


# ANNUAL REPORT 2017



PERU  LNG



# ANNUAL REPORT 2017





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# MESSAGE FROM THE MANAGEMENT



01



MESSAGE FROM  
THE MANAGEMENT

“

This year was one of solid operational performance; we have achieved some important strategic goals and improved the efficiency of our operation.

”









2017 was a year of challenges but also of considerable successes for the company; a year of diversification and consolidation. Several factors during the year enabled us to improve our performance and continue growing. We strengthened our company's position and further consolidated the sustainability of our operations, as well as adapting to the complex dynamics of the sector.

This year was one of solid operational performance; we have achieved some important strategic goals and improved the efficiency of our operation. As a result of all of these, we have made progress within the economy and now form part of the value chain of industries that are of vital importance to our country's development. As far as production is concerned, in 2017 we loaded 64 methane tankers with 213.9 TBtu of liquefied natural gas (LNG).

Sustainability is one of the pillars of our strategy and is a commitment shared by all the professionals who work in the company. With this in mind, each year we invest in sustainability initiatives in our area of influence, as well as internally in the development of our collaborators, and in our company's leading position in the field of environmental responsibility. This means that we can develop the skills necessary to create the economic, social and environmental conditions in which to operate today and in the future in harmony with the environment.

At the beginning of the year PERU LNG's port facility received the Maritime Award of the Americas 2016, in the Environmental Waste Management in Ports category, from the Secretariat of the Inter-American Committee on Ports (CIP) of the Organization of American States (OAS).

In the field of social projects, Mi Chacra Emprendedora – Haku Wiñay, implemented by FONCODES and financed by PERU LNG at nine locations in Ayacucho region, received the Sustainable Development Award 2017 from the National Mining, Oil and Energy Society (SNMPE) in recognition of good social and environmental practices in the hydrocarbons sector,





as part of a sustainable development policy. The project also received the Award for Good Practice in Public Administration from the Ciudadanos al Día (CAD) organization.

One important milestone during this period was the construction of a truck loading terminal for liquefied natural gas, enabling us to dispatch LNG in trucks to the interior of the country, bringing natural gas to more than 200,000 homes in northern and southern Peru.

Proof of our ongoing concern for ensuring that our operations are carried on to the highest social, environmental and safety standards was the renewal of ISO 9001:2008 certification for our quality management systems for LNG shipments and the provision of basic port services. Similarly, our International Ship and Port Facility Security (ISPS) certification was reaffirmed, as were our Peruvian Special Port Facility (IPE) and Port Safety certificates.

This year's results were achieved thanks to the commitment of our professional team, which as a matter of course exceeds standard requirements and creates more value for the company.

Our long-term strategy and disciplined professionalism continue adding economic and social value to and for the communities in our area of influence, as well as for all of our stakeholders.

All of these events have consolidated our presence in the sector and the country, provide us with the resources we need to continue working, adapting, changing and innovating, and in doing so filling us all with pride.


We will continue working to consolidate the company on its road to continual development.

A handwritten signature in black ink, appearing to read 'María Julia Aybar'.

María Julia Aybar  
General Manager  
PERU LNG



# DECLARATION OF RESPONSIBILITY



02



## DECLARATION OF RESPONSIBILITY

“

PERU LNG is operated  
by Hunt LNG Operating  
Company. S.A.C.  
(Hunt LNG), a Peruvian  
company 100% owned  
by Hunt Oil Company.

”









This annual report was completed on March 27, 2018. It contains accurate and sufficient information on the performance of the business of PERU LNG S.R.L. (hereinafter PERU LNG) during 2017. Without prejudice to the PERU LNG's responsibility, the undersigned are responsible for its contents in accordance with applicable legislation.

María Julia Aybar  
General Manager  
Officer responsible for the financial affairs of  
PERU LNG

Angélica Vallenás  
Accountant

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 March 24, 2003, in the presence of notary public 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





## FUNDAMENTAL PRINCIPLES

“

PERU LNG's  
commitment includes  
compliance with the  
highest environmental  
and safety standards,  
both in the development  
of its operations and in  
its management with  
respect to customs and  
national legislation.

”



# Vision

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







# Mission

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



# OUR ORGANIZATION





## OUR ORGANIZATION

“

PERU LNG  
consists of a 408  
km pipeline, a  
liquefied natural  
gas plant and  
maritime facilities.

”









#### a. Aims, time-frame and economic group

PERU LNG was created on March 24, 2003 to develop, build and operate a liquefied natural gas (LNG) plant. Its infrastructure includes a plant and related installations, port facilities for methane tankers, and a gas pipeline (ISIC 1110). In accordance with the Companies Act. and other applicable legislation, operating period is indefinite.

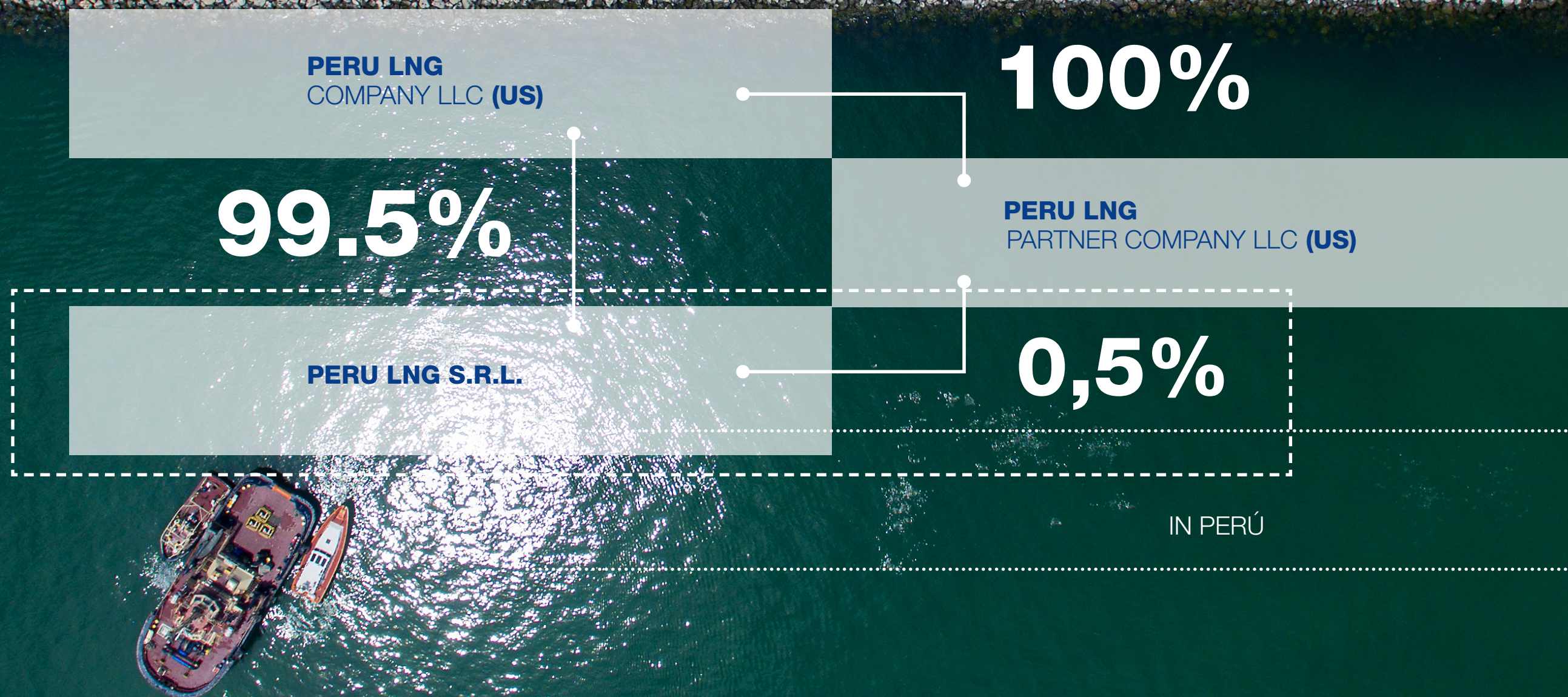
PERU LNG Company LLC holds 99.5% of the shares in the company and PERU LNG Partner Company LLC holds 0.5%, in accordance with the Regulations Governing Indirect Ownership, Non-arms-length Companies and Economic Groups approved by SMV Ruling N°019-2015-SMV/01.

The principal activities of the group made up of PERU LNG, PERU LNG Company LLC and PERU LNG Partner Company LLC include the development, design, engineering, procurement, construction, commissioning, financing, ownership, operation and maintenance of a liquid natural gas plant and gas export installations.

The following illustration shows the economic group made up of three companies.

“**PERU LNG WAS CREATED ON  
MARCH, 24 2003**  
TO DEVELOP, BUILD AND OPERATE A  
LIQUEFIED NATURAL GAS (LNG) PLANT.”









**PERU LNG**, registered under electronic entry N° 11500968 in the companies register at the Public Records Office for Lima and Callao (Lima office), maintains securities registered with the Public Registry of the Peruvian Securities Exchange (RPMV), code PEP75460. Its business includes hydrocarbons activities, transport, distribution, treatment, processing, refining, separation, compression, pumping, storage, dispatch, sales, importing or exporting of hydrocarbons and derivatives, as well as the operation of liquefaction plants, gas pipelines, oil pipelines, aqueducts, mineral products pipelines, multi-purpose pipelines, cable ducts and associated installations; it also carries out prospecting, exploration, exploitation and any other mining activities, as well as other related activities.



PERU LNG Partner Company LLC, a company incorporated and existing under the laws of the State of Delaware, United States of America, is not registered with the RPMV and has no securities registered in any stock market.



PERU LNG Company LLC, a company incorporated and existing under the laws of the State of Delaware, United States of America, is not registered with the RPMV and has no securities registered in any stock market.





**b. Capital**

At the close of 2011 the capital of PERU LNG was USD\$ 320,099,952. During this year it received advance payments from the parent company amounting to USD\$ 1,251,335,125.

In June 2012 the first repayment to the parent company was made, amounting to USD\$ 30,000,000. December of the same year saw the total sum of USD\$ 1,221,335,125. capitalized, after approval on December 21, 2012 at a general meeting of shareholders.

As of December 31, 2012 the company’s capital was USD\$ 1,541,435,077., represented by 1,541,435,077. fully subscribed and paid up shares having a nominal value of USD\$ 1.00 each.

In 2013 the company’s capital was reduced by share buybacks approved at general meetings of shareholders held on May 20 and November 20, 2013; the first valued at USD\$ 40,000,000. and the second at USD\$ 100,000,000. Each one of the share buybacks was registered with Lima Public Records Office, on August 20, 2013 and February 5, 2014 respectively.

As of December 31, 2014 the company’s capital was USD\$ 1,401,435,077., represented by

1,401,435,077. fully subscribed and paid up shares having a nominal value of USD\$ 1.00 each.

As of December 31, 2015 the company’s capital remained at USD\$ 1,401,435, 077., represented by 1,401,435,077. fully subscribed and paid up shares having a nominal value of USD\$ 1.00 each.

In 2016 the company’s capital was increased by the capitalization of new contributions approved at general meetings of shareholders on May 13 and August 5, 2016, amounting to USD\$ 30,000,000. and USD\$ 30,000,000., respectively. Each one of the capital increases was registered at Lima Public Records Office on May 31, 2016 and September 2, 2016, respectively.

As of December 31, 2016 the capital of PERU LNG amounted to USD\$ 1,461,435,077., represented by 1,461,435,077. fully subscribed and paid up shares having a nominal value of USD\$ 1.00 each.

As of December 31, 2017 the company’s capital remained at USD\$ 1,461,435 ,077., represented by 1,461,435,077. fully subscribed and paid up shares having a nominal value of USD\$ 1.00 each. PERU LNG Company LLC is the holder, both directly and indirectly, of 100% of the shares in PERU LNG.

Shareholdings in PERU LNG

Shareholding	Number of shareholders	Shareholders (%)
Less than 1%	1	0.5
Between 1% and 5%	-	-
Between 5% and 10%	-	-
More than 10%	1	99.5
Total	2	100

Source: Own figures.





“PERU LNG IS OPERATED  
BY HUNT-LNG OPERATING  
COMPANY S.A.C. (HUNT  
LNG), A PERUVIAN COMPANY

**100%**

OWNED BY HUNT OIL  
COMPANY.”

### c. The promoters

The promoters are companies with indirect shareholdings in PERU LNG but they do not form part of the economic group. They are: Hunt Oil Company, with a 50% holding; Shell Gas B.V., with 20%; SK Innovation Co. Ltd., with 20% and Marubeni Corporation with 10%.

During the construction stage the promoters provided USD\$ 1,571,435,077., which represents more than 40% of the total cost of the project (USD\$ 3,874,597,513.).


PERU LNG is operated by Hunt LNG Operating Company S.A.C. (Hunt LNG), a Peruvian company 100% owned by Hunt Oil Company.



d. Financing and capital contributions

On June 26, 2008 PERU LNG entered into an agreement under common terms with the main lenders, in order to provide the project with finance amounting to USD\$ 2,050,000,000. The first disbursement of USD\$ 700,000,000 was received on November 14 that year, after all the conditions had been met. Later, in December 2010, the total amount agreed was disbursed.

As of December 31, 2017, the debt owed was USD\$ 1,109,078,700. According to payments schedule, a repayment of principal and interest will be made in May 2018. The following table gives details of the balance owed to each institution as of December 31, 2017.



“ ON JUNE 26,  
**2008**  
ENTERED INTO AN  
AGREEMENT UNDER  
COMMON TERMS WITH THE  
MAIN LENDERS, IN ORDER TO  
PROVIDE THE PROJECT WITH  
FINANCE AMOUNTING TO  
**USD\$ 2,050,000,000.”**

Balance owed as of December 31, 2017	
	Balance (thousands of USD)
IADB A	245,491
IADB B	204,466
US EXIM	200,002
IFC	184,118
K EXIM	150,001
SACE	125,001
Total	1,109,079

Source: Own figures.

PERU LNG also obtained some financing from the Peruvian securities market. The process began in October 2009; November 19 of that year saw four simultaneous issues, all part of the PERU LNG first corporate bond program valued at US\$ 200,000., which was approved by Ruling N° 000-2009-EF/94.06.3 issued by the Companies and Securities Supervisory Commission (now the Stock Exchange Regulatory Authority - SMV).



#### PERU LNG First Corporate Bonds Program - issues

	First <sup>(2)</sup> issue	Second <sup>(3)</sup> issue	Third issue	Third issue
Value of the issue (thousands of USD)	10,000	40,000	160,000	160,000
Demand (USD thousands)	32,068	53,722	341,799	33,080
Amount placed (thousands of USD)	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	Every six months	Every six months	Every six months	Every six months
Currency	USD	USD	USD	USD
Interest rate	3.44%	4.66%	Libor (6M) + 3.65625%	7.16%
Spread <sup>(1)</sup>	1.39%	1.22%	2.27%	2.27%

(1) Spread vs. Peruvian global bonds.

(2) The first issue was paid in full in May 2012.

(3) The second issue was paid in full in November 2014.

In May 2012 PERU LNG paid the first corporate bond issue valued at USD\$ 10,000,000 and in November 2014 paid the second issue valued at USD\$ 40,000,000. The bonds were not traded on Lima Stock Exchange, as shown in the next table.

#### PERU LNG Bonds – trades on BVL in 2017

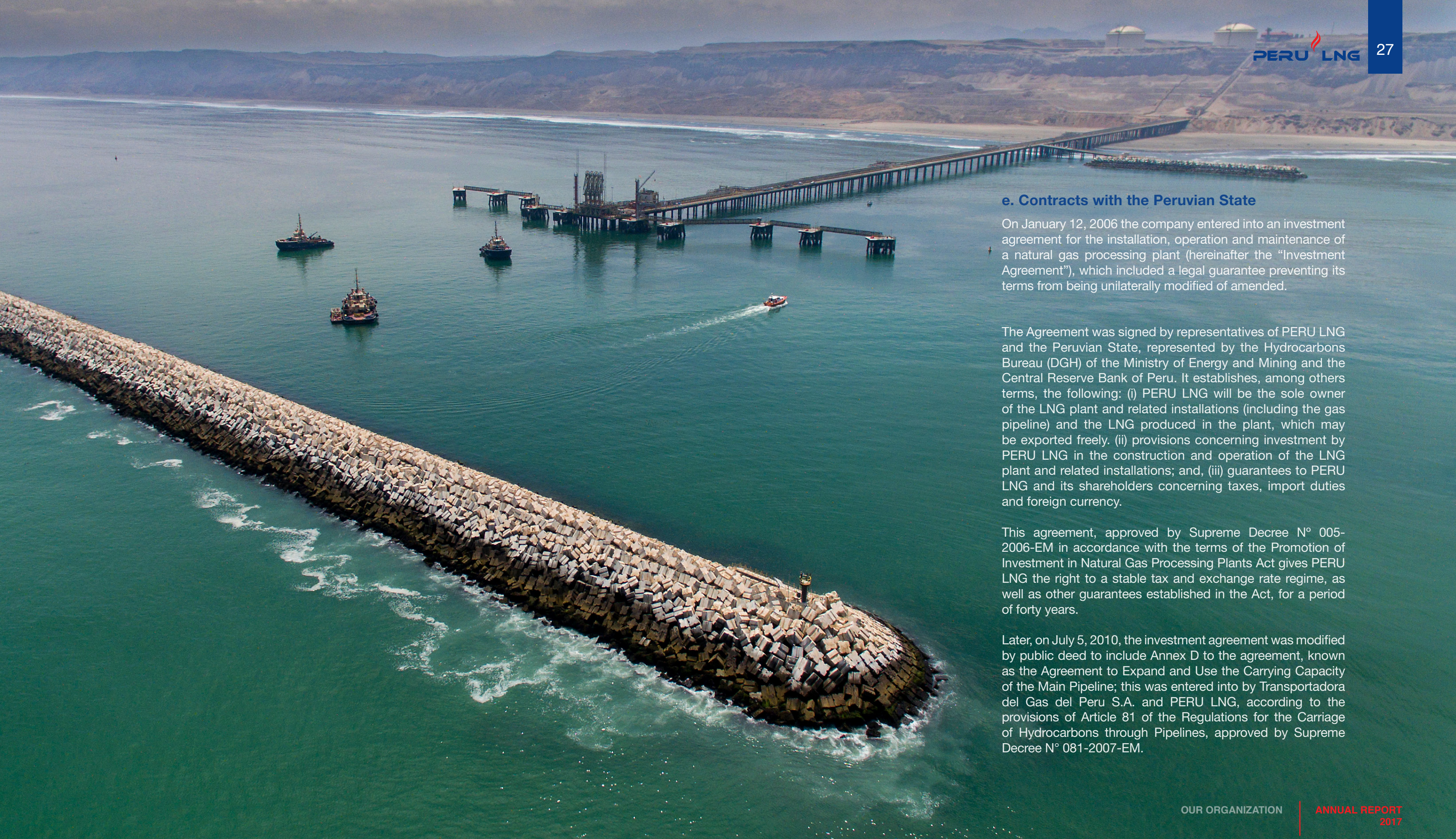
Mnemonic	ISIN	Año - Mes	Prices 2017				
			Opening	Maximum	Minimum	Closing	Average
PLNG1BC1A	PEP75460M014	2017 - 12	-	-	-	-	-
PLNG1BC2A	PEP75460M022	2017 - 12	-	-	-	-	-
PLNG1BC3A	PEP75460M030	2017 - 12	-	-	-	-	-
PLNG1BC4A	PEP75460M048	2017 - 12	-	-	-	-	-

The promoters provided USD\$ 1,571,435,077., during the construction stage; on a proportional basis this figure represents all the capital necessary to finance the construction cost of the project. Financing by the main lenders and the local bond issue mentioned above provided additional funds.

