of these financial instruments.

Derivative Financial Instruments

The Group’s derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments that are categorized into those accounted for as cash flow hedges and those that are not designated as accounting hedges are discussed below.

The Group enters into various foreign currency, interest rate and commodity derivative contracts to manage its exposure on foreign currency, interest rate and commodity price risks. The portfolio is a mixture of instruments including forwards, swaps and options.

<u>Derivative Instruments Accounted for as Cash Flow Hedges</u>
The Group designated the following derivative financial instruments as cash flow hedges (Note 34).

	Maturity		
December 31, 2022	1 Year or Less	> 1 Year - 2 Years	Total
Foreign Currency and Interest Rate Risk			
Cross Currency Swap			
Notional amount	US$20	US$10	US$30
Average strike rate	P47.00 to P56.50	P47.00 to P56.50	-
Fixed interest rate	4.19% to 5.75%	4.19% to 5.75%	-
Interest Rate Risk			
Interest Rate Collar			
Notional amount	US$30	US$15	US$45
Interest rate	0.44% to 1.99%	0.44% to 1.99% -	

The table below summarizes the amounts pertaining to the designated hedged item.

December 31, 2022	Change in Fair Value Used for Measuring Hedge Ineffectiveness	Hedging Reserve	Cost of Hedging Reserve
Foreign Currency and Interest Rate Risks			
US dollar-denominated loan	(118)	20	(17)
Interest Rate Risks			
US dollar-denominated loan	(63)	47	-

There are no balances remaining in the hedging reserve from hedging relationship for which hedge accounting is no longer applied.

The table below summarizes the amounts pertaining to the designated hedging instrument as of December 31, 2023 and 2022.

December 31, 2023	**Notional Amount**	**Carrying Amount**		**Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included**	**Changes in the Fair Value of the Hedging Instrument Recognized in OCI**	**Cost of Hedging Recognized in OCI**	**Amount Reclassified from Hedging Reserve to Profit or Loss**	**Amount Reclassified from Cost of Hedging Reserve to Profit or Loss**	**Line Item in the Consolidated Statement of Income Affected by the Reclassification**
		Assets	**Liabilities**						
Foreign Currency and Interest Rate Risks									
Cross currency swap	**US$ -**	**P -**	**P -**	**Other noncurrent assets, Derivative liabilities, Other noncurrent liabilities**	**P -**	**P31**	**P -**	**(P9)**	**Interest expense and other financing charges, Other income (expenses) - net**
Interest Rate Risk					**-**	**21**	**-**	**(21)**	
Interest rate collar	**-**	**-**	**-**	**Derivative liabilities, Other noncurrent assets**					**Interest expense and other financing charges**

December 31, 2022	Notional Amount	Carrying Amount		Line Item in the Consolidated Statement of Financial Position where the Hedging Instrument is Included	Changes in the Fair Value of the Hedging Instrument Recognized in OCI	Cost of Hedging Recognized in OCI	Amount Reclassified from Hedging Reserve to Profit or Loss	Amount Reclassified from Cost of Hedging Reserve to Profit or Loss	Line Item in the Consolidated Statement of Income Affected by the Reclassification
		Assets	Liabilities						
Foreign Currency Risk									
Call spread swaps	US$ -	P -	P -	Financial assets at FVPL, Derivative liabilities	P -	(P20)	P -	P13	Other income (expenses) - net
Foreign Currency and Interest Rate Risks									
Cross currency swap	30	118	-	Other noncurrent assets, Derivative liabilities, Other noncurrent liabilities	118	(161)	(171)	51	Interest expense and other financing charges, Other income (expenses) - net
Interest Rate Risk									
Interest rate collar	45	63	-	Derivative liabilities, Other noncurrent assets	63	17	-	(17)	Interest expense and other financing charges

No hedging ineffectiveness was recognized in the 2023 and 2022 consolidated statements of income.

The table below provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

	December 31, 2023		December 31, 2022	
	Hedging Reserve	**Cost of Hedging Reserve**	Hedging Reserve	Cost of Hedging Reserve
Balance at beginning of year	**P67**	**(P17)**	(P75)	P71
Changes in fair value:				
Foreign currency risk	**-**	**-**	-	(20)
Foreign currency risk and interest rate risk	**(28)**	**31**	294	(161)
Interest rate risk	**(62)**	**21**	67	17
Amount reclassified to profit or loss:				
Foreign currency risk	**-**	**-**	-	13
Foreign currency risk and interest rate risk	**-**	**(9)**	(171)	51
Interest rate risk	**-**	**(21)**	-	(17)
Income tax effect	**23**	**(5)**	(48)	29
Balance at end of year	**P -**	**P -**	P67	(P17)

Derivative Instruments not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

Cross Currency Swaps. As of December 31, 2023, the Group has an outstanding cross currency swap with notional amount of $10 million and net fair value of P34 in 2023 and nil in 2022.

Interest Rate Collar. As of December 31, 2023, the Group has an outstanding interest rate collar with notional amount of $15 million and net fair value of P12 in 2023 and nil in 2022.

Freestanding Derivatives

Freestanding derivatives consist of interest rate, foreign currency and commodity derivatives entered into by the Group.

Currency Forwards. As of December 31, 2023 and 2022, the Group has outstanding foreign currency forward contracts with aggregate notional amount of US$913 million and US$894 million, respectively, and with various maturities in 2024. As of December 31, 2023 and 2022, the net fair value of these currency forwards amounted to (P371) and P28, respectively.

Commodity Swaps. The Group has outstanding swap agreements covering its oil requirements, with various maturities in 2025 and 2024. Under the agreements, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. Total outstanding equivalent notional quantity covered by the commodity swaps were 51.1 million barrels and 31.4 million barrels for 2023 and 2022, respectively. The estimated net receipts for these transactions amounted to P738 and P506 as of December 31, 2023 and 2022, respectively.

Commodity Options. As of December 31, 2023 and 2022, the Group has no outstanding 3-way options entered as hedge of forecasted purchases of crude oil.

The call and put options can be exercised at various calculation dates with specified quantities on each calculation date.

Embedded Derivatives
Embedded foreign currency derivatives exist in certain US dollar-denominated sales and purchases contracts for various fuel products of the Parent Company. Under the sales and purchase contracts, the peso equivalent is determined using the average Philippine Dealing System rate on the month preceding the month of delivery.

As of December 31, 2023 and 2022, the total outstanding notional amount of currency forwards embedded in non-financial contracts is minimal. These non-financial contracts consist mainly of foreign currency-denominated service contracts, purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. As of December 31, 2023 and 2022, the net fair value of these embedded currency forwards is minimal.

For the years ended December 31, 2023, 2022 and 2021, the Group recognized marked-to-market gains (losses) from freestanding and embedded derivatives amounting to (P133), P4,673 and P315, respectively (Note 26).

Fair Value Changes on Derivatives not Designated as Cash Flow Hedge
The net movements in the fair value of derivative transactions in 2023 and 2022 are as follows:

	Note	**2023**	2022
Fair value at beginning of year		**P534**	(P219)
Net changes in fair value during the year	*26*	**(133)**	4,673
Fair value of settled instruments		**12**	(3,920)
Fair value at end of year		**P413**	P534

Fair Value Hierarchy
Financial assets and liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

The table below analyzes financial instruments carried at fair value, by valuation method as of December 31, 2023 and 2022. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability are not based on observable market data.

	2023	2022
	Level 2	Level 2
Financial Assets		
FVPL	**P389**	P352
Derivative assets	**1,162**	1,438
Financial Liabilities		
Derivative liabilities	**(749)**	(723)

The Group has no financial instruments valued based on Level 1 and Level 3 as of December 31, 2023 and 2022. During the year, there were no transfers between and into and out of Level 1 and Level 2 fair value measurements.

36. Registration with the Authority of the Freeport Area of Bataan (AFAB)

In December 2021, the Petron Bataan Refinery (PBR) renewed its registration with the AFAB as a registered enterprise. The registration shall be valid and in effect as long as the registered enterprise remains in good standing or until revoked or cancelled. As a registered domestic market enterprise engaged in the oil refinery facility as its registered business activity, PBR, under Sec. 311 of Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, is granted duty-free importation of merchandise, including capital equipment, raw materials, spare parts, and accessories, subject to compliance with conditions specified under the CREATE Act. Meanwhile, pursuant to Section 295(G) of the Tax Code, as amended by the CREATE Act, PBR's crude oil importations are exempt from duties and taxes, while applicable taxes are paid upon withdrawal of finished products sourced from the crude oil importation.

37. Segment Information

Management identifies segments based on business and geographic locations. These operating segments are monitored and strategic decisions are made on the basis of adjusted segment operating results. The CEO (the chief operating decision maker) reviews management reports on a regular basis.

The Group's major sources of revenues are as follows:

a. Sales of petroleum and other related products which include gasoline, diesel and kerosene offered to motorists and public transport operators through its service station network around the country.

b. Insurance premiums from the business and operation of all kinds of insurance and reinsurance, on sea as well as on land, of properties, goods and merchandise, of transportation or conveyance, against fire, earthquake, marine perils, accidents and all others forms and lines of insurance authorized by law, except life insurance.

c. Lease of acquired real estate properties and equipment for petroleum, refining, storage and distribution facilities, gasoline service stations and other related structures.

d. Sales on wholesale or retail and operation of service stations, retail outlets, restaurants, convenience stores and the like.

e. Export sales of various petroleum and non-fuel products to other countries such as China, Taiwan, Malaysia, South Korea, Singapore, Japan, Indonesia, and India.

Revenues are mainly derived from the sale of petroleum products to retail and commercial customers in various geographical locations.

The Group has no significant remaining performance obligations as it mainly recognized revenues in amounts that correspond directly to the value of completed performance obligations.

Segment Assets and Liabilities
Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, inventories and property, plant and equipment, net of allowances and impairment. Segment liabilities include all operating liabilities and consist principally of accounts payable, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

Inter-segment Transactions
Segment revenues, expenses and performance include sales and purchases between operating segments. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Such transfers are eliminated in consolidation.

Major Customer
The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenue of the Group.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of and for the years ended December 31, 2023, 2022 and 2021.

	Petroleum	Insurance***	Leasing**	Marketing	Elimination/ Others**	Total
2023						
Revenue:						
External sales	**P798,032**	**P -**	**P1,158**	**P1,143**	**P694**	**P801,027**
Inter-segment sales	**326,025**	**-**	**395**	**-**	**(326,420)**	**-**
Operating income	**30,494**	**-**	**227**	**11**	**(11)**	**30,721**
Net income	**11,928**	**-**	**133**	**20**	**(1,947)**	**10,134**
Assets and liabilities:						
Segment assets*	**493,662**	**-**	**10,025**	**673**	**(61,646)**	**442,714**
Segment liabilities*	**365,248**	**-**	**4,573**	**138**	**(30,122)**	**339,837**
Other segment information:						
Property, plant and equipment	**163,010**	**-**	**-**	**83**	**2,953**	**166,046**
Depreciation	**12,977**	**-**	**85**	**13**	**(45)**	**13,030**
Interest expense	**19,228**	**-**	**282**	**2**	**(417)**	**19,095**
Interest income	**1,290**	**-**	**231**	**15**	**(252)**	**1,284**
Income tax expense	**2,967**	**-**	**42**	**8**	**(13)**	**3,004**

**excluding deferred tax assets and liabilities*
***revenues from the use of loaned equipment are presented as part of "Leasing" while revenues from provisions of technical support are presented as part of "Others".*
****Ovincor was reclassified to "Others" from "Insurance" following the deconsolidation of Petrogen*

	Petroleum	Insurance***	Leasing**	Marketing	Elimination/ Others**	Total
2022						
Revenue:						
External sales	P854,712	P -	P1,173	P1,221	P532	P857,638
Inter-segment sales	378,045	-	397	-	(378,442)	-
Operating income	18,898	-	242	42	31	19,213
Net income	8,513	-	137	42	(1,995)	6,697
Assets and liabilities:						
Segment assets*	517,953	-	9,959	644	(70,297)	458,259
Segment liabilities*	376,728	-	4,646	131	(38,585)	342,920
Other segment information:						
Property, plant and equipment	168,999	-	-	90	1,064	170,153
Depreciation	11,941	-	85	14	(164)	11,876
Interest expense	13,240	-	292	2	(440)	13,094
Interest income	965	-	229	5	(301)	898
Income tax expense	1,364	-	41	8	(9)	1,404

**excluding deferred tax assets and liabilities*
***revenues from the use of loaned equipment are presented as part of "Leasing" while revenues from provisions of technical support are presented as part of "Others".*
****Ovincor was reclassified to "Others" from "Insurance" following the deconsolidation of Petrogen*

	Petroleum	Insurance	Leasing**	Marketing	Elimination/ Others**	Total
2021						
Revenue:						
External sales	P435,582	P -	P1,153	P906	P416	P438,057
Inter-segment sales	175,205	125	395	-	(175,725)	-
Operating income	16,860	112	240	48	(45)	17,215
Net income	7,749	116	159	48	(1,936)	6,136
Assets and liabilities:						
Segment assets*	457,506	2,891	10,032	612	(65,793)	405,248
Segment liabilities*	318,567	977	4,863	142	(31,826)	292,723
Other segment information:						
Property, plant and equipment	171,029	-	-	93	480	171,602
Depreciation	9,930	-	85	16	(183)	9,848
Interest expense	10,149	-	300	2	(443)	10,008
Interest income	653	4	230	2	(325)	564
Income tax expense	1,141	3	8	7	2	1,161

**excluding deferred tax assets and liabilities*
***revenues from the use of loaned equipment are presented as part of "Leasing" while revenues from provisions of technical support are presented as part of "Others".*

Inter-segment sales transactions amounted to P326,420, P378,442 and P175,725 for the years ended December 31, 2023, 2022 and 2021, respectively.

The following table presents additional information on the petroleum business segment of the Group as of and for the years ended December 31, 2023, 2022 and 2021:

	Retail	Lube	Gasul	Industrial	Others*	Total
2023						
Revenue	**P367,013**	**P6,462**	**P33,267**	**P146,980**	**P244,310**	**P798,032**
Property, plant and equipment	**7,880**	**62**	**138**	**62**	**154,868**	**163,010**
Capital expenditures	**1,237**	**34**	**10**	**40**	**3,645**	**4,966**
2022						
Revenue	395,183	6,403	33,126	156,307	263,693	854,712
Property, plant and equipment	7,920	27	149	23	160,880	168,999
Capital expenditures	1,170	4	-	1	12,360	13,535
2021						
Revenue	206,337	5,318	24,947	71,354	127,626	435,582
Property, plant and equipment	7,943	32	217	9	162,828	171,029
Capital expenditures	1,363	4	22	1	14,433	15,823

**revenues from consumer loyalty program are presented as part of "Others"*

Geographical Segments

The following table presents segment assets of the Group as of December 31, 2023 and 2022.

	2023	2022
Local	**P338,268**	P349,713
International	**104,446**	108,546
	P442,714	P458,259

Disaggregation of Revenue

The following table shows the disaggregation of revenue by geographical segments and the reconciliation of the disaggregated revenue with the Group's business segments for the years ended December 31, 2023, 2022 and 2021.

	Petroleum	Insurance	Leasing*	Marketing	Elimination/ Others*	Total
2023						
Local	**P411,588**	**P -**	**P1,553**	**P1,143**	**(P1,109)**	**P413,175**
Export/international	**712,469**	**-**	**-**	**-**	**(324,617)**	**387,852**
2022						
Local	412,845	-	1,570	1,221	(2,893)	412,743
Export/international	819,912	-	-	-	(375,017)	444,895
2021						
Local	221,676	4	1,548	906	(912)	223,222
Export/international	390,111	121	-	-	(175,397)	214,835

**revenues from the use of loaned equipment are presented as part of "Leasing" while revenues from provisions of technical support are presented as part of "Others".*

38. Events After the Reporting Date

a. On February 12, 2024, the Parent Company paid distributions amounting to US$906 thousand (P51) to the holders of the US$100 million RPS.

b. On March 5, 2024, the BOD of the Parent Company approved the declaration of P0.10/share cash dividends to common stockholders to be paid on April 4, 2024.

39. Other Matters

a. Lease Agreements with PNOC

On October 20, 2017, Petron filed with the Regional Trial Court (RTC) of Mandaluyong City a complaint against the PNOC for the reconveyance of the various landholdings it conveyed to PNOC in 1993 as a result of the government-mandated privatization of the Parent Company.

The subject landholdings consist of the refinery lots in Limay, Bataan, 23 bulk plant sites and 66 service station lots located in different parts of the country. The Deeds of Conveyance covering the landholdings provide that the transfer of these lots to PNOC was without prejudice to the continued long-term use by Petron of the conveyed lots for its business operation. Thus, PNOC and the Parent Company executed three lease agreements covering the refinery lots, the bulk plants, and the service station sites, all with an initial lease term of 25 years which expired in August 2018, with a provision for automatic renewal for another 25 years. In 2009, the Parent Company, through its realty subsidiary, NVRC, had an early renewal of the lease agreement for the refinery lots with an initial lease term of 30 years, renewable for another 25 years.

The complaint alleges that PNOC committed a fundamental breach of the lease agreements when it refused to honor both the automatic renewal clause in the lease agreements for the bulk plants and the service station sites and the renewed lease agreement for the refinery lots on the alleged ground that all such lease agreements were grossly disadvantageous to PNOC, a government-owned-and-controlled corporation.

On December 11, 2017, the trial court granted Parent Company's prayer for a writ of preliminary injunction, enjoining PNOC from committing any act aimed at ousting the Parent Company from possession of the subject properties until the case is decided.

The court-mandated mediation in 2018 and the judicial dispute resolution proceedings before the court in 2019 were likewise terminated, after the parties failed to agree to a settlement. Without prejudice to any further discussion between the parties regarding settlement, the case was remanded to the trial court for trial proper, with the pre-trial held on September 10, 2019. The Parent Company also filed a motion for summary judgment on May 17, 2019. In a resolution dated November 13, 2019, the trial court granted the Parent Company's motion for summary judgment and ordered: (i) the rescission of the Deeds of Conveyance dated 1993 relating to the Parent Company's conveyance of such leased premises to PNOC pursuant to a property dividend declaration in 1993, (ii) the reconveyance by PNOC to the Parent Company of all such properties, and (iii) the payment by the Parent Company to PNOC of the amount of P143, with legal interest from 1993, representing the book value of the litigated properties at the time of the property dividend declaration. PNOC filed a motion for reconsideration. The Parent Company also filed a motion for partial reconsideration seeking a modification of the judgment to include an order directing PNOC to return to the Parent Company all lease payments the latter had paid to PNOC since 1993.

Following the trial court's denial of their separate motions for reconsideration, both PNOC and the Parent Company filed their respective notices of appeal with the trial court. In a decision dated December 13, 2021, the Court of Appeals dismissed both appeals of the Parent Company and PNOC and affirmed the resolution of the trial court as described above. The Court of Appeals upheld Parent Company's position that PNOC committed a substantial breach of its contractual obligation under the lease agreements when it dishonored the automatic renewal clause in the lease agreements and threatened to terminate Parent Company's lease thereby depriving Parent Company a long-term lease consistent with its business requirements, which was the primordial consideration in the Deeds of Conveyance. The Court of Appeals ruled, however, that, consistent with jurisprudence, while rescission repeals the contract from its inception, it does not disregard all the consequences that the contract has created and that it was therefore only proper that the Parent Company paid PNOC the rentals for the use and enjoyment of the properties which PNOC could have enjoyed by virtue of the Deeds of Conveyance were it not for the lease agreements. On January 11, 2022, the Parent Company filed its motion for reconsideration insofar as the decision dismissed the Parent Company's appeal to return the lease payments made by it to PNOC. PNOC also filed its own motion for reconsideration. In a resolution promulgated on October 6, 2022, the Court of Appeals denied the respective motions for reconsideration of the Parent Company and PNOC. In consideration of the possible delay in the final resolution of the case if the Parent Company were to proceed with the filing of a petition for review with the Supreme Court on the issue of rental payments it seeks to recover and the decision in favor of the Parent Company on the rescission of the Deeds of Conveyance and the reconveyance to it of the properties that has been affirmed by the Court of Appeals, the Parent Company has decided to no longer pursue a petition for review with the Supreme Court. The PNOC filed a petition for review on certiorari with the Supreme Court in December 2022. On November 30, 2023, the Parent Company received a copy of the Supreme Court's resolution dated July 25, 2023, denying PNOC's petition for review on certiorari, on the ground that PNOC failed to sufficiently show that the Court of Appeals committed any reversible error in the challenged decision and resolution as to warrant the Supreme Court's exercise of its discretionary appellate jurisdiction. On December 6, 2023, the Parent Company received a copy of PNOC's motion for reconsideration of the Supreme Court's resolution, coupled with motion to refer the case to the Supreme Court en banc citing, among others, the involvement of prime vital government assets. As of December 31, 2023, the Parent Company had yet to receive from the Supreme Court any notice on its action on PNOC's motions for reconsideration and referral of the case to the Supreme Court en banc.

b. Oil Spill Incident in Guimaras

On August 11, 2006, MT Solar I, a third party vessel contracted by the Parent Company to transport approximately two million liters of industrial fuel oil, sank 13 nautical miles southwest of Guimaras, an island province in the Western Visayas region of the Philippines. In separate investigations by the Philippine Department of Justice (DOJ) and the Special Board of Marine Inquiry (SBMI), both agencies found the owners of MT Solar I liable. The DOJ found the Parent company not criminally liable, but the SBMI found the Parent company to have overloaded the vessel. Parent Company has appealed the findings of the SBMI to the Department of Transportation (DOTr) and is awaiting its resolution. Parent Company believes that SBMI can impose administrative penalties on vessel owners and crew, but has no authority to penalize other parties, such as the Parent Company, which are charterers.

Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed with the RTC of Guimaras by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims amounted to P292. The cases were pending as at December 31, 2023. In the course of plaintiffs' presentation of evidence, they moved for trial by commissioner, which was denied by the trial court. The plaintiffs elevated the matter by way of a petition for certiorari to the Court of Appeals in Cebu City. On January 9, 2020, the CA issued a Resolution granting plaintiffs' motion for reconsideration of the earlier resolution denying their petition and ordering the Parent Company to file its comment on plaintiffs' petition within 10 days. On February 6, 2020, the Parent Company filed a motion for reconsideration of said Resolution which remains pending to date. In the meantime, proceedings before the trial court continues. Less than 200 of the plaintiffs have testified so far. As of December 31, 2023 and 2022, the Group has not set up any provision related to this case because while the case is still pending, the Parent Company believes the resolution will be in its favor.

c. Other Proceedings

   The Group is also a party to certain other proceedings arising out of the ordinary course of its business, including legal proceedings with respect to tax, regulatory and other matters. While the results of litigation cannot be predicted with certainty, management believes that the final outcome of these other proceedings will not have a material adverse effect on the Group's business financial condition or results of operations.

d. The Group has unused letters of credit totaling approximately P35,445 and P44,127 as of December 31, 2023 and 2022, respectively.

PETRON CORPORATION AND SUBSIDIARIES
INDEX TO SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2023

[(a)]Balance of Financial Assets at Fair Value Through Profit or Loss is less than 5% of total current assets.
[(b)]Balance of account is less than 1% of the total assets of the Group and no individually significant advances over P100,000.

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Petron Corporation
SMC Head Office Complex
40 San Miguel Avenue
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Petron Corporation and Subsidiaries (the "Group") as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 22, 2024.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following schedules are the responsibility of the Group's management:

- Supplementary Schedules of Annex 68-J
- Map of the Conglomerate

These supplementary information are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not required parts of the consolidated financial statements. Such supplementary information have been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

ROHANIE C. GALICIA
Partner
CPA License No. 0118706
Tax Identification No. 249-773-914
BIR Accreditation No. 08-001987-044-2021
Issued September 2, 2021; valid until September 1, 2024
PTR No. MKT 10075180
Issued January 2, 2024 at Makati City

March 22, 2024
Makati City, Metro Manila

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Petron Corporation
SMC Head Office Complex
40 San Miguel Avenue
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Petron Corporation and Subsidiaries (the "Group") as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 22, 2024. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas and calculations, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

R.G. MANABAT & CO.

Rohanie C. Galicia

ROHANIE C. GALICIA
Partner
CPA License No. 0118706
Tax Identification No. 249-773-914
BIR Accreditation No. 08-001987-044-2021
Issued September 2, 2021; valid until September 1, 2024
PTR No. MKT 10075180
Issued January 2, 2024 at Makati City

March 22, 2024
Makati City, Metro Manila

PETRON CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2023
(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS COLLECTED/ CREDIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
Petron Corporation	P 6,385	P 33,814	P (34,450)	P -	P 5,749	P 4,229	P 1,520	P 5,749
Overseas Ventures Insurance Corporation Ltd.	559	-	(4)	-	555	555	-	555
Petrogen Insurance Corporation	-	-	-	-	-	-	-	-
Petron Freeport Corporation	29	382	(312)	-	99	99	-	99
Petron Singapore Trading Pte., Ltd.	28,311	316,184	(326,286)	-	18,209	18,209	-	18,209
Petron Marketing Corporation	20	-	-	-	20	20	-	20
New Ventures Realty Corporation and Subsidiaries	249	48	(44)	-	253	78	175	253
Mema Holdings Inc.	31	2,120	(516)	-	1,635	1,007	628	1,635
Petron Global Limited	-	-	-	-	-	-	-	-
Petron Finance (Labuan) Limited	-	-	-	-	-	-	-	-
Petron Oil And Gas Mauritius Ltd. and Subsidiaries	-	-	-	-	-	-	-	-
Petrochemical Asia (Hk) Limited and Subsidiaries	84	-	(9)	-	75	75	-	75
TOTAL	**P 35,668**	**P 352,548**	**P (361,621)**	**P -**	**P 26,595**	**P 24,272**	**P 2,323**	**P 26,595**

PETRON CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2023
(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMTS PAID/ DEBIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
Petron Corporation	P 26,585	P 328,010	P (335,096)	P -	P 19,499	P 18,696	P 803	P 19,499
Overseas Ventures Insurance Corporation Ltd.	-	-	-	-	-	-	-	-
Petron Freeport Corporation	79	1	16	-	96	96	-	96
Petron Singapore Trading Pte., Ltd.	1,468	24,419	(23,087)	-	2,800	2,800	-	2,800
Petron Marketing Corporation	-	-	-	-	-	-	-	-
New Ventures Realty Corporation and Subsidiaries	1,875	33	(71)	-	1,837	317	1,520	1,837
Mema Holdings Inc.	915	4	(899)	-	20	20	-	20
Petron Global Limited	-	-	-	-	-	-	-	-
Petron Finance (Labuan) Limited	-	2	-	-	2	2	-	2
Petron Oil And Gas Mauritius Ltd. and Subsidiaries	4,746	79	(2,484)	-	2,341	2,341	-	2,341
Petrochemical Asia (Hk) Limited and Subsidiaries	-	-	-	-	-	-	-	-
TOTAL	**P 35,668**	**P 352,548**	**P (361,621)**	**P -**	**P 26,595**	**P 24,272**	**P 2,323**	**P 26,595**

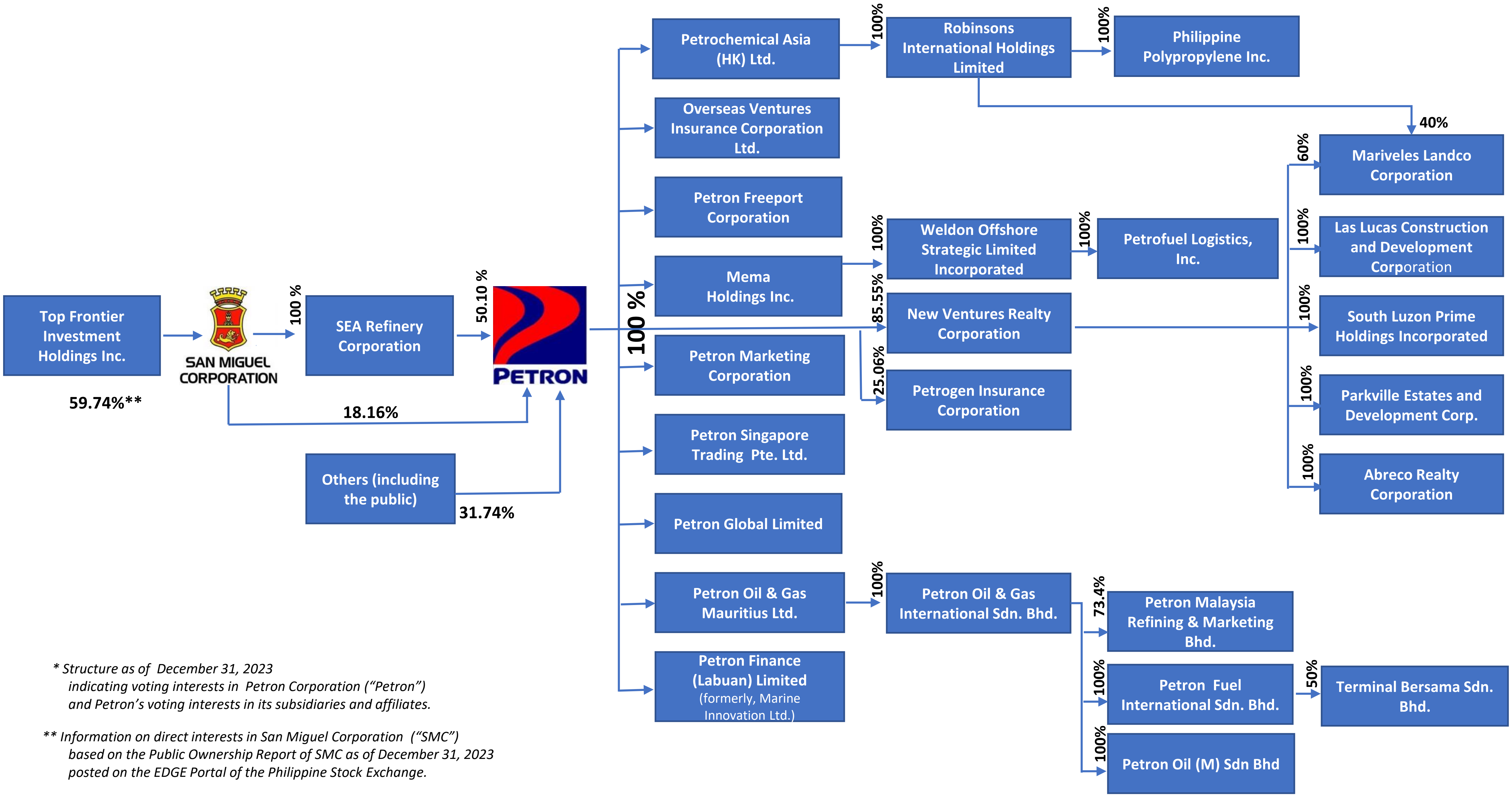
PETRON CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2023
(Amounts in Millions)

TITLE OF ISSUE	AGENT / LENDER		Outstanding Balance		Amount Shown as Current		Current and Long-term	INTEREST RATES	Number of Periodic Installments	Final Maturity
Unsecured term notes and bonds:										
Peso denominated:										
Fixed	BDO Unibank, Inc.		1,607		1,606		1,606	5.5276%	Amortized quarterly for 7 years	July 2024
Fixed	Bank of the Philippine Islands		1,875		1,247		1,872	4.5900%	12-month grace period; amortized in 16 quarterly payments	April 2025
Fixed	China Banking Corporation		5,000		492		4,975	7.1663%	2-year grace period; amortized in 7 semi-annual payments	May 2027
Fixed	Banco De Oro		4,375		1,241		4,355	7.4206%	Amortized quarterly for 5 years	June 2027
Fixed	Landbank of the Philippines		4,375		1,241		4,355	7.5496%	15-month grace period; amortized in 16 quarterly payments	June 2027
Fixed	China Banking Corporation		2,375		-		2,365	6.4920%	Bullet	September 2025
Fixed	China Banking Corporation		625		-		622	6.8672%	Bullet	September 2025
Fixed	Philippine Depository and Trust Corporation		9,000		-		8,945	3.4408%	Bullet	October 2025
Fixed	Philippine Depository and Trust Corporation		9,000		-		8,924	4.3368%	Bullet	October 2027
Fixed	Philippine Depository and Trust Corporation		13,200		13,174		13,174	7.8183%	Bullet	April 2024
Fixed	Philippine Depository and Trust Corporation		6,800		-		6,774	8.0551%	Bullet	October 2025
			58,232		19,001		57,967			
Foreign currency - denominated										
Floating	Standard Chartered Bank (Hongkong) Limited		37,043		4,971		36,245	SOFR	2-year grace period; amortized in 7 semi-annual payments	November 2027
Floating	MUFG Bank, Ltd., Hong Kong		12,458		-		12,172	SOFR	2-year grace period; amortized in 7 semi-annual payments	March 2028
Floating	Sumitomo Mitsui Banking Corp.		2,529		1,670		2,512	TONA	2-year grace period; amortized in 7 semi-annual payments	March 2025
			52,030		6,641		50,929			
Total Long-term Debt		**P**	**110,262**	**P**	**25,642**	**P**	**108,896**			
			-		-		-			

PETRON CORPORATION AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2023

Title of Issue	Number of Shares Authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors and executive officers	Others
Common stock	9,375,104,497	9,375,104,497	Not applicable	6,858,912,221	2,266,982	2,513,925,294
Preferred stock	624,895,503					
Series 3A Preferred		13,403,000	Not applicable	-	1,200	13,401,800
Series 3B Preferred		6,597,000	Not applicable	-	20,300	6,576,700
Series 4A Preferred		5,000,000	Not applicable	-	1,000	4,999,000
Series 4B Preferred		2,995,000	Not applicable	-	3,500	2,991,500
Series 4C Preferred		6,005,000	Not applicable	-	7,500	5,997,500

PETRON GROUP STRUCTURE



** Structure as of December 31, 2023 indicating voting interests in Petron Corporation ("Petron") and Petron's voting interests in its subsidiaries and affiliates.*

*** Information on direct interests in San Miguel Corporation ("SMC") based on the Public Ownership Report of SMC as of December 31, 2023 posted on the EDGE Portal of the Philippine Stock Exchange.*

PETRON CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

Financial Ratios	Formula	**December 31, 2023**	December 31, 2022
Liquidity			
a) Current Ratio	Current Assets / Current Liabilities	**0.99**	1.07
b) Quick Ratio	Current Assets less Inventories and Other Current Assets / Current Liabilities	**0.49**	0.53
Solvency			
c) Debt to Equity Ratio	Total Interest-bearing Liabilities [b] / Total Equity	**2.48**	2.16
d) Asset to Equity Ratio	Total Assets / Total Equity	**4.46**	4.05
e) Interest Rate Coverage Ratio	Earnings Before Interests and Taxes / Interest Expense and Other Financing Charges	**1.69**	1.62
Profitability			
f) Return on Equity	Net Income [a] / Average Total Equity	**9.51%**	5.97%
g) Return on Assets	Net Income [a] / Average Total Assets	**2.24%**	1.54%
Operating Efficiency			
h) Volume Growth	(Current Period Volume / Prior Period Volume) -1	**12.50%**	37.17%
i) Sales Growth	(Current Period Sales / Prior Period Sales) -1	**-6.60%**	95.78%
j) Operating Margin	Income from Operating Activities / Sales	**3.84%**	2.24%

[a] *trailing 12 months net income*
[b] *excludes lease liabilities*

PETRON CORPORATION
Proceeds from Issuance of Series 4 Preferred Shares
December 31, 2023

i. The net proceeds of the Company's offering of Series 4A, 4B and 4C preferred shares (the "Offering") were fully disbursed as follows:

Date of Disbursement	Use of Proceeds	Amount in Million
19 July 2023	Partial funding of the full redemption of the Company's remaining senior perpetual capital securities issued in 2018	**P13,883.43**
TOTAL DISBURSEMENT IN THIS REPORT		**13,883.43**
TOTAL DISBURSEMENTS TO DATE		**13,883.43**
BALANCE OF PROCEEDS		**P0.00**

ii. The net proceeds of the Offering are computed as follows:

Gross Proceeds	P14,000.00
Expenses related to the Offering	116.57
Net Proceeds	**P13,883.43**

[1] *Expenses related to the Offering include: (i) underwriting, selling, registry, stock transfer and receiving agency, legal, and other professional fees and other miscellaneous expenses, (ii) taxes paid to the Bureau of Internal Revenue, and (iii) filing fees paid to the Securities and Exchange Commission and The Philippine Stock Exchange.*

PETRON CORPORATION
Proceeds from Issuance of Series E and Series F Fixed Rate Bonds
December 31, 2023

i. Gross and Net Proceeds as disclosed in the final prospectus

In P Millions	
Gross Proceeds	**P18,000.00**
Less: Underwriting fees for the Preferred Shares being sold by the Company	63.00
Taxes to be paid by the Company	135.00
Philippine SEC filing and legal research fee	5.11
Listing application fee	0.20
Listing maintenance fee	0.45
Rating fee	4.05
Trustee fees	0.13
Registry and paying	0.50
Estimated legal and other professional fees	7.80
Estimated other expenses	0.55
Total Expenses	**P216.79**
Net Proceeds	**P17,783.21**

The net proceeds of the Offer shall be used for (i) the redemption of the Company's Series A Bonds, (ii) the partial financing of the Power Plant Project, and (iii) payment of existing indebtedness.

ii. Actual Gross and Net Proceeds

In P Millions	
Actual Gross Proceeds	**P18,000.00**
Less: Underwriting Fees, Filing and Processing Fees, Documentary Stamp Tax, Legal and Professional Fees and Other Expenses	227.95
Actual Net Proceeds	**P17,772.05**

iii. Each Expenditure Item where the Proceeds was Used

In P Millions	
Actual Net Proceeds	**P17,772.05**
Less: Redemption of the Series A Bonds	13,000.00
Payment for power plant project	3,013.98
Payment of long term loan amortization to:	
Bank of the Philippine Islands	697.49
BDO Unibank, Inc.	535.71
UnionBank	250.00
Total Payments	**P17,497.18**
Balance	**₱274.87**

iv. Balance of the Proceeds as of the End of the Reporting Period

As of December 31, 2023, balance of proceeds amounted to P274.87 million.

