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Code of

Conduct  
and  
Ethical  
Business  
Policy



## Contents

Introduction	1
Petron's Code of Conduct and Ethical Business Policy	
Employees	2
Customers, suppliers, Joint Venture partners	3
Quality of products and services	4
Health, Safety and Environment	4
Business Integrity	4
Information Technology	12
Corporate Opportunity	12
Compliance with Laws	13
Corporate Citizenship	13
Public Representation of the Company	13
Fair Competition	14
Political Activities	14
Professional Competence	15
Discipline for Violation	15

## Introduction

Petron Corporation strictly adheres to uncompromising integrity and high standards of ethical conduct. Our Code of Conduct and Ethical Business sets forth and discusses guidelines, regulations and standards intended to define the scope of permissible employee conduct. It underscores the importance of meeting our business goals through compliance with acceptable values and the way we do things in the company.


A culture of "Corporate" ethics can only be built on a strong foundation of "personal" ethics. For this reason, it is the responsibility of each employee to know, understand and adhere to these guidelines. Likewise, all supervisors and managers should ensure that their subordinates comply with the foregoing obligation in all respects.

Adherence to the Code is a critical aspect of the achievement of our mission. Any violation of this policy will result in immediate disciplinary action, up to and including termination of employment. Officers, directors and employees of the company must comply with this Code and must conduct themselves in a manner to avoid even the appearance of improper behavior.

A reputation and track record for ethics and integrity is vital for establishing the trust that is the basis for all successful business relationships. All people associated with Petron need to understand and appreciate the importance of these principles.

Let us continue to commit to superior performance through ethical business behavior

  
**Ramon S. Ang**  
Chairman

  
**Eric O. Recto**  
President

January 2011

## CODE OF CONDUCT AND ETHICAL BUSINESS POLICY

Petron is committed to conduct its business affairs fairly, honestly, impartially, in good faith and in an uncompromising ethical and proper manner. Conduct which may raise questions as to the Company's honesty, integrity, impartiality or reputation, and activities that could cause embarrassment to the Company or damage to its reputation, are prohibited.

The highest possible standards of ethical and business conduct are required of each and every employee and officer in the performance of their duties and responsibilities. It is every employee and officer's responsibility and the policy of the Company to encourage employees and officers to ask questions, seek guidance and report suspected violations.

Any individual having information or knowledge of any prohibited act shall promptly report such matters to the Department Head, Vice President, Human Resources Management Department, Internal Audit or the General Counsel.

### 1 Employees

Petron respects the human rights of its employees, treats them with dignity and respect, provides safe work conditions, and promotes the development and best use of employee talent and equal opportunity employment. Petron protects the confidentiality of employee records.

Every employee or officer shall deal on behalf of the company with professionalism, honesty, integrity and uphold high moral and ethical standards. Such conduct shall be fair and transparent. Everyone shall be responsible for the implementation of and compliance with this Code in his/her professional environment. Failure to adhere to this Code could attract the most severe consequences including termination of employment.

### 2 Customers, suppliers, Joint Venture partners<sup>1</sup>

Petron will deal openly and honestly with its customers, suppliers, contractors, financial institutions and joint venture participants.

The ability to effectively promote the integral elements of the Company's business principles and code of ethics in these relationships must be weighed as an important factor in the decision to pursue, enter into, or remain in such relationships.

Transactions with dealers, contractors, vendors and suppliers must be carried out on an arms-length basis. Conditions should exist for competitive, willing buyer and willing seller transactions. Competitive bidding should be used whenever required by the Contracts Manual. Decisions should be made on the basis of quality, price, availability and service. All dealers, contractors, vendors and suppliers should be dealt with fairly, honestly and openly. In addition, if the representative of any dealer, contractor, vendor or supplier is a former employee, family member or close personal friend, the Company representative should disclose the information to his supervisor and Conflict of Interest Committee.

Personal relationships are an inherent aspect of doing business. The development of personal relationships is both expected and desirable as it leads to relationships based on understanding and trust. Business decisions must not be influenced by anything other than what is in the best interest of the Company. It is important that all employees closely monitor the nature of relationships with dealers, contractors, vendors and suppliers to ensure that personal friendships do not develop that would result in decisions not in the Company's best interest.

<sup>1</sup> The Contracts Manual and Purchasing Manual provide details additional to the codal provisions. The guidelines define specific instances when negotiated awards are allowed under certain conditions.

### 3 Quality of Products and Services

Petron is committed to supply goods and services of the highest quality standards backed by efficient after sales service consistent with the requirements of its customers to ensure their total satisfaction. The quality standards should at least meet the required national and applicable international standards.

### 4 Health, Safety and Environment<sup>2</sup>

Petron commits to conduct its business affairs in a manner that preserves the environment and protects the health and safety of all its employees, customers, suppliers, contractors and the general public.