In June 2016 PERU LNG renewed the working capital line that it had maintained since 2010

with the Banco de Credito del Peru amounting to USD\$ 37,500,000., extending it for a further two year period. Disbursements from the capital line have a maximum term of six months and are used during the operation stage as and when required. It should also be mentioned that this line includes not only short-term disbursements but also letters of guarantee and letters of credit. As of December 31, 2017, no short-term disbursements from the working capital facility were necessary.





#### e. Contracts with the Peruvian State

On January 12, 2006 the company entered into an investment agreement for the installation, operation and maintenance of a natural gas processing plant (hereinafter the “Investment Agreement”), which included a legal guarantee preventing its terms from being unilaterally modified or amended.

The Agreement was signed by representatives of PERU LNG and the Peruvian State, represented by the Hydrocarbons Bureau (DGH) of the Ministry of Energy and Mining and the Central Reserve Bank of Peru. It establishes, among others terms, the following: (i) PERU LNG will be the sole owner of the LNG plant and related installations (including the gas pipeline) and the LNG produced in the plant, which may be exported freely. (ii) provisions concerning investment by PERU LNG in the construction and operation of the LNG plant and related installations; and, (iii) guarantees to PERU LNG and its shareholders concerning taxes, import duties and foreign currency.

This agreement, approved by Supreme Decree N° 005-2006-EM in accordance with the terms of the Promotion of Investment in Natural Gas Processing Plants Act gives PERU LNG the right to a stable tax and exchange rate regime, as well as other guarantees established in the Act, for a period of forty years.

Later, on July 5, 2010, the investment agreement was modified by public deed to include Annex D to the agreement, known as the Agreement to Expand and Use the Carrying Capacity of the Main Pipeline; this was entered into by Transportadora del Gas del Peru S.A. and PERU LNG, according to the provisions of Article 81 of the Regulations for the Carriage of Hydrocarbons through Pipelines, approved by Supreme Decree N° 081-2007-EM.





#### f. Supply of natural gas

In accordance with the supply contract, the plant will receive natural gas from the Camisea fields for 18 years.

On August 6, 2014 the commencement of a Modified and Re-drafted Natural Gas Sales Contract for Block 88, was entered into by PERU LNG and the holders of Block 88, who undertake to provide natural gas to PERU LNG solely for local consumption or when it is to be used or consumed in any other manner in the PERU LNG production process.

A Modified and Re-drafted Contract for the Sale of Natural Gas from Block 56, was entered into by PERU LNG and the holders of Block 56, and took effect on the same date. This contract permits the holders of Block 56 to acquire gas from the holders of Block 57 for inclusion in their obligation to supply PERU LNG.

With these contractual changes PERU LNG maintains its right to a firm commitment to deliveries of 4.2 trillion cubic feet of gas during the term of the contracts, at a rate of 670,000. million BTU (British Thermal Units) per day, in accordance with daily quantity required (CDR).



“ ON AUGUST 6,  
**2014**  
THE COMMENCEMENT  
OF A MODIFIED AND  
RE-DRAFTED NATURAL  
GAS SALES CONTRACT  
FOR BLOCK 88.”





### g. Market growth

Both the demand for, and supply of, LNG have grown during 2017. On the one hand, supply now includes production from new plants in the United States and Australia. This growth is expected to continue over the next few years as there are several LNG export projects under construction.

Furthermore, growth in global demand is being driven by Asia. Specifically, China, South Korea and Japan represent approximately 65% of net global growth. Growth in China alone was around 400 BPC last year; making it the country with the greatest increase in demand in 2017. Furthermore, rising demand from Europe is very significant, with France, Spain, Italy and Portugal increasing their average annual demand by 100 BPC each.

The main factors influencing this increase in demand are the replacement of coal by natural gas and local energy policies. It is also expected that the use of the latest technology such as, for example, floating regasifying and storage units (FRSU) will make a significant contribution to this growth. FRSU enable the regasifying infrastructure to be deployed more quickly and at very competitive prices.

In 2017 there was a recovery in international gas prices compared with 2016. The Henry Hub spot price rose 19% on average compared with the previous year, while both the NBP and JKM saw an increase of around 25% in the same period.

“ **IN**  
**2017**  
**THERE WAS A**  
**RECOVERY IN**  
**INTERNATIONAL GAS**  
**PRICES COMPARED**  
**WITH 2016** ”







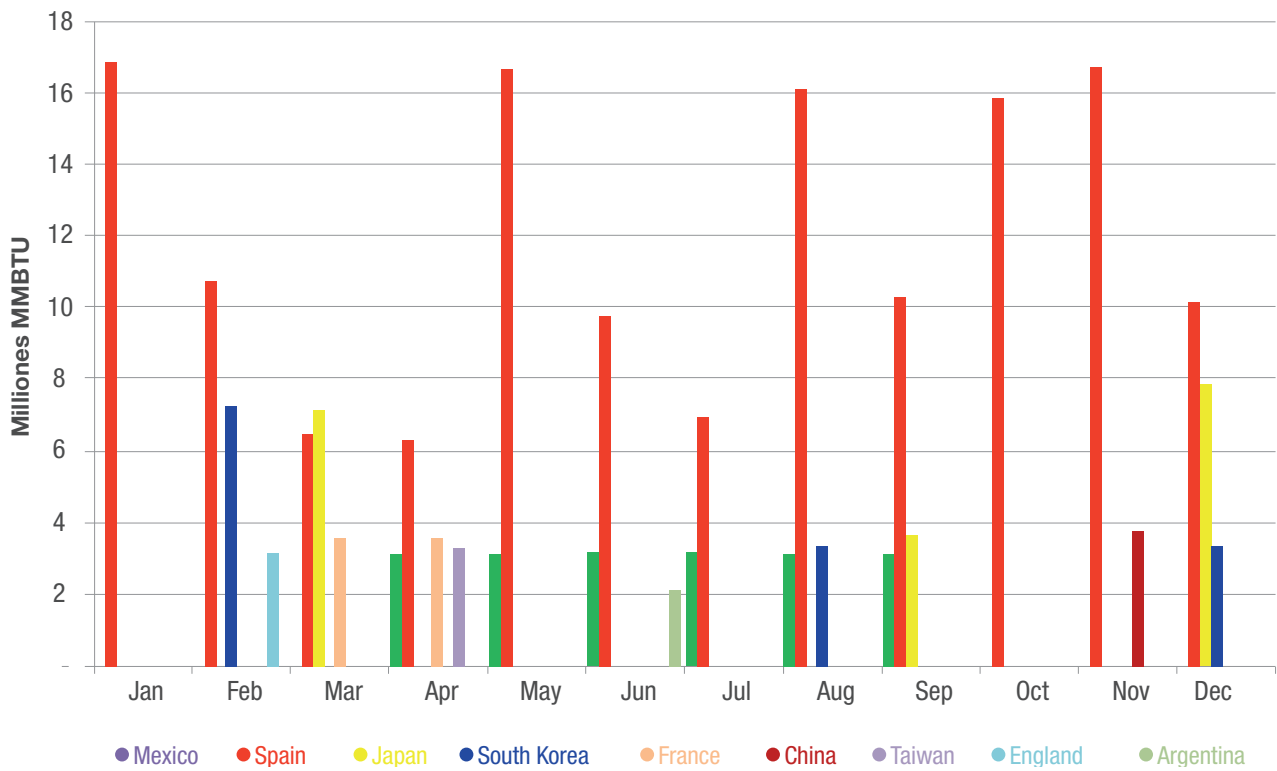
### h. Target markets

On January 1, 2014, Shell International Trading Middle East (SITME) replaced Repsol Comercializadora de Gas S.A. as the off-taker for PERU LNG, by means of the Third Amended and Restated LNG Sale and Purchase Agreement, entered into on December 31, 2013. SITME is part of the Royal Dutch Shell (RDS) group, one of the largest oil companies in the world. Shell’s LNG businesses include trading and one of the largest fleets in the industry.

During 2017, the LNG produced by PERU LNG and sold by SITME went mainly to Spain (67%), Mexico (9%), Japan (9%), South Korea (7%) and other destinations in Europe (5%) and Asia (3%).

Despite the long distances, PERU LNG remains attractive for European and Asian markets. Monthly sales during 2017 are shown in the following illustration.

Monthly sales in 2017



Source: Own figures.





### i. The hydrocarbons sector in Peru

PERU LNG's activities are subject to current Peruvian law. The Hydrocarbons Act N° 26221, which regulates the sector in Peru says that the Peruvian State encourages the development of hydrocarbons on the basis of free competition and free access to economic activities. For this purpose it guarantees the legal stability of contracts, as established in article 62 of the Peruvian Constitution, as well as 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 and services agreements, as well as other types of contract authorized by the Ministry of Energy and Mines (MEM) and governed by private law. Contracts that have been approved and signed can be modified by written agreement between the parties, subject to approval by Supreme Decree.

The legal framework for the hydrocarbons sector, which regulates and supports the activities of PERU LNG, consists of the following principal 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-EM: Regulations Concerning Hydrocarbons Exploration and Extraction.

- Law N° 28176: Promotion of Investment in Natural Gas Processing Plants Act.
- Supreme Decree N° 031-2004-EM: Executive Regulations to the Promotion of Investment in Natural Gas Processing Plants Act.

The government authorities that have a fundamental role in the hydrocarbons sector are the Ministry of Energy and Mining (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. Also, it supervises the quality of the service provided with reference to the legislation and technical standards applicable to safety in the industry in question.

The OEFA, a dependency of the Environment Ministry, is responsible for ensuring that individuals and public and private entities comply with environmental legislation. It carries out checks, supervision, control and monitoring, and imposes sanctions in environmental matters.



# INFRASTRUCTURE TO ASTOUND THE WORLD





INFRASTRUCTURE  
TO ASTOUND THE WORLD

“

The PERU LNG  
gas pipeline is an  
impressive piece of  
infrastructure that  
marks a milestone  
in the history of  
engineering in Peru.

”



## j. Gas pipeline

The PERU LNG gas pipeline is an impressive piece of infrastructure that marks a milestone in the history of engineering in Peru. It is a high-pressure gas pipeline operating at an average of 1800 psig (124 barg), with a diameter of 34 inches and a carrying capacity of 1290 million cubic meters per day (MMcmd) of dry natural gas.

The gas pipeline runs for 408 kilometers through some of the world's most varied geography, including mountains and gorges where access is difficult, as well as crossing numerous rivers and the coastal desert. Its highest point is more than 4900 m.a.s.l., putting it in

the Guinness Book of Records as the highest gas pipeline in the world.

It has 14 shut-off valves for emergencies, six pig launching and receiving traps, one metering station and one pressure regulating station to control the delivery pressure at the coast.

The starting point is at approximately kilometer 211 of the Transportadora del Gas del Peru S.A. (TGP) gas pipeline in the village of Chiquintirca, Ayacucho Region, in the central highlands. It ends at the PERU LNG liquefaction plant at Pampa Melchorita on the Peruvian coast.





## k. Liquefaction plant

The PERU LNG plant transforms natural gas into liquid to facilitate transport. It is the first liquefaction plant in South America and was built on 521 hectares of land, 163 kilometers south of Lima on the Southern Pan-American Highway.

The site posed engineering challenges for PERU LNG and therefore required an exhaustive and detailed study. Although Pampa Melchorita met certain specific requirements, such as a low level of environmental sensitivity, low population density, soil stability and stable sea conditions, roads had to be built to reach the shore and optimize the site's altitude of 135 m.a.s.l. to build the port facilities.

The liquefaction plant has an installed capacity of 4.45 million tons per year (MMtpy) and processes approximately 626 million cubic feet per day (MMcfd), which covers the 4.2 MMtpy of LNG established in the contract.

The industrial process begins with the reception of dry natural gas from the Block 56 and Block 57 fields in Camisea and the removal of the liquids it contains. The natural gas is first measured and then its pressure controlled, at which time carbon dioxide (CO<sub>2</sub>) is removed by the acid gas removal unit.

Next, the gas is dried in molecular sieves and passes through an activated charcoal mercury absorption cell before liquefaction. In the final stage, the natural

gas is cooled with a propane refrigerant and liquefied in the main cryogenic heat exchanger. The LNG is then stored before shipment on board methane tankers in two tanks of 130,000 cubic meters (m<sup>3</sup>) each.

It should be noted that the plant is self-sufficient; it produces its own electricity and other services. It has three generators, one control center, offices, warehouses, workshops, training facilities and housing.



**“ THE LIQUEFACTION PLANT THE PERU LNG IS THE FIRST IN SOUTH AMERICA .”**



## I. Port facility

The PERU LNG port facility is very well equipped and can accept vessels with a full load capacity of between 90,000 and 173,000 m<sup>3</sup>. It consists of a trestle jetty 1,380 meters long with an LNG loading platform at the end, equipped with four loading arms (three for loading LNG and one for returning vapor). It also has a berth for methane tankers consisting of four dolphins with protective fenders and six dolphins fitted with triple mooring hooks.

The port facility is protected from the swell by an 800 meter long breakwater, that was built parallel to the coast, and 350 meters off the loading platform. Berthing and unberthing methane tankers is accomplished with the aid of four tugs, each having an 80-ton

bollard pull; there are four entrance channels that are dredged annually to maintain the required depth.

As well as its marine infrastructure, the PERU LNG terminal is equipped with the latest generation of systems to ensure that loading operations are programmed and carried out safely. The principal items of equipment are two weather buoys with wave sensors located inside and outside of the breakwater; a Pilot Portable Unit, that facilitates entry and exit when the visibility is limited, and laser approximation sensors that measure the speed and angle of approach of vessels to the berth.

Since 2015 the PERU LNG terminal has used bespoke software that provides a 14-day forecast of sea conditions, wind, visibility, swell and other characteristics. Furthermore, since the end of 2016 this forecast has included a tool for predicting the movement of berthed vessels and the load on their mooring lines. This system makes the PERU LNG port facility a pioneer in the use of forecasting technology.

In 2017 the port facility renewed its ISO 9001:2008 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 awarded by TÜV Rheinland and at the same time the Peruvian Ports Authority reaffirmed the company's International Ship and Port Facility Security (ISPS) certification, as well as its Special Port Facility (IPE) and Port Security certificates.

Finally, in February 2017, PERU LNG's port facility received the Maritime Award of the Americas 2016, in the Environmental Waste Management in Ports category, from the Secretariat of the Inter-American Committee on Ports (S/CIP) of the Organization of American States (OAS).







### m. Road tanker liquefied gas loading terminal

In 2017 PERU LNG continued the construction of a road tanker LNG loading terminal, which should be operational in the first quarter of 2018. The terminal will enable regasification stations in the north and south west of Peru to be supplied by road tankers, encouraging the generalized use of natural gas in the country's interior.

This modern terminal being built by PERU LNG will supply liquid natural gas to T3S3 cryogenic trucks with a capacity of approximately 50 m<sup>3</sup> (13 000 gallons). The gas will be distributed in northern and southern Peru by two Shell LNG concessionaires (QUAVII and Gas Natural Fenosa).

It should be noted that the terminal is located inside the company's natural gas liquefaction plant 163 kilometers from Lima on the Southern Pan American Highway. From there, QUAVII will distribute gas in Cajamarca, Lambayeque, Chiclayo, Pacasmayo, Trujillo, Chimbote and Huaraz, in northern Peru, while Gas Natural FENOSA will do the same in Arequipa, Moquegua, Ilo and Tacna in the south.

The road tanker LNG loading terminal includes a control center, depressurization station, pipelines bringing gas from the plant, safety mechanisms, electrical and control systems, communications and closed circuit television, among others.



**“THE  
CONSTRUCTION  
OF A ROAD  
TANKER LNG LOADING  
TERMINAL, WHICH SHOULD  
BE OPERATIONAL IN THE  
FIRST QUARTER OF 2018.”**



# WORKING WITH RESPONSIBILITY AND COMMITMENT





WORKING WITH  
RESPONSIBILITY AND COMMITMENT

“

PERU LNG maintains high-quality standards, which allow it to ensure technical, operational and economic efficiency as well as environmental and social responsibility.

”

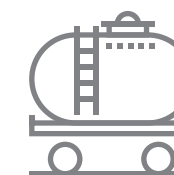




The liquefaction plant commenced operations in June 2010, and is one of the most important projects ever developed in Peru. The PERU LNG plant is the first in South America producing LNG gas, and is supplied by a gas pipeline 408 kilometers long carrying natural gas from Ayacucho, through Huancavelica, Ica and Lima.