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Petron Corporation
SMC Head Office Complex
40 San Miguel Avenue
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the separate financial statements of Petron Corporation (the "Company") as at and for the years ended December 31, 2023 and 2022, and have issued our report thereon dated March 22, 2024.

Our audits were made for the purpose of forming an opinion on the separate financial statements taken as a whole. The supplementary information included in the *Reconciliation of Retained Earnings Available for Dividend Declaration* is the responsibility of the Company's management.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until September 20, 2026
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the separate financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

R.G. MANABAT & CO.

Rohanie C. Galicia

ROHANIE C. GALICIA
Partner
CPA License No. 0118706
Tax Identification No. 249-773-914
BIR Accreditation No. 08-001987-044-2021
Issued September 2, 2021; valid until September 1, 2024
PTR No. MKT 10075180
Issued January 2, 2024 at Makati City

March 22, 2024
Makati City, Metro Manila

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION AS OF DECEMBER 31, 2023

(Amounts in Thousand Pesos)

PETRON CORPORATION

SMC Head Office Complex 40 San Miguel Avenue, Mandaluyong City

Unappropriated Retained Earnings, beginning of the period		**P2,727,717**
Add: **Category A: Items that are directly credited to Unappropriated Retained Earnings**		
Reversal of Retained Earnings Appropriation	7,000,000	7,000,000
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	(3,052,753)	
Distributions paid	(4,569,485)	(7,622,238)
Unappropriated Retained Earnings, *as adjusted*		**2,105,479**
Add/Less: Net Income for the current year		**6,383,836**
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Unrealized foreign exchange gain, except those attributable cash and cash equivalents	(553,148)	
Unrealized fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss(FVTPL)	(527,022)	
Sub-total		**(1,080,170)**
Less: Category C.2: Unrealized income recognized in the profit or loss in prior reporting period but realized in the current reporting period (net of tax)		
Realized fair value adjustments (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	689,539	
Sub-total		**689,539**
Adjusted Net Income		**5,993,205**
Add/ Less: Category F: Other items that should be excluded from the determination of the amount available for dividends distribution		
Net movement of deferred tax asset and deferred tax liabilities related to same transaction		
Set up of right of use asset and lease liability	(53,197)	
Set up of asset and asset retirement obligation	(97,576)	
Net movement of deferred tax assets	442,419	
Sub-total		291,646
TOTAL RETAINED EARNINGS, END OF THE REPORTING PERIOD AVAILABLE FOR DIVIDEND DECLARATION		**P8,390,330**

ANNEX D

2023 Sustainability Report

2023 SUSTAINABILITY REPORT
Kalakbay sa Kinabukasan
PETRON


Table of Contents

About the Cover: Our 90-year Legacy

The deliberate march of our stakeholders towards the shoreline, hands firmly grasping seedlings with the goal of ensuring the growth of a mangrove area recently adopted by Petron Corporation, perfectly encapsulates our continuing journey towards sustainability. Our 90-year legacy and leadership in the Philippine oil industry has been a deliberate march towards creating a lasting future for our Company, our customers, our communities, and our country. *Kalakbay sa Kinabukasan* is literally our march to a better future, with Petron as the Filipinos' dependable companion over the last nine decades in every step of the journey, driven by continuous excellence, dedication, and innovation and made possible by the unwavering support of our trusted partners.

Yet as we mark this milestone, we are already looking ahead at how to continue creating lasting value for all our stakeholders and build a more progressive nation. In 2023, we unveiled a new corporate vision and purpose that further builds on a dynamic past and looks to solidify our role in nation-building, focused on energy security as the backbone to a prosperous Philippines. In doing so, we nurture the seeds of success planted over the past decades and confident that these will create for us pathways for unparalleled growth and for opportunities to shape a resilient, inclusive, and sustainable future for the generations that will succeed us.

About the Report (2-2)

As we navigate this journey, we are committed to closely monitoring both our successes and the forthcoming challenges. This report is intended for the stakeholders of Petron who are interested in how we manage our impacts on the economy, environment, and society. Beyond our performance, we aim to share our story of how we progress toward integrating sustainability into our business. Built on our 90-year legacy as an industry leader, we have the capability to advance our sustainability initiatives in this changing climate. As we march on in our journey towards a lasting future, we equip ourselves with three essential components: skilled leadership to steer the way, a well-defined environmental, social, and governance (ESG) blueprint to guide our path, and a robust mechanism to propel us forward towards our goals.

In our 2023 Sustainability Report, we aim to:

- outline how sustainability is ingrained throughout our business operations, guided by our new vision and purpose, an expanded governance team, and well-defined goals and strategies;
- share our ESG accomplishments for 2023 and how these compare to our performance the previous year;
- provide greater context of our impact with narratives that give fuller meaning to the numbers, and;
- show our view forward that will allow us to realize our aspirations for a future that goes beyond us.

Our 2023 Sustainability Report (SR) has been prepared in accordance with the GRI Standards. Our material topics, as defined last 2022, were aligned with the GRI 11: Oil and Gas Sector 2021, the United Nations Sustainable Development Goals (UN SDGs), and the focus areas of the Philippine Development Plan (PDP) 2023-2028. Our SR also follows the Sustainability Reporting Guidelines of the Philippine Securities and Exchange Commission (SEC) particularly the Memorandum Circular No. 4 Series of 2019.

This report includes our operations in the Philippines, encompassing the following facilities: the Corporate Head Office, the Petron Bataan Refinery (PBR or Refinery) and the Polypropylene (PP) Plant and 32 terminals and sales offices nationwide, and our corporate social responsibility (CSR) arm, Petron Foundation, Inc (Petron Foundation or PFI). For 2023, we expanded the coverage of our reporting from 23 select company-owned service stations the previous reporting year to 120. Our reporting period covers our sustainability performance from January 1 to December 31, 2023.

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

About the Company (2-1, 2-6)

Petron Corporation is the largest oil refining and marketing company in the Philippines and is a leading player in the Malaysian market. We are well-positioned to fuel the lives of millions of Filipinos and Malaysians, with our combined refining capacity of 268,000 barrels-per-day, producing a full-range of premium fuels and petrochemicals.

Since 2010, we have been a subsidiary of San Miguel Corporation (SMC), one of the largest and most diversified conglomerates in the Philippines. We actively respond to the needs of the market by expanding and enhancing our business operations, aiming to create a purposeful impact and widen our reach to the customers we serve.

Our headquarters is in SMC Head Office Complex in Mandaluyong City, Philippines. Petron's shares are listed on the Philippine Stock Exchange (PSE). Moreover, our subsidiaries in Malaysia are Petron Fuel International Sdn. Bhd., Petron Oil (M) Sdn. Bhd., and Petron Malaysia Refining & Marketing Bhd (PMRMB). PMRMB is publicly listed on the Main Board of Bursa Malaysia.

To align with our parent company, SMC, which recently updated its vision and purpose, we, at Petron, also revised our vision and purpose to reflect the evolving goals of our Company and the broader context in which we operate. This shift underscores our commitment to remaining responsive and relevant to the needs of our stakeholders while driving sustainable growth and development. Emphasizing energy security and a refreshing outlook to steer the Company, our new vision and purpose reflects our dedication to ensuring a stable and prosperous energy landscape for the future.

Our Vision

As the Philippines' leading oil company, we envision an energy-secure and prosperous nation where everyone's journey is fueled by opportunities for meaningful experiences and sustainable success.

Our Purpose

We drive the nation's development and uplift communities towards a sustainable future, by providing innovative fuel and mobility solutions.

Towards this end, we commit to:

- Leverage on our refining, distribution and retail assets to achieve competitive advantage and long-term viability;
- Reliably provide superior products and services that meet customers' needs;
- Ensure excellent customer experience enabled by technology and adapted to local communities;
- Develop and strengthen relationships with our partners towards shared growth and success;
- Reduce our impact on the environment, and advocate for responsible supply chain; and
- Create an inclusive, nurturing, and purposeful work environment.

Our operations

Refinery – Petron Bataan Refinery (Limay, Bataan)

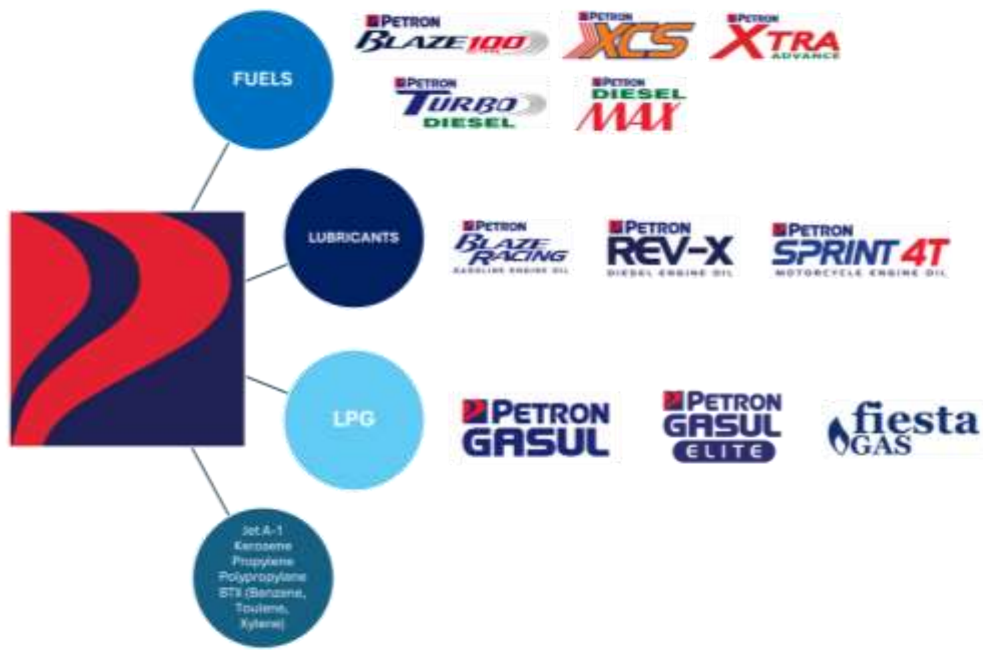
Terminals – 32 strategic locations nationwide

4	**Import Facilities** SLHBTC, SL PanAsia, SL PHIVIDEC, Subic
20	**Bulk Terminals** Bacolod, Batangas, Bawing, Davao, Iligan, Iloilo, Isabel, Jimenez, Limay, Mandaue, Nasipit, Navotas, Ormoc, Palawan, Poro, Rosario, Roxas, Tacloban, Tagoloan, Zamboanga
7	**Sales Offices** Amlan, Calapan, Masbate, Odiongan, Pasacao, San Jose, Tagbilaran
4	**Dedicated LPG Facilities** Legaspi, Pasig, San Fernando, San Pablo, and 12 allied refilling plants
12	**Into-Plane Operations** Caticlan, Clark, Davao, Iloilo, Kalibo, Laguindingan, Laoag, Mactan, NAIA, Panglao, Puerto Princesa, Zamboanga
3	**Manufacturing Plants** Harbor Center Lube Oil Blending Plant, Pandacan Grease Plant, Subic Additive Blending Plant

Service stations – Around 1,900 service stations nationwide.

Our products and services

We take pride in our world-class products, delivering consistent high quality fuel to our customers. Our fuel lineup includes the following products: Blaze 100, XCS, Xtra Advance, Turbo Diesel, and Diesel Max. Our premium engine oils strengthen our competitive edge—formulated, tested, and produced locally at our state-of-the-art Lube Oil Blending Plant located in Tondo, Manila. Additionally, our fuel additives stand out uniquely due to their local sourcing from our blending facility in the Subic Bay Freeport, tailored to suit the driving conditions in the Philippines. We also offer our Liquefied Petroleum Gas (LPG) brands, Gasul and Fiesta Gas, to our household and industrial consumers.



We provide automotive maintenance and repair services through our Car Care Center (CCC) and Car Care Center Express outlets. To further prioritize our customers' needs, we extend our reach by establishing Treats convenience stores in selected service stations.

Our pioneering approach in developing our products establishes us as a trailblazer in the oil industry, showcasing our commitment to innovation and excellence.

2023 ESG Highlights

<table>
<tr><th>Program/Initiative</th><th>Starting Year of Implementation</th><th>Gains</th><th>Savings (PHP)</th></tr>
<tr><td rowspan="2">SMC Water for All</td><td rowspan="2">2016</td><td>Refinery:
<u>Scarce Water:</u>
2016-2023: 22.4 million m^3
2023 Only: 3.7 million m^3
<u>Recycled Water:</u>
2016-2023: 4.65 million m^3
2023 Only: 0.71 million m^3</td><td>Refinery:
<u>Scarce Water:</u>
2016-2023: PHP 133 million
2023 Only: PHP 22 million
<u>Savings on Recycled Water</u>
2016-2023: PHP 19.0 million
2023 Only: PHP 2.9 million</td></tr>
<tr><td>Terminals: 79,327m^3 of harvested rainwater since 2016</td><td>Terminals: PHP 6.6 million water savings from rainwater</td></tr>
<tr><td>Use of Waste Energy (Low Pressure Steam) in Desalination Plant</td><td>2016</td><td>Refinery:
<u>Avoided GHG</u>
453,698.682 tons CO_2e since 2016 (114,999.170 tons CO_2e in 2023)
<u>Avoided Fuel</u>
34,277 MT of petcoke since 2016 (34,035.24 MT in 2023)</td><td>Refinery:
Fuel Savings (PHP 580.38 million (PHP 151.85 million in 2023)
Note: Reason for new values is that total LS absorbed was considered last year's 2022 SR. New values are now based on net LS or the waste energy absorbed by Desalination Plant. Net LS is calculated by Total LS absorbed by desal less LS letdown from MS.</td></tr>
<tr><td>Diversification to Petrochem
(Benzene, Toluene, Mixed Xylene, Propylene, Polypropylene)</td><td>1999
(Mixed Xylene)
2008
(Propylene, Benzene, Toluene)
2014
(Polypropylene)</td><td colspan="2">Refinery: In 2023 the avoided GHG as Scope 3 if used as fuel was at 1,457,592.78 tons CO_2e</td></tr>
</table>

Program/Initiative	Starting Year of Implementation	Gains	Savings (PHP)
LED Conversion and Solar Power Usage	**Refinery:** **2013 for offices, 2016 for streetlights**	**Refinery:** **2013-2023:** 78,199.40 watts saved / 252,185.33 kWh/ 154.662 tons CO_2 reduced **2023 only:** 61,556.40 watts saved/ 217,034.49 kWh/ 154.572 tons CO_2 reduced	**Refinery:** **2013-2023:** PHP 434,048.99 **2023 only:** PHP 371,128.99
	Terminals: **(2018)**	**Terminals:** 108,641 kWh saved/ 77.6 tons CO_2e reduced in 2023	**Terminals:** PHP 1.16 million on electricity cost
	Service Stations **(2018)**	**Service Stations: 4,690** MWH/3,340 tons CO_2e reduced for 560 service stations (8,375 kWh/6 tons CO_2e per SS) from conversion of Under Canopy Lighting to LED in 2022 to 2023 19,204 KWH solar power generated or 13.7 tons CO_2e emissions avoided from Solar Panels installed at PEC1 Station	**Service Stations:** PHP 47.09 million on electricity cost
Bulk Additives Delivery (Terminals)	2019	156 metric tons (MT) per year of steel drums avoided	PHP 29.7 million per year
Waterless Receiving (Terminals)	2019	Eliminated 10,000 m^3 per year of wastewater	Avoided PHP 70.0 million in investment cost on wastewater treatment facilities (PHP 7.0-M/ facility x 10 facilities)
Hazardous Waste Recycling (Refinery)	2018	**2018-2023:** 8,394 Metric Tons hazardous waste diverted from disposal.	**2018-2023:** PHP 59.87 million
		2023 only: 3,744 MT of hazardous waste	**2023 only:** PHP 20.80 million
Continuous to Batch Treatment at	2020	**2020-2023:** 12,398.32 MT CO_2e reduced	**2022-2023:** PHP 101.78 million in savings

Program/Initiative	Starting Year of Implementation	Gains	Savings (PHP)
Spent Caustic Treater (Refinery)		173,619.02 GJ Energy Reduced	
		2023 only: 4,594.00 MT CO_2e reduced 64,331.79 GJ Energy Reduced	**2023 only**: 44.74 MMP savings
Restoration of Superheater Coils (Refinery)	2022	One Time Project. None in 2023	One Time Project. None in 2023

EMPLOYMENT	PRODUCT RESPONSIBILITY	OCCUPATIONAL HEALTH AND SAFETY
▪ 2,251 employees (Philippines)* ▪ 10.76% attrition ▪ 100% of employees received regular performance reviews	▪ 109,000 feedback and inquiries received and handled by Petron Customer Relations Group and Sales Support Services	▪ Over 13 million accumulated safe-man hours for all Petron facilities and personnel (including from the Head Office) ▪ Nearly 14,000 safety training hours for Petron employees, third-party personnel, and industrial accounts

**count does not include employees of Petron subsidiaries*

LOCAL COMMUNITIES

Education

- Over 18,000 Tulong Aral ng Petron (TAP) scholars since 2002
- 300 new Grade 1 scholars from Luzon (Poro, La Union and Puerto Princesa, Palawan), Visayas (Bacolod, Negros Occidental; Mandaue and Mactan, Cebu; Roxas, Capiz, and; Tagbilaran, Bohol) and Mindanao (Davao City) for SY 2024-2025
- 10 new TAP college scholars for SY 2024-2025, eight coming from Mindanao
- 108 Petron Schools (equivalent to 256 classrooms) built since 2002
- 38,913 students and teachers assisted through Brigada Eskwela 2023

Environment

- 55 hectares of mangrove areas adopted in Bulacan, Capiz, and Davao del Sur for adoption under Puno ng Buhay
- Nearly 19,000 seedlings and propagules planted

Community

- 100% participation of Petron terminals in social development activities/initiatives
- Over 4,300 beneficiaries of Petron's Rosario Livelihood Loan Assistance Program since 2011

▪ Approximately 20,000 kilograms of debris removed from shorelines ▪ 30 km of coastal areas and creeks cleaned ▪ 100% of employee volunteer participation in Earth Day, Environment Month, and International Coastal Cleanup Day activities	▪ 84 Petron engineering scholars currently employed in the Petron Bataan Refinery for regular positions ▪ 209 scholars hired by Petron including Bataan Peninsula State University (BPSU) scholars hired as apprentices or cadets
GOVERNANCE ▪ PHP 10.1 billion consolidated net income (51% better than 2022 performance) ▪ PHP 801.0 billion consolidated revenues (7% decrease from 2022) ▪ PHP 52.0 million in community investments	
MANAGEMENT SYSTEMS	
1 Refinery **30** Terminals nationwide **29** Terminals nationwide **15** Terminals nationwide*	▪ ISO 9001/14001/45001 (IMS Certified) ▪ ISO 9001:2015 (QMS) ▪ ISO 14001:2015 (EMS) ▪ ISO 45001:2018 (Occupational Health and Safety (OH&S) Management System) Certified ▪ 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	Bureau of Fire Protection (BFP) Kaisa Program certificate recipient
31 Terminals and offices nationwide	▪ Safety Seal certificate from Department of Labor and Employment (DOLE) and local government units (LGUs) recipient
1 Petron Foundation, Inc.	▪ Department of Social Welfare and Development (DSWD) License to Operate as an Auxiliary Social Welfare and Development Agency (SWDA) renewed from July 2023 to August 2027

Iloilo and Tagbilaran Terminals audited and endorsed for recertification as of report publication

Steering the Sustainable Path: Petron's Drive towards a Greener Future

We are certain of where we want to go – towards a sustainable future. To help us navigate the road ahead, our leadership team drives the entire process, ensuring a consistent and stable course in the right direction.

Message of the President and CEO (2-22)

To our valued partners,

Over the last 90 years, Petron Corporation has been more than just an oil company—we have been a steadfast companion on the journey towards progress and sustainability in the Philippines. As a homegrown Filipino company, Petron's roots run deep, anchored on a heritage of service to our countrymen and an unswerving dedication to fueling the continued growth of our nation. Looking back, our journey has been marked by resilience, innovation, and a relentless pursuit of excellence. This has given us a deeper appreciation of the work that has been done, a better understanding of what lies ahead of us, and what we must do to ensure that we are a company built for, and always ready to take on, the challenges of the future.

Charting a new course towards sustainability

Last year, we unveiled our new corporate vision and purpose. This could not have been better timed as we celebrated our nine-decade milestone, and as San Miguel Corporation also revisited the conglomerate's goals and aspirations. This will make our individual efforts towards nation-building more cohesive and strategic, and our collective impact more pronounced and purposeful. For Petron, this is by ensuring energy security for the Philippines. As the sole remaining oil refiner in the country with the most expansive network of terminals and service stations, it is our duty to provide the country's energy requirements and keep the wheels of commerce constantly turning.

But as we fuel industries and households alike, we must also be much better in how we conduct our business. Retaining our industry leadership in a competitive and unpredictable business environment means constantly improving our products and services and maintaining goodwill with our customers, while continually enhancing our work processes. Helping address the changing climate means managing our emissions and utilizing scarce natural resources with more awareness while looking to further green our entire operations. Securing our social license to operate means actively engaging with our communities and collaborating with other stakeholders to maximize and make more meaningful contributions to society. Our new vision and purpose further crystallizes the actions we need to undertake to carry our Company well into the future.

Continuing our growth momentum

We built on the gains of the previous year despite ongoing global economic concerns, rising financial costs, and a weaker currency exchange, among others. Heightened activities post-pandemic, such as travel, have driven demand upwards, translating to a rise in consolidated sales volume of 126.9 million barrels from both Philippine and Malaysia operations, up 13% from the 112.8 million barrels sold in 2022. Even as revenues dipped slightly to PHP 801 billion from the previous year's PHP 857.6 billion due to continuing industry challenges, the sizeable volume growth, coupled with efficient risk management and more streamlined operations, resulted in a 60% increase in operating income from PHP 19.21 billion in 2022 to PHP 30.7 billion last year. Overall, we reported a consolidated net income of PHP 10.1 billion, a remarkable 51% gain over the PHP 6.7 billion in 2022.

We continued to stand tall as the market leader in the Philippine oil industry by the end of 2023. Our Retail Trade led the charge, generating a 15% increase in sales versus 2022 through improved competitiveness of our service stations, and the introduction of redesigned and refreshed Treats convenience stores for an enhanced motorist experience. Our service station network remains the largest in the country.

The "revenge travel" phenomenon led to a dramatic increase in our industrial volumes, with the sale of our aviation fuel up 52% in 2023. We likewise added more commercial accounts to our current ones.

We regained leadership of the Liquefied Petroleum Gas (LPG) segment with a 24% market share in 2023, bannered by the *Gasul Elite* as well as the *Fiesta Gas* brands, while our domestic LPG sales rose 26% versus 2022. Our lubes business also contributed to the success even in a highly competitive segment. The opening of seven new Car Care Center outlets added more venues for motorists to experience our automotive care brand.

Making sustainability a business imperative

As we set our sights firmly to the future, we continue to lay the groundwork for initiatives that will bolster our operational capabilities and promote long-term sustainability all across our value chain.

At our Petron Bataan Refinery, we uphold our commitment to minimizing environmental impact through innovative practices like crude separation and conversion, deploying petrochemicals with lower greenhouse gas emission (GHG) intensity, and executing Project CODy to reduce water consumption. Safety is paramount, with strict adherence to regulations and an emphasis on employee training and safety practices. Expansion plans contribute not only to our environmental goals but also to economic growth in the province. With the commissioning last year of our co-generation facility in Bataan, our Refinery will now be fully self-sufficient in its steam and power requirements, with a potential to export excess power to the grid and create an additional revenue stream in the process.

Our terminals and service stations across the country are also implementing a range of programs. A comprehensive five-year program is underway to increase the use of renewable energy sources, such as installing LED and solar-powered lights in every facility to improve energy efficiency. In

SMC's Water for All program, 100% of Petron's terminals are zealously implementing initiatives to help achieve the corporate-wide goal of reducing by half our scarce water consumption by 2025. In 2023, Petron collectively decreased consumption by 28.47% as against 2016 baseline data. And since the program's start, Petron's water management efforts have helped save 24,784.8 megaliters. Furthermore, our Terminal EcoWatch Program, a distinct initiative in the industry, continues to strictly assess our performance in relation to key environmental laws and grades and rewards top performing facilities. This program ensures our strict compliance with government mandates while encouraging our facilities to continually improve and innovate on their environmental practices.

We are looking to replicate this zeal throughout our retail network. Among the low-hanging fruits that we are doing is the upgrading of lighting in our service stations to LED. Since 2018, 560 service stations have transitioned to using LED lights. By the end of 2024, we aim to grow this number to at least 800. This move is expected to result in approximately 18% reduction in electricity consumption, corresponding to 4,500 metric tons of carbon equivalent emitted yearly. The installation of solar panels at pilot sites such as our Petron Express Center (PEC) 1 in Bulacan and along the Southern Tagalog Arterial Road (STAR) tollway in Batangas is already allowing these service stations to significantly reduce their electricity consumption, resulting in modest savings. In 2023, solar energy generated from the panels in PEC 1 reduced electricity use in its offices, while the Batangas station enjoyed a drop of 20%. And while 73 other Petron service stations use various solar power setup to augment their power requirements, we see this being rolled out to more stations in the coming years.

At the same time, we continued to strengthen and integrate our supply chain, such as our into-plane operations to our LPG interplant transfers, to both green and further enhance the delivery of our products. This is yet another opportunity for us to go green while opening more avenues to meet our ESG commitments.

Nurturing synergies through collective action

We recognize that attaining these goals requires synergizing our efforts with our stakeholders.

Hand in hand with the government, we support the advancement of national development policies. These include actively participating in the Fuel Marking program to combat smuggling and safeguard the integrity of the oil industry and backing the Cylinder Exchange and Improvement Program to promote the LPG Law. Through faithful compliance with regulatory standards, we foster fair competition, and contribute to a more equitable business environment, while helping the government realize its tax collection targets. We likewise bolster consumer protection by introducing safer and better alternatives to unsafe and substandard products, thereby mitigating the risk of accidents.

The synergy among our stakeholders enables our corporate social responsibility (CSR) programs to uplift communities in areas hosting our major facilities by safeguarding and revitalizing habitats, supporting basic education, livelihood, and health, and fostering volunteerism. In 2023, we marked a milestone with our first batch of 78 *Tulong Aral ng Petron* (TAP) scholars from Mindanao graduated from high school. Just as significant, eight of these graduates – who we supported as our scholars from Grade 1 with the help of Department of Education (DepEd) and the local governments – qualified for full college scholarships in various colleges and universities in Southern Mindanao. Working closely, for example, with local Department of Environment and Natural Resources (DENR) offices, local government units (LGUs), and people's organizations in the provinces of Bulacan, Capiz, and Davao del Sur, we adopted a total of 55 hectares of coastal areas for mangrove reforestation. This will not only contribute to protecting biodiversity in critical ecosystems, but also reduce our carbon footprint, develop livelihood opportunities for communities, and create venues for our employees to volunteer in doing good.

> "Over the last 90 years, Petron Corporation has been more than just an oil company—we have been a steadfast companion on the journey towards progress and sustainability in the Philippines.
>
> As we set our sights to more meaningful journeys, we do so as your partner for tomorrow, your ***Kalakbay sa Kinabukasan.*** Together, we aim to secure a sustainable future, one that ensures our business will not only endure, but be a vital part of the country's progress."

Looking ahead to a sustainable tomorrow

We are humbled that our efforts, while aimed at making a positive and lasting impact for our stakeholders, have also been rewarded with various recognitions. We are proud to have received numerous citations recognizing our work in the past year. The Institute of Corporate Directors gave Petron two Golden Arrows for the second consecutive year for excellence in corporate governance during its ASEAN Corporate Governance Scorecard (ACGS) Awards. The Bureau of Customs (BOC), on the other hand, lauded Petron as the leading contributor to the government's fuel marking program, a recognition we have consistently received from BOC. We were also acknowledged as among the country's top importers for 2023 based on duties and taxes paid to the BOC. The Hong Kong-based consumer intelligence company Standard Insights likewise hailed Petron as the overall fuel brand of choice among Filipino consumers in its 2023 Consumer Choice Awards.

These accolades only serve to further deepen our commitment to forge ahead. We have marched along the road built on 90 years of being your partner in success. As we set our sights to more meaningful journeys, we do so as your partner for tomorrow, your *Kalakbay sa Kinabukasan*. Together, we aim to secure a sustainable future, one that ensures our business will not only endure, but be a vital part of the country's progress. Our continued success will be defined not only by our flourishing financial bottom line, but by equally managing our environmental footprint, fostering the well-being of our communities, and ensuring transparency in all our endeavors.

Ours is a continuous process of improvement and engagement. We are determined to lead the way, demonstrating that responsible business practices, environmental stewardship, and care for our communities can go hand in hand. Together, we look ahead to building a sustainable tomorrow.

Ramon S. Ang
President and CEO

Petron’s New Vision and Purpose: Our Proactive Commitment to Sustainability

In the ever-evolving business landscape of the oil industry, adaptation is important for sustained relevance and impact. As the leading oil refining and marketing company in the Philippines, we recognize this imperative as we embarked on a transformative journey to redefine our vision and purpose.

The genesis of Petron's new vision and purpose stemmed from a comprehensive review process, driven by various factors. Firstly, to synchronize with our parent company, SMC, which recently updated its own vision and purpose. Secondly, Petron acknowledged the necessity of adapting to changing times, ensuring its relevance and resonance with stakeholders. Finally, having accomplished our previous objectives, the old vision called for a fresh outlook to steer the Company forward.

To spearhead this initiative, a Core Committee was established, comprising key leaders from Business Planning and Development, Corporate Affairs, and Human Resources. Furthermore, the Management Committee, along with a consultant, engaged in workshops to identify the key elements to be included in the statements. The involvement of our General Manager and Chief Finance Officer at every step ensured alignment with strategic objectives and sustainability goals, particularly emphasizing the vision of energy security.

