



**THE PHILIPPINE STOCK
EXCHANGE, INC.**

**Corporate Governance Guidelines
for
Listed Companies**

Disclosure Template

PETRON CORPORATION

	COMPLY	EXPLAIN/SOURCE DOCUMENT
Guideline No. 1: DEVELOPS AND EXECUTES A SOUND BUSINESS STRATEGY		
1.1 Have a clearly defined vision, mission and core values.	✓	1. "About Us" tab in the Petron website (www.petron.com) 2. • 2012 Annual Report • 2012 Sustainability Report both posted in the Petron website
1.2 Have a well developed business strategy.	✓	2012 Annual Report posted in the Petron website
1.3 Have a strategy execution process that facilitates effective performance management, and is attuned to the company's business environment, management style and culture.	✓	• 2012 Annual Report • 2012 Sustainability Report both posted in the Petron website
1.4 Have its board continually engaged in discussions of strategic business issues.	✓	• 2012 Annual Report • 2012 Sustainability Report both posted in the Petron website Strategic business projects undertaken by the Company and reported in the 2012 Annual Report and 2012 Sustainability Report have been approved by the Board of Directors.
Guideline No. 2: ESTABLISHES A WELL-STRUCTURED AND FUNCTIONING BOARD		
2.1. Have a board composed of directors of proven competence and integrity.	✓	• Petron Manual of Corporate Governance ("CG Manual") • 2012 Annual Report • 2012 SEC Form 17-A • 2013 SEC Form 20- I/S • 2012 Annual Corporate Governance Report as last amended on March 13, 2014 ("2012 ACGR") all posted in the Petron website

2.2.	Be led by a chairman who shall ensure that the board functions in an effective and collegial manner.	✓	• CG Manual • 2012 Annual Report • 2012 SEC Form 17-A • 2013 SEC Form 20- I/S • 2012 ACGR all posted in the Petron website
2.3	Have at least three (3) or thirty percent (30%) of its directors as independent directors.		The Company observes the legal requirement of having at least two (2) independent directors.
2.4	Have in place written manuals, guidelines and issuances that outline procedures and processes.	✓	1. • CG Manual • 2012 Annual Report • 2012 SEC Form 17-A • 2013 SEC Form 20- I/S • 2012 ACGR all posted in the Petron website. 2. internal manuals, guidelines, and issuances posted in the Petron intranet and various memoranda from the Petron Office of General Counsel and Corporate Secretary distributed to relevant persons
2.5	Have Audit, Risk, Governance and Nomination & Election Committees of the board.		The Company has Executive, Audit, Compensation and Nomination Committees. The Audit Committee carries out the Company's risk and governance management functions. In addition, the Company has a Risk and Insurance Management Group. Information on the board committees is available in the following documents: • CG Manual • Audit Committee Charter • Nominations Committee Charter • Compensation Committee Charter • 2012 Annual Report

		• 2012 SEC Form 17-A • 2013 SEC Form 20- I/S • 2012 ACGR all posted in the Petron website
2.6	Have its Chairman and CEO positions held separately by individuals who are not related to each other.	The Company has a sufficient number of directors and executives from diverse backgrounds to come up with balanced and informed collegial decisions. <u>With respect to the positions of Chairman and President, these positions are held by two (2) individuals.</u> Relevant information is available in the following documents: • Petron's by-laws • CG Manual • 2012 Annual Report • 2012 SEC Form 17-A • 2013 SEC Form 20- I/S • 2012 ACGR all posted in the Petron website
2.7	Have a director nomination and election process that ensures that all shareholders are given the opportunity to nominate and elect directors individually based on the number of shares voted.	√ • Petron's by-laws • CG Manual • 2012 Annual Report • 2012 SEC Form 17-A • 2013 SEC Form 20- I/S • 2012 ACGR all posted in the Petron website
2.8	Have in place a formal board and director development program.	√ • CG Manual • disclosure on the adoption of a new form for the annual board performance assessment both posted in the Petron website