#### n. Operation to high quality standards

PERU LNG operates to the highest industry standards, not only to guarantee strict compliance with Peruvian and international legislation, but also to achieve its vision and mission as a world-class organization, efficient technically, operationally and economically as well as being environmentally and socially responsible. During 2017, PERU LNG carried an average of 873 MMcfd of natural gas through its pipeline.



**“873  
MMcfd  
OF NATURAL GAS  
CARRIED AN AVERAGE  
DURING EL 2017.”**





### Gas pipeline

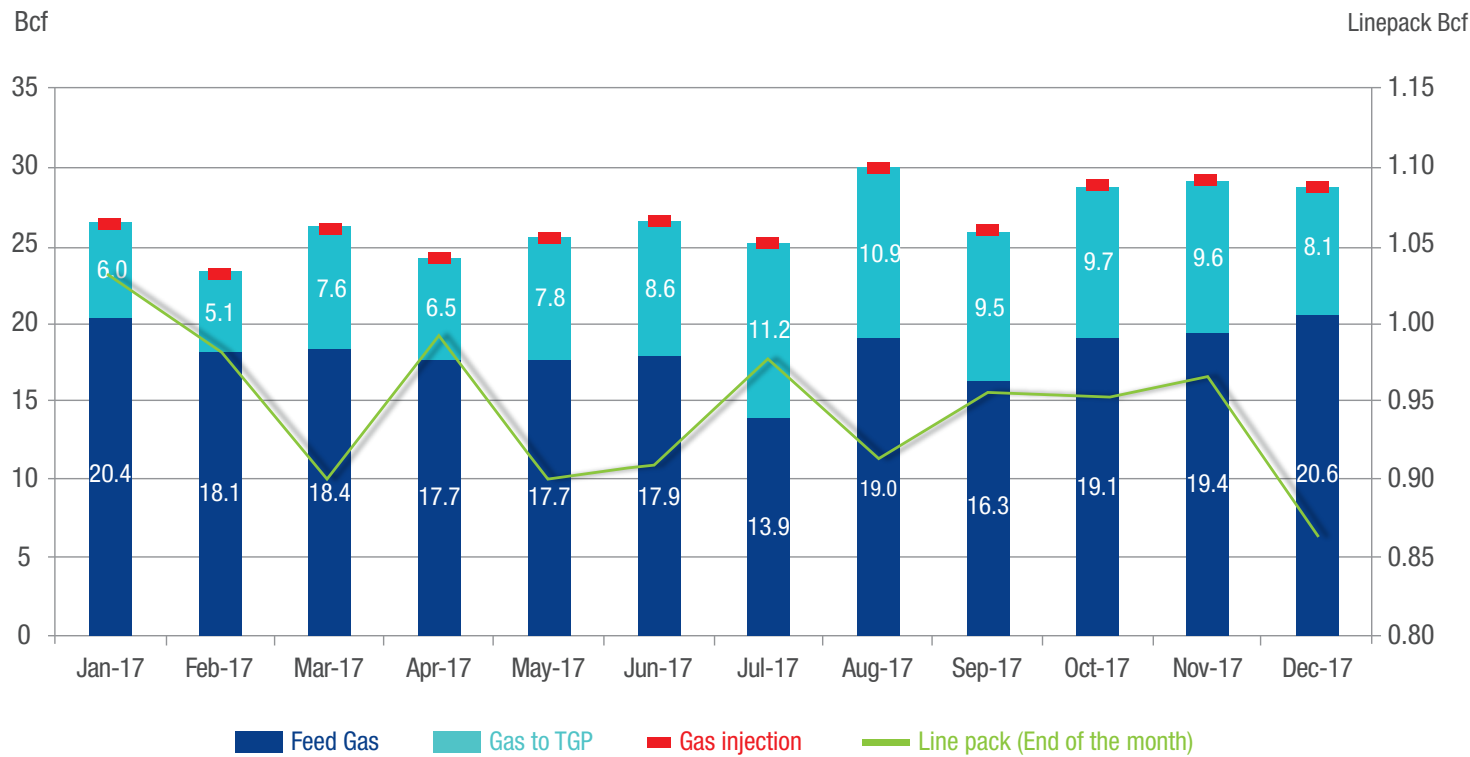
During 2017 PERU LNG sent a total of 218,153 MMcf to the LNG plant and 100,639 MMcf to the domestic market, in accordance with the Agreement to Expand and Use the Carrying Capacity of the Main Pipeline. There was no increase in consumption by the plant in 2017 as it was operating with 3 of its 3 generators (GTG), the other one being under maintenance.

As far as Transportadora de Gas del Peru (TGP) was concerned, the volume

of gas carried by the PERU LNG gas pipeline for the local market remained stable at an average of 300 MMcfd with peaks of up to 450 MMcfd.

It is worth noting that expansions carried out by TGP in 2016 increased the transport capacity of the system from 1,150 to 1,540 MMcfd in the jungle zone. The capacity increase provided PERU LNG with permanent additional volumes of gas and flexibility in the pipeline system.

Volumes carried in 2017



Source: Own figures.

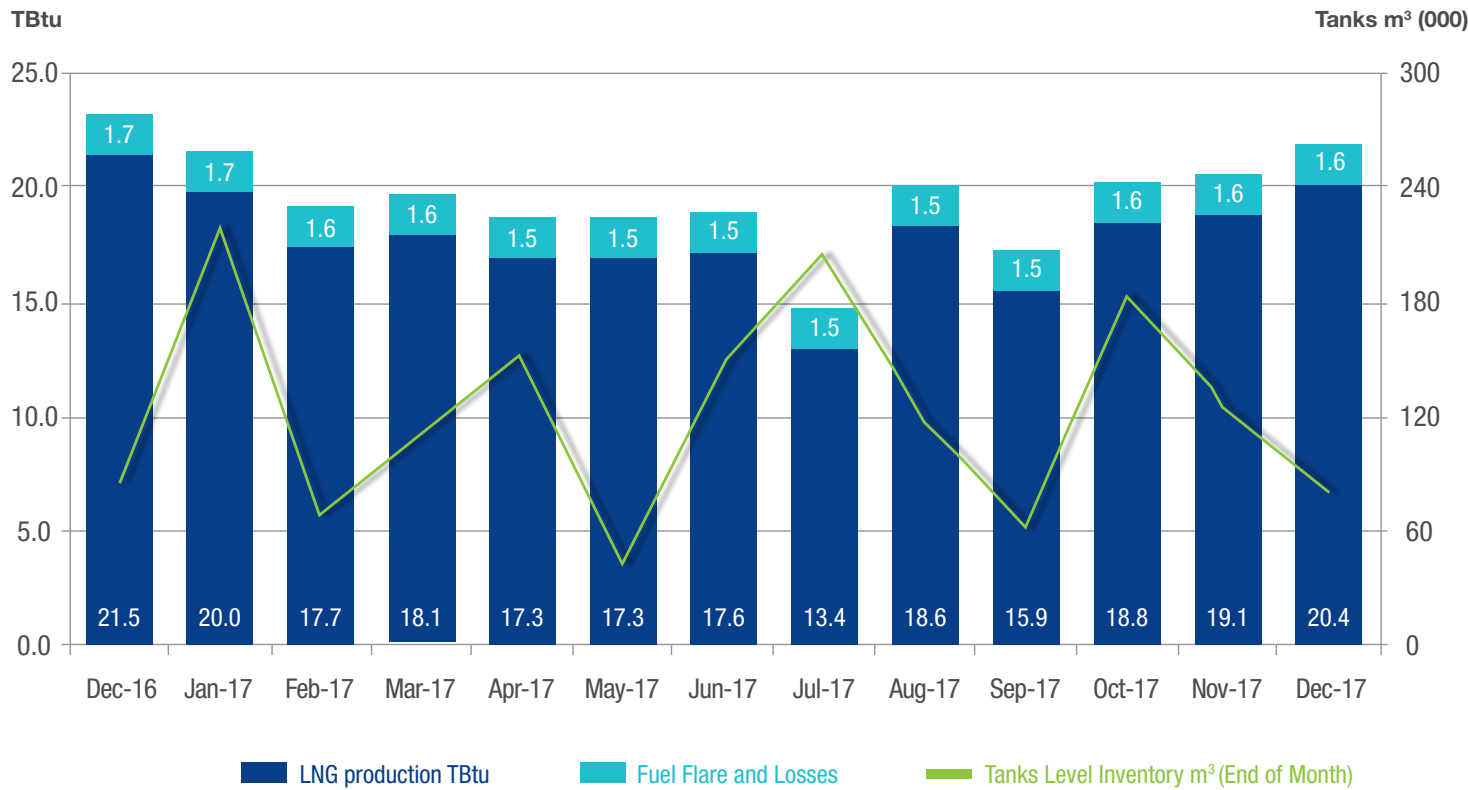




### Liquefaction plant and port facility

The performance efficiency of the plant during 2017 was 92%. 214 TBtu of LNG were produced compared with 224.3 TBtu in 2016, a reduction of 5%.

Volumes produced in 2017



Source: Own figures





LNG SHIPMENTS

64 methane tankers berthed at PERU LNG’s port facility in 2017. These tankers were loaded with 213.9 TBtu of LNG, representing a 9% drop in the number of ships and a 7% fall in the volume carried compared with the previous year, when 70 vessels were loaded with 225.1 TBtu. However, performance in previous years was lower. In 2015, 56 vessels were loaded (188.1 TBtu); in 2014, 60 vessels (214.5 TBtu); in 2013, 57 vessels (222.4 TBtu); in 2012, 53 vessels (203.7 TBtu) and in 2011, 55 vessels (209.15 TBtu). It should be noted that operations commenced in June 2010, and therefore only 24 vessels used the facility that year.

The destinations of the 64 methane tankers in 2017 were as follows: 6 to Mexico (9%), 43 to Spain (67%), 2 to France (3%), 5 to Japan (9%), 4 to South Korea (7%), 1 to China (2%), 1 to Great Britain (1%), 1 to Taiwan (1%) and 1 to Argentina (1%).

Vessels loaded in 2017 - Volume in MMBtu and in m³

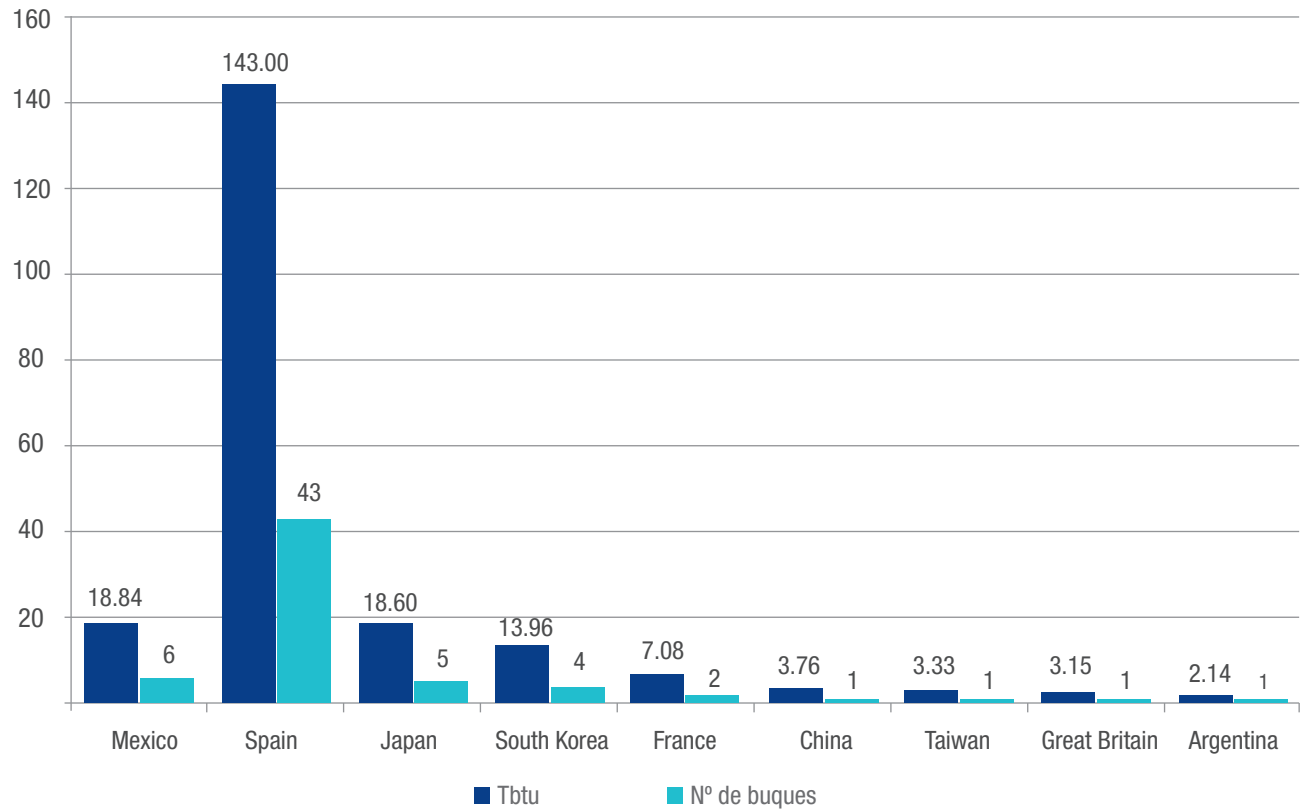
Month	Vessels	MMBtu	m³
January	5	16 913 954	728 798
February	6	21 200 201	913 462
March	5	17 132 986	738 522
April	5	16 276 168	701 504
May	6	19 815 926	854 065
June	5	15 043 865	648 492
July	3	10 110 442	435 653
August	7	22 572 260	973 052
September	5	17 109 426	736 414
October	5	15 878 066	684 217
November	6	20 453 155	881 223
December	6	21 348 530	920 796
Total	64	213 854 979	9 216 197

Fuente: Elaboración propia.





Vessels loaded and quantity of LNG (TBtu) by destination



Source: Own figures

SITME was the company responsible for purchasing, carrying and selling the LNG produced in the plant during 2017. LNG is sold on a FOB basis at a contractual sale price indexed to natural gas prices at the destination of the shipment.





o. Human resources

The company’s workforce is as follows:

Administrative	December 2017		December 2016	
	Temporary	Permanent	Temporary	Permanent
Officers	-	2	-	4
Employees	2	11	-	10
Total	2	13	-	14

Building evaluation and renewal of vehicle fleet

During the first half of 2017 we carried out a general review of the state of preservation of the housing and offices located in the plant in order to design a preventive maintenance plan for the next 5 years. The aim of this plan is to maintain and prolong the useful life of these installations.

Between August and December 2017, maintenance and improvement work was carried out as part of the preparations for the general plant maintenance programmed for 2018. Furthermore, the year saw the start of a plan to renew the vehicle fleet, including the purchase of new vehicles to meet operational requirements.

Skills development

As part of our process safety implementation program we continued to develop skills and increase our employees’ knowledge, participation and leadership in the identification and evaluation of process safety. The program achieved 1,900 man-hours of training. Courses included key subjects such as leadership in process safety for first-line supervisors, training and coaching in investigation and incident reporting, change management and leadership in asset integrity for plant employees.

Additionally, in order to guarantee the development of specific skills in certain jobs, in 2017 we invested more than 14,000 man-hours in technical training and more than 8,000 man-hours in safety, health and environmental training.





**Continual evaluation**

In order to ensure a good working environment that contributes to our employees' performance, as well as to identify opportunities for further improvement, in 2017 PERU LNG carried out a survey of levels of pride, commitment and motivation, as well as an index of leadership and other categories.

The survey showed that employees had a satisfactory opinion of the company. 70% of responses were favorable in the leadership index and 88% were favorable regarding the level of commitment. The challenge will be to develop proposals for continual improvement of our teams, as well as the recognition of better practices, as we continue on the road to greater efficiency, innovation and safety.

**Managing leaders**

During 2017 we continued working to develop the skills of our team leaders through coaching sessions and workshops. The aim is to consolidate their skills, as well as to manage the tools available to the teams and the company's administrative processes. This initiative has achieved considerable success, reflected in the classification given to supervisors (more than 70% of answers were favorable) in the leadership and commitment survey.

**p. Managing leaders**

PERU LNG is a limited liability corporation. The company's senior management personnel are:

Position	Name
General Manager	María Julia Aybar
Director of Corporate Affairs and Communications	David Lemor
General Counsel	Solange Cuadros
Commercial and Planning Manager	Jaime Risco
Planning Manager	Wei Wong









*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 taught specialist courses hydrocarbons sector legislation, including regulations applicable to natural gas. She started working in the oil and gas sector in the legal department of PeruPetro (the government body that administers oil exploration and extraction in Peru). She worked as an associate for nearly ten years and later as a partner in Estudio Muñoz law firm, where her experience in different aspects of the hydrocarbons business proved valuable. She advised the Camisea Project companies in all of its phases (exploitation, transport and distribution) as well as in financing. She was general counsel of PERU LNG from February 2006 to December 2016. From the January 1, 2017 she has occupied the post of CEO.



*DAVID  
LEMOR*

Before joining PERU LNG Mr. Lemor was a Minister of State holding the Production portfolio (February 2005 – July 2006) and executive vice president of the National Competitiveness Council. He was later appointed special representative of the Government of Peru in Washington, where his task was to obtain approval of the between Peru - USA Free Trade Agreement. Furthermore, from 2007 to 2008 he was executive director of ProInversion. At present he is a professor at San Ignacio de Loyola University and Ricardo Palma University and a director of the National Manufacturing Society. In PERU LNG he is the director of Corporate Affairs and Communications.



*SOLANGE  
CUADROS*

Ms. Cuadros studied at the Catholic University of Peru's Faculty of Law and pursued postgraduate studies at Duke University (USA). She has more than nine years of experience in energy and corporate law and has taken various specialist courses in hydrocarbons and electricity. She began in the energy and mining department of Estudio Muñoz law firm before moving to the Peruvian ombudsman's office. From 2008 to 2012 she worked on the PERU LNG legal team and from 2013 to 2015 was legal manager and head of Regulatory and Legal Affairs for the GCZ Energía group. In 2016 she took on the same responsibility in EDC Peru Holdings and, since January 2017, has been general counsel of PERU LNG.