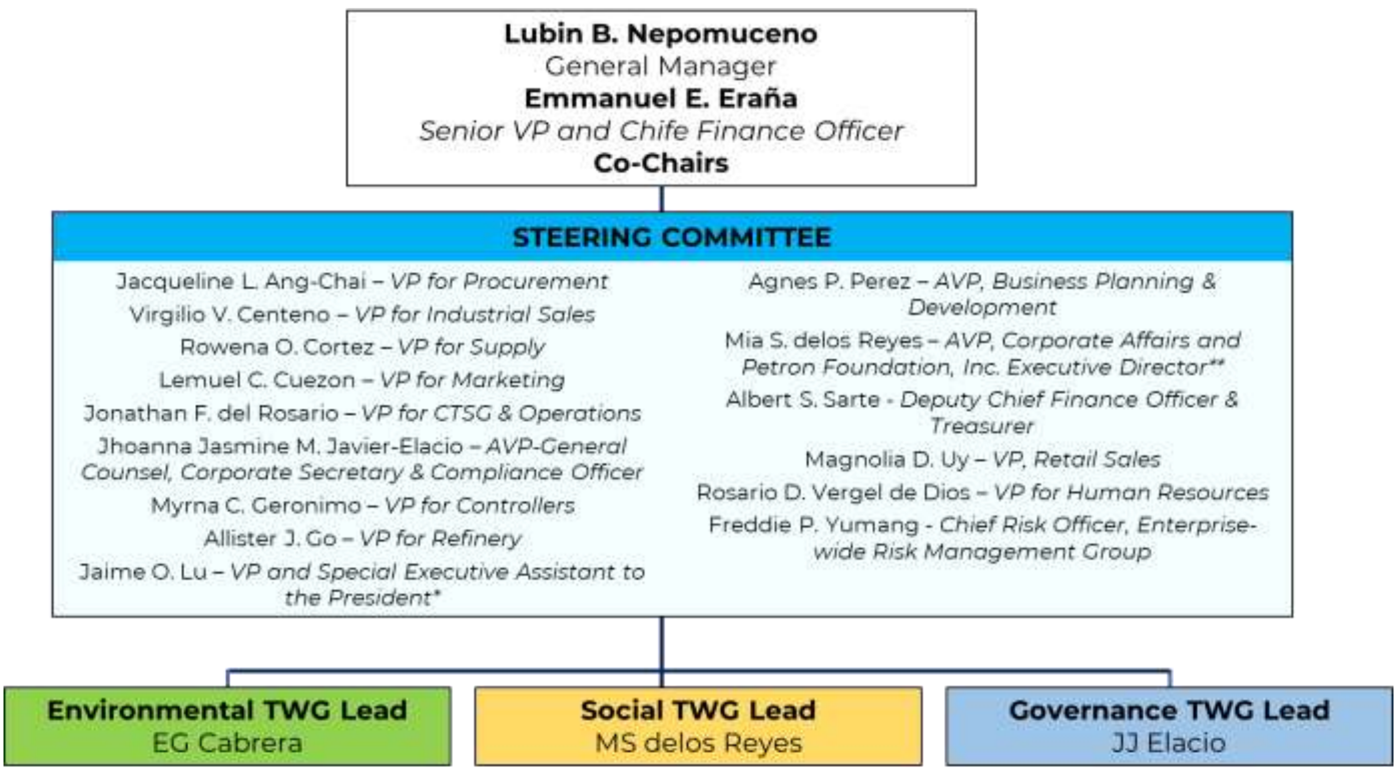
Internally, the communication of the new vision and purpose was meticulously organized to ensure organizational alignment. During a nationwide event led by the General Manager and Chief Finance Officer, the new direction of the organization was cascaded to all employees to discuss its significance and relevance. Complementing this effort, a new audiovisual presentation was created to creatively articulate the vision, fostering a deeper understanding among employees.

Looking ahead, we are committed to integrating the new vision and purpose into our Company’s culture and operations. Initiatives such as discussing the vision during new employee orientations and incorporating it into training programs ensure widespread awareness and understanding. Collaterals placed in offices nationwide serve as constant reminders, embedding the vision into Petron’s culture.

Petron ESG Council: Guiding the Company's Long-term Future (2-13, 2-14)

Ensuring a future that goes beyond us requires expert guidance. This task lies with our ESG Council, led by our General Manager and our Chief Finance Officer together with key members of Petron's Senior Management. The Council is tasked to develop and implement an ESG strategy and roadmap aligned with the strategic direction of our parent company, SMC. They actively oversee and monitor our ESG performance including the identification and approval of our material topics, which is disclosed in our annual sustainability report.

Under their direction, we are reaping favorable outcomes, as our ESG efforts are helping propel business growth while maintaining our commitment to environmental stewardship and social responsibility. Yet we also recognize the evolving landscape of sustainability reporting and dynamic changes in the business environment, which led us to expand the ESG Council in 2023. The addition of key senior executives from all business units of Petron gives the Council a much more comprehensive composition to craft our sustainability strategies, consistent with the overall SMC roadmap and aligned with current global standards. Specifically, the involvement of the division heads will provide direction and push for the identification and implementation of appropriate ESG programs by the different business units.



*ESG TWG Overall Lead
**Vice Chair

TECHNICAL WORKING GROUP

Environment	Social	Governance and Economic
EDITH G. CABRERA - *Head, Corporate and Technical Services Group (CTSG)-Environment* **ALEJANDRO R. ROMULO** – *Petron Bataan Refinery Assistant Vice President-PBR Technical Services* **ROBERT FREDERICK P. LIM** - *Operations Services Manager* **RAMON P. MENDOZA** – *Retail Engineering and Network Development (REND) Technical, Admin & Business Support Manager*	**MIA S. DELOS REYES** - *Assistant Vice President-Corporate Affairs and Executive Director, Petron Foundation, Inc.* **LUISITO PAOLO E. BARBA** – Corporate Safety Manager **JEIMELY G. LEONCIO** – *HRMD Benefits, LR & HR Services Manager* **MARIA CRISSELDA T. TORCUATOR** - *Legal Counsel* **RAMON M. CRUZ** - *Brand Marketing & Advertising Group Head* **ADONAIS T. REJUSO, JR.** - *Retail Services Manager* **RONALD ALLAN S. VICTORINO** - *Project Officer, Petron Foundation, Inc.*	**JHOANNA JASMINE M. JAVIER-ELACIO** – *Assistant Vice President-General Counsel, Corporate Secretary & Compliance Officer* **MARIA CRISSELDA T. TORCUATOR** - *Legal Counsel* **KRISTINE H. PALAGANAS** – *Strategic Communications Manager, Corporate Affairs* **EFIGENIA P. FAJARDO** - *Materials Management & eProcurement Manager* **VIRGILIO B. RAMOS** –*Management Information Systems Department I.T. Security Manager* **NIKKI LOU O. BAQUERIZA** – *Supply Trading Manager* **RONALD Q. CHIONG** – *Corporate Technical Services Group- Research and Development (CTSG-R&D) Manager* **KRISELLE ANNE G. ROXAS-PIDOT** - *Business Planning and Development Manager* **LEANDRO J. DATARIO** - *Controllers Consolidation & Statutory Reports Manager* **ERICH Y. PE LIM** – *Investor Relations Manager, Treasurers* **ROMED JEFRE S. GABRILLO** - *Enterprise-wide Risk Management Group Risk Manager*

Forging the Sustainable Blueprint: Petron's Path to ESG Excellence

We have crafted a comprehensive blueprint detailing our path towards achieving our vision of a sustainable future. Beyond mere profitability, our aspiration is to transform into a resilient company that balances economic growth with our collective responsibility to protect the planet and prioritize the well-being of people, ensuring long-term benefits for future generations.

Our ESG and Sustainability Framework (2-22)

As an industry leader, we maintain our competitive edge by leveraging innovative methodologies that streamline our business operations for optimal efficiency. Recognizing our impacts on the environment and society, we have adopted a framework that serves as our compass in integrating ESG and sustainability in all our endeavors. This commitment serves as a fundamental priority, rooted in our ingrained culture of serving and caring for our fellow Filipinos.

ENVIRONMENTAL STEWARDSHIP	SOCIAL WELL-BEING	GOOD GOVERNANCE
▪ 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.	▪ 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.	▪ 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.

Navigating Sustainability: Executing Our Blueprint in Operations

Our sustainability blueprint is integrated into our business activities and operations. Across our entire value chain, we are committed to proactively monitoring and managing our ESG impacts, from the production stage to the marketing of our products.

With over 50 years of service, our Refinery has consistently provided a reliable source of high-quality fuel products nationwide. Our terminals maintain stringent quality standards in the distribution of our products, strictly adhering to environmental and social laws and regulations. At our service stations, we make our products and services readily accessible, reflecting our dedication to ensuring stable and quality petroleum products to our customers.

SUSTAINABLE PRODUCTION	Petron Bataan Refinery is the only Refinery in the Philippines, with a total land area of 240 hectares in Limay, Bataan. Our Refinery's current capacity is 180,000 barrels per day which helps to meet the energy demands of our customers throughout the country. We process crude oil which are primarily sourced from the Middle East.
ENVIRONMENTAL STEWARDSHIP	Given the capacity of our operations, we recognize the potential impacts that it can cause to our environment. With this, as we maximize operational efficiency, we also invest in cutting-edge facilities that enable us to mitigate our impacts. The Refinery recently invested in additional trains of circulating fluidized bed (CFB) boilers and a co-generation power plant, replacing the less efficient old fuel oil fired boilers. Further, through our innovative practices in the Refinery (e.g., crude separation and conversion), we are able to maximize the production of petrochemicals which lower greenhouse gas (GHG) intensity. Moreover, we are implementing Project CODy to help us rationalize and reduce our water consumption wastewater generation within the operations.
SOCIAL WELL-BEING	One of our key priorities in our operations is safety. We strictly adhere to all safety regulations and ensure that our employees are highly skilled and equipped to manage our operations safely and effectively.
GOOD GOVERNANCE	Our expansion plans enable us to boost our economic activities in the province of Bataan, consequently creating employment opportunities within the oil industry.

SUSTAINABLE DISTRIBUTION	We have a total of 32 terminals nationwide, fueling strategic industries such as power generation, manufacturing, mining, and agribusiness, among others. Petron supplies the bulk of the fuel requirement of key national government agencies including the Armed Forces of the Philippines (AFP), Philippine National Police (PNP), and Philippine Coast Guard (PCG), among others. We also supply jet fuel at key airports to international and domestic carriers.
ENVIRONMENTAL STEWARDSHIP	For the past nine years, we have effectively implemented the Terminal EcoWatch program. It aims to encourage self-monitoring of our environmental impacts to ensure steadfast compliance with environmental laws and regulations. Annually, we assess our performance across various key areas, including Wastewater Quality, Air Quality, Solid Waste Management, Toxic and Hazardous Waste Handling, as well as Environmental Impact Assessment, Environmental Management System, and Sustainability.
SOCIAL WELL-BEING	In addition to our safety practices, we deeply value our relationship with our host communities. Leveraging the

	strategic geographical locations of our terminals, we continuously aim to engage with and support a wider range of communities, focusing on education, environment, entrepreneurship, and health and human services.
GOOD GOVERNANCE	The success of our terminals in integrating sustainability into our operations is greatly attributed to our terminal managers. Their responsible leadership ensures that we stay aligned with our sustainability objectives on a daily basis, thereby upholding our commitment to environmental and social responsibility.

SUSTAINABLE MARKETING	We have a robust network of around 1,900 retail service stations nationwide.
ENVIRONMENTAL STEWARDSHIP	We take an innovative approach in the design of our facilities in the service stations, ensuring that they are resilient to disasters. We also installed solar panels as our alternative energy source in the service stations.
SOCIAL WELL-BEING	Part of our responsibility to our customers is to ensure responsible labeling and marketing of our fuel products, complying with relevant regulations and industry standards. We deeply value the trust given to us by our customers, and as such, we prioritize providing them with accurate and transparent information regarding our products.
GOOD GOVERNANCE	Along with our employees, we also work with dealers in our service stations. We foster strong relationships with them by ensuring they are well-informed and equipped to effectively sell Petron's products. This is achieved through capacity-building sessions aimed at enhancing their knowledge and skills.

Fostering Connections: Petron's Stakeholder Engagement and Materiality Assessment (2-29, 3-1, 3-2)

Anchored on our core values, we foster synergies with our stakeholders to enhance our endeavors towards achieving inclusive growth. Regular engagement with our stakeholders allows us to gather valuable insights into their concerns, which in turn, inform our sustainability strategy. We firmly believe that our stakeholders, as integral partners, play a pivotal role in propelling the growth of our Company.

Stakeholder Groups	Why we engage with them	How we engage them
Shareholders	We highly consider the concerns of our shareholders, as owners of the Company, especially in driving the success and profitability of our business.	☐ Annual Stockholders Meeting ☐ Consultations ☐ Sustainability Reports ☐ Timely and transparent disclosures
Government and regulators	We partner with key government agencies and regulators to ensure strict compliance with standards concerning the environment, health and safety, and other sustainability practices.	☐ Dialogues and representations with both executive and legislative branches of government and relevant regulatory agencies
Industry/business groups	We form collaborations with industry/business groups to exchange industry-specific knowledge, expertise, and best practices – fostering shared growth.	☐ Membership in key industry associations
Consumers	Our consumers directly support the growth of our Company. We continue to improve our operations to consistently deliver high-quality fuel products that meet the needs and expectations of our customers.	☐ Petron website ☐ Social media channels (Facebook, X [formerly Twitter], Instagram) ☐ Product promotions ☐ Consumer information campaigns ☐ Market research ☐ Customer service interaction through PCIC (Petron Customer Interaction Center) ☐ *Lakbay Alalay* motorist assistance
Employees	Our employees are the cornerstone of our business, serving as our lifeline to ensure our operations run smoothly. It is our foremost responsibility to prioritize their well-being, safety, and professional growth as central pillars	☐ Onboarding sessions ☐ Learning sessions and capability-building activities ☐ Regular performance reviews

	of our human capital development efforts.	☐ Labor-management dialogues ☐ PETRONews digital newsletter ☐ Volunteers In Action (VIA) employee volunteering program
Investors and financial institutions	We continue to build investor trust and confidence as we highly value their feedback, which informs how we continually refine our ESG initiatives and policies.	☐ Annual stockholders meeting ☐ Annual and quarterly financial reports and an annual sustainability report ☐ Regular submission of reports and disclosures to regulatory agencies (e.g., SEC, PSE)
Local/host communities and people's organizations	We ensure that our operations do not negatively impact the lives of our neighboring communities. We make significant investments in programs aimed at enhancing their quality of life, with a particular focus on areas such as education, environment, health, and livelihood.	☐ Annual and quarterly financial reports and an annual sustainability report ☐ Regular submission of reports and disclosures to regulatory agencies (e.g., SEC, PSE) ☐ Sustained implementation of strategic CSR programs
Academe	Our work with the academe allows us to design programs that address the needs of young Filipinos who are eluded by opportunities to benefit from quality education. Through our partnerships with various academic institutions, we are able to serve as a catalyst for societal change.	☐ Partnership with schools through DepEd for Petron's scholarship programs
Suppliers, contractors, and third-party service providers	We ensure smooth and efficient operations in our value chain by closely collaborating with our suppliers, contractors, and third-party service providers, adhering to pertinent environmental and social standards and regulations.	☐ Alignment meetings ☐ Demo teaching and program walkthroughs ☐ Post program feedback
Civil society organizations (CSO)/ Non-governmental organizations (NGO)	We collaborate with civil society groups and non-governmental organizations to broaden our networks and access valuable resources, expertise, and opportunities that increase the effectiveness of development assistance provided to our communities. They are also crucial in advancing our advocacies towards protecting the environment and welfare of people.	☐ Membership in major civil society organization/non-government organization (CSO/NGO) ☐ Partnerships with like-minded organizations

Media	The media is our ally in bridging understanding of Petron's business with our many publics, including sharing our stories about our sustainability aspirations and endeavors. Simultaneously, it motivates us to maintain transparency and accountability in all our actions.	☐ Media advisories/press releases ☐ Annual stockholders meeting ☐ Press conferences

In 2022, we conducted a robust materiality assessment to help us identify the ESG topics that have most significant impacts on our Company and our stakeholders. In line with this, we have commissioned the University of Asia and the Pacific – Center for Social Responsibility (UA&P-CSR) as an independent third-party expert to facilitate the materiality assessment. UA&P-CSR used a pioneering approach, considering both Petron's impacts on its financial value (inward impact) and its broader socio-economic environment (outward impact). This aligns with global sustainability reporting standards, adopting the double materiality approach. As a result, Petron's material topics are globally comparable, enabling our Company to stay agile in responding to the evolving ESG business landscape and meeting the needs of investors and other stakeholders.

Specifically, Petron followed this materiality assessment process:

During this reporting period, UA&P-CSR consulted the following facilities of Petron. These sessions aim to further discuss the highlights of Petron's 2023 ESG performance and relate how the programs and strategies align with our overarching ESG framework.

Refinery	Terminal Operations	Service Stations
• Petron Bataan Refinery	• Bawing, General Santos City • Tagoloan, Misamis Oriental • Bacolod City, Negros Occidental	• Petron Express Center (PEC) 1 (NLEX, Marilao, Bulacan)

	• Rosario, Cavite • Roxas City, Capiz	

Likewise, in 2023, we reported on the same set of material topics. In this report, we provided updates on our progress regarding our 2023 ESG performance, detailing our achievements relative to our commitments and targets.

Material Topic	Why it matters to Petron
ENVIRONMENTAL	
Materials	Materials serve as essential inputs for our business operations. Recognizing our environment's finite resources, we proactively manage the inputs used in our operations, positioning ourselves not only for long-term business success but also for contributing to the well-being of both people and the environment.
Energy	Energy significantly contributes to driving economic activities and fostering societal development. However, challenges in energy security and the escalating demand for electricity pose barriers to the global sustainability agenda. At Petron, we acknowledge the importance of environmental stewardship and remain dedicated to continuously monitoring and evaluating our energy consumption and production practices.
Water and Effluents	Water is a fundamental human right and essential for enhancing our planet's well-being. As active participants in the global sustainable agenda, we are committed to safeguarding water resources and improving water-use efficiency. The imminent threat of water scarcity poses potential disruptions to our operations and concurrent challenges for the daily lives of neighboring communities. Therefore, it remains our utmost priority to proactively utilize water efficiently in our activities by reducing consumption and expediting our water recycling and conservation initiatives.
Biodiversity	Preserving biodiversity is crucial for maintaining the delicate balance of ecosystems and ensuring the sustainability of life on Earth. At Petron, we understand the profound significance of biodiversity conservation. Biodiversity not only influences the socio-economic well-being of communities but also mitigates environmental risks within the oil sector.
Emissions	Climate change poses significant threats, with intricate environmental impacts directly affecting ecosystems, society, and businesses. Over the years, the manifestations of climate change encompass hotter temperatures, severe storms, increased drought, warming and rising oceans, loss of species, poverty and displacement, and threats to food supply and human health. With this, we keep ourselves informed of how these factors will affect our business. We strategically take steps to contribute to addressing climate change and air pollution.
Waste	In our operations, we generate a high volume of waste, including hazardous materials. Given the potential impacts on the environment and human health, we prioritize the implementation of proper and effective waste management practices. This commitment is significant for conserving resources, minimizing

	pollution, and fostering a healthier environment, particularly in the areas where we operate.
SOCIAL	
Employment	In our dynamic business landscape, our foremost priority is to consistently attract and retain a highly skilled workforce. We deeply acknowledge that our employees constitute the driving force behind our competitive edge in the market. Through these efforts, we contribute to shaping a sustainable future by offering employment opportunities that uplift the lives of our fellow Filipinos.
Labor/Management Relations	Stable and cooperative relations between labor and management serve as the cornerstone of a thriving workplace culture, fostering an environment that promotes productivity, innovation, and sustainable growth. These positive labor/management relations contribute to the overall stability of our Company and enhance competitiveness.
Occupational Health and Safety	Ensuring health and safety in the workplace is a fundamental human right for every worker. As essential business partners, we bear the responsibility of safeguarding the health, safety, and well-being of our human capital – the employees – to ensure the efficient operation of our business.
Training and Education	Nurturing the growth of our employees mirrors our belief in their potential as key contributors to Petron's continuous success. Investing in training and development is our approach to fostering a skilled and empowered workforce, thereby enhancing both their individual career advancement and the overall success and resilience of our business.
Local Communities	Our robust partnership with stakeholders propels us to seamlessly integrate sustainability into every aspect of our business. We recognize that our activities can yield significant economic, environmental, and social impacts on the communities where we operate. Utilizing our shared resources, we ensure that our Company operates efficiently while actively supporting socioeconomic growth.
Customer Health and Safety	We acknowledge that our activities from the Refinery, terminals, and service stations inherently carry safety and health risks. Failure to manage these risks not only endangers our workforce but also threatens the well-being of our customers and the communities we serve. The oil sector's influence on public health underscores the urgency for industry leaders like Petron to uphold the highest standards in safety and health.
Marketing and Labelling	We affirm the importance of providing customers with access to accurate and comprehensive information regarding the positive and/or negative economic, environmental, and social impacts of the products and services that they consume. Therefore, we ensure fair and responsible marketing communication strategies and materials, along with providing information on the composition of products, including their proper use and disposal, to assist our customers in making well-informed decisions.

Customer Privacy	The success of our operations is intricately tied to the trust and transactions we engage in with our valued customers. Recognizing the importance of safeguarding their data and information, we have implemented measures to ensure the privacy and security of stakeholder information.
GOVERNANCE	
Economic Performance	Our economic performance is anchored on the products and services that we deliver, primarily centered on refining crude oil and distributing refined petroleum products. We serve a diverse range of industrial end-users, service stations, LPG dealerships, sales centers, and various retail outlets. Beyond these domestic operations, we also stand as a supplier of jet fuel at major airports, catering to both international and domestic carriers.
Market Presence	We strategically position ourselves across key locations in the Philippines, spanning the National Capital Region, Luzon, Visayas, and Mindanao. This reflects our commitment to delivering high-quality products to our customers while expanding our reach to serve as many communities as possible.
Indirect Economic Impacts	Indirect economic impacts are crucial in the socio-economic environment, particularly within the oil sector. These impacts extend beyond financial transactions, influencing community well-being and long-term development prospects. The ripple effect of infrastructure investments and services supported by companies like Petron can significantly shape local economies.
Anti-corruption	We recognize that corruption can have detrimental effects, impacting both our Company (e.g., misallocation of resources) and our stakeholders (e.g., abuse of human rights). Therefore, we consistently demonstrate transparency in all our transactions and implement rigorous measures to prevent corrupt practices.
Anti-competitive Behavior	As an industry leader, we prioritize integrity by cultivating healthy competition among our peers. Our primary responsibility is to serve our customers, ensuring fair and ethical business practices, and empowering them to make informed decisions.
Tax	Taxation is pivotal to socio-economic development, contributing to nation-building by funding essential services and infrastructure. In the oil sector, tax compliance is important in ensuring fair competition and preventing illicit activities like smuggling, which undermine the industry's stability and the government's revenue stream.

Contributions to Global and Local Development Goals

UN Sustainable Development Goals

In addition to identifying the ESG topics important to our business, we have also determined how we can further participate in achieving broader sustainability goals. All of our material topics are aligned with the 17 UN SDGs, given their interconnected nature.

Moreover, referencing the GRI 11: Oil and Gas Sector 2021 Standard, we affirm that our industry has significant contributions toward achieving the following goals:

- Goal 1: No Poverty;
- Goal 3: Good Health and Wellbeing;
- Goal 4: Quality Education;
- Goal 7: Affordable and Clean Energy;
- Goal 8: Decent Work and Economic Growth; and
- Goal 13: Climate Action

These goals are all linked toward the transition to a low-carbon economy, ensuring that there is affordable, reliable, and inclusive access to resources for all stakeholders.

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																●	

Philippine Development Plan

In the Philippine context, our objective is to actively support the PDP 2023-2028, ensuring that our sustainability initiatives proactively respond to nationally-agreed goals. In this regard, we also aligned our material topics with the focus areas of the PDP to collectively work towards our shared goal of "economic and social transformation for a prosperous, inclusive, and resilient society" through job creation and poverty reduction.

Propelling a Sustainable Route: Petron's ESG Performance

We acknowledge that our actions have a corresponding footprint on the socioeconomic environment. Therefore, as we navigate this journey, we vigilantly monitor and manage potential roadblocks and ensure that we stay on course towards a sustainable future.

Navigating a Climate-Resilient and Circular Economy Pathway

For the past 90 years, we have remained steadfast in our commitment to monitor and enhance our environmental performance. Aligned with the growing focus on global climate goals, we embark on a journey to advance climate action and circular economy initiatives. Actively engaging in mitigating our environmental footprint throughout our entire value chain, we voluntarily adopt environmentally responsible practices. This proactive approach enhances our capacity to respond swiftly and effectively to the evolving external landscape, which demands more robust environmental monitoring and disclosure. This progression seamlessly aligns with our dedication to environmental stewardship. As we continue on this path, we will diligently monitor our performance while looking to level up on initiatives that will further contribute to a climate-resilient future.

Material Topic	UN SDGs
Optimized Resources	8, 12
Efficient Energy Management	7, 8, 12, 13
Sustainable Water Management	6, 12
Strategic Partnerships for Biodiversity Conservation	6, 14, 15
Proactive Climate Action	3, 12, 13, 14, 15
Integrated Waste Management	3, 6, 8, 11, 12, 15

FEATURE STORY

PETRON TERMINAL ECOWATCH PROGRAM: PROMOTING EXCELLENCE AND CONTINUAL IMPROVEMENT

Petron's terminal operations constitute a linchpin in the Company's value chain, as well as the unrelenting drive towards excellence. Located in strategic areas throughout our archipelago, they are the repository of Petron's various petroleum products that are processed from our Refinery before being brought to the end-users: our motorists, and industrial, commercial, and household clients. Beyond being merely a depot, Petron terminals are corporate citizens in our host communities. They are seen not only as business entities, but as critical partners in boosting the local economy and being reliable neighbors.

In this aspect, our terminals take their responsibility to their communities and to the environment to heart. Excellence is seen not only in ensuring the availability of fuel products at all times, but also in being efficient in every aspect of work to minimize inefficiencies and optimize their positive impact. Strict and full compliance with all environmental laws and regulations is a given for terminal personnel. Petron's Terminal EcoWatch program further elevates this practice into a bigger commitment beyond self-monitoring and compliance with environmental standards. It challenges each facility to continually improve their environmental performance, increase efficiency and bottom line, and enhance the capability of the plant on self-regulations through environmental management systems.

The EcoWatch Program was implemented in 2014 in all our terminals to complement and complete our sustainability initiatives, from our Refinery's efforts to measure, manage, and minimize its environmental footprint to having Environmental Management Systems-compliant service stations. Our Corporate Technical Services Group (CTSG)-Environment, Operations Health, Safety, Security, & Environment (HSSE), and the Petron Environment Council are tasked to monitor and assess each terminal's adherence to the program, whose approach goes beyond mere compliance by incorporating indicators from both local and global standards, such as the Revised Industrial EcoWatch Rating System outlined in the Department of Environment and Natural Resources (DENR) Administrative Order 2003-26. We comprehensively review our compliance with the following laws, namely:

Presidential Decree No. 1586 that established the Philippine Environmental Impact Statement (EIS) System	**Republic Act (R.A.) No. 6969 or the "Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990"**	**R.A. No. 8749 or the "Philippine Clean Air Act of 1999"**	**R.A. No. 9003 or the "Ecological Solid Wastes Management Act of 2000"**	**R.A. No. 9275 or the "Philippine Clean Water Act of 2004"**	**R.A. No. 11898 or the "Extended Producer Responsibility on Plastic Packaging Waste Act of 2022"**

The EcoWatch program also adheres to indicators established by the GRI Standards on sustainability reporting. Assessing the performance annually is done using color-coded ratings based on the terminals' level of compliance. The highest rating – a Platinum Plus – rewards terminals for sustained excellence over three successive years.

In 2023, four terminals – Bawing, Mandaue, Roxas, and Tacloban – received the highly-coveted Platinum Plus rating. On top of being consistent in keeping with their environmental compliance, they have endeavored to introduce best practices that add, in any way possible, to making their terminals more efficient. Under Engr. Allan Indic, Tacloban Terminal has incorporated solar power to minimize their power consumption and indirect GHG emissions. Synergized with other green initiatives, this has supported their sustainability goals while resulting in something extra for terminal personnel. *"Solar-powered pumps provided us with alternative means to maximize the use of collected rainwater from our rainfall harvesters. With the additional free water, greening activities, and vegetable farming on vacant spaces within the terminal were ramped up and expanded. These are aligned with our environmental programs and greatly supported our utility personnel with their daily and basic vegetable needs. As a result, terminal personnel became engaged in the environmental programs of the facility."* His team also actively conducts quarterly water audits to do their share in the scarce water reduction program of Petron. *"We also Introduced a portable Oil Water Separator (OWS) during water draw-off activities after every product receiving and, coupled with the water effluent aeration system, ensures strict compliance with the Clean Water Act, while also minimizing hazardous waste generation."* Engr. Indic is also most proud that these sustainability efforts of the terminal's workforce, who reside within the fence line community, have become highlights of the host LGU and regu lating bodies and shared to other communities for benchmarking.

Tacloban Terminal's rainwater harvesting set-up

Use of solar lights in Mandaue Terminal

Mandaue Terminal manager Engr. Richard Wong adds that integrating these best practices and initiatives into their daily operations has led to embracing an environmental culture by all regular and contracted personnel in the facility. *"It's a collective effort and being a Platinum+ awardee is an honor and prestige specially for the whole terminal."*

Accolades notwithstanding, much work remains ahead not only for the Platinum Plus awardees, but for every Petron terminal. Each facility acknowledges the challenges of sustaining excellence. Continual improvement is easier said than done. Add to that the unexpected effects of climate change and demands from new regulations such as the EPR law, as well as consistency in observing the EcoWatch requirements, and keeping personnel informed and engaged. Yet, the results are worth the effort. Throughout 2023, mindfulness of terminals to the program ensured that Petron did not incur any significant monetary fines for noncompliance with environmental laws and/or regulations. As a barometer for our commitment to excellence, the Terminal EcoWatch program has seen a steady increase in ratings, with a significant overall improvement of 91.6% in 2023 compared to our 2014 baseline. This year also, we took a significant step forward by expanding our focus beyond environmental indicators to include sustainability focus areas such as our CSR initiatives and climate change action plans. This key action aligns with our objective of integrating sustainability into our business activities, supporting our overall vision and mission. More than just a testament to being environmental stewards, this pioneering initiative demonstrates that our promises are backed by tangible and achievable results. Through rigorous internal audits of our environmental performance, we maintain transparency and accountability for our actions and their impacts. Ultimately, this allows us to have a more holistic approach in managing our operations, integrating our ESG framework for the benefit of Petron and the communities we serve.

Looking ahead, we remain committed to accelerating our efforts, adapting to the ever-changing external environment, and equipping ourselves for a sustainable future.

Fueling the Environment through Circular Economy

As part of our continued development, we are mindful of adopting practices that move us further into our sustainability journey. One such practice is veering from the traditional linear economy concept of "take, make, and dispose" and looking at the concept of circular economy, with the mindset to adopt this as a business strategy. Focusing initially on further improving our waste management practices, we look to also embed circularity in our energy and water conservation efforts in the various aspects of our operations.

From our current programs, we have achieved the following:

1) A total of 74.9% or 5,565.95 metric tons (MT) of hazardous and non-hazardous waste generated have been diverted from disposal in 2023. Meanwhile, Oily Waste Sludge and spent catalyst were recycled at the Delayed Coker Unit and Refinery Solid Fuel Fired Boiler (RSFFB) respectively. Other initiatives include composting biodegradable waste and upcycling waste to produce items such as cabinets and stands that are used at the facilities.

2) In 2023, a total of 6,780 pieces or 11.66 MT of Flexible Intermediate Bulk Container (FIBC or jumbo bags) used to package polypropylene pellets were returned to the Polypropylene (PP) Plant by its customers. Some of them were repurposed as waste containers for the Refinery.

The remaining containers can generate potential savings of PHP 6.7 million when reused for the packaging of products.

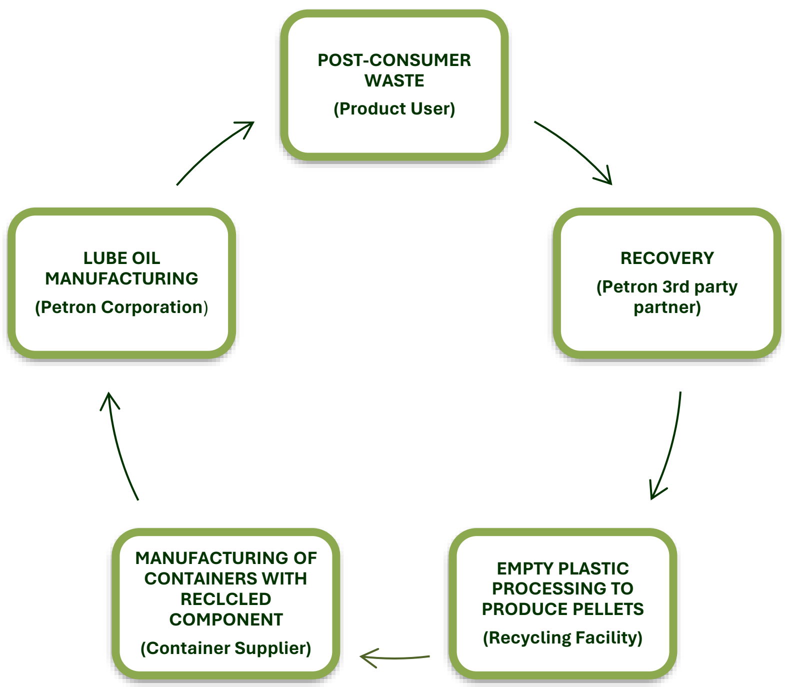
3) Plastic seals used on tank trucks to safeguard against product theft and tampering are recovered by our terminals. Our Bacolod Terminal upcycled these plastic wastes into tables and benches for the use of its personnel. This initiative allowed us to recycle approximately 2,274 kilograms of plastics. Similarly, 610 kilograms of plastic seals from our Davao Terminal were upcycled through Envirotech into plastic benches.

4) Initiatives by Lube Oil Manufacturing Plant EPR include:

- Steel drums used for packaging raw materials delivered to the Manufacturing Plant are sent to a third-party facility for reconditioning, where the reconditioned drums are used for packaging lube oil products. A total of 178.6 MT of steel drums were reused in 2023.

- The packaging for our one-liter (1L) and four-liter (4L) lube oil containers was redesigned to reduce our plastic footprint. This will reduce plastic footprint by 8.85% relative to the 2022 baseline.

- The plant has set up recovery of empty plastic packaging materials from select service stations within Metro Manila. The collected containers were sent to a plastic recycling plant to produce pellets, after which the pellets were incorporated into virgin plastic resin to manufacture new plastic containers. The pilot testing of this concept was initiated in 2023 and will be implemented on a larger scale in 2024.



