

# PERU LNG



ANNUAL REPORT

2014

# DIGITAL VERSION

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# ANNUAL REPORT 2014





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# MESSAGE FROM MANAGEMENT

The year 2014 was our fourth year of operations. During these 12 months, PERU LNG continued to position itself as an example of high operating standards in an industry without precedent in the region.

One of the most important events during 2014 was the reformulation of the sale agreement of natural gas Block 88. As a result of this modification, from now on, PERU LNG will receive natural gas from Blocks 56 and 57 to meet its commitment of LNG delivery.

In addition, PERU LNG partnered with the Dutch company Shell in lieu of Repsol. This marked the return of the company to Peru after nearly 20 years, reaffirming that the country remains an attractive destination for large companies and large investments.

PERU LNG pipeline continued to consolidate its level of operation. Thus, it reached a level of average transportation of 853.29 million cubic feet per day (MMcfd) greater in relation to 2013. In 2014, 216.685 million cubic feet (Bcf) were transported, and 94.769 Bcf were destined for the domestic market.

In 2014, 60 LNG carriers entered the maritime terminal of the plant, which meant 60 boarding maneuvers and dispatch of LNG, carried out according to high-quality standards.

We are proud to note that these work achievements go hand-in-hand with carefully preserving the environment and the development of communities within our area of influence. Thus, PERU LNG has established partnerships with public and private institutions that





strengthen its commitment to the communities around it. For instance, we helped with the development of the Programme for Public Investment Management, together with the University of the Pacific, which has led to technical assistance for officials in several Ayacucho municipalities in order to develop strategies to seek funding for public infrastructure projects. The success of this program was recognized with an award for social responsibility.

In addition, the programs More Cradle and Read - Being Ahead were initiated, oriented to enhance child

development and school performance. Additionally, the FONDEPES program has trained fishermen in Chincha and Canete how to improve their fishing techniques. This has led to formalization of the fishing groups, allowing access in the future to sources of financing or jobs with fisheries.

On the environmental side, we highlight the work of the Biodiversity Monitoring Program, which has been working on the identification and generation of wildlife care protocols for wildlife that inhabits the pipeline and liquefaction plant surroundings. This program

was recognized with the Peru Award for Social Responsibility 2021.

The goal for 2015 is to maintain and improve the high expectations that the company already holds in its operations and in its social and environmental management. The team that is part of PERU LNG and Hunt LNG Operating Company are the basis of these results. With them, we will arrive in 2015 to celebrate the first natural gas five years of operations the first liquefaction plant in South America.

**IGOR SALAZAR**  
General Manager  
PERU LNG



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# DECLARATION OF RESPONSIBILITY

THIS DOCUMENT CONTAINS ACCURATE AND SUFFICIENT INFORMATION ON THE PERFORMANCE OF THE BUSINESS OF PERU LNG S.R.L. (HEREINAFTER PERU LNG) DURING 2014. WITHOUT PREJUDICE TO PERU LNG'S RESPONSIBILITY, THE UNDERSIGNED ARE RESPONSIBLE FOR ITS CONTENTS IN ACCORDANCE WITH APPLICABLE LEGISLATION.

**IGOR SALAZAR ZANELLI**

**General Manager**

Officer responsible for financial matters in PERU LNG S.R.L.

**ANGÉLICA VALLENAS**

**Accountant**

**This Annual Report was drawn up on March 15, 2015.**

PERU LNG S.R.L. is a limited liability company with its registered office at Víctor Andrés Belaunde 147, Vía Real 185, Torre Real Doce, office 105, District of San Isidro in the Province and Department of Lima, Peru; its telephone number is (511) 707-2000 and its fax (511) 707-2099. The company was incorporated by public deed on the 24th of March 2003, in the presence of the public notary of Lima Ricardo Fernandini Barreda and is registered under electronic entry N° 11500968 in the Companies Registry at the Public Records Office for Lima and Callao (Lima office).





# FUNDAMENTAL PRINCIPLES

## VISION

To be world-class producers of LNG in the spheres of operational efficiency, environmental and social performance, and industry safety.

## MISSION

To be the most efficient world-class LNG producer that provides a workplace free from accidents and environmental incidents, acts as a responsible investor contributing to the local community, is supported by the most talented workforce and employs best practices to achieve continual operational improvements whilst maximizing value for its shareholders.





# WHO WE ARE





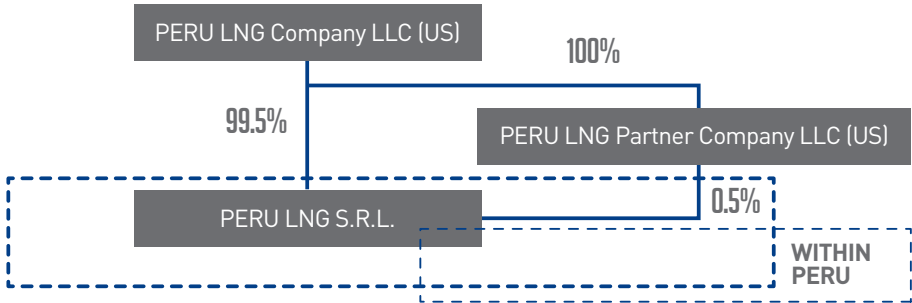
# 1. AIMS, TIMEFRAME AND ECONOMIC GROUP

PERU LNG was created on March 24, 2003, to develop, build and operate a liquefied natural gas (LNG) plant. In addition to the plant and related installations, the company's infrastructure includes port installations for shipping LNG in special vessels and a gas pipeline (CIU 1110). The life of the company is indefinite, in accordance with Peru's Companies Act and other applicable legislation.

The company is part of PERU LNG Company LLC (holder of 99.5% of the shares), which also includes PERU LNG Partner Company

LLC (holder of 0.5% of the shares), in accordance with the Regulations Concerning Indirect Ownership, Affiliation and Economic Groups approved by CONASEV Ruling N° 090-2005-EF/94.10. The principal activities of the economic group include the development, design, engineering, procurement, construction, commissioning, financing, ownership, operation and maintenance of an LNG plant in Peru and related export installations.

The following illustration shows PERU LNG's position within the group.







(i) PERU LNG. Incorporated on March 24, 2003, and registered under electronic entry N° 11500968 in the companies registry at the Public Records Office for Lima and Callao (Lima office). Securities were registered with the Peruvian Securities Market Public Registry (RPMV) under code PEP75460. The purpose of PERU LNG is to act as as concessionaire, via license, service or other types of contracts, in the development, transport,

distribution, treatment processing, refining, separation, compression, pumping, storage, dispatch, sales, import and export of hydrocarbons and hydrocarbon derivatives, as well as all activities necessary to operate liquefaction plants, gas pipelines, oil pipelines, aqueducts, mineral pipelines, multiple product pipelines, cable ducts and associated installations. To carry out prospecting, exploration, exploitation and any other

mining activity, including those inherent in a mining concessionaire carrying out mining activities. To act as concession holder for public infrastructure and service work. To act as concessionaire in the development of activities relating to natural resources in general, among other related activities.

(ii) PERU LNG Partner Company LLC. A company incorporated and organized in accordance with the laws

of the state of Delaware, United States of America. This company is not registered at the RPMV and has no securities quoted on any stock exchange.

(iii) PERU LNG Company LLC. A company incorporated and organized in accordance with the laws of the state of Delaware, United States of America. This company is not registered at the RPMV and has no securities quoted on any stock exchange.



## 2. CAPITAL STOCK

At the close of 2011 the capital of PERU LNG was US\$320,099,952 and in this fiscal year advance loans from the parent company amounted to US\$1,251,335,125. In June 2012 the first repayment to the parent company was made, amounting to US\$30,000,000. Later, in December 2012 all loans by the parent company, amounting to US\$1,221,335,125, were capitalized after approval by a general meeting of shareholders held on December 21, 2012.

As of December 31, 2012, the capital of PERU LNG amounted to US\$1,541,435,077, represented by 1,541,435,077 shares, fully subscribed and paid up and having a nominal value of US\$1.00 each.

In 2013, two reductions in capital through share buybacks were agreed to, the first for US\$40,000,000 and the second

for US\$100,000,000, which were approved by general meetings of shareholders held on the May 20, 2013, and November 20, 2013, respectively; on February 5, 2015, this last reduction in capital was registered with the Stock Exchange Public Registry.

As of December 31, 2014, the capital of PERU LNG amounted to US\$1,401,435,077, represented by 1,401,435,077 shares, fully subscribed and paid up and having a nominal value of US\$1.00 each.

PERU LNG Company LLC is the holder, both directly and indirectly, of 100% of the shares in PERU LNG.

**US\$1,401,435,077**  
**CAPITAL AMOUNTED TO PERU LNG**  
**TO DECEMBER 31, 2014.**

### Shareholdings in PERU LNG

Shareholdings	Number of shareholders	% shareholding
Less than 1%	1	0.5
Between 1% and 5%	-	-
Between 5% and 10%	-	-
More than 10%	1	99.5
<b>Total</b>	<b>2</b>	<b>100</b>

Source: Own figures





### 3. THE PROMOTERS

The current promoters of the project are Hunt Oil Company, Shell Gas B.V., SK Innovation Co. Ltd. and Marubeni Corporation. These companies own shares indirectly in PERU LNG, nevertheless they are not part of the company's economic group. Shell Gas B.V. holds 20% of the shares in PERU LNG Company LLC, which were acquired through the firm LNG Shipping Operation Services Netherlands B.V. on December 31, 2013.

During the construction stage the promoters contributed US\$1,571,435,077, which represented more than 40% of the total cost of the project: US\$3,874,597,513.

PERU LNG is operated by Hunt LNG Operating Company ("Hunt LNG"), Peruvian society and is a 100% subsidiary of Hunt Oil Company.



### 4. FINANCING AND GUARANTEES

On June 26, 2008, PERU LNG entered into a common terms agreement with its main lenders to finance the project. It thus obtained US\$2,050 million. On November 14, 2008, after meeting all the conditions for the first disbursement, PERU LNG received approximately US\$700 million. Later, in December 2010, the total amount agreed upon was disbursed.

As of December 31, 2014, the total value of the debt amounted to US\$1,538,593,500. The next repayment of capital and interest will take place in May 2015, in accordance with the established repayment schedule. The balance owed to each institution as of December 31, 2014, is shown below:

Balance owed as of December 31, 2014

	Balance (US\$000)
IADB A	320,527
IADB B	299,098
US EXIM	285,715
IFC	240,395
K EXIM	214,287
SACE	178,572
Total	1,538,594

Source: own figures



In order to cover part of the construction costs of the project, in October 2009 PERU LNG launched a First Public Offering of corporate bonds in the Peruvian stock market. Thus, the First PERU LNG Corporate Bond Program, valued at US\$200,000,000, was approved by Ruling N°

064-2009-EF/94.06.3 issued by the National Companies and Securities Commission (Conasev). On November 19th of that year, four simultaneous issuances were made and the total value of the program was placed in the following manner:

PERU LNG First Corporate Bonds Program - issuance

	First <sup>(2)</sup> issuance	Second <sup>(3)</sup> issuance	Third issuance	Fourth issuance
Value of the issuance (US\$000)	10,000	40,000	160,000	160,000
Demand (US\$000)	32,068	53,722	341,799	33,080
Amount placed (US\$000)	10,000	30,000	135,325	24,675
Term (years)	2.5	5.0	15.0	15.0
Period of grace	2.0	2.5	5.0	5.0
Coupon	Biannual	Biannual	Biannual	Biannual
Currency	US\$	US\$	US\$	US\$
Interest rate	3.44%	4.66%	Libor (6M) + 3.65625%	7.16%
Spread <sup>(1)</sup>	1.39%	1.22%	2.27%	2.27%

<sup>(1)</sup> Spread vs. Peruvian global bonds  
<sup>(2)</sup> The first issuance was fully paid on May 2012  
<sup>(3)</sup> The second issuance was fully paid on November 2014

In May 2012, the first issuance of corporate bonds valued at US\$10,000,000 was repaid in full. Additionally, in November 2014, the second issuance of corporate bonds valued at

US\$40,000,000, was repaid in full. It should be pointed out that PERU LNG's bonds were not traded on the Lima Stock Exchange, as shown in the following table:



PERU LNG Bonds – trades on BVL in 2014

Mnemonic	ISIN	Year - Month	Prices 2014				
			Opening	Maximum	Minimum	Closing	Average
PLNG1BC1A	PEP75460M014	2014 – 12	-	-	-	-	-
PLNG1BC2A	PEP75460M022	2014 – 12	-	-	-	-	-
PLNG1BC3A	PEP75460M030	2014 – 12	-	-	-	-	-
PLNG1BC4A	PEP75460M048	2014 – 12	-	-	-	-	-

The total contribution by the supporters during construction was US\$1,571,435,077. The supporters provided, on a proportional basis, all the capital necessary to finance the construction costs of the project that were not covered by the common terms agreement and were assured that the debt-capital ratio would not exceed 60:40 during the construction phase.

In June 2014, PERU LNG renewed the working capital

line worth US\$75,000,000 it had maintained since 2010 with Scotiabank and the Banco de Crédito del Peru for an additional two years. This line includes letters of guarantee and letters of credit, in addition to short-term disbursements. Disbursements from the capital line have a maximum term of six months and are used during the operation stage as required. As of December 31, 2014, the available funds disposed by the working capital line was US\$0.



# 5. CONTRACTS WITH THE PERUVIAN STATE

A pivotal date for the project was January 12, 2006. On that day, representatives of PERU LNG and the Peruvian state, acting through the Hydrocarbons Bureau (DGH) and the Central Reserve Bank of Peru (BCR), entered into an investment agreement.

The main objectives of the agreement were: (i) To establish PERU LNG as the sole proprietor of the LNG plant and related installations (including the gas pipeline) and the availability of LNG produced by the plant to be freely exported; (ii) to establish certain provisions concerning the investment in PERU LNG aimed at building and operating the LNG plant and related facilities, and (iii) to grant PERU LNG and its shareholders some guarantees relating to taxes, importing rights and foreign currency.

The agreement was approved in January 2006 by supreme decree in accordance with the terms of the Promotion of Investment in Natural Gas Processing Plants Act (the Promotion Act). This

agreement takes the form of a legal contract under Peruvian law and prohibits the Peruvian government from unilaterally modifying or amending its terms. The term of the Investment Agreement is 40 years, commencing on the date of subscription by PERU LNG and the DGH.

Thus PERU LNG obtained the right to a stable tax regime, exchange rate and other guarantees established in the Promotion Act in order to develop the project.

Finally, on July 5, 2010, the agreement was modified by public deed to include the Agreement for the Use and Expansion of the Carrying Capacity of the Main Pipeline, entered into by Transportadora del Gas del Peru S.A. and PERU LNG, according to article 81 of the Regulations Concerning Carriage of Hydrocarbons by Pipeline approved by Supreme Decree N° 081-2007-EM.

# 6. NATURAL GAS SUPPLY

Natural gas for the plant comes from the Camisea field in accordance with gas supply contracts entered into by PERU LNG for an 18-year period.

On August 6, 2014, the Amended and Restated LNG Sale Agreement of Natural Gas Block 88 came into force between PERU LNG and holders of Block 88. Under this contract the owners of Block 88 promised to deliver volumes of natural gas to PERU LNG only for local consumption or when used or otherwise consumed in the production process of PERU LNG.

On the same date, the Amended and Restated LNG Sale Agreement of Natural Gas Block 56 came into force between PERU LNG and holders of Block 56, in order to incorporate the supply of gas purchased by holders of Block 56 and holders of Block 57 (Repsol Exploración Perú,

Sucursal del Perú y Petrobras Energía Perú S.A.), strictly fulfilling delivery obligations to PERU LNG by the holders of Block 56.

With these contractual changes, PERU LNG retains the right to a strong commitment to deliver a supply of 4.2 trillion cubic feet of gas during the term of the contracts, at a rate of 670,000 million BTUs (British Thermal Units) per day, according to the Daily Amount Required (DAR).





PERU LNG RETAINS THE RIGHT  
TO A STRONG COMMITMENT TO  
DELIVER A SUPPLY OF  
**4.2 TRILLION** CUBIC FEET  
OF GAS DURING THE TERM OF  
THE CONTRACTS, AT A RATE  
OF 670,000 MILLION BTUS  
(BRITISH THERMAL UNITS) PER  
DAY, ACCORDING TO THE DAILY  
AMOUNT REQUIRED (DAR).







## 7. COMPETITION AND MARKET POSITIONING

The worldwide trade in LNG has changed notably in recent years, mainly due to the efforts of several countries to diversify their energy needs. Historically, liquefaction and re-gasifying projects were agreed to between interested parties and vessels were dedicated to supplying specific markets. Shipping capacity was limited, and alternative markets were only supplied when demand in

the primary market was low. Currently, the LNG market has acquired great dynamism and competitiveness, as evidenced by the growth of a world fleet for LNG.