It strives to provide a safe and healthy working environment and comply with all regulations regarding the preservation of the environment and territory it operates in. Petron and its employees are committed to prevent the wasteful use of natural resources and minimize any hazardous impact of the development, production, use and disposal of any of its products and services on the ecological environment.

### 5 Business Integrity

Employees and officers at all times are guided by the Company's vision and mission which highlights professionalism, integrity, fairness, commitment to excellence and care of the environment as the core values of the Company. Petron insists that these values be observed in all aspects of business and expects the same in its relationship with all those with whom it does business.

<sup>2</sup> Employees are required to observe the standards outlined in the Corporate Policy Manual provisions on Safety, Security and Environment. The Medical Policies and Procedures specify the various health services.

## Elements

### 5.1 Conflict of Interest

An employee or officer shall not engage in any business relationship or activity, which might detrimentally conflict with the interest of the company. A conflict of interest, actual or potential, may arise where, directly or indirectly, (a) an employee engages in a business relationship or activity with anyone who is party to a transaction with the company, (b) an employee is in a position to derive a personal benefit or a benefit to any of his relatives by making or influencing decisions relating to any transaction, (c) an independent judgment of the company's best interest cannot be exercised, and (d) an employee with close relative(s) employed by another oil company.

It is incumbent upon every employee to make full disclosure of any interest which the employee, his immediate family or close relatives and friends, may have in the company. If the employee fails to make a disclosure as required and the management on its own accord becomes aware of an instance of conflict of interest that ought to have been disclosed, management would take a serious view of the matter and consider suitable disciplinary actions against the employee.

An employee shall not, without the prior approval of the Vice President, accept a position of responsibility (such as a consultant or director) with any other company, nor provide "freelance" services to anyone.

### 5.2 Commercial Bribery

Giving or accepting gifts that equal more than the amount that would be considered customary courtesies may be deemed a bribe. Bribes are strictly prohibited by law and are against Petron policy. Petron Corporation and its employees and officers shall neither solicit, receive nor offer or make, directly or indirectly, any illegal

payments, remuneration, gifts, favors, commission, donations or comparable benefits which are intended or perceived to obtain business or uncompetitive favors for the conduct of its business.

### **5.3 Business Entertainment, Gifts, Gratuities**

The purpose of business entertainment and gift in a commercial setting is to create good will and sound working relationships, not gain unfair advantage with customers, suppliers, dealers, contractors, vendors, etc.

It is generally prohibited to solicit or accept loans, preferential discounts, extended credits, gifts, gratuities, remuneration, commissions, valuable privileges, vacations or trips, entertainment, other treatment special or excessive/extravagant in nature from a person or organization that might influence, or appear to influence an employee or officer in the performance of his duties; to favor a dealer, contractor, supplier, vendor or competitor against the best interest of the Company.

Lending money to, or borrowing money from, any customer, dealer, contractor, vendor or supplier is strictly prohibited.

Under no circumstances can employees accept or give gifts in monetary form.

However, the Company and its employees may accept and offer meals and entertainment where business is conducted, such as recreational sporting or theatrical events, that are of reasonable value considering the nature of the event and/or frequency of occasion; and advertising or promotional materials, such as pens, note pads, calendars, paper weights, and other items of nominal value and are of commemorative nature for special events.

Any gift or gratuity must have a clear business purpose. If employees are concerned about the nature of a gift or gratuity offered or requested, offer should be declined and advice sought by the employee from any of his superiors.

There may be occasions where Petron, as a company solicits certain items from other persons or organization in support of special company sponsored events. In these circumstances, solicitations may only be made if furtherance of the event and for no other reason. Moreover, all solicitations must be coordinated with the person or persons designated by respective Vice-Presidents to be responsible for coordinating the special events.

An employee who is offered or receives an inappropriate gift must refuse or return it in a tactful and dignified manner, advising the giver of the Company's policy that prohibits acceptance of such gifts.

### **5.4 Company Confidentiality<sup>3</sup>**

Employee must maintain the confidentiality of information entrusted to them by the Company or its customers or business partners, except when disclosure is authorized by a Senior Manager, Vice President, Law Department or required by laws, regulations or legal proceedings. Whenever feasible, employees and officers should consult the Law Department if they believe they have a legal obligation to disclose confidential information.

Confidential information includes all non-public business, financial, personnel or technical information, processes or systems, whether or not in electronic.