FEATURE STORY

Laying Down a Straightforward Plan to Achieve Circular Economy

In the town of Mexico in Pampanga, some 70 plus kilometers north of Petron's office in Mandaluyong City, is a sprawling compound that houses a massive recycling plant. In 2023, Petron engaged Infinity Eight Trading Corporation, who owns the facility, to help the government's mandate to manage the waste generated by industries more effectively and responsibly.

In August of 2022, the Extended Producer Responsibility (EPR) law took effect throughout the country. This requires companies to account for all the plastic packaging used to protect, transport, and sell their products. Specifically, it compels large product producers that generate plastic, called Obliged Enterprises, to establish an EPR Program that will "reduce and/or recover for reuse, recycling, treatment, or proper ecological disposal the plastic packaging waste that they release or released to the domestic market" in their operations, and implement them beginning January 2023.

The new law amends and further strengthens the Ecological Solid Waste Management Act of 2000 or Republic Act No. 9003, which mandates the LGUs to achieve 25% waste reduction target through establishing an integrated solid waste management plan based on the 3Rs (reduce, reuse and recycling). Nearing 25 years since its enactment, the law is still ways off from achieving its objectives. Meanwhile, the problems from which this was built on, specifically the non-biodegradable plastics, remain. An April 2022 article from BusinessWorld reported that plastic generation worldwide has continued to rise to some 400 million tons annually per the 5th United Nations Environment Assembly and this number is estimated to double by 2040. Filipinos, in particular, use up about 2.15 million tons of plastics every year, A 2020 study commissioned by World Wildlife Fund (WWF) meanwhile revealed that up to 35% of the total annual plastics consumption of the Philippines in 2019 is leaked to open environment. This ends to polluting our water sources and at the same time, clogging pipes and drainage lines that lead to flooding of cities.

Mindful of the urgency of the problem and heeding the call of the government for corporate involvement, Petron set a goal in support of the EPR Law to reduce 80% of our plastic packaging footprint by 2028 under a five-year roadmap.

We initiated the collection of our used lube oil containers from 13 Car Care Centers in Metro Manila with our Lube Trade taking the lead. The pilot run in the second half of 2023 generated nearly 500 kilograms of empty containers, which were transported to the recycling plant in Pampanga. From here, the used plastic containers, including caps, were cleaned and ultimately processed into pellets. This is the end-product that will be incorporated to virgin plastic resin to manufacture new Petron lube bottles.

Through this program, we now have more opportunities to integrate circularity in our business and, in the process, extend the life cycle of our plastic packaging and reduce waste. Beyond compliance to the EPR Law, we are also contributing to the attainment of SMC's blueprint for sustainability, among which aims to do good for the planet by embracing the principle of circular economy by 2040.

Optimized Resources

GRI Standards	GRI 3-3, 301-1, 301-2, 301-3
UN Sustainable Development Goals	SDG 8 – Decent Work and Economic Growth SDG 12 – Responsible Consumption and Production
Philippine Development Plan	Accelerate Climate Action and Strengthen Disaster Resilience

Our approach

As the largest oil company in the Philippines, Petron plays a pivotal role in ensuring proper materials management. Throughout the years, our commitment has been to contribute to the well-being of the planet, safeguard the sustainability of our business, and meet the needs of our customers and key stakeholders. In our industry, the primary raw material is crude oil—a non-renewable resource with the potential for depletion in the future. Despite the inherent challenges in the oil sector, we remain dedicated to responsible and sustainable practices.

Acknowledging challenges like the volatility of crude oil and refined petroleum product prices influenced by factors such as geopolitical tensions, global economic conditions, and supply and demand dynamics, we stand unwavering in our commitment to responsible practices. For example, we implement a Logistics Management Plan to ensure the availability of petroleum products while managing risks from price volatility.

Our progress

Materials used by weight or volume

In 2023, we utilized a total of 8,443,206.1 MT of non-renewable materials, representing an approximate 18.94% increase from the previous year. This category includes crude oil, imported fuels, raw materials, and packaging materials. The increase is primarily due to higher fuel demand with improving economic activity resulting in higher Refinery utilization.

On the other hand, our utilization of renewable materials experienced a slight decrease to 148,003.14 MT in 2023, compared to 148,258.44 MT in 2022. The renewable materials we use come from the biofuel component of liquid fuels used by our facilities. This includes ethanol and Coco Methyl Ester (CME), as mandated by R.A. No. 9367, or the "Biofuels Act of 2006." The diesel fuel, which contains 2% CME, was used for the commissioning of RSFFB Phase 3 in 2022, this is a one-off item and hence, there was lower fuel consumption in 2023.

Materials used by weight or volume	2023 (MT)	2022 (MT)
Non-renewable materials used[1]	8,443,206.1	7,098,890.15
Renewable materials used[2]	148,003.14	148,258.44

[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 processes, so that the services provided by these and other linked resources are not endangered and remain available for the next generation.

Recycled input materials used

Furthermore, as part of our commitment to addressing actual and potential risks and impacts, we formulated our EPR Program in 2023. This program aims to reduce and/or recover plastic packaging materials used for our lube oil products, aligning with the objectives of R.A. No. 11898, also known as the "EPR Act of 2022." Our program includes the following strategies:

- We will redesign our containers to reduce weight. We are also exploring alternative packaging materials to reduce the usage of plastic in our packaging.
- We will partner with our retail stations, lube retail outlets, and distributors to buy back and recover used packaging materials from mass consumers. Additionally, our terminals will collect tamper-proof seals for recycling.
- We will convert collected containers to plastic pellets through engagement with plastic recycling facilities. The pellets will be added to virgin plastic resin to produce new bottles with recycled plastic content.
- We will partner with plastic waste diverters for the collection and recycling of post-consumer plastic to offset our plastic packaging footprint.

Reclaimed products and their packaging materials

Aligned with our EPR program implementation, we have attained a 22% reduction in plastic packaging footprint in 2023, surpassing our 20% reduction target. This accomplishment is primarily attributed to our collaboration with Plastic Credit Exchange (PCX), a waste diverter with a network of waste collectors, transporters, and recyclers. The collected post-consumer plastic wastes are converted into pellets and exported to other countries for the manufacturing of plastic products. Additionally, Petron disposed of a total of 40 MT of rejected plastic containers to an accredited hazardous waste treater. The resulting plastic flakes were sent to a recycling facility to produce various plastic products, such as dust pans.

Looking ahead, we uphold our commitment to demonstrating sustainable business operations by aligning our practices with environmental regulations and international standards. Consequently, we will continue to implement environmental, safety, and quality management systems based on ISO standards to address potential risks and impacts within the Refinery and our fuel terminals. Moreover, we will optimize opportunities to minimize waste, reduce our environmental impact, and promote the circular use of materials, benefiting not only our Company but also our business partners, including stakeholders.

Efficient Energy Management

GRI Standards	GRI 3-3, 302-1, 302-2, 302-4, 302-5 Topic 11.1 GHG emissions
UN Sustainable Development Goals	SDG 7 - Affordable and Clean Energy SDG 8 - Decent Work and Economic Growth SDG 12 - Responsible Consumption and Production SDG 13 - Climate Action
Philippine Development Plan	Accelerate Climate Action and Strengthen Disaster Resilience Expand and Upgrade Infrastructure

Our approach

We recognize the imperative for cleaner energy sources and proactively implement initiatives across our Company's operations in the Refinery, terminals, and service stations. Embracing efficient technologies and processes in our day-to-day operations is a key aspect of our strategy to conserve energy resources and reduce our environmental footprint throughout our operational landscape.

The RSFFB Phase 3 project incorporates state-of-the-art technology, featuring a CFB Boiler designed for efficient and clean combustion of solid fuels. Furthermore, the integration of a heat recovery system showcases our dedication to energy conservation by utilizing the energy from hot process streams to preheat feed to furnaces, even as hot flue gases from furnaces are harnessed to generate steam or heat combustion air. This dual-pronged approach not only enhances fuel flexibility but also results in lower emissions and promotes efficient combustion.

Our terminals have embarked on a comprehensive five-year program that will boost the utilization of renewable energy sources. This multifaceted initiative encompasses strategic measures such as the installation and transition to LED and solar-powered lights.

At our service stations, we have begun using solar power to supplement its energy requirements. We are also mixing up technological advancements, such as upgrading to inverter air conditioning systems, and intensifying basic practices such as turning off lights and air conditioners during off-hours, to actively conserve energy. Moreover, for a decade now, we have consistently participated in the annual Earth Hour event, resulting in savings of 957 kilowatt-hours (kWh) or 3.44 gigajoules (GJ) in 2023.These collective endeavors serve to heighten environmental consciousness and encourage meaningful action throughout the organization. By integrating renewable energy solutions and deploying energy-efficient technologies across our operations, we contribute to addressing the urgent need for cleaner energy, actively shaping a more environmentally responsible future.

Our progress

On the horizon with respect to our efforts to further improving our energy management is in the transition to more efficient LED lamps in our facilities and service stations. Our terminal operations are almost complete with the conversion from light bulbs to LED, while 809 service stations are in various stages of converting their under-canopy lights to LED, from which we project a lowering of annual electricity consumption by an average of 18%, equivalent to a reduction of 4,500 MT CO_2/year in GHG emissions. This is on top of making our service stations more safe and more inviting to our motoring public.

We have likewise made significant progress in adding solar power to complement our energy sources. In March 2023, we successfully energized the office and pump islands of our PEC 1 in Marilao, Bulacan through solar panels installed in its rooftop. Given this, more service stations are in line to use the same technology.

As of 2023, six (6) service stations have set up solar panel systems, resulting in a total installed capacity of 90 kilowatts (kW). We aim to install solar panels in three (3) more service stations by 2024. With this expansion, we target a total of 29 service stations with solar panels, resulting in a combined capacity of 665 kW. This initiative is expected to significantly reduce our energy consumption by 1,340 GJ/year or 265 tons of GHG/year.

The use of solar energy extends to our terminals as well. Our New Lube Oil Blending Plant (NLOBP) will be generating 460 kW through solar panels expected to be installed by 2024, while additional four terminals are slated to have solar panels lining their respective rooftops by 2025. This will bring the total installed capacity to 955 kW by the end of 2025, with an anticipated reduction of 4,950 GJ/year in electricity consumption or a reduction of 986.22 MR of CO2e/year in Scope 2 GHG emissions.

The successful implementation of the RSFFB Phase 3 in 2022 has led to a notable reduction in our Refinery energy intensity, with levels decreasing from 496.96 GJ/MB to 454.31 GJ/MB in 2023.

Energy consumption

Petron's operations consumed a total of 46.3 million GJ in 2023, constituting approximately 50.34% of the total operational expenditure, encompassing both renewable and non-renewable energy sources. Of this consumption, 98.11% can be attributed to the utilization of fuels and electricity within the Refinery.

Recognizing the environmental footprint associated with our operations, we are actively implementing initiatives to reduce our energy consumption. Notably, in 2023, our Refinery achieved a commendable energy reduction of 64,942.33 GJ. This significant accomplishment stems primarily from the strategic transformation of a downstream offsite unit from continuous to batch operation, contributing to an impressive 97.6% of the total energy consumption reduction of Petron. These operational changes have markedly enhanced the Refinery's overall energy efficiency. Complementing these process-driven improvements, our sustainable initiatives at the Refinery and terminals have further bolstered our energy efficiency endeavors. In the same year, we replaced 2,256 units of conventional streetlights with LED and solar-powered alternatives, resulting in a resulting in a reduction of approximately 1,232.19 GJ or 342,275 kWh. Although our energy footprint has increased as compared to our 2022 data due to the need to serve more customers and address their needs, our energy efficiency has improved.

These achievements underscore the tangible outcomes of our active and conscientious energy management practices. As an oil company committed to creating a sustainable tomorrow, we continually adopt practices and technologies that not only minimize environmental impact but also promote efficiency, ensuring a reliable and long-term fuel supply.

Energy consumption within the organization	2023 (GJ)	2022 (GJ)
Total energy consumption from non-renewable sources	45,528,188.72	41,463,853.50
Total energy consumption from renewable sources*	2,814.13	7,169.10
Electricity sold	748,720.37	262,824.77
Total energy consumption within the organization (includes 1,241,589.33 GJ from flare gas burned in 2023)	46,292,863.83	42,376,468.40

**major variance was a result of the discontinued use of diesel for the RSFFB in 2023. In 2022, diesel (which contains 2% CME, a renewable source) was used for the RSFFB Phase 3 commissioning.*

Amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives	2023 (GJ)	2022 (GJ)
Fuel	65,481.43	27,781.87
Electricity	1,232.19	493.00
Total	66,542.83	28,274.88

FEATURE STORY

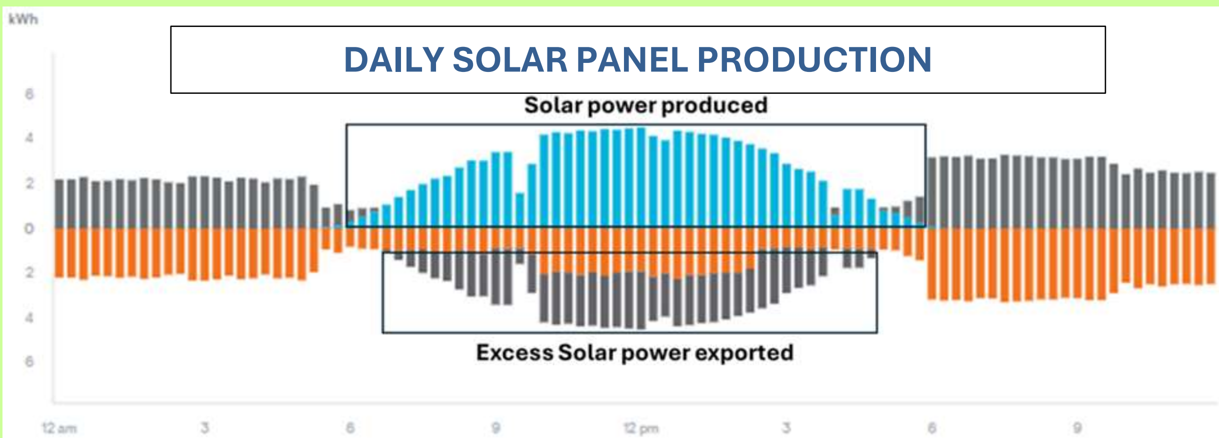
Harnessing Renewable Energy at Our Service Stations

As part of our energy conservation efforts, we have made substantial investments in integrating renewable energy into our operations, particularly within our service stations. This initiative helps us further reduce our carbon footprint, contributing to energy security. Moreover, embracing renewable energy has yielded tangible benefits for our business, including significant cost savings.

In March 2023, our PEC 1 in Marilao, Bulacan completed its first solar panel installation. The 54 monofacial solar panels with a 25-kW inverter system installed allow Petron to make a significant impact in energy reduction and consumption for our service station in Bulacan.

The solar panels have an On-Grid PV System with net metering, providing a hybrid energy solution for us to draw power from both solar energy and a utility provider. The net metering feature of our solar panels enables Petron to feed the excess electricity generated from the solar power to the grid producing an energy-efficient system. Furthermore, since the solar panels installed are hybrid, they provide flexibility and reliability ensuring that a power supply is continuously available even during periods when solar energy production is low. For our PEC 1, during peak time, our solar panels can produce 18.1 kW of electricity and export an excess of 10.4 kW of electricity to the grid, consuming only 7.7 kW for its administration building and 2 canopies in the station.

Within a few months after its installment completion, we were able to realize a 28% reduction in electricity consumption, from a total of 7,160 kWH in August of 2022 to 5,120 kWH in August of 2023. This enables us to simultaneously save energy while reducing costs.



The installation of solar panels at Petron's PEC 1 marks the beginning of our commitment to expand this initiative across our other service stations. In October 2023, we commenced solar panel installations at our stations in Southern Tagalog Arterial Road (STAR) tollway, Alabang, and Taguig. By 2026, with a total investment of PHP 50 million, we aim to have a total of 29 Petron service stations with solar panels. To further extend this project's reach, we are exploring options to make this more financially viable for our dealers. Specifically, we are engaging with the Bank of Commerce to provide a special loan program to encourage our service stations to avail of solar technology through the Petron Dealers Association (PETDA).

Utilizing solar panels in our service stations exemplifies our commitment to embracing renewable energy in our business activities. Moving forward, we remain dedicated to identifying further opportunities and harnessing technologies to advance towards a climate-resilient future.

Sustainable Water Management

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	SDG 6 - Clean Water and Sanitation SDG 12 - Responsible Consumption and Production
Philippine Development Plan	Accelerate Climate Action and Strengthen Disaster Resilience Expand and Upgrade Infrastructure Promote Human and Social Development

Our approach

Water serves as a vital resource throughout our operations, encompassing the Refinery, terminals, and service stations. Acknowledging the potential impact on ecosystems and human well-being of our water withdrawal and consumption, particularly in the vicinity of our extensive operations, we are committed to responsible water management.

Much of our water consumption occurs at the Refinery (99.78%), which requires substantial volumes to sustain our operational activities. To mitigate potential adverse effects, we have implemented a range of initiatives focused on reducing reliance on groundwater sources. Recognizing the profound impacts of our Refinery operations, PBR withdraws water from the sea, which is considered as non-scarce, through our seawater facilities, accounting for 92.6% of our total water withdrawal. A portion of the seawater drawn is processed at the Refinery's desalination plant to produce water used for operations. This proactive approach helps us to prevent overextraction, saltwater intrusion, and ground subsidence.

As early as 2010, we launched Project CODy, a proactive initiative dedicated to effectively manage our water resources by 1) minimizing and optimizing water use within our operations; 2) ensuring equitable access to scarce resources for neighboring communities; and 3) achieving cost savings through reduced water consumption. Specific activities include identifying all waste streams, characterizing their quality, and identifying opportunities to reduce, reuse, recycle, or eliminate wastewater generation. The project was reinforced in 2016 after the completion of its major expansion program. Given this, we have successfully implemented the following projects:

- reuse of stripped sour water
- reduction of condensable blowdown
- reduction of wastewater from crude desalter

In our terminals and service stations, we introduced additional improvements to our water utilization. The setting up of rainwater harvesting facilities actively reduced our dependence on freshwater resources, with rainfall from our terminals designated as hydrant water for firefighting, landscape irrigation, and domestic sanitation. Our lube manufacturing facility collected the highest volume in 2023 at 2.91 million liters. In 2023, rainwater collectors were also installed in 11 service stations. By 2026, this is programmed to increase to 250 stations. The total volume of 10.64 million liters collected in 2023 was lower by 37.4% compared to 2022 due to the impact of El Niño and reduced frequency of rainy days.

To further reduce water consumption, we consistently monitor faucet flow rates and install aerators, utilize dual flush toilets and implement information, education, and communication (IEC) programs to raise awareness about water conservation. Additionally, we proactively installed water line pressure regulators to optimize water pressure and prevent unnecessary wastage due to excessive discharge flow. We believe that these collective daily efforts, while relatively miniscule, ultimately add to meeting our sustainability agenda.

At the most basic, we ensured full compliance to industry-specific effluent standards under R.A. No. 9275, the Philippine Clean Water Act. Our wastewater treatment facilities process wastewater before discharge into receiving bodies of water. As a further step, we are looking to invest some PHP 190 million to upgrade or install new wastewater treatment facilities.

Our water management efforts, particularly those of our Refinery and terminal operations, are contributing to SMC's groupwide commitment to halve the conglomerate's scarce water consumption by 2025 under its "SMC Water for All" program. We have consistently progressed in lowering our water utilization since the program's launch in 2016. As of 2023, we have reduced scarce water consumption by 28.47% compared to our 2016 baseline. Since 2016, the cumulative scarce water reduced by our Company is already 24,784.8 megaliters.

Our progress

Majority of our water withdrawal is sourced from seawater, a non-scarce water resource, followed by groundwater. Using seawater facilities strategically limits our dependence on groundwater. Recognizing the critical need for water supply in the areas where we operate, we remain vigilant about our water withdrawal and discharge practices. We strengthen our efforts, particularly in minimizing groundwater consumption and enhancing water collection from alternative sources.

Overall, our water withdrawal, discharge, and consumption had a slight increase this year due to 15% higher crude oil processed in our Refinery. However, our commitment to water conservation remained evident, as notable reduction efforts yielded positive outcomes in 2023.

Water withdrawal

Our freshwater withdrawal decreased by 2.34%, compared to the previous year. This is due to 4.27% lower groundwater withdrawal in our Refinery. Groundwater accounts for 93.5% of freshwater withdrawn by Petron in 2023 and 99.1% is used at the Refinery. The reduction is greatly attributed to our Refinery's concerted efforts and initiatives:

- Improvement in the Refinery Solid Fuel Fired Power Plant's (RSFFPP) reverse osmosis (RO) facility recovery rate from 54% to 57% through the replacement of RO membrane units;
- Rigorous water surveys and immediate repairs of water leaks in various areas of the Refinery;
- Maximization of desalinated water usage, effectively reducing the reliance on groundwater;
- Increase in recycled water utilization water through the maximization of utilization of stripped sour water in the plant facility.

Our PP Plant had the highest volume of water withdrawal from third-party providers, accounting for 67.11% of the total volume. Through strategic adjustments in our facility's Cooling Water treatment program, the Refinery achieved a significant 31.51% reduction in water withdrawal in 2023.

Water withdrawal from all areas (in megaliters)								
Year	Surface water	Ground water	Seawater	Rainwater	Third-party water	Total	Breakdown of total water withdrawal (in megaliters) according to:	
							Freshwater	Other water
2023	0	10,058.74	134,968.28	10.64	692.30	145,729.96	10,761.25	134,968.70
2022	4.34	10,497.77	131,622.16	16.99	500.04	142,641.31	11,019.61	131,622.16

Water withdrawal from all areas with water stress (in megaliters)								
Year	Surface water	Ground water	Seawater	Rainwater	Third-party water	Total	Breakdown of total water withdrawal (in megaliters) according to:	
							Freshwater	Other water
2023	0	10,057.17	134,960.26	7.40	685.19	145,710.01	10,749.75	134,960.26
2022	0	10,459.85	131,615.81	12.72	493.20	142,581.58	11,019.30	131,622.16

Water discharge

Water discharge to all areas (in megaliters)							
Year	Surface water	Ground Water	Seawater	Third-party water	Total	Breakdown of total water discharge (in megaliters) according to:	
						Freshwater	Other water
2023	234.57	0	136,828.67	0.07	137,063.31	6,596.79	130,466.52
2022	155.22	0	133,834.04	0.73	133,989.99	7,724.09	127,992.56

Water discharge to all areas with water stress (in megaliters)							
Year	Surface water	Ground Water	Seawater	Third-party water	Total	Breakdown of total water discharge (in megaliters) according to:	
						Freshwater	Other water
2023	229.74	0	136,815.57	0.07	137,045.39	6,586.89	130,458.49
2022	116.54	0	133,816.99	0.73	133,934.27	5,948.06	127,986.21

Water consumption

We recycled 792.18 megaliters of water in 2023, which is 30.82% higher than the previous year. Excluding seawater withdrawal, recycled/reused water accounts for 7.36% of our water usage, an increase from 5.5% in 2022. This result can be attributed to enhanced reuse in critical areas such as the Refinery's desalters, fluidized catalytic cracking (FCC) scrubbers, main fractionator overhead, and DCU as makeup cutting water, driven by the increased utilization of the Refinery.

Our reduction of water consumption and recycling initiatives enabled us to have a steady volume consumption in 2023 compared to 2022 despite the 15% increase in crude run at the Refinery.

Furthermore, our Refinery and terminals successfully met regulatory limits and renewed all discharge permits, demonstrating our commitment to consistent compliance with regulatory standards.

Water consumption (in megaliters)			
Year	Total water consumption from all areas	Total water consumption from all areas with water stress	Change in water storage
2023	8,666.75	8,664.62	0
2022	8,651.47	8,647.46	0

Strategic Partnerships for Biodiversity Conservation

GRI Standards	GRI 3-3, 304-1, 304-2, 304-3, 304-4 Topic 11.4 Biodiversity
UN Sustainable Development Goals	SDG 6 - Clean Water and Sanitation SDG 14 - Life Below Water SDG 15 - Life on Land
Philippine Development Plan	Accelerate Climate Action and Strengthen Disaster Resilience

Our approach

The conservation of biodiversity is critical in the oil sector, given the inherent environmental risks associated with petroleum refining and transportation. Upholding responsible environmental stewardship, our commitment is to ensure that our activities exert minimal adverse impacts on biodiversity and ecosystems, thereby safeguarding the natural resources essential for our collective future.

Petron's dedication to biodiversity conservation is exemplified through a strategic partnership with the Bataan Provincial Government. In 2000, we pioneered the Bataan Integrated Coastal Management Program (BICMP), along with the UNDP Regional Partnerships in Environmental Management for the Seas of East Asia (PEMSEA). This program focuses on the sustainable management of coastal and marine resources in the province, where our Refinery operates.

Moving forward, our commitment extends to supporting initiatives like the One Bataan PawiCAN Conservation Alliance Network, championing the protection of endangered marine species, such as the pawikan (giant sea turtles). Through collaborative endeavors, our goal is to foster sustainable development and environmental conservation in the region, ensuring the enduring well-being of our ecosystems and communities.

Extending our commitment beyond Bataan, Petron, through Petron Foundation, implements *Puno ng Buhay*, a strategic program that is adopting mangrove areas for reforestation. This endeavor is designed to mitigate potential negative impacts and restore ecological habitats near or adjacent to our operations. Acknowledging the crucial role mangroves play in coastal ecosystems—providing habitats for marine life, shielding shorelines from erosion, and sequestering carbon dioxide—we remain steadfast in preserving and enhancing biodiversity while fortifying the resilience of coastal communities against environmental challenges.

To address potential impacts on protected areas and habitats, we implement measures during product receiving and marine vessel transport. To minimize environmental risks, we include the strategic deployment of oil spill booms to swiftly contain any potential spills. Complementing these efforts, we reinforce safety protocols through activities such as weekly tanker receiving team toolbox meetings, monthly Loss Prevention Stewardship (LPS), and HSSE meetings. Additionally, we conduct monthly oil spill drills to ensure preparedness in emergencies, aligning with our commitment to environmental responsibility and safety.

Our progress

In 2023, we continued our efforts in minimizing our environmental footprint and actively contributing to biodiversity conservation. Our Refinery spearheaded several impactful initiatives to enhance biodiversity and uphold environmental stewardship:

- **Mangrove Planting Activity (April 2023):** In collaboration with the Limay LGU, we organized a mangrove planting activity at the Barangay Alangan mangrove rehabilitation area, aligning with the Earth Month Celebration. A total of 65 volunteers actively participated, collectively planting 1,000 propagules.
- **Tree Planting Activity (June 24, 2023):** We conducted a tree planting activity with the LGU of Limay on June 24, 2023, where around 300 volunteers planted 1,500 seedlings at Barangay Upper Duale, Limay, Bataan.
- **Philippine National Oil Company (PNOC) Tree Planting Activity (July 21, 2023):** We participated in a PNOC Tree Planting activity, with 20 dedicated Petron employees and 120 participants. Together, we planted 500 cashew and 500 guyabano saplings at the National Greening Program (NGP) Site in Barangay Alion, Mariveles, Bataan, contributing to the region's reforestation efforts.
- **Mangrove Planting Collaboration (July 2023):** Continuing our partnership with LGU Limay, we organized another mangrove planting activity in July 2023 at the mangrove site in Barangay Alangan, Limay, Bataan. This time, approximately 60 volunteers joined forces to planting some 600 propagules.
- **Participation in Project TRANSFORM (July 2023):** We actively attended the first annual meeting of the Samahan ng Mandaragat sa Sitio Bakawan Association. This engagement marked our commitment to adopting the mangrove area in Abucay, under DENR’s Project TRANSFORM—an initiative embracing a transdisciplinary approach for resilient and sustainable communities.

These activities reflect our commitment to ecosystem restoration and biodiversity conservation. Moreover, we recognize the environmental sensitivity of our location within the Sarangani Bay Protected Seascape, particularly concerning potential pollution from marine vessels and fuel terminal activities. Therefore, we are deeply invested in minimizing the potential impacts at our Bawing Terminal. To address these challenges comprehensively, we have implemented a range of proactive measures including the maintenance and regular monitoring of man-made coral domes along the Bawing Terminal Pier, as well as weekly shoreline cleaning and monitoring efforts. Furthermore, we are actively engaged in the ongoing rehabilitation of the terminal's perimeter fence and shoreline protection, enhancing defenses against potential pollution.

We continue to conduct regular ambient water monitoring, passing the stringent standards set by the DENR for Class SB waters. Moreover, recognizing the interconnectedness of climate change and biodiversity conservation, we have integrated climate change risks into our Bawing Terminal’s Business Continuity Plan, aligning our efforts with broader environmental objectives. As part of our commitment to ecosystem restoration, we continue to support mangrove planting initiatives in Barangay Minanga, Buayan, General Santos where 5,395 mangrove propagules have been planted in 2023.

Furthermore, we have expanded our commitment to protect and restore habitats. Through partnerships with local government units, we formally adopted 55 hectares of new mangrove reforestation sites in Hagonoy, Davao del Sur; Ivisan, Roxas City; and Obando, Bulacan. These projects are projected to sequester 330 to 440 tons of CO_2 per year based on the average sequestration rate of mangroves established by the Blue Carbon Initiative. We are actively collaborating with other Petron terminals to identify additional reforestation sites based on their proximity and availability, with ongoing coordination and supervision by local DENR offices, LGUs, and people's organizations.

Petron is dedicated to adopting each reforestation site for five (5) years, ensuring proper implementation through detailed work and financial plans. Additionally, we are exploring partnerships with credible academic institutions or NGOs for third-party monitoring and scientific measurement of carbon capture in our adopted sites.

Our commitment extends to weekly shoreline cleaning and monitoring efforts, ensuring the pristine condition of the terminal's surroundings. By actively participating in ongoing rehabilitation projects, we reinforce our defenses against potential pollution incidents. These endeavors reflect our dedication to preserving the ecological integrity of Sarangani Bay and upholding responsible practices in every facet of our operations.

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

<table>
<tr><th>Type of Operation</th><th>Location</th><th>Name of Protected Area</th><th>Protection Status</th></tr>
<tr><td>Sales Office</td><td>Amlan, Negros Oriental</td><td>Tañon Strait Protected Seascape</td><td rowspan="2">• Protected under National Integrated Protected Areas System (NIPAS)
• International Union for Conservation of Nature (IUCN) Category V</td></tr>
<tr><td>Fuel Terminal</td><td>Bawing, General Santos City</td><td>Saranggani Bay Protected Seascape</td></tr>
</table>

Habitats protected or restored

Location	Bawing, General Santos City	Tagoloan, Misamis Oriental	Hagonoy, Davao del Sur	Ivisan, Roxas City	Obando, Bulacan	Total
2023						
Size (in hectares)	1	1	20	25	10	57
Status	5,395 mangrove propagules planted	800 fruit and hardwood trees planted	12,000 mangrove propagules planted	31,250 mangrove propagules planted	On-going site preparation and nursery establishment	

2022						
Size (in hectares)	1	1				2.137
Status	500 mangrove propagules planted	150 seedlings and bamboo				

FEATURE STORY

CULTIVATING GROWTH THROUGH OUR MANGROVE REFORESTATION PROGRAM

It is called PUNO NG BUHAY. Translated literally, it means “Tree of Life”; also, *puno* means “full” when pronounced another way. Either way, it means the same thing: from trees comes the fullness of life.

For Petron, naming our environmental program “Puno ng Buhay” encapsulates our desire to make our greening initiatives more deliberate and purposeful. For one, it aims to adopt areas for reforestation for number of years in communities within or near our terminals, compared to previous efforts of planting in random areas.

For another, it will involve a more scientific approach to measure and evaluate the program’s impact, especially relating to how we are able to offset our footprint through the amount of carbon captured by the flora we plant.

Lastly, it looks to integrate plans that will spur economic activities for stakeholders in the communities where *Puno ng Buhay* is being undertaken, while at the same time promoting the ideals of partnerships and volunteerism among all stakeholders.

Where it started

Launched in 2016 and reached its full swing in 2018, *Puno ng Buhay* was established to make our tree planting initiatives more strategic. While we have always lent ourselves to supporting this endeavor, it was often periodical and not anchored on more long-term goals. *Puno ng Buhay* was a more deliberate way to rationalize the efforts of our facilities across the country and align our activities towards helping reduce our carbon imprint. At the same time, the program was contributing to the objectives of the national government’s National Greening Program of environmental stability, climate change adaptation, biodiversity conservation, as well as food security and poverty alleviation. With most of our major facilities located along the coastline, the logical path to undertake was to build Petron forests of mangroves. Mangroves are highly effective at capturing and storing carbon dioxide from the atmosphere which makes it a good instrument for carbon sink. At the same time, they act as a natural buffer against storm surges, high winds, and coastal erosion, and help stabilize shorelines to protect coastal communities and infrastructure from the impacts of typhoon winds and storm surges. A healthy mangrove ecosystem also provides habitat for a diverse range of plant and animal species. Lastly, a carefully planned adopted reforestation area allows for the creation of livelihood opportunities to its beneficiaries.

Puno ng Buhay went full swing in 2018 when we adopted 25 hectares for mangrove reforestation in Barangay Anibong, Tacloban City and five (5) hectares in Ivisan, Roxas City. From these 30 hectares,

we already recorded nearly 1,100 tons of CO_2 captured using carbon capture measurement done quarterly by DENR (until 2019, when activities were suspended due to COVID-19).

What has transpired

In 2022, we resumed efforts to adopt mangrove areas and engaged our terminal operations to identify areas to reforest, in collaboration with the local DENR and our host communities. In April 2023, we sealed a five-year agreement to adopt a 20-hectare mangrove site in Hagonoy, Davao del Sur. The agreement includes measurement and monitoring of carbon capture in line with Petron's commitment to quantifiably assess the environmental impact and demonstrate transparency and accountability. In November of the same year, we signed a similar agreement with the local government of Ivisan, Roxas City to reforest a 25-hectare mangrove site in their locality. In December, we officially adopted another 10 hectares for mangrove reforestation in the ton of Obando in Bulacan Province. By the end of 2023, we had a total of 55 hectares in various stages of being re-populated with mangroves.