**THE LNG MARKET HAS ACQUIRED GREAT DYNAMISM AND COMPETITIVENESS, AS EVIDENCED BY THE GROWTH OF A WORLD FLEET FOR LNG.**

## 8. TARGET MARKETS

LNG has become a potential energy solution for many importing countries of this product, such as Brazil, Argentina and Chile. Furthermore, re-gasifying plants are relatively cheap and fast to build compared to liquefying plants. Finally, there is a global trend that promotes environmental obligations to countries and promotes the search for cleaner energy sources such as natural gas.

As of January 1, 2014 Shell, International Trading Middle East (SITME) replaced Repsol Gas Trading SA as the off-taker of PERU LNG through the Third Amended and Restated LNG Sale and Purchase Agreement, signed on December 31, 2013. SITME is a subsidiary of Royal Dutch Shell Group (RDS), one of the world's largest oil companies. Businesses of Shell in LNG extend the trading and management of one of the

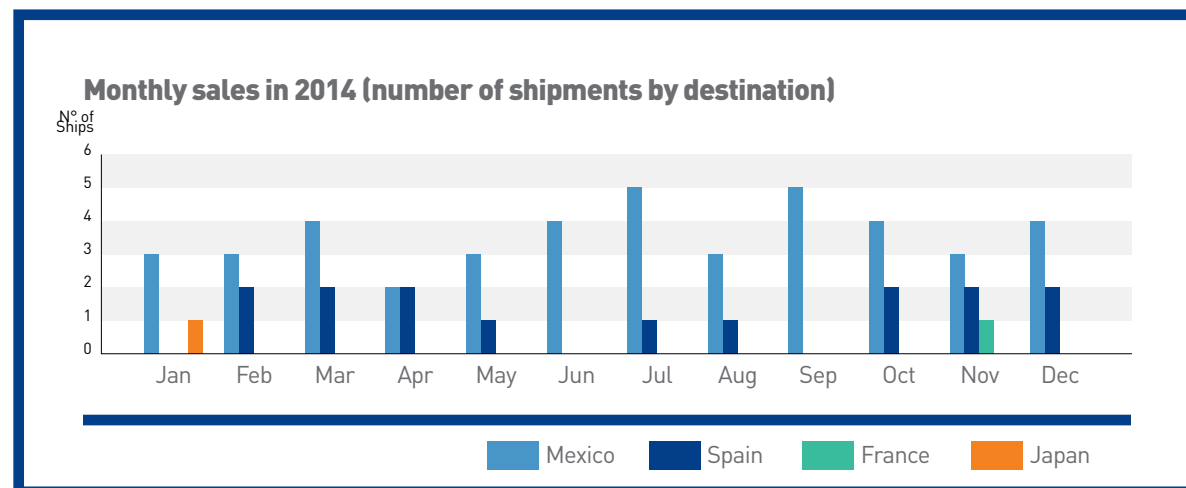


largest fleets in the industry.

In 2014, the LNG produced by PERU LNG and sold by SITME went mainly to Mexico (71.7%) and Spain (25%), with specific shipments to France (1.7%) and Japan (1.7%). It is interesting to note that the demand for LNG from countries such as Argentina, Brazil and Mexico has increased. This has

generated attractive business opportunities for sales of LNG products in Peru.

Despite the long distances, PERU LNG remains an attractive source of supply for European and Asian markets. Monthly sales during 2014 are shown below.



Source: own figures

## 9. THE HYDROCARBONS SECTOR IN PERU

PERU LNG's activities are regulated by Law N° 26221, which governs hydrocarbons activities on Peruvian soil. According to the Hydrocarbons Act, the Peruvian state encourages hydrocarbons development based on free competition and free access to economic activities, and guarantees a stable legal

regime applicable to contracts, as set forth in article 62 of the Peruvian Constitution. It also guarantees contractors a stable tax and exchange rate regime.

The Hydrocarbons Act also establishes that exploration and exploitation of hydrocarbons are to be carried out through license contracts and service





agreements, as well as other types of contracts authorized by the Ministry of Energy and Mines (MEM) and governed by private law. Contracts that have been approved and signed can only be modified by written agreement between the parties and are subject to approval by supreme decree.

PERU LNG's activities are regulated by the following pieces of legislation:

- Hydrocarbons Act
- Supreme Decree N° 051-93-EM: Regulations Concerning Hydrocarbons Refining and Processing
- Supreme Decree N° 081-2007-EM: Regulation for the Carriage of Hydrocarbons through Pipelines
- Supreme Decree N° 032-2004: Regulations Concerning Hydrocarbons Exploration and Extraction
- Law N° 28176: Promotion of Investment in Natural Gas Processing Plants Act
- Supreme Decree N° 031-2004: Executive Regulations to the Promotion of Investment in Natural Gas Processing Plants Act

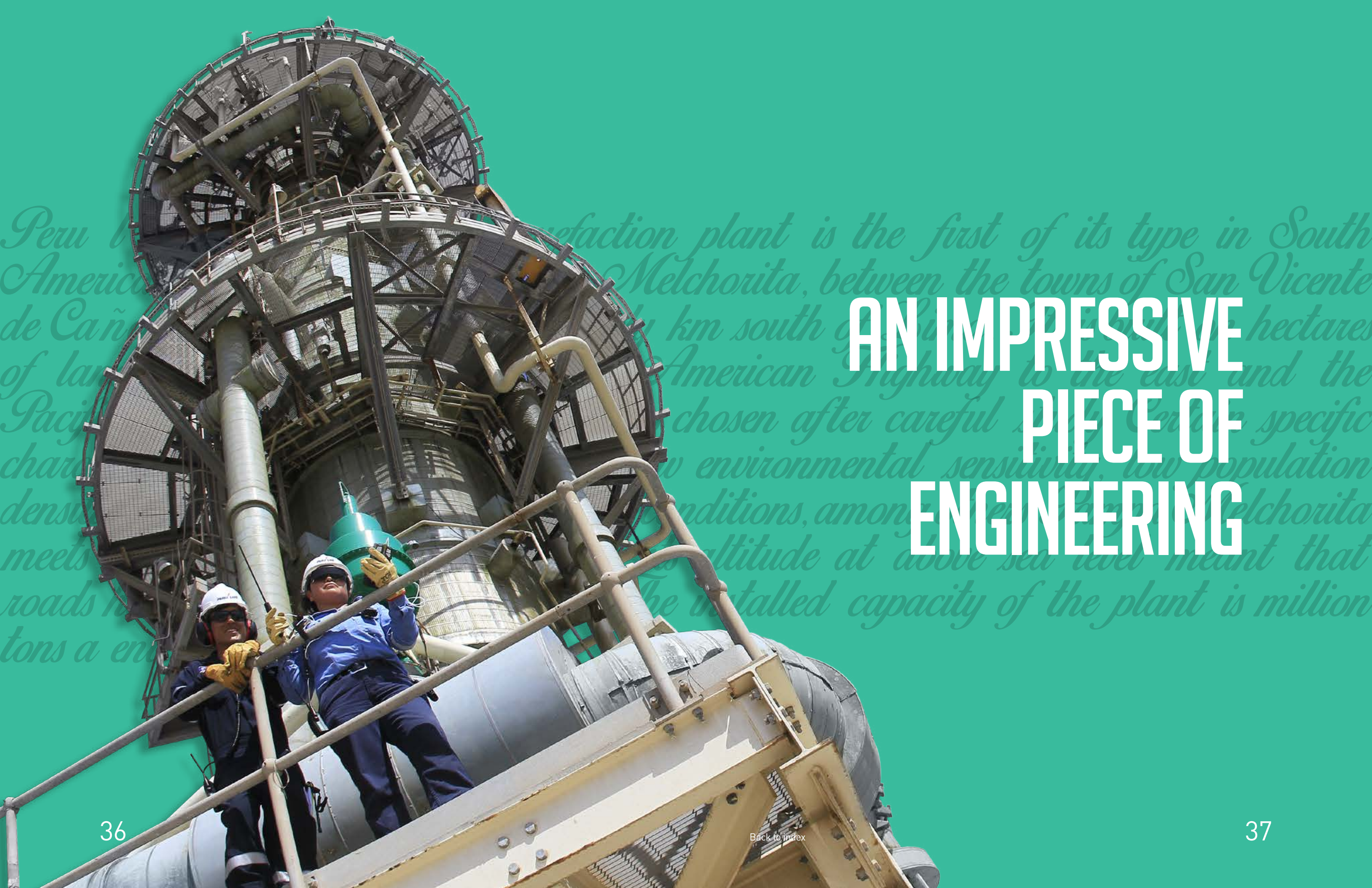
The institutional environment of the sector consists of the

Ministry of Energy and Mines (MEM) and two regulatory authorities: the Supervising Body for Investment in Energy and Mining (OSINERGMIN) and the Environmental Monitoring and Evaluation Authority (OEFA). The MEM is responsible for designing general policies for the sector and, as the grantor, for awarding concessions. Osinergmin, which is a functional dependency of the Office of the Prime Minister, is responsible for establishing tariffs for the transport and distribution of gas, and for monitoring compliance with the concessionaires' obligations stipulated in their contracts and in applicable legislation; at the same time, it supervises the quality of the service provided with reference to the legislation and technical standards applicable to safety in the industry in question.

OEFA, which is attached to the Ministry of the Environment, is responsible for ensuring compliance with all environmental regulations by all people and entities, whether public or private, which it does through its evaluation, supervision, monitoring and sanctioning functions in environmental matters.







# AN IMPRESSIVE PIECE OF ENGINEERING

*Peru has a gas liquefaction plant is the first of its type in South America. It is located in Melchorita, between the towns of San Vicente de Cañabara and San Vicente de Cañabara, about 100 km south of Lima. The plant covers 100 hectares of land and is situated on the American Highway to the east and the Pacific Ocean. It was chosen after careful study of the specific characteristics of the area, including low environmental sensitivity, low population density, and favorable conditions, among others. The altitude at above sea level meant that the roads to the plant are suitable for heavy trucks. The installed capacity of the plant is million tons a year.*





## 1. GAS PIPELINE

The PERU LNG gas pipeline is without a doubt one of the most complex engineering feats carried out in Peru. It is 408 kilometers long and crosses some of the most arduous terrain in the world, crossing numerous rivers and Peru's coastal desert. This 34-inch diameter, high-pressure gas pipeline can carry 1,121 million cubic feet per day (MMcfd) of dry natural gas. The structure is buried for the whole of its length, except for above-ground installations.

The pipeline starts approximately at kilometer 211 of the Transportadora del Gas del Peru S.A. gas pipeline, in the community of Chiquintirca, in the Ayacucho Region. It ends at the Melchorita liquefaction plant on the Peruvian coast.

In 2011 the capacity of the system was increased from 1,121 to 1,290 MMcfd.

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## 2. LIQUEFACTION PLANT

PERU LNG's Melchorita liquefaction plant is the first of its type in South America. It is located on Pampa Melchorita, between the towns of San Vicente de Cañete and Chincha, approximately 160 kilometers south of Lima. It is built on 521 hectares of land between the Southern Pan-American Highway to the east and the Pacific Ocean to the west.

The site was chosen after careful study. Certain specific characteristics were required, such as low environmental sensitivity, low population density, soil stability and stable oceanic conditions, among others. Pampa Melchorita meets these requirements. Nevertheless, its altitude at 135 meters above sea level meant that roads had to be built to the coast.

The installed capacity of the plant is 4.45 million tons a





year (MMTPy) and it processes approximately 620 MMcfd. This production covers the 4.2 MMtpy of LNG established in the agreement.

During the industrial process, the plant receives dry natural gas from Camisea's Block 56, and the liquids it contains are

removed. The natural gas is measured and its pressure controlled. Carbon dioxide (CO<sub>2</sub>) is then removed in the acid gas removal unit. From this stage onwards, the gas is dried using molecular sieves and activated charcoal before being liquefied. The natural gas is then cooled with propane

refrigerant and condensed into a liquid in the principal cryogenic heat exchanger.

On completion of this process, the LNG is stored in tanks, each having a capacity of 130,000 cubic meters (m<sup>3</sup>) before being shipped out in methane tankers.

The plant is self-sufficient. In order to guarantee correct operation, it generates its own electricity and other services; it has three generators, a control center, offices, warehouses, workshops, training facilities and living quarters.



THE INSTALLED CAPACITY OF  
THE PLANT IS 4.45 MILLION  
TONS A YEAR (MMTPY) AND IT  
PROCESSES APPROXIMATELY  
620 MILLION CUBIC  
FEET PER DAY.  
THIS PRODUCTION COVERS  
THE 4.2 MMTPY OF LNG  
ESTABLISHED IN THE  
AGREEMENT.





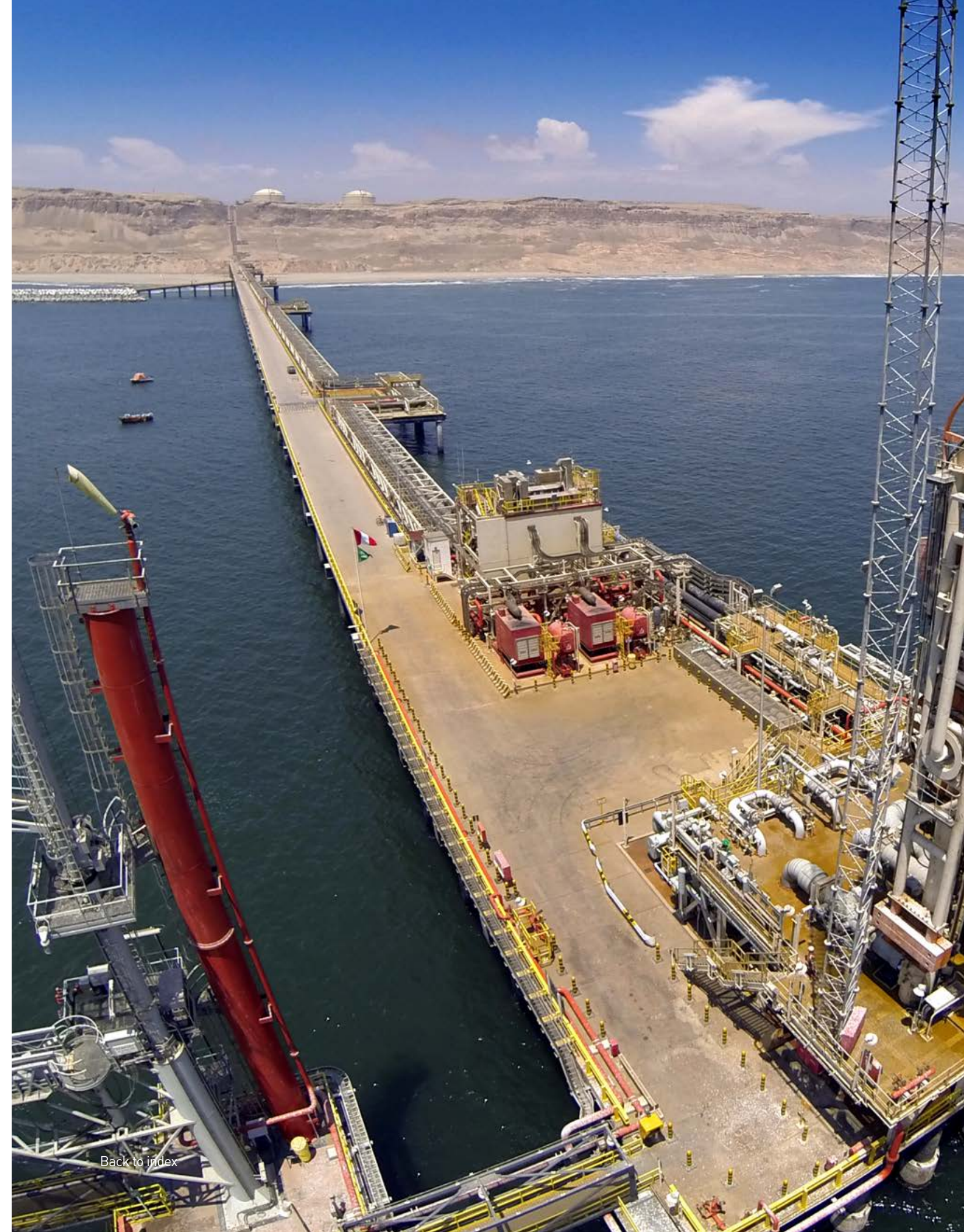
### 3. PORT FACILITY

Building the port facility was a difficult challenge that was overcome by PERU LNG's engineers. The facility consists of an 800-meter long breakwater located at a depth of 16 meters, a 1,400-meter long jetty to carry the LNG loading equipment, four sets of mooring bitts, six docks suitable for vessels from 90,000 m<sup>3</sup> to 173,000 m<sup>3</sup> and a one-way entrance channel, together with a tug jetty and other facilities necessary for the LNG loading process.