*JAIME  
RISCO*

Mr. Risco studied Industrial Engineering in the Faculty of Science and Engineering of the Catholic University of Peru before obtaining an MBA from the University of Virginia (USA). He worked in the Camisea project commercial department of Pluspetrol as an analyst from 2006 to 2010. He was financial manager in the planning department of Microsoft's sales, marketing and services group.

He joined PERU LNG in 2014 and held the post of planning manager from February 2016 to June 2017. He has been Commercial and Planning manager since July 2017.



*WEI  
WONG*

Mr. Wong studied at Baylor University, where he obtained an undergraduate degree in business administration and a master's in accountancy. He began his career with ConocoPhillips as a financial analyst and then joined Hunt Oil in the corporate strategic planning department. In 2015 he obtained a master's degree in business administration from the University of Texas. He then worked for the Hunt Oil business unit in the Middle East, during the initial stage of a production and company development project in Kurdistan and Yemen LNG. He is a qualified public accountant and internal auditor and has held the position of planning manager in PERU LNG since July 2017.





## q. Judicial and administrative procedures and arbitration

### Contested administrative procedures

At the close of 2017 the status of the court case brought in March 2011 by PERU LNG against Osinergmin arising from fines imposed by the latter (case 01130-2011), was as follows: The Administrative Court annulled a ruling upholding the claim made by PERU LNG and ordered the lower court to rule again. This ruling has not yet been issued.

In the administrative claim, PERU LNG questions the validity and demand the annulment of rulings N° 004458 and 004666, as well as rulings N° 030-2010-OS/TASTEM-S2 and N° 007-2010-OS/TASTEM-S2. These imposed fines of approximately USD\$ 912,635.00 for an alleged non-compliance with environmental management commitments.

### Arbitration proceedings

On October 6, 2016, after the parties had agreed the terms of reference applicable to the proceedings, the arbitration panel consisting of two arbitrators and one president, established the procedural timetable that will govern the arbitration. These proceedings took place before the International Arbitration Panel of the International Chamber of Commerce between la PERU LNG and companies Pluspetrol Peru Corporation S.A., Pluspetrol Lote 56 S.A., Tecpetrol Bloque 56 S.A.C. and Sonatrach Peru Corporation S.A.C. (hereinafter “the companies”). In this arbitration process PERU LNG is questioning invoices issued by the above companies in July and August 2015 for alleged additional payments for gas sold in 2010 and 2011.

It should be noted that the total amount in dispute is approximately USD\$ 90.3 million.





## r. Our commitment to the community

PERU LNG promotes relationships of trust and respect with the communities in its direct area of influence in Ayacucho, Huancavelica, Ica and Lima. In doing so it develops social investment projects and strengthens productive skills among the communities adjacent to the gas pipeline and plant.

Its social investment projects have been designed to maximize resources and impact, thus stimulating sustainable growth in the communities. These projects are implemented through local governments and coordination with the people who benefit directly. The following initiatives were undertaken in 2017:

### i. Training program for public investment management

This program, which started in March 2012, helps to strengthen the abilities of the technical members of municipal governments who are responsible for drawing up and implementing strategic public investment projects to meet the basic needs of the population. This program provides advice to municipal officials on the preparation of technical designs and strategies for obtaining public funds.

Advisers from Universidad del Pacífico assisted the municipal officials to produce profile studies, answered their queries on public governance and facilitated contact with government entities responsible for promoting public investment, especially with the Ministry of Finance.

This program has helped to strengthen relationships with the rural communities in the area of influence of the PERU LNG gas pipeline, through construction work carried out by the municipal authorities. It has enabled 64 million soles to be granted from State funds for social projects to meet the basic needs of the population.

Through this program PERU LNG has shown world-class investment can contribute to sustainable development of communities in its areas of influence, making it a benchmark and example of a socially responsible company in the hydrocarbons sector.

In 2017 the following two large-scale projects were approved, valued at a total of 34 million soles:







**Municipality of Acocro**

“Improved irrigation system in Chulluhuaycco”, which consists of the construction of a dam, a water intake an enclosed canal and open channels to irrigate 817 hectares and benefit 445 families.

Investment 	PERU LNG contribution 
S/ 28,995.00	S/ 100,000.00

**Municipality of Vinchos**

Project name: “Improvements to regular secondary education in Cayramayo – Vinchos”.

Investment 	PERU LNG contribution 
S/ 4,923,151.00	S/ 20,000.00

Furthermore, three projects were completed and inaugurated in 2017.

**Municipalidad de Vinchos**

Project name: “River Vinchos flood defense works at Casacancha, Anchaccwasi, San Jose de Mayobamba San Luis de Picha and Vinchos”. This work was carried out in the district of Vinchos, Huamanga, Ayacucho.

Total cost of project 	PERU LNG contribution 
S/ 9,823,681.00	S/ 423,145.00

Project: “Improvement in basic regular secondary education at Justiniano Quicaña Magallanes, Walter Ebertz and Pablo Valeriano Mesahuaman schools” in the district of Vinchos, Huamanga, Ayacucho.

Total cost of project 	PERU LNG contribution 
S/ 7,675,715.00	S/ 330,616.00

**Municipality of Acos Vinchos**

“Improvements to primary health care at healthcare establishments in Huaychao and Urpay, part of the Quinoa sub-network - Huamanga Health Services network - DIRESA Ayacucho”. This project was implemented in the district of Acos Vinchos, Huamanga, Ayacucho.

Total cost of project 	PERU LNG contribution 
S/ 4,201,357.00	S/ 229,445.00





ii. Haku Wiñay – Mi Chacra Emprendedora

In October 2014 an agreement was signed between PERU LNG and FONCODES (Social Development Cooperation Fund), by which PERU LNG would finance 100% of the Mi Chacra Emprendedora - Haku Miñay project in its direct areas of influence.

The purpose of the program is to develop productive skills and rural entrepreneurship that help to generate and diversity incomes, as well as improve food security for local families.

THE PROGRAM HAS FOUR PRINCIPAL COMPONENTS:



1) Improving the production of family units by the use of simple and low-cost technologies (irrigation, compost, animal husbandry, etc.), increasing domestic production for home consumption and improving children's diets.



2) Healthy living conditions through the implementation of improved cookers, safe water and proper waste management. This will guarantee proper conditions for food storage and preparation.



3) Inclusive rural businesses achieved by greater diversification of production, the creation of micro-businesses using surplus family production and competition between family business plans.



4) Encouragement of financial skills through training in the use of financial institutions (savings, loans and insurance), as well as investment in rural micro-businesses that can generate increased income for families.



The purpose of the project is to develop productive skills and rural entrepreneurship among 282 very poor families in the villages of Hatunpalcca, Totorá, Anchiway Sierra, Osqoqocha, Qollpa, Allpacorral, Pampanhuaylla, Cochás and Putacca in the districts of Anco and San Miguel, province of La Mar, Ayacucho region.

The project ended on December 3, 2017 and an addendum was signed to extend it until March 2018. The aim is to complete the activities detailed in the technical files, as well as carry out additional activities that will improve the program's results.





### iii. Improvements in reading comprehension

“Leer es Estar Adelante” (“Read to Get Ahead”) is a project started in 2014 in partnership with the BBVA Banco Continental Foundation. The purpose of the program is to improve reading comprehension of students in the third, fourth, fifth and sixth grades of public primary schools. In 2017, the program was implemented in 24 public schools in Huamanga and La Mar in Ayacucho region and 5 schools in Huaytara, Huancavelica. In total the project involved 1299 students in 29 public schools, and 98 teachers.

#### THE PRINCIPAL ACTIVITIES AND ACHIEVEMENTS IN 2017 ARE DESCRIBED BELOW:



#### Activities

- Provision of educational materials.
- Training and accompaniment.
- Measurement of the effectiveness of the program in the participating school population.
- institutionalization of the project.



#### Achievements

- **1229** students improved their level of reading comprehension.
- **29** schools included the project into their regular teaching.
- **98** teachers took part in the project, using the methodology and materials as part of a strategy of accompaniment.
- Provision of reading comprehension textbooks to students in the third to sixth grades of primary education in Ayacucho and Huancavelica.
- Distribution and use of teachers guides by educators.



“ **CHILDREN FROM 29 PUBLIC SCHOOLS** HAVE IMPROVED THEIR READING COMPREHENSION LEVEL.”





#### *iv. Training in artisanal fishing*

PERU LNG is committed to the economic well-being of the artisanal fishermen in its areas of influence in Chincha and Cañete. In 2017, therefore, it signed an agreement with the Peruvian Merchant Navy Academy (ENAMM) to implement a training program at the academy in Callao. This training aims to encourage formalization and strengthen the skills of artisanal fishermen.

Each course lasted two weeks, with students living in the academy and receiving theoretical and practical training in fishing techniques. On passing the course, participants received their credentials as artisanal fishermen from the Peruvian Navy, thus formalizing their occupation. This credential enables them to apply for formal employment in the fishing industry and gives access to sources of finance managed by FONDEPES (the Fishing Industry Development Fund).



**“ PERU LNG  
PROMOTES THE  
DEVELOPMENT  
OF THE ARTISANAL  
FISHERMEN OF ITS AREA  
OF INFLUENCE.”**





### *v. Driver license training program*

The driver license training program system aims to improve driving and personal skills in order to open further employment opportunities for artisanal fishermen in PERU LNG 's area of influence. The idea is to help to improve the socio-economic conditions of families through instruction and compliance with the requirements, tests and other procedures required by the Ministry of Transport, to obtain a driver's license.

In 2017, the program had 65 beneficiaries from Cañete, who all obtained their driver's licenses. A version of this program is currently under way in Chincha, with 100 participants.

### **THANKS TO THIS PROGRAM, BENEFICIARIES IN 2017:**



- took new jobs as drivers of municipal service vehicles.
- Obtained financing to acquire or lease vehicles for use as taxis.
- Became self employed and/or created taxi service companies.
- Had an alternative to artisanal fishing as a source of income in times of adverse weather.
- Improved their chances of employment in technical positions.



**“ 65 ARTISANAL  
FISHERMEN  
OBTAINED THEIR DRIVER'S  
LICENSE IN 2017 THANKS  
TO PERU LNG'S TRAINING  
PROGRAM.”**





#### *vi. Impacting Lives program - table tennis*

PERU LNG and the Asociación Mónica Liyau set up a table tennis program in nine schools in Chíncha and Cañete. In 2017 this benefited 8,325 children between the ages of 7 and 14, as well as training sports teachers in the game's techniques. Furthermore, concrete table tennis tables were built in every school involved in the program.

The general aim of this program is to promote table tennis on a large scale as part of the integral development of children living in PERU LNG's area of influence, providing them with educational tools to stimulate their interest and develop their physical and motor characteristics.

#### *vii. Mathematics for All educational program*

PERU LNG signed an agreement with Instituto Apoyo to implement the Mathematics for All program, the aim of which is to develop early mathematical skills in 1,180 nursery school children in nine schools in Chíncha.

The program provides opportunities for children to learn skills and acquire the foundations of training in mathematics. This provides better preparation and more opportunities in their transition from nursery to primary schools.

#### *viii. Awards and/or acknowledgments obtained*

In 2017 PERU LNG received two awards that recognized the company's commitment to the communities in its direct area of influence. One was the 2017 Good Public Administration Practices Award from the Ciudadanos al Día organization in the public-private partnership category. The other was the 2017 Sustainable Development prize, awarded by the National Institute of Mining, Petroleum and Energy, in the local development management category - hydrocarbons sector.





Premio  
**Desarrollo  
Sostenible**  
2017







## s. Health, safety and the environment

PERU LNG has developed and applies a set of practices and requirements on all its sites aimed at protecting its contractors, consultants and visitors, as well as guaranteeing the safety and occupational health of its employees. It ensures the preservation of the environment and prevents impacts on communities in the direct area of influence of the gas pipeline, the liquefaction plant and the port facility.

In line with its policy of responsibility and commitment to conservation of the environment and natural resources, PERU LNG carries out its activities to the highest industry standards, and guarantees strict compliance with Peruvian and international legislation. This is demonstrated by the fact that its Integrated Management System (IMS) holds ISO 14001 and OHSAS 18001 certification, having been externally audited every year by TÜV Rheinland.

This is how we verify that the environmental and safety management systems are properly implemented throughout PERU LNG's operations from KP 0 (the starting point) of the gas pipeline at Chiquintirca, to the LNG plant and the port facility.

The scope of the certification covers all activities, processes and premises of PERU LNG, including the offices. The IMS is designed to create safe working conditions for employees and contractors of PERU LNG and, furthermore, to establish a commitment to serve as social and environmental guardians for the communities in which it operates.

### i. Environmental management in the plant

#### Responsible waste management

Waste management (1949 tons in 2017) gives priority to reduction, recycling and reuse. The production of compost from food waste reduced the quantity of waste carried to and disposed of in landfill sites and helped to improve integrated management and a hierarchy of sustainable management for solid waste.

Compost obtained was used to fertilize the parks and gardens around the camps and plant offices. Recycled waste included paper and cardboard, timber, plastic, metal and used oil.

#### Responsible water management

PERU LNG does not use water from rivers or local wells and does not generate impacts on water sources in the zone. It creates potable water from seawater using a reverse osmosis plant. It thus reduces any possible effect on the environment to a minimum.

With this sustainable management of water resources, PERU LNG carries out its activities in harmony with the environment and those living in its direct area of influence.





The environmental impact assessment (EIA) describes the Peruvian water use standards applicable to the plant, camps and offices. All used water is subject to stringent treatment in the waste water treatment plant and after treatment, domestic waste water (62,514.25 m3) is reused for watering parks and gardens and dust control on the plant’s internal roadways, rather than being discharged into the sea.

Environmental and safety standard assurance inspections

To guarantee compliance with quality, occupational safety and environmental protection standards, during 2017 the PERU LNG plant installations were inspected 161 times, producing 507 observations contributing to the process of continual improvement.

The resulting actions are both corrective and preventive. The aim is to guarantee that the risks and potential impacts of the operations are managed opportunely and in accordance with PERU LNG standards and procedures, as well as to contribute to the continual improvement process.

Guaranteeing compliance with the highest industry standards

PERU LNG has three environmental monitoring programs: (1) Discharges and emissions, (2) water bodies environmental quality monitoring and (3) monitoring of biodiversity, which applies to the whole of PERU LNG’s operations.

The environmental monitoring programs gather information on the effects that PERU LNG’s operations may have on the environment, as well as mitigating any environmental effects and preserving the nature of its areas of influence.

The monitoring results obtained during 2017 are shown below:

- Monitoring discharges and emissions

Monitoring	Number of samples taken annually	Results
1 annual emissions sample from 8 chimneys.	48	All meet the standards.
12 effluent samples from 4 monitoring points.	828	All meet the standards.
64 vessels provided samples (water ballast).	256	All meet the standards.
2 measurements of environmental noise from 10 monitoring points.	40	All meet the standards.





- Environmental monitoring of receiving water bodies

Monitoring	Number of samples taken annually	Results
4 air quality samples from 5 monitoring points.	420	All meet the standards.
4 samples of sea water plankton, 2 sampling points.	8	No invasive or new species were found.
4 sea water quality samples, 44 sampling points.	5104	The resulting values are similar to those reported in the environmental baselines of 2002 and 2005.
2 marine sediment samples, 14 monitoring points.	700	The resulting values are similar to those reported in the environmental baselines of 2002 and 2005.

In addition to these controls two participatory campaigns monitoring the marine environment were carried out with representatives of local fishermen’s organizations and the authorities, as well as coastal morphology surveys (8 km of beaches evaluated in each one) and two more topographical feature surveys.

- Noise monitoring at surface monitoring stations

As part of our care for the environment and respect for obligations assumed in the Environmental Impact Assessment for the gas pipeline, in April and October 2017 we carried out day and night-time noise monitoring at 43 points of the 17 surface monitoring stations (14 relief valves. 1 meter station, 1 scrapper and 1 PCS). Monitoring demonstrated that noise standards had been met 100%.

- River monitoring

PERU LNG’s gas pipeline crosses several rivers. The main river crossings are therefore monitored in both the rainy season (monthly in January, February, March and December), and the dry season (September). In 2017, 13 river crossings were monitored 65 times, verifying their stability and ensuring that no erosion had occurred.

This work was don where the pipeline crosses the rivers Alfarpampa, Sachapampa, Torobamba, Altomayo, Yucay, Vinchos, Palmitos, Pampas, Leche Leche, Pisco, Matagente, Chico and Topará.

- Monitoring bio-restoration

PERU LNG carries out continual bio-restoration work to restore the natural conditions of areas that have been disturbed by the construction of the gas pipeline.

The 2017 bio-restoration campaign addressed 26.45 Km of the RoW by transfer of native species and soil improvement through manuring. This work has re-established the native vegetation over most of the distance disturbed during construction.



- Biodiversity Monitoring and Assessment Program (BMAP)

This program was conceived by PERU LNG together with the Center for Conservation, Education and Sustainability (CCSE) of the Smithsonian Conservation Biology Institute (SCBI), with the aim of preserving biodiversity during project construction and the operation of the gas pipeline, the plant and the port facility.

The BMAP uses biological evaluations and monitoring to determine the condition of species, their habitats and changes over time. This information was used to draw up guidelines so that PERU LNG can take decisions that help to mitigate any impact on biodiversity.

In 2017 a number of monitoring campaigns were implemented in accordance with the annual plan in the BMAP, which includes monitoring of the following research protocols:

- Small mammals
- Vegetation and of wetlands
- Marine benthos
- Sea fish
- Sea birds

- Participatory Socio-Environmental Monitoring Program (PMSAP)

The Participatory Socio-Environmental Monitoring Program (PMSAP) guarantees active participation by the communities and settlements in PERU LNG's direct area of influence. The communities nominate their own representatives (monitors), who are responsible for supervising and monitoring possible social and environmental impacts arising from the operation of the gas pipeline. If the monitors find anything, they are recorded and reported to their communities and to the company. When PERU LNG receives such reports, it analyzes them and takes prompt corrective action, thus enabling its operations to continually improve.