Where it is headed

We are continuing to explore other areas where we can further support reforestation in accordance with our reforestation roadmap. In 2024, we expect to adopt an aggregate of 326 hectares in places such as Nasipit in Agusan del Norte and Puerto Princesa City in Palawan. *Puno ng Buhay* is not confined to mangroves, as we are also working with the local governments of Limay in Bataan and Poro in La Union to plant trees in upland sites.

Just as important, we are looking at potential partnerships with credible institutions to enable the accurate measurement of the carbon captured by the trees we planted in our adopted areas. We understand the criticality of establishing baseline data and understanding the ecological impact of our reforestation program to provide a foundation for future monitoring and assessment. Measuring carbon sequestration rates not only highlights the environmental benefits, but also gives us valuable information on how we can better manage our carbon footprint as a means to mitigate climate change. This also aligns with our commitment to quantifiably assess the environmental impact and demonstrate transparency and accountability.

While helping preserve the environment and offset our emissions, *Puno ng Buhay* offers the additional impact of establishing opportunities for the communities involved to supplement their livelihoods. Since the mangrove areas restore the biodiversity of its surrounding ecosystem, other species like shrimps, fish, and shellfish grow and prosper in the area, allowing the local community to harvest and sell for additional income. There is also the potential to engage in eco-tourism, making the program income-generating and boosting the community's economic development. By involving the local community, we ensure that our efforts align with the needs of the people, fostering a sense of shared responsibility for the environment.

We continue to look for ways to improve and expand our reforestation initiatives and reach more areas where they can be implemented. Through *Puno ng Buhay*, we commit to continue planting the seeds of sustainability to create long-term benefits for the community and the country. Our strategic greening efforts are a testament to the positive impact that Petron can bring to the environment when this responsibility is championed and balanced with our commitment to grow our business and improve our communities.

Proactive Climate Action

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	SDG 3 – Good Health and Well-being SDG 12 – Responsible Consumption and Production SDG 13 – Climate Action SDG 14 – Life below Water SDG 15 – Life on Land
Philippine Development Plan	Accelerate Climate Action and Strengthen Disaster Resilience Promote Human and Social Development

Our approach

As a significant player in the Philippine oil industry, we are fully aware of the impacts of climate change on our business and stakeholders. While we are in the process of setting targets for air emissions reduction, we consistently aim to integrate climate action strategies into our operations, encompassing carbon sequestration, carbon substitution, and carbon conservation.

In terms of carbon sequestration, our initiatives in 2023 involved the formal adoption of 55 hectares for mangrove reforestation in various Philippine locations: Hagonoy, Davao del Sur (20 hectares), Ivisan, Roxas City (25 hectares), and Obando, Bulacan (10 hectares). To date, we have successfully planted a total of 43,250 mangrove propagules and seedlings across the adopted sites, adhering to the Work and Financial Plan (WFP) of each location. We also extended our environmental efforts by planting an additional 20,000 trees and mangroves in various parts of the country as part of our participation in Earth Month, Environment Month, and International Coastal Cleanup Day activities. Recognizing the importance of scientific measurement, we are exploring partnerships with academic institutions and NGOs to assess the carbon sequestration rates of each adopted site, aiming to establish an initial inventory of species as baseline data.

In achieving carbon substitution, we are continuously exploring avenues to enhance the utilization of renewable energy, such as increasing the amount of solar power in our energy mix.

Our progress

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

In 2023, our Scope 1 and Scope 2 GHG emissions amounted to 4,017,554.22 tons of carbon dioxide equivalent (tCO2e), marking an increase of approximately 10.79% compared to the 3,626,279 tCO2e recorded in 2022. The volume of crude oil processed at the Refinery was higher by 15% in 2023 and resulted in an increase in Direct (Scope 1) GHG emissions. Meanwhile, the energy direct (Scope 2) GHG emissions decreased by 18% in the same period mainly due to the lower dependence on imported electricity as a result of the operation of the RSFFB Phase 3 project. In addition, the installation of solar-powered perimeter lights at our Refinery and terminals also reduced the amount of electricity purchased. As of 2023, three (3) terminals have fully converted perimeter lights from metal halide to solar-powered.

GHG Emissions	2023 (MT, CO2e)	2022 (MT, CO2e)
Gross direct (Scope 1)	3,964,260.97	3,561,286
Gross location-based energy indirect (Scope 2)	53,293.25	64,992
Total GHG Emissions	4,017,554.22	3,626,278
Biogenic CO_2 emissions	152.65	503.80

Meanwhile, we aim to define the coverage and boundaries for accounting for GHG emissions across our organization's value chain. Specifically, our goal is to establish baseline values for the identified Scope 3 emission sources, which encompass our suppliers, service providers, and customers.

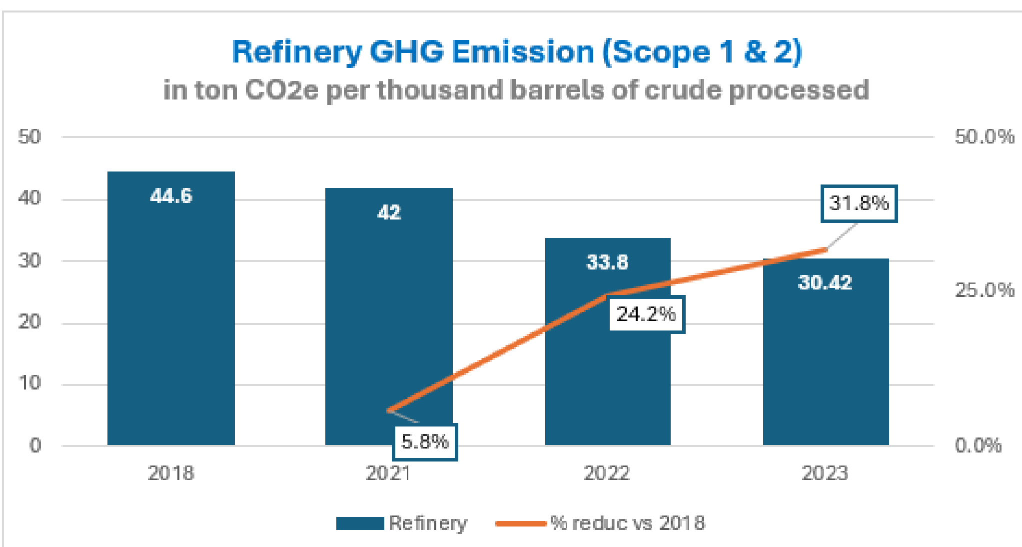
Energy and GHG Emissions Intensity and Reduction of GHG emissions

Energy Intensity	2023	2022
Refinery	454 GJ / MB Crude Processed	497 GJ / MB Crude Processed
Co-Generation Facility	3.05 GJ / MWH	3.22 GJ / MWH
Integrated (Refinery + Co-Generation Facility)	684 GJ / MB Crude Processed	717 GJ / MB Crude Processed
GHG Emissions Intensity	**2023**	**2022**

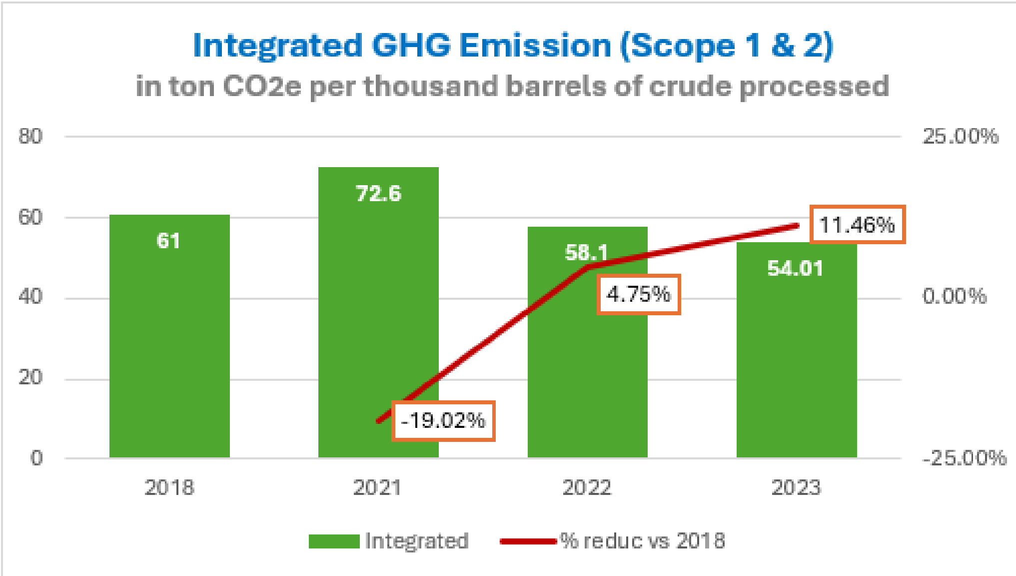
Refinery	30.42 TCO_2e / MB Crude Processed	33.8 TCO_2e / MB Crude Processed
Co-Generation Facility	0.31 T CO_2e/MWH	0.34 T CO_2e/MWH
Integrated (Refinery + Co-Generation Facility)	54.01 TCO_2e / MB Crude Processed	58.1 TCO_2e / MB Crude Processed

Through our efforts to efficiently utilize energy, our energy intensity in 2023 reduced by approximately 8.7%, specifically, reaching 454 GJ/MB, compared to our 2022 intensity of 497 GJ/MB. One of our initiatives involved commissioning a more efficient co-generation facility in Phase 3 and replacing the Refinery's thermal power plant with this new facility. It produces both steam and power simultaneously, generating very high-pressure steam at 1800 psi, a significant increase from the old unit's 600 psi. Additionally, it utilizes excess energy from power production in the form of low-pressure and low-temperature steam to preheat water, which is then converted to steam, reducing the amount of fuel required for full conversion. This not only reduces energy utilization but also contributes to fewer GHG emissions from fuel combustion.

In 2023, we successfully reduced the GHG emissions intensity of the Refinery by 10% to 30.42 TCO_2e/MB Crude Processed, compared to 33.8 TCO_2e/MB Crude Processed recorded in 2022. Furthermore, as a direct result of our reduction initiatives, we achieved a significant increase in our GHG emissions reduction, reaching a record of 4,915.40 MT. This is a notable improvement compared to the previous year, where the reduction was 2,082.43 MT.



Since 2021, we have seen a steady decline in the GHG emission intensity of our Refinery operations. As of 2023, our Refinery's emission intensity is 31.8% lower compared to our baseline in 2018. This already exceeded our 2025 target to reduce the Refinery's emission intensity by 25%.



Our integrated GHG emissions intensity, which excludes emissions from exported power, decreased by 7% compared to 2022. Meanwhile, if it is compared to our 2018 record, the intensity is 11.46% lower.

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

To ensure strict compliance with the air emission standards outlined in R.A. 8749, also known as the Philippine Clean Air Act, all required facilities undergo third-party emission testing at frequencies specified by regulatory authorities. The results of the third-party emission test are consistently compliant with standards.

To address odor and particulate matter concerns, we have taken necessary steps to implement the following initiatives:

- We invested in state-of-the-art CFB technology for power and steam generation. The CFB includes air emission treatment units such as dedicated baghouse filters to remove particulate matter and dry scrubber (limestone injection) to reduce sulfur dioxide emissions.
- Our Refinery also utilizes Flue Gas Desulfurization (FGD) to reduce sulfur dioxide emissions from its FCC units.
- Our Sulfur Recovery Unit (SRU) recovers sulfur from Refinery process streams, thus avoiding sulfur dioxide emissions from flaring. We have minimized acid gas flaring by investing in our own sulfur truck to transfer molten sulfur within the Refinery process units.
- We maintain a dedicated team to monitor community concerns and coordinate with the Refinery for resolution. The use of low-sulfur fuel and fuel gas since 2020 has significantly reduced community concerns.

Moreover, our Refinery has implemented Continuous Emission Monitoring Systems (CEMS) in major emissions sources. These systems facilitate the online transmission of real-time data to the DENR Environmental Management Bureau (EMB) Regional Office, ensuring dynamic monitoring.

Additionally, our Refinery conducts quarterly assessments of ambient air quality in monitoring stations both upstream and downstream of its emission sources. The concentration of air pollutants in ambient air consistently remains below the prescribed maximum limits set by the Clean Air Act.

To uphold transparency and ensure community involvement, our Refinery, which accounts for 99.97% of Petron's air emissions, has a Multi-Partite Monitoring Team (MMT). This team comprises representatives from local government, regulatory agencies, and local people's organizations. The MMT convenes quarterly to review our Refinery's compliance status and address any issues or complaints raised by the community. This collaborative platform provides stakeholders with an opportunity to share feedback or voice grievances. In the event of a complaint or concern, our Refinery conducts thorough investigations for validation and implements corrective actions as deemed necessary.

Due to various process optimization and regular bag filter replacements conducted in the pollution control device of our solid fuel powerplant, our emissions of particulate matter and nitrogen oxides (NOx) both decreased to 159.17 MT and 1,546.68 MT in 2023, respectively. Meanwhile, our emissions of carbon monoxide (CO) have increased to 1,783.93 MT in 2023 from 1,564.41 MT in 2022.

Our Refinery recorded higher incidence of upset in its operations, resulting in an increased volume of acid gas flaring. Acid gas contains higher sulfur content, leading to a 64.4% increase in sulfur oxides (SOx) emissions in 2023 compared to 15,341.90 MT in 2022. To manage flaring, Petron has developed a flaring matrix guide, which includes a systematic flowchart for the identification, troubleshooting, and elimination of hydrocarbon and acid gas flaring episodes. We maintain a database of flaring sources per process unit to assist in the flaring survey of operations, utilizing an acoustic leak detector tool. This enables the Refinery to promptly identify, address, and manage flaring occurrences, contributing to the overall effectiveness of flaring management. Furthermore, the Refinery regularly reviews flaring performance and implements measures to arrest flaring and improve overall Refinery mass loss performance.

Meanwhile, Ozone Depleting Substances (ODS) are only used as refrigerant in air conditioning units for cooling our offices. The fugitive emissions from these equipment are negligible.

Emissions	2023 (MT)	2022 (MT)
NOx	1,546.68	1,886.31
SOx	15,341.90	9,334.00
Persistent organic pollutants (POP)	0	0
Volatile organic compounds (VOC)	Not being measured	Not being measured
Hazardous air pollutants (HAP)	Not being measured	Not being measured
Particulate matter (PM)	159.17	444.83

Integrated Waste Management

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	SDG 3 - Good Health and Well-being SDG 6 - Clean Water and Sanitation SDG 8 - Decent Work and Economic Growth SDG 11 - Sustainable Cities and Communities SDG 12 - Responsible Consumption and Production SDG 15 - Life on Land
Philippine Development Plan	Accelerate Climate Action and Strengthen Disaster Resilience Promote Human and Social Development

Our approach

At Petron, we actively promote responsible waste management, particularly in handling the waste generated by our operations. In 2022, we proudly introduced Project WRAP, specifically Plastic Wrap ver. 2.0, at our Refinery as a testament to our commitment to reduce single-use packaging.

Plastic Wrap ver. 2.0 is centered around the collection of clean and dry plastic waste from diverse sources, including online shopping packages, clear and film plastic wraps, and soft plastic containers generated within the Refinery complex. These materials are meticulously gathered and donated to Plastic Flamingo, a non-governmental organization dedicated to transforming soft plastics into resilient construction materials. Employing innovative processes, Plastic Flamingo converts the collected plastics into versatile items such as construction posts, planks, battens, boards, and more. These transformed materials play a crucial role in the production of furniture and shelters, fostering a circular and sustainable approach to waste management. As part of our efforts, we collected and delivered two (2) super sacks equivalent to some 100 kilograms of clean plastic waste to PICHE/Plastic Flamingo.

Furthermore, we have implemented a comprehensive "no single-use plastic" policy across our operations, making significant strides in reducing the environmental impact associated with single-use plastics. Our recycling endeavors transform items such as tires, plastic bottles, and drums into plant pots, contributing to the expansion of sustainable gardening and landscaping across our sites. To further innovate, we incorporate shredded waste and plastic seals in concrete mix for non-load bearing concrete pavement. At our operational sites, we have established Material Recovery Facilities (MRFs) for temporary staging of segregated solid waste, and compost pits where the compost is actively utilized in gardening. Proper waste segregation strengthens our holistic waste reduction and management strategy, while our active participation in coastal clean-up initiatives showcases our commitment to addressing marine pollution.

At Petron, we actively participate in programs focused on managing and minimizing hazardous waste. Given that a substantial amount originates from the Refinery, our PBR has instituted a dedicated program to recover spent materials with heating value, utilizing it as fuel in its power plant. Project Solhaze scrutinizes hazardous waste streams, aiming to identify opportunities for reduction. Numerous initiatives have been undertaken, including the dewatering of waste sludge, optimizing the use of the phenolic caustic treatment unit to eliminate off-site disposal of hazardous spent caustic waste, employing oily sludge as quenching water in the delayed coker unit, and adopting efficient management practices for hazardous waste across the Refinery. As part of our ongoing efforts, the Refinery aims to divert 56% of hazardous waste generation from disposal by 2025, emphasizing recycling, reuse, or in-house treatment.

Our Refinery has taken a significant stride in promoting environmental awareness with the relaunch of the Linking Environment and Petron (LEAP) program in October 2023. LEAP aims to strengthen understanding of company policies, DENR functions, Philippine environmental laws, and specific environmental programs of the Refinery.

LEAP focuses on solid and hazardous waste management, emphasizing the Company's dedication to responsible environmental practices. By doing so, it nurtures awareness and understanding among employees and contractors, fostering a culture of environmental responsibility within the Company.

These initiatives collectively demonstrate a holistic and proactive approach to waste management and reduction. They reflect our dedication to making a positive impact on the environment, community, our employees, and broader sustainability goals

Our progress

Waste generated

In 2023, our waste generation totaled 7,428.25 MT, encompassing both hazardous and non-hazardous waste. This reflects a 37.5% decrease compared to the previous year. Refinery accounts for 92.7% and 85.37% of hazardous waste and non-hazardous waste generated, respectively. Our hazardous waste includes waste oil sludge and reactive chemical waste, while spent catalysts primarily contribute to our non-hazardous waste. There were no scheduled Refinery turn-around activities in 2023, hence there was zero reactive chemical wastes generated. This was the main reason for the decrease in waste generation. For other waste types, there was no significant change in the annual waste generation rates.

Waste generated	2023 (MT)	2022 (MT)
Hazardous waste	4,584.34	7,453.78
Non-hazardous Waste	2,843.91	4,426.39
Total	7,428.25	11,880.17

Waste diverted from disposal and waste directed to disposal

While the amount of waste generation rate has decreased, we increased the amount of hazardous and non-hazardous waste diverted from disposal through our recycling initiatives. The oily sludge processed at the delayed coker unit reached an all-time high in 2023, increasing by 54.77% compared to the previous year. This accounted for 88.72% of the total hazardous waste diverted from disposal.

For non-hazardous waste, 60.7% of waste generated was diverted from disposal. Spent activated carbon and spent clay were used by the Refinery as bed material in the RSFFB and accounted for 82.7% of the total waste diverted. In addition, 178.59 MT of steel drums were reconditioned and reused by our lube manufacturing facility accounting for 10.3% of the waste diverted. Biodegradable wastes composted within Petron's premises reached 24 MT, higher than 25% compared to 2022. The compost is used as a soil conditioner for gardening in terminals.

Hazardous waste disposal costs constitute a substantial portion of our waste management expenditure. The efforts of our Refinery resulted in a significant cost-saving of approximately PHP 20.8 million in 2023 bringing the total savings since 2018 to PHP 59.87 million. The percentage of hazardous waste diverted from disposal has consistently increased since 2017. In 2023, 65.3% of the hazardous waste generated at our Refinery was diverted from disposal through recycling initiatives

We have exceeded ahead of time the set target to divert 56% of hazardous waste generated by 2027.

Waste diverted from disposal by recovery operation			
	Onsite	Offsite	Total (MT)
Hazardous waste			
Preparation for reuse	0	0	0
Recycling	3,744.46	95.58	3,840.04
Other recovery operations	0	0	0
Total			3,840.04
Non-hazardous Waste			
Preparation for reuse	178.64	9.45	188.09
Recycling	1,434.46	78.36	1,512.82
Other recovery operations	23.98	1.02	25.00
Total			1,725.91

Waste directed to disposal by disposal operation			
	Onsite	Offsite	Total (MT)
Hazardous Waste			
Incineration (with energy recovery)	0	220.74	220.74
Incineration (without energy recovery)	0	36.36	36.36
Landfilling	0	0	0
Other disposal operations	0	3,719.79	3,719.79
Total			3,976.89
Non-hazardous Waste			
Incineration (with energy recovery)	0	0	0
Incineration (without energy recovery)	0	0	0
Landfilling	0	1,118.00	1,118.00
Other disposal operations	0	0	0
Total			1,118.00

Traversing the Journey of Shared Social Progress

For the past 90 years, we have prioritized nurturing people, whether within our organization or those outside whose lives are impacted by our presence. As employees, they are the most valuable assets of our Company. As external stakeholders, they are why we do business and influence the way we do it. We understand that our sustainability journey is a collective effort and recognize that achieving inclusive development necessitates strong collaboration among our partners. Beyond our resources and capacities, it is the dedication and service of our employees to the Filipino people that serve as the cornerstone of our enduring legacy as an industry leader. Furthermore, our collaboration with local communities empowers us to fulfill our responsibilities, driven by our commitment to create substantial positive change in society.

Material Topic	UN SDGs
Resilient and Agile Workforce	3, 5, 8, 10
Collaborative Labor/Management Relations	8
Holistic Employee Well-being	3, 8, 16
Enhanced Employee Development	4, 5, 8, 10
Strong Partnership with Local Communities	1, 2
Customer Care	16
Responsible Marketing and Labeling	12, 16
Secured Customer Information	16

Resilient and Agile Workforce

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	SDG 3 – Good Health and Well-being SDG 5 – Gender Equality SDG 8 – Decent Work and Economic Growth SDG 10 – Reduced Inequalities
Philippine Development Plan	Promote Human and Social Development Increase Income-earning Ability

Our approach

We take pride in offering competitive salary packages and benefits designed to inspire our employees to thrive and excel. As we integrate sustainability into our business practices, our goal is to continuously foster a culture of innovation and lifelong learning. This approach encourages our employees to generate ideas that enable us to adapt to evolving market conditions and ultimately enhance productivity and satisfaction among our team members. This, in turn, contributes to the overall growth and success of our Company.

To attract top talent, we leverage various recruitment channels to advertise our job openings, clearly outlining the qualifications, roles, and responsibilities associated with each position to ensure transparent expectations. Beyond technical skills, we prioritize evaluating candidates' alignment with our company culture and values. Our Human Resources Management Department (HRMD) conducts systematic screening assessments, and candidates undergo pre-employment medical examinations, covered by Petron. Fit-to-work candidates then engage in discussions with management regarding compensation packages. Upon mutual agreement, newly hired employees participate in a comprehensive onboarding orientation and receive regular training tailored to their job functions. We continually assess and refine our recruitment strategies based on feedback and industry best practices to further enhance our hiring processes. Additionally, we ensure the integration of human rights considerations into our HR policies to safeguard the welfare and rights of our employees.

We genuinely appreciate the loyalty and constant support of our employees in helping us realize the vision of our Company. In return, we prioritize their professional growth by offering training and development opportunities to enhance their technical competencies and leadership skills. Our focus on cultivating a balanced work environment emphasizes collaboration and productivity, ensuring that our employees thrive both personally and professionally.

Maintaining open lines of communication is imperative to us, as we aim to create a workplace where employees feel safe and empowered to voice their concerns. Our dedicated Labor Relations Officer and Legal Team diligently manage any issues that may arise, adhering faithfully to our formal processes and guidelines.

To measure the effectiveness of our employee engagement initiatives, we employ a range of assessments, including learning checks and program evaluations. Annual performance appraisals serve as our comprehensive tool to monitor and evaluate individual performance, aligning with both established goals and the overarching vision and mission of our Company. Regular feedback mechanisms, including one-on-one discussions between supervisors and employees, are essential in our process. We purposefully document employee feedback, utilizing it to drive continuous improvements in our policies and programs.

Acknowledging the dynamic needs and preferences of our employees, we proactively seek opportunities to foster rapport and strengthen professional relationships. Through this collaborative approach, we are able to cultivate a workplace culture that places a premium on the well-being and success of every individual within our Company.

Petron Management is committed to establishing a comprehensive program aimed at ensuring compliance with General Labor Standards together with our business partners, specifically our third-party service providers (TPSPs). The Company conducts labor compliance audits to ensure that its partners are in compliance.

In addition, we enforce DOLE updated wage orders in 2023 that are promptly implemented at all affected terminals and offices.

Our progress

In 2023, our number of employees increased as compared to last year, with a total of 2,251 full-time employees at the end of the reporting year. Additionally, we employed 11 consultants and engaged 36 project hires—workers who are not employees but whose work is controlled by our Company.

Our extensive industry presence allows us to work with employees from diverse locations nationwide. Moreover, we engage TPSPs on a project-by-project basis, depending on the expertise required for our operations. On average, we have around 20 employees per major plant or facility every three months. As of 2023, we have 36 direct hires for special projects and 3,717 TPSP employees for our security, utility, plant maintenance and repair, and janitorial staff.

Total number of employees (by gender)	
Number of full-time employees (regular & probationary)	
Male	1,601
Female	650
Number of temporary employees (EWFP, Project Employees/Direct Hires)	
Male	30
Female	6
Number of consultants	
Male	7

Female	4

Total number of employees (by region)	
Number of full-time employees (regular & probationary)	
National Capital Region	925
South Luzon	52
North Luzon	1,002
Visayas	142
Mindanao	130
Number of temporary employees (EWFP, Project Employees/Direct Hires)	
National Capital Region	6
South Luzon	1
North Luzon	28
Visayas	1
Number of consultants	
National Capital Region	10
Visayas	1

New employee hires and employee turnover

Our turnover rate remained at 10.76%, nearly identical to the 10% rate in 2022. This showcases our commitment to recognizing our workforce as valuable assets to our Company. Additionally, we have a total of 330 new employee hires in 2023, categorized according to number, age, gender, and region.

New employee hires		
Category	**Number**	**Percentage (%)**
By gender		
Male	209	63.33
Female	121	36.67
By age		
Under 30 years old	269	81.52

30-50 years old	60	18.18
Over 50 years old	1	0.30
By region		
National Capital Region	189	57.27
South Luzon	5	1.52
North Luzon	114	34.55
Visayas	9	2.73
Mindanao	13	3.94

Employee turnover		
Category	**Number**	**Percentage (%)**
By gender		
Male	185	65.60
Female	97	34.40
By age		
Under 30 years old	124	43.97
30-50 years old	131	46.45
Over 50 years old	27	9.57
By region		
National Capital Region	152	53.90
South Luzon	7	2.48
North Luzon	89	31.56
Visayas	14	4.96
Mindanao	20	7.09

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

Our competitive benefits package distinguishes us as a trusted employer of choice. Beyond the mandatory government benefits, we offer a comprehensive package encompassing healthcare, retirement plans, and leave options. This reflects our dedication to prioritizing employee well-being in our Company's human capital development endeavors.

▪ 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

Parental leave

We ensure compliance with relevant laws and regulations concerning parental leave, which mandate 105 days for female workers and seven days for male workers. All our employees are entitled to parental leave, and a total of 115 employees availed of this benefit in 2023. Prioritizing both their professional development and personal responsibilities, especially those related to their families, we are proud to report a 100% return to work rate and retention rate for employees who took parental leave in 2023. Additionally, those who availed parental leave seamlessly resumed their roles, effectively managing their responsibilities upon their return.

Parental leave		
Requirement	**Male**	**Female**
Total number of employees that were entitled to parental leave	1,601	650
Total number of employees that took parental leave	84	31
Total number of employees that returned to work in the reporting period after parental leave ended	84	31
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	84	31

Collaborative Labor/Management Relations

GRI Standards	GRI 2-30, 3-3, 402-1 Topic 11.7 Closure and rehabilitation Topic 11.10 Employment practices
UN Sustainable Development Goals	SDG 8 – Decent Work and Economic Growth
Philippine Development Plan	Promote Human and Social Development

Our approach

At Petron, we deeply acknowledge that our employees are the standard-bearers of our vision and purpose. Thus, fostering effective labor/management relations is not merely a priority but an indispensable imperative for us. Creating an inclusive, nurturing, and purposeful work environment is integral to our business philosophy. We recognize that maintaining positive relationships with our employees is crucial for organizational effectiveness, employee satisfaction, and ultimately, business success.

In line with this, we have established a diverse range of communication channels to facilitate open dialogue between management and employees. These channels include regular labor and management meetings, where pertinent issues are discussed, and collaboration is encouraged. Additionally, we foster open communication between management and unions, ensuring that the voices of all stakeholders are heard and respected.

Furthermore, we leverage various online internal communication tools to enhance efficiency in communication. Platforms such as ExchangeAdmin, HRMDListens e-mail, HR CARES Announcement through Viber Group, PETHUB, and MS Teams enable us to disseminate information quickly and effectively to our workforce, ensuring that everyone stays informed and connected.

Our Company adheres to established grievance mechanisms and other fora to address employee concerns promptly and effectively. Employees have the right to seek representation or assistance from their respective unions, and grievances can be communicated through various channels. This ensures that complaints and concerns are addressed in a timely manner, promoting a supportive and inclusive work environment where every voice is valued.

Our progress

Petron has collective bargaining agreements (CBAs) with three labor unions, namely: (i) Bataan Refiners Union of the Philippines ("BRUP"), affiliated with the Philippine Transport and General Workers Organization; (ii) Petron Employees Labor Union ("PELU"); and (iii) Petron Employees Association ("PEA"), affiliated with the National Association of Trade Unions. As of December 31, 2023, approximately 26% of the Company's employees in the Philippines were covered by these CBAs. For our employees not covered by CBAs, we also have active company policies in place.

The duration of a CBA for representation aspects is set at five (5) years, while all other provisions have a duration of three (3) years, in accordance with the Labor Code of the Philippines.

This year, Petron Management, together with labor union Petron Employees Association (PEA – covers 30% of the collective bargaining unit within the Company) successfully negotiated a mutually beneficial CBA through peaceful negotiations. The new CBA covers the period 2023 to 2027. This underscores the Company's continuous commitment to foster engagement, promote sustainable growth, and provide better work conditions for employees.

Petron provides a minimum of 16 hours' notice to CBA-covered employees and their representatives prior to the implementation of significant operational changes, with transfer notices provided at least seven (7) calendar days in advance. Provisions for consultation and negotiation, including notice periods, are specified in collective agreements. These provisions are outlined in the CBA booklet for the entire term or life of the CBA, ensuring transparency and adherence to established protocols throughout the duration of the agreement.

Petron likewise maintained its membership and active participation in sessions of the Bataan Industrial Peace Council and the Mandaluyong City Tripartite Peace Committee. These memberships serve as platforms for fostering engagement, facilitating collaboration, and promoting constructive dialogue. Through active participation, we remain abreast of pertinent information regarding labor advisories and legislation, thereby enhancing our ability to address the evolving needs of the Petron workforce.

Holistic Employee Well-being

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	SDG 3 – Good Health and Well-being SDG 8 – Decent Work and Economic Growth SDG 16 – Peace, Justice, and Strong Institutions
Philippine Development Plan	Promote Human and Social Development

Our approach

As the largest oil company in the Philippines, we place utmost importance on our employees, whom we refer to as our *"kasangga sa paglalakbay"*, as they play a vital role in helping us fulfill our mission. We understand that prioritizing health and safety not only influences their work performance but also profoundly impacts their overall well-being. To champion health and safety in our operations, we ensure comprehensive coverage of our Occupational Health and Safety (OHS) Management System for all employees, contractors, and workers. This commitment undergoes rigorous internal and external audits, validated by certifications from third-party experts.

Above all, we ensure compliance with various legal requirements in our Company-wide OHS, including but not limited to:

- Philippine Occupational Safety and Health Standards
- Department Order 198-18 Implementing Rules and Regulations of Republic Act No. 11058 entitled "An Act Strengthening Compliance with Occupational Safety and Health Standards and Providing Penalties for Violations Thereof"
- R.A. No. 9514 or The Fire Code of the Philippines
- Department of Energy's (DOE) Philippine National Standards on Petroleum
- Philippine Mechanical Engineering Code
- Philippine Electrical Code
- National Building Code of the Philippines
- National Oil Spill Contingency Plan (NOSCOP)
- Occupational Safety and Health Administration (OSHA) Standards
- National Fire Protection Association (NFPA) Standards
- American Petroleum Institute (API) Standards
- American National Standards Institute (ANSI) Standards
- International Safety Guide for Oil Tankers and Terminals (ISGOTT)

Beyond regulatory compliance, we seek to foster a safety culture through our programs, measures, and initiatives. For instance, we regularly conduct comprehensive programs and initiatives previously developed for our employees, providing opportunities for OSH-related consultations and embedding a safe and healthy workplace culture. Some of these programs include:

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

To ensure the quality of our OHS programs and initiatives, we consistently conduct activities such as:

- Oversight safety assessment 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, BFP, PCG, and DOE

These initiatives support our dedication to sustaining a workplace where safety is not merely a requirement but an integral part of our organizational ethos.

Our progress

At Petron, we foster a safe and healthy workplace culture for our employees and workers. We take pride in sharing that 100% or 3,121 of our workers, who are not hired as employees, are covered by our OHS Management System. Moreover, all of them undergo internal audits, while 95.51% or 2,981 are externally audited or certified by an external party.

To address work-related hazards, our Company implements a systems-based OHS Management approach to effectively manage and eliminate potential hazards and minimize risks in the workplace. Specifically, we have established a wide range of programs to identify work-related hazards and assess risks, including the following:

- Hazard Identification Risk Assessment and Control (HIRAC)
- Oversight Safety Assessment
- Hazard and Operability (HAZOP) Analysis Study
- Loss Prevention System (LPS)

- Behavior-Based Safety (BBS)
- Job Hazard Analysis
- Work Permit System
- Contractor Safety Management

As a result of our assessments, we have identified the following types of work-related injuries and ill health for our employees and workers:

Main types of work-related injuries employees and workers	Main types of work-related ill health for employees and workers
○ Trips ○ Slips and falls ○ Being struck by or caught in moving machinery ○ Repetitive stress and overexertion injuries ○ Fire and explosions	○ Hearing loss ○ Skin conditions ○ Respiratory issues ○ Musculoskeletal disorders

To manage, minimize, and eliminate potential hazards and risks arising from our operations, we prioritize the protection and safety of our employees and workers by consistently implementing programs. These include the replacement of obsolete equipment, adherence to facility designs that comply with standards, training initiatives, and the provision of PPE. Additionally, we employ 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 the unfortunate event of an incident or accident, immediate investigations are conducted, involving relevant groups. Additionally, our Petron Safety Groups (such as CTSG Safety, OPS- HSSE, PBR Safety, Retail Engineering and Network Development Safety, Industrial Safety, Fleet Safety, and Marine Safety) conduct a separate revalidation investigation.