2.9	Have a corporate secretary.	✓	• Petron's by-laws • CG Manual • 2012 Annual Report • 2012 SEC Form 17-A • 2013 SEC Form 20- I/S • 2012 ACGR • Company disclosures all posted in the Petron website
2.10	Have no shareholder agreements, by-laws provisions, or other arrangements that constrains the directors' ability to vote independently.	✓	1. Petron's bylaws posted in the Petron website 2. Petron is not aware of any such agreements.
Guideline No. 3: MAINTAINS A ROBUST INTERNAL AUDIT AND CONTROL SYSTEM			
3.1	Establish the internal audit function as a separate unit in the company which would be overseen at the Board level.	✓	1. • CG Manual • 2012 Annual Report • 2012 SEC Form 17-A • 2013 SEC Form 20- I/S • 2012 ACGR • Audit Committee Charter all posted in the Petron website 2. Internal Audit Charter posted in the Petron intranet
3.2	Have a comprehensive enterprise-wide compliance program that is annually reviewed.	✓	• 2012 Annual Report • 2012 SEC Form 17-A • 2013 SEC Form 20- I/S • 2012 ACGR • audited financial statements all posted in the Petron website
3.3	Institutionalize quality service programs for the internal audit function.	✓	• Audit Committee Charter posted in the website • Internal Audit Charter posted in the Petron intranet

3.4	Have in place a mechanism that allows employees, suppliers and other stakeholders to raise valid issues.	√	• 2012 Sustainability Report • 2012 Annual Report • 2012 SEC Form 17-A • 2013 SEC Form 20- I/S • 2012 ACGR all posted in the Petron website • maintenance of the Petron website
3.5	Have the Chief Executive Officer and Chief Audit Executive attest in writing, at least annually, that a sound internal audit, control and compliance system is in place and working effectively.	√	The Audit Committee issues an Audit Committee Report that covers the review of the quarterly reports of the Internal Audit and which forms part of the SEC Form 17-A approved and signed by the CEO.
Guideline No. 4: RECOGNIZES AND MANAGES ITS ENTERPRISE RISKS			
4.1	Have its board oversee the company's risk management function.	√	• CG Manual • 2012 Annual Report • 2012 SEC Form 17-A • 2013 SEC Form 20- I/S • 2012 ACGR • Audit Committee Charter all posted in the Petron website
4.2	Have a formal risk management policy that guides the company's risk management and compliance processes and procedures.	√	• 2012 Annual Report • 2012 SEC Form 17-A • 2013 SEC Form 20- I/S • 2012 ACGR all posted in the Petron website
4.3	Design and undertake its Enterprise Risk Management (ERM) activities on the basis of, or in accordance with, internationally recognized frameworks such as but not limited to, COSO, (The Committee of Sponsoring Organizations of the Treadway Commission) I and II.	√	• 2012 Annual Report • 2012 SEC Form 17-A • 2013 SEC Form 20- I/S • 2012 ACGR all posted in the Petron website

4.4	Have a unit at the management level, headed by a Risk Management Officer (RMO).	✓	The Company has an Internal Audit Department headed by an Internal Audit Manager and a Risk and Insurance Management Group headed by a Manager
4.5	Disclose sufficient information about its risk management procedures and processes as well as the key risks the company is currently facing including how these are being managed.	✓	• 2012 Annual Report • 2012 SEC Form 17-A • 2013 SEC Form 20- I/S • 2012 ACGR all posted in the Petron website
4.6	Seek external technical support in risk management when such competence is not available internally.	✓	
Guideline No. 5: ENSURES THE INTEGRITY OF FINANCIAL REPORTS AS WELL AS ITS EXTERNAL AUDITING FUNCTION			
5.1	Have the board Audit Committee approve all non-audit services conducted by the external auditor. The Committee should ensure that the non-audit fees do not outweigh the fees earned from the external audit.	✓	• Audit Committee Charter • CG Manual posted in the Petron website
5.2	Ensure that the external auditor is credible, competent, and should have the ability to understand complex related party transactions, its counterparties, and valuations of such transactions.	✓	• Audit Committee Report in the 2013 SEC Form 20-I/S, 2012 Annual Report and 2012 SEC Form 17-A • CG Manual posted in the Petron website
5.3	Ensure that the external auditor has adequate quality control procedures.	✓	• Audit Committee Report in the 2013 SEC Form 20-I/S, 2012 Annual Report and the 2012 SEC Form 17-A • CG Manual both posted in the Petron website
5.4	Disclose relevant information on the external auditors.	✓	• 2012 Annual Report • 2012 SEC Form 17-A • 2013 SEC Form 20- I/S • 2012 ACGR all posted in the Petron website