In 2011 and 2012, the PERU LNG port facility was awarded ISO 9001 certification for the quality management of its LNG shipping systems and

the provision of basic port services, such as berthing, unberthing, pilotage and towage. This certification was issued by the International Standards Organization through auditor Société Générale Surveillance (SGS).

**THE MARITIME TERMINAL  
RECEIVED CERTIFICATION  
ISO 9001  
FOR ITS MANAGEMENT SYSTEM'S QUALITY  
OF LNG SHIPMENT AND THE PROVISION OF  
BASIC PORT SERVICES**







# WORKING WITH RESPONSIBILITY AND COMMITMENT



# *the beginning* OF A SUCCESSFUL PROJECT

ON JUNE 10, 2010, FORMER PRESIDENT OF PERU DR. ALAN GARCÍA PÉREZ INAUGURATED THE PERU LNG PLANT IN THE PRESENCE OF THE PRESIDENTS OF THE PARTNER COMPANIES COMPANIES, LOCAL AUTHORITIES, OPINION LEADERS, JOURNALISTS, PERU LNG'S WORKERS AND THE MAIN CONTRACTORS. THE FIRST CONTRACTUAL YEAR STARTED ON JULY 1, 2010.



## 1. OPERATING TO THE HIGHEST QUALITY STANDARDS

### GAS PIPELINE

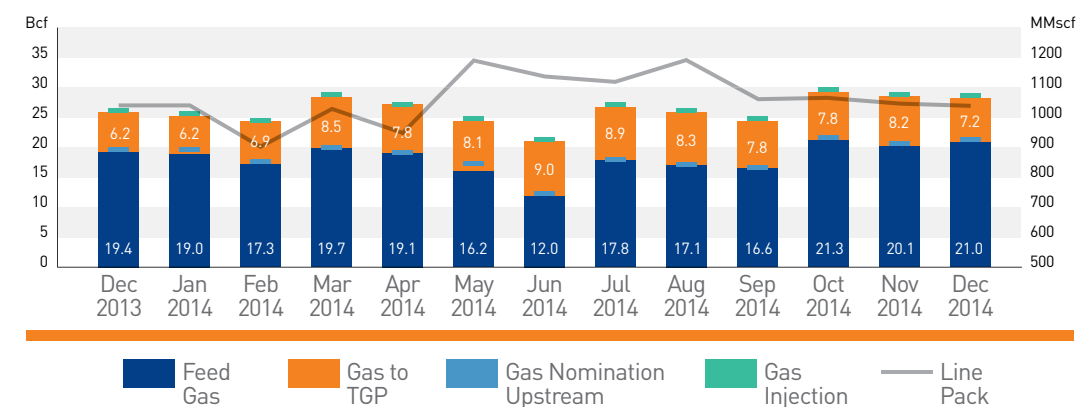
During 2014, operation of the gas pipeline continued to consolidate. It carried an average of 853.29 MMcfd of natural gas, whereas in 2013 the average was 815.63 MMcfd.

Of the total carried in 2014, 216,685 MMcfd went to the LNG plant and 94,769 MMcfd went to the domestic

market, as established in the Agreement for Increasing and Use of the Carrying Capacity of the Main Pipeline.

**853.29 MMCFD**  
NATURAL GAS TRANSPORTED IN  
AVERAGE FOR 2014

Volume carried (2014)



Source: own figures

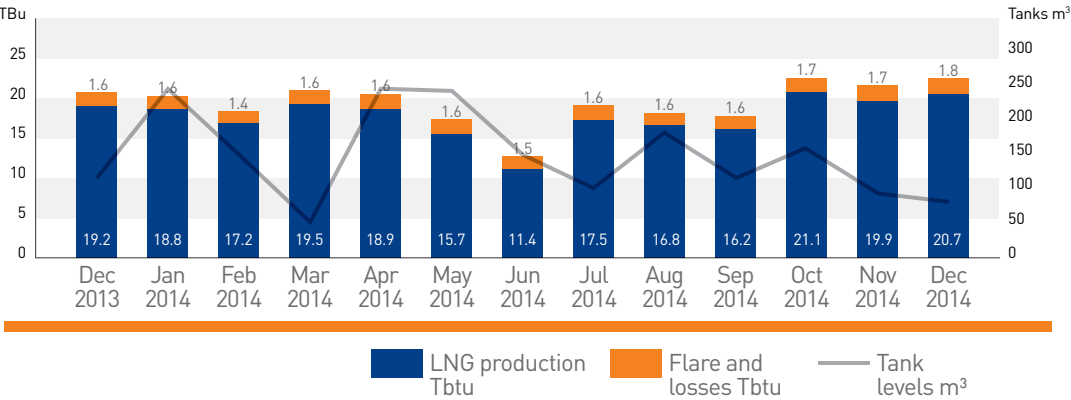


**LIQUEFACTION PLANT AND  
PORT FACILITY**

During 2014, the efficiency of the plant was 92%. Thus 213.8 TBtus

of LNG were produced (17.8 TBtus monthly), slightly less than the figure of 221.4 TBtus produced on 2013.

Volume produced (2014)



Source: own figures

**LNG DISPATCHES**

The 60 LNG tankers that berthed at PERU LNG's port facility in 2014 loaded a total of 214.4 TBtus of LNG. The figures for previous years are similar: In 2013, 56 vessels (218.4 TBtus); in 2012 and 53 vessels (203.7 TBtus); and in 2011, 55 vessels

(209.15 TBtus). It is important to point out that in 2010 operations started in June, and therefore only 24 vessels used the facility.

The 60 LNG tankers were bound for the following destinations: 43 to Mexico (71.67%), 15 to Spain (25%) 1 to Japan (1.67%) and 1 to France (1.67%).

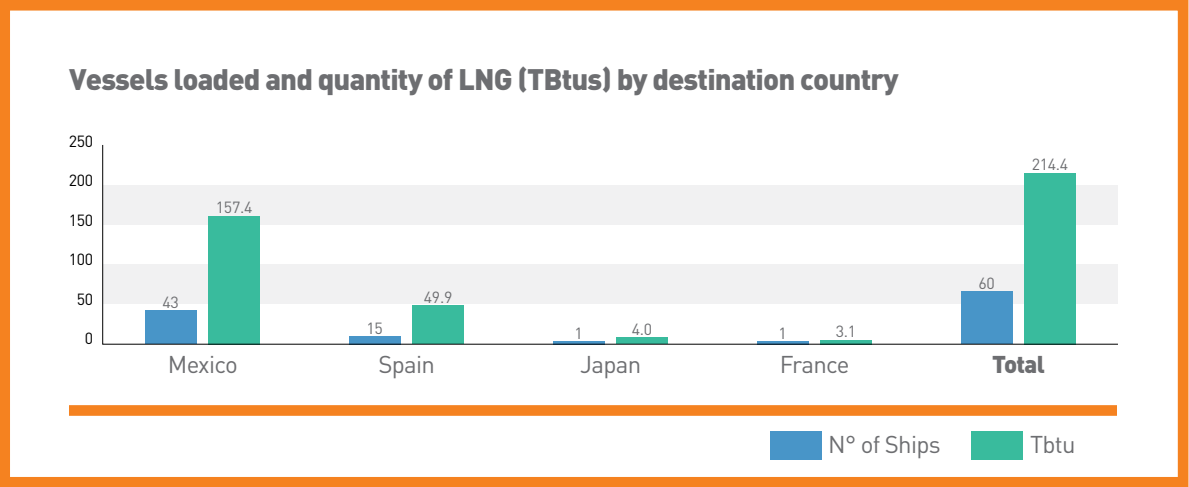




Vessels loaded in 2014: Volume in m³ and TBtus

Month	N° of Ships	Volume (000m³)	Energy (Tbtu)
January	4	679,873	15,827,430
February	5	830,221	19,313,620
March	6	947,553	22,042,632
April	4	608,784	14,147,728
May	4	680,218	15,815,086
June	4	442,684	10,288,532
July	6	940,885	21,855,710
August	4	634,252	14,739,496
September	5	766,563	17,830,237
October	6	866,665	20,139,303
November	6	920,437	21,391,881
December	6	903,628	20,999,150
Total	60	9,221,763	214,390,805

Source: own figures



Source: own figures

The company responsible for purchasing, transporting and distributing the LNG produced in the plant during 2014 was Shell International Trading Middle East Limited (SITME).

The LNG is sold on a FOB basis at a contractual sale price indexed to natural gas prices at the destination of the shipment.

2. HUMAN RESOURCES AND PERSONNEL

In PERU LNG's business it is essential to have highly trained professionals who are motivated and committed to the company's goals. During 2014, PERU LNG's payroll was made up as follows:

Personnel	December 2014		December 2013	
	Temporary	Permanent	Temporary	Permanent
Officers	-	2	-	3
Employees	1	10	3	8
TOTAL	1	12	3	11

CAMPS IMPROVEMENT PROJECT

This project was launched in order to improve camps facilities, with consideration for increasing accommodation capacity, the implementation of new facilities for preparation and food storage, as well as for improving the distribution of electricity.

This project has been implemented as established

per agreement with the company CB&I, according to schedule and scope following the standards of the company.

TALENT DEVELOPMENT

The Annual Development Plan was implemented based on three main areas: safety, technical skills and interaction skills. A wide variety of courses and workshops were provided in the security area to ensure





the monitoring of PERU LNG's own standards and those required by the competent authorities.

Additionally, the staff was in constant technical training with the expert support of local and international suppliers. Complementing the technical development and the requirements of international standards in safety, the company invested in developing interaction skills focused on growing team leaders through a program that provided management tools and leadership teams. Revised topics included meeting management, being proactive, goal setting, agreement creation, feedback, time management and priorities.

The company also implemented within the Leadership Program a coaching plan for a group of employees with leadership potential identified by each management area to evaluate, test their skills and support them in developing their leadership skills.

#### **NEW TALENT SYSTEM IMPLEMENTATION**

In 2014, after several global coordination meetings, it was decided to implement a new system and talent management platform called TalentPoint. This new platform maintains the criteria of our previous planning processes. As of 2015, this platform will be

## **TEAMWORK** *efficiency*

used in management planning, for monitoring performance, development and succession.

#### **GRADUATE PROGRAM 2014**

As of 2014, the Graduate Program was launched as part of pursuing professional excellence and as talent increased demand and competition. This is a program to strengthen the company's relationships with academic institutions in the sector and to seek talent development in the country's natural gas industry, specifically in the areas of production, maintenance and technical services.

The program, implemented by PERU LNG operator, Hunt

LNG Operating Company, was developed based on competence-goals established in coordination with the operational areas, development and talent acquisition area of the Melchorita plant. The screening process selected 14 candidates out of 800 applicants from different universities and institutes. In this first promotion of graduates, 13 successfully met their professional practices for a year and one became part of the plant's operational personnel in the maintenance area. During that time they received technical training in the field, developed their interaction skills and learned concepts and safety standards.



### 3. JUDICIAL, ADMINISTRATIVE OR ARBITRATION PROCEEDINGS

PERU LNG currently has one legal action in progress that could imply a contingency in excess of US\$500,000. It involves a claim lodged in March 2011 by PERU LNG against OSINERGMIN concerning fines imposed (case 01130-2011). The action questions the validity and, therefore, applies for a declaration striking down General Management Rulings N° 004458 and 004666, and Rulings N° 030-2010-OS/TASTEM-S2 and N° 007-2010-

OS/TASTEM-S2, imposing fines amounting to approximately US\$912,635 for alleged non-compliance with commitments assumed under the corresponding environmental management instruments. A final ruling has been issued, and PERU LNG has submitted its defense to the contents of the report, as well as taking part in the verbal report. To date, the case has been sent to another court, which implies that another verbal report will be required.

### 4. ADMINISTRATION OF PERU LNG

PERU LNG is a limited company and therefore does not have a board of directors.

The management is made up of the following people:

Position	Name
General Manager	Igor Salazar
Director of Corporate Affairs and Communications	David Lemor
General Counsel	María Julia Aybar
Director of Commercial and Project Development	Konrad Rudnicki
Planning Manager	Grant Johnson

#### IGOR SALAZAR

Mr. Salazar is an industrial engineer who graduated from the University of Lima, Peru and obtained a master's degree in energy economics from the University of Oklahoma in the United States of America. He started his professional career with Petroperú and Repsol, where he worked in the refining section (planning, marketing and operations). He then worked in the downstream sector with Texas Petroleum

Company (Texaco). Thereafter he joined Endesa Internacional in Chile, where he worked in gas/energy trading and the development of new businesses in Latin America (principally Brazil, Argentina, Peru, Colombia and Chile).

In January 2002, he joined Hunt Oil Company to work on the Camisea project and the PERU LNG project as Commercial Manager. On January 1, 2011, he was appointed General Manager of the company.



**DAVID LEMOR**

Before joining the company, Mr. Lemor was Minister of State at the Ministry of Production for Peru and executive vice president of the National Competitiveness Council during the government of former President Alejandro Toledo. He was later appointed special representative of the government of Peru in Washington, where his task was to obtain approval of the Peru - USA Free Trade Agreement. He then worked as executive director of ProInversión during the presidency of Alan García. At present, he is a professor at San Ignacio de Loyola University and Ricardo Palma University and a director of the National Manufacturing Society. At PERU LNG, he is the Director of Corporate Affairs and Communications.

**MARÍA JULIA AYBAR**

Mrs. Aybar studied at the Catholic University of Peru's Faculty of Law and pursued

postgraduate studies at the University of Lima. She has also taken part in different specialty courses, such as energy and hydrocarbons legislation and the regulation of natural gas. She started working in the oil and gas sector in the legal area of PeruPetro (the government body that administers oil exploration and extraction in Peru). She then became a partner at the Estudio Muñiz, Pérez-Taiman & Luna-Victoria law firm for nearly 10 years, in which she made use of her experience in the different areas of hydrocarbons activities. She participated in the exploitation, transport and distribution phases of the Camisea project, including its financing. She has been the General Counsel of PERU LNG since February 2006.

**KONRAD RUDNICKI**

Prior to joining Hunt in 2008, Mr. Konrad Rudnicki had more than 10 years of experience in the energy, oil and gas sectors. He began

his career in Triton Energy in Dallas, Texas, where he worked in the finances area on internal projects for E & P. After the acquisition of Triton Energy by Hess Oil, he joined North American Coal as Senior Strategy Analyst, working with the CFO in short and long term strategies as well as helping in the process of capital allocation and financing operations. Subsequently, Rudnicki led the unconventional business unit at Encana, based in Dallas, as adviser to the Regional President on the strategic portfolio area. At Hunt, Rudnicki has had the opportunity to lead and work on several initiatives for Hunt Energy Horizons, as Manager of Business Development, then as Director of Strategic Planning. Since June 2014, he has worked as Director of Commercial and Project Development for PERU LNG.

Mr. Rudnicki earned his MBA and B.B.A at Southern Methodist University, focusing on the areas of finance and accounting.

**GRANT JOHNSON**

Mr. Johnson graduated with honors in finance from the University of Georgia. He holds an MBA from Southern Methodist University, where he specialized in finance, accounting and energy financing. He has worked in the investment banking department of Citigroup as a financial and as an insurance adviser for clients in the southeastern and southwestern United States. He then worked in the planning and strategy office of Hunt Oil Company in Dallas, Texas, where he developed and supervised long- and short-term strategic plans for domestic and international operations.

He has been the Planning Manager of PERU LNG since June 2013.





## SUSTAINABLE DEVELOPMENT *programs*

SOCIAL RESPONSIBILITY ACTION BY PERU LNG HAS HELPED BUILD CONFIDENCE AND RESPECT AMONG THE POPULATION. THESE SOCIAL INITIATIVES IN THE FIELD OF SUSTAINABLE DEVELOPMENT AIM TO IMPROVE THE QUALITY OF LIFE OF PEOPLE LIVING IN THE COMPANY'S DIRECT AREA OF INFLUENCE IN THE AREAS OF AYACUCHO, HUANCVELICA, ICA AND LIMA. IN 2014, WORK CONCENTRATED ON FOUR PROJECTS.

## 5. OUR COMMITMENT TO THE COMMUNITY

### I. TRAINING PROGRAM FOR PUBLIC INVESTMENT MANAGEMENT

This program, launched in March 2012, contributes to strengthening the capacities of the technical teams to develop and manage strategic public investment projects to meet basic needs of the population. Taking part in this program are the municipalities of Vinchos, Chiara and Acosvinchos, and the province of Huamanga, in Ayacucho.