During this reporting period, we recorded 22 work-related injuries among our employees and workers, with three classified as high-consequence. Despite these incidents, we are committed to continually strengthen our OHS Management System, ensuring the safety and well-being of our employees, workers, contractors, and partners, while fostering their active participation in all our safety programs.

Work-related injuries		
Requirement	**Employees**	**Workers who are not employees but whose work and/or workplace is controlled by the organization**
Number and rate of fatalities as a result of work-related injury	0.00 (0%)	0.00 (0%)
Number and rate of high-consequence work-related injuries (excluding fatalities)	0.00 (0%)	3 (0.23%)
Number and rate of recordable work-related injuries	4 (0.3%)	18 (1.37%)

Enhanced Employee Development

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	SDG 4 - Quality Education SDG 5 - Gender Equality SDG 8 - Decent Work and Economic Growth SDG 10 - Reduced Inequalities
Philippine Development Plan	Promote Human and Social Development Increase Income-earning Ability

Our approach

Recognizing that our employees are the cornerstone of our operational success, we ensure that the individuals fueling our products and services also experience growth within our Company. We actively support the professional development of our workforce through the implementation of training policies, encompassing both local and foreign training opportunities. These training policies are communicated effectively to all employees through training agreements, fostering transparency and ensuring a clear understanding of the available learning and development opportunities.

At Petron, we prioritize the successful integration and continuous development of our employees through new employee orientation and on-boarding programs. These in-house training initiatives are designed to foster essential management, technical, and leadership skills among our workforce. They serve as valuable opportunities for professional growth and are accessible through the Learning and Development Calendar released annually.

Beyond the initial orientation, we aim to foster continuous career development and performance growth through ongoing reviews. Our dedication to the holistic advancement of our employees is evident in the consistent enhancement and customization of our programs to align with the evolving needs of our workforce. Recognizing the unique growth tracks of individuals, we tailor initiatives to maximize their potential and contributions, providing regular transition assistance programs such as Essentials of Supervision and Leadership, Personal Effectiveness, and Financial

Well-being sessions among others. Ensuring the effectiveness of these programs is paramount to us. Petron meticulously implements high-quality training initiatives, incorporating feedback mechanisms and learning checks to evaluate their impact and relevance. The continuous improvement in employee development and training initiatives reflects our vision of cultivating a dynamic and skilled workforce, driving us toward a sustainable tomorrow.

Our progress

In 2023, the average training hours received by our male employees was 61 hours while our female employees received an average of 40 hours of training. Among our employee categories, the supervisory and Management Professional Technical (MPT) category received the highest total number of training hours. We ensure that our workforce has access to opportunities for growth and skill enhancement, contributing to a well-rounded and capable team.

Training hours by gender*			
Category	Total number of training hours	Number of employees	Average training hours
Male	98,165	1,601	61
Female	26,290	650	40

**Gender as specified by the employees themselves*

Moreover, all our employees (100%) receive regular performance and career development reviews.

Petron's employee and leadership development program stands as a testament to the Company's commitment to fostering growth and excellence. Leveraging different tools such as training, coaching, and mentoring, Petron endeavors to be a learning organization, where knowledge is shared, and employees teach and learn from one another.

A comprehensive training framework was designed to equip individuals with the essential skills and knowledge needed to excel in their roles. The implementation of these initiatives involves collaboration across technical and functional divisions, with division heads taking ownership of leadership development within their respective areas. Additionally, Petron has forged strategic partnerships with esteemed academic institutions to guarantee the quality of the training programs.

For leadership development, we offer a range of specialized training programs tailored to different levels of leadership within the Company. At the forefront is the Essentials of Supervision & Leadership program, which equips Petron's supervisors with the tools and mindset needed to navigate complex people leadership issues. Participants undergo personalized coaching and work on an Accelerating Team Performance Plan to apply leadership concepts effectively.

The Leadership Management Development Program (LMDP), offered in collaboration with the Ateneo Graduate School of Business, is a standout program aimed at strengthening fundamental management skills and broadening participants' perspectives on general management. Covering a 13-module curriculum akin to a regular MBA program, LMDP enhances decision-making abilities, supervisory proficiencies, and cross-functional knowledge.

We also offer a specialized training program catered to senior leaders within the Company – the Executive Management Development Program (EMDP), developed in partnership with the Asian Institute of Management. This program, comprising synchronous online and face-to-face classes, equips participants with advanced leadership and management competencies. Upon successful completion, participants earn a Postgraduate Certificate in Leadership and Management, enhancing their credentials as strategic leaders within the Company.

In addition to leadership development, we provide a range of General Management Programs designed to equip its non-managerial file employees with essential skills for professional growth. Covering topics such as project management, basic Excel proficiency, emotional intelligence, and personal effectiveness, these programs ensure that every individual is equipped to contribute meaningfully to Petron's success.

BASIC TRAINING

- Get Petronized
- Personal Effectiveness
- Raise the Bar
- Developing Effective Presenters
- Effective Business Writing
- Breaking Through Performance Barriers
- Effective and Assertive Communication
- Project Management
- MS Excel - Basic
- EQ in Action

SUPERVISORY

- Petron Professional Excellence Program
- KT Problem Solving and Decision Making
- 7 Habits of Highly Effective People
- Petron Professional Excellence for Leaders
- Labor Management Relations Workshop for Leaders
- Essential of Supervision & Leadership

MANAGERIAL

- Leadership Management Development Program (LMDP) | ATENEO Graduate School of Business x SMC
- Executive Management Development Program (EMDP) | Asian Institute of Management x SMC

The impact of our training programs is evident in the feedback received from participants. For instance, one attendee of the Personal Effectiveness program expressed gratitude, stating, *"Thank you for the opportunity to attend this training. It made me aware that I need to manage my habits so I can be more productive not just in our workplace but also in my personal life."* This sentiment reflects the program's ability to instill valuable life skills beyond professional settings.

Similarly, participants in the Essentials of Supervision and Leadership program praised its efficacy in preparing individuals for leadership roles. One participant noted, "*The program offers a helpful guide for aspiring leaders. The whole program, the outline, the topics that were tackled will be very useful for my role as a supervisor."* By incorporating participant feedback and assessing understanding through revalida sessions and presentations of action learning projects, Petron continues to refine its training initiatives to meet the evolving needs of its workforce.

Coaching and Mentoring

Coaching serves as a vital component of Petron's approach to employee development, providing personalized guidance and support to individuals as they navigate their professional journeys.

Through coaching, employees receive targeted assistance in identifying goals, overcoming obstacles, and maximizing their potential within the Company.

Utilizing coaching as the primary developmental tool, the Top Emerging Achievers (TEA) program aims to enhance the engagement and development of young high-potential employees in the Company. TEAs are guided by internal Career Coaches in their journey of self-discovery and self-development. The program began in 2017 with the participation of employees from select groups in the supply chain. Now on its 7th year, the coaching network continued to grow with the participation of all the divisions in the organization – a milestone for the program.

In 2023, there were 46 TEAs who were nominated. The participants were motivated to enhance their competencies and capabilities by identifying and pursuing developmental goals - last year, 80% of the TEAs successfully attained their set goals. It is recorded that 13% of the TEAs have transitioned to assume leadership roles and have taken on bigger responsibilities.

To recognize the progress made by the TEAs and the Career Coaches, the first TEA recognition program was launched. In addition, the first-ever graduation rite was conducted which showcased the achievements of the participants and provided encouragement to seek continuous learning even outside of the program.

Mentoring is also another avenue to facilitate the growth and development of high-potential employees, ensuring they are equipped with the necessary skills and mindset to excel in their current and future roles within the organization. The Petron Mentoring Program provides a formal and structured process to the practice of mentoring. It aims to fast-track the development of selected high potential employees to equip them with the necessary leadership, technical competencies, and mindset as preparation for their identified forward positions. Since 2014, the program has been instrumental in shaping future leaders. Mentors undergo a one-day workshop following the International Coaching Federation (ICF) framework, and participants are selected based on stringent qualifications. The program's focus is targeted, with fewer participants, ensuring personalized attention and development opportunities for each mentee.

The Mentoring Program operates on a one-year cycle, with some cases extending up to two years based on specific developmental needs. It is anchored on individual development plans (IDP), approved up to the division head level, with ongoing support from division heads throughout the program duration.

Through a holistic approach to employee and leadership development, we have fostered a dynamic culture of continuous learning, innovation, and collaboration. From dedicated rank-and-file employees to senior executives, each individual is provided tailored development opportunities aimed at not only enhancing their professional capabilities but also nurturing personal growth. Our commitment to cultivating leadership continuity and fostering the holistic development of our workforce exemplifies Petron's dedication to shaping a sustainable future. By investing in the growth of our employees, we are not merely preparing for tomorrow but journeying hand-in-hand with our workforce toward a more prosperous future.

FEATURE STORY

Nurturing our Talents:
Growing Leaders is Our Cup of TEA

"At Petron, we harness leadership not only from our managers and executives, but also from the young ones. We engage and develop our most promising talents and ensure business continuity through our next generation leaders. We advocate for employee development as this secures the sustainability of our operations, maintains our high standards of excellence, and shows how committed we are to enriching our people".

With these words, Petron Senior Vice President (SVP) and Chief Finance Officer (CFO) Mr. Emmanuel Eraña welcomed the latest batch of the Company's future leaders nominated to the Top Emerging Achievers (TEA) program.

TEA is a unique personnel development program in that it was conceptualized in 2016 by a group of Petron managers who were part of the first batch of the LEAD program as their action learning project. This was current leaders paving the way for the next generation of leaders, in effect helping strengthen the Company's succession program. By the following year, TEA was implemented, with 14 high-potential employees from select groups in the supply chain guided by eight (8) Career Coaches as the program's pioneers.

TEA has since become a yearly initiative driven by HRMD, who now engages all the Petron divisions to identify their young but promising employees to be coached by the Company's more seasoned managers. The success of this idea is evident by the continued implementation of the program, now on its 7th year. More significantly, this has produced 381 TEA graduates who were guided by 96 Career Coaches. Ninety-four of these graduates (25%) have since been promoted, with 16 (17%) moving up to become Managers themselves. Some TEA graduates have also come full circle, with three (3) of them now assuming the role of Career Coaches.

PBR's Tobie Mortera receiving his Award of Excellence during his TEA graduation.

With the TEA program, Petron has integrated several HR processes — Performance Development, Succession, and Learning and Development, in designing a systematic approach to develop emerging leaders in a structured and deliberate manner. The initiative is strategic in nature since the selection of coaches and TEAs, as well their pairing, are determined by the division heads. Thus, they own the division's leadership development and leadership continuity. This adds a new dimension to our business strength: that of a learning organization, where select managers from all our divisions are actively involved in unlocking the leadership promise in our employees.

Edmar Tobie G. Mortera, an Instrumentation Engineer from the Refinery and 2023 TEA Excellence Awardee, has learned a lot from the program*: "Being part of TEA has instilled in me an improved sense of self-awareness, which enables me to grow and strive for continuous improvement in personal and professional aspects. These lessons have improved my problem-solving abilities and widened my perspectives, which affected my work and contributed to Petron's continued growth and success."*

Controller's Anita Pabalay (3qrd from left) and HRMD's Aby Villacruz (3rd from right) during their checkpoint meeting for TEA

Anita Pabalay, a Stock Accountant with Controllers, recalls learning the three (3) Cs - consistency, confidence, and camaraderie – as the most memorable lesson she took away from TEA as "*these have enabled me to maintain high-quality work standards, approach challenges with confidence, and foster teamwork, which led me to improve my productivity and reach goals within the organization,"* something she believes have not only elevated her performance as a leader but also enabling her to helping Petron succeed. LPG Pasig Terminal Shift Engineer Kert Michael Domingo keeps in mind the critical need for prioritization and preparation. *"As a Terminal Operations personnel, there are different difficulties that may arise... By prioritizing important from less urgent matters that I need to handle, I'm able to prepare and execute solutions or deliverables carefully that will benefit the organization."* Kert shares that one of his set goals was to assemble one unit of LPG Manual Filling Machine to be donated to the needed Filling Plant of Petron (Marikina-TPRP) utilizing material from old scrap that were not operatable by the LPG filling machines. This was more economical than the purchase of a brand-new unit, would also eliminate the carbon footprint from the manufacturing and shipping of a brand-new unit, and as a re-used asset, it would help the Company cope with the increasing sales demand. This is just one of the examples that shows the program can support sustainability. Finally, HRMD Compensation Planning & Admin HR Officer Abegail Los Baños-Villacruz credits the program in preparing promising employees to be more prepared for the bigger roles that they will assume and for making her realize that for participants like her, *"even their smallest contributions can make a big impact to the company, making the TEAs strive even more."* Los Baños-Villacruz was promoted to HR officer in 2023, a testament to her leadership potential being recognized and realized.

PBR HR Group Manager Luvie delos Reyes receives the 2023 GEM Award as TEA Coach with Petron CFO and SVP Mr. Emmanuel Eraña and HRMD VP Ms. Rosario Vergel de Dios

For his part, Refinery HR Group Manager Luvie delos Reyes sees the program as a means to further strengthen Petron's competitive advantage. *"TEA is one of the many examples of our strategic business partnerships that leverages on the strengths of the current talent pool, such as reliable Coaches from across the organization, with the end in view of unleashing the potential of high performing employees."* As a Coach, he sees his role as an integral part of Employee Engagement as it nurtures the innate potential of individuals. *"This exercise validates the employees' sense of belonging and how she/he would best contribute to the success of the organization."*

As Petron's ESG Council co-chair, Mr. Eraña has high hopes for TEA. This program directly impacts the Company's long-term viability by helping identify, develop, and prepare the talents for tomorrow's leadership roles in the Company. In doing so, they are able to fulfill their personal and professional goals, while contributing to Petron's continued success.

Batch 2023 TEA graduates with Petron management

Strong Partnership with Local Communities

GRI Standards	GRI 3-3, 413-1, 413-2 Topic 11.15 Local communities
UN Sustainable Development Goals	SDG 1 - No Poverty SDG 2 - Zero Hunger
Philippine Development Plan	Promote Human and Social Development

Our approach

Caring for our communities and the environment supports our commitment to nation-building, as we recognize that our position at the forefront of the local oil industry goes beyond mere profitability and operational excellence. It requires us to pave the way for resilience, inclusivity, and social well-being for all our stakeholders. Guided by our aspiration to make a significant and positive difference in the lives of our fellow Filipinos, we adhere to global and local sustainable development goals and principles.

Through our CSR arm, PFI, we deliver our promise to fuel hope through initiatives that address concerns related to education, environment, health, human services, livelihood, and various advocacies. By adopting a participative approach, we are able to identify and implement programs that address genuine needs and deliver tangible benefits. To achieve this, we ensure that our initiatives are data-driven through site assessments conducted within our communities and evaluates how these will affect them, and how we can mitigate such impacts. Our engagement with stakeholders extends from program conceptualization to implementation to evaluation. We proactively seek input from stakeholders to understand the unique contexts of each community, enabling us to enhance the programs we implement and ensure that our initiatives are tailored to meet the specific needs and preferences of each community and help us strengthen our overall impact. We also establish metrics to help us systematically measure and monitor our progress in accordance with global and local standards.

Engaging our stakeholders also mean two things: one, we create a force multiplier to extend our reach and expand our social development programs' impact by partnering with key national and government agencies, civil society organizations, academic institutions, and grassroot organizations. Involving them in the direct implementation of our CSR programs ensures that they go beyond being mere beneficiaries but as program partners. This gives them a sense of ownership of the program and empowers them to be active participants equally responsible for the success of the initiatives. Thus, our stakeholders regularly join our CSR activities as volunteers.

Our progress

In all our operations, we prioritize fostering synergy through proactive engagement with local communities. Our commitment to consistently deliver high-quality local community engagement and impact assessments is reflected in our initiatives, such as *Tulong Aral ng Petron* and *Brigada*

Eskwela, implemented uniformly across Petron schools and public schools. To ensure the minimal negative impact on indigenous peoples, we conduct robust site assessments and employ regular internal quality controls. Engaging with stakeholders, we have not identified collective or individual rights as significant concerns in our operational areas. Nevertheless, we have established effective grievance mechanisms, providing employees and stakeholders with a systematic channel to express their concerns freely.

As we update our vision and purpose, our commitment towards nation-building and uplifting the lives of our communities is continuously being translated into action. In 2023, amid post-pandemic recovery, we have renewed and strengthened partnerships with our local communities as we collectively achieve our sustainability goals.

Petron Foundation's Major Projects in 2023 categorized by Focus Area

Education	
Tulong Aral ng Petron (TAP)	**Background:** TAP is a long-term educational program that provides scholarships to deserving children from Petron's host communities throughout grade school (from Grades 1 to 6). Qualified graduates are then given opportunities to continues to high school, with the top graduates having a chance to apply for full college scholarships under TAP. *In partnership with DepEd, DSWD, host LGUs, and Petron Terminal Operations*

UN SDGs:
1 (No Poverty)
4 (Quality Education)
8 (Decent Work and Economic Growth)
17 (Partnership for the Goals)
	Activities: School supplies distribution
	
	Highlights in 2023:
	▪ For school year 2022-2023, a total of 515 scholars completed their schooling from elementary to college.
	▪ Seven (7) of the eight (8) remaining college scholars from NCR graduated in 2023 with business-related courses and engineering degrees.
	▪ Of the seven (7) college graduates, two (2) finished with academic honors: one graduated *Magna Cum Laude* and one as a *Cum Laude*.
	▪ For school year 2023-2024, TAP has a total of 2,433 scholars from elementary to college enrolled in partner schools where Petron terminals are located. This includes:
	  ▪ The first batch of TAP college scholars from Mindanao to enter college, with eight coming from Gensan, Iligan, Jimenez, and Tagoloan, along with two scholars from NCR.
	  ▪ A new fresh batch of 300 Grade 1 scholars from Luzon (Poro, La Union and Puerto Princesa, Palawan), Visayas (Bacolod, Negros Occidental; Mandaue and Mactan, Cebu; Roxas, Capiz, and; Tagbilaran, Bohol) and Mindanao (Davao City)

Petron Engineering Scholarship Program	**Background:** The program gives deserving college students the chance to complete their engineering studies and groom them for employment in the Refinery, in the process of developing a pool of young, world-class engineers.

UN SDGs: 1 (No Poverty 4 (Quality Education) 8 (Decent Work and Economic Growth) 17 (Partnership for the Goals)	**Highlights in 2023:** The Petron Engineering Scholarship Program initially supported nine (9) students pursuing bachelor's degrees in mechanical and electrical engineering. In 2023, we took in a new batch of ten (10) Electrical and Mechanical scholars from the Bataan Peninsula State University (BPSU). This brings the total number of program beneficiaries to 311. Out of the 10 scholars, four (4) completed their Electrical Engineering Course. PBR also hired three (3) graduates of the Petron Engineering Scholarship program in 2023. Since the program's start, 311 engineering students have become Petron scholars, with 297 graduating and 270 passing their licensure exams. Over 70% of these graduates, or 209 individuals, have been employed by Petron, with 84 graduates currently working for the Company. These scholars have now become well-established and competent engineers and are now valuable assets to the Company. *In partnership with DepEd, DSWD, host LGUs, and Petron Terminal Operations*
Health	
Petron Clinic	**Background:** Petron established the Petron Clinics to complement the basic health services provided by surrounding public health centers by making the following specialized services to the community for free: ultrasound, x-ray, ECG, and laboratory. The clinics started operating in 2018, and back then, we only provided laboratory tests and consultations. At present, we now have three (3) clinics located in Pandacan, Manila, Limay, Bataan, and Rosario, Cavite, which are all accredited by the Department of Health (DOH). These services have benefitted over 6,000 residents, exhibiting a positive impact and accessibility of these clinics. Our clinic's medical staff also participate in programs such as health talk weekly and assistance in fire drill conducts in the terminal. *In partnership with the DOH, host LGUs, Petron Bataan Refinery, and Petron Terminal Operations*
UN SDGs: 3 (Good Health and Well-Being) 11 (Sustainable Cities and Communities) 17 (Partnership for the Goals)	**Highlights in 2023:** There were no activities in 2023 as the Petron Clinics remain closed to the community as a continuing health and safety precaution against COVID-19. However, clinic services were availed by Petron personnel and third-party service providers.
Environment	

***Puno ng Buhay* reforestation program**	**Background:** *Puno ng Buhay* (Tree of Life) is a program to adopt areas in the Philippines for reforestation, mostly with mangroves. It aims to help us manage our carbon footprint by offsetting captured carbon from the trees planted. It also intends to encourage biodiversity conservation, establish greenbelts against storm surges for coastal communities, provide more livelihood opportunities to beneficiaries, and protect and ensure groundwater sources for communities. Activities involving reforestation also serve as a venue for employee and community volunteering. *In partnership with DENR, local governments, local people's organizations, Petron Bataan Refinery and Petron Terminal Operations*
UN SDGs: 1 (No Poverty) 13 (Climate Action) 11 (Sustainable Cities and Communities) 14 (Life Below Water), 15 (Life on Land) 17 (Partnership for the Goals)	**Activities:** Site preparation, nursery establishment, tree planting, site monitoring and protection **Highlights in 2023:** Total of 55 hectares formally adopted in 2023 in the following areas: <u>Hagonoy, Davao del Sur</u> ▪ Over 15,000 *Miapi* and *Bakhawan* propagules planted ▪ Another 38,000 mangrove propagules scheduled to be planted in the 1st half of 2024 <u>Ivisan, Roxas City</u> ▪ 2nd batch of 31,250 propagules (*Avicennia* and *Rhizopora sp*) planted <u>Obando, Bulacan</u> ▪ Agreement with Obando LGU, Municipal Fisheries and Aquatic Resources Management Council (MFARMC), and Petron signed in December 2023
Livelihood	
Community-based Programs	**Background:** Petron has initiated livelihood programs for partner communities. One example is our rag making and dressmaking program for the parents of our TAP scholars. We provide necessary resources (e.g., machines, materials) and training opportunities to help them generate income on their own. We believe that empowering community members through skill development not only benefits their families directly but also enhances their ability to contribute to the local economy. *In partnership with LGUs*
UN SDGs: 1 (No Poverty)	**Activities:** The parents of our TAP scholars in Rosario, Cavite, have been producing and selling clothes (e.g., uniforms), rags, and recycled eco-bags made from Petron's used tarpaulins. Additionally, the parents have undergone training to further enhance their skills in dressmaking and rag making.

5 (Gender Equality) 8 (Decent Work and Economic Growth) 17 (Partnership for the Goals)	**Highlights in 2023:** The parents of the TAP scholars in Rosario, Cavite were able to produce machine covers for Petron's equipment and tote bags, which were used during the Christmas season.

FEATURE STORY

Empowering Minds and Shaping Futures: Petron's Pioneering College Scholars from Mindanao

In the heart of Mindanao, Petron is making strides in fostering education and opportunity. Through its transformative TAP program, we have been nurturing talents since 2002, extending our reach to nearly 18,000 scholars nationwide. TAP offers support ranging from school supplies to meal allowances and extends to communities hosting Petron terminals nationwide. It begins by assisting elementary graduates, progresses to high school scholars, and now includes a limited number of college scholarships for courses in Engineering or business-related fields.

This year, 2023, marks a significant milestone as we extend our support to college education in Mindanao for the first time. Among the beneficiaries are Christopher Valiente and Remier Sardeñola, both pursuing Mechanical Engineering at Mindanao Polytechnic University. Notably, both Christopher and Remier, residents of Bawing, have been TAP scholars since Grade 1, a testament to the enduring impact of Petron's commitment to education. As TAP scholars, they receive full tuition coverage, alleviating the financial burdens associated with pursuing higher education.

Both Christopher and Remier have goals beyond their academic pursuits. Both express their desire to work at Petron after graduation, seeing it as an opportunity to give back to the Company that has supported them throughout their educational journey. Their scholarships serve as a source of motivation, inspiring them to excel academically and strive for excellence in their chosen field.

Remier reflects on his journey, expressing gratitude for the opportunity afforded by Petron: "*Marami pong salamat kasi isa po ako sa mga estudyante na natulungan nila nang malaki. Malaki po talaga ang tulong na nagawa ng Petron sa amin, sana po mas lumaki pa ang masuportahan ng Petron.*"

Christopher echoes this sentiment, emphasizing the profound impact of Petron's support: "*Hindi ako magsasawang magpasalamat dahil malaki ang tulong na binibigay ng Petron. We are so blessed to receive a ticket to our dream destination*."

Christopher and Remier (in blue shirts) give back to Tulong Aral by serving as volunteers during the school supplies distribution for elementary and high school scholars in Sarangani.

In Tagoloan Community College, Petron's impact is also deeply felt among scholars like Joana Mae Quimada, Cher Mae Alicabo, and Rizel Valmora whose families often face financial hardship. With the allowance provided by Petron, they can afford their education and also assist their siblings financially.

Cher Mae, a first-year Business Administration student, attests to the significance of the allowance in her academic journey: *“Nakakatulong po yung allowance sa pag-aaral ko pati sa’king mga kapatid.”*

Their journey with TAP began in Grade 1, marking the inception of a partnership that transcends mere financial support. Rizel, a first-year Community Development student shares her gratitude, saying, "*Laking pasasalamat ko po na naging parte ako ng program nila. Simula nung elementary kami hindi po nila kami pinapabayaan.*" Joana Mae, also a Business Administration student, echoes this sentiment, emphasizing the transformative power of Petron's support: "*Malaking tulong po ang Petron dahil simula elementary hanggang ngayon nabigyan po kami ng oportunidad na makapagpatuloy sa pag-aaral."*

For these scholars, TAP serves as a lifeline, providing not just financial assistance but also motivation to excel academically. Despite facing numerous challenges, from financial constraints to familial obligations, they remain determined in their pursuit of education. Their resilience inspires not only their peers but also Petron's commitment to fostering sustainable development in Mindanao.

By investing in education, Petron not only fulfills its corporate social responsibility but also contributes to the development of the regions it serves. This is especially true for Mindanao, a region teeming with biodiversity, a wealth of natural resources, a rich history and a proud people, but whose title as the land of promise remains unfulfilled.

Consider that the UNDP's 2008/2009 Philippine Human Development Report lists the top five of the ten provinces in the country with the lowest human development indices (measured in terms of standard of living, education, and life expectancy rate) as those in the Autonomous Region in Muslim Mindanao (ARMM), and two other Mindanao provinces — Sarangani in Region 12 and Zamboanga del Norte in Region 9 — as seventh and ninth, respectively. About 21% of ARMM villages do not have schools, and in those with schools, student-teacher ratios are 80-100 to 1. Though 93% of the school-age population enrolls in grade one, 60% drop out before they complete elementary school, and the region's percentage of high school graduates is the lowest nationwide.

Additionally, the findings of the Human Development Report (HDR) of the United Nations Development Programme (UNDP) paint a sad picture for the region: in a series of tests conducted in 2005 among 1,900 teachers from schools in ARMM and Region 9, it was discovered that their average level for Reading Comprehension was only Grade 3 (pre-test) and Grade 4 (post-test). Meanwhile, the average percent score in Standard Math Competency (for Grade 6 student level) was only 44% (pre-test) and 48% (post-test), with only eight attaining the passing average of 75%. Among the reasons for dropping out of school in the Muslim areas of Mindanao include the lack of schools and the poor quality of teachers.

With this backdrop, Petron welcomes every student it can provide with the TAP scholarship as a way to improve the quality of life in the region.

Looking ahead, Petron's dedication to nurturing talents and empowering communities remains unwavering. As these scholars continue their educational journey, Petron stands as an ally, offering support and guidance every step of the way. Through initiatives like TAP, Petron continues to illuminate the path to a brighter future, embodying the spirit of companionship and empowerment in shaping tomorrow's leaders.

Customer Care

GRI Standards	GRI 3-3, 416-1, 416-2 Topic 11.3 Air emissions
UN Sustainable Development Goals	SDG 16 – Peace, Justice, and Strong Institutions
Philippine Development Plan	Promote Human and Social Development

Our approach

Ensuring the safety of our customers remains our top priority, reflecting our continuous effort to build a sustainable future where communities thrive in harmony with the environment, and businesses operate with integrity and accountability.

At the heart of our safety strategy is the Corporate Safety group, which is responsible for instilling a safety culture throughout our Company. This group oversees the Safety Council, ensuring active participation from all stakeholders and divisions in the promotion and implementation of safety protocols. Complementing this, we have established a robust Corporate Safety Management System, rooted in standards like OHSAS 18001, providing a comprehensive framework for managing safety across all our operations. Upholding the highest safety and health standards is not just a matter of compliance for us; it reflects our core values and serves as a safeguard for our social license to operate.

Specifically, at our Refinery and several terminals and service stations, we have implemented third-party-certified management systems to further enhance safety practices. Our terminals regularly conduct safety orientations for all visitors, requiring them to provide detailed information before entry, thus ensuring heightened security measures. During these orientations, we aim to ensure safety while inside the terminal by cascading plant rules and regulations and by communicating potential hazards in the terminal environment.

Moreover, we prioritize customer feedback through various channels nationwide. From our website to the Petron Customer Interaction Center and Petron Talk2Us channels, we offer accessible avenues for customers to voice their concerns. Our service stations have dedicated feedback programs, enabling customers to relay their experiences conveniently. We take customer feedback seriously, with our Customer Relations Group working closely with the Corporate Affairs Department to address issues promptly. Utilizing Customer Relations Management software, we document and assign feedback to the relevant parties for resolution, ensuring thorough follow-up and customer satisfaction confirmation. In line with our commitment to customer safety and support, we proudly continue our tradition of *Lakbay Alalay*, offering free service check-ups and emergency roadside assistance to Filipino motorists nationwide.

Our progress

We are dedicated to upholding the highest standards of safety across all aspects of our operations, from our products to our services. Similar to our 2022 performance, we diligently assessed 100% of health and safety impacts during safety inspections at all our facilities throughout 2023. This stringent approach ensures that any potential risks are swiftly identified and addressed to uphold the safety of our customers and communities.

In 2023, we are proud to report zero incidents of non-compliance with regulations resulting in fines or penalties. We are presently addressing the requirement of the BFP for the installation in one terminal of fire detection and alarm systems. Despite these challenges, we have maintained a clean record of non-compliance with voluntary codes, viewing it as our responsibility to exceed safety standards.

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

Requirement	2023			2022		
	Refinery	Terminals	Service Stations	Refinery	Terminals	Service Stations
Incidents of non-compliance with regulations resulting in a fine or penalty	0	0	0	0	0	2
Incidents of non-compliance with regulations resulting in a warning	0	1	0	0	3	1
Incidents of non-compliance with voluntary codes	0	0	0	0	0	0

In line with our dedication to customer safety, we launched several initiatives aimed at providing valuable support and assistance to motorists. Our longstanding *Lakbay Alalay* program once again served as a beacon of assistance during the Holy Week holidays. Petron employee-volunteers stationed at strategic locations along major toll roads provided complimentary vehicle inspections and medical assistance to motorists, ensuring their safety and well-being on the road. Furthermore, in October 2023, we organized a month-long Car Care Center Free Safety Check, offered in 41 participating centers, providing customers with complimentary safety inspections and discounts on selected services. These initiatives underscore our dedication to promoting regular vehicle maintenance and enhancing road safety for all.

Additionally, we have been at the forefront of advocating for the effective implementation of the new LPG Law (R.A. No. 11592) in collaboration with the DOE and other industry stakeholders. Through information forums and our participation in the LPG Summit in March 2023, we have championed stringent safety standards and regulations in the LPG industry, prioritizing consumer safety and welfare.

As part of our ongoing efforts to ensure consumer safety, we continue to educate consumers about the risks associated with illegally refilled LPG cylinders and stress the importance of purchasing legitimate Petron LPG products. Our products undergo rigorous safety and quality testing, adhering to Department of Trade and Industry (DTI) standards, to guarantee the safety and satisfaction of our customers. Information about Consumer and Product Protection guidelines is readily available on our website, empowering consumers to make informed choices for their safety and well-being.

Responsible Marketing and Labeling

GRI Standards	GRI 3-3, 417-1, 417-2, 417-3
UN Sustainable Development Goals	SDG 12 – Responsible Consumption and Production SDG 16 – Peace, Justice, and Strong Institutions

Our approach

As part of our responsibility to our customers, we recognize the importance of adhering to correct labeling protocols in all our products. This commitment initiates when each product leaves our Refinery and continues consistently until it reaches our customers. Consequently, we place a high priority on transparency by ensuring the provision of accurate and comprehensive information in our products and services. The Philippines, among the member countries of the Asia Pacific Economic Cooperation, has undertaken a commitment to implement the Globally Harmonized System of Classification and Labelling of Chemicals (GHS). GHS aims to systematically address the classification of chemicals based on types of hazards, proposing harmonized hazard communication elements such as labels and safety data sheets.

In our longstanding commitment to product stewardship and workplace safety, we have diligently optimized our integrated marketing communications. This involves providing thorough, equitable, and responsible information and labeling for our products and services. An illustrative example can be seen at Petron service stations, where we prominently display the octane number of our fuels. Across all our service stations, we strictly comply with the guidelines set by the DOE for proper fuel labeling.

Furthermore, we uphold a meticulous approach to the labeling of all our lubricant products and greases. Each product is accurately labeled and accompanied by comprehensive Material Safety Data Sheets (MSDS). This stringent practice forms a critical component of our product stewardship and workplace safety protocols. The MSDS equips our personnel with essential procedures for handling and working with the materials we use. It also provides crucial information on physical properties, toxicity, health effects, first aid measures, reactivity, storage, disposal, and spill-handling procedures. This comprehensive approach ensures the safety of our workforce and reinforces our commitment to responsible business practices.

To ensure that our lubricants are of high quality and meet the requirements of our customers, we strictly adhere to industry standards such as the American Petroleum Institute (API), the Society of Automotive Engineers (SAE), and the International Organization for Standardization (ISO) for viscosity grade and service level applicable to the specific type and make of engine, equipment, or vehicle. Meanwhile, for greases, we adhere to the quality specifications of the National Lubricating Grease Institute.