5.5	Ensures that the external audit firm is selected on the basis of a fair and transparent tender process.	✓	- Audit Committee Report in the 2013 SEC Form 20-I/S, 2012 Annual Report and the 2012 SEC Form 17-A - CG Manual both posted in the Petron website
5.6	Have its audit committee conduct regular meetings and dialogues with the external audit team without anyone from management present.	✓	Audit Committee Charter posted in the Company website
5.7	Have the financial reports attested to by the Chief Executive Officer and Chief Financial Officer.	✓	2012 audited financial statements appearing in the 2012 Annual Report, 2012 SEC Form 17-A, and 2013 SEC Form 20-I/S, and 2012 ACGR, all posted in the Petron website
5.8	Have a policy of rotating the lead audit partner every five years.	✓	CG Manual posted in the Petron website
Guideline No. 6: RESPECTS AND PROTECTS THE RIGHTS OF ITS SHAREHOLDERS, PARTICULARLY THOSE THAT BELONG TO THE MINORITY OR NON- CONTROLLING GROUP			
6.1	Adopt the principle of "one share, one vote."	✓	- Company's by-laws 2012 Annual Report 2012 ACGR 2013 SEC Form 20-I/S all posted in the Petron website
6.2	Ensure that all shareholders of the same class are treated equally with respect to voting rights, subscription rights and transfer rights.	✓	- Company's by-laws 2012 Annual Report 2012 ACGR all posted in the Petron website
6.3	Have an effective, secure and efficient voting system.	✓	- Company's by-laws 2013 SEC Form 20-I/S 2012 Annual Report 2012 ACGR all posted in the Petron website
6.4	Have effective shareholder voting mechanisms such as supermajority or "majority of minority" requirements to protect minority shareholders against actions of controlling shareholders.	✓	CG Manual posted in the website

6.5	Provide all shareholders with the notice and agenda of the annual general meeting (AGM) at least thirty (30) days before a regular meeting and twenty (20) days before a special meeting.		The notice and agenda for the annual stockholders' meeting for 2013 were sent together with the definitive information statement 15 business days before the annual stockholders' meeting in accordance with applicable provisions of the Implementing Rules of the Securities Regulation Code.
6.6	Allow shareholders to call a special shareholders meeting, submit a proposal for consideration at the AGM or the special meeting, and ensure the attendance of the external auditor and other relevant individuals to answer shareholder questions in such meetings.	√	• Company by-laws • 2012 Annual Report • 2013 SEC Form 20- I/S • 2012 ACGR all posted in the Petron website
6.7	Ensure that all relevant questions during the AGM are answered.	√	Questions raised during the last annual stockholders' meetings and Management reply appear in the 2012 ACGR posted in the Petron website.
6.8	Have clearly articulated and enforceable policies with respect to treatment of minority shareholders.	√	• CG Manual • 2012 Annual Report • 2013 SEC Form 20- I/S • 2012 ACGR all posted in the Petron website
6.9	Avoid anti-takeover measures or similar devices that may entrench management or the existing controlling shareholder group.	√	The Company has two (2) independent directors who provide judgment in carrying out their responsibilities as director independent from Management.
6.10	Provide all shareholders with accurate and timely information regarding the number of shares of all classes held by controlling shareholders and their affiliates.	√	• 2012 Annual Report • 2013 SEC Form 20- I/S • 2012 SEC Form 17-A • 2012 ACGR • Petron's periodic Public Ownership Reports all posted in the Petron website