<sup>3</sup> The Personnel Policies and Procedures Manual provision on Work Conditions define the cases that illustrate conflict of interest. Applicable detailed procedures outlining policy on business ethics and integrity can be found in Personnel Policies and Procedures Manual, the Contract Manual, Purchasing Manual.

form, related to any portion of Petron's business operations that have been learned, generated or acquired during employment with the Company. The use of confidential or proprietary information or trade secrets that might be of use to competitors of the Company, or harmful to the Company or its customers or business partners, if disclosed are prohibited. Some examples of information which are considered confidential and proprietary include:

- ✓ Pricing
- ✓ Bid or quotations information
- ✓ Cost sheets
- ✓ Formulas and/or process information
- ✓ Design information
- ✓ Organizational plans, goals and strategies
- ✓ Profit Information
- ✓ Asset Information
- ✓ Wage and Salary Scales
- ✓ Personal Information about employees, officers, and directors
- ✓ Supply sources or supplier information
- ✓ Computer Software programs

Employees should not solicit, receive or use any confidential or proprietary information or trade secrets belonging or relating to any supplier, vendor, contractor, consultant, former employee or other person or entity, except as may be lawfully received from the owner or an authorized third party.

No disclosure of any information that upon its release would be likely to affect an investor's decision to purchase, sell or otherwise transfer any stock of Petron and/or would be likely to affect the market price of Petron stock shall be made. Examples include periodic earnings prior to press release, projections of future earnings or losses, pending or proposed mergers, acquisitions, tender offers, sale of assets, changes in operations, changes in dividend policy or the declaration of a stock split.

Each employee and officer should endeavor to deal fairly with the Company's suppliers, contractors, competitors, officers and employees. None should take unfair advantage of anyone through manipulation, concealment or abuse of privileged information, misrepresentation of material facts or any other unfair dealing practice.

## 5.5 Company Property<sup>4</sup>

Employees and officers are responsible for the protection of all Petron corporate information and intellectual property such as inventions, copyrights, patents, trade marks and technology. As Petron may license intellectual property from other companies, employees must also ensure that property of this nature is protected in accordance with the agreements giving Petron the right to use the property.

Equipment, tools, materials, supplies, employee time and other Company resources are to be used only for Petron's legitimate business interest. Petron property must not be borrowed, loaned, or disposed of, except in accordance with the appropriate Petron policies.

### 5.5.1 Books and Records

The Company shall prepare and maintain its accounts fairly, timely, accurately and reliably in accordance with the accounting and financial reporting standards which represent the generally accepted guidelines, principles, standards, laws and regulations in which the Company conducts its business affairs. Company books and records should be maintained in confidence, safeguarded from loss or destruction, and subject to internal/

<sup>4</sup> The Asset Monitoring and Disposal Manual details the procedures on record keeping, and monitoring. The Corporate Governance Manual specifies communication and dissemination procedures of corporate financial information. When employees are tasked to handle company funds, existing procedures are outlined in the Approvals Manual. Use of Petron facilities such as electronic mail, messaging and network systems are provided under Netiquette.

external control and audit procedures. All required information shall be accessible to company auditors and other authorized parties and government agencies.

There shall be no willful omissions of any company transactions from the books and records, no advance income recognition and no hidden bank account and funds. Any willful material misrepresentation of and/or misinformation on the final accounts and reports shall be regarded as violation of the Code, apart from inviting appropriate civil or criminal action under the relevant laws.

Records should always be retained or destroyed according to the Company's records retention policies. If an employee is or becomes aware of an imminent or ongoing investigation, audit or examination, that employee should retain all documents (including computer records) in his custody or control. The destruction or falsification of a document in order to impede a governmental investigation, internal or external audit or examination may lead to persecution for obstruction of justice.

### **5.5.2 Company Assets**

Company assets should not be misused but employed for the purpose of conducting the business for which they are duly authorized. These include tangible assets such as equipment and machinery, systems, facilities, materials, resources as well as intangible assets such as proprietary information, relationships with customers, dealers and suppliers, etc. Company property (tangible or intangible) may be sold, loaned, used, given away or disposed of in accordance with the approvals manual. Company property must be safeguarded from loss, damage or theft. Abusing, destroying, damaging or defacing company property, tools, equipment or property of others is prohibited.

Company cars service vehicles, computers and other equipments should be used with care and diligence as though they were employees' own.

### **5.5.3 Company Fund**

Funds should be spent for valid business purposes only at prices representing the best value to the Company. Approval of payment should be obtained before funds are spent.

All monies coming into one's possession in trust for the other persons or for the company such as escrows, advance for expenses, payments for products and/or services, fee advances and other like items should be properly accounted for, remitted to Company cashier as early as possible and shall be administered in accordance with the required approvals authority.

### **5.5.4 Company Products and Services**

Each employee has an obligation to strengthen and protect the Company's trademarks. Likewise, everyone is expected to patronize the use of company products and services

### **5.5.5 Public Company Disclosure**

Filings with, or submissions to, any agency or any government institution (i.e. Securities and Exchange Commission, Department of Energy, Department of Finance, etc.) must be accurate and timely and employee or officer may be called upon to provide necessary information to ensure that the Company's public reports are complete, fair and understandable.