Our progress

At Petron, we acknowledge the inherent responsibility associated with our products and services, recognizing the importance of aligning with the country's commitment to GHS. We diligently adhere to GHS labeling standards in all facets of our operations, encompassing the manufacturing, marketing, and distribution of petroleum/petrochemical products, as well as the importation of chemical substances for operational requirements.

For example, our Benzene-Toluene-Xylene (BTX) plant, which produces benzene, a priority chemical listed by the DENR, undergoes scrutiny. We obtain a Priority Chemicals List (PCL) Compliance Certificate from the DENR-EMB. This process involves submitting comprehensive documentation, including an annual report, MSDS, and a chemical management plan.

Similarly, for additives, fuels, lubricants, and other petroleum-based products, we prepare GHS-compliant MSDS, ensuring conformity with international standards. We convert existing labels to comply with GHS requirements, positioning Petron products for international markets and potential export opportunities.

Beyond mere compliance, our commitment extends to the safety of employees involved in various operations. We provide GHS training for those engaged in purchasing, forwarding, customs clearing, warehousing, emergency response, and the use of chemical substances, fostering a secure and healthy workplace that aligns with international market demands.

As a result of our efforts and commitment to transparency, Petron had no incidents of non-compliance with laws and regulations concerning product and service information labeling and marketing communications, such as the Advertising Standards Council Code of Ethics and DTI's Promotions for 2023. This not only empowers our customers to make informed decisions but reinforces our consistent dedication to regulatory adherence and ethical practices.

Secured Customer Information

GRI Standards	GRI 3-3, 418-1
UN Sustainable Development Goals	SDG 16 - Peace, Justice, and Strong Institutions

Our approach

In protecting customer privacy, we uphold a principle-driven approach outlined in our Data Privacy Policy, officially approved by the Board of Directors in May 2017. This policy shows our commitment to transparency, legitimate use, and proportionality in the processing of personal data. Prior to accessing our website, customers are presented with our privacy statement, explicitly stating the purposes for which their data will be utilized, and we diligently seek their consent for data ownership.

To implement and monitor these privacy measures, Petron has appointed a dedicated Data Privacy Officer. Additionally, our Customer Relations Group and Corporate Affairs Department are responsible for receiving, managing, and resolving customer concerns related to data privacy. This concerted effort ensures that we actively manifest our dedication to the responsible and ethical handling of customer data, fostering a relationship built on trust and compliance.

At Petron, our commitment to information security is evident through our adherence to an Information Security Management System (ISMS). In addition to the main ISMS Policy which was approved by the Board of Directors in May 2020, we have a comprehensive ISMS framework comprised of a set of policies, guidelines, standards, and procedures meticulously crafted to ensure the confidentiality, integrity, and availability of data within our systems. These policies are translated into robust technical information technology (IT) and procedural internal controls, specifically tailored to fortify the protection of sensitive customer information.

In alignment with international benchmarks, our ISMS policies are in accordance with the ISO 27001 and National Institute of Science and Technology frameworks. These standards underscore our dedication to enhancing information security.

To govern and oversee our IT security measures, we have instituted the Information Security Steering Committee. Composed of key members, including the Data Privacy Officer, this dedicated group ensures the effectiveness and alignment of our information security practices. Through these proactive efforts, we consistently uphold the integrity of our information systems and safeguard the confidentiality of customer data.

In 2023, Petron did not receive any substantiated complaints concerning breaches of customer privacy and losses of customer data.

Embarking on a Path of Responsible Business Growth

For the past 90 years, we have steered our operations with a commitment to sustainability, guided by a purpose-driven ethos in service to our communities. Our measure of business growth extends beyond mere profit; it encompasses the positive impact we generate for our stakeholders. As we redouble our efforts on this transformative journey, we carry forward our core values of integrity, accountability, and transparency. Our pledge to stakeholders is to uphold our position as a trusted partner, showcasing excellence and unwavering dedication in every facet of our work.

Material Topic	UN SDGs
Robust Economic Performance	8, 9, 13
Sustained Market Presence	1, 5, 8
Inclusive Economic Growth	1, 3, 5, 8, 9, 11
Fair and Ethical Practices	16
Transparent Tax Approach	1, 10, 17

Robust Economic Performance

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	SDG 8 - Decent Work and Economic Growth SDG 9 - Industry, Innovation, and Infrastructure SDG 13 - Climate Action
Philippine Development Plan	Ensure Macroeconomic Stability and Expand Inclusive and Innovative Finance

Our approach

At Petron, we cultivate strategic partnerships and perpetually enhance our products, services, and processes in pursuit of a sustainable future. Our commitment extends beyond short-term gains; we aim to generate lasting economic value and mutual benefits for our business and the communities we engage with. Recognizing the far-reaching impact of our operations across regions, we stand firm in our dedication to fostering continuous economic development.

To broaden our economic footprint and contribute to regional markets, we actively participate in the export of petrochemicals and other non-fuel products. This expansion strategy encompasses countries and regions within the Asia-Pacific which establishes our role as a key player in enhancing economic performance locally and internationally. Through our diversified operations, Petron aims to fortify its standing in the oil industry, addressing the needs of diverse sectors both domestically and globally.

Financial implications and other risks and opportunities due to climate change

We recognize that alongside the economic value we create, our business operations inherently carry certain risks. These include:

1. **Financial Risks:** Changes in government regulations concerning fuels or oil markets, such as pricing, taxation, and business practices, can impact our organization.
2. **Physical Risks:** Natural calamities have the potential to damage our facilities and disrupt operations.
3. **Climate-related Developments:** The shift towards renewables and the growing demand for sustainable energy pose risks, such as reduced demand and sales, and increased expenses.

To address these challenges, we proactively manage our risks. We enhance our preparedness for calamities by ensuring the resilience of our facilities. Additionally, we have insurance mechanisms in place to mitigate the risks posed by climate change. Through these proactive measures, we aim to strengthen our resilience and ensure the continuity of operations in a dynamic and evolving business environment.

Our progress

Direct economic value generated and distributed

Our total revenue in 2023 slightly decreased compared to 2022 due to ongoing challenges in the market. Nonetheless, we maintained our ability to streamline operations and effectively meet the fuel needs of our customers. As for economic value distribution, our operating costs decreased because of significant efforts to optimize resources and implement innovative and sustainable practices, leading to cost savings for our Company. Meanwhile, employee wages and benefits, payments to providers of capital, and payments to the government all increased, reflecting our priority to continuously enhance employee welfare, investor relations, and tax compliance.

Moreover, in 2023, Petron has received tax relief and credits from the government that amounts to PHP 100 million from duties, VAT, and excise tax exemption.

Direct economic value generated and distributed		
Requirement	**2023 (in million PHP)**	**2022 (in million PHP)**
I. Direct economic value generated		
Total revenue	803,929	860,056
II. Economic value distributed	788,908	849,448
Operating costs	677,483	776,205
Employee wages and benefits	5,731	5,422
Payments to providers of capital	26,097	17,855
Payments to government	79,545	49,843
Community investments	52	123
III. Economic value retained (calculated as 'Direct economic value generated' less 'Economic value distributed')	15,021.00	10,608.00

Defined benefit plan obligations and other retirement plans

We attribute our economic success largely to our dedicated employees, and we prioritize their well-being and financial security. Our commitment extends to actively contributing to social security programs, including SSS, Pag-IBIG, and Philhealth. These programs ensure that our employees receive retirement benefits upon separation from the Company.

Our Company pays partial contributions to the retirement fund through the calendar year depending on the financial capacity to pay of the Company and at the same time requirements of the fund to pay out benefits.

In addition to these government-mandated programs, Petron has implemented a robust Savings Plan. This initiative allows employees to contribute a portion of their salaries, with the Company matching these contributions. Together, these initiatives form a comprehensive retirement benefits package, acting as both a retention tool and a means of providing financial assistance for employees' daily needs. Importantly, these benefits empower our employees to plan for their future retirement, promoting long-term financial security.

<table>
<tr><th colspan="3">Defined benefit plan obligations and other retirement plans</th></tr>
<tr><th>Requirement</th><th>2023</th><th>2022</th></tr>
<tr><td>If the plan’s liabilities are met by the organization’s general resources, the estimated value of those liabilities</td><td>2,447,064,510.75</td><td>3,009,650,143.70</td></tr>
<tr><td>The extent to which the scheme’s liabilities are estimated to be covered by the assets that have been set aside to meet them</td><td rowspan="3">Actuarial valuation done last December 31, 2023</td><td rowspan="3">Actuarial valuation done last December 31, 2022</td></tr>
<tr><td>The basis on which that estimate has been arrived at</td></tr>
<tr><td>When that estimate was made</td></tr>
</table>

Sustained Market Presence

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	SDG 1 – No Poverty SDG 5 – Gender Equality SDG 8 – Decent Work and Economic Growth
Philippine Development Plan	Ensure Macroeconomic Stability and Expand Inclusive and Innovative Finance Increase Income-earning Ability

Our approach

As we solidify our market presence, we are committed to fostering economic growth in the areas where we operate. We prioritize hiring local community members, extending to our management team, while upholding stringent qualification standards. This approach facilitates a mutually beneficial relationship, allowing us to gain profound insights into the local needs and context of our communities, while concurrently creating economic opportunities at the grassroots level.

Our dedication to our employees is evident in our practice of providing above minimum wages, strengthening our competitive edge in the industry. This not only aids in attracting top-tier talent but also in retaining individuals who demonstrate exceptional expertise in their respective fields. Offering a competitive benefits package further contributes to the economic well-being of our employees. Moreover, our commitment to equality is reflected in the provision of equal opportunities and benefits for all, regardless of gender, aligning with our vision of fostering a more diverse and inclusive workforce in the oil industry.

As a cornerstone of our initiatives at PFI, we take pride in offering scholarship programs to outstanding students who demonstrate excellence and a strong commitment to service in their educational pursuits. To bolster their career development, we extend invitations for these scholars to join Petron upon graduation, providing them with a pathway to contribute their talents to our Company. This approach also aligns with our commitment to investing in the future leaders of our industry.

Beyond individual growth, the provision of employment opportunities at Petron significantly supports the economic development of our local communities. Through these initiatives, we actively engage in fostering growth and prosperity in the regions where we operate, embodying our dedication to making a positive impact on the socioeconomic landscape.

Our progress

Under the Petron Engineering Scholarship program, three (3) of our recent graduates were hired by our Refinery. This brings the number of our Bataan scholars that we have employed in PBR to 209. Of this number, 84 continue to be employed in Petron. Additionally, one former TAP graduate, Maridil Joy Isidro (BS Chemical Engineering from Adamson University), was hired by PBR as a Utilities/RSFFB Plant Engineer in the 3rd quarter of 2023.

Inclusive Economic Growth

GRI Standards	GRI 3-3, 203-1, 203-2 Topic 11.14 Economic impacts
UN Sustainable Development Goals	SDG 1 – No Poverty SDG 3 – Good Health and Well-being SDG 5 – Gender Equality SDG 8 – Decent Work and Economic Growth SDG 9 – Industry, Innovation, and Infrastructure SDG 11 – Sustainable Cities and Communities
Philippine Development Plan	Expand and Upgrade Infrastructure Promote Human and Social Development Increase Income-earning Ability

Our approach

In our pursuit of sustainable development, we recognize the significance of our indirect economic impacts. Our initiatives extend beyond mere economic growth, embracing a broader commitment to enhancing the overall well-being of the communities we proudly serve. This aligns with our overarching goal of being the trusted partner of the Filipino people on the journey towards a sustainable future.

PFI, our CSR arm, plays a central role in managing our indirect economic impacts. Through PFI, we implement various community-based programs aimed at fostering socio-economic development. Employing our strategic partnerships and targeted interventions, PFI takes the lead in initiatives that foster sustainable growth and social progress in the areas surrounding our operations. By harnessing resources and expertise, PFI ensures that our collective efforts result in tangible and enduring benefits for the communities we are privileged to engage with.

Fuel HOPE, our flagship advocacy initiative, embodies our commitment to driving inclusive and sustainable change. Through this strategic program, we channel our resources and efforts into initiatives that uplift marginalized sectors and inspire resilience. By championing education, economic empowerment, and environmental sustainability, Fuel HOPE acts as a catalyst for positive transformation.

Aligned with our dedication to Fuel HOPE, our programs strategically focus on key areas such as education, livelihood, and health & community engagement. Our educational initiatives, exemplified by the TAP program, extend educational assistance to thousands of students, empowering them to realize their full potential. Meanwhile, our livelihood programs, featuring community-based initiatives, such as rag making and dressmaking, establish sustainable income opportunities for residents near our facilities, fostering economic resilience and self-reliance. Additionally, our health and community engagement programs, showcased through the Petron Clinics, ensure access to quality healthcare and promote overall well-being in underserved communities.

Our progress

In 2023, Petron invested PHP 52 million in community development, a significant reduction from the PHP 123 million utilized in the previous year. A significant portion came from a one-time donation of PHP 56 million to assist the local government of Limay in constructing the Limay Pedestrian Bridge and as part of our support for the advocacy of road safety. Also, we donated fuel to transport relief assistance to victims of the 2022 super typhoon Odette in the Visayas, in partnership with the Province of Isabela.

Petron Foundation oversees the implementation of strategic social responsibility programs in the areas of education, environment, and health and human services. Bulk of our support to our communities focused on TAP, our flagship education program, which sends deserving children and youth through elementary, high school, and college. For school year 2022-2023, TAP saw seven (7) of our eight (8) remaining college scholars from the National Capital Region graduate with business-related and engineering degrees. Of the seven (7) college graduates, two (2) finished with academic honors: one graduated *magna cum laude* and one as a *cum laude*.

Just as significant was the graduation of our first batch of high school scholars from Mindanao and from this group, eight (8) graduates were selected to become the pioneering TAP college scholars from different provinces in the region: General Santos City, Iligan City, Misamis Occidental, and Misamis Oriental.

Throughout the school year, PFI distributed school supplies to over 2,200 TAP scholars from 66 partner schools nationwide as part of the scholars' benefits.

At the start of school year 2023-2024, TAP registered a total of 2,433 scholars from elementary to college in our partner schools where our terminals are located. This includes the first batch of TAP college scholars from Mindanao to enter college, along with two (2) scholars from the National Capital Region. It also includes a fresh batch of 300 Grade 1 scholars from Luzon (Poro, La Union and Puerto Princesa, Palawan), Visayas (Bacolod, Negros Occidental; Mandaue and Mactan, Cebu; Roxas, Capiz, and; Tagbilaran, Bohol) and Mindanao (Davao City).

Our Petron Engineering Scholarship program also took in a new batch of 10 Electrical and Mechanical scholars from the Bataan Peninsula State University (BPSU). This brings the total number of program beneficiaries to 311. Out of the 10 scholars, four (4) completed their Electrical Engineering course.

These initiatives, conducted with our terminal facilities and the Refinery, reflect our ongoing commitment to educational support and community engagement through the banner of fueling HOPE or Helping Filipino children and youth Overcome Poverty through Education.

Fair and Ethical Practices

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	SDG 16 - Peace, Justice, and Strong Institutions
Philippine Development Plan	Promote Competition and Improve Regulatory Efficiency Practice Good Governance and Improve Bureaucratic Efficiency

Our approach

We uphold principles of honesty, ethics, and moral integrity, actively championing the fight against corruption throughout our Company. In our pursuit of a brighter future, we are resolute in our commitment to being a trustworthy and ethical partner for our customers.

In alignment with these core values, our Company is devoted to preventing any practices that run counter to our robust anti-corruption policies. All our operations (100%) are rigorously assessed for risks related to corruption. We also adhere to fair and ethical competition within the bounds of competition laws, reinforcing our vision of being a business characterized by integrity, transparency, and responsible conduct.

Our dedication to anti-corruption measures is deeply ingrained in the culture of Petron. The cornerstone of this commitment lies in our comprehensive Code of Conduct and Ethical Business Policy, explicitly prohibiting corruption and bribery within our Company. In August 2023, the Board of Directors at Petron reaffirmed this commitment by approving the Revised Code of Conduct and Ethical Business Policy, ensuring the highest ethical standards across the Company. This policy offers clear guidelines for directors, officers, and employees, emphasizing the imperative to conduct business in an ethical and proper manner. Moreover, in 2023, our Management adopted the Policy on Anti-Corruption, Anti-Money Laundering, and Sanctions Compliance that reiterates the Company’s compliance with all applicable laws on anti-corruption and anti-bribery, anti-money laundering and combating terror financing, and trade and economic sanctions and sets forth the Company’s policy of zero-tolerance for bribery, corruption, money-laundering, terror financing, and sanctions violations.

Our Internal Audit and/or the relevant departments will investigate 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.

We also proactively incorporate discussions on anti-corruption into a range of mandatory training and orientation programs, corporate governance seminars, and labor relations seminars. This strategic approach ensures that every member of the Company is well-versed in the principles and practices that bolster the integrity of our anti-corruption initiatives.

Petron goes beyond internal operations in championing ethical business practices. We extend our commitment by encouraging customers to uphold similar ethical standards when engaging in contractual obligations, fostering a culture of anti-corruption in all business transactions. In support of these policies, we have implemented a comprehensive anti-corruption policy, with clearly outlined disciplinary actions stipulated in our Company Rules and Regulations on Discipline. This proactive measure ensures that any violations are swiftly and effectively addressed by the Company.

Furthermore, as a responsible industry leader for nine decades, we continue to uphold fair practices in maintaining our competitive position in the market. Our ownership of a sole Refinery in the Philippines empowers us to serve as a trusted partner to our customers, offering a dependable supply of fuel products. This commitment to fair competition not only meets regulatory standards but also fosters continued trust among our stakeholders. By promoting a healthy business environment, we aim to cultivate a competitive marketplace that drives economic growth while safeguarding the welfare of our customers.

Our progress

In August 2023, the Board of Directors approved the Revised Conduct and Ethical Business Policy that strengthened guidelines for directors, officers, and employees, emphasizing the imperative to conduct business in an unwaveringly ethical and proper manner.

Further, in the same year, Petron's Management adopted the Company's Policy on Anti-Corruption, Anti-Money Laundering, and Sanctions Compliance. This policy sets forth a zero-tolerance approach towards bribery, corruption, money laundering, terror financing, and trade and economic sanctions violations. Subsequently, this policy extends not only to all our employees, officers, and directors but also to third parties, including our business partners, agents, consultants, suppliers, and contractors. Aligned with this, we have no existing cases of confirmed incidents related to corruption within the organization.

We are also proud to share that our commitment to good governance and ethical business practices has been acknowledged through the receipt of two Golden Arrows at the ASEAN Corporate Governance Scorecard (ACGS) Arrow Awards by the Institute of Corporate Directors in September 2023. This recognition serves as a testament to our commitment to continuous improvement, motivating us to uphold the highest ethical standards in anti-corruption and remain resolute in our efforts.

There are no confirmed incidents of corruption during the reporting period. Likewise, our Company maintained a clean track record in fair competition, with zero instances of anti-competitive behavior and violations of anti-trust and monopoly legislation in 2023.

Transparent Tax Approach

GRI Standards	GRI 3-3, 207-1, 207-2, 207-3, 207-4 Topic 11.21 Payments to governments
UN Sustainable Development Goals	SDG 1 – No Poverty SDG 10 – Reduced Inequalities SDG 17 – Partnerships for the Goals
Philippine Development Plan	Ensure Macroeconomic Stability and Expand Inclusive and Innovative Finance

Our approach

We recognize the significance of tax compliance not only for regulatory adherence but also to fulfill our commitment to contributing to economic development and societal welfare. By adhering to transparent tax practices, we establish ourselves as a responsible custodian of resources, directing our efforts towards sustainable outcomes that benefit both present and future stakeholders.

We adopt a proactive approach to managing tax-related matters, encompassing stringent compliance with local tax laws and regulations across its operations. This approach extends from the Company's Refinery to its terminals and service stations. Specifically, we actively engage with relevant government agencies to support initiatives aimed at curbing smuggling activities in the downstream oil sector, including participation in the government's fuel marking program.

Fuel marking involves injecting chemical identifiers into tax-paid oil products after the taxes are paid on refined and imported gasoline, diesel, and kerosene. This process serves as a crucial measure against the smuggling of petroleum products, mandated under the Tax Reform for Acceleration and Inclusion or TRAIN Act. We acknowledge the importance of fuel marking in maintaining the integrity of the industry and ensuring fair competition. By actively participating in this program, we reinforce our commitment to transparency and compliance with regulatory requirements, contributing to a more sustainable and equitable business environment.

Our progress

In 2023, we sustained our commitment to combat smuggling activities in the oil sector by actively participating in the government's fuel marking program. The Bureau of Customs (BOC) recognized our Company's exceptional performance, with Petron marking a total of 17.83 billion liters of fuel from September 2019 to October 2023. This accomplishment demonstrates our dedication to supporting revenue collection efforts and ensuring fair competition within the industry.

Moreover, we garnered recognition from the City Government of Navotas for our substantial contributions as a taxpayer in 2023, achieving the esteemed title of Navotas' third top taxpayer for real property taxes. Our Tagoloan terminal also received recognition from BOC Region X as the Top 5 Importer in Region X, highlighting Petron's vital role in bolstering revenue collection within the area.

Country-by-country reporting

Consistent with our 2022 SR, we uphold our commitment to transparency and accountability by providing comprehensive tax disclosures covering our resident entities across multiple jurisdictions. These jurisdictions include the Philippines, Malaysia, Bermuda, Singapore, British Virgin Islands, Mauritius, and Hong Kong.

2023										
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. (Please feel free to add rows if needed)	i. Names of the resident entities;	ii. Primary activities of the organization;	iii. Number of employees, and the basis of calculation of this number;[1]	iv. Revenues from third-party sales;	v. Revenues from intra-group transactions	vi. Profit /loss before tax;	vii. Tangible assets other than cash and cash equivalents;	viii. Corporate income tax paid on a cash basis;	ix. Corporate income tax accrued on profit/loss;	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	2,251	399,574	38,022	7,756	216,457	3,840	549	Permanent and temporary differences with respect to different methods of accounting for financial reporting and tax accounting
Philippines	Petron Marketing Corporation	Trading, wholesale and retail, distribution of petroleum products, and operation of retail outlets.	-	12	-	12	2	2	2	-
Philippines	Petron Freeport Corporation	Retailing of petroleum and related products with affiliate businesses	12	806	340	16	118	6	6	-
Philippines	New Ventures Realty Corp.	Acquiring, investing and leasing of land and real properties	-	3	530	176	5,112	36	30	Permanent and temporary differences with respect to different methods of accounting for financial reporting and tax accounting
Philippines	Las Lucas Construction and Development Corp.	Leasing of real properties and general construction activities	-	1	15	12	498	0	2	Permanent and temporary differences with respect to different methods of accounting

[1] REGULARS only

										for financial reporting and tax accounting
Philippines	South Luzon Prime Holdings Incorporated	Acquiring, investing and leasing of land and real properties	-	0	7	6	67	0	1	Permanent and temporary differences with respect to different methods of accounting for financial reporting and tax accounting
Philippines	Parkville Estates Development Corp.	Acquiring, investing and leasing of land and real properties	-	0	13	12	16	0	2	Permanent and temporary differences with respect to different methods of accounting for financial reporting and tax accounting
Philippines	Abreco Realty Corp.	Acquiring, investing and leasing of land and real properties	-	-	2	1	7	-	0	-
Philippines	Mariveles Landco Corporation	Acquiring, investing and leasing of land and real properties	-	1	11	1	44	0	0	-
Philippines	Philippine Polypropylene, Inc.	Manufacturing and marketing of polypropylene and petrochemicals	-	2	-	1	-	-	0	-
Philippines	Mema Holdings, Inc.	Holding company	-	0	-	0	-	0	0	-
Philippines	Weldon Offshore Strategic Limited, Inc.	Holding company	-	6	-	(21)	0	1	1	-
Philippines	Petrofuel Logistics Inc.	Providing logistics and freight forwarding services	668	10	585	29	2,481	11	3	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	-	26	251	241	-	-	-	-
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	20	111,809	302,533	1,880	40	223	148	Permanent and temporary differences with respect to different methods of accounting for financial reporting and tax accounting

Labuan, Malaysia	Petron Finance (Labuan) Limited	Holding company	-	-	-	(0)	-	-	-	-
Mauritius	Petron Oil & Gas Mauritius Ltd.	Holding company	-	-	-	-	-	-	-	-
British Virgin Islands	Petron Global Limited	Holding company	-	-	-	-	-	-	-	-
Malaysia	Petron Oil & Gas International Sdn. Bhd	Holding company	-	989	-	986	-	1	1	-
Malaysia	Petron Oil (M) Sdn Bhd	Marketing and distribution of petroleum products	21	30,845	-	(809)	2,511	-	-	-
Malaysia	Petron Fuel International Sdn Bhd	Marketing and distribution of petroleum products	381	87,485	45,110	1,685	8,401	403	415	Permanent and temporary differences with respect to different methods of accounting for financial reporting and tax accounting
Malaysia	Petron Malaysia Refining & Marketing Berhad	Refining and marketing/distribution of petroleum products	258	161,847	50,006	4,482	38,543	320	397	Permanent and temporary differences with respect to different methods of accounting for financial reporting and tax accounting
Malaysia	Terminal Bersama Sdn. Bhd.	Operation of liquified petroleum gas bottling plant	-	118	-	9	35	1	2	Permanent and temporary differences with respect to different methods of accounting for financial reporting and tax accounting
Hongkong	Petrochemicals Asia (HK) Ltd.	Holding company	-	5	-	(96)	-	0	-	-
Cayman Islands	Robinsons International Holdings Limited	Holding company	-	-	45	(30)	683	3	3	-

Risk Management

Drawing upon our extensive 90-year experience in the industry, we have demonstrated resilience and adaptability, enabling us to navigate uncertainties and address challenges within the dynamic business landscape. Our sustainability strategy is shaped by thorough analysis of external factors, risks, opportunities, as well as internal resources and capabilities.

Central to our approach is the establishment of an Enterprise Risk Management (ERM) Framework and ERM programs, which enable us to proactively address potential threats that may adversely affect the attainment of our corporate objectives.

Guided by our Chief Risk Officer, we diligently identify, assess, and mitigate risks while actively seeking opportunities for growth. This risk management process is integrated into our annual business planning cycle, spanning across all key business units, with Division heads serving as risk owners of all risks emanating from their respective groups. Each group is a member of the Risk Management Committee, the working group that serves as the conduit to cascade risk management efforts of Management to all employees and receive feedback from them. Subsequently, the results of this rigorous process undergo thorough review, assessment, and approval by our Senior Management. The risk management process is integrated in the yearly business planning of all major divisions and departments, with the resulting annual business plan formulated presented to the Board of Directors for approval. The ERM framework likewise searches for strategic risks that present opportunities and may create or add value to the Company.

Major Risks

Our Company classifies a risk as a major risk if it assesses the risk event to have a relatively high probability of occurring and a substantial adverse impact on the Company if the risk occurs.

In 2023, we identified the following major risks as well as their corresponding management approaches.

RISK	DESCRIPTION	RISK MANAGEMENT APPROACHES
Competition in the Industry	The Company has experienced challenges in domestic demand due to the increased level of competition in the deregulated oil industry we operate in, with over 400 industry players. With this large number of players participating in the market, competition is intense.	To mitigate this risk, the Company employs retail and depot network expansion, pricing, and various marketing programs to gain a bigger share of the domestic market. However, our wide retail and depot network and our full range of products allow us to reach the domestic market more effectively than competition.
Competition for Personnel	The Company depends highly on skilled, experienced, and qualified personnel. Loss of such personnel, or inability to replace and retrain with sufficient speed may result in disruptions in the Company's operations, output, and financial performance.	The Company mitigates this risk by our continuous hiring of qualified individuals to replace those who have separated from the organization and ensure that the vacancies are immediately covered. Moreover, the Company's compensation and benefit packages are comprehensive, relevant, and at par with industry standards. Promotions and pay raises

		are given to recognize outstanding work performance. Performance appraisals are conducted regularly to ensure alignment of employees' performance towards the Company's objectives and targets. Meaningful training and other employee programs are planned and conducted to sustain employee engagement and improve retention.
Crude Supply risk	As a crude oil importer, the Company is subject to supply risk, with crude availability affected by external factors such as geopolitical developments, stability, and government regulations in the Middle East and other oil-producing countries, availability of vessels, weather conditions, and overall global economic conditions.	The Company mitigates this risk through our continuing programs on supply diversification and crude optimization at the Refinery, evaluation of the mix of term and spot crude sourcing, and assessment of capabilities to store and manage inventories. The Company also evaluates processing and logistics facilities upgrades, such as Petron Bataan Refinery's Refinery Master Plan 2 (RMP-2) and Petron Malaysia Refinery's Diesel Hydrotreater unit, to enable the receipt and processing of an improved range of processable crudes.
Financial Risk	The Company is exposed to financial risk resulting from the volatility in prices of input crude and output finished products. Fluctuations and mismatches in price movements are brought about by changes in global supply and demand for crude oil and finished products, international economic conditions, global conflicts, and other factors over which the Company has no control. Recently, events such as the COVID-19 pandemic and the Russia-Ukraine war have resulted in substantial oil price swings. Such volatility may result in significant cash flow variability and higher financing expenses.	The Company mitigates this risk by entering into commodity hedging for our crude and product exposure. The Company has a Commodity Risk Management Committee that actively evaluates hedging policies and strategies to protect the Company from risks of inventory losses and margin contraction. The Company also regularly assesses Refinery utilization considering the latest available price outlook and domestic demand forecast, and prudently manages our capital and operating expenses and receivables, particularly during times of high volatility.
Foreign exchange risk	The risk arises from the difference in the denomination of majority of the Company's revenues (Philippine Pesos) and the bulk of its costs (US Dollars). In addition, exposure to	The Company manages this risk by hedging dollar-denominated liabilities using forwards and other derivative instruments and generating dollar-denominated sales.

	foreign exchange risk also arises from foreign-denominated debt obligations that are exposed to revaluation and could increase in peso terms with forex fluctuations. further complicating the situation.	
I.T. Security and Privacy Risk	Information technology plays a vital part in the organization and reliance on technology also exposes assets to security and privacy risks.	To mitigate this risk, the Company has established an IT security infrastructure that is equipped with features which can protect the hardware and software assets of the organization from cyber security risks. To further prevent cyber risks from happening, the Company's Management Information Systems Division periodically administers a health check to spot early signs of hardware or firmware issues. For long-term protection, regular end-to-end inspection of the entire system is done proactively to identify faults in the hardware as well as bugs in the firmware and apply corrective actions as these are identified. Asset, software, or facility upgrades are regularly identified and funded to protect the Company's data and privacy.
Operational Disruptions Risk	These may be caused by unplanned events such as serious process or machine failure, accidents, weather-related events, or human error at the Company's Refinery terminals and other facilities. These disruptions may result in injury or loss of life, damage to Company property, or damage to other properties in the immediate area where the facility is situated. Such disruptions may result in significant financial losses from product runouts and loss of sales, loss of margins from product discounting or from required spot purchases, equipment repair or replacement, and insurance cost escalation. All of the Company's 30 terminals have been certified under the ISO 9001:2015 (QMS), while 29 terminals received certification for ISO 14001:2015 (EMS), and ISO	To mitigate these risks, the Company ensures that the Refinery and terminals adhere to a program of planned and strategic maintenance. For the Refinery, scheduled shutdown maintenance is periodically carried out in accordance with an established turnaround planning cycle. In addition, routine, preventive and corrective reliability and maintenance programs are done, supported by adequate and advanced instrumentation and the latest tools and equipment. The Refinery, the country's only oil refining facility, continued to be IMS-certified which demonstrates the Company's continuous adherence to global standards on safety, health, quality, and environmental management. The Company's IMS certification covers the Environmental Management System (EMS, ISO 14001:2004),

	45001:2018 (Occupational Health and Safety Management System) standards. Moreover, the Petron pier facilities are compliant with the International Ship and Port Facility Code which is certified by the Office of the Transport Security under the Department of Transportation. The Company likewise maintains insurance whose coverage includes property, marine cargo and third-party liability, as well as personal injury, accidental death and dismemberment, sabotage and terrorism, and machinery breakdown. One of the main insurance policies of the Company, the Industrial All Risk policy, covers the Refinery for material damages, including machinery breakdown cover.	Quality Management System (QMS, ISO 9001:2008S) and Occupational Health and Safety Management System (OHSMS, 18001:2007).

Not all risks are to be avoided or prevented. The ERM program of Petron is constantly on the lookout for opportunities given the risks that are inherent to the nature of our business. The Company carefully evaluates what is called “Strategic Risks”, or those risks that are deemed to add value to the organization.

Governance

Over the years, our robust governance structure has been instrumental in facilitating steady growth within our business, harmonizing profitability with our dedication to nation-building and environmental stewardship. Our visionary leadership has motivated us to refine our vision and purpose, further deepening our commitment to sustainability.

Governance structure and composition (2-9)

Our Board of Directors comprises 15 members, three (3) of whom are independent. Petron is led by Mr. Ramon S. Ang, our President and CEO, and Mr. Lubin B. Nepomuceno, our Director and General Manager.

NAME	AGE	NATIONALITY	POSITION	YEAR APPOINTED AS DIRECTOR
RAMON S. ANG	70	Filipino	President and CEO	2009
LUBIN B. NEPOMUCENO	72	Filipino	Director and General Manager	2013
RON W. HADDOCK	83	American	Director	2008
ESTELITO P. MENDOZA*	94	Filipino	Director	2009
AURORA T. CALDERON	69	Filipino	Director	2010
MIRZAN MAHATHIR	65	Malaysian	Director	2010
FRANCIS H. JARDELEZA	74	Filipino	Director	2020
VIRGILIO S. JACINTO	67	Filipino	Director	2010
NELLY F. VILLAFUERTE	87	Filipino	Director	2011
JOSE P. DE JESUS	89	Filipino	Director	2014
HORACIO C. RAMOS	78	Filipino	Director	2018
JOHN PAUL L. ANG	44	Filipino	Director	2021
ARTEMIO V. PANGANIBAN	87	Filipino	Independent Director	2010
MARGARITO B. TEVES	80	Filipino	Independent Director	2014
RICARDO C. MARQUEZ	63	Filipino	Independent Director	2022

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

Role of the highest governance body in overseeing the management of impacts (2-12)

The Board of Directors is tasked with strengthening our Company's vision, mission, strategic goals, policies, and procedures, guiding our operations and effectively monitoring Senior Management's performance. Our annual operating plan and quarterly results are reported to and approved by the Board of Directors.