10 evaluations in the field were carried out in 2017 and 65 findings reported. Of these, 34 cases were closed appropriately and the rest were scheduled to be addressed during the maintenance programs.

#### Audits and relationship with the State

Audits by the environmental authorities help to maintain high operating standards and to confirm compliance with legal requirements. In 2017 the Environmental Evaluation and Monitoring Supervisor (OEFA) carried out three audits (two of the plant and one of the pipeline) and the National Ports Authority (APN) performed one audit. There were no observations

In 2016 PERU LNG signed a two-year agreement with the Instituto del Mar del Peru (IMARPE) to calibrate and validate use of the AZTI Marine Biotic Index (AMBI). It is applied in the central and southern coastal areas of Peru and continued in 2017.





ii. Occupational health and industrial hygiene

Industrial hygiene program

In accordance with the Annual Hygiene Monitoring Program, in 2017 we continued to monitor exposure to occupational hazards, as shown in the following following table.

Occupational hazard	Location	Total monitoring points / areas
Chemical		
Inhalable dust	Abrasive blasting zone - plant	1
Silica	Abrasive blasting zone - plant	2
Heavy metals	Pond R1 - plant	1
Volatile organic components	Pond R1 - plant	1
Thorium and Uranium	Pond R1 - plant	1
Total petroleum hydrocarbons, BTX	Pond R1 - plant	1
Mercury	Pond R1 - plant	1
Physical		
Electromagnetic radiation	Substations and transformers - plant	15
Noise (dosimetry)	Plant operators, electricians, instrument technicians, mechanics	8
Vibration	Pick-up trucks - pipeline	2
Lighting	Medical center – plant Ayacucho office	37

Biological agents



- Potable water: The obligatory control parameters were monitored on a daily basis, with monthly monitoring of the additional parameters applicable to the quality of water from the reverse osmosis plant and to potable water treatment.
- Mess rooms: An accredited external laboratory carried out monthly monitoring of biological agents on inert surfaces and the hands of people working with food prepared in the plant.



The monitoring results are reported each year to each department involved and to our employees in order to raise their awareness of exposure and, if applicable, management of prevention, verification and monitoring measures, as part of the process of continual improvement. In 2017 education and training in the prevention of occupational risks to health was given to 84% of workers in the plant and 70% of those on the pipeline.

#### Occupational health control & vigilance program

PERU LNG uses the following tools to monitor the health of its own employees and those of contractors:

- **Occupational medical examinations:** 368 periodic occupational medical examinations were carried out in 2017 on plant, pipeline and Lima office employees; in addition to evaluations carried out on those joining, leaving or returning to the company, or changing jobs, in accordance with Peruvian regulations. No occupational illnesses were reported during this year. The results of the occupational medical examinations are reported confidentially to the employees.
- **Health control and vigilance of contractors and visitors:** PERU LNG requires its contractors to monitor the health of their employees and meet the medical standards of PERU LNG before carrying out work on its premises, by means of an occupational Health aptitude certificate (CAMO). 3,066 CAMOs were verified in 2017 for the plant and 535 for the pipeline; as were 3,657 health declarations from visitors to the plant and pipeline.
- **Time lost through sickness:** every month checks are carried out on workforce absenteeism, to produce an epidemiological indicator of employee health that can be used to design intervention programs for at-risk groups to prevent illness and injury and reduce the rate of absenteeism. The principal cause of absenteeism in 2017 was traumatism unrelated to work, followed by musculoskeletal disorders.
- **Medical treatment:** PERU LNG has a medical center at the plant to treat urgent cases and emergencies affecting employees, contractors and visitors. In 2017 medical treatment was given 1777 times.

#### Illness prevention programs

The following programs and activities were carried out in 2017, aimed at maintaining and improving working conditions and preventing and monitoring risks to employees' health:

- **Respiratory protection program:** seeks to protect employees from the risk particle inhalation, through correct use of personal protection equipment (PPE). Respirator fitting is carried out at the plant medical center. 228 respiratory function and adjustment tests were carried out in 2017.

- **Sun protection program:** this program started in January 2017. Information, talks and sunblock were given to employees in order to encourage good protection practices both at work and at home.
- **Influenza vaccination campaign:** during May and June 2017, 152 Lima, plant and pipeline employees were voluntarily vaccinated against influenza.
- **Health and welfare program, including:**
  - **Nutritional advice program:** advice on nutrition was provided at the plant, in Ayacucho and in Lima. During these consultations employees are evaluated and given information and recommendations on healthy living (a balanced diet and exercise).
  - In 2017 employees took advantage of nutritional consultations 457 times and improved their health indices by 30%. Furthermore, talks were given and information distributed to employees.
  - **Anti-stress massage campaign:** the aim of this campaign is to reduce muscular tension and prevent stress at work. 6 campaigns were implemented in 2017 and a total of 182 employees took part in short massage sessions in Lima and at the plant.

## t. Communications

In 2017 the Corporate Affairs and Communications Department held a series of events and campaigns aimed at strengthening relations between PERU LNG and the local population and authorities, especially in areas adjacent to the gas pipeline and PERU LNG's plant.

### i. Conferences and events

March 2017 saw the start of a series of conferences, with a talk entitled "How to Treat Depression in Children and Adolescents", given by renowned psychoanalyst Jorge Bruce, who visited the towns of Chinchá, Cañete and Huamanga. He spoke of the importance of generating confidence, talking about feelings and experiences, allowing children to get things off their chest and showing affection; things that parents could put into action to help their children and adolescents to overcome depression.

In August Jorge Bruce gave another talk called "How to Treat Problems of Conduct in Children and Adolescents", also in Chinchá, Cañete and Huamanga. Dr Bruce shared with dozens of parents the importance of the family in the detection of conduct disorders in children and/or adolescents, as well as the necessity of providing the help these children need, obtaining information from their teachers and subsequent monitoring.

During the conference, Dr Bruce said that there are various warning signs that parents and teachers should be able to recognize when evaluating children and deciding whether they need treatment.

Both events, attended by more than 1,650 people in Chinchá, Cañete and Huamanga, made a contribution to personal and local welfare and development, its purpose being to inform and stimulate debate on matters of interest to local people.





Furthermore, as part of the celebrations for the Day of the Child, four shows were organized, attended by more than 3,000 children and adults from Chinchá, Cañete and Huamanga, in Ayacucho. The main attraction at each one was a children's interactive theater entertainment called "The Storyteller", in which the children -encouraged by the actors- created three stories aimed at building their confidence and facing up better to their daily difficulties. With these events PERU LNG seeks to develop children's imagination and creativity and provide them with basic tools to strengthen their abilities.

### *ii. Night of the Entrepreneurs*

Six events for entrepreneurs were held in 2017, attended by more than 1,000 people, in the cities of Chinchá, Cañete and Huamanga in Ayacucho. Local entrepreneurs were motivated by practical advice and real-life examples.

This event made novel use of a show called "I Want to be a Winner, Truth and Myth about Entrepreneurship", in which those present were given information on different tools, ideas and suggestions that could be beneficial when starting a new business. The show also presented details and situations that are not normally taken into account but are part of the entrepreneur's experience, helping to raise the awareness of those present.

PERU LNG promotes entrepreneurship as a way of stimulating the economy of the regions in which it is present. So Night of the Entrepreneurs has provided training free of charge to entrepreneurs in the three towns mentioned above.



**“ IN 2017, THREE  
PUBLIC EVENTS  
WERE HELD TO PROMOTE  
THE ENTREPRENEURIAL  
SPIRIT AMONG THE  
POPULATION.**





#### u. Strengthening Peruvian talent

PERU LNG helps to train new leaders by stimulating and strengthening the skills of talented young people. As part of this work the company signed an agreement with the National Engineering University (UNI) to grant an annual PERU LNG Scholarship. This scholarship will provide financial assistance to enable young students to continue their professional training at internationally recognized academic institutions.

In 2017, Jerson Sanchez Sanchez was chosen to study for a year at the University of Oklahoma (USA), one of the world's premier institutions in the field of gas and oil. When he finishes his course Jerson will be able to carry out his pre-graduation work experience at PERU LNG and then to join the company. Meanwhile, scholarship student Renato Bisso Perez Paredes, who studied there in 2016 and 2017, has returned and is now one of PERU LNG's plant operators.

We would point out that 2017 was the sixth year of the program and the evaluation process is backed by the Commission for Student Exchanges between Peru and the United States of America (the Fulbright Commission).

#### v. Voluntary Service

During 2017 the Melchorita Voluntary Scheme, consisting of employees from different departments and sites, continued to help the Hogar de las Bienaventuranzas home, led by Father Omar Sánchez. Activities were also carried out in support of Hogar de la Esperanza Mama Victoria and José Faustino Sánchez Carrión Nursery School.

The funds necessary for the work in support of these institutions were obtained by voluntary activities, such as the sale of cakes in the Lima offices and plant and a raffle with prizes donated by our employees.

At Christmas we held a party for the children of Jose Faustino Sánchez Carrión Nursery School in Carapongo. The company's workers were asked to donate toys and volunteers took part in the celebration. More than 140 toys were also donated to the children of the institution.

These activities reinforced the social commitment of PERU LNG's workers, who continually support the various activities proposed by the volunteers to generate funds and to provide help for the different institutions that need it.



# FINANCIAL INFORMATION





## FINANCIAL INFORMATION

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PERU LNG's  
financial statements  
presented in this  
report have been  
audited by Caipo  
y Asociados  
Sociedad Civil.

”



(Expressed in thousands of United States dollars)

PERU LNG's financial information has been prepared in accordance with the International Financial Reporting Standards (IFRS). The summary should be read together with the audited financial statements and accompanying notes. It will be entirely referenced to the financial statements.

FINANCIAL INFORMATION | ANNUAL REPORT  
2017



Results  
As at the 31st of December 2017 & 2016  
(Expressed in thousands of United States dollars)

Main financial indicators

As at the 31st of December		
	2017	2016
Earnings from ordinary activities	685,755	500,962
Sales cost	(576,864)	(432,172)
<b>Gross profit</b>	<b>108,891</b>	<b>68,790</b>
Sales and distribution costs	(25,250)	(25,221)
Management costs	(23,484)	(28,801)
Other operating income	160	50
Financial income	3,414	1,593
Financial expenses	(64,946)	(71,577)
Exchange rate differences, net	830	(1,469)
<b>Loss before tax</b>	<b>(385)</b>	<b>(56,635)</b>
	(1,875)	15,114
<b>Corporation tax</b>	<b>(2,260)</b>	<b>(41,521)</b>
<b>Results of the fiscal year</b>		

As at the 31st of December		
	2017	2016
Liquidity indices		
Liquidity	1.27x	1.53x
Available assets / current liabilities ratio test	1.24x	1.49x
<b>Management indices</b>		
Gross profit margin	16%	14%
Operating margin	9%	3%
<b>Solvency indices</b>		
Liabilities / equity	0.97x	1.04x
Non-current debt / capital ratio	0.44x	0.49x
Non-current liabilities / net equity	0.40x	0.44x
<b>Profitability indices</b>		
Return on capital	-0.2%	-3.0%
Return on sales	-0.3%	-8.3%

## w. Management analysis and discussion

The following management analysis and discussion of the issuer's financial position and results should be read together with the issuer's financial statements and accompanying notes. The financial statements have been drawn up in accordance with IFRS.

Comparison of fiscal years ending December 31, 2017 and 2016 (expressed in thousands of US dollars).

## Results

### Income

Income as of December 2017 amounted to USD\$ 685.7 MM. These mainly represent LNG sales to Shell International Trading Middle East Limited (SITME), as a result of 64 export shipments in fiscal year 2017. Despite fewer shipments compared with the fiscal year 2016, income increased by USD 184.8 MM (37%). This increase is due principally to an increase in the price of the HH (41%), NBP (34%) and JKM (20%) benchmarks, comparing the reference value invoiced from January to December 2017 and 2016.

### Sales cost

The cost of sales for the period January to December 2017 amounted to USD\$ 576.9 MM, corresponding to the manufacturing cost of LNG sold during the period. There was an increase of 33.5% compared with December 2016, arising from an increase in the unit cost, which is directly related to the higher prices in December 2017 of the HH, JKM and NBP benchmarks compared with the same period in 2016.

The cost of sales is made up of the variation in finished products of USD\$ 0.9MM (0.2% of the total), natural gas purchases and inputs used in production of USD\$ 373.4 MM (64.7% of the total), depreciation of USD 127.8 MM (22.2% of the total), operator services of USD 29.9 MM (5.2%) and other indirect costs of USD\$ 46.6 MM (8.1% of the total).

### Administrative expenditure

Administration costs for January to December 2017 fell by 18.5% compared to the same period in fiscal year 2016, to USD\$ 23.5MM (USD\$ 28.8MM in 2016). The reduction was principally in services from third parties (USD\$ 16.6MM as at December 2017 versus USD\$ 22.2 recorded in the same period of fiscal year 2016). This result is a consequence of a fall in legal costs and other services deriving from company policy.

### Financial expenses

Financial expenses fell by 9.3% as at December 2017 (USD\$ 64.9 MM) compared with the same period in 2016 (USD\$ 71.6 MM). This is explained principally by a fall in financial expenses deriving from lower interest paid on repayments.



## Net results

At the end of December 2017, loss before corporate income tax amounted USD\$ 0.4 MM, a total of USD\$ 56.3 MM lower than the loss before income tax recorded at the close of the same period in 2016 (USD\$ 56.6 MM), as a result of higher earnings.

The impact of income tax as of December 31, 2017 on the company's net results was USD\$ 1.9 MM, increasing the net loss for the fiscal year to USD\$ 2.2 MM. At the close of fiscal year 2016 the net loss was USD\$ 41.5 MM. Furthermore, EBITDA as at December 2017 was USD\$ 210.7 MM, a total of USD\$ 49 MM more than December 2016, when EBITDA was USD 161.7 MM.

## Statement of financial position

Current assets recorded at the end of December 2017 amounted to USD\$ 512.1 MM, a 4% increase compared with the close of fiscal year 2016 (USD\$ 491.5 MM). This was the product of an increase in accounts receivable from non-arms-length entities, inventories, accounts receivable - VAT and other financial and non-financial assets. The main items include:

(i) Cash and cash equivalents of USD\$ 160.3 MM, deriving from payments by Shell International Trading Middle East (SITME) for sales of LNG during the fiscal year, held in overnight deposits and freely-available current accounts.

(ii) Other financial assets amounting to USD\$ 189.7 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 are the debt servicing account, to which a monthly amount equivalent to 1/6 of total debt payable on the next payment date is transferred, the reserve maintenance account, the reserve account for payments to TGP and the reserve account for income tax payments.

(iii) Accounts receivable – VAT, which increased from USD\$ 14.3 MM at the close of 2016 to USD\$ 16.3MM at the close of 2017, as a result of value added tax (VAT) reimbursable to the company as an exporter. The increase recorded was due to an increase JKM and NBP benchmarks in 2017, compared with 2016. It should be noted that the principal benchmark for shipments during December 2017 was the JKM, while in the same period of 2016 it was the HH.

(iv) Accounts receivable from non-arms-length entities -SITME-, which amounted to USD\$ 108.8 MM at the close of 2017, showed an increase of 64.9% compared with the close of 2016.

(v) The inventory account amounted to USD\$ 20.4 MM at the end of fiscal year 2017. This account consists principally of spare parts (61.9%) and liquefied natural gas (27.2%).

Total assets were valued at USD\$ 2939 MM at the end of fiscal year 2017. The principal account is net property, plant & equipment, which amounted to USD\$ 2366 MM and fell by USD\$ 129.7 MM compared with the close of fiscal year 2016. This was due to the net effect of an increase in accumulated depreciation as at December 2017 less additions during the year.

Current liabilities recorded at the end of fiscal year 2017 amounted to USD\$ 402.2 MM, an increase in comparison with the close of 2016 of USD\$ 321.4 MM. Current liabilities is made up principally of trade accounts payable, which showed an increase of USD\$ 15.9 MM to reach USD\$ 105.4 MM; while other accounts payable, showed an increase of USD\$ 2.5 MM, to USD\$ 20.2 MM. This is explained principally by the provision for tax payable.

Non-current liabilities at the close of fiscal year 2017 fell to USD\$ 1158 MM, compared with the end of fiscal year 2016 (USD\$ 1328 MM). This was because the non-current portion of other financial liabilities fell from USD\$ 0.7 MM (from USD\$ 182.2 MM at the end of 2016 to USD\$ 181.5 MM in December 2017).

Total liabilities fell by USD\$ 89.6 MM (5.4%); from USD\$ 1649 MM at the end of fiscal year 2016 to USD\$ 1560 MM at the close of fiscal year 2017.

Finally, total equity increased by USD\$ 7.8 MM to a balance of USD\$ 1379 MM at the close of fiscal year 2017. The accumulated results account increased by USD\$ 2.3 MM. Other equity reserves, the product of unrealized results from interest rate swaps, fell from an unrealized loss of USD\$ 10.1 MM. This meant that the accumulated loss fell from USD\$ 29.7 MM at the close of fiscal year 2016 to USD\$ 19.6 MM at the close of 2017.


Capital did not vary from the close of fiscal year 2016, showing a balance of USD\$ 1461 MM at the end of 2017.

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

No changes have been made during the last two fiscal years (2017 and 2016) in the personnel responsible for preparing and reviewing PERU LNG's financial information.



# REPORT ON COMPLIANCE WITH THE CODE OF GOOD CORPORATE GOVERNANCE FOR PERUVIAN COMPANIES



08



REPORT ON COMPLIANCE WITH THE CODE OF GOOD  
CORPORATE GOVERNANCE FOR PERUVIAN COMPANIES

“

Peruvian companies  
that have securities  
registered with  
the Stock Market  
Public Registry have  
the obligation to  
disseminate their  
good governance  
practices.

”



# REPORT ON COMPLIANCE WITH THE CODE OF GOOD CORPORATE GOVERNANCE FOR PERUVIAN COMPANIES

Trading name:

PERU LNG S.R.L.	
Fiscal year:	2017
Website:	www.perulng.com
Name or trading name of the reviewing company: (1)	
RPJ	OE4139

(1) Only applicable if the information contained in this report has been checked by a specialist company (for example: auditing company or consultant).