In coordination with the participating municipalities, technical assistance is provided for files formulation and strategies in order to find sources of public funding. The program seeks to improve the quality of public investment projects and get funding for

at least five assisted projects and their implementation. This project won first place in the category Civil Society and Government as well as an award at Peru 2021 for Social Responsibility.

In order to facilitate the approach with different government agencies that have the responsibility of promoting public investment (with different areas of the Ministry of Economy and Finance-MEF), the process involves advisers from Universidad del Pacifico, who support technical teams in creating project profiles studies and supporting their governance consultations.

Toward the end of 2014, the viability statement of eight project profile studies was achieved, along



with municipal technical teams, to improve health infrastructure, education, water and sanitation. Seven projects have committed funds for implementation of approximately S/. 18,000,000.00 and three

projects are already in the implementation phase.

This world-class industrial project demonstrates that social development is possible, based on PERU LNG's, institutional mission

and vision. This initiative has contributed to a better relationship with local authorities at the district level and has positioned PERU LNG as a good example within the energy sector.



*commitment*  
TO SOCIAL RESPONSIBILITY



## II. ALLIN MINKAY

During 2014, thanks to projects promoted by the Allin Minkay program, 442 families from different communities in Ayacucho, who depend on agriculture for a living, are increasing their competitiveness and thus increasing their incomes and improving the quality of their lives. Allin Minkay consists of the following projects:

### Agricultural technology

The aim of this project, carried out during 2012 - 2014, was to improve irrigation systems to more efficiently use water and optimize the farming techniques used by each family. The final goal was to encourage the production of crops and increase family incomes, as well as improve the availability of agricultural products and smaller animals.

The number of families that participated was 179. This improve their ability to produce ability to produce agricultural goods, mainly for home consumption. The following communities in the Province of Huamanga, Ayacucho are taking part in

this scheme: Pomapuquio, in the District of Acocro; Hualccapucro, Liriopata, Paucho and San Juan de Cochabamba Alta, in the District of Chiara; Tambocucho and Toccyasca, in the District of Socos; and Rosaspata and Urpaypampa, in the District of Vinchos; and in the Province of La Mar, also in Ayacucho, the communities of General Córdoba de Socos, Santa Magdalena and Uras, in the District of San Miguel.

Implementation of these technologies produced the following results:



132

producers obtained milk and cheese due to proper animal and pasture management.

128

producers obtained cereal, tuber and vegetable production.

50

producers obtained animal source food, such as eggs and meat.

S/.500

increase in revenue for 88 families that produced potatoes and S/.300 for 62 families that produced peas.

11

The number of quinoa producing families increased their income by S/. 1.900.

27

families that cultivated bean and maize increased their income by S/. 246 and S/.682, respectively.

132

milk producing families increased their income by S/. 250 per semester.

128

producers installed 25.76 hectares of pressurized irrigation systems for crops.

132

producers installed 16.20 hectares of pasture grown under pressurized irrigation.

179

families use pressurized irrigation systems to irrigate 42 hectares of cultivated grasses and temporary crops.

40%

increase in improved irrigation practices.

67%

increase in the frequency of irrigation and, consequently, of installed irrigation systems and capacities developed by families with the efficient use of water.



**Improvements to irrigation infrastructure**

A shortage of water in the zone is one of the main difficulties facing farmers and stockmen. For that reason, this project promotes the construction of reservoirs and installation of irrigation systems and encourages adequate maintenance. This enables better storage and more efficient use of water for irrigation, thus increasing crop yields and extending the amount of land under permanent irrigation.

The project coordinates the development of technical studies on implementation of each irrigation system with the joint effort of Sub-sectorial Irrigation Program and the Ministry of Agriculture and Irrigation. During 2014, it has benefited 46 families in the community of Allapachaca, in the District of Chiara. The construction of two small reservoirs benefited 35 families in the Community of Pompuquio, in the District of Acocro, Ayacucho Region.

**Improvements to sales of crops with commercial potential**

This project, carried out during 2012-2014, encourages the development and acquisition of

new skills by 182 small farmers in the management of a variety of crops with commercial potential. It enables farmers to improve their technical knowledge, skills and crop management abilities so that they have access to financial resources for their businesses.

The beneficiaries belong to the Pinao and Llantapacha in annexes of the community of Pinao-Llantapachain the District of Tambillo, the communities of Acocro and Secceslambras in the District of Acocro, and the community of Sallalli in the District of Vinchos, all located in the Province of Huamanga, Ayacucho Region. It also benefits the communities of Patibamba and Uras in the District of San Miguel, Province of La Mar, in the same region.

The project achieved the following results for 2014:

**182**  
**SMALL AGRICULTURAL PRODUCERS HAVE IMPROVED THEIR TECHNICAL KNOWLEDGE, SKILLS AND ABILITIES TO MANAGE CROPS.**

**40%**

increase in revenue from the sale of agricultural products.

**50%**

increase in productivity by the promoted agricultural products (potatoes, beans, peas, artichokes, avocado, quinoa, beans, purple corn and tomato).

**120**

agricultural producers agreed to financing for agricultural inputs, basic equipment for irrigation and / or workmanship for production.

**100**

agricultural producers received certificates awarded by the National University of San Cristóbal de Huamanga for their Good Agricultural Practices.

**100%**

of agricultural producers have basic irrigation equipment running.

**100%**

improved the efficiency of irrigation water by 50%.

**50%**

increase in the extent of land for crop irrigation.

**50%**

increase in the frequency of watering, which is performed in a timely manner and based on a schedule irrigation.

**118**

agricultural producers agreed to a life insurance.

**182**

agricultural producers trained in production and sales registry, as well as marketing commercialization for demand articulation.

**25%**

increase in the volume of sales of agricultural products.

**25%**

increase in sales value.



### III. IMPROVEMENT IN READING COMPREHENSION

Since 2014, along with BBVA Foundation, the project Read - Being Ahead has been supporting 547 students, from elementary public schools between 3rd and 6th grades within the communities of Vinchos district. The activities are carried out according to these four main components:

a) Delivery of educational materials during 2014: Pedagogical guides for 34 teachers and practical reading comprehension for 547 students. Our preparation model emphasizes local information content that promotes curricular diversification complementing the characteristics of Peruvian public school context.

b) Training and support: Training workshops for teachers in order to develop students, reading comprehension skills. Last year a three-day workshop took place to enhance their pedagogical skills, which

included an extensive system of mentoring for class guidance as well as implementation of methodologies feedback.

c) Measuring the effectiveness of training programs in the participating students: Assessments are developed in the progress of students in three stages (input, intermediate and output) using the methodology of the Census Student Assessment (test ECE), which will then be shared with the Quality Educational Measurement Unit - Ministry of Education and others in the politics and research of the education sector.

d) Institutionalization: Coordinates with various levels of the education sector to engage the public and/or private sector, establishing synergies and other alliances that contribute to achieving the objective of the program.

By 2015 the project plans to expand its services to more than 20 schools.



*innovative*  
EDUCATION PROJECTS



**IV. TRAINING IN FISHING CRAFT**

Since October 2013, PERU LNG has had an agreement of institutional cooperation with the National Fisheries Development Fund (FONDEPES), an organization under the Ministry of Production, to implement a training program of four courses at facilities in Paita. The training is intended to encourage the formalization and strengthen the skills of the fishermen from the area of influence of PERU LNG.

Each course lasts two weeks and is developed in the form of internship at FONDEPES facilities in Paita. Participants receive educational materials and fishing equipment for exercises. Beneficiaries receive training in fishing techniques,

theory and practice. Also, after passing the courses, they may obtain a card issued by the Navy of Peru, certifying them as artisanal fishermen. This card allows them to apply for formal jobs in the fisheries sector and access to funding sources FONDEPES manages to acquire other resources that benefit their business.

The trainings conducted in 2014 have allowed FONDEPES to certify 74 fishermen, who won the "Artisanal Fishermen-Sailor License" issued by the Navy of Peru.

**74 FISHMEN WERE TRAINED AND CERTIFIED BY FONPEDES**

**6. HEALTH, SAFETY AND THE ENVIRONMENT**

PERU LNG has developed and implemented a series of practical measures and requirements in all workplaces to the benefit of its employees, contractors and consultants. These practices also control and mitigate the risks inherent in our operations to the health and safety of our employees, the environment and to communities in the area of influence of the gas pipeline, plant and port facility.

As far as the environment and protection of natural resources are concerned, PERU LNG operates to the highest industry standards in order to guarantee strict compliance with Peruvian and international legislation.

Proof of this can be seen in the ISO 14001 and OHSAS 18001 certification of our Integrated

Management System, obtained in November 2013, which were maintained in 2014 through an external audit by Tuv Rheinland. Thus, it was verified that the environmental management systems and security are being properly implemented in all operations of PERU LNG, from KP 0 (starting point) of the pipeline in the area Chiquintirca to the LNG plant and port facility at Pampa Melchorita. The scope of certification covers all activities, processes and locations of PERU LNG, including offices. Furthermore, The Geographic Information System (GIS) is aimed at creating a safe working environment for all PERU LNG employees and contractors. It also establishes a commitment to serve as social and environmental partners in the communities in which it operates.





A. ENVIRONMENTAL  
MANAGEMENT IN THE PLANT

Environmental and safety  
assurance inspections

The Melchorita plant is continually being inspected in order to guarantee compliance with quality, health and safety, and environmental standards. Fifty-two inspections were carried out in 2014. These inspections resulted in 148 observations, which assisted the process of continual improvement.

Audits of the plant by the  
authorities

Audits are important in maintaining the company's high-quality standards. In 2014, the two audits were carried out as detailed below: two by the National Port Authority (APN), one by the Environmental Evaluation and Monitoring Body (OEFA) and one by the Local Water Authority (ALA). The audits were performed satisfactorily, and no observations were made.

Responsible water  
management

PERU LNG operates in harmony with the environment and with the inhabitants of its area of influence. In doing so it uses water in a sustainable manner in order to keep its

impact on the environment a minimum. To achieve this, the Melchorita plant uses sea water to make drinking water through reverse osmosis, which is then used in its activities. Thus no water is extracted from rivers or local wells, and there is no impact on water sources in the zone.

In accordance with the national and international standards defined in the EIS, the water used in the company's processes or by employees in its offices and camps is treated after use until its quality is excellent. It is very important to point out that treated domestic waste water is not discharged into the sea; instead it is reused in the following manner:

- 20,000 m<sup>3</sup> of treated domestic waste water is reused to irrigate parks and gardens.
- 45,000 m<sup>3</sup> of treated domestic waste water is used to water roadways to reduce dust.

Monitoring: guaranteeing  
compliance with the highest  
industry standards

PERU LNG implements a number of environmental monitoring programs to obtain information on the effect its operation may have on the



environment, as well as to mitigate any environmental effects and to preserve the natural characteristics of the

company's area of influence. The following tables give the results of the two types of monitoring carried out in 2014.

Monitoring discharges and emissions

Monitoring	Number of samples taken annually	Results
1 annual emissions sample: 8 chimneys	56	All meet the standards
12 effluent samples: 4 monitoring points	1,002	All meet the standards
56 vessels provided samples (water ballast)	448	All meet the standards
4 measurements of environmental noise, 10 monitoring points	80	All meet the standards



Environmental monitoring of receiving water bodies

Monitoring	Number of samples taken annually	Results
4 air quality samples, 5 monitoring points	20	All meet the standards.
4 samples of sea water plankton, 1 sampling point	4	No invasive or new species were found.
4 air quality samples, 5 monitoring points	6,568	The resulting values are similar to those reported in the environmental baselines in 2002 and 2006.
2 marine sediment samples, 14 monitoring points	675	The resulting values are similar to those reported in the environmental baselines of 2002 and 2006.

In addition, two marine monitoring campaigns were carried out in which representatives of fishermen's associations and government authorities took part, as well as two surveys of the coastal morphology (9 kilometers of beaches evaluated in each survey) and four geographical surveys.

Responsible waste management

The waste management actions have reduced the amount produced per worker and increased the amount of waste reused and recycled per capita. During 2014, about 800 tons of waste was generated. Waste is managed by prioritizing the reduction, recycling and reuse. Also in 2014, work of composting food scraps was initiated, which

decreased markedly waste transported and disposed in landfills, contributing to the improvement of integrated waste management and the application of the hierarchy of sustainable management solid waste. The resulting compost is used to fertilize green areas and gardens around the camps and offices of the plant.

Recycled waste includes: paper, cardboard, wood, plastic, metal, glass, Tetrapak, used oil, batteries, toners.

THE RESULTING COMPOST IS USED TO FERTILIZE GREEN AREAS AND GARDENS AROUND THE CAMPS AND OFFICES OF THE PLANT.

B. ENVIRONMENTAL MANAGEMENT OF THE GAS PIPELINE

Workplace inspections

The Geographic Information System (GIS) involves aspects of occupational health, safety, environmental management and community relations, and it also includes all activities carried out in the PERU LNG pipeline.

This system comprises inspections and internal audits, which aim to verify proper implementation of commitments and standards along the 408 kilometers of access roads, including work fronts, surface facilities, access roads, camps and others.

During 2014 more than 350 inspections were conducted and several opportunities for improvement were recorded and attended to promptly. Actions arising from these opportunities for improvement, corrective and preventive, are intended to ensure that risks and potential operations impacts are handled on time and in accordance with the procedures and standards PERU LNG.

River monitoring

PERU LNG's gas pipeline crosses numerous rivers on its way to the coast. Each river crossing is monitored at various stages of the year. In 2013 this work was carried out where the right of way (RoW) crosses 13 rivers in January, February, March and December (rainy season) and September (dry season). A total of 65 monitoring surveys were performed.

The following river crossings were monitored: Alfarpampa, Sachapampa, Torobamba, Altomayo, Yucay, Vinchos, Palmitos, Pampas, Leche Leche, Pisco, Matagente, Chico and Topará.

Noise monitoring at surface monitoring stations

With the aim of contributing to environmental protection and respect for the obligations undertaken in the EIA Gas Pipeline, in April and October 2014 we carried out noise monitoring during both day and night time in 43 points of the 17 surface stations (14 relief valves, 1 Meter Station, 1 Scrapper, 1 PCS). The results confirm that we comply 100% with standards for noise.



**IN APRIL AND OCTOBER 2014 WE  
CARRIED OUT, NOISE MONITORING  
DURING BOTH DAY AND NIGHT TIME  
IN 43 POINTS OF THE 17 SURFACE  
STATIONS (14 RELIEF VALVES, 1 METER  
STATION, 1 SCRAPPER, 1 PCS).  
THE RESULTS CONFIRM  
THAT WE COMPLY 100%  
WITH STANDARDS.**





### Audits of contractors

Contractors are essential in the maintenance and operation of the pipeline, so we must ensure that their performance in environmental, health and safety matters are implemented in accordance with the standards and procedures of PERU LNG. To verify compliance, audits and inspections are permanently carried out in all work fronts, so the conditions and actions that contractors must improve are identified quickly.

In 2014, compliance audits were carried out with contractors: COGA, Wesa, Securitas, La Moderna, RCP and MICORP.

In 2015, it is planned to develop an indicator to measure comprehensively the HSE management of contractors, with the aim of promoting best practices, continuous improvement processes and ensuring that all contractors comply fully with the standards and procedures defined in the Geographic Information System of PERU LNG.

### OEFA audits

The gas pipeline installations

were audited twice by the Environmental Evaluation and Monitoring Body (OEFA). OEFA made no observations during 2014.

### Participatory Socio-Environmental Monitoring Program (PSEMP)

The PSEMP is a tool that facilitates active participation by communities and villages in the direct area of influence of PERU LNG. Thus it is they who appoint their representatives, referred to as "monitors," who are responsible for monitoring and observing possible social and environmental impacts deriving from the operation of the gas pipeline.

The mission of the "monitors" is to identify events, record them and report them in a timely manner to their communities and to the company. On receipt of this information, PERU LNG analyzes it and takes prompt corrective action, thus leading to the continual improvement of its operations.

One-hundred-and-fourteen findings were detected in 2014 and nine case reports were presented. Overall, we obtained

an efficiency in corrective actions of 78.21%. Of a total 179 findings monitored, a total of 39 remained pending. These "observations" by the PSEMP will be properly cared for in the first quarter of 2015.

The results of PSEMP and management of closed findings and observations can be reviewed on their website

[WWW.PMSAP.PE](http://WWW.PMSAP.PE)



*environment*  
**RESPECTING THE SURROUNDINGS**



**Biodiversity Monitoring and Assessment Program (BMAP)**

In order to integrate preservation of biodiversity into the construction and operation of the gas pipeline, processing plant and port facility, PERU LNG collaborated with the Centro para la Conservación, Educación y Sustentabilidad (CCES) and Smithsonian Conservation Biology Institute (SCBI) to create a Biodiversity Monitoring and Assessment Program (BMAP) in 2008.