Furthermore, our Board of Directors is supported by the following committees:

Executive Committee	• Generally exercises the powers of the Board of Directors when the latter is not in session. • Composed of three (3) regular members with two (2) alternates who shall sit if any one of the regular members is unable to attend the meeting.
Corporate Governance Committee	• Tasked to assist the Board of Directors in the performance of its corporate governance, nomination, and remuneration responsibilities and ensure compliance with and proper observance of corporate governance principles and practices. • Has at least three (3) independent directors 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. • Provides 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 independent directors; the Chairperson also an independent director and shall not be the Chairperson of the Board of Directors or of any other Board of Directors 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 independent directors; the Chairperson also an independent director and shall not be the Chairperson of the Board of Directors or of any other Board of Directors Committee.
Related Party Transaction Committee	• Reviews all material related party transactions of the Company. • Composed of at least three (3) non-executive directors, two (2) of whom shall be independent directors; Chairperson also an independent director.

Apart from the fees approved by the Board of Directors and ratified by the stockholders, our independent directors have no business or relationship with the Company, which could, or could reasonably be perceived to, materially interfere with the exercise of their independent judgment in carrying out their responsibilities as a director.

Nomination and selection of the highest governance body (2-10)

Our Board of Directors brings the necessary skills, expertise, and experience to guide us towards accomplishing our strategic goals. We prioritize diversity within our Board of Directors, considering factors such as age, skills, industry background, gender, competence, knowledge, and other distinctions among directors to ensure well-rounded representation. This emphasis enriches discussions, enhances decision-making processes, and fosters the development of comprehensive solutions to address challenges and capitalize on opportunities for our business.

The Corporate Governance Committee oversees the selection process for our Board of Directors. We implement rigorous measures, ensuring that the 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 of Directors 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 smooth interaction between members of the Board of Directors.

Guided by our leadership team, we continue to strengthen our policies and internal processes to ensure that we stay on course on our sustainability path, firmly grounded in our vision, purpose, and core values.

Adoption and Revision of New Corporate Policies (2-23)

To further heighten our practice of good governance, we adopted and revised various policies of the Company and our subsidiaries (the "Petron Group") and subsequently cascaded to all Petron employees in 2023:

CORPORATE POLICY	DESCRIPTION
Revised Whistle-blowing and Non-Retaliation	This expands the coverage of the original policy. In addition to concerns on accounting, internal controls, auditing or financial reporting matters such as malpractice, impropriety, theft or fraud, gross mismanagement or waste of funds, the policy now also covers illegal or non-compliant conduct and misconduct such as violations of any law or regulation, violations of the Revised Code of Business Conduct and Ethical Business Policy and other policies of the Company, and improper or unethical behavior likely to cause financial loss or prejudice to company reputation or constituting abuse of authority, harassment or duress. A Whistleblowing Relations Officer and a Whistleblowing Committee have been designated for the conduct of investigations. The Company also reiterates under this policy our commitment against retaliation, which action will be subject to appropriate sanctions that include dismissal or termination of contractual relations with the Company.

Anti-Corruption and Anti-Money Laundering and Sanctions Compliance	Under this policy, the Petron Group reiterated its compliance with all applicable laws on anti-corruption and -bribery, anti-money laundering and combating terror financing ("AML-CTF"), and trade and economic sanctions. This policy also sets forth the Petron Group's policy of zero-tolerance for bribery, corruption, money-laundering, terror financing, and sanctions violations.
Anti-Sexual Harassment	The Petron Group values the dignity of every individual, strives to enhance the development of their human resources, guarantees full respect for human rights and uphold the dignity of their employees, applicants for employment, consultants and service providers. Towards this end, all forms of sexual harassment against any personnel in the workplace are prohibited. The Petron Group is committed to upholding the rights and dignity of all its personnel through the creation of a work environment characterized by professionalism, fairness, openness, trust and respect. In addition, the Petron Group has adopted procedures for the handling and investigation of sexual harassment cases. Not only does this policy document the Petron Group's zero-tolerance policy for any form of sexual harassment in the workplace, it also expressly states the position of the Petron Group against victimization for making a reasonable complaint.
Conflict of Interest	This policy highlights and reiterates the principle in the Company's Revised Code of Conduct and Ethical Business Policy that officers and employees of the Petron Group have a duty to act in the best interest of the Petron Group. The Petron Group shall be protected by identifying and resolving any possible conflict of interest between the Petron Group and its officers and employees that will negatively affect current and future business, legal obligations, and good governance. The officers and employees of the Petron Group agree and acknowledge that they are not influenced by personal, family, financial or other considerations which might affect their judgment as to what is best for the Petron Group and that there is a conflict of interest if they compromise their exclusive commitment to the Petron Group. In the event that the personal business interests of an officer or employee may conflict with the interests of the Petron Group, the proper disclosure by the relevant officer or employee and a review by higher Management are required to resolve the conflict.
Diversity, Equity, and Inclusion	This policy documents the dedication of the Petron Group to foster a welcoming and positive working environment. Recognizing that the workplace is an extension of an employee's social and cultural identity, the Petron Group aligns this with its core values and cultivates an open and safe space for its most valuable asset, its human capital. With this policy, the Petron Group expressly and consciously advocates an inclusive organization which is representative of all the sectors of society, and which promotes an equal and inclusive workplace, respects diversity, and accepts differences in order to attract and retain skilled employees, enhance productivity, and foster loyalty and unity within the Petron Group.
Child and Forced Labor	This policy reiterates the Petron Group's commitment to value the dignity of every human person, including children, and guarantees the respect of individual rights. Children shall be afforded special protection from all forms of exploitation and other conditions prejudicial to their development, including child labor. Moreover, the Company expressly commits that it shall not engage, tolerate, or support forced or involuntary labor.

Board of Directors Diversity	This policy provides a framework for inclusion to promote diversity in the Board of Directors of Petron by promoting the inclusion of a wide range of perspectives and ideas that can inspire creativity and drive innovation and improve decision-making and corporate governance. In determining the structure and composition of the Board of Directors, diversity will be considered from varied aspects, including, but not limited to, gender, age, ethnicity, religion, culture, sexual orientation, skills, backgrounds, competencies, knowledge, experience, length of service of directors, and applicable regulatory rules and regulations. The Board of Directors is also tasked to strive to maintain a balanced mix of executive, non-executive, and independent directors, having due regard to the requirements of the Company and the Board of Directors.
Revised Code of Conduct and Ethical Business	The Company's Code of Conduct and Ethical Business Policy was likewise updated to specifically include in its anti-bribery coverage all commercial or private transactions of the Company. A conflict of interest in relation to the employment by another person also now extends to any organization engaged in a business that is directly in competition with any of the businesses of the Petron Group.

Awards and Recognition

- 2022 ASEAN Corporate Governance Scorecards Golden Arrow Awards (2 awards) given by the Institute of Corporate Directors
- Top Importer for 2023 given by the Bureau of Customs
- Top Taxpayer Award for 2022 given by the Navotas City local government

The Journey Ahead: A Glimpse into Future Endeavors of Petron in a Changing Climate

Our journey as a business over the past 90 years has always been defined by our commitment to excellence and a dedication to be a trusted partner of the Filipino in building our nation by fueling – both literally and figuratively – our economy and our way of life.

Over the decades, we have steadily laid the foundations for Petron to be a company not only for today but of, and for tomorrow. We believe that the road to a sustainable future necessitates having a mindset that we cannot continue doing business as usual. Rather, we must keep pace with and evolve to get ahead of current and prospective challenges – tightening competition, global uncertainties, climate change – and secure a lasting future.

To attain this, we are making the practice of ESG a way of life for everyone in Petron. The sheer nature of our business demands nothing less than a full and firm commitment to the highest standards, policies, practices, and plans to do what is best in every aspect of our operation for the betterment of our Company, our customers, our communities, and our country.

As we steadily march on towards Petron's centennial and beyond, we are better informed by the San Miguel group's sustainability blueprint and fully guided by Petron's ESG policy. Through these, we will develop more initiatives that will foster greater operational efficiencies while minimizing harmful emissions and wastages and optimizing the utilization of critical resources in the conduct of our business. We will continue to pursue efforts aimed at creating lasting impact for our communities.

In acknowledging the realities of the changing climate, we will boost efforts to mitigate our impact through carbon sequestration and offsetting initiatives, as well as widening the practice of circular economy, and capitalizing on available green technologies and best practices.

We will continue measuring our corporate performance and how it affects our economic growth, nurturing the environment, uplifting communities, and maintaining our standing on good governance. Beyond attaining our business key performance indicators (KPIs), we will range our success on supporting the attainment of our sustainability goals and that of the SMC Group's roadmap. In the process, we intend our efforts to contribute to meeting the larger UN Sustainable Development Goals and the Philippine Development Plan. In measuring our ESG performance, we will continue to subscribe to internationally acknowledged standards that will provide a thorough, objective, and verifiable accounting of our yearly performance and show how Petron creates value for both shareholders and stakeholders alike.

Through all of these, we will create more avenues to engage our supply chain in the understanding of and appreciation for ESG that aligns with our values and leads to a shared realization of our sustainability goals.

We are a business that is built to last. The successes we have achieved in the past 90 years and the challenges we had to hurdle have not only made us more resilient; they also fortified our resolve to be more strategic, more proactive, more innovative, and more responsible. We look forward to our continuing our journey with every Filipino towards creating a sustainable future.

Restatements

Amendments of Past Sustainability Report

We present the following items uncovered in our past report and restatements if certain information:

Year of Petron Corporation SR	Original Information	Amended Information	Remarks
2022	Table on page 54 of the printed version was entitled: "WASTE DIRECTED TO DISPOSAL BY DISPOSAL OPERATION (IN MT)"	Correct title should be: "WASTE DIVERTED FROM DISPOSAL BY RECOVERY OPERATION (IN MT)"	Printed version can be downloaded from http://www.petron.com/sustainability/
2022	Data Table on page 55 under HAZARDOUS WASTE presents the following: Incineration (w/o energy recovery) Onsite (0) Offsite (85.68) **Total (2,201.14)** Landfilling Onsite (0) Offsite (0) **Total (0)** Other disposal operations Onsite (0) Offsite (0)	Table on page 55 under HAZARDOUS WASTE should reflect the following: Incineration (w/o energy recovery) Onsite (0.0) Offsite (0.0) **Total (0.0)** Landfilling Onsite (0.0) Offsite (0.01) **Total (0.01)** Other disposal operations Onsite (0.0) Offsite (4,918.79) **Total (5,060.13)**	Error was made during the laying out of the report in the printed format and was overlooked in the review.

	Total (2,201.14)		
2022	Data Table on page 55 under HAZARDOUS WASTE states total as 2,201.14 MT.	Data Table on page 55 under HAZARDOUS WASTE should reflect correct total of 5,060.13 MT.	Error was made during the laying out of the report in the printed format and was overlooked in the review.

GRI Content Index

Statement of use	Petron Corporation has reported in accordance with the GRI Standards for the period January 1, 2023 to December 31, 2023.
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							
	2-1 Organizational details	pp. 5-9					
	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, 2023 Annually Publication date: April 15, 2024 Contact person: Ramon S. Ang President and CEO				
	2-4 Restatements of information	p. 119					
	2-5 External assurance		The report has not been externally assured.				
	2-6 Activities, value chain and other business relationships	pp. 5-9					
	2-7 Employees	pp. 65-66					

GRI 2: General Disclosures 2021	2-8 Workers who are not employees	pp. 65-66					
	2-9 Governance structure and composition	pp. 113-114					
	2-10 Nomination and selection of the highest governance body	pp. 114-115					
	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	pp. 113-114					
	2-13 Delegation of responsibility for managing impacts	pp. 19-20					

	2-14 Role of the highest governance body in sustainability reporting	pp. 19-20					
	2-15 Conflicts of interest		Petron Corporation Definitive Information Statement on SEC Form 20-IS for the 2024 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 2023 (pages 79 and 80).				
	2-16 Communication of critical concerns		In 2023, the Company rolled out the Revised Whistle-blowing and Non-Retaliation Policy of the Petron Group expanded the coverage of the original policy. In addition to concerns on accounting, internal controls, auditing or financial reporting matters such as malpractice, impropriety, theft or fraud, gross mismanagement or waste of funds, the policy now also covers illegal or non-compliant conduct and misconduct such as violations of any law or regulation, violations of the Revised Code of Business Conduct and Ethical Business Policy and other policies of the Company, and improper or unethical behavior likely to cause financial loss or prejudice to company reputation or constituting abuse of authority, harassment or duress. A Whistleblowing Relations Officer and a Whistleblowing Committee have been designated for the conduct of investigations. The Company also reiterated under this policy its commitment against retaliation, which action will be subject to appropriate sanctions that include				

			dismissal or termination of contractual relations with the Company. 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 engage service providers to conduct training to its directors and executive officers. In September 2023, the training for the directors and key officers of the Company included topics on 1) Integrating Sustainability into Risk Management; 2) Anti-Bribery and Anti-Corruption; and 3) Artificial Intelligence and ChatGPT in the Industry, which was conducted by SGV.				
	2-18 Evaluation of the performance of the highest governance body		The directors accomplished their annual evaluation of their performance for 2023, with the coverage and results of the evaluation reported in the Petron Corporation Definitive Information Statement on SEC Form 20-IS for the 2024 annual stockholders' meeting (page 82).				
	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 directors 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 2023 were endorsed by the Corporate Governance Committee and approved by the Board on March 6, 2023 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 2023 the Annual Stockholders' Meeting held on May 16, 2023 (as disclosed in the minutes of the 2023 Annual Stockholders' Meeting).				
	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	Confidentiality constraints	Our Company considers many factors in fixing the salaries of employees. The requested information on the ratio on the pay	

				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		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. 14-17; pp. 21-23					
	2-23 Policy commitments	pp. 19-22; pp. 115-117					
	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). The training for the onboarding of employees includes an orientation on the Company's policies. Last August 2023, the Company conducted information dissemination and orientation on the updated people-related policies, specifically on Anti-Sexual Harassment Policy, Anti-Corruption Policy, Child and Forced				

			Labor, Code of Conduct and Ethical Business Policy, Conflict of Interest Policy, Diversity Policy, and Whistleblowing Policy.				
	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 2023, with significance being based on a material effect on the operations and/or financial condition of the Company.				
	2-28 Membership associations		○ Association of Foundations ○ Association of Petrochemical Manufacturers of the Philippines ○ Business for Sustainable Development ○ Employers Confederation of the Philippines ○ Federation of Philippine Industries ○ Makati Business Club ○ People Management Association of the Philippines ○ Petroleum Institute of the Philippines ○ Philippine Association of National Advertisers ○ Philippine Business for Social Progress ○ Philippine Chamber of Commerce and Industry				

			○ Philippine Council for NGO Certification ○ Philippine Institute of Petroleum ○ The Wallace Business Forum				
	2-29 Approach to stakeholder engagement	pp. 24-26					
	2-30 Collective bargaining agreements	pp. 69-70					
Material topics							
GRI 3: Material Topics 2021	3-1 Process to determine material topics	pp. 26-27					
	3-2 List of material topics	pp. 27-31					
Economic Performance							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 96-98					11.2.1 11.14.1 11.21.1
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	p. 97					11.14.2 11.21.2
	201-2 Financial implications and other risks and opportunities due to climate change	p. 96					11.2.2
	201-3 Defined benefit plan obligations and other retirement plans	pp. 97-98					
	201-4 Financial assistance received from government	p. 97					11.21.3
Market Presence							

GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 99-100					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		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 2023, 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	pp. 101-102					11.14.1
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	pp. 101-102					11.14.4
	203-2 Significant indirect economic impacts	pp. 101-102					11.14.5
Anti-corruption							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 103-104					11.20.1
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	p. 103					11.20.2
	205-2 Communication and training about anti-corruption policies and procedures	p. 103					11.20.3

	205-3 Confirmed incidents of corruption and actions taken	p. 104					11.20.4
Anti-competitive Behavior							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 103-104					11.19.1
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	p. 104		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. 105-108					11.21.1
GRI 207: Tax 2019	207-1 Approach to tax	p. 105					11.21.4
	207-2 Tax governance, control, and risk management	p. 105					11.21.5
	207-3 Stakeholder engagement and management of concerns related to tax	p. 105					11.21.6
	207-4 Country-by-country reporting	pp. 106-108					11.21.7
Materials							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 38-39					
GRI 301: Materials 2016	301-1 Materials used by weight or volume	p. 38					
	301-2 Recycled input materials used	p. 39					

	301-3 Reclaimed products and their packaging materials	p. 39					
Energy							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 40-42					11.1.1
GRI 302: Energy 2016	302-1 Energy consumption within the organization	p. 42					11.1.2
	302-2 Energy consumption outside of the organization		This will be done in conjunction with our Scope 3 GHG reporting that will be reported in succeeding reports.				11.1.3
	302-3 Energy intensity	p. 55					11.1.4
	302-4 Reduction of energy consumption	p. 42					
	302-5 Reductions in energy requirements of products and services		While this indicator is generally not applicable to our main products, we will include the impact of fleet and logistics optimization for our company-owned fleet transport in succeeding reports.				
Water and Effluents							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 44-47					11.6.1
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	pp. 44-45					11.6.2
	303-2 Management of water discharge-related impacts	pp. 44-45					11.6.3
	303-3 Water withdrawal	pp. 45-46					11.6.4
	303-4 Water discharge	p. 46					11.6.5

	303-5 Water consumption	p. 47					11.6.6
Biodiversity							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 48-51					11.4.1
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. 50					11.4.2
	304-2 Significant impacts of activities, products and services on biodiversity	pp. 49-50					11.4.3
	304-3 Habitats protected or restored	PP. 50-51					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. 54-58					11.1.1 11.2.1 11.3.1
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	pp. 54-55					11.1.5
	305-2 Energy indirect (Scope 2) GHG emissions	pp. 54-55					11.1.6

	305-3 Other indirect (Scope 3) GHG emissions	pp. 54-55					11.1.7
	305-4 GHG emissions intensity	p. 55					11.1.8
	305-5 Reduction of GHG emissions	pp. 55-56					11.2.3
	305-6 Emissions of ozone-depleting substances (ODS)	pp. 57-58					
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	pp. 57-58					11.3.2
Waste							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 59-62					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.				11.8.2

			For 2023, we have no incidents of significant oil spills.				
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	pp. 59-60					11.5.2
	306-2 Management of significant waste-related impacts	pp. 59-60					11.5.3
	306-3 Waste generated	p. 60					11.5.4
	306-4 Waste diverted from disposal	p. 61					11.5.5
	306-5 Waste directed to disposal	pp. 62					11.5.6
Employment							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 64-68					11.10.1 11.11.1
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	pp. 66-67					11.10.2
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	pp. 67-68					11.10.3
	401-3 Parental leave	p. 68					11.10.4 11.11.3
Labor/Management Relations							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 69-70					11.7.1 11.10.1

GRI 402: Labor/Management Relations 2016	402-1 Minimum notice periods regarding operational changes	p. 70					11.7.2 11.10.5
Occupational Health and Safety							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 71-74					11.9.1
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	pp. 71-74					11.9.2
	403-2 Hazard identification, risk assessment, and incident investigation	pp. 71-74					11.9.3
	403-3 Occupational health services	pp. 71-74					11.9.4
	403-4 Worker participation, consultation, and communication on occupational health and safety	pp. 71-74					11.9.5
	403-5 Worker training on occupational health and safety	pp. 71-74					11.9.6
	403-6 Promotion of worker health	pp. 71-74					11.9.7
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	pp. 71-74					11.9.8
	403-8 Workers covered by an occupational health and safety management system	pp. 71-74					11.9.9

	403-9 Work-related injuries	pp. 72-74					11.9.10
	403-10 Work-related ill health	pp. 72-74					11.9.11
Training and Education							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 75-78					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. 76					11.10.6 11.11.4
	404-2 Programs for upgrading employee skills and transition assistance programs	pp. 76-78					11.7.3 11.10.7
	404-3 Percentage of employees receiving regular performance and career development reviews	p. 76					
Local Communities							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 82-86					11.15.1
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	pp. 82-86					11.15.2
	413-2 Operations with significant actual and potential negative impacts on local communities	pp. 82-86					11.15.3
Customer Health and Safety							

GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 89-91					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. 90-91					11.3.3
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	pp. 90-91					
Marketing and Labeling							
GRI 3: Material Topics 2021	3-3 Management of material topics	pp. 92-93					
GRI 417: Marketing and Labeling 2016	417-1 Requirements for product and service information and labeling	pp. 92-93					
	417-2 Incidents of non-compliance concerning product and service information and labeling	p. 93					
	417-3 Incidents of non-compliance concerning marketing communications	p. 93					
Customer Privacy							
GRI 3: Material Topics 2021	3-3 Management of material topics	p. 94					
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	p. 94					

Topics in the applicable GRI Sector Standards determined as not material	
TOPIC	**EXPLANATION**
GRI 11: Oil and Gas Sector	
Topic 11.12 Forced labor and modern slavery	Not applicable. We always aim to conduct our business responsibly and ethically. We respect international human rights principles aimed at promoting and protecting human rights, including the United Nations Declaration of Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work. By embracing these international principles as well as faithfully complying with Philippine labor laws, Petron is committed to policies and practices that enrich the workplace. As a result, the Company has not had incidents related to human rights abuses, labor discrimination, child labor, and forced labor.
Topic 11.13 Freedom of association and collective bargaining	Not identified as material based on the materiality assessment process. Petron has collective bargaining agreements (CBAs) with three labor unions, namely: (i) Bataan Refiners Union of the Philippines ("BRUP"), affiliated with the Philippine Transport and General Workers Organization; (ii) Petron Employees Labor Union ("PELU"); and (iii) Petron Employees Association ("PEA"), affiliated with the National Association of Trade Unions. It also has a structured 'Grievance Machinery' in the CBA to address any issues or concerns even as regular Labor Management Meetings between Management Representatives and Union Officers are regularly conducted.
Topic 11.16 Land and resource rights	For 2023, there were no material developments related to this topic.
Topic 11.17 Rights of indigenous peoples	Not applicable. Petron's operations do not involve nor infringe on the rights of any IP community.
Topic 11.18 Conflict and security	Not identified as material based on the materiality assessment process. However, we recognize this as a potential risk and has systems in place in all our facilities and operations nationwide.
Topic 11.22 Public policy	Not identified as material based on the materiality assessment process. But as an acknowledged industry leader, Petron recognizes the value of our public policy positions on issues relevant to our business. Thus, we communicate our views constantly to government officials, providing business solutions to social and environmental concerns. We aid legislations, policies, and voluntary agreements, particularly those that relate to the oil industry, and how economic and social growth can be advanced through our sector.

UNIVERSITY OF ASIA AND THE PACIFIC
CENTER FOR SOCIAL RESPONSIBILITY

Third-Party Statement (Not Assurance) on Petron Corporation's 2023 Sustainability Report

The University of Asia and the Pacific – Center for Social Responsibility (UA&P-CSR) is an independent practitioner of international sustainability reporting standards and frameworks including the GRI Standards. Through its expertise, UA&P-CSR provides valuable technical assistance and content development on sustainability and integrated reporting to several publicly listed companies in the Philippines, establishing itself as a partner-of-choice in the field.

Purpose of the Statement

This third-party statement is intended for Petron Corporation's Board of Directors and Senior Management, aiming to provide insights on the Company's 2023 Sustainability Report (SR). The engagement presents professional findings and recommendations solely derived from the Company's disclosed information in the 2023 SR, and no assurance is expressed. Additionally, it is important to clarify that the views expressed by the review team are their own and may not necessarily reflect the views of UA&P-CSR.

Insights on Petron's 2023 Sustainability Report

Petron ushered its 90th year by committing to a new vision that distinctly embraces among its key aspirations the principles and practice of sustainability. This vision has implications not only for the Company's conduct and accountability to its immediate stakeholders but also holds significance to the Filipino nation where it operates as the sole Filipino-owned oil refinery in the competitive and volatile petroleum industry. The context of Petron's 2023 SR provides an appreciation of the Company's extensive and deep impact on Filipino's national life and future as well as its appreciation to respond to stakeholder expectations. The 2023 SR, which adopts the GRI Standards as a general framework and aligns with the GRI 11: Oil and Gas Sector 2021, reveals the Company's awareness of its role in ensuring the energy security necessary to fuel and sustain the Philippines' growth and development momentum.

Being a leading player, Petron's vast and extensive network of operations – a 240-hectare property housing one of the region's largest refinery in Bataan, 32 terminals, and close to 1,900 retail outlets nationwide not to mention the vast number of providers servicing the logistics and distribution chain moving for the Company its goods and raw materials in and out of the country and around the archipelago – leaves a significant footprint on national life besides the economy such as the environmental, social, and governance (ESG) aspects. Pursuing the Company's new vision is timely since Petron is part of the oil industry – one of the major industries that is the focus of net zero global initiatives. The Company's sustainability-related programs and its attendant performance report in terms of its relevance, reliability, accuracy, and timeliness will be of keen interest to many stakeholders including capital providers, consumers, regulators, and environmentalists. By far, the 2023 SR, considering its new vision, has managed to disclose its recent two-year performance in a simple and straightforward manner, easily comparable and understandable to those interested in knowing more about the Company's plans, initiatives, and performance. Its stakeholders are aware that the quality of Petron's plans and quality of its performance which has adopted parts of the United Nations Sustainable Development Goals (UN SDGs) among its internal goals has and will have direct and material import on the economy, the environment, the governance, and its immediate stakeholders – capital providers, employees, fenceline communities, consumers, and government.

The formation of the ESG Council, comprising key executives, showcases strong governance and strategic oversight for sustainability initiatives. Petron's emphasis on internal communication and engagement fosters a culture that prioritizes sustainability, crucial for promoting understanding amidst the unique challenges of the Philippine setting. Initiatives such as energy efficiency measures, water conservation, and environmental compliance highlight Petron's dedication to reducing environmental impact. Moreover, the Company actively collaborates with stakeholders including government agencies and local communities, demonstrating a commitment to inclusive sustainability practices.

While opportunities abound, Petron faces as well formidable challenges and risks, including global market volatility, supply chain disruptions due to geopolitics, the rise of electric vehicle market, competition coming from the 400 independent players who are after its market share, and the extensive and emerging environmental regulations related to the industry. As a response, the Company has instituted an Extended Producer Responsibility (EPR) Program with its strategies and appropriate structure to confront these issues and the identified risks and to formulate the programs and closely monitor them.

Furthermore, it is essential for Petron to be well-prepared to capitalize on opportunities and address challenges in the oil industry, including carbon taxation, decarbonization efforts, and climate change mitigation.[2]

---

[2] Beck, C., Rashidbeigi, S., Roelofsen, O., & Speelman, E. (2020, January 7). The future is now: How oil and gas companies can decarbonize. McKinsey & Company. https://www.mckinsey.com/industries/oil-and-gas/our-insights/the-future-is-now-how-oil-and-gas-companies-can-decarbonize

On Decarbonization

Decarbonizing the operations of oil companies, especially upstream operators, is crucial for reducing sector-specific emissions and aligning with global sustainability goals. From the practices of other oil companies, several actionable strategies can facilitate this transition effectively. For upstream operators, shifting from diesel generators to on-site renewable power like solar photovoltaics (PV) and batteries can significantly cut emissions. Additionally, reducing fugitive emissions by implementing leak detection and repair programs, installing vapor-recovery units, and upgrading technology such as double mechanical seals can effectively lower emissions. Electrifying equipment by replacing gas boilers with electric steam-production systems and combining solar with gas for boiler operations offers emission reductions alongside financial benefits. Moreover, addressing infrastructure constraints like building additional gas-processing facilities and transport infrastructure can help minimize routine flaring, often caused by capacity limitations. Investing in carbon capture, use, and storage technologies, utilizing captured carbon for enhanced oil recovery, and participating in initiatives like the Clean Gas Project can play a vital role in emissions reduction.

On Carbon Tax

Implementing carbon pricing policies like cap and trade systems or carbon taxes poses significant challenges, including political opposition, misconceptions, and concerns about economic impacts. Despite these obstacles, regulators believe that carbon pricing is essential for reducing greenhouse gas emissions. Strategies to address these challenges include well-designed and phased-in approaches that involve public awareness campaigns, technological advancements, and support for businesses to facilitate the transition towards a low-carbon economy. Building public support, enhancing technological progress, and implementing large-scale carbon pricing initiatives while addressing economic inequalities and international trade considerations are key components of a comprehensive strategy to combat climate change effectively.

Recommendations on Petron's Sustainability Reporting Journey

Since Petron has refreshed its vision and assured its commitment to pursue and achieve them, there are some recommendations it may adopt to further enhance the SR's effectiveness including communicating its efforts to stakeholders. Moreover, the Company can strengthen its sustainability efforts in several areas tailored to the Philippine context.

1. The succeeding SR must discuss that the Company is also working beyond just meeting standards and compliance. Its initiatives to lower emissions, water consumption and discharges, energy usage, and waste generation as well as to increase usage of renewable energy sources, waste collection, social support programs, and environmental restoration and preservation are clearly presented in the report. However, an overarching sustainability theme with a shared program or common platform that cuts across the various layers of the value chain can consolidate resources and allow focus on a few material programs. For example, a program and an information and education campaign to reduce water and energy consumption and waste generation across the value chain – from the upstream starting from the sourcing of the fuel to downstream at the retailers' level – can focus efforts on a common set of programs while at the same time educating and informing key stakeholders including consumers and future talents about these programs.

2. Given the country's environmental challenges, Petron should prioritize reducing emissions and significantly investing in cleaner technologies and renewable energy sources suitable for Philippine conditions. It should establish ambitious, science-based targets aligned with global climate goals.

   Exploring renewable energy sources like solar and wind power is essential to reducing reliance on fossil fuels in the country. Additionally, extending sustainability efforts throughout Petron's supply chain, ensuring Philippine suppliers adhere to environmental standards, is imperative for holistic impact within the local context. Improving sustainability reporting with detailed local impacts and contributions to Philippine communities reinforces transparency and accountability.

   To address these challenges and enhance sustainability within the Philippine oil industry, Petron can adopt specific strategies such as:

   - Accelerating investment in renewable energy projects like solar farms and wind turbines to diversify the energy mix and reduce carbon intensity
   - Exploring the feasibility of carbon capture and storage technologies to capture and store carbon emissions from Philippine refining processes
   - Implementing circular economy practices within the Philippine context to minimize waste generation and promote resource efficiency across Petron's operations
   - Leveraging Petron's industry leadership to advocate for Philippine policies and regulations that incentivize sustainability and support a transition to a low-carbon economy

3. In terms of its social initiatives, Petron should foster a culture of continuous learning and improvement by investing in employee training on sustainability practices and technologies. Moreover, expanding community engagement programs focused on education, entrepreneurship, and health services will contribute to creating lasting positive impacts.

4. Petron may also consider disclosing programs related to the service providers such as the logistics and distribution companies and other outsourced services. Likewise, the campaign will not only call for their participation but will become an avenue to communicate Petron's sustainability programs to internal and external stakeholders.

5. Because of its extensive value chain, it may consider as well disclosing in the next SR the Company's efforts to collaborate with key partners and together with them, enliven Petron's new vision and mission. Strengthening collaboration with stakeholders including local communities and nongovernmental organizations (NGOs) is essential to co-create sustainable solutions and enhance social impact amidst specific Philippine challenges.

By adopting these measures and leveraging its strengths, Petron can navigate sustainability challenges while maintaining its leadership role in the Philippine oil industry, contributing to a resilient future for the Company and its stakeholders.

10 April 2024
University of Asia and the Pacific
Center for Social Responsibility

The UA&P-CSR Review Team

Dr. Winston Conrad Padojinog is the President of the University of Asia and the Pacific (UA&P) and a professor of industrial economics and strategic management. Concurrently, he also serves as the President of the Center for Research and Communication Foundation, Inc. – the research and communication arm of UA&P that aims to promote inclusive growth and development. As an expert in the fields of industry dynamics, strategic management, finance, and business sustainability he has externally assured the sustainability reports of various companies in the Philippines in partnership with the UA&P Center for Social Responsibility. Also, he sits on the board of non-government organizations that promote good governance and education for the less privileged including CSR Philippines, Center of Excellence in Governance, the Institute of Solidarity in Asia, the Institute of Corporate Director, Center for Family Governance and Center for School Governance, and the Jose Jon Tiamsuy Foundation that extends scholarships to deserving students in Iloilo City. He also serves as policy advisor to several industry associations in the country such as Subdivision and Housing Developers Association (SHDA), Organization of Socialized and Economic Housing Developers of the Philippines (OSHDP), the National Real Estate Association, Inc. (NREA), Semiconductor and Electronics Industries of the Philippines (SEIPI), Philippine Franchise Association (PFA), and the Philippine Retailers Association (PRA).

Dr. Winston Conrad Padojinog
President, University of Asia and the Pacific

Mr. Colin Legarde Hubo is a global ambassador for the International Integrated Reporting Council (IIRC-London) which is now also part of the International Financial Reporting Standards (IFRS). He was also an elected stakeholder council member of the Global Reporting Initiative (GRI Amsterdam) for six years and currently a member of the consultative group of the United Nations Commission on Trade and Development (UNCTAD) Regional Partnership for Sustainability Reporting in Asia. In the Philippines, he acts as the sustainability and ESG advisor of several conglomerates including GT Capital Holdings, First Philippine Holdings, SM Prime Holdings, DMCI Holdings, San Miguel Global Power, Petron Corporation, First Gen Corporation, Energy Development Corporation, and multiple mining and energy companies.

In 2022, Diligent (New York) recognized him as an ESG, Diversity, and Climate Trailblazer and featured him in the Modern Governance 100 list. Colin initiated the UA&P Applied Sustainability Management in Asia Pacific (ASMAP) executive program which has been accredited by the Philippine Securities and Exchange Commission (SEC). Colin holds a Business Economics Certificate from UA&P's Strategic Business Economics Program (SBEP) and completed the Wharton Executive Education for Leadership and Management. He was also Fleishman fellow at Duke University and has worked with IFC-World Bank, Control Risks Group, French Development Agency, and the UK Embassy in Manila.

Mr. Colin Legarde Hubo
Global Ambassador, International Integrated Reporting Council
Certified Specialist, Task Force on Climate-related Financial Disclosures
Former Stakeholder Council Member, Global Reporting Initiative