## 6 Information Technology<sup>5</sup>

Computer, networking and electronic mail facilities and services offered by Petron in support of the company's thrust to provide better service to its customers.

Users must not browse, access, copy, or change Company and private files without authorization, or change public files without authorization. Users must not attempt to modify the computer systems or software in any unauthorized manner. The use of invasive software, such as "worms" and "viruses" destructive to computer systems, is unethical and illegal. Copyrighted software must only be used in accordance with its license or purchase agreement. Users do not have the right to receive and/or use unauthorized copies of software, or make unauthorized copies of software for themselves or others.

Sending rude, obscene or harassing materials via any electronic means (e.g., electronic mail, bulletin boards, news groups, internet, text messages) is forbidden. Also disallowed are random mailings, chain letters and general mailing of messages of commercial, religious, or political nature. Messages of philanthropic consent are allowed only if sanctioned by the Company.

Terminals, manuals, printed paper, and all other computer resources may not be used or removed from their intended locations, without authorized permission.

## 7 Corporate Opportunity

Except as may be permitted by the Board of Directors, employees and officers are prohibited from (a) taking

<sup>5</sup> Employees are provided with computers should it be necessary in the performance of their jobs. The Computers Facilities Policy provide employees particulars on this information technology tool.

for themselves a business or financial opportunity which employee knows, or could reasonably anticipate, Petron would have an interest in pursuing, (b) using Company property, information or position for personal gain; and (c) competing with the Company. Employees and officers owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises.

## 8 Compliance with Laws

All employees, and officers should know, respect and comply with the letter and spirit of applicable laws, rules and regulations of places in which the Company conducts its business or those applicable to the Company.

## 9 Corporate Citizenship

Petron is committed to be a good corporate citizen not only by complying with all relevant laws and regulations but also by actively assisting in the improvement of the quality of life of the people in the communities in which it operates with the objective of enhancing their quality of life. The Company would also encourage volunteerism amongst its employees. An employee shall in his private life be free to pursue an active role in civic affairs as long as they do not adversely affect the business or interest of the company.

## 10 Public Representation of the Company

Petron honors the information requirements of the public and its stakeholders. In all its public appearance with respect to public constituencies such as the media, financial community, employees, shareholders, and government agencies, Petron shall be represented only by specifically authorized



personnel. It will be the sole responsibility of these authorized representatives to disclose information on the company.

Parties which have business dealings with Petron Corporation but are not members of the Company such as consultants, agents, distributors, dealers, contractors, haulers, suppliers, etc. are not authorized to represent Petron.

### **11 Fair Competition**

Petron seeks to compete fairly and ethically within the framework of applicable competition laws. Petron will not prevent others from competing freely with it.

Employees and officers must abide by anti-trust and other laws intended to ensure and maintain competition in the market place and deal with prohibited trade practices.

If employees are in a position sensitive to anti-competitive conduct, e.g. Marketing, they should consult with their superiors for information on the relevant laws and regulations.

### **12 Political Activities**

Petron does not make payments or other contributions to political parties, organizations, or their representatives or take part in partisan politics. However, when dealing with the national and local governments, Petron has the right and the responsibility, in the pursuit of its legitimate commercial objectives, to make its positions known on any matter which affects Petron, its employees, its customers, or its shareholders. Petron also has the right to make its position known on matters affecting the community, where it has a contribution to make.

While Employees may be free to participate in the political process, any involvement should be kept separate from or not affect their role and responsibilities as a Petron employees. They must ensure that statements made in their political activities are clearly delivered as personal opinion and not likely to be construed as Petron's position.

### **13 Professional Competence<sup>6</sup>**

Each employee is expected to maintain an on-going program of professional development, a willingness to share knowledge with others, and a conformance to the highest standards of ethical behavior. He must not participate in conduct which causes him to tarnish the image of the Company, be convicted, adjudged or otherwise recorded as guilty by any court, of any offense involving fraud, drugs, or any other serious crime.

### **14 Discipline for Violation<sup>7</sup>**

Failure to comply with this Code will subject an employee to discipline that may include counseling, reprimand, suspension and/or termination, in addition to any civil or criminal liability under existing laws., Disciplinary measures will depend on the circumstances of the violation. Due process will be followed.

<sup>6</sup> The Personnel Policy & Procedures Manual details the coverage and scope of employee professional development. Employees are subject to disciplinary action following provisions of offenses and penalties outlined in the manual.

<sup>7</sup> Guidelines for employee conduct are outlined in the Company Rules and Regulations handbook. Employees are subject to disciplinary actions following provisions of offenses and penalties defined under Work Conditions of the Personnel Policies and Procedures Manual.