The BMAP evaluates and monitors species and habitats, thus determining the status of these species and changes over time. The information from the biological assessments was used to draw up guidelines so that PERU LNG can make decisions that help to mitigate any impact on biodiversity.

Several monitoring campaigns were conducted in 2014 according to the annual plan of BMAP, which included monitoring of the following research protocols:

- Cacti and biodiversity in the desert.
- Vegetation and bog birds.
- Bio restoration along the access roads.
- Freshwater ecosystems.

It should be noted that in 2014 BMAP was awarded first place in the Environment category at Peru 2021 for Social Responsibility.

The results of BMAP can be reviewed on their website

[WWW.BMAP.COM.PE](http://WWW.BMAP.COM.PE)



**Training for contractors**

Training for contractors is an integral part of PERU LNG's management system, aimed at transmitting basic knowledge of environmental management and

at guaranteeing compliance with the standards imposed by PERU LNG in its workplaces. Thus during 2014 the contractors' staff were trained in the following subjects:

Management of hydrocarbons and chemical products	Use of water for construction / maintenance	Discovery of archaeological remains
Hydrocarbon spillages and response to spillages	Effluent management	Biorestoration
Spillage retention equipment	Dust control	Erosion control and rehabilitation
Environmental incident reports	Noise control	Topsoil management
Solid waste management	Maintenance and emissions from equipment and vehicles	Movement of machinery to the workplace
Environmental inspections	Storage and use of construction materials	Taking machinery across water courses





### Biorestoration

Biorestoration activities were designed to reestablish areas affected by the building of the gas pipeline. The 2014 biorestoration campaign addressed 68 kilometers of

the RoW and included the transfer of native species, soil improvement and manuring. This work has improved the condition of the vegetation along the RoW.



## 7. COMMUNICATIONS

In order to strengthen the good relations between PERU LNG and local people and authorities, especially those adjacent to the gas pipeline and the Melchorita plant, the Department of Corporate Affairs and Communications organized the following events and campaigns during 2014.

### CULTURAL CONFERENCE CYCLE

Aiming to promote debate on matters of public interest, these events are part of PERU LNG's commitment to local welfare and development in the fields of health, nutrition, culture and sport.

In April 2014, within the activities of the Lecture Cultural Rights, the renowned actor Bruno Odar visited the cities of Chinchá, Cañete and Ayacucho. In his lectures, he emphasized the importance of

art and personal development, shared with attendees several anecdotes of his life and encouraged young people to pursue their goals.

In June, the conference Raising Children in the 21<sup>st</sup> Century: The Role of Mom and Dad was led by renowned psychologist Robert Lerner, in Chinchá, Cañete and Ayacucho. At the conference, Lerner shared with dozens of parents useful information about the importance of the role of adults in areas such as discipline, studies, good use and abuse of technology, the dangers of bullying and the importance of vocational guidance.

Both events were able to gather about 1,400 people in Chinchá, 1,100 people in Cañete and 900 people in Huamanga, Ayacucho.

Among the celebrations for Children's Day, three events were organized. The main



attraction was the show called The Bud and the Magic Book, a play adapted and directed by theater director Angel Calvo.

During the events, messages and advice to children about the importance of reading were disseminated.

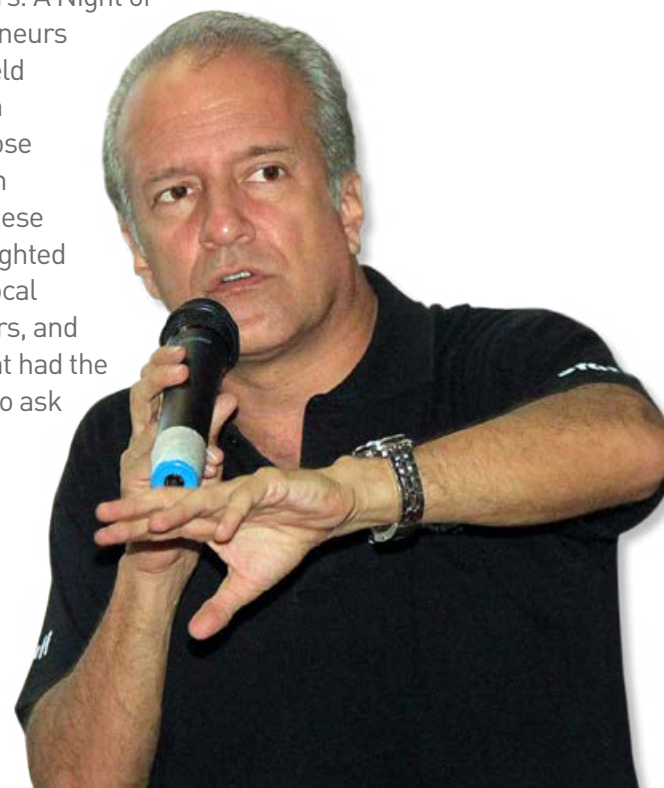


### LET'S DO BUSINESS

In its second year with a new format, the radio program Let's Do Business continued broadcasting in the city of Ayacucho. It should be noted that this program is in its sixth season and already a firm favorite in the towns of Chíncha and Cañete.

The purpose of the program is to promote a spirit of entrepreneurship. Advice was given and case studies

examined to encourage local entrepreneurs. A Night of the Entrepreneurs event was held at the launch (May) and close of the season (October). These events highlighted successful local entrepreneurs, and those present had the opportunity to ask questions.



# SOCIAL INVESTMENT

## STRENGTHENING PERUVIAN TALENT

PERU LNG supports talented young people as a means of creating leaders who will contribute to the country's development. It therefore reached an agreement with the National University of Engineering to award an annual PERU LNG Scholarship.

The scholarship will provide financial assistance to enable young students to continue their professional training at internationally recognized academic institutions. In 2014, the third year of the program, National Engineering University student Paul Calle Contreras was chosen to study at the University of Oklahoma (USA), one of the world's most prestigious institutions in the field of gas and oil. When he finishes his course, Paul will be able to carry out his pre-graduation practice at PERU LNG and then join the company.

The evaluation process is backed by the Commission for Student Exchanges between Peru and the United States of America (Fulbright).



## MELCHORITA VOLUNTEER ACTIONS

In order to promote solidarity and live the values of the company, employees are encouraged to participate in Melchorita Volunteer Actions.

These volunteer actions are aimed at supporting the ongoing work of the Home of the Beatitudes, a home for abandoned children led by Father Omar Sanchez.

Throughout the year, a team of PERU LNG employees and its operating company, Hunt LNG Operating Company, promoted raising money, time and dedication. The activities undertaken by this team include raffles and collecting food and diapers. In addition, the team shared their time with the kids while supporting the site maintenance.







# FINANCIAL INFORMATION



THE FINANCIAL INFORMATION ON PERU LNG GIVEN BELOW WAS OBTAINED FROM THE AUDITED FINANCIAL STATEMENTS OF PERU LNG AND THE RESPECTIVE EXPLANATORY NOTES. THE FINANCIAL STATEMENTS OF PERU LNG FOR FISCAL YEARS ENDING ON THE 31ST OF DECEMBER 2014 AND 2013 WERE AUDITED BY CAIPO Y ASOCIADOS SOCIEDAD CIVIL, A MEMBER FIRM OF KPMG INTERNATIONAL.

PERU LNG'S FINANCIAL INFORMATION HAS BEEN PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS).

THIS SUMMARY OF PERU LNG'S FINANCIAL INFORMATION SHOULD BE READ IN CONJUNCTION WITH THE AUDITED FINANCIAL STATEMENTS OF PERU LNG AND THEIR ACCOMPANYING NOTES, UPON WHICH THEY DEPEND.

#### Financial position

As of the 31st of December 2014 and 31st of December 2013  
(Expressed in thousands of U.S. dollars)

	As of the 31st of December 2014	As of the 31st of December 2013
Current assets	151,774	116,890
Cash and cash equivalents	186,585	286,943
Other financial assets	331	492
Trade accounts receivable	18,308	27,907
Other accounts receivable	55,221	62,588
Other non-current assets	13,353	22,492
Inventory	4,216	2,025
<b>Total current assets</b>	<b>429,788</b>	<b>519,337</b>
Non-current assets:		
Real estate, plant and equipment, net	2,755,832	2,863,916
Deferred tax	4,758	11,187
<b>Other non-financial, non-current assets</b>	<b>2,760,590</b>	<b>2,875,103</b>
<b>Total non-current assets</b>	<b>3,190,378</b>	<b>3,394,440</b>
Current liabilities:		
Trade accounts payable	50,240	75,413
Other accounts payable	6,046	6,584
Accounts payable to non-arms-length entities	134	0
Financial obligations	183,209	178,178
<b>Total current liabilities</b>	<b>239,629</b>	<b>260,175</b>
Non-current liabilities:		
Deferred income tax	18,363	9,816
Other financial liabilities	1,539,106	1,662,822
<b>Total non-current liabilities</b>	<b>1,557,469</b>	<b>1,672,638</b>
<b>Total Liabilities</b>	<b>1,797,098</b>	<b>1,932,813</b>
Equity		
Capital issued	1,401,435	1,501,435
Other equity reserves	(51,928)	(40,402)
Accumulated results	43,773	594
<b>Total net equity</b>	<b>1,393,280</b>	<b>1,461,627</b>
<b>Total liabilities and net equity</b>	<b>3,190,378</b>	<b>3,394,440</b>





## Income statement

As of the 31st of December 2014 31st of December 2013  
(Expressed in thousands of U.S. dollars)

	As of the 31st of December	
	2014	2013
Income	788,866	1,350,381
Sales cost	(561,543)	(1,030,129)
<b>Gross income</b>	<b>227,323</b>	<b>320,252</b>
Management costs	(55,315)	(31,391)
Sales and distribution costs	(32,309)	(36,212)
Other operating income	91	63
Financial income	517	1,277
Financial expenses	(83,209)	(91,375)
Exchange rate differences, net	(433)	(1,549)
<b>Earnings before income tax</b>	<b>56,665</b>	<b>161,065</b>
Income tax	(13,486)	(58,436)
<b>Net profit for the fiscal year</b>	<b>43,179</b>	<b>102,629</b>

## Main financial indicators

	As of the 31st of December	
	2014	2013
<b>Liquidity index</b>		
Liquidity	1.79x	2.00x
Available assets / current liabilities ratio test	1.78x	1.99x
<b>Management index</b>		
Gross profit margin	29%	24%
Operating margin	18%	19%
<b>Solvency index</b>		
Liabilities / equity	1.28x	1.32x
Non-current debt / capital ratio	0.52x	0.53x
Non-current liabilities / net equity	1.10x	1.14x
<b>Profitability index</b>		
Return on capital	3.1%	7.0%
Return on sales	5.5%	7.6%





# MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

This summary of financial information analysis should be read in conjunction with the audited financial statements of PERU LNG and their accompanying notes, upon which they depend. The Financial Position has been prepared in accordance with the International Financial Reporting Standards (IFRS).

## COMPARISON OF FISCAL YEARS ENDING ON THE 31ST OF DECEMBER 2014 AND 2013 (EXPRESSED IN THOUSANDS OF US DOLLARS)

### Statement of Results

#### **Income**

Income as of December 2014 amounted to US\$788.9 MM. This derived principally from sales of LNG to Shell International Trading Middle East Limited (SITME) in the form of 60 export shipments during 2014. Income decreased by US\$561.5 MM (42%) compared with December 2013. This was mainly because, due to the requirements of the Purchase and Sale Agreement with Shell, the percentage distribution of sales during the period January to December 2014 increased toward the marker Henry Hub (HH) and



decreased toward the net JKM, as well to a slight decrease (2.3%) in the volume of sales recorded in December 2014 compared to December 2013. At the closing of the fiscal year 2014, 71.7% of sales have been directed toward HH spot prices, while at end of the same period of 2013, 44.6% of sales were sold HH spot prices.

**Sales Cost**

Cost of sales for the period January to December 2014 amounted to US\$561.5 MM corresponding to the manufacturing costs of LNG sold during the period. This was a decrease of 45% compared to December 2013, due to reduced unit cost, which is directly related to the increase in net sales to Henry Hub during the period January to December 2014 and the lowest price recorded on the scoreboard. The cost of gas purchased from Henry Hub spot price is the lowest compared to other spot prices. Cost of sales consists of the variation of finished products of US\$7.1 MM (1.3%), purchase of natural gas and supplies used in production amounting to US\$339.4 MM (60.4% of the total), depreciation of US\$123.4 MM (22% of the

total), operator services of US\$33.4 MM (6%), and other indirect costs of US\$58.2 MM (10.3% of the total).

**Administrative costs**

Administrative costs in the period January to December 2014 were 11% lower than the close of the same period in fiscal year 2013, which amounted to US\$32.3 MM (US\$36.2 MM in 2013), representing a decrease of US\$3.9 MM. This was due principally to a decrease in personnel expenses (from US\$1.8 MM in December 2013 to US\$1.4 MM in December 2014), services provided by third parties (from US\$ 21.8 MM in December 2013 to US\$21.6 MM in December 2014) and other expenses (US\$12.4 in December 2013 to US\$9.2 MM in December 2014).

**Financial expenses**

Financial expenses decreased 9% in December 2014 (US\$83.2 MM) compared to December 2013 (US\$91.3 MM) principally because of lower interest paid on senior debt and local bonds, a lower Libor rate and lower interest on working capital of the prior year.

**Net results**

At the close of December 2014, earnings before income tax amounted to US\$56.7 MM, a figure US\$104.4 MM lower than the close of the same period in fiscal year 2013, as a consequence of lower income in the registered period. Deferred income tax as of the 31st of December 2014 had an impact on the net results amounting to US\$13.5 MM, which reduced the net profit of the fiscal year to US\$43.2 MM. As of December 2013, net profit was US\$102.6 MM. Furthermore, EBITDA in December 2014 was US\$281.5 MM, with a decrease of US\$112.0MM compared with December 2013, when EBITDA was US\$393.5 MM.

**Statement of financial position**

Current assets at the end of December 2014 amounted to US\$429.8 MM, a 17.2% decrease compared with the close of 2013 (US\$519.3 MM), the result of a decrease in other financial assets, trade accounts receivable, other accounts and inventories. The principal accounts include:

(i) Cash and cash equivalents amounting to US\$151.8 MM, resulting from payments by Shell International Trading Middle East (SITME) for the sale of liquefied natural gas (LNG) during the fiscal year, held in overnight deposits and freely-available current accounts.

(ii) Other financial assets amounting to US\$186.6 MM from the reserve accounts. In accordance with the provisions of the finance agreements, these accounts were established to pay financial obligations and third parties. One of the main reserve accounts is the debt service reserve account, which contains the total debt repayment (capital plus interest) due on the following payment date. It should be remembered that debt payments have been made every six months, in May and November of each year, since May 2011. Other reserve accounts include the accumulated debt service account, into which an amount equivalent to 1/6 of the total debt repayment due on the



following payment date is transferred every month; the maintenance reserve account; and the TGP payment reserve account.

(iii) Trade accounts receivable includes accounts receivable from SITME, which amounts to US\$55.6 MM, a figure 11.9% lower than at the close of 2013.

(iv) Other accounts receivable decreased from US\$27.9 MM to US\$18.3MM, as a result of a lower VAT recovery during the period (for the destination-based sales). This account consists principally of the reimbursable VAT account, which decreased by 35.2% compared with the end of December 2013. The amount generated is US\$16.3 MM, originating from the acquisition of new intermediate assets, capital goods and services that have been used in the company's operations.

(v) The inventory account amounts to US\$13.4 MM for fiscal year 2014. This account consists principally of spare parts (67%) and liquefied natural gas (21%).

Total assets amounted to

US\$3,190 MM at the end of December 2014. The principal account is real estate, plant and equipment, net, and amounts to US\$2,756 MM, a reduction of US\$108.1 MM compared to the close of 2013 as a result of increased accumulated depreciation as of December 2014.

Current liabilities at the close of December 2014 amounted to US\$239.6 MM, lower than at the close of 2013 (US\$260.2 MM). This consists mainly of trade accounts payable, which fell by 33.3% to US\$50.3 MM, and other accounts payable, which fell by 8.2% to US\$6.0 MM at the close of December 2014.

Total liabilities fell US\$135.7 MM (7.0%) from US\$1,933 MM at the end of fiscal year 2013 to US\$1,797 MM at the close of December 2014. This was principally because of repayments of senior debt and local bonds during fiscal year 2014.

Finally, Total Equity decreased by US\$68.3 MM to US\$1,393 MM at the end of December 2014, given that the Accumulated Results Account

increased by US\$43.2 MM from an accumulated profit of US\$594,000 at the end of fiscal year 2014.