	Complete
<b>PILLAR I: Shareholders' rights</b> Principle 2: Shareholdings Principle 3: No dilution of shareholdings Principle 4: Information and communications with shareholders Principle 5: Participation in company dividends Principle 6: Change or taking control Principle 7: Arbitration for dispute settlement Principio 7: Arbitraje para solución de controversias	YES YES YES YES YES YES YES
<b>PILLAR II: General meeting of shareholders</b> Principle 8: Function and competence Principle 9: Regulations concerning general meetings of shareholders Principle 10: Mechanisms for calling meetings Principle 11: Proposed points on the agenda Principle 12: Voting procedures Principle 13: Delegation of votes Principle 14: Monitoring of agreements at the AGM	YES YES YES YES YES YES YES
<b>PILLAR III: The board of directors and senior management</b> Principle 15: Board of directors Principle 16: Functions of the board of directors Principle 17: Rights and duties of the directors Principle 18: Regulations concerning the board of directors Principle 19: Independent directors Principle 20: Operability of the board of directors Principle 21: Special committees Principle 22: Code of ethics and conflicts of interest Principle 23: Operations with non-arm's-length parties Principle 24: Functions of the senior management	YES YES YES YES YES YES YES YES YES
<b>PILLAR IV: Risk and compliance</b> Principle 25: Risk management environment Principle 26: Internal auditing Principle 27: External auditors	YES YES YES
<b>PILLAR V: Information transparency</b> Principle 28: Information policy Principle 29: Financial statements and annual report Principle 30: Information on shareholdings and agreements between the shareholders Principle 31: Corporate governance report	YES YES YES YES
<b>SECTION C</b>	



**SECTION B:**

Evaluation of compliance with the principles of the Code of Good Corporate Governance for Peruvian Evaluation of compliance with the principles of the Code of Good Corporate Governance for Peruvian Companies

**PILLAR I: Shareholders' rights****Principle 1: Equal treatment**

## Question I.1

	Yes	No	Explanation:
Does the company give equal treatment to shareholders of the same class and maintain the equal conditions (*)?	X		

(\*) The same conditions means those that distinguish the shareholders or give them a common characteristic in their relationship with the company (institutional investors, non-controlling investors, etc.) It should be remembered that under no circumstances does this imply that the use of privileged information is allowed.

## Question I.2

	Yes	No	Explanation:
Does the company have only voting shares?	X		

## a. With regard to the company's capital, specify:

Paid up capital as at close of fiscal year	Paid up capital as at close of fiscal year	Total number of shares representing the capital	Number of shares with voting rights
USD 1 461 435 077	USD 1 461 435 077	1 461 435 077	1 461 435 077

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

Class	Number of shares	Nominal Value	Fees(*)

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

## Question I.3

	Yes	No	Explanation:
If the company has investment shares, does it encourage a policy of redemption or voluntary exchange of investment shares for ordinary shares?			Not applicable.

**Principle 2: Shareholdings**

## Question I.4

	Yes	No	Explanation:
a. Do the company documents establish the form in which the shares are represented and the person responsible for recording them in the share registry?		X	Not applicable. The company does not have a share register, given that it is incorporated as a limited liability corporation (S.R.L.) Nevertheless shares in PERU LNG S.R.L are duly registered at the public records office.
b Is the share register kept up to date?		X	Not applicable, idem previous comment. All changes relating to shareholdings are registered with the public records office.

Indicate how often the share registry is updated, after the company becomes aware of any change.

Frequency:	Within forty eight hours	
	Weekly	
	Others / Details (in days)	Not applicable

**Principle 3: No dilution of shareholdings**

## Question I.5

	Yes	No	Explanation:
a. Does the company have a policy by which proposals from the board of directors regarding corporate operations that may affect the right of shareholders not to have their shareholdings diluted (i.e., through mergers, splitting, capital increases, among others) should be explained in advance by the board in a detailed report, including the independent opinion of an external adviser of recognized professional probity appointed by the board?.		X	Not applicable. The company has shares, as it is a S.R.L.
b. Does the company have a policy by which the said reports are made available to the shareholders?		X	Not applicable.

If during the fiscal year corporate operations have taken place that are covered by paragraph a) of question I.5, and the company has independent directors(\*), please say whether in all cases:

	Yes	No
Did all of the independent directors vote in favor of the appointment of the external adviser?		
Did all of the independent directors clearly express their acceptance of the said report and give reasons, if applicable, for their disagreement?		

(\*) The independent directors are chosen for their professional trajectory, honesty, sufficiency and economic independence and because they have no links with the company, its shareholders or its directors.



Principle 4: Information and communications with shareholders

Question I.6

	Yes	No	Explanation
Does the company determine those responsible or the media through which shareholders receive and request prompt, reliable and truthful information?	X		

a. Indicate the media by which the shareholders receive and/or request information from the company.

Means of communication	Receiving information	Requesting information
E-mail:	X	X
By telephone	X	X
Corporate website		
By mail	X	X
Informative meetings	X	X
Others / Details	Directly in the company through weekly and monthly management reports.	

b. Does the company have a maximum period for answering requests for information from shareholders? If so, what is this period:

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

Question I.7

	Yes	No	Explanation:
Does the company have a mechanism by which the shareholders can express their opinions on its performance?	X		

If the answer is yes, describe the company’s mechanisms for shareholders to express their opinions on its performance.

The mechanisms are established in the company by-laws.
--

Principle 5: Participation in company dividends

Question I.8

	Yes	No	Explanation:
a. Is compliance with the dividends policy subject to evaluation from time to time?	X		
b. Are Are the shareholders informed of the dividend policy through the corporate website, among other means?		X	The information is made available to shareholders at general meetings of shareholders.

a. Describe the dividend policy of the company applicable to the fiscal year.

Date of approval	24/08/2009
Dividend policy (profit distribution criteria)	<p>(i) Dividends may only be declared and paid as and when established by legislation. Dividends shall be paid from profits obtained or freely available reserves, provided that its net equity is not less than its paid-up capital or would become so as a result of the dividend payments.</p> <p>(ii) if freely available reserves or profits can be distributed in accordance with the provisions of (i) above, the company may declare and pay dividends. However, the declaration of dividends is subject to a decision by the general meeting of shareholders, which shall decide based on factors such as liquidity, debt levels, investments and other factors that it deems relevant at the time. Nevertheless, agreements adopted by the company shall under no circumstances imply any non-compliance with its financial obligations.</p> <p>(iii) The AGM may agree to distribute interim dividends based on the criteria set forth in point (ii) above, while complying with the applicable legal requirements. It should be noted that the AGM held on the 14th of January 2016 approved the incorporation of certain changes to the dividend policy, and also ratified its terms and conditions.</p>



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

Per share	Dividends per share			
	Fiscal year covered by this report		Fiscal year prior to the year covered by this report	
	In cash	In shares	In cash	In shares
Class				
Class				
Investment shares				

**Principle 6: Change or taking control**

Question I.9

	Yes	No	Explanation:
Does the company have policies or agreements not to adopt mechanisms to prevent takeovers?		X	The by-laws do not include agreements to limit takeovers.

Indicate whether the company has established any of the following measures:

	Yes	No
Minimum share requirements for directors		X
Minimum number of years as a director before being chosen as president of the board of directors		X
Agreements to indemnify executives / officers as a consequence of changes after a takeover.		X
Others of a similar nature / Details	The company is a S.R.L.; it therefore has no board of directors. Nevertheless, see above regarding the shareholders.	

**Principle 7: Arbitration for dispute settlement**

Question I.10

	Yes	No	Explanation:
a. Do the company's by-laws include an arbitration agreement submitting to legal arbitration any dispute between shareholders or between shareholders and the board of directors; and objections to the agreements of the AGM and board of directors by shareholders in the company?	X		They include an arbitration clause, which states that all disputes or disagreements between shareholders and the company and its managers, during the company's existence or winding up, concerning the interpretation or application of these by-laws, shall be submitted to the binding decision of an arbitration panel.
b. Does this clause enable an independent third party to resolve disputes, other than the right to resort to the normal courts?	X		Yes, they would be resolved by an independent third party.

Give the number of objections to agreements made at the AGM by shareholders or other stakeholders in the company during the fiscal year.

Number of objections to AGM agreements	0
Number of objections to agreements by the board of directors	0



PILLAR II: General meeting of shareholders

Principle 8: Function and competence  
Question II.1

	Yes	No	Explanation:
Is the AGM exclusively responsible for approving the board of directors’ distribution policy?		X	Not applicable. The company does not have a board of directors. Nevertheless, the AGM is responsible for approving the distribution policy applicable to the company’s officers.

Indicate whether the following functions are the exclusive competence of the AGM, if not state which entity exercises this function.

	Yes	No	Explanation:
Order special investigations and audits	X		
Agree modifications to the by laws	X		
Agree increases in the capital	X		
Agree interim dividends	X		
Appoint the external auditors	X		

Principle 9: Regulations concerning general meetings of shareholders  
Question II.2

	Yes	No	Explanation:
Does the company have a regulation applicable to the AGM that is binding and includes responsibility for non-compliance?		X	Nevertheless, Chapter I, Heading III of the company’s by-laws includes the procedure to be used to call and hold a meeting, the matters for discussion, the chairman and other points.

If there is a regulation concerning the AGM state whether it includes procedures for:

	Yes	No
Calling an AGM		
Incorporating shareholders' points on the agenda		
Provide additional information on the AGM to shareholders		
The progress of the meeting		
Appointment of members of the board of directors		
Others / Details		

Principle 10: Mechanisms for calling meetings

Question II.3

	Yes	No	Explanation:
In addition to the mechanisms for calling meetings established in law, does the company have such mechanisms that enable it to contact shareholders, particularly those that do not take part in the control or management of the company?		X	No additional mechanisms are necessary, other than those established in the Companies Act, which are sufficient to protect the shareholders’ rights.

a. Complete the following information for each one of the meetings held during the fiscal year.

Date of notice of calling	Date of meeting	Place meeting held	Type of meeting		Full meeting of shareholders			Shares represented as a % of all voting shares		
			Extraordi-nary	General	Yes	No		Through powers of attorney	Directly (*)	Did not exercise right to vote
	31/03/2016	Registered office	X		X		2	100%		
	13/05/2016	Registered office		X	X		2	100%		

(\*) Direct exercise of this right includes voting by any means or method other than using a proxy.

b. What means, other than those included in article 43 of the Companies Act and in the Regulations Concerning Significant Events and Reserved Information, did the company use to publish the calling of general meetings during the fiscal year?

E-mail		Mail	
By telephone		Social networks	
Corporate website		Others / Details	Directly in the company.

Question II.4

	Yes	No	Explanation:
Did the company make available to shareholders all information on the points contained in the agenda for the AGM and the motions proposed?	X		

Did the notices of calling issued by the company during the fiscal year:

	Yes	No
state where the information on the agenda for the meetings could be found?		
Were the following included as points on the agenda: “other subjects”, “general points” or similar?		



Principle 11: Proposed points on the agenda

Question II.5

	Yes	No	Explanation:
Do the Regulations Concerning the AGM include mechanisms enabling shareholders to exercise there right to propose points on the agenda to be discussed at the AGM and procedures for accepting or rejecting such proposals?		X	Not applicable, we have no regulation. Notwithstanding the above, the provisions of the CA that enable shareholders to exercise the rights described above do apply.

a. Indicate the number of applications submitted by shareholders during the fiscal year points to be included in the agenda of the AGM, and how these were resolved:

Number of applications		
Received	Accepted	Denied
0		

b. If applications to include matters in the agenda of the AGM have been denied during the fiscal year, indicate whether the company reported the reasons for the denial to the applicant shareholders.

Yes

No

Principle 12: Voting procedures

Question II.6

	Yes	No	Explanation:
Does the company have mechanisms allowing shareholders to vote when not present at the meeting by secure electronic or postal means that guarantee that the voter is indeed a shareholder?		X	In accordance with the company's by-laws, shareholders are present either personally or through proxies.

a. If applicable, indicate what means or mechanisms the company employs for distance voting.

Electronic votes		Postal votes	
------------------	--	--------------	--

b. If distance voting took place during the fiscal year give the following information:

Date of meeting	% distance votes				% distance votes / total
	E-mail:	Corporate website	Mail	Others	

Question II.7

	Yes	No	Explanation:
Does the company have documents that specify clearly that shareholders can vote separately on matters that are substantially independent, such that they may exercise their preferences separately?		X	Votes are governed by the company's by-laws

Indicate whether the company has documents that specify clearly that shareholders can vote separately for:

	Yes	No
The appointment or ratification of the directors by an individual vote for each one.		X
Modification of the by-laws by article or group of articles, that are substantially independent.		X
Others / Details	The matters subject to a vote are clearly defined in the agenda for the meeting.	

Question II.8

	Yes	No	Explanation:
Does the company allow proxies acting on behalf of several shareholders to cast different votes for each shareholder, thus complying with the instructions of each principal?	X		



**Principle 13: Delegation of votes**

Question II.6. 9

	Yes	No	Explanation:
Do the company by-laws enable its shareholders to vote by proxy?	X		

If the answer is no, indicate whether the by-laws restrict the right of representation to any of the following people:

	Yes	No
Another shareholder		
A director		
A manager		

Question II.10

	Si	No	Explicación:
a. Does the company have procedures detailing the conditions, ways and means to be complied with when proxy voting is required?	X		
b Does the company provide a model power of attorney to shareholders, including proxy's data, matters on which the shareholder delegates his vote and, if applicable, the vote to be cast on each proposal?		X	There is no model letter but this does not limit the shareholders' right to request representation.

Give the requirements and formalities by which a shareholder can be represented at a meeting:

Formality (indicate whether parent requires a letter, notarized letter, public deed or other document).	Simple letter.
Advance notice (number of days in advance of the meeting that the powers of attorney must be submitted).	Up to the previous day.
Cost (indicate whether parent demands payment and the amount payable).	No payment is required.

Question II.11

	Si	No	Explicación:
a. Does the company have a policy establishing limits on the percentage of members of the board of directors or senior management chosen as proxies?		X	The company's by-laws do not limit the right to a proxy.
b. With regard to members of the board of directors or senior management chosen as proxies, does the company have a policy by which shareholders voting by proxy can clearly establish how these votes are to be cast?		X	There is no such policy, shareholders have complete freedom to choose proxies.

**Principle 14: Monitoring of agreements at the AGM**

Question II.12

	Yes	No	Explanation:
a. Does the company monitor the agreements adopted by the AGM?	X		
b. Does the company issue periodic reports to the board of directors and are they made available to shareholders?		X	Not applicable. The company does not have a board of directors. Nevertheless the company immediately informs the shareholders of agreements reached at the AGM.

if applicable, indicate the department and/or individual responsible for monitoring the agreements adopted at the AGM. If an individual is responsible, also give his position and the department in which he works.

Department responsible	Legal
------------------------	-------

Person responsible		
Full name	Position	Department



Pillar III: the board of directors and senior management

Principle 15: Board of directors  
Question III.1

	Yes	No	Explanation:
Does the board of directors consist of people with different specialties and skills, with prestige, probity and economic independence, who are available to attend meetings and possess other qualities relevant to the company, such that there is a variety of opinions and viewpoints.		X	Not applicable. The company does not have a board of directors.

a. Give the following information on the members of the company’s board of directors during the fiscal year.

Full name:	Professional training (*)	Date		Part. Shareholding (****)	
		Start (**)	Finish (***)	N° of shares	Part. (%)
Directors (not including independent directors)					
Independent directors					

(\*) Also state whether directors sit on other boards, give the number of such directorships and whether the companies in question are part of the economic group of the reporting company. Please use the definition of economic group contained in the Regulations Concerning Indirect Ownership, Association and Economic Groups.

(\*\*) First appointment by the reporting company.

(\*\*\*) To be completed only if the directorship became vacant during the fiscal year.

(\*\*\*\*) Obligatory only for directors who hold 5% or more of the shares of the reporting company.

% of total shares held by the directors	
---	--

Indicate the number of directors of the company in each of the following age ranges:

Under 35	35 to 55	55 to 65	Over 65

b. Indicate whether there are specific requirements to be appointed president of the board of directors, other than those required to be appointed a director.

Yes ☐ No ☐

If the answer is yes, please describe those requirements.

c. Does the president of the board of directors have a casting vote?

Yes ☐ No ☐

Question III.2

	Yes	No	Explanation:
Does the company avoid appointing deputy directors, especially for reasons of the quorum?		X	Not applicable. The company does not have a board of directors.

If it has deputy directors, please state:

Given names and surnames of deputy director	Start (*)	Finish (**)

(\*) First appointment as deputy director of the reporting company.

(\*\*) To be completed only if the deputy directorship became vacant during the fiscal year.

Question III.3

	Yes	No	Explanation:
Does the company publish the names of the directors, whether they are independent and their curricula vitae?		X	Not applicable. The company does not have a board of directors.

Indicate how the company divulges the following information about the directors:

	E-mail:	Corporate website	By mail	Does not divulge	Others / Details
Directors' names					
Independent or not					
Curricula Vitae					



**Principle 16: Functions of the board of directors**

Question III.4

	Yes	No	Explanation:
Does the board of directors have the following functions? a. To approve and conduct the company's corporate strategy.		X	Not applicable. Because of its nature, the company does not have a board of directors. Notwithstanding the above, this function is the responsibility of the general meeting of shareholders.
b. To establish objectives, goals and action plan, including annual budgets and business plans.		X	Not applicable. Because of its nature, the company does not have a board of directors. Notwithstanding the above, this function is the responsibility of the general meeting of shareholders.
c. To control and supervise the management and to be responsible for the governance and administration of the company.		X	Not applicable. Because of its nature, the company does not have a board of directors. Notwithstanding the above, this function is the responsibility of the general meeting of shareholders.
d. To supervise good corporate governance and establish the policies and measurements necessary for its application.		X	Not applicable. Because of its nature, the company does not have a board of directors. Notwithstanding the above, this function is the responsibility of the general meeting of shareholders.

a. Does the board of directors delegate any of its functions?

NA

b. Does the board of directors delegate any of its functions?