6.11	Have a communications strategy to promote effective communication with shareholders.	✓	1. maintenance of the Petron website 2. • 2012 Annual Report • 2013 SEC Form 20- I/S • 2012 ACGR all posted in the Petron website
6.12	Have at least thirty percent (30%) public float to increase liquidity in the market.		As of December 31, 2013, the Company had a public ownership of 16.61%, well above the legally required minimum of 10% public ownership.
6.13	Have a transparent dividend policy.	✓	• 2012 Annual Report • 2013 SEC Form 20- I/S • 2012 SEC Form 17-A • 2012 ACGR all posted in the Petron website
Guideline No. 7: ADOPTS AND IMPLEMENTS AN INTERNATIONALLY-ACCEPTED DISCLOSURE AND TRANSPARENCY REGIME			
7.1	Have written policies and procedures designed to ensure compliance with the PSE and SEC disclosure rules, as well as other disclosure requirements under existing laws and regulations.	✓	• CG Manual posted in the Petron website • memoranda from the Office of the General Counsel and Corporate Secretary distributed to relevant persons
7.2	Disclose the existence, justification, and details on shareholders agreements, voting trust agreements, confidentiality agreements, and such other agreements that may impact on the control, ownership, and strategic direction of the company.	✓	The Company is not aware of any as disclosed in the 2013 SEC Form 20- I/S and 2012 SEC Form 17-A both posted in the Petron website
7.3	Disclose its director and executive compensation policy.	✓	• CG Manual • 2012 ACGR • Compensation Committee Charter all posted in the Petron website
7.4	Disclose names of groups or individuals who hold 5% or more ownership interest in the company, significant cross-shareholding relationship and cross guarantees, as well as the nature of the company's other companies if it belongs to a corporate group.	✓	• 2013 SEC Form 20 - I/S • 2012 SEC Form 17-A • 2012 ACGR all posted in the Petron website

7.5	Disclose annual and quarterly consolidated reports, cash flow statements and special audit revisions. Consolidated financial statements shall be published within 90 days from the end of the financial year, while interim reports shall be published within 45 days from the end of the reporting period.	✓	- Company disclosures - audited financial statements and SEC Form 17-Qs all posted in the Petron website
7.6	Disclose to shareholders and the Exchange any changes to its corporate governance manual and practices, and the extent to which such practices conform to the SEC and PSE CG Guidelines.	✓	Company disclosures posted in the Petron website
7.7	Publish and/or deliver to its shareholders in a timely fashion all information and materials relevant to corporate actions that require shareholder approval.	✓	2013 SEC Form 20 - I/S posted in the Petron website
7.8	Disclose the trading of the corporation's shares by directors, officers (or persons performing similar functions) and controlling shareholders. This shall also include the disclosure of the company's purchase of its shares from the market (e.g share buy-back program).	✓	Company disclosures and SEC Form 23-Bs posted in the Petron website
7.9	Disclose in its annual report the principal risks to minority shareholders associated with the identity of the company's controlling shareholders; the degree of ownership concentration; cross-holdings among company affiliates; and any imbalances between the controlling shareholders' voting power and overall equity position in the company.	✓	2012 Annual Report and 2012 SEC Form 17-A both posted in the Petron website
Guideline No. 8: RESPECTS AND PROTECTS THE RIGHTS AND INTERESTS OF EMPLOYEES, COMMUNITY, ENVIRONMENT, AND OTHER STAKEHOLDERS			
8.1	Establish and disclose a clear policy statement that articulates the company's recognition and protection of the rights and interests of key stakeholders specifically its employees, suppliers & customers, creditors, as well the community, environment and other key stakeholder groups.	✓	- sustainability policy in "Sustainability Journey" page in the Petron website 2012 Sustainability Report posted in the Petron website
8.2	Have in place a workplace development program.	✓	2012 Sustainability Report posted in the Petron website
8.3	Have in place a merit-based performance incentive mechanism such as an employee stock option plan (ESOP) or any such scheme that awards and incentivizes employees, at the same time aligns their interests with those of the shareholders.	✓	2012 Sustainability Report 2012 ACGR posted in the Petron website

8.4	Have in place a community involvement program.	✓	2012 Sustainability Report 2012 Annual Report 2013 SEC Form 20- I/S 2012 SEC Form 17-A 2012 ACGR all posted in the Petron website 2012 "Sustainability Journey" and "Corporate Social Responsibility" pages of the Petron website
8.5	Have in place an environment-related program.	✓	2012 Sustainability Report 2012 Annual Report 2013 SEC Form 20- I/S 2012 SEC Form 17-A 2012 ACGR all posted in the Petron website 2012 "Sustainability Journey" and "Corporate Social Responsibility" pages of the Petron website
8.6	Have clear policies that guide the company in its dealing with its suppliers, customers, creditors, analysts, market intermediaries and other market participants.	✓	2012 Sustainability Report posted in the Petron website - internal relevant guidelines posted in the Company intranet
Guideline No. 9: DOES NOT ENGAGE IN ABUSIVE RELATED-PARTY TRANSACTIONS AND INSIDER TRADING			
9.1	Develop and disclose a policy governing the company's transactions with related parties.	✓	2012 audited financial statements appearing in the 2012 Annual Report, 2012 SEC Form 17-A, and 2013 SEC Form 20- I/S, and 2012 ACGR, all posted in the Petron website