Furthermore, other Equity Reserves arising from unrealized interest rate swaps increased by US\$11.5 MM, making the accumulated loss an increase from \$40.4 MM at the close of fiscal year 2013 to \$51.9 MM by the close of December 2014.

The Capital Account fell US\$100 MM compared with December 2013 to a total of US\$1,401 MM at the close of December 2014, the result of a share buyback approved by a general meeting of shareholders on the 20th of May 2013, valued at the above amount. This capital reduction became effective in January 2014, after having met all contractual requirements and law.

**Changes in those responsible for drawing up and revising financial information**

During the last two fiscal years (2014 and 2013) no changes have been made in the people

responsible for preparing and reviewing the financial information of PERU LNG.

**Annexes:**

Annex I: Information on Compliance with the Principles of Good Corporate Governance.





# GOOD CORPORATE GOVERNANCE



REPORT ON THE IMPLEMENTATION OF THE CODE OF GOOD CORPORATE GOVERNANCE  
FOR PERUVIAN COMPANIES (10150)

Denomination:	PERU LNG S.R.L.
Exercise:	2014
Web page:	www.perulng.com
Denomination or company name for the evaluation company: (1)	
RPJ	Record 11500968

(1) It is only applicable in cases where the information contained in this report has been reviewed by a specialized company (e.g. audit company or consulting firm).

	Completed
<b>PILLAR I: Right of Shareholders</b> Principle 1: Treatment Parity Principle 2: Participation of shareholders Principle 3: Capital share anti-dilution provision Principle 4: Information and communication to shareholders Principle 5: Participation in dividends of the company Principle 6: Change or takeover Principle 7: Arbitration for dispute resolution	 YES YES YES YES YES YES YES
<b>PILLAR II: General Meeting of Shareholders</b> Principle 8: Function and competence Principle 9: Regulation of Shareholders Principle 10: Call Mechanisms Principle 11: Proposed agenda items Principle 12: Procedures for voting Principle 13: Delegation of vote Principle 14: Monitoring of agreements of GMS	 YES YES YES YES YES YES YES
<b>PILLAR III: The Board and Senior Management</b> Principle 15: Structure of the Board Principle 16: Functions of the Board Principle 17: Duties and rights of members of the Board Principle 18: Regulation of Board of Directors Principle 19: Independent Directors Principle 20: Operability of the Board Principle 21: Special committees Principle 22: Code of ethics and conflicts of interests Principle 23: Related party operations Principle 24: Senior Management Functions	 YES YES YES YES YES YES YES YES YES YES
<b>PILLAR IV: Risk and Compliance</b> Principle 25: Risk management system environment Principle 26: Internal audit Principle 27: External auditors	 YES YES YES
<b>PILLAR V: Transparency of Information</b> Principle 28: Information Policies Principle 29: Financial Statements and Annual Report Principle 30: Information about shareholder structure and shareholder agreements Principle 31: Corporate Governance Report	 YES  YES YES
<b>SECTION C</b>	

SECTION B:  
EVALUATION OF COMPLIANCE WITH THE PRINCIPLES OF THE CODE OF GOOD CORPORATE GOVERNANCE FOR PERUVIAN  
COMPANIES

PILLAR I: RIGHT OF SHAREHOLDERS

Principle 1: Parity treatment

Question I.1

	Yes	No	Observations:
Does the company recognize in its operations an equal treatment of shareholders in the same class and keep the same conditions (*)?	X		

(\*) Same conditions are those features that distinguish the shareholders, or have a common feature in their relationship with the company (institutional investors, non-controlling investors, etc.). Should not be considered that this implies that inside information use is favored.

Question I.2

	Yes	No	Observations:
Does the company promote only the existence of classes of shares with voting rights?	X		

a. About the capital of the company, specify:

Capital subscribed at the end of the year	Capital paid at the end of the year	Total number of shares representing the capital	Number of shares with voting rights
US\$ 1,401,435,077	US\$ 1,401,435,077	US\$ 1,401,435,077	US\$ 1,401,435,077

b. If the company has more than one class of shares, specify:

Class	Number of shares	Nominal value	Rights (*)

(\*) This field shall indicate the particular rights of the class that distinguish it from the others.

Question I.3

	Yes	No	Observations:
Should the company has investment shares, Does the company promotes a redemption policy or voluntary exchange of investment shares for common stock?			NOT APPLICABLE



Principle 2: Participation of shareholders

Question I.4

	Yes	No	Observations:
a. Do the company's articles of incorporations specify the structure of representation of shares and the registrar of the share register?		X	Not applicable, the company does not have a share register as the company's model is a Limited Liability Company (in Spanish Sociedad de Responsabilidad Limitada – SRL) however PERU LNG SRL shares are duly registered in the public registry.
b. Is the share register permanently updated?		X	NOT APPLICABLE, previous comments apply. Any change related to stakes shall be recorded in the public registry.

Specify the frequency to update de share register, if any changes

Frequency:	Within forty-eight hours	
	Weekly	
	Other / Please specify (in days)	NOT APPLICABLE

Principle 3: Capital share anti-dilution provision

Question I.5

	Yes	No	Observations:
a. Does the company's policy include the proposals of the Board regarding corporate operations that may affect the right of anti-dilution (i.e., mergers, splits, capital increases, etc.) previously explained in a detailed report including the independent opinion of an external adviser with recognized professional standing appointed by the Board?		X	Not applicable. The company has stakes, it is an LLC (SRL in Spanish)
b. Does the company's policy include making those reports available to the shareholders?		X	Not applicable.

If corporate operations pursuant to subparagraph a) of the question I.5 have occurred in the company, and if the company has Independent Directors (\*), specify if in all cases:

	Yes	No
Did all the Independent Directors cast their favorable vote for the designation of an external advisor?		
Did all the independent directors clearly express the acceptance of such report and sustained, if applicable, the reasons for their disagreement?		

(\*) Independent directors are those selected for their professional career, reputation, economic sufficiency and independence and not linked to the company, its shareholders or directors.

Principle 4:Information and communication to shareholders

Question I.6

	Yes	No	Observations:
Does the company appoint those responsible or determine the means for shareholders to receive and require timely, reliable and accurate information?	X		

a. Indicate the means for shareholders to receive and / or request company's information.

Means of communication	Receive information	Request information
Email address	X	X
Telephone	X	X
Corporate website		
Regular mail	X	X
Briefings	X	X
Other / Detail	In the company biweekly and monthly management reports	

b. Does the company have a maximum time limit for responding the requests for information submitted by shareholders? If yes, specify this period:

Maximum period (days)	
-----------------------	--

Question I.7

	Yes	No	Observations:
Does the company have mechanisms for shareholders to express their opinion on its development?	X		

If yes, please detail the company's mechanisms established available for shareholders to express their opinion on its development.

The mechanisms are indicated in the Articles of Incorporation.

Principle 5: Participation in dividends Company

Question I.8

	Yes	No	Observations:
a. Is compliance with the dividend policy subject to defined periodicity evaluations?	X		
b. Is the dividend policy available to the shareholders, among other means, through its corporate web page?		X	The information is available for the Partners by the General Meeting of Shareholders.



a. Enter the dividend policy of the company applicable to the exercise

Date of approval	8/24/09
Dividend Policies (Criteria for the distribution of profits)	(I) dividends shall only be declared and paid on the opportunities and in accordance with the provisions that the legislation provides. Dividends are paid pursuant to the profits obtained or unrestricted reserves provided that the net equity is not, or because of its distribution becomes lower than the paid capital. (ii) If there are unrestricted reserves or distributable profits pursuant to paragraph (i) above, the company shall declare and pay dividends. However, the statement of dividends is subject to the discretion of the General Meeting of Shareholders, which will adopt decisions in this regard based on the factors such as liquidity, indebtedness, planned investments and other factors deemed relevant in the corresponding opportunity. However, the resolutions adopted by the company in no case will not imply the compliance of their obligations under the financing documents. (iii) The General Meeting of Shareholders also shall agree on the distribution of interim dividends based on the criteria indicated in the paragraph (ii) above and in compliance with the legal requirements for this.

b. Indicate the dividends in cash and shares distributed by the company in the year and in the previous year.

Per share	Dividends per share			
	Current year		Previous year	
	In cash	Shares	In cash	Shares
Class				
Class				
Action of investment				

Principle 6: Change or takeover

Question I.9

	Yes	No	Observations:
Does the Company have no-adoption policies or agreements o anti-absorption mechanisms?		X	The Articles of Incorporation do not include agreements that limit absorption.

Indicate if your company has set one of the following measures:

	Yes	No
Requirement of a minimum number of shares to be director		X
Minimum number of year as Director to be appointed as Chairman of the Board		X
Indemnification agreements for executives / officials as a result of changes following a takeover bid.		X
Others of a similar nature / Please detail	The Company does not have a Board of Directors, it is a LLC (SRL) however as detailed above in respected for partners.	

Principle 7: Arbitration for dispute resolution

Question I.10

	Yes	No	Observations:
a. Do the company’s articles of incorporation include an arbitration agreement that recognizes the right to arbitration, for any dispute between shareholders, or between shareholders and the Board; as well as the agreements challenge of GMS and Board by the shareholders of the Company?	X		It contains an arbitration clause that indicates that all issues and disagreements between the partners and the Company and its managers, either during the fiscal period or during the liquidation, on the interpretation or application of this Articles of Incorporation, will be subject to the final decision of an Arbitral Tribunal.
b. Does the clause provide an independent third party to resolve disputes, except in the case of legal reserve expressed in the common courts?	X		Yes, it would be solved by an independent third party.

If GMS and Board agreements have been contested by the shareholders or other involving the company during the year, specify the number.

Number of GMS agreements challenged	0
Number of Board of Directors agreements challenged	0

PILLAR II: GENERAL MEETING OF SHAREHOLDERS

Principle 8: function and competence

Question II.1

	Yes	No	Observations:
Is it exclusive and non-delegable function of the GMS the approval of the Board policy of retribution?		X	Not applicable. The company does not have a Board of Directors. Without prejudice of the foregoing, the General Meeting is responsible for the approval of the policy of retribution of company officials.

Indicate whether the following functions are unique to the GMS, If your answer is negative specify the entity that exerts.

	Yes	No	Órgano
Dispose investigations and special audits	X		
Agree on the modification of the Articles of Incorporations	X		
Resolve to increase the share capital	X		
Decide to distribute interim dividends	X		
Appoint external auditors	X		



Principle 9: Regulation of Shareholders

Question II.2

	Yes	No	Observations:
Does the company have a Regulation of the GMS, which has binding character and their breach entails responsibility?		X	However, the Company referred to in Chapter I of Title III of the Articles of Incorporations indicates the procedure for convoking, holding the Board, agenda to discuss, who presides, etc.

If there is a GMS Regulations, specify if the procedures are set for:

	Yes	No
Calls for the Board		
Incorporate agenda items by shareholders		
Provide additional information to shareholders on boards		
The development of the Boards		
The appointment of the Board members		
Other relevant / Pleas detail		

Principle 10: Call Mechanisms

Question II.3

	Yes	No	Observations:
In addition to the call mechanisms established by law, does the company have mechanisms whereby contact shareholders, particularly those who have no control or manage the company?		X	We believe that additional mechanisms are not required to those set in the LGS, the same are suitable and sufficient to protect the rights of the members.

a. Please complete the following information for each of the Meetings held during the year:

Date of notice of meeting	Meeting Date	Location of the Meeting	Board type		Universal Meeting		Quórum %	Nº of shareholders present	Participation (%) of total voting shares		
			Special	General	Yes	No			Power of attorney	Direct exercise (*)	Did not exercised their voting rights
	01/04/2014	Headquarters		X	X			2	100%		
	14/05/2014	Headquarters		X	X			2	100%		
	24/06/2014	Headquarters		X	X			2	100%		

(\*) The direct exercise involves the vote by any means or method that does not involve representation.

b. What means, plus the referred to in article 43 of the Corporations Act and the provisions of the Rules of Significant Events and Information Reserved, did the company use to promote the calls to the Meetings during the year?

E-Mail address		Regular mail	
Telephone		Social Networks	
corporate website		Other / Detail	Directly in the company

Question II.4

	Yes	No	Observations:
Does the company make available to shareholders all the information regarding the issues contained in the agenda of the GMS and the proposed resolutions to implement (motions)?	X		

In the notices made by the company during the year:

	Yes	No
Did the location where the information was referred to the agenda items to be discussed at the meetings notify?		
Do the agenda items include: other issues, several issues or similar?		

Principle 11: Proposed of agenda items

Question II.5

	Yes	No	Observations:
Does the GMS Regulation include mechanisms that allow shareholders to exercise the right to make proposals for the agenda items to be discussed at the GMS and procedures to accept or reject these proposals?		X	Not applicable, does not have a Regulation. Notwithstanding, it results from implementation set out in the LGS that allows partners to exercise the rights described above.

a. Indicate the number of applications submitted by shareholders during the year to include agenda items to be discussed at the GMS, and how they were resolved:

Number of applications		
Received	Accepted	Denied
0		

b. In case they have been denied in the year, requests to include items on the agenda to be discussed at the GMS, indicate whether the company informed the rejection support to the shareholders applicants.

Yes ☐ No ☐



Principle 12: Procedures for voting

Question II.6

	Yes	No	Observations:
Does the company have enabled the mechanisms that allow the shareholder to vote by remotely via secure electronic or mail means to ensure that the person casting the vote is effectively a shareholder?		X	According to the Articles of Incorporations of the Company is via assistance either in person or by proxy.

a. If so, indicate the mechanisms or means that company has to exercise the voting remotely.

Vote by electronic means		Vote by regular mail	
--------------------------	--	----------------------	--

b. If remote voting have been used during exercise, specify the following information:

Meeting Date	% Vote remotely				% Vote remotely / total
	E-Mail address	corporate website	Regular mail	Others	

Question II.7

	Yes	No	Observations:
Does the company have corporate documents clearly specify that shareholders may vote separately on matters that are substantially independent, so that they can exercise their voting preferences separately?		X	The votes are regulated in the Company's Articles of Incorporations.

Indicate whether the company corporate documents clearly specify that shareholders may vote separately for:

	Yes	No
The appointment or ratification of Directors by individual voting for each of them.		X
The modification of the Articles of Incorporations, for each item or group of items that are substantially independent.		X
Other / Detail	The issues subject to vote are clearly defined in the agenda of the Meeting.	

Question II.8

	Yes	No	Observations:
Does the company allow those who act on behalf of several shareholders, cast votes differentiated by each shareholder, so as to comply with the instructions for each represented person?	X		

Principle 13: Delegación de voto

Question II. 9

	Yes	No	Observations:
Do the Articles of Incorporations of the company allow its shareholders to delegate their vote for anyone?	X		

If your answer is no, indicate whether its Articles of Incorporations restricts the right of representation in favor of any of the following persons:

	Yes	No
Another shareholder		
Of a Director		
A manager		

Question II.10

	Yes	No	Observations:
a. Does the company have procedures in which the conditions, means and the formalities to fulfill under the situations of vote delegation?	X		
b. Does the company make available to the shareholders a sample letter of representation, where the data of the representatives include the issues for which the shareholder delegates his vote, and If applicable, the direction of their vote for each one of the proposals?		X	There is a sample letter; it does not limit the right of shareholders to request its representation.

Indicate the requirements and formalities required for a shareholder to be represented on a meeting:

Formality (indicate whether the company requires a simple letter, letter of attorney, public deed or other).	SIMPLE LETTER
Anticipation (number of days prior to the meeting to submit the power of attorney).	UNTIL THE DAY BEFORE
Cost (indicate whether the company requires a payment for these effects and amount).	NO PAYMENT IS REQUIRED

Question II.11

	Yes	No	Observations:
a. Does the company have as policy to set limitations to the delegation percentage of votes of the Board members or senior management?		X	The right to representation in accordance with the Articles of Incorporations of the Company is not limited.
b. In the case of delegation of votes for board members or senior management, Does the policy company indicates that shareholders delegating their votes should state clearly the meaning of these?		X	No such specification, the partners have total freedom to be represented.



Principle 14: Monitoring of agreements GMS

Question II.12

	Yes	No	Observations:
a. Does the company keeps track of the resolutions adopted at the GMS?	X		
b. Does the company issue periodical reports to the Board and are put to the disposal of the shareholders?		X	Not applicable. The company does not have a Board of Directors. However the company immediately informs the Partners on agreements at the GMS.

If so, indicate what are the area and / or person in charge of tracking the resolutions adopted by the GMS. If a person is responsible, also include office and area where he works.

Area in charge	LEGAL	
Contact Person		
Names and surnames	Office	Area

PILLAR III: THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Principle 15: Structure of the Board

Question III.1

	Yes	No	Observations:
Is the Board of Directors consist of people with different specialties and skills, prestige, ethics, economic independence, sufficient availability and other qualities relevant to the company, so that there is plurality of approaches and opinions?		X	Not applicable. The company does not have a Board of Directors.

a. Enter the following information corresponding to the Board members of the company during the year.

Name and surname	Professional Formation (*)	Date		Stock share (****)	
		Start (**)	End (***)	No. of shares	Share. (%)
Directors (excluding independent)					
Independent Directors					

(\*) Detail If the Director further involved in other directories by specifying the number and if they are part of the economic group of the company reporting. To that effect should be considered the definition of economic group contained in the Regulations on Indirect Ownership, Linkage and Economic Groups.  
(\*\*) Corresponds to the first appointment in the company reporting.  
(\*\*\*) Complete only if the office of director during the year had ceased.  
(\*\*\*\*) Applicable only mandatory for Directors with participation of share capital equal to or greater than 5% of the shares of the company reporting.

% Of shares held by the Directors	
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Indicate the number of directors of the company located in each of the following age ranges:

Less than 35	Between 35-55	Between 55-65	Over 65

b. Indicate whether there are specific requirements to be appointed as Chairman, in addition to those required to be appointed as Director.

Yes ☐ No ☐

If the answer is affirmative, indicate those requirements.

--

c. Does the Chairman has a casting vote?

Yes ☐ No ☐

Question III.2

	Yes	No	Observations:
Does the company prevent the designation of substitute or alternate directors, especially for reasons of quorum?		X	Not applicable. The company does not have a Board of Directors.

If there are alternate directors or alternates, specify:

Alternate names or Alternate Director	Start (*)	End (**)

(\*) Corresponds to first appointment as Alternate Director or alternate reporting in company.  
(\*\*) Complete only if they have left the office of Alternate Director or alternate during the year.

Question III.3

	Yes	No	Observations:
Does the company disclose the names of the Director, their independency and their resumes?		X	Not applicable. The company does not have a Board of Directors.

Indicate under what means the company disclose the following information from the Directors:

	E-Mail address	Corporate website	Regular Mail	No reports	Other / Detail
Name of the Directors					
Independent or not					
Resumes					



Principle 16: Functions of the Board

Question III.4

	Yes	No	Observations:
Does the function of Board of Directors is? a. Approve and manage corporate strategy of the company.		X	Not applicable. The company does not have a Board of Directors. Notwithstanding the foregoing, this function is in charge of the General Meeting.
b. Establish objectives, goals and action plans including annual budgets and business plans..		X	Not applicable. The company does not have a Board of Directors. Notwithstanding the foregoing, this function is in charge of the General Meeting.
c. Control and monitor the management and take over the governance and administration of the company.		X	Not applicable. The company does not have a Board of Directors. Notwithstanding the foregoing, this function is in charge of the General Meeting.
d. Monitor the practices of good corporate governance and establish the policies and measures necessary for better application.		X	Not applicable. The company does not have a Board of Directors. Notwithstanding the foregoing, this function is in charge of the General Meeting.

a. Detail other relevant functions of the board of the company.

NA

b. Does the board delegates some of its functions?

Yes ☐

No ☐

Indicate, If applicable, what are the main functions of the Board that have been delegated, and the entity that exerts by delegation:

Functions	Entity / Area who has been delegated functions

Principle 17: Duties and rights of members of the Board

Question III.5

	Yes	No	Observations:
Do the Board members are entitled to ?: a. Request the Board's support and input of experts.		X	Not applicable. The company does not have a Board of Directors. Notwithstanding the foregoing, this right is exercised by the General Meeting.
b. Participate in induction programs on their powers and responsibilities, to be informed promptly of the organizational structure of company.		X	Not applicable. The company does not have a Board of Directors. Notwithstanding the foregoing, this right is exercised by the General Meeting.
c. Perceive a retribution for the work done, combining the recognition of professional experience and dedication to company with criteria of rationality.		X	Not applicable. The company does not have a Board of Directors.

a. Should have hired specialized consultants during the year; indicate whether the list of specialized advisors of the Board who have served during the period for decision-making of the company was made known to the shareholders.

Yes ☐

No ☐

If applicable, indicate whether any of the specialized consultants are linked to any member of the Board and / or Senior Management (\*).

Yes ☐

No ☐

(\*) For the purposes of linkage criteria shall apply linkage criteria within the contents of the Regulations on Indirect Ownership, Linkage and Economic Groups.

b. If applicable, indicate whether the company has made induction programs for new members who had joined the company.

Yes ☐

No ☐

c. Indicate the percentage represented by the total amount of remuneration and annual bonuses of Directors, on gross revenue, according to financial statements of the company.

Remuneration	(%) Income Gross	Bonuses	(%) Income Gross
Directors (excluding independent)		Share delivery	
Independent Directors		Delivery options	
		Delivery of cash	
		Other (detail)	

Principle 18: Regulation of Board of Directors

Question III.6

	Yes	No	Observations:
Does the company has a Board regulation that has binding character and their breach entails responsibility?		X	Not applicable. The company does not have a Board of Directors.



Indicate whether the Board Regulations contain:

	Yes	No
Policies and procedures for operation		
Organizational Structure of the Board		
Roles and responsibilities of the Chairman of the Board		
Procedures for the identification, Evaluation and nomination of candidates for Board members, who are proposed to the GMS		
Procedures for cases of vacancy, resignation and succession of Directors		
Other / Detail		

Principle 19: Independent Directors

Question III.7

	Yes	No	Observations:
At least one third of the Board is composed of independent directors?		X	Not applicable. The company does not have a Board of Directors.

Indicate which ones of the following conditions the company takes into consideration for its directors to qualify as independent.

	Yes	No
They are not a director or employee of a company of the same company group, except three (3) or five (5) year have elapsed respectively, since the termination of that relationship.		
They are not an employee of a shareholder with participation equal to or greater than five percent (5%) in company.		
They do not have more than eight (8) continuous years as Independent Director of the company.		
There have, or have had in the past three (3) years a commercial or contractual relationship, direct or indirect business, and significant character (*), with the company or any other company of the same group.		
They are not a spouse, or have kinship relationship in the first or second degree of consanguinity or affinity in the first degree, with shareholders, board members or senior management of the company.		
They are not a director or member of senior management of another company in which some director or member of senior management of the corporation is part of the Board.		
They are not in the last eight (8) years member of senior management or employee either in company, its group companies or shareholding companies of the company.		
They are not for the past three (3) years, partner or employee of the external auditor or the auditor of any company in the same group.		
Other / Detail		

(\*) The business relationship is supposed as significant when either party had issued invoices or payments for a value greater than 1% of their annual income.

Question III.8

	Yes	No	Observations:
a. Does the Board of Directors state that the proposed candidate is independent on the basis of inquiries made and the statement of the candidate?		X	Not applicable. The company does not have a Board of Directors.
b. Do the independent director candidates declare their condition of independent to the company, its shareholders and directors?		X	Not applicable. The company does not have a Board of Directors.

Principle 20: Operability of the Board

Question III.9

	Yes	No	Observations:
Does the Board have a work plan that contributes to the efficiency of their functions?		X	Not applicable. The company does not have a Board of Directors.

Question III.10

	Yes	No	Observations:
Does the company provide its Directors channels and procedures necessary to enable them to participate effectively in Board meetings, even not in person?		X	Not applicable. The company does not have a Board of Directors.

a. Indicate regarding the Board meetings conducted during the year, on the following:

Number of sessions	
Number of sessions in which it has waived notice (*)	
Number sessions in which the Chairman was absent	
Number of sessions in which one or more directors were represented by alternates or alter-nate Directors	
Number of Shareholder Directors were represented by at least one opportunity	

(\*) This field shall indicate the number of sessions that have been carried out pursuant to article 167 of the LGS.

b. Indicate the percentage of attendance of Directors at Board meetings during the year.

Name	% Attendance

c. Please indicate the period of availability of information prior to the Board of Directors Meeting referred to matters of the session.

	Less than 3 days	3 to 5 days	More than 5 days
not confidential Information			
Confidential Information			



Question III.11

	Yes	No	Observations:
a. Does the Board evaluate, at least once a year, objectively, its performance as a collegiate entity and its members?		X	Not applicable. The company does not have a Board of Directors.
b. Does the methodology of the self assessment by external consultants alternate?		X	Not applicable. The company does not have a Board of Directors.

a. Indicate whether performance assessments of the Board of Directors have been carried out during the year.

	Yes	No
As collegiate entity		
Its members		

If the answer to the previous question in any of the fields is affirmative, indicate the following information for each assessment:

Assessment	Self assessment		External assessment		
	Date	Notification (*)	Date	Entity in charge	Notification (*)

(\*) Indicate yes or no, if the assessment was notified to the shareholders.

**Principle 21: Special committees**

Question III.12

	Yes	No	Observations:
a. Did the Board of Directors of the company structure special committees that focus on the analysis of those aspects most relevant to the company's performance?		X	Not applicable. The company does not have a Board of Directors. Notwithstanding the foregoing, this function is exercised by the General Meeting.
b. Does the Board approve the regulations governing each of the special committees?		X	Not applicable. The company does not have a Board of Directors.
c. Are the special committees chaired by independent directors?		X	Not applicable. The company does not have a Board of Directors.
d. Have the special committees assigned a budget?		X	Not applicable. The company does not have a Board of Directors.

Question III.13

	Yes	No	Observations:
Does the company has a Nomination and Remuneration Committee which is responsible for nominating candidates for membership of the Board, which are proposed to the GMS by the Board, as well as to approve the system of remuneration and incentives of senior management?		X	Not applicable. The company does not have a Board of Directors. Notwithstanding the foregoing, the General Meeting is responsible for determining the remuneration system and incentives of the company officials, in coordination with the Human Resources area.

Question III.14

	Yes	No	Observations:
Does the company have an audit committee that oversees the effectiveness and suitability of the system of internal and external control of the company, the work of the audit company or auditor, as well as the compliance of legal and professional independence?	X		Some of the functions performed by the operator include having Internal Auditor.

a. Specify whether the company has the following additional Special committees:

	Yes	No
Risk committee		X
Corporate Governance committees		X

b. If the company has Special committees, enter the following information for each committee :

COMMITTEE 1				
Denomination of the Committee :				
Date of creation:				
Main functions:				
Committee members (*) : Full Name	Fecha		Position within the committee	
	Start (**)	End (***)		
% Independent Directors of the total of the Committee				
Number of meetings held during the year:				
It has delegated powers pursuant to article 174 of the Corporations Act:			Yes	No
The committee or its chairman participates in the GMS			Yes	No

(\*)Information about the people who are part of or integrated the committee during the year being reported shall be provided.

(\*\*) Corresponds to the first appointment as a member of the Committee in the company reporting.

(\*\*\*) Complete only in the case a person had ceased to be part of the Committee during exercise.



COMMITTEE 2	
Denomination of the Committee :	
Date of creation:	
Main functions:	

Committee members (*) : Full Name	Date		Position within the committee			
	Start (**)	End (***)				
% Independent Directors of the total of the Committee						
Number of meetings held during the year:						
It has delegated powers pursuant to article 174 of the Corporations Act:	Yes		No			
The committee or its chairman participates in the GMS	Yes		No			

(\*)Information about the people who are part of or integrated the committee during the year being reported shall be provided.  
(\*\*) Corresponds to the first appointment as a member of the Committee in the company reporting.  
(\*\*\*) Complete only in the case a person had ceased to be part of the Committee during exercise.

COMMITTEE 3	
Denomination of the Committee :	
Date of creation:	
Main functions:	

Committee members (*) : Full Name	Date		Position within the committee			
	Start (**)	End (***)				
% Independent Directors of the total of the Committee						
Number of meetings held during the year:						
It has delegated powers pursuant to article 174 of the Corporations Act:	Yes		No			
The committee or its chairman participates in the GMS	Yes		No			

(\*)Information about the people who are part of or integrated the committee during the year being reported shall be provided.  
(\*\*) Corresponds to the first appointment as a member of the Committee in the company reporting.  
(\*\*\*) Complete only in the case a person had ceased to be part of the Committee during exercise.

COMMITTEE 4	
Denomination of the Committee :	
Date of creation:	
Main functions:	

Committee members (*) : Full Name	Date		Position within the committee			
	Start (**)	End (***)				
% Independent Directors of the total of the Committee						
Number of meetings held during the year:						
It has delegated powers pursuant to article 174 of the Corporations Act:	Yes		No			
The committee or its chairman participates in the GMS	Yes		No			

(\*)Information about the people who are part of or integrated the committee during the year being reported shall be provided.  
(\*\*) Corresponds to the first appointment as a member of the Committee in the company reporting.  
(\*\*\*) Complete only in the case a person had ceased to be part of the Committee during exercise.

COMMITTEE 5	
Denomination of the Committee :	
Date of creation:	
Main functions:	

Committee members (*) : Full Name	Date		Position within the committee			
	Start (**)	End (***)				
% Independent Directors of the total of the Committee						
Number of meetings held during the year:						
It has delegated powers pursuant to article 174 of the Corporations Act:	Yes		No			
The committee or its chairman participates in the GMS	Yes		No			

(\*)Information about the people who are part of or integrated the committee during the year being reported shall be provided.  
(\*\*) Corresponds to the first appointment as a member of the Committee in the company reporting.  
(\*\*\*) Complete only in the case a person had ceased to be part of the Committee during exercise.

Principle 22: Code of ethics and conflicts of interests

Question III.15

	Yes	No	Observations:
Does the company take steps to prevent, detect, manage and disclose conflicts of interests that may arise?	X		The Shareholders' Meeting delegates to the General Manager the required powers for monitoring and controlling potential conflicts of interests.



Indicate, If applicable, what is the area and / or person responsible for the monitoring and control of potential conflicts of interest. If a person in charge, include additionally position and area.

Area in charge	General Management, HR Management and Legal Management	
Contact Person		
Names and surnames	Office	Area

Question III.16 / Compliance

	Yes	No	Observations:
a. Does the company has a Code of Ethics (*) which is compliance can be required to its directors, managers, officers and all other collaborators of the company, which includes ethics criteria and professional liability including the handling of potential cases of conflict of interests?	X		
b. Does the Board or the General Manager approve training programs toward compliance with the Code of Ethics?	X		

(\*)The Code of Ethics can be part of the Internal Rules of Conduct.

(\*\*) The Term, collaborators, means all persons who have some kind of labor bonding with the company, regardless of work regime or mode.

If the company has a Code of Ethics, enter:

a. It is at the disposal of:

	Yes	No
Shareholders	X	
Other people for whom it is applicable to them	X	
The general public		X

b. Indicate the area and / or person responsible for monitoring and enforcing the Code of Ethics. If a person is responsible, include position and area where he works, and who reports.

Area in charge	Human Resources Management		
Contact Person			
Names and surnames	Office	Area	Person who reports to

c. Is There a record of non-compliance to this Code?

Yes ☐

No ☒

d. Indicate the number of defaults to the provisions of this Code, detected or reported during the year.

Number of defaults	
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Question III.17

	Yes	No	Observations:
a. Does the company have mechanisms to allow to make complaints relating to any illegal or contrary to the Ethics behavior, guaranteeing the confidentiality of the complainant?	X		
b. Are the complaints submitted directly to the audit committee when they are related to accounting issues or when the General Management or Financial Management is involved?		X	No, complaints regarding unlawful behavior or breach of the Code of Ethics are evaluated by the Human Resources area.

Question III.18

	Yes	No	Observations:
a. Is the Board responsible for carrying out monitoring and control of potential conflicts of interests that arise in the Board of Directors?		X	Not applicable. The company does not have a Board of Directors. However, the responsibility to track such issues is the area of General Management and Human Resources.
b. If the company is not a financial institution, Does it set as policy that the Board members are prohibited from receiving loans from the company or any company of its economic group, except with prior authorization from the Board of Directors?		X	Not applicable. The company does not have a Board of Directors.
c. If company is not a financial institution, Does it set as policy that members of senior management are prohibited from receiving loans from the company or any company of its economic group except with prior authorization from the Board of Directors?		X	Not applicable. The company does not have a Board of Directors.

a. Provide the following information of senior management members who have the condition of shareholders in a percentage equal to or greater than 5% of the company.

Names	Position	Number of shares	% Of total shares

% Of shares held by senior management	0%
---------------------------------------	----

b. List any board members or senior management of the Company who is spouse, relative in the first or second degree of consanguinity or first degree relative affinity:

Names	Bondage with:			Full name of the shareholder / Director / Manager	Bondage type (**)	Additional Information (***)
	Shareholder (*)	Director	Senior Management			

(\*) Shareholders with participation equal to or greater than 5% of the share capital.

(\*\*) For the purposes of bondage, the linkage criteria contained in the Regulations on Indirect Ownership, Linkage and Economic Groups will be applied.

(\*\*\*) If there is a linkage with some shareholders include its equity participation. For the linkage with a member of the management staff, including the position held



c. If some Board member holds or has held during the fiscal year of this report any management position in the company, provide the following information:

Names	Managerial position that is or had been in charge	Date in management position	
		Start (*)	End (**)

(\*) Corresponds to the first appointment to the company that reports in the management position.

(\*\*) Complete only if the person had ceased the management office during the year.

d. If some member of the Board or Senior Management of the company has maintained during the year any commercial or contractual relationship with company, which was important for their amount or topic, enter the following information.

Names	relationship Type	Brief Description

Principle 23: Related party operations

Question III.19

	Yes	No	Observations:
a. Does the Board have policies and procedures for assessment, approval and revelation of certain transactions between the company and related parties as well as to meet business or personal, direct or indirect relationships that the Directors maintain including the company, its suppliers or customers, and other interest groups?	X		The company does not have a Board of Directors. However, the company has a procedure for approving related party operations.
b. In the case of operations of particular importance or complexity, Is the intervention of an independent external auditors for assessment considered?		X	The company can hire consultants considered required for the Evaluation of Special Operations, with the respective approval of the General Meeting.

a. To comply with paragraph a) of the question III.19 indicate the (the) area (s) of the company responsible (s) of assess the operations with related parties in the following areas:

Aspects	Area in charge
Assessment	GG and General Meeting
Approval	GG and General Meeting
Revelation	GG and General Meeting

b. Indicate the procedures for approving related party operations:

Report to General Manager of the Company on operations between related parties. General Management will carry out the Assessment and, if it is the case, shall require the approval of the general meeting.
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

c. Detail those operations between the company and its affiliates during the year that have been important due to the amount or topics.

Name or company of the related party	Nature of linkage (*)	Operation type	Amount (\$ /.)

(\*) For the purposes of bondage, the bondage criteria within the contents of the Regulations on Indirect Ownership, Linkage and Economic Groups will be applied.

d. Specify if the company sets limits for transactions with related parties:

Yes ☐ No ☒

Principle 24: Senior Management Functions

Question III.20 / Compliance

	Yes	No	Observations:
a. Does the company have a clear policy of limiting the functions between the administration or governance by the Board, the ordinary management by senior management and general management leadership?	X		
b. Does the appointment of the general manager and chairman of board of the company fall to different people?		X	The General Manager is appointed by the General Meeting.
c. Does Senior Management have sufficient autonomy to develop their assigned duties within the framework of policies and guidelines set by the Board, and under its control?	X		The company does not have a Board of Director. This function is exercised by the general meeting.
d. Is the General Management responsible for observing and enforcing the policy of delivering information to the Board and its Directors?	X		The company does not have a Board of Directors. This function is exercised by the general meeting.
e. Does the board annually evaluate the performance of the General Management under well defined standards?	X		The company does not have a Board of Director. This function is exercised by the general meeting.
f. Does the remuneration of senior management have a fixed and a variable component, which take into consideration the results of the company, based on a prudent and responsible risk assumption, and compliance with the goals outlined in the respective plans?		X	It should be noted that although the company does not have bonus programs for management, it has guidelines to ensure compliance with the objectives of the company and grants bonuses due to performance of all members of the company.



a. Provide the following information regarding the remuneration received by the general manager and management staff (including bonuses).

Office	Remuneration (*)	
	Fixed	Variable
GENERAL MANAGER	100%	0%
MANAGEMENT STAFF	100%	0%

(\*) Indicate the percentage representing the total amount of the annual remuneration of members of senior management, on the level of gross income, according to the financial statements of the company.

b. If the company pays bonuses or other than those determined by legal mandate, senior management compensation, indicate (s) form (s) in which they are paid

	General Management	Managers
Share delivery		
Options Delivery		
Delivery of cash		
Other / Detail		

c. In case of a variable component in the remuneration, specify the main aspects are taken into account for its determination.

d. Indicate if the Board assessed the performance of the General Management during the year.

Yes ☐ No ☐

PILLAR IV: RISK AND COMPLIANCE

Principle 25: Risk management system environment

Question IV.1

	Yes	No	Observations:
a.Does the Board approve a comprehensive policy of risk management according to its size and complexity, promoting a culture of risk management within the company, from the Board and senior management to the employees themselves?		X	Not applicable. The company does not have a Board of Directors. However, the Company has control systems, specifically financial risk and non-financial risks control, in compliance with the law.
b. Does the comprehensive policy of risk management reach all companies in the group and allow a global vision of the important risks?		X	The Company has specific control systems, specifically the Financial and non-financial risks control, in compliance with the law.

Does the company have a policy of delegation of risk management to set the limits of risk that can be managed by each level of the company?

Yes ☒ No ☐

Question IV.2

	Yes	No	Observations:
a. Does General Management manage the risks to which the company is exposed and bring to the attention of the Board?	X		
b. Does the General Management is responsible for the risk management system, if there is no a Risk committee or Risk Management?	X		

Does the company have a Risk Manager?

Yes ☐ No ☒

Yes the answer is yes, please provide the following information:

Names	Date of the position		Area / entity to which reports
	Start (*)	End (**)	

(\*) Corresponds to the first appointment in the company reporting.

(\*\*) Complete only if the person had ceased to hold office during the year.

Question IV.3

	Yes	No	Observations:
Does the company has a system of internal and external control, which effectiveness and suitability is monitored by the Board of Directors?		X	Not applicable. The Company does not have a Board of Directors.

Principle 26: Internal audit

Question IV.4

	Yes	No	Observations:
a. Does the internal auditor carry out the audit work exclusively, have autonomy, experience and specialization in the issues for assessment, and independence for monitoring and assessment of the effectiveness of the risk management system?	X		
b. Are functions of the internal auditor, the permanent assessment that all financial information generated or recorded by the company is valid and reliable, as well as to verify the effectiveness of compliance?	X		
c. Does the internal auditor report directly to the audit committee about his plans, budget, activities, progress, results and actions taken?		X	Not applicable. The company does not have an audit committee.

a. Indicate whether the company has commissioned an independent internal audit area.

Yes ☒ No ☐

If the answer to the above question is yes, within the organic structure of the company indicated, hierarchically, of who depends on Auditing.

It depends on:	Finance Area and HUNT LNG OPERATING COMPANY S.A.C. (operator of PERU LNG) control
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b. Indicate whether the company has a Corporate Internal Auditor.

Yes ☒ No ☐

Indicate what are the main responsibilities of the internal audit manager and if fulfills other functions different from the internal audit functions.

The area of internal audit is responsible for ensuring the establishment, maintenance and understanding of effective business controls by an independent evaluation to management regarding suitability of all control systems of the business of the Company. These functions include, but are not limited to, the following: assess compliance with laws and regulations; assess whether the policies and procedures are followed; make recommendations for improving controls, processes, procedures, business performance and risk management; and suggest ways to increase efficiency and reduce errors in business processes; recommend ways to design and improve controls of information technology and of businesses.

Question IV.5

	Yes	No	Observations:
Does the appointment and dismissal of the Internal Auditor corresponds to the Board at the proposal of the audit Committee?		X	Not applicable. The Company does not have a Board of Directors.

Principle 27: External auditors

Question IV.6

	Yes	No	Observations:
Does the GMS under the proposal of the Board, appoint the audit company or the independent auditor, who keeps a clear independence with company?	X		Since the company does not have a Board of Directors, the designation of the External Auditor is developed on the Annual Mandatory Meeting.

a. Does the company have a policy for the designation of the External Auditor?

Yes ☐ No ☒

If the answer to the previous question is affirmative, describe the procedure to recruit the company in charge of audit opinion on the annual financial statements (including the identification of the entity of the company responsible for choosing the audit company).

b. If the company audit has performed services other than the audit of accounts, indicate whether this hiring was informed at the GMS, including the percentage of billing that these services represent with respect to the total billing Total of the audit company to the company .

Yes ☐ No ☐

c. Do the persons or entities related to the audit company provide services to the company, different from their audit of accounts?

Yes ☐ No ☒

If the answer to the above question is affirmative, please provide the following information regarding additional services rendered by persons or entities related to the audit company in the reporting year.

Name or company name	Additional Services	% Of remuneration (*)

(\*) Billing for additional services on the billing audit services.

d. Indicate if the audit company has used different equipment, should have provided additional services to the audit of accounts.

Yes ☐ No ☐

Question IV.7

	Yes	No	Observations:
a. Does the company has a policy of renewal of its independent auditor or audit company?		X	It does not have a policy regulating this issue
b. If this policy set longer terms of renewal of the audit company, Does the work team rotates as maximum each five (5) years?		X	It does not have a policy regulating this issue

Provide the following information for the companies that have provided audit services to the company in the past five (5) years.

Company name of the audit company	Service (*)	Period	Retribution (**)	% Of revenue audit company
KPMG CAIPO Y ASOCIADOS	OPINIONS OF FINANCIAL INFORMATION	2015	100%	

(\*) Include all types of services, such as opinions on financial information, accounting expertise, operational audits, systems audits, tax audit or other services.

(\*\*) From the total amount paid to the audit company under each concept, indicate the percentage corresponding to the payment for financial audit services.

Question IV.8

	Yes	No	Observations:
If economic groups, does the external auditor is the same for the whole group, including off-shore subsidiaries?	X		

Indicate if the audit company hired to dictate the financial statements of the company for the fiscal year covered in this report, audited also the financial statements of the same year for other companies in its economic group.

Yes ☒ No ☐

If your previous answer is affirmative, indicate the following:

Denomination or Company name for the company (s) of the economic group
PERU LNG COMPANY LLC AND SUBSIDIARIES

PILLAR V: TRANSPARENCY OF INFORMATION

Principle 28: information Policies

Question V.1

	Yes	No	Observations:
Does the company have a policy of information to shareholders, investors, and other groups of interest and the market in general, in which defines formal, orderly and comprehensive guidelines, standards and criteria that shall be applied to handling, collection, elaboration, classification, organization and / or distribution of the information generated or received in the company?	X		



a. If applicable, indicate whether according to their policy of information company disseminates the following:

	Yes	No
Societal goals	X	
List of Board Members and Senior Management	X	
Shareholding structure	X	
Description of the economic group to which it belongs	X	
Financial statements and annual report	X	
Other / Detail		

b. Does the company have a corporate web page?

Yes ☒

No ☐

The corporate web page includes:

	Yes	No
A special section on corporate governance or relations with shareholders and investors, including Corporate Governance Report	X	
Important facts	X	
Financial information	X	
Articles of Incorporations		X
GMS Regulations and information on Meetings (attendance, minutes, etc.)		X
Composition of the Board and its Regulations		X
Code of Ethics		X
Risk Policies		X
Corporate Social Responsibility (community, environment, etc.)	X	
Other / Detail		

Question V.2

	Yes	No	Observations:
Does the company have an office of relationship with investors?		X	The Company does not consider necessary an office of relationship with investors since the contact is direct.

If there is an office of relationship with investors, indicate the person responsible.

Responsible of the Office of relationship with investors	
----------------------------------------------------------	--

Not having an office of relationship with investors, indicate what the unit (department / area) is or person responsible for receiving and processing requests for information from the company's shareholders and general public. If a person in charge include area where he works.

Area in charge	
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Contact Person		
Names and surnames	Office	Area

Principle 29: Financial Statements and Annual Report

If there are observations in the report by the external auditor, Thos Observations have been explained and / or justified to shareholders?

Yes ☐

No ☐

Principle 30: Information about shareholder structure and shareholder agreements

Question V.3

	Yes	No	Observations:
Does the company reveals the ownership structure, considering the different classes of shares and, If applicable, the joint participation of a certain economic group?		X	All shares are entitled to vote; they are indivisibles and can be represented.

Indicate the shareholding structure of the company as for the end of the year.

Holding shares with voting rights	Number of holders (as for the end of the year)	% Of stakes
Less than 1%		
Between 1% and 5%		
Between 5% and 10%		
Greater than 10%		
Total		

Tenencia acciones sin derecho a voto (de ser el caso)	Número de tenedores (al cierre del ejercicio)	% de participación
Menor al 1%		
Entre 1% y un 5%		
Entre 5% y un 10%		
Mayor al 10%		
Total		

Holding shares without voting rights (If applicable)	Number of holders (as for the end of the year)	% Of stakes
Less than 1%		
Between 1% and 5%		
Between 5% and 10%		
Greater than 10%		
Total		

Percentage of shares held in a portfolio over the share capital:	
------------------------------------------------------------------	--

Question V.4

	Yes	No	Observations:
Does the company reports on contracts or agreements between shareholders?		X	The Company does not have a shareholders agreement.

a. Does the company have registered agreements in force between shareholders?

Yes ☐

No ☒

b. If there is any contract or agreement between the shareholders that have been informed to the company during the year, indicate on the subjects of each of these.

Election of Board members	
Exercise the right to vote at meetings	
Restriction of free transferability of shares	
Changes of internal rules and Articles of Incorporations of the company	
Other / Detail	

**Principle 31: Corporate Governance Report**

**Question V.5**

	Yes	No	Observations:
Does the company disclose the standards adopted on corporate governance in the annual report, the Board is responsible for its content, prior to the report of the Audit Committee , of the Corporate Governance Committee , or an external consultant, if applicable		X	Not applicable. The Company has no Board of Directors.

a. The company has mechanisms for internal and external notification of corporate governance practices.

Yes ☐

No ☒

If the previous answer is affirmative, specify the mechanisms employed.

**SECTION C:**  
**CONTENT OF DOCUMENTS OF THE COMPANY**

Indicate which one (s) of the following document (s) of the Company are regulated the following issues:

		Principle	Articles of Incorporations	Internal Regulation (*)	Manual	Others	Unregulated	Not Applicable	Denomination of the document (**)
1	Policies for redemption or exchange of shares without voting rights								
2	Registration method of all rights of share ownership and registrar	2						X	
3	Procedures for the selection of outside advisor to issue independent opinion on the proposals of the Board of corporate operations that may affect the anti-dilution right of shareholders	3						X	
4	Procedure for receiving and responding to shareholder requests for information and opinions	4	X						
5	Dividend Policies	5	X			X			Minutes of Shareholders' Meeting
6	Non adoption Policies or agreements of anti-absorption mechanisms	6						X	
7	Arbitration agreement	7	X						
8	Policies for the selection of the Directors of the company	8						X	
9	Policies to assess the remuneration of the Directors of the company	8						X	
10	Mechanisms to make available to shareholders information on items contained in the agenda of the GMS and proposed resolutions	10	X						



		Principle	Articles of Incorporations	Internal Regulation (*)	Manual	Others	Unregulated	Not Applicable	Denomination of the document (**)
11	Additional means to those established by law, used by the Company to convoke the meetings	10					X		
12	Additional mechanisms to enable shareholders to make proposals for agenda items to be discussed at the GMS.	11					X		
13	Procedures to accept or reject the proposals of shareholders to include items on the agenda to be discussed at the GMS	11	X						
14	Mechanisms for the participation of non-attendance shareholders	12					X		
15	Procedures for the issuance of differential voting by shareholders	12					X		
16	Procedures to meet in situations of delegation to vote	13					X		
17	Requirements and formalities for a shareholder to be represented on a Meeting	13	X						
18	Procedures for the delegation of votes for board members or senior management.	13						X	
19	Procedure for monitoring the agreements of the GMS	14				X			Legal Management
20	The minimum and maximum number of directors comprising the board of the company	15						X	
21	The duties, rights and functions of the directors of the company	17						X	
22	Types of bonuses receiving the Board of Directors for meeting targets in company	17						X	
23	Hiring Policies of consulting services for Directors	17						X	

		Principle	Articles of Incorporations	Internal Regulation (*)	Manual	Others	Unregulated	Not Applicable	Denomination of the document (**)
24	Induction Policies for new directors								
25	Special requirements for Independent Directors of the company	19						X	
26	Criteria for performance assessment of the Board and its members	20						X	
27	Policies of determination, monitoring and control of potential conflicts of interests	22		X					Code of Conduct
28	Policies that define the procedure for assessment, approval and revelation of related party operations	23				X			General Meeting and General Management
29	Responsibilities and functions of the Chairman, Chief Executive Officer, General Manager and other officials in positions of Senior Management	24	X			X			Powers granted by general meeting
30	Criteria for performance assessment of Senior Management	24				X			Procedure to implement and asses objectives
31	Policies to set and assess the remuneration of senior management	24				X			Procedure to implement and asses objectives
32	Comprehensive risk management policies	25					X		
33	Responsibilities of the Internal audit manager.	26				X			Description of the job
34	Policies for the designation of the External Auditor, duration of the contract and criteria for renewal.	27					X		
35	Policies of notification and communication of information to investors	28					X		

(\*) Includes GMS Regulations, Regulations of Board or other issued by the company.

(\*\*) Indicate the denomination of the document, except in the case of the Articles of Incorporations of the company.





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