Yes ☐ No ☐

if applicable, indicate the main functions that have been delegated and to which entity

Functions	Entity / department to which functions have been delegated

**Principle 17: Rights and duties of the directors**

Question III.5

	Yes	No	Explanation:
Do the directors have the right to: a. Request that the board seeks expert help or support.		X	Not applicable. The company does not have a board of directors. Notwithstanding the above, this right is exercised by the general meeting of shareholders.
b. Take part in induction programs about their powers and responsibilities and to be informed of the company's organization structure in a timely manner.		X	Not applicable. The company does not have a board of directors. Notwithstanding the above, this right is exercised by the general meeting of shareholders.
c. Receive payment for their work, which combines recognition of their professional experience and dedication to the company, using rationality as a criterion.		X	Not applicable. The company does not have a board of directors.

a.. If specialist advisers have been engaged during the fiscal year, indicate whether the board of directors' list of specialist advisers who have provided their services during the fiscal year has been made known to the shareholders.

Yes ☐ No ☐

If applicable, state whether any of the specialist advisers have any links with a member of the board of directors and/or senior management (\*).

Yes ☐ No ☐

(\*) In accordance with the criteria contained in the Regulation Concerning Indirect Ownership, Associates and Economic Groups.

b. If applicable, indicate whether the company holds induction programs for new members.

Yes ☐ No ☐

c. Indicate the total amount of the directors' annual remuneration and bonuses as a percentage of gross earnings as shown in the company's financial statements.

Total	(%) Incomes earnings	Bonuses	(%) Incomes
Directors (not including independent directors)		In shares	
Independent directors		In options	
		In cash	
		Others (give details)	



Principle 18: Regulations governing the board of directors

Question III.6

	Yes	No	Explanation:
Does the company have regulations covering the board of directors that is binding and leads to repercussions in the event of non-compliance?		X	Not applicable. The company does not have a board of directors.

Indicate whether these regulations contain:

	Yes	No
Policies and procedures for their application		
Organizational structure of the board of directors		
Functions and responsibilities of the president of the board of directors		
Procedures for identifying, evaluating and appointing candidates for directorships, proposed to the AGM.		
Procedures for vacant directorships and for dismissing and replacing directors.		
Others / Details		

Principle 19: Independent directors

Question III.7

	Yes	No	Explanation:
Do independent directors make up at least one third of the board?		X	Not applicable. The company does not have a board of directors.

Indicate which of the following conditions are taken into account by the company in classifying its directors as independent.

	Yes	No
Not being a director or employee of a company in the same business group, unless three (3) or five (5) years respectively have elapsed since they ceased to be such.		
Not being an employee of a shareholder who holds five percent (5%) or more of the company's shares.		
Not being an independent director of the company for more than eight (8) consecutive years.		
Not having a significant (*) business or contractual relationship in the last three (3) years, either directly or indirectly, with the company or any other company in the same group.		
Not being the spouse or having a family relationship of the first or second degree of consanguinity with shareholders, directors or the senior management of the company.		
Not being a director or member of the senior management of any other company in which any director or member of the senior management of the company is a director.		
Not having been in the last eight (8) years a member of the senior management or an employee of the company, companies belonging to the same group or companies holding shares in the company.		
Not having been, during the last three (3) years a partner or employee of an external auditor or auditor of any company in the same group.		
Others / Details		
(*) A business relationship shall be assumed to be significant when either of the parties has issued invoices or payments for an amount greater than 1% of its annual earnings.		

Question III.8

	Yes	No	Explanation:
a. Does the board of directors declare that a candidate is independent based on its own investigation and the candidate's declaration?		X	Not applicable. The company does not have a board of directors.
b. Do candidates for independent directorships declare their independence 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 of directors

Question III.9

	Yes	No	Explanation:
Does the board of directors have a working plan that helps to make its operation more efficient?		X	Not applicable. The company does not have a board of directors.

Question III.10

	Yes	No	Explanation:
Does the company provide its directors with the channels and procedures necessary for them to take effective part in meetings of the board, including when they are not physically present?		X	Not applicable. The company does not have a board of directors.

a. Give the following information on board meetings held during the fiscal year:

Number of meetings	
Number of meetings held without a notice of calling (*)	
Number of meetings at which the president of the board was not present	
Number of meetings in which one or more directors were represented by deputy directors or proxies	
Number of directors represented on at least one occasion	

(\*) In this field include information on the number of meetings held in accordance with the provisions of the final paragraph of article 167 of the Companies Act.

b. Indicate the percentage attendance of the directors at board meetings during the fiscal year.

Name	% attendance

c. Indicate how long before a board meeting the information on the matters to be discussed is made available to the directors.

	Less than 3 days	From 3 to 5 days	More than 5 days
Non-confidential information			
Confidential information			

Question III.11

	Yes	No	Explanation:
a. Does the board objectively evaluate its own performance and that of its members at least once a year?		X	Not applicable. The company does not have a board of directors.
b. Are self-assessments used alternately with evaluations by outside advisers?		X	Not applicable. The company does not have a board of directors.

a. Indicate whether performance evaluations of the board of directors have been carried out during the fiscal year.

	Yes	No
As a collegiate body		
Individual members		

If either of the above answers is yes, give the following information for each evaluation:

Policy	Self-assessment		External evaluation		
	Date	Publication (*)	Date	Entity responsible	Publication (*)

(\*) Indicate whether the evaluation was made known to the shareholders.



**Principle 21: Special committees**

Question III.12

	Yes	No	Explanation:
a. Does the company's board of directors create special committees to analyze the most relevant aspects of the company's performance?		X	Not applicable. The company does not have a board of directors. Notwithstanding the above, this function is exercised by the general meeting of shareholders.
b. Does the board of directors approve the regulations governing each of the special committees it creates?		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. Do the special committees have a budget assigned to them?		X	Not applicable. The company does not have a board of directors.

Question III.13

	Yes	No	Explanation:
Does the company have an appointments and remuneration committee responsible for proposing candidates for directorships to the AGM and for approving the remuneration and incentives system for the senior management?		X	Not applicable. The company does not have a board of directors. Nevertheless, the AGM is responsible for determining the system of remuneration and incentives for the company's officers, in coordination with the Human Resources Department.

Question III.14

	Yes	No	Explanation:
Does the company have an audit committee to supervise the effectiveness and suitability of the company's internal and external controls, the work of the audit firm or independent auditor and compliance with the regulations concerning legal and professional independence?	X		One of the functions of PERU LNG's operator is internal auditing.

a. State whether the company also has the following special committees:

	Yes	No
Risks committee:		X
Corporate governance committee		X

b. If the company has special committees, give the following information about each committee:

COMMITTEE 1	
Name of the committee:	
Date created:	
Main functions:	

Members of the committee (*): Given names and surnames	Date		Position within the committee			
	Start (**)	End (***)				
Independent directors as a % of the total number of committee members						
Number of meetings held during the fiscal year:						
The committee has powers delegated in accordance with article 174 of the Companies Act:			Yes		No	
Does the committee or its president take part in the AGM?			Yes		No	

(\*)Information will be provided on the members of the committee during the fiscal year.

(\*\*) First appointment as a committee member in the reporting company.

(\*\*\*)To be completed only if the position became vacant during the fiscal year.

COMMITTEE 2	
Name of the committee:	
Date created:	
Main functions:	

Members of the committee (*): Given names and surnames	Date		Position within the committee			
	Start (**)	End (***)				
Independent directors as a % of the total number of committee members						
Number of meetings held during the fiscal year:						
The committee has powers delegated in accordance with article 174 of the Companies Act:			Yes		No	
Does the committee or its president take part in the AGM?			Yes		No	

(\*)Information will be provided on the members of the committee during the fiscal year.

(\*\*) First appointment as a committee member in the reporting company.

(\*\*\*)To be completed only if the position became vacant during the fiscal year.



COMMITTEE 3	
Name of the committee:	
Date created:	
Main functions:	

Members of the committee (*): Given names and surnames	Date		Position within the committee			
	Start (**)	End (***)				
Independent directors as a % of the total number of committee members						
Number of meetings held during the fiscal year:						
The committee has powers delegated in accordance with article 174 of the Companies Act:			Yes		No	
Does the committee or its president take part in the AGM?			Yes		No	

(\*)Information will be provided on the members of the committee during the fiscal year.

(\*\*) First appointment as a committee member in the reporting company.

(\*\*\*)To be completed only if the position became vacant during the fiscal year.

COMMITTEE 4	
Name of the committee:	
Date created:	
Main functions:	

Members of the committee (*): Given names and surnames	Date		Position within the committee			
	Start (**)	End (***)				
Independent directors as a % of the total number of committee members						
Number of meetings held during the fiscal year:						
The committee has powers delegated in accordance with article 174 of the Companies Act:			Yes		No	
Does the committee or its president take part in the AGM?			Yes		No	

(\*)Information will be provided on the members of the committee during the fiscal year.

(\*\*) First appointment as a committee member in the reporting company.

(\*\*\*)To be completed only if the position became vacant during the fiscal year.

COMMITTEE 5	
Name of the committee:	
Date created:	
Main functions:	

Members of the committee (*): Given names and surnames	Date		Position within the committee			
	Start (**)	End (***)				
Independent directors as a % of the total number of committee members						
Number of meetings held during the fiscal year:						
The committee has powers delegated in accordance with article 174 of the Companies Act:			Yes		No	
Does the committee or its president take part in the AGM?			Yes		No	

(\*)Information will be provided on the members of the committee during the fiscal year.

(\*\*) First appointment as a committee member in the reporting company.

(\*\*\*)To be completed only if the position became vacant during the fiscal year.



**Principle 22: Code of ethics and conflicts of interest**

Question III.15

	Yes	No	Explanation:
Does the company adopt measures to prevent, detect, manage and reveal any conflicts of interest that may arise?	X		The AGM delegates the powers necessary to monitor and control possible conflicts of interest to the general management.

if applicable, what department and/or individual is responsible for the monitoring and control of possible conflicts of interest. If an individual is responsible, also give his position and the department in which he works.

Department responsible	General Management, Human Resources and Legal departments.
------------------------	--

Person responsible		
Given names and surnames	Position	Department

Question III.16 / compliance

	Yes	No	Explanation:
a. Does the company have a Code of Ethics (*) that is binding upon its directors, managers, officials and other collaborators (**) of the company, containing ethical and professional responsibility criteria, including the management of potential conflicts of interest?	X		
b. Do the board of directors or general management approve training programs for compliance with the Code of Ethics?	X		

(\*) The Code of Ethics may be included in the Internal Conduct Regulations.

(\*\*) The term collaborators covers all those with any labor relationship with the company, regardless of contract type.

If the company has a Code of Ethics, indicate the following:

a. It is available to:

	Yes	No
shareholders	X	
Others to whom it is applicable	X	
The general public		X

b. Indicate the department and/or individual responsible for monitoring and compliance with the Code of Ethics. If an individual is responsible, also give his position, the the department in which he works and his immediate superior.

Department responsible	Human Resources Department
------------------------	----------------------------

Person responsible			
Given names and surnames	Position	Department	Immediate superior

c. Are records kept of non-compliance with the Code?

Yes ☐ No ☐

d. Indicate the number of incidences of non-compliance with the provisions of the Code detected or reported during the fiscal year.

Number of non-compliances	
---------------------------	--

Question III.17

	Yes	No	Explanation:
a. Does the company possess mechanisms for reporting any illegal or unethical conduct and guaranteeing the confidentiality of the person reporting?	X		
b. Are incidences of non-compliance reported directly to the Audit Committee when they are related to accounting aspects or when the General Management or Financial Department are involved?		X	No, reports of illegal or unethical conduct are evaluated by the Human Resources Department.



Question III.18

	Si	No	Explicación:
a. Is the board of directors responsible for monitoring and controlling possible conflicts of interest that may arise within the board?		X	Not applicable. The company does not have a board of directors. Nevertheless, the General Management and Human Resources Department are responsible for such monitoring.
b. If the company is not a financial institution, does it have a policy by which the directors are prohibited from receiving loans from the company or any company of its economic group without prior authorization from the board of directors?		X	Not applicable. The company does not have a board of directors.
c. If the company is not a financial institution, does it have a policy by which the senior managers are prohibited from receiving loans from the company or any company of its economic group without prior authorization from the board of directors?		X	Not applicable. The company does not have a board of directors.

a. Give the following information on senior managers who hold 5% or more of the company's shares.

Given names and surnames	Position	Number of shares	% of total number of shares
% of all shares in the possession of senior management		0%	

b. Indicate whether any director or senior manager of the company is the spouse, family member to the first or second degree of consanguinity or family member to the first degree of affinity of:

Given names and surnames	Connection with:			Given names and surnames of shareholder / director / manager	Tipo de vinculación (**)	Información adicional (***)
	Shareholder (*)	Director	Senior management			

(\*)Shareholders holding 5% or more of the company's shares.  
(\*\*)In accordance with the criteria contained in the Regulation Concerning Indirect Ownership, Associates and Economic Groups.  
(\*\*\*)If there is a connection with any shareholder include his shareholding. If there is a connection with any manager, include his position.

c. If any member of the board of directors occupies or has occupied any management position in the company during the fiscal year covered by this report, give the following information:

Given names and surnames	Management post occupied now or previously	Time in that post	
		Start (*)	Finish (**)

(\*)First management appointment in the reporting company.  
(\*\*) To be completed only if the management position became vacant during the fiscal year.

d. If, during the fiscal year, any member of the board of directors or senior management has had a commercial or contractual relationship with the company that was significant because of its value or for other reasons, please give the following information.

Given names and surnames	Type of relationship	Brief description



**Principle 23: Operations with non-arm's-length parties**

Question III.19

	Yes	No	Explanation:
a. Does the board of directors have policies and procedures for valuing, approving and revealing certain transactions between the company and non-arm's-length parties, and for revealing commercial or personal relationships, either direct or indirect, between the directors, between directors and the company, suppliers or clients and other stakeholders?	X		The company does not have a board of directors. Nevertheless there is a procedure for approving transactions between non-arm's length parties.
b. As far as transactions of particular relevance or complexity are concerned, would external advisers be used for valuation purposes?	X		The company can contract such advisers as it deems necessary to evaluate special operations, with the approval of the AGM.

a. If the company complies with paragraph a) of Question III.19, indicate the company department(s) responsible for the following aspects of transactions with non-arm's-length parties:

Aspects	Department responsible
Valuation	GM and general meeting of shareholders
Approval	GM and general meeting of shareholders
Revelation	AGM and general meetings of shareholders

b. Indicate the pre-established procedures for approving transactions between related parties:

Reporting transactions between non-arms-length parties to the General Manager of the company. The General Management evaluates such transactions and if necessary this requires approval by the AGM.

c. Give details of transactions between the company and non-arm's-length parties during the fiscal year that were important because of their value or subject matter.

Name or trading name of the non-arm's-length party	Nature of the relationship(*)	Type of transaction	Value (S/)

(\*)In accordance with the criteria contained in the Regulation Concerning Indirect Ownership, Associates and Economic Groups.

d. Say whether the company sets limits on transactions with non-arm's-length parties:

Yes ☐

No ☒

**Principle 24: Functions of the senior management**

Question III.20 / compliance

	Yes	No	Explanation:
a. Does the company have a clear policy separating the functions exercised by the board of directors, ordinary management exercised by the senior managers and the leadership of the General Manager?	X		
b. Are the general manager and president of the board of directors different people?		X	The general management is appointed by the AGM.
c. Does the senior management have sufficient autonomy to perform the functions assigned to it within the policies and guidelines defined by the board of directors, and under its control?	X		The company does not have a board of directors, nevertheless this function is exercised through the general meeting of shareholders.
d. Is the general management responsible for complying with and ensuring compliance with the policy for providing information to the board and to the directors?	X		The company does not have a board of directors, nevertheless this function is exercised through the general meeting of shareholders.
e. Does the board of directors carry out an annual evaluation of the performance of the general management as a function of well-defined standards?	X		The company does not have a board of directors, nevertheless this function is exercised through the general meeting of shareholders.
f. Does the remuneration of the senior management have a fixed component and a variable component that takes into account the company's results based on prudent forecasting, responsible risk-taking and compliance with the goals set forth in the respective plans?		X	It should be noted that although the company does not have a bonus plan for its management personnel, it does have guidelines that ensure compliance with the company's aims and enable performance bonuses to be paid to all members of the organization.

a. Give the following information on the remuneration paid to the general manager and managers (including bonuses).

Position	Remuneration (*)	
	Fixed	Variable
GENERAL MANAGER	100	0
MANAGEMENT	100	0

(\*) Indicate the total annual remuneration of senior managers as a percentage of gross earnings according to the company 's financial statements.



b. If the company pays bonuses or indemnifications to senior managers other than those required by law, say how these are paid.

	General Manager	Managers
In shares		
In options		
In cash		
Others / Details		

c. If there is a variable component to remuneration, what are the principal aspects used to determine it?

d. Indicate whether the board of directors evaluated the performance of the General Management during the fiscal year.

Yes ☐ No ☐

#### PILLAR IV: Risk and compliance

##### Principle 25: Risk management environment

Question IV.1

	Yes	No	Explanation:
a. Does the board of directors approve an integrated management policy for risks according to their size and complexity and encourage a risk management culture within the company from the board of directors and senior management down to the employees?		X	Not applicable. The company does not have a board of directors. Nevertheless the company does have systems of control, specifically financial and non-financial risk control and compliance.
b. Does the integrated risk management policy cover all the companies belonging to the group and produce a global view of critical risks?		X	The company does have systems of control, specifically financial and non-financial risk control and compliance.

Does the company have a policy of delegating risk management that establishes limits for the risk that can be handled at each level of the company?

Yes ☒ No ☐

Question IV.2

	Yes	No	Explanation:
a. Does the General Management manage the risks to which the company is exposed and report them to the board of directors?		X	The general management does manage the risks to which the company is exposed, however it does not have a board of directors.
b. Is the General Management responsible for the risk management system if there is no risks committee or risks department?		X	The company does not have a risk committee or department, however in 2015 a Tax, Legal and Risk Manager was appointed through the PERU LNG S.R.L.

Does the company have a risks manager?

Yes ☐ No ☒

If yes, indicate the following:

Given names and surnames	Date appointed		Department / entity to which he reports
	Start (*)	End (**)	

(\*)First appointment by the reporting company.