9.2	Clearly define the thresholds for disclosure and approval for RPTs and categorize such transactions according to those that are considered <i>de minimis</i> or transactions that need not be reported or announced, those that need to be disclosed, and those that need prior shareholder approval. The aggregate amount of RPT within any twelve (12) month period should be considered for purposes of applying the thresholds for disclosure and approval.	√	CG Manual posted in the Petron website
9.3	Establish a voting system whereby a majority of non-related party shareholders approve specific types of related party transactions in shareholders meetings.	√	- CG Manual 2013 SEC Form 20-I/S posted in the Petron website
9.4	Have its independent directors or audit committee play an important role in reviewing significant RPTs.	√	- CG Manual 2012 audited financial statements posted in the Petron website
9.5	Be transparent and consistent in reporting its RPTs. A summary of such transactions shall be published in the company's annual report.	√	2012Annual Report 2012 SEC Form 17-A 2013 SEC Form 20-I/S 2012 ACGR 2012 audited financial statements all posted in the Petron website
9.6	Have a clear policy in dealing with material non-public information by company insiders.	√	Petron Policy on Dealing in Securities posted in the Petron website
9.7	Have a clear policy and practice of full and timely disclosure to shareholders of all material transactions with affiliates of the controlling shareholders, directors or management.	√	- CG Manual 2012Annual Report 2012 SEC Form 17-A 2013 SEC Form 20-I/S 2012 ACGR all posted in the Petron website
Guideline No. 10: DEVELOPS AND NURTURES A CULTURE OF ETHICS, COMPLIANCE, & ENFORCEMENT			
10.1	Formally adopt a code of ethics and proper conduct that guides individual behavior and decision making, clarify responsibilities, and inform other stakeholders on the conduct expected from company personnel.	√	2012 Sustainability Report posted in the Petron website - Conduct and Ethical Business Policy distributed to employees and posted in the Petron intranet

10.2	Have a formal comprehensive compliance program covering compliance with laws and relevant regulations. The program should include appropriate training and awareness initiatives to facilitate understanding, acceptance and compliance with the said issuances.	✓	1. - CG Manual 2012 Sustainability Report both posted in the Petron website 2. various memoranda from the Office of the General Counsel and Corporate Secretary distributed to relevant persons
10.3	Not seek exemption from the application of a law, rule or regulation especially when it refers to a corporate governance issue. Should it do so, it has to disclose the reason for such action as well present the specific steps being taken to finally comply with the applicable law, rule or regulation.	✓	Petron has not sought any exemption from such corporate governance law, rule or regulation.
10.4	Have clear and stringent policies and procedures on curbing and penalizing company or employee involvement in offering, paying and receiving bribes.	✓	2012 Sustainability Report posted in the Petron website - Conduct and Ethical Business Policy distributed to employees and posted in the Petron intranet
10.5	Have a designated officer responsible for ensuring compliance with all relevant laws, rules, and regulation, as well as all regulatory requirements.	✓	CG Manual posted in the Petron website
10.6	Respect intellectual property rights.	✓	CG Manual posted in the Petron website
10.7	Establish and commit itself to an alternative dispute resolution system so that conflicts and difference with counterparties, particularly with shareholders and other key stakeholders, would be settled in a fair and expeditious manner.	✓	CG Manual posted in the Petron website

[signature page follows]

This is to certify that the undersigned reviewed the contents of this document and, to the best of their knowledge and belief, the information contained set forth in this document is true, complete and correct.



REYNALDO G. DAVID

Independent Director

Date: March 24, 2014



JOEL ANGELO C. CRUZ

VP - General Counsel, 

Corporate Secretary &

Compliance Officer

Date: March 24, 2014



RAMON S. ANG

Chairman and Chief Executive Officer

Date: March 24, 2014