(\*\*)To be completed only if the position became vacant during the fiscal year.

Question IV.3

	Yes	No	Explanation:
Does the company have an internal and external control system, the suitability and efficiency of which are supervised by the company's board of directors?		X	Not applicable. The company does not have a board of directors.



**Principle 26: Internal audit**

Question IV.4

	Yes	No	Explanation:
a. Does the internal auditor carry out audit work exclusively, does he have autonomy and experience and is he a specialist in the matters he evaluates, as well as the independence required for monitoring and evaluating the effectiveness of the risk management system?	X		
b. Is the internal auditor responsible for continually ensuring that all the financial information generated or recorded by the company is valid and reliable, as well as for verifying the effectiveness of regulatory compliance?	X		
c. Does the internal auditor report directly to the Audit Committee on its plans, budget, activities, progress, results obtained and action taken?		X	Not applicable. The company does not have an audit committee.

a. Indicate whether the company has an independent department responsible for internal auditing.

Yes ☒ No ☐

If the answer to the above question is yes, indicate who is responsible for the audit within the organizational hierarchy of the company.

Responsible to:	The Legal, Taxation & Risk Department of HUNT LNG OPERATING COMPANY S.A.C. (PERU LNG's operator).
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b. Indicate whether the company has a corporate internal auditor.

Yes ☒ No ☐

Give the main responsibilities of the person responsible for internal auditing and whether he has other functions apart from the internal audit.

The Internal Audit Department is responsible for ensuring the establishment, understanding and maintenance of effective business controls, through an independent evaluation for the management on the suitability of all the company's business control systems. These functions include but are not limited to the following: evaluating compliance with laws and regulations; evaluating whether politics and procedures are being followed; making recommendations for improvements to the controls, processes, procedures and performance of the business and risk management, suggesting ways to increase efficiency and reduce errors in business processes; recommending ways of designing and improving information technology and business controls.

Pregunta IV.5

	Yes	No	Explanation:
Is the internal auditor appointed and dismissed by the board of directors at the suggestion 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	Explanation:
Does the AGM act on the recommendation of the board of directors to appoint the audit firm or independent auditor, and do they remain clearly independent of the company?	X		Given that the company does not have a board of directors, the AGM appoints the external auditors.

a. Does the company have a policy for appointing the external auditor?

Yes ☐ No ☒

If the answer to the previous question is affirmative, describe the procedure for contracting the audit firm responsible for giving an opinion on the annual financial statements (including identification of the company body responsible for choosing the audit firm).

b.If the audit firm has provided services other than auditing the accounts, indicate whether the AGM was informed of this and include the value of these services as a percentage of the audit firm's total turnover.

Yes ☐ No ☐

c. Do any of the audit firm's non-arm's-length entities or individuals provide services to the company other than auditing the accounts?

Yes ☐ No ☒

If the answer to the above question was yes, give the following information about the additional services provided by the audit firm's non-arm's-length entities or individuals during the fiscal year.

Name or trading name	Additional services	% of remuneration (*)

(\*) Value of the additional services over the value of the audit services.

d. Indicate whether the audit firm used different people, if it provided services other than auditing the accounts.

Yes ☐ No ☐



## Question IV.7

	Yes	No	Explanation:
a. Does the company have a policy of renewing its independent auditor or audit firm?		X	There is no policy governing this matter.
b. En caso dicha política establezca plazos mayores de renovación de la sociedad de auditoría, ¿El equipo de trabajo de la sociedad de auditoría rota como máximo cada cinco (5) años?		X	No tiene una política que regule este tema.

Give the following information on the audit companies that have provided services to Parent over the last five (5) years.

Name of audit company	Service (*)	Period	Remuneration (**)	% of the earnings of he audit firm
KPMG CAIPO Y ASOCIADOS	OPINIONS FINANCIAL INFORMATION	2017	100%	

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

(\*\*) Of the total amount paid to the audit company for all concepts, indicate the percentage paid for financial auditing services.

## Question IV.8

	Yes	No	Explanation:
With regard to economic groups, is the external auditor the same for the whole group, including offshore associates?	X		

Indicate whether the audit company contracted to give an opinion on the company's financial statements for the fiscal year covered by this report also gave an opinion on the financial statements for the same fiscal of other companies in the economic group.

Yes ☒ No ☐

If the answer to the above was yes, give the following information:  
Name or trading name of company (companies) in the economic group

PERU LNG COMPANY LLC AND SUBSIDIARIES.

## PILLAR V: Information transparency

**Principle 28: Information policy**

## Question V.1

	Yes	No	Explanation:
Does the company have an information policy for shareholders, investors, other stakeholders and the market in general, which defines, in a formal, orderly and integral manner the guidelines, standards and criteria to be applied in managing, compiling, drawing up, classifying, organizing and/or distributing the information generated or received by the company?	X		

a. If applicable, indicate whether the company makes available the following in accordance with its information policy:

	Yes	No
Objectives of the company	X	
List of directors and senior managers	X	
Share structure	X	
Description of the economic group to which it belongs	X	
Financial statements and annual report	X	
Others / Details		

b. Does the company have a corporate website?

Yes ☒ No ☐



Does the corporate website include:

	Yes	No
A special section on corporate governance or relationships with shareholders and investors, which includes corporate governance reports	X	
Significant events	X	
Financial information	X	
By-laws		X
Regulations concerning the AGM and information on meetings (attendance, minutes, others)		X
Composition of the board of directors and its regulations		X
Code of Ethics		X
Risks policy		X
Corporate social responsibility (community, the environment, others)	X	
Others / Details		

Question V.2

	Yes	No	Explanation:
Does the company have an investor relations office?		X	The company does not consider an investor relations office to be necessary as contact is direct.

If it has an investor relations office, indicate who is responsible for it.

Responsible for the investor relations office	
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If the company has no investor relations office, indicate the unit (department / branch) or person responsible for receiving and processing applications for information from the company's shareholders and the general public. If an individual, also indicate his position and the department in which he works.

Department responsible	
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Person responsible		
Given names and surnames	Position	Department

**Principle 29: Financial statements and annual report**

If the external auditor's report contains qualifications, have these qualifications been explained and/or justified to the shareholders?

Sí ☐ No ☒

**Principle 30: Information on shareholdings and agreements between the shareholders**

Question V.3

	Yes	No	Explanation:
Does the company reveal its ownership structure, different share classes and, if applicable, joint ownership by a given economic group?		X	All shares are voting shares, they are indivisible and can be represented.

Indicate the composition of the company's shareholdings at the close of the fiscal year.

Voting shareholdings	Number of shareholders (at close of fiscal year)	% participation
Less than 1%		
Between 1% and 5%		
Between 5% and 10%		
More than 10%		
Total		

Non-voting shareholdings (if applicable)	Number of shareholders (at close of fiscal year)	% participation
Less than 1%		
Between 1% and 5%		
Between 5% and 10%		
More than 10%		
Total		



Investment shareholdings (if applicable)	Number of shareholders (at close of fiscal year)	% participation
Less than 1%		
Between 1% and 5%		
Between 5% and 10%		
More than 10%		
Total		
Shares as percentage of capital:		

Question V.4

	Yes	No	Explanation:
Does the company report agreements between shareholders?		X	The company does not have shareholders agreements.

a. Does the company record current agreements between shareholders?

Yes ☐ No ☒

b. If the company has been informed of any agreements between shareholders during the fiscal year, indicate the subject matter of each such agreement.

Election of directors	
Use of voting rights at meetings	
Restrictions on the free transfer of shares	
Changes in the internal regulations of by-laws of the company	
Others / Details	

Principle 31: Corporate governance report

Question V.5

	Yes	No	Explanation:
Does the company divulge its corporate governance standards in an annual report whose content is the responsibility of the board of directors, after informing the Audit Committee and Corporate Governance Committee if applicable?		X	Not applicable. The company does not have a board of directors. .
The company has mechanisms for divulging its corporate governance practices both internally and externally.			
Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>			
If the answer to the above question is yes, specify the mechanisms employed.			



SECTION C:

Content of company documents

In which of these documents does the company regulate the following matters

		Pkarinincipio	By-laws	Internal regul-tions (*)	Manual	Others	Not regulated	Not applicable	Name Karina of document (**)
1	Policy for redeeming or exchanging non-voting shares	1						X	
2	Method of recording share ownership and person responsible for registration	2						X	
3	Procedures for choosing the external advisor to give an opinion on the board's proposals for corporate operations that could affect the shareholders' right not to have their shareholding diluted.	3						X	
4	Procedure for receiving and processing applications for information and opinions from shareholders	4	X						
5	Dividend policy	5	X			X			Minutes of general meetings of shareholders.
6	Policies or agreements not to adopt anti-takeover mechanisms	6						X	
7	Arbitration agreement	7	X						
8	Policy for choosing the company's directors	8						X	
9	Policy for evaluating the directors' remuneration	8						X	
10	Mechanisms for providing shareholders with information on the agenda of the AGM and proposals	10	X						
11	Methods other than those established in law used by the company to call the AGM	10					X		
12	Additional mechanisms by which shareholders can add items to the agenda of the AGM	11					X		

		Pkarinincipio	By-laws	Internal regul-tions (*)	Manual	Others	Not regulated	Not applicable	Name Karina of document (**)
13	Procedures for accepting or rejecting shareholders' proposals for points to be included in the agenda or for discussion at the AGM	11	X						
14	Mechanisms to enable shareholders to take part from a distance	12					X		
15	Procedures for differential voting by shareholders	12					X		
16	Procedures to be used for proxy voting	13					X		
17	Requirements and formalities by which a shareholder may appoint a proxy at an AGM	13	X						
18	Procedures appointing directors or senior managers as proxies	13						X	
19	Procedure for monitoring the agreements reached at AGM	14				X			Legal Department.
20	Minimum and maximum numbers of directors on the company's board of directors.	15						X	
21	The rights, duties and functions of the company's directors	17						X	
22	Indicate the type of bonuses paid to the board of directors for reaching the company's targets	17						X	
23	Policy for contracting advisers to the directors	17						X	
24	Induction policy for new directors	17						X	
25	Special requirements for independent directors of the company	19						X	
26	Criteria for evaluating the performance of the board of directors and its members	20						X	
27	Policy for determining, monitoring and controlling possible conflicts of interest;	22		X					Code of conduct.



		Pkarnarincipio	By-laws	Internal regul-tions (*)	Manual	Others	Not regulated	Not applicable	Name Karina of document (**)
28	Policy for the valuation, approval and revelation procedure for transactions with non-arm's-length entities	23				X			General meeting of shareholders and general management.
29	Responsibilities and functions of the president of the board of directors, executive president, general manager and other senior managers	24	X			X			Powers of attorney granted by the general meeting of shareholders.
30	Criteria for evaluating the performance of the senior managers	24				X			Procedure for setting and evaluating targets.
31	Policy for setting and reviewing the remuneration of senior managers	24				X			Procedure for setting and evaluating targets.
32	Integrated risk management policy	25					X		
33	Responsibilities of the internal auditor.	26				X			Job description
34	Policy for appointing the external auditor, duration of the contract and renewal criteria.	27					X		
35	Policy on the revelation and communication of information to investors	28					X		

(\*) Includes the regulations governing the AGM, regulations concerning the board of directors or others issued by the company.  
(\*\*)Indicate the name of the document if not the company by-laws.



# CORPORATE SUSTAINABILITY REPORT



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CORPORATE  
SUSTAINABILITY REPORT

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The Corporate Sustainability Report allows showing the environmental policies and social responsibility actions carried out by the company with its stakeholders.

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# CORPORATE SUSTAINABILITY REPORT

Denominación:	
PERU LNG S.R.L.	
Ejercicio:	2017
Página Web:	www.perulng.com
Denominación o razón social de la empresa revisora: (1)	
RPJ	OE4139

(1) Sólo es aplicable en caso que la información contenida en el presente informe haya sido revisada por alguna empresa especializada (por ejemplo: sociedad de auditoría o empresa de consultoría).

Section A	Complete
Question A.1	YES
Question A.2	YES
Question A.3	YES
Question A.4	YES
Question A.5	YES
Question A.6	YES

Question A.1

	Yes	No	Explanation:
Does the company as a whole adhere voluntarily to standards of good practice in corporate sustainability?	X		PERU LNG's management systems are certified to the following standards: ISO 14001, OHSAS 18001 and ISO 9001 (the latter covering the port facility only).

If the answer is yes, indicate the standard and date of adhesion

Standard	Date of adhesion
ISO 14001:2004	20/02/14
OHSAS 18001:2007	20/02/14
ISO 9001:2008	9/04/15

If the company produces sustainability reports other than this one, give the following information:

These reports are drawn up:	Yes	No
Voluntarily		X
At the request of investors		X
At the request of public institutions		X
Others (give details):	Reports are generated that include the practices mentioned above and are provided to the authorities, shareholders and internally within the organization.	

These reports can be accessed through:

The SMV website	
Corporate website	
Social networks	
Others / Details	Internal reports



Question A.2

	Yes	No	Explanation:
Does the company have a corporate policy that contemplates the impact of its activities on the environment?	X		PERU LNG has a sustainability policy that establishes principles of leadership aspects such as the efficient prevention of pollution and conflicts, continual improvement and the proper and timely communication of risks.

a. If the answer to question A.2 is yes, indicate the company document that governs this policy and the body approving this document.

Document	Entity
Sustainability policy	General Manager

b. . Does the company quantify the greenhouse gas emissions generated by its activities (carbon footprint)?

Yes ☒ No ☐

If the answer is yes indicate the results obtained:

Greenhouse gas emissions (carbon footprint) are estimated and/or quantified voluntarily with a view to managing PERU LNG's operations efficiently. This information is for internal consumption.	(228)
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c. Does the company quantify and document total energy used in its activities?

Yes ☒ No ☐

If the answer is yes indicate the results obtained:

The total energy used in the company's activities is estimated and/or quantified in order to manage the efficiency of its operations. Use is in accordance with applicable standards and the information is handled internally.	(247)
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d. Does the company quantify and document all water used in its activities (water footprint)?

Yes ☒ No ☐

If the answer is yes indicate the results obtained:

Total water used (water footprint) in the activities of PERU LNG is estimated and/or quantified in order to manage the efficiency of the company's operations. Use is in accordance with applicable standards and the information is handled internally.	(258)
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e. Does the company quantify and document waste generated by its activities?

Yes ☒ No ☐

If the answer is yes indicate the results obtained:

1966.02 toneladas.	(9)
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Question A.3

	Yes	No	Explanation:
¿La sociedad tiene una política para promover y asegurar los principios y derechos fundamentales en el trabajo de sus colaboradores? <sup>1</sup>	X		This policy is included in the Business Code of Conduct, which includes the fundamental rights of its employees.

<sup>1</sup> 1 In accordance with the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, adopted in 1998, these principles and rights are included in the following four categories: (i) Freedom of association, freedom to form unions and effective recognition of the right to collective bargaining, (ii) elimination of forced or obligatory labor, (iii) abolition of child labor and, (iv) elimination of job and occupational discrimination.

a. If the answer to question A.3 is yes, indicate the company document that governs this policy and the body approving this document.

Document	Entity
Business Code of Conduct	General Manager / Human Resources and Administration Department

b. Does the company keep a record of accidents at work?

Yes ☒ No ☐



If the answer is yes, indicate the department responsible for keeping the record and the hierarchy of responsibility.

Department responsible	A dependency of
QHSE	General Manager

c. Does the company have a training plan for its employees?

Yes ☒ No ☐

If the answer is yes, indicate the company department that approves this plan and the frequency with which it is implemented:

Entity	Evaluation frequency
Talent Acquisition and Development Department	Progress is evaluated monthly.

d. Does the company carry out surveys or evaluations of the working environment?

Yes ☒ No ☐

If the answer is yes indicate the results obtained:

In 2017 the company carried out a survey of leadership, commitment, working environment and safety, among other categories.

Question A.4

	Yes	No	Explanation:
Does the company have a policy that establishes basic guidelines for its relationship with the communities with which it interacts?	X		

a. If the answer to question A.4 is yes, indicate the company document that governs this policy and the body approving this document.

Document	Entity
Sustainability policy	General Manager

b. Has the company faced social conflicts (strikes, marches, other incidents) in the community where its main business is located, as a result of its operations?

Yes ☐ No ☒

If the answer is yes, explain the impact these social conflicts on the company's activities.

c. Does the company collaborate with the community to create value, including identification and resolution of the main common problems?

Yes ☒ No ☐

d. Does the company invest in social programs in the community where its main activities take place?

Yes ☒ No ☐

If the answer is yes, indicate the percentage of gross earnings that its investment represents, according to the company's financial statements:

(%) Gross income	0.19%
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Question A.5

	Yes	No	Explanation:
Does the company have a policy that establishes basic guidelines for managing its relationships with its suppliers?	X		

a. If the answer to question A.5 is yes, indicate the company document that governs this policy and the body approving this document.

Document	Entity
Contracting and procurement procedure	General Manager

b. Does the company keep an up to date record of its suppliers?

Yes ☒ No ☐

If the answer is yes, indicate the department responsible for keeping the record and the hierarchy of responsibility.

Department responsible	A dependency of
Finance	Financial Manager

Yes ☒ No ☐

c. Does the company have criteria for selecting suppliers that contemplates ethical aspects and compliance with labor legislation?

Yes ☒ No ☐

d. Does the company have a purchasing or contracting policy that gives preference to suppliers that meet sustainable management or environmental standards?

Yes ☒ No ☐

Question A.6

	Yes	No	Explanation:
Does the company have a policy that establishes basic guidelines for managing its relationships with its clients?		X	The company has only one client and all commercial terms governing its relationship with this client are included in the contract between the two.

a. If the answer is yes, indicate the company document that regulates this policy and the entity approving the document.

Document	Entity

b. Does the company keep an up to date record of customer complaints?

Yes ☐ No ☒

Department responsible	A dependency of

c. . Does the company maintain permanent channels for contact with the public and for receiving suggestions and complaints relating to its products and services.

Yes ☐ No ☒

d. Has the company received any award for the quality of its service to its clients?

Yes ☐ No ☒

If the answer is yes, indicate the acknowledgements received: