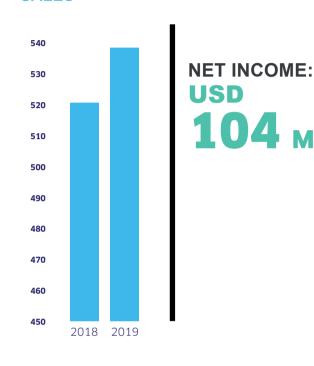


# **ENGIE Energía Perú** 2019 IN FIGURES ÁNCASH **PASCO** LIMA **MOQUEGUA**

#### FINANCIAL RESULTS

#### **SALES**



**OPERATIONS** 

2,496 MW

of installed capacity

1,552 GWh

Production of

renewable energy

**8 GENERATION** 

## **COMMERCIAL MANAGEMENT**

41

new agreements

1,857 MW

peak hours-

Satisfied

Contracted capacity -

**SOCIAL AND ENVIRONMENTAL MANAGEMENT** 

+ 38,000

villagers in our areas of influence were beneficiaries of our social projects

77,707 M<sup>3</sup>

of recycled water for irrigation green areas

+80 CUSTOMERS 413 TONS

of generated and managed waste

### **OUR TEAM**



years operating in Peru.



2,300<sub>MM</sub>

Investment between 1997-2019



people



50% of our vicepresidents are

male

of our vicepresidents are female



plants

98%

of our workers have been trained

**AWARDS** 2019



#### SUSTAINABLE DEVELOPMENT AWARD

First place with the Agricultural Business Venture National Mining, Oil and Energy Society

GOOD CORPORATE GOVERNANCE INDEX

Lima Stock Exchange

### **MERCO RANKING**

First company in the energy sector to attract and retain talent First company in the energy sector with bext Merco and KPMG reputation

#### "CUSTOMERS COME FIRST" AWARD

Second place with ENGIE Green Experience and Engienet Indecopi initiatives

## LIABILITY STATEMENT



This document contains true and sufficient information the business performance of ENGIE Energía Perú S.A. during year 2019. Without prejudice to the liability of the issuer, the undersigned bear responsibility for the contents hereof pursuant to the applicable legal provisions

Lima, March 2, 2020

Hendrik De Buyserie CEO

Marcelo Fernandes Soares
Vice-President of Finance

Company Name ENGIE Energía Perú S. A.

Company Information Av. República de Panamá 3490, San Isidro, Lima Phone (511) 616-7979

Fax (511) 616-7878 < engie-energia.pe>

#### Responsible for preparing and reviewing the financial information

Since October 2012, Mr. Jaime Dioses has been serving as the main accounting officer of ENGIE Energía Perú S.A. Since 2018, the external audit of the company's financial statements has been conducted by Paredes, Burga & Asociados Sociedad Civil de Resposabilidad Limitada, a firm member of EY. The external auditors have not issued any negative opinion nor have they refrained from issuing opinions on the individual financial statements of ENGIE Energía Perú S.A.

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# X LETTER FROM THE CHAIRMAN OF THE BOARD

#### **DEAR SHAREHOLDERS,**

At Engie we have the firm commitment of leading the energy transition to zero-carbon in all countries where we operate and -of course- in Peru. A commitment with the global context and concern about protecting the planet.

2019 was a year where we surpassed our net sales compared to the previous year. With the efforts made by the Peruvian team, we reached USD 536.4 million, a figure 3% higher compared to 2018, which permitted us to close this period with a net income of USD 104.2 million.

Also, our shares were quoted at a higher Price throughout 2019, closing the year at PEN 7.85 per share. In this sense, in 2019, ENGIE has received the positive recommendation from different market analyst firms.

Aiming at leading the energy transition, we have started an aggressive decarbonization plan in the region, which has consolidated in 2019 and includes the voluntary closing of several coal-fire plants. In Peru, this measure included Ilo21, our 135 MW coal-fired plant located in Ilo-Moquegua, which is expected to be closed by December 2022, by virtue of the authorization for "conclusion of commercial operations" granted by the Committee for Economic Operation of the National Interconnected System (COES) on February 6, 2020.

The aim of this decarbonization plan is not to build any more coal-fired plants, and instead, steadfastly promote renewable energies. Joining Intipampa, our 40 MW solar plant in Moquegua, new clean energy -solar and wind-projects are being developed.

Such is the case of the Punta Lomitas wind farm, located in the Ica region, which has an approved temporary concession and pre-feasibility study. With this project, an additional 260 MW of renewable energy will be generated for Peru.

In addition to our zero-carbon business purpose, in 2019 we continued to decisively promote electro mobility in Peru. We have developed different pilot projects for our customers and the mining sector, as well as other private companies and power distribution companies. We are confident that Peru will soon mass benefit from this clean means of the transport.

I am pleased to report that, thanks to our transparency and corporate governance, we have been included for the second consecutive year in the Good Corporate Index of the Lima Stock Exchange, being the only company in the power sector to be included in the prestigious group of companies listed in the stock exchange. Also, in view of our commitment with the communities and our social responsibility, we received the "Sustainable Development" annual award in 2019 from the Peruvian Mining, Oil and Energy Society.

For all these major achievements in 2019, I would like to express my gratitude to our customers for their preference, to our shareholders and board members for their trust and, of course, I want to acknowledge all our workers in our eight power generation plants and administrative office across the country, for keeping our operations with a high level of safety and availability for the Peruvian electrical system.



# **LETTER FROM THE CEO**

#### **DEAR READERS.**

For our company, the safety and wellbeing of our workers is one the governing principles guiding our activity. As leaders of the sustainable transition to zerocarbon, we are responsible not only for the energy solutions we put forward, but also for the workforce of our operations. To such effect, I would like to recognize and congratulate everyone in the organization for ending year 2019 with zero job-related accidents in all our operations across Peru. We work without pause to keep this result over time for the sake of our personnel, contractors and their families.

Business-wise, in 2019, the capacity and energy sales to distribution companies went up 5.6% compared to 2018, while the sales to free customers increased by 1.1%.

In this scenario and in view of our strategy focused on the customer, 41 new agreements were entered into, for a total of 403.6 MW, and 43 addenda were incorporated to existing agreements for a total of 85.7 MW.

Consequently, at 2019 year-end, our portfolio of free customers and distribution companies accounted for a contracted capacity -in peak hours- of 1,857.2 MW. Of such figure, 959.9 MW corresponds to free customers and 897.3 MW to distribution companies, thus maintaining a diversified portfolio of agreements and responding -satisfactorily- to a difficult context of oversupply in the electrical sector.

As explained by our chairman in his letter, in 2019 we developed a renewable energy project portfolio including solar and wind- aimed at leading the zerocarbon transition. Along this line, we are working on new solutions to help our customers to improve their energy consumption in an efficient and sustainable

Under the current context where the country requires it the most, we continue to steadfastly promote our ethical principles at all hierarchical levels of the company, from the Chairman of the Board. CEO and Executive Committee, to the workers, and reaching by extension our suppliers and contractors.

In this report, in the Corporate Sustainability section, you will find details on our projects and commitments undertaken with the communities where we operate, as we, in ENGIE, we cannot conceive the idea of growing if not hand in hand with our neighbors and with full responsibility towards the environment. Here, you will also find the efforts we have made to develop human talent in our company and our actions to build a world with respect towards people diversity and equal opportunities.

2019 was filled with challenges that permitted us to cement our position in the electrical sector and show the human and professional quality of our team. With the confidence that we will continue to contribute with the country through our activities, we reiterate our appreciation to our customers, board members, shareholders, communities and workers for their trust and commitment.





DISCLAIMER: This document is a translation of the original version in Spanish and is for information purposes only. In case of any discrepancy between this English version and the orig

OUR FOUR CHARACTERISTIC BEHAVIORS:

10 / 11

**AUDACITY** We work for the future

HIGH STANDARDS Operating excellence

**EMPATHY** Allies of our customers

**OPENNESS** Transparent and reliable management



In 2019 we maintained an installed capacity of

2,496<sub>MW</sub>

We produced

1,552gwh

of renewable energy, accounting for

24%

of our total output.



We are ENGIE Energía Perú, one of the largest power generation, transmission and trading companies with more than 22 years of operations in Peru.

We are part of the ENGIE Group, a French capital company with presence in 70 countries and 160,300 employees around the world. Its shares are listed on the Brussels, Luxembourg and Paris stock exchanges.

Since the start of our operations, in 1997, we have invested around USD 2,300 million to develop eight power generation plants across different regions in the country, with an installed capacity of 2,496 MW, which accounts for approximately 20% of the capacity in the country.

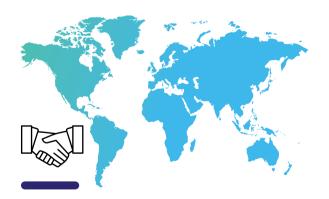
We are working to lead the transition to a future with less carbon emissions. In 2019, we produced 1,552.1 GWh of renewable energy, accounting for 24% of our total power output. Additionally, we have am ambitious portfolio of wind and solar projects under development. And in line with this objective, in December 2019, the closing of our coal-fired plant, the Ilo21 Thermal Power Plant, was announced for

#### **BUSINESS PURPOSE**

ENGIE Energía Perú engages in power generation, transmission and trading activities pursuant to the applicable laws. In order to meet its business purpose, the Company can take part in consortiums, joint ventures or any other form of business association, as permitted by the Peruvian law, and carry out other activities that are ancillary or supplementary to their business purpose and perform all acts and enter into all agreements as permitted to corporations by the Peruvian law.

#### **OUR ECONOMIC GROUP**

ENGIE Energía Perú is part of the ENGIE Group, controlled indirectly by ENGIE S.A., a corporation incorporated and existing under the laws of France, with the French State as the main individual shareholder, with approximately 23.64% of the shares.



**ENGIE GROUP** 160,300 employees 70 countries

Within the Group structure, the main shareholder of ENGIE Energía Perú is International Power S.A., holder of 61.77% of the shares, and the remaining 38,23% of shares are owned by Peruvian Pension Fund Managers (AFP), as well as other individuals and legal entities.

In turn, ENGIE Energía Perú functionally belongs to the business unit of ENGIE S.A., referred to as ENGIE Latin

The composition of the economic group and position of ENGIE Energía Perú is shown below:

#### omposition of the economic group

**ENGIE S.A.** 

France

99.13%

**ELECTRABEL S.A.** 

Belgium

99.99%

INTERNATIONAL POWER LTD.

United Kingdom

100%

**INTERNATIONAL POWER (ZEBRA) LIMITED** 

United Kingdom

100%

**GDF SUEZ IP LUXEMBOURG S.A.R.L.** 

Luxembourg

100%

INTERNATIONAL POWER LTD.

Belgium

61.77%

**ENGIE ENERGÍA PERÚ S.A.** 

Peru

**2019 ANNUAL REPORT** 

### **WHO WE ARE**

#### **RELATED COMPANIES**

In addition to ENGIE Energía Perú, the ENGIE Group is present in Peru, through: (i) ENGIE Services Perú S.A., a company engaged in providing multitechnical and energy efficiency solutions; (ii) CAM Servicios del Perú S.A., a company providing electrical and telecommunications services; and (iii) ENGIE Perú S.A., a company engaged in project development and representing the parent company. It should be noted that ENGIE Energía Perú does not hold any shares in such companies.

#### **OUR HISTORY**

ENGIE Energía Perú was incorporated in September 1996, under the name of Powerfin Perú S.A., in order to procure the power generation assets owned by Southern Peru Copper Corporation (SPCC) and, ultimately, enter into the Power Purchase Agreement with such company.

International Power S.A. (formerly Suez-Tractebel S.A.) had the control of ENGIE Energía Perú until February 2004, when the Pension Fund Managers subscribed and paid a capital increase approved by the shareholders of the company and became the holders (jointly) of 21.1% of the share capital of ENGIE Energía Perú. In 2005, it publicly offered its shares in the Lima Stock Exchange and succeeded in placing 17.2% of shares in the share capital of ENGIE Energía Perú.

On the other hand, the business name has been modified over time, and is currently named "ENGIE Energía Perú S.A."

The modifications of the business name are summarized below:

#### INCORPORATION AND MODIFICATION OF THE BUSINESS NAME

Data	Pusinass nama	Natawa	Milestone
Date	Business name	Notary	Milestone
September 20, 1996	Powerfin Perú	Jorge Orihuela Iberico	Incorporation of the
	S.A.		company under registry
			entry No. 11027095
February 27, 1997	Energía del Sur S.A.	Manuel Noya de la Piedra	Modification of
_			business name.
August 28, 2007	EnerSur S.A.	Ricardo Fernandini Barreda	Modification of
			business name.
March 14, 2016	ENGIE Energía Perú S.A.	Ricardo Fernandini Barreda	Modification of
			business name.

Corporation life: Indefinite

International Standard Industrial Classification (ISIC): 3510

# THE STRATEGY OF THE ENGIE GROUP

In line with our purpose of contributing to harmonious progress, reconciling individual needs and the common good, the ENGIE Group decided three years ago to change its global business strategy and go beyond energy to lead the zero-carbon transition, with a sustainable future in mind.

This strategy also responds to the growing collective demand of the market and society by having business players who are aware of the impact of the operations on the environment and being responsible for creating social well-being.

In line with this strategy, in ENGIE Energía Perú we work to continue decarbonizing our operations, without jeopardizing the reliability of our supply by this transition; offering more clean and renewable energy for our customers; developing new decentralized energy infrastructure for both companies and cities; and contributing to the opening of increasingly sustainable markets.



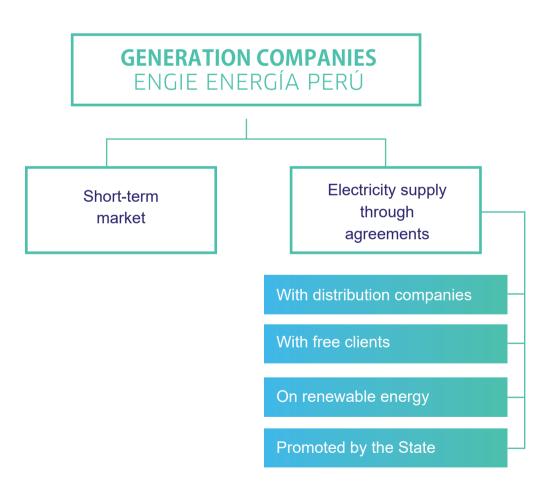


The electrical market is mainly governed by the Electrical Concession Law, published in 1992; the Efficient Generation Law, published in 2006; Legislative Decrees No. 1002 and 1041, both passed in 2008; and Law No. 29970 dated 2012. (See annex Main Regulations of the Electricity Sector, Page 166)

#### **OPERATION**

Pursuant to the regulatory framework applicable to the electrical sector, ENGIE Energía Perú operates in the following markets:

1 AUDACITY X WE WORK FOR THE FUTURE



#### Short-term Market

The Short-Term Market (also referred to as the Spot Market) is a pool-type market<sup>1</sup>, where generation companies sell their electricity production from their power generation plants and purchase the electricity that their customers withdraw physically (up to the limit set forth in their respective power purchase agreements) from SEIN. These transactions are valued with the short-term term marginal costs<sup>2</sup>.

The Committee for Economic Operation of the National Interconnected System (COES) is the coordinator that optimizes power generation from the SEIN, aiming in general at securing the minimum operating cost of the system. To this end, COES arranges the production of plants with the lowest variable cost and so on until the full demand of SEIN is met.

Within the short-term market framework, Large Users (free users requiring 10 MW or more) may purchase in this market up to 10% of their maximum demand, and the distribution companies may take part in this market to purchase up to 10% of the maximum demand of their free users.

Moreover, everyone withdrawing electricity from this market are required to pay the respective regulated charges, including the capacity charge that is applicable in peak hours for the remuneration of the firm capacity of plants arranged according to their variable cost, plus a reserve margin<sup>3</sup> set by the Ministry of Energy and Mines (Minem).

#### **Electricity supply through agreements**

a. Agreements with distribution companies: generation companies compete among themselves to enter into power purchase agreement with distribution companies in order to meet the demand of their customers in their respective areas of concession. These agreements may derive from: i) auctions, supervised by Osinergmin, and conducted by distribution companies, with electricity prices resulting from the award; ii) bilateral negotiations, with electricity prices resulting from the negotiations between the generation company and the distribution company, which are not to exceed the price regulated by Osinergmin (busbar price).

According to the legal framework, generation companies are not permitted to contract with free users and distribution companies for more than the capacity and firm energy they produce and are contracted with third parties. In other words, these agreements can be entered up to the maximum output of the power generations plants of each generation company.

On the other hand, the supply commitments under these agreements are financial rather than physical, that is, generation companies, despite having sufficient firm energy and capacity to supply their customers, have no obligation to produce electricity at the same time it is consumed by their customers. How is the customer demand met then? It is COES who provides on a daily basis which units should generate to meet the demand<sup>4</sup> of SEIN.

<sup>1.</sup> Market where all generation companies supply the electricity to the system and the customers withdraw electricity from it without the need of an agreement between the parties supplying and withdrawing the electricity.

Cost of producing an additional electricity unit at any busbar (point of the system where electricity is supplied or withdrawn) of the system. It varies per busbar or node.

<sup>3.</sup> Supply capacity in addition to the maximum demand of the system that is required for a safe operation of the SEIN.

<sup>4.</sup> This is carried out in the Short-Term Market

#### **OUR SECTOR**

Along these lines, the physical consumptions (withdrawals) of electricity by the customers of a generation company may be different (greater or lower) from the physical electricity output of such generation company.

b. Agreements with free users: generation and distribution companies compete to enter into agreements with free users, as per the foregoing definition

In this case, the electricity generation prices are agreed between the generation company and the free user. The supply commitments in these agreements, like in the previous case, are not physical but rather financial.

c. Renewable generation: pursuant to Legislative Decree No. 1002, every five years the Minem sets the target percentage of domestic consumption that is to be met with energy produced with non-conventional renewable generation, (RER: Renewable Energy Resources)<sup>5</sup>, which currently is 5%. Within the framework of Legislative Decree No. 1002, four auctions have been held for new renewable plant developments, and the awarded agents have entered into the corresponding agreements with the awarded generation companies. The last auction was held in 2016.

1 AUDACITY X WE WORK FOR THE FUTURE

In this case, the supply commitments are physical, the generation companies awarded in the auctions commit to physically supply to the system a given annual volume of energy.

d. Agreements promoted by the Government<sup>6</sup>: the Government called for tenders for the construction of power plants of a given technology and, in some cases, for the purchase of electricity generated by these power plants.

- 5. As per Legislative Decree No. 1002.
- 6. With commercial designs different than those set forth in the Electrical Concession Law and General Electricity Law. In some cases based on the "Law that generates energy security and promotes the development of the petrochemical pole in the south of the country", Law No. 29970.



#### MAIN PLAYERS

The generation supply in SEIN, in addition to ENGIE Energía Perú, is mainly covered by the Government and the following business groups: Enel, Inkia Energy, Colbún and Statkraft. The production in SEIN is characterized by being composed of hydropower (57%) and thermal generation (38%). The remaining generation comes from solar and wind sources (5%). Moreover, energy sales in SEIN were 59% to free customers and 41% to distribution companies<sup>7</sup>. Free large customers are mining and industrial companies for the most part.

#### **CURRENT MARKET SITUATION**

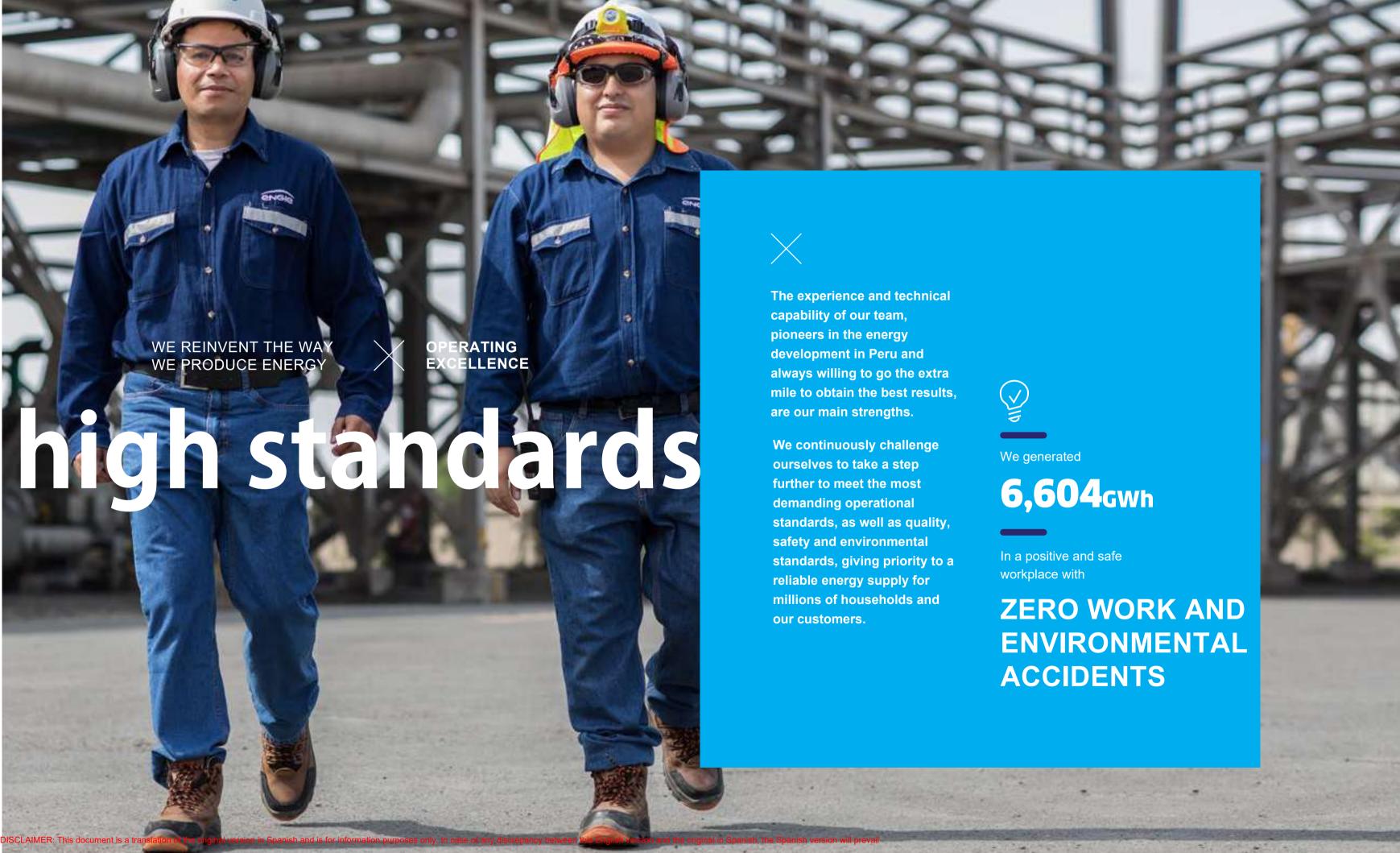
The Peruvian electrical market has been facing an electricity generation oversupply with competitive prices for the past several years due to the high production capacity of hydropower and thermal power plants (natural gas). For instance, in December 2019, the maximum total demand of SEIN added up to 7,018 MW and the available power generation supply was 13,248 MW, that is, there was an oversupply in December 2019 of 6,230 MW. Additionally, of the total available supply of natural gas units of 4,671 MW, only 2,506 MW were used, leaving 2,065 MW out of the dispatch (45% of the available natural gas supply). This oversupply explains why electricity prices in the short-term market and the agreements with free users are at the current levels.

Another relevant issue related to the oversupply is that some agents of the sector<sup>8</sup> have voiced their positions, through different media and venues, about the need to amend the regulatory framework applicable to the declaration of natural gas prices to be issued by generation companies. The last amendment was approved by Minem in December 2017. These agents propose a new mechanism that, in our opinion, would result in the increase of prices in the electricity market.

Our company, in due course and before the competent authorities, voiced its position against the proposed mechanism, as it believes that the market requires clear and steady rules to accommodate long-term investments to create a reliable energy matrix in the country. It is not possible to back a regulatory change in the long run in a situation deriving from the market itself (oversupply). In any case, the regulatory changes should be technically substantiated and a transitional period should be considered to put them into effect.

The Executive Branch is currently assessing this issue.

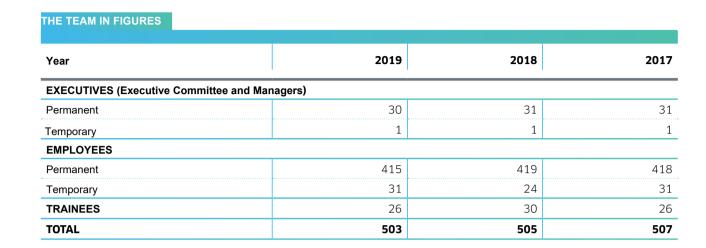
- 7. Electrical statistics as of the third quarter of 2019 published by Osinergmin.
- 8. These agents are mainly those with more sales than purchases in the Short-Term Market.



2019 ANNUAL REPORT



Our team, composed of 500 workers and trainees, who are our main growth pillar, have the expertise, the ability to innovate and the know-how of the sector, which guarantees a constant reinvention to successfully tackle the new market challenges.





#### **NO LIFE AT RISK**

The safety of our workers comes first. To this end, our focus is on developing a prevention culture, raising awareness, imparting training and instructions to our team to be vigilant in case of any event or incident that may jeopardize their wellbeing.

- > In 2019, we invested 6,380 hours on traning of preventive issues
- > 0 work-related accidents

We also have procedures and policies to help us convey such culture:

- Occupational safety and health policy
- Internal occupational safety and heath regulation
- Policy on safety and health consequences at the workplace, recognitions and sanctions.

**GENERATION** 





# OUR OPERATIONS

2 HIGH STANDARDS X OPERATING EXCELLENCE

We operate power generation and transmission facilities across the country. At present, we have five (5) thermal power plants, two (2) hydropower plants, one (1) solar power plant, one (1) power substation and twelve (12) transmission lines, with which we supply electricity, through the **SEIN**, to our customers nationwide and also export it to our neighboring country, Ecuador.





2,496<sub>MW</sub>

of installed capacity



#### **SOLAR**

#### **MOOUEGUA**

INTIPAMPA SOLAR PLANT (INTIPAMPA SPP) 40 MW - Solar - Moguegua



#### **HYDROPOWER**

#### ÁNCASH

**QUITARACSA HYDROPOWER PLANT** (QUITARACSA HPP) 114 MW - Water - Ancash

#### **PASCO**

YUNCAN HYDROPOWER PLANT (YUNCAN HPP) 134 MW - Water - Pasco



#### THERMAL POWER

#### LIMA

**CHILCAUNO THERMAL POWER PLANT** (CHILCAUNO TPP) 852 MW - Natural Gas - Lima

**CHILCADOS THERMAL POWER PLANT** (CHILCADOS TPP)

111 MW - Natural Gas - Lima

#### **MOOUEGUA**

**NODO ENERGÉTICO ILO41 THERMAL** PLANT (ILO41 TPP) 610 MW - Diesel / Natural Gas - Moquegua

**ILO31 COLD RESERVE THERMAL POWER PLANT** (ILO31 TPP) 500 MW - Diesel / Natural Gas - Moquegua

**ILO21 THERMAL POWER PLANT** (ILO21 TPP) 135 MW - Coal-fired - Moguegua



#### **OUR OPERATIONS**

#### MAIN MILESTONES OF OUR OPERATIONS



1997 - 1999  $\rightarrow$  2000 - 2009  $\rightarrow$ 





#### **July 1997**

The generation turbine 1 of IIo1 TPP entered into commercial operation

#### September 1998

The generation turbine 2 of the IIo1 TPP entered into commercial operation.



**USD2,300**<sub>MM</sub>

invested in Peru between 1997-2019



#### October 2000

The Ilo21 TPP starts operation with a rated capacity of 135 MW.

#### September 2005

We are awarded the Yuncan HPP under a 30-year usufruct agreement.

#### December 2006

The first unit of the ChilcaUno TPP entered into commercial operation. It is the first generation plant built exclusively to use the Camisea natural gas.

#### **July 2007**

The second unit of the ChilcaUno TPP entered into commercial operation, increasing the plant capacity to 360 MW.

#### August 2009

The third unit of the ChilcaUno TPP entered into commercial operation, increasing the plant capacity to 560 MW.

## 2010 - 2019



#### **November 2012**

The combined-cycle steam turbine of the ChilcaUno TPP entered into commercial operation, increasing the plant rated capacity to 852 MW.

#### June 2013

The Ilo31 Cold Reserve TPP entered into commercial operation with a rated capacity of 500 MW.

#### October 2015

The Quitaracsa HPP entered into commercial operation with a rated capacity of 114 MW.

#### May 2016

The single-cycle gas turbine of the ChilcaDos TPP entered into commercial operation with a rated capacity of 75.5 MW.

#### October 2016

The Ilo41 Nodo Energético TPP entered into commercial operation with a rated capacity of 610 MW.

#### December 2016

The combined-cycle steam turbine of the ChilcaDos TPP entered into commercial operation, increasing the total plant capacity to a rated capacity of 111 MW.

#### October 2017

The IIo1 TPP was withdrawn from commercial operation.

#### March 2018

The Intipampa SPP entered into commercial operation, with a generation capacity of 40 MW.

### × OUR OPERATIONS

#### INTIPAMPA SOLAR POWER PLANT (INTIPAMPA SPP)

PAMPA LAGUNAS - MOOUEGUA

The first photovoltaic power plant of ENGIE Energía Perú and part of our strategy to work in the zerocarbon transition. It has an installed capacity of 40 MW and is composed of 138,120 panels, supplying 18 inverters, which are grouped in 9 ITS (two inverters in an ITS)9.

Since its start-up in March 2018, the Intipampa SPP supplies renewable energy to the system, which is equal to the consumption of approximately 90,000 households.

In order to make the plant management more sustainable, the supervision works are performed with electrical vehicles. Additionally, a motor system was installed to clean the solar panels, which resulted in increased efficiency, savings in water consumption and reduced cleaning times.

The Intipampa SPP is connected to the transmission line located between the Moquegua Substation and the MillSite Substation.

#### QUITARACSA HYDROPOWER PLANT (QUITARACSA HPP)

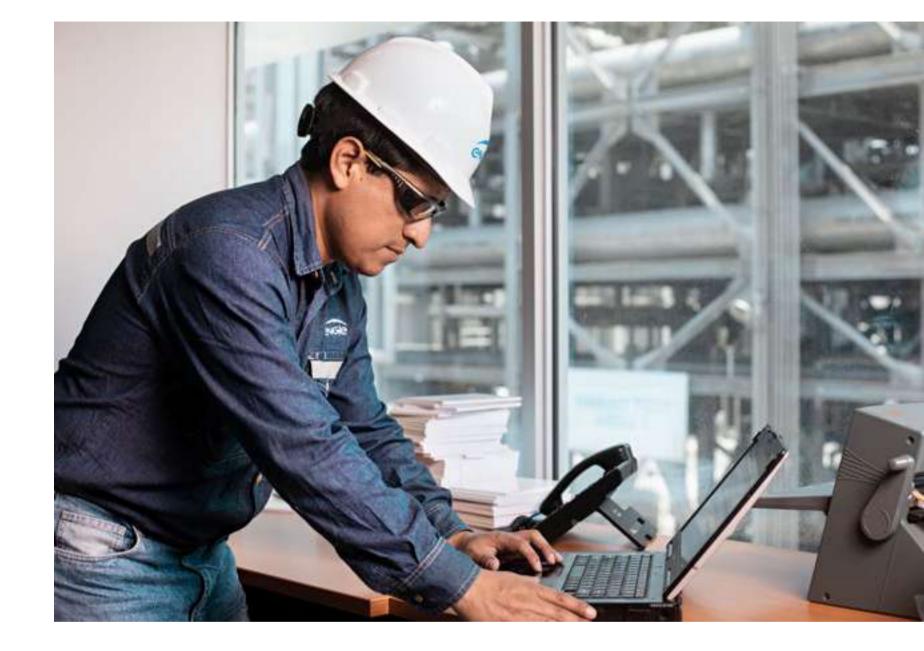
YURACMARCA - ÁNCASH

2 HIGH STANDARDS X OPERATING EXCELLENCE

It entered commercial operation in October 2015 and has a rated capacity of 114 MW. The Quitaracsa HPP makes use of the basin of the Quitaracsa river, a tributary of the Santa river, to generate clean and renewable energy.

It has a daily regulation reservoir referred to as Shapiringo, with a capacity of 270,000 m3 in the Quitaracsa river, a headrace tunnel of approximately 6 km in length and a gross head of 874 m. It is also fitted with two Pelton turbines with a rated capacity of 57 MW each, and supplies energy to the Kiman Ayllu Substation through a 220 kV line.

In 2019, our team moved to the new camp at the Quitaracsa HPP, with workshops and offices, located at the powerhouse access tunnel inlet, thus reducing the travel times of our workers to the plant and improve the efficiency of the different operation and maintenance activities.





PAUCARTAMBO - PASCO

Through an international public bidding, on February 6, 2005, we were awarded the Yuncan HPP, under a 30year usufruct agreement, starting September 2005, when the handover certificate was signed.

The Yuncan HPP has a rated capacity of 134.2 MW and is located in the basins of the Paucartambo and Huachón rivers, which are used by the plant for power generation.

It is fitted with three Pelton turbines with a rated capacity of 44.7 MW each, which annually generate, based on the availability of water resources, 900 GWh in expected average.

To take the water from the Paucartambo river, a dam and a daily control regulation reservoir, referred to as Huallamayo, was built with a capacity of 1.6 million m3 and a useful volume of 458,000 m3. Statkraft's seasonal reservoirs are also located on the Huachón river, which are also used by the Yuncan HPP.





#### **CHILCAUNO THERMAL POWER PLANT** (CHILCAUNO TPP)

CHILCA - LIMA

It has a rated capacity of 852 MW and is fitted with three gas turbines, of which: (i) two gas turbines have a rated capacity of 180 MW and entered into commercial operation in 2006 and 2007, respectively; and (ii) a gas turbine with a rated capacity of 199.8 MW, which entered into commercial operation in 2009. The ChilcaUno TPP also has a steam turbine with ta rated capacity of 292 MW, which entered into commercial operation in 2012.

It should be noted that, to ensure a responsible consumption of water at the ChilcaUno TPP, we have a reverse osmosis desalination plant that produces industrial water for the operations.

The ChilcaUno TPP connects to the Chilca Substation through a 220 kV double circuit transmission line.

In 2019, to improve the efficiency and sustainability of the ChilcaUno TPP, and to ensure the supply reliability, we carried out major maintenance works on the TG11 gas turbine, including the extension of its service life, preparing the unit to operate another maintenance cycle (equivalent to 100,000 operation hours).

#### **CHILCADOS THERMAL POWER PLANT (CHILCADOS TPP)**

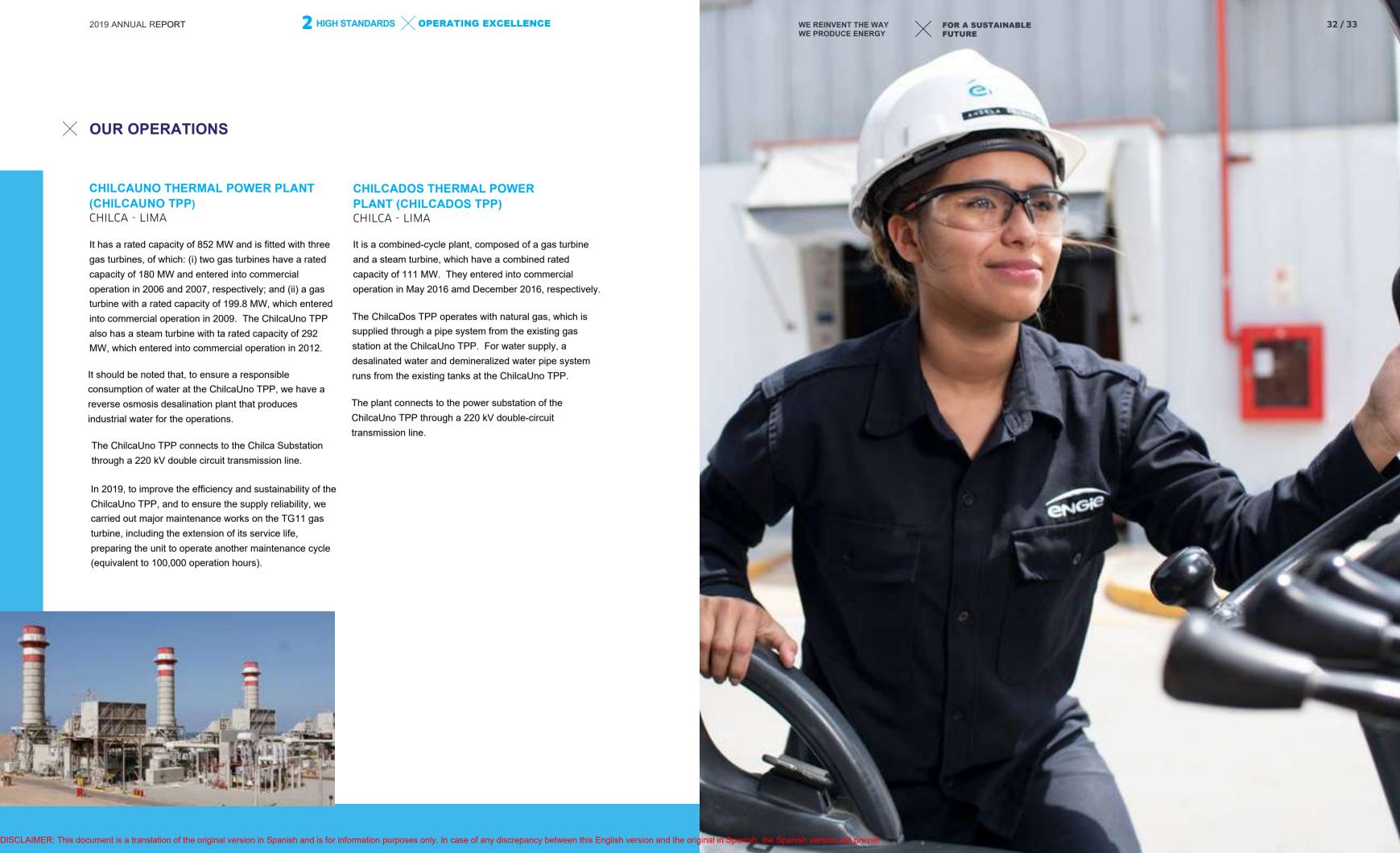
CHILCA - LIMA

It is a combined-cycle plant, composed of a gas turbine and a steam turbine, which have a combined rated capacity of 111 MW. They entered into commercial operation in May 2016 amd December 2016, respectively.

The ChilcaDos TPP operates with natural gas, which is supplied through a pipe system from the existing gas station at the ChilcaUno TPP. For water supply, a desalinated water and demineralized water pipe system runs from the existing tanks at the ChilcaUno TPP.

The plant connects to the power substation of the ChilcaUno TPP through a 220 kV double-circuit transmission line.









#### **NODO ENERGÉTICO ILO41 THERMAL POWER PLANT (ILO41 TPP)**

ILO - MOQUEGUA

It entered into commercial operation in October 2016, after our company invested and acted in response to the need of the Peruvian Government of developing power plant in the south of the country to ensure future energy supply and take advantage of the arrival of gas to the south.

As return on investment, we entered into an agreement with the Peruvian Government to guarantee fixed revenues for 20 years. The contract also stipulates certain provisions regarding the use of the natural gas.

It is fitted with three (3) dual gas (diesel/gas) turbines, in open cycle that currently operates with B5-S50 diesel fuel, with a rated capacity of 610 MW. It has diesel storage tanks, with a capacity for 375,000 barrels, which ensure operation at maximum load for 15 days.

The Ilo41 TPP has a Black Start system, as established in the agreement with the Government, to start up the plant in case of a full outage and restore power supply to the system.

On the other hand, this plant supplies energy to the Moltalvo Substation through a 500 kV single-circuit transmission line, with the capacity to transmit up to 1,400 MVA and 75 km in length.

#### **ILO31 COLD RESERVE THERMAL POWER PLANT (ILO31 TPP)**

ILO - MOQUEGUA

It is a plant operating under the cold reserve regime according to the agreement entered into with the Peruvian Government, i.e. it is ready to operate and quickly respond in case of an energy emergency.

It started commercial operations in June 2013 and is fitted with three dual (diesel/gas) turbines that currently use B5-S50 biodiesel to generate a rate capacity of 500 MW. It has diesel storage tanks, with a capacity of 195,000 barrels, to ensure operation at maximum load for 10 days. Like the Ilo41 TPP. it is fitted with a Black Start system.

It is connected to the Ilo21 Substation to convey the energy through the transmission lines running from this substation to the 220 kV Moquegua Substation.

### **ILO21 THERMAL POWER PLANT (ILO21 TPP)**

ILO - MOQUEGUA

It is a coal-fired power plant that entered into commercial operation in August 2000. In 2019, the Ilo21 TPP operated only for 16 days, of which 3.5 days were due to the maintenance of the natural gas pipeline of Transportadora de Gas del Perú (TGP). The remaining hours was to comply with the COES procedures (availability tests and effective capacity and performance tests).

In line with the decarbonization strategy, in 2019 ENGIE announced the total closing of the Ilo21 TPP. With letter dated February 6, 2020, the Committee for **Economic Operation of the National Interconnected** System (COES) approved the "termination of commercial operations" of the Ilo21 TPP from December 31, 2022.

ENGIE Energía Perú and company Anglo American Quellaveco S.A. (AAQSA) entered into an agreement to develop the Ore Storage and Port Access Project, for an effective period of thirty-seven (37) years. By virtue of such agreement, AAQSA has the right to use ENGIE's port facilities and has rights over some portion of the lands owned by ENGIE Energía Perú for the construction of facilities.

In line with the decarbonization strategy, in 2019 **ENGIE** announced the total closing of the IIo21 TPP.

With letter dated February 6, 2020, the Committee for Economic Operation of the National Interconnected System (COES) approved the "termination of commercial operations" of the IIo21 TPP from December 31, 2022.

#### **Plant Fact Sheet**

Plants (1)	Unit	Rated capacity (MW)	Fuel
Intipampa SPP		40.0	Solar
Quitaracsa HPP	G1, G2	114.0	Water
Yuncan HPP	G1, G2, G3	134.2	Water
ChilcaUno TPP	TG11	180.0	Natural gas
	TG12	180.0	Natural gas
	TG21	199.8	Natural gas
	TV	292.0	Steam
ChilcaDos TPP	TG41	75.5	Natural gas
	TV42	35.5	Steal
llo41 TPP	TG41, TG42,TG43	610.0	Diesel 2
IIo31 TPP	TG1, TG2, TG3	500.0	Diesel 2
llo21 TPP	TV21	135.0	Coal / Diesel 2
Total		2,496.0	

#### **MOQUEGUA SUBSTATION MARISCAL NIETO - MOQUEGUA**

It is an important power reception, transformation and distribution center in the south of the country, which serves as the connection point of the Intipampa SPP, Ilo21 TPP and Ilo31 Cold Reserve TPP to SEIN.

The substation has a control room, two 300 MVA 138/220 kV autotransformers and double busbar at 220 and 138 kV. The Socabaya-Moquegua, Ilo2-Moquegua, Moquegua- Puno, Moquegua-Tacna and Moquegua-Montalvo 220 kV transmission lines connect to the 220 kV busbars, whereas the IIo1-Moquegua, Moquegua-Botiflaca, Moquegua-Toquepala-REP lines and the supply to the Moquegua City connect to the 138 kV busbars, via a 138/10 kV transformation cell.

#### TRANSMISSION LINES

2 HIGH STANDARDS X OPERATING EXCELLENCE

We have 138, 220 and 500 kV transmission lines to supply the energy generated by our plants to the SEIN. These are distributed as follows:

Transmission Line	Length (km)	Voltage (kV)	Capacity (MVA) **	
Ilo4-Montalvo	75.0	500	1,400	
Ilo2-Moquegua (doble terna)	72.0	220	400 *	
Santa Isabel- Carhuamayo Nueva	50.0	220	260	
Moquegua-MillSite	39.0	138	100	
Moquegua-Botiflaca1	31.0	138	196	
Intipampa - Moquegua	10.2	138	60	
Moquegua-Botiflaca2	6.0	138	160	
Quitaracsa-Kiman Ayllu	5.4	220	150	
llo1-Moquegua	2.3	138	130	
SE Chilca1- SE Chilca 220 kV (doble terna)	1.0	220	800 *	
ChilcaDos TV - ChilcaUno	0.5	220	150	
ChilcaDos TG - ChilcaUno	0.5	220	150	
Total	292.8			

<sup>(\*)</sup> Per circuit



#### **OTHER FACILITIES ILO - MOQUEGUA**

The IIo1 Thermal Power Plant was decommissioned from commercial operation on October 26, 2017. It should be noted that the Partial Abandonment Plan was approved in December 2019 by Minem, whereby we will perform the decommissioning of the power generation assets.

<sup>(\*\*)</sup> MVA Megavolt ampere - apparent power.

Power generation evolution (GWh)

WE PRODUCE ENERGY

NEPI TPP

Ilo1 TPP

**Total** 

3.7

0.0

6,603.7



2019 ANNUAL REPORT

## **POWER PRODUCTION**

According to COES, in 2019, the total electricity generation in SEIN added up to 52,943 GWh, a figure that exceeds by 4.2% the volume in 2018. The maximum demand of SEIN was recorded on December 2, 2019 at 19:30 hours and reached 7,018 MW, which represents a 1.9% increase compared to the maximum demand recoded in 2018. The demand growth in 2019 was mainly due to the growth in vegetative and industrial demand.

Of such production, in ENGIE Energía Perú, we generated a total of 6,603.7 GWh, of which the production from the ChilcaUno TPP accounted for 69.6% and the production from the ChilcaDos TPP accounted for 6.3%. On the other hand, the production from the Yuncan HPP and Quitaracsa HPP accounted for 21.9% and, finally, the production from the Intipampa SPP accounted for 1.6%.

Gross now		

Plant	2019	%
ChilcaUno TPP	4,592.9	69.6
Yuncan HPP	890.7	13.5
Quitaracsa HPP	555.7	8.4
ChilcaDos TPP	413.2	6.3
Intipampa SPP	105.7	1.6
llo21 TPP	36.2	0.6
llo31 TPP	5.7	0.1
NEPI TPP	3.7	0.1
Total	6,603.7	100.0

Plant	2019	Variation (%)	2018	Variation (%)	2017	Variation (%)	2016
ChilcaUno TPP	4,592.9	34.9	3,403.6	-35.8	5,303.4	-5.6	5,617.2
Yuncan HPP	890.7	0.1	889.7	0.1	888.5	16.9	759.8
Quitaracsa HPP	555.7	7.1	518.8	-2.3	531.1	13.5	467.7
ChilcaDos TPP	413.2	11.7	370.0	20.2	307.8	36.4	225.7
Intipampa SPP	105.7	21.1	87.3		0.0	0.0	
llo21 TPP	36.2	-16.2	43.1	-93.6	673.7	-12.8	772.9
llo31 TPP	5.7	78.0	3.2	-53.8	7.0	-93.0	99.9

18.0

0.0

5,333.7

89.9

-100.0

-31.7

9.5

86.2

7,807.1

-67.7

-59.0

29.3

209.9

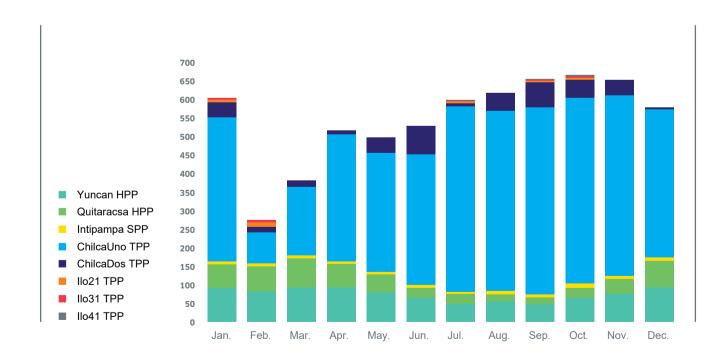
-4.6 8,182.4

-79.6

0.0

23.8

#### Power generation per month (GWh), 2019



# **PROJECTS FOR THE FUTURE**

In 2019, we developed a project portfolio in response to our business strategy of being leaders in the zero-carbon transition. In ENGIE Energía Perú we work in a scheme to help our customers with a sustainable energy consumption.



#### RENEWABLE ENERGY

In line with this, our energy projects under development seek to increase generation and injection of clean energy into the system, through different renewable sources, including:

Wind: We are working on the feasibility of the Punta Lomitas Wind Farm Project (260 MW), located in the Ica region, which has been awarded a temporary concession approved by Minem, as well as the preoperating study approved by COES.

We also have other wind generation projects in the initial development stage.



**Solar:** In our portfolio, we have the Hanaqpampa (300 MW) and San José (200 MW) solar projects, both in the initial development stage.

#### **ELECTRIC MOBILITY**

We have set ourselves the goal of playing a key role in the transition to having cleaner and more sustainable means of transport in Peru. To that effect, in 2019, we developed several e-mobility pilot projects; on the one hand, developing in-house skills, and on the other hand, contributing to the market opening, which will also permit us to increase energy demand.

As part of our strategy, we are focused on two aspects:

- > Offerting services relating to rechargeing networks
- Facilitating tests of available technologies through pilot projects.

#### **ENERGY EFFICIENCY**

In 2019, we approached our current and potential customers to offer them solution to improve the energy efficiency of their processes.

Thanks to the global experience of the ENGIE Group, today we work and have a portfolio of co-generation and distributed generation projects with renewables, green hydrogen projects, etc.





We have the needs of our customers in mind to put forward proposals to add value to their businesses.

In a situation of constant change and more complex demands, we seek to be an ally to help them realize their plans and work to maintain a long-term relationship through a reliable energy supply and a clear focus on contributing to the sustainability of their operations.



In 2019, we signed

41 NEW AGREEMENTS

We had a contracted capacity -in peak hours- of

**1,857**<sub>MW</sub>

and had the general satisfaction of more than 80 customers.



For more than 22 years present in the Peruvian market, we have been a long-term ally for our different customers, to whom we provide the necessary energy for their operations and business growth.

Today, in line with the business strategy of the ENGIE Group and leveraged on our global experience, we seek to go beyond the energy to identify the needs of our customers and offer solution to contribute to the sustainability of their businesses. To such effect, our commercial proposal is focused on selling Power Purchase Agreements (PPAs) and developing energy solutions to meet the needs of our customers, contributing to a more efficient and responsible consumption of energy, through the application of new technologies.

#### **BRINGING TECHNOLOGY CLOSER**

In order to strengthen our relationship with our customers, present our solutions and promote new technologies, we have attended different strategic events in 2019, being the most relevant the 2019 Pan American Games and Parapan American Games in Lima. Perumin and Cade.

We have also brought technology to the facilities of our customers, such as banks supplied with solar panels to recharge mobile equipment in malls, airports, industries, etc.

Finally, we brought our electric bus to visit customers and potential customers across the country, including mining, industrial and distribution companies, through pilot projects. The most relevant experience was with Gold Fields La Cima S.A. at their Cerro Corona mine site, located in Cajamarca, at 3,600 masl, where we drove the first electric bus for the Peruvian mining and manage to install the highest electrical charger in the world.

#### PERMANENT SERVICE

We have several channels to maintain constant and timely communication with our customers.

- Single contact point: Specialist responsible for meeting the requests related to the power purchase agreements.
- EngieNet Portal: Online platform where our customers can safely and reliably access current and historical information on their consumption, invoicing and prices, as well as virtual courses regarding the electrical market.
- ENGIE Control Center: Specialized division responsible for managing and/or coordinating events related to electricity production and supply in real time. Our personnel are available 24/7.
- Angie: Chatbot to reply to queries quickly on the spot and at the time required by the customer.

Our good relations with customers and our interest to always add the most value are evidenced with the results from our satisfaction survey, in which we obtained a general satisfaction of 90% among surveyed customers in 2019.

#### **BEYOND ENERGY**

- > Emergency Service
  We add value in our Power Purchase Agreements
- Energy efficiency
   We identify opportunities for improvement an develop solutions to ensure energy savings.
- > Renewable solutions

  We offer clean and renewable energy and the possibility to generate their own energy to customers interested in reducing their carbon footprint.
- Green Mobility
   We made technology available for sustainable transport



#### **X OUR COMMERCIAL MANAGEMENT**

#### **NEW AGREEMENTS**

In 2019, ENGIE entered into 41 new agreements for a total of 403.6 MW and 43 addenda to the existing agreements for a total of 85.7 MW.

#### **Free customers**

For the free market, a total of 36 agreements were entered into, representing 247.6 MW, and 22 addenda for a total of 50.7 MW.

Regarding the addenda, the most relevant were entered into with Ferreyros S.A., Ferreycorp S.A.A. and Fargoline S.A., Banco de Crédito del Perú, Linde Gas Perú S.A. and Anglo American Quellaveco S.A.

#### **Distribution companies**

A total of 5 bilateral agreements were entered into for a total of 156.1 MW.

We also entered into 21 addenda, which include several amendments to the current agreements and an increase of 35 MW in the contracted capacities; the most relevant agreements were entered into with ElectroSur S.A., Electro Ucayalio S.A. and the Distriluz Group.

#### Main agreements

Customer	Contracted Capacity
Industrias Cachimayo S.A	29.0 MW
Pesquera Diamante S.A.	21.7 MW
Administradora Jockey Plaza Shopping Center S.A.	17.0 MW
Fundición Chilca S.A.	13.0 MW
Grupo Megaplaza	11.8 MW

#### Main agreements

Customer	Contracted capacity
Sociedad Eléctrica del Sur	25.0 MW
Oeste S.A.	
Electrosur S.A.	15.0 MW
Electro Sur Este S.A.A.*	17.0 MW
Electro Sur Este S.A.A.	99.0 MW

(\*) 2 agreements to supply the free market



new agreements with free customers

new agreements with distribution companies

#### **CURRENT CUSTOMERS**

ENGIE Energía Perú has a portfolio of customers across the country. as of December 2019, the contracted capacity of the portfolio of free customers and distribution companies added up -in peak hours- to 1,857.2 MW, of which 959.9 MW correspond to free customers and 897.3 MW to distribution companies. The contracted capacity in off-peak hours added up to 1,867.8 MW.



## × OUR COMMERCIAL MANAGEMENT

Free Customers as of December 2019

Customer	Contracted capacity in peak hours (MW)	Contracted capacity in off-peak hours (MW)	
Compañía Minera Antamina S.A.	170.0	170.0	
Nexa Resources Cajamarquilla S.A.	170.0	125.0	
Minera Yanacocha S.R.L.	60.0	60.0	
Yura S.A.	60.0	66.0	
Volcan Compañía Minera S.A.A	49.0	49.0	
Corporación Eléctrica del Ecuador - Celec EP	40.0	40.0	
Nexa Resources Perú S.A.A.	38.0	38.0	
Sociedad Minera Cerro Verde S.A.A.	38.0	38.0	
Gloria S.A	27.0	27.0	
Minsur S.A	26.5	26.5	
Trupal S.A.	25.0	25.0	
Marcobre S.A.C.	24.0	24.0	
Quimpac S.A.	20.0	56.0	
Compañía Minera Chungar S.A.C	15.4	15.4	
Empresa Administradora Cerro S.A.C	15.0	15.0	
Nexa Resources El Porvenir S.A.C.	15.0	15.0	
Owens-Illinois Perú S.A.	12.0	12.0	
Papelera Nacional S.A.	12.0	12.0	
Nexa Resources Atacocha S.A.A.	9.0	9.0	
Cerámica Lima S.A - Celima	8.2	8.2	
San Fernando S.A.	7.2	7.2	
Esmeralda Corp S.A.C.	7.0	7.0	
Casa Grande S.A.A.	6.0	6.0	
Tecnofil S.A.	6.0	6.0	
Parque Lambramani S.A.C	5.8	5.8	
Óxidos de Pasco S.A.C	5.4	5.4	
Minera Bateas S.A.C	5.2	5.2	
Cartavio S.A.A	5.0	5.0	
Other customers for less than 5 MW	78.3	91.8	
Total	959.9	970.5	

Distribution companies as of December 2019

Customer	Contracted capacity (MW)
Agreements from Long-Term Tenders	
Enel Distribución Perú S.A.A. (Tenders ED-01, ED-02 and ED-03)	268.4
Luz del Sur S.A.A. (Tenders ED-01, ED-02 and ED-03)	223.3
Luz del Sur S.A.A. (Tenders LDS-01-2011-LP and LDS-01-2011-LP-I)	76.3
Sociedad Eléctrica del Sur Oeste S.A (Tenders ED-01, ED-02 and ED-03)	42.8
Electronoroeste S.A. (Tenders ED-01 and ED-02)	31.2
Electrosureste S.A. (Tenders ED-01, ED-02 and ED-03)	29.8
Hidrandina S.A. (Tenders HDNA)	18.1
Enel Distribución Perú S.A.A. (Tenders LDS-01-2011-LP and LDS-01-2011-LP-I)	15.8
Electronorte S.A. (Tenders HDNA)	12.9
Electrosur S.A. (Tenders ED-02 and ED-03)	12.5
Electrocentro S.A. (Tenders HDNA)	10.7
Electronoroeste S.A. (Tenders HDNA)	9.0
Electropuno S.A.A. (Tenders ED-03)	2.7
Consorcio Eléctrico de Villacuri S.A.C. <b>(Tenders HDNA)</b>	0.4
Bilateral Agreements to supply the free market	
Electro Ucayali S.A. (Bilateral 2012)	16.0
Electronoroeste S.A. (Bilateral 2016)	2.5
Electrosur S.A. (Bilateral 2017)	15.0
Grupo Distriluz <b>(Bilateral 2017)</b>	30.0
Consorcio Eléctrico de Villacuri S.A.C. (Bilateral 2018)	9.0
Grupo Distriluz (Bilateral 2018)	30.0
Electro Ucayali S.A. (Bilateral 2018)	5.0
Electro Sur Este S.A.A. (Bilateral 2019, support customer Anabi)	2.5
Electro Sur Este S.A.A. (Bilateral 2019)	8.5
Sociedad Eléctrica del Sur Oeste S.A. (Bilateral 2019)	25.0
Total	897.3

# CAPACITY AND ENERGY SALES

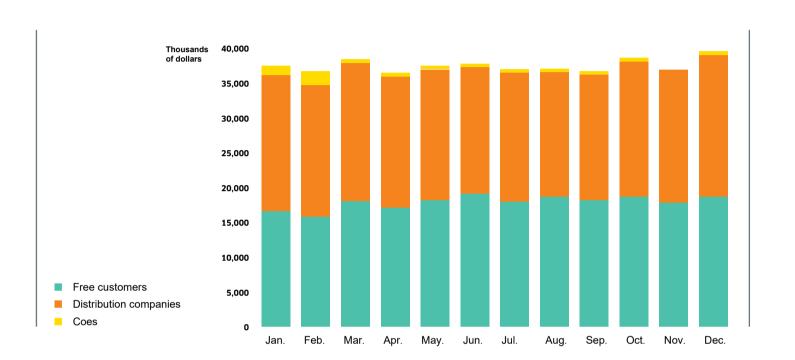
The capacity and energy sales to free customers increased by 1.1% compared to 2018. In case of distribution companies, the sales increased by 5.6% compared to 2018, mainly due to the bilateral agreements with the Distriluz Group, Electro Sur Este S.A.A. and Sociedad Eléctrica del Sur Oeste S.A., all to supply the free markets.

On the other hand, the capacity and energy sales in COES increased compared to 2018 due to the increased operation of the ChilcaUno TPP. Such increase amounted to 726%, a figure closer to that recorded in 2017.

#### Sales of energy, capacity and others (in thousands of dollars)

Customer	2019	Variation (%)	2018	Variation (%)	2017	Variation (%)
Free Customers	207,585.5	1.1	205,327.4	-20.0	256,694.4	-23.0
Distribution Companies	220,604.3	5.6	208,832.0	1.8	205,221.0	-10.0
COES	5,499.1	726.6	665.3	-88.6	5,837.7	25.8
TOTAL	433,688.8	4.6	414,824.7	-11.3	467,753.0	-17.4

#### Energy sales per month (GWh), 2019



# EXTERNAL VARIABLES AFFECTING THE BUSINESS

The external factors -not related to the management- that may significantly affect the energy production are: climate phenomena, international fuel prices, the capacity of the natural gas transport system and congestion of transmission lines.

In 2019, the following events occurred that affected the normal supply of natural gas:

In October and December 2019, maintenance was performed on TGP's natural gas pipeline, which took two (2) days per event. These maintenance works were performed on days with low demand, when the operation of Ilo21 TPP, Ilo31 TPP, Ilo41 TPP was not required, and therefore the marginal costs did not increase significantly.



We work under sound principles in all our operations, which require us to have a zero-tolerance level in case of an unethical behavior.

Act in accordance with laws and regulations

Be loyal

**Respect others** 

Behave honesttly and promote a culture of integrity

To ensure a performance consistent with the company's vision and before our different stakeholders, we have a sound system of compliance with business ethics, including anti-corruption issues, conflicts of interests, human rights, etc.

#### Man documents governing our ethical behavior

Ethics Charter
Practical Guide to Ethics
Gift and Hospitality Policy
Policy for the prevention of conflicts of interests
Internal Code of Conduct
Due Diligence Policy for suppliers and sub-contractors
Human Rights Policy
Procedure for handling and managing concerns, grievances and claims
Code of Conduct regarding suppliers

On the other hand, we have an Ethics Officer and an Ethics Committee to oversee the compliance with our principles and policies. We also have a single ethics line to receive any information to help us detect any behavior against the way we are and act.

Ethics Line: Resguarda Website: engie-energiaa.pe

E-mailo: ética.engie@resguarda.com

Phone: 0-800-000932

# **TRANSPARENT COMMUNICATION**

We maintain a constant communication and relationship with our different stakeholders, who are timely informed of our activities.

We are also open to listen to your suggestions, answer your queries and works in an environment where we can grow in harmony.

Our stakeholders	Communication channels	
Workers	Sonríe Intranet, bi-monthly newsletter, ENGIE & Me survey,	
	corporate mails, training, internal campaigns, and others.	
Customers	Direct contact points, customer extranet Engie@net, annual meeting with	
	customers, strategic events, website, bi-monthly newsletter, and others.	
Communities	Community relations agent, informative meetings, suggestion inbox, visits to	
	the plant, phone calls, and others.	
Authorities	Work meetings, attendance in local committees and institutional relations	
	through formal channels.	
Suppliers	Training, meetings, questions about invoices, phone calls, mails, and others	
Investors	Investor Relations Manager, Shareholders' Meeting, conference calls,	
	corporate presentations, Management analysis, sector reports, corporate	
	website, phone calls, and others.	
Directors Board Meetings, Committee meetings, presentations, website, and		
Press	Meetings, press releases, relationing events, website, phone calls, and	
	others.	







#### **BOARD OF DIRECTORS**

#### **FRANK JEAN ALAIN** Demaille

#### **Principal Director** (June 2019 - to date) Male

Current CFO of FNGIF Latin America. He was Chairman and CEO of ENGIE North America Inc., which manages a broad range of energy businesses in the United States and Canada, including the generation of clean energy and cogeneration, retail energy sales and integral services. He served as Executive Vice President of the international Business and Energy Services Division (BES) of ENGIE, in charge of the commercial development of the BES and its activities in the Pacific, Asia and Americas. He as CEO at CPCU, the district heating system of Paris (4,200 MWth, 600 km of network), and worked in Dubai and Santiago, for the ENGIE's International Energy business. Before joining ENGIE in 2009, he filled several positions in the Ministry of Finance of France and served as advisor to the French Prime Minister at the time. He graduated from the Ecole Polytechnique and "Corps des Mines" in France. He holds a master's degree in Finance.

#### **FERNANDO MARTÍN** de la Flor Belaunde

#### **Principal Director (independent)** (March 2016 - to date) Male

Founding director of the Caral Group, a company engaged in social housing development. He was partner and executive director of MacDonald's Corporation in Peru. He worked for 15 years in the automotive industry, where he started out as design engineer in General Motors Corporation (United States), ended being CEO of Kia, Subaru, Mazda and Peugeot in Peru. He is director of Amrop, GN Brands Chile, Corporación Media Chakana. ParkOffice, SomosMoto, the Cancer Fight League, and the National Institute for the Defense of Free Competition and the Protection of Intellectual Property. He served as Chairman of the American Chamber of Commere (Amcham), and was the founder of the Peruvian Automotive Representatives Association, and director of the American Society of Automotive Engineers (SAE). He holds a master's degree in design from the Stanford University and a bachelor's degree in mechanical engineering from the Purdue University.

#### **JOSÉ LUIS** Casabonne Ricketts

4 OPENNESS X TRANSPARENT AND RELIABLE MANAGEMENT

#### **Principal Director (independent)** (March 2016 - to date) Male

He is director of Inca Tops S.A., Incalpalca TPX S.A. and CRAC Incasur. He was CEO of Horizonte Pension Fund Manager (AFP) and deputy general manager of BBVA Continental. With more 30 years of experience in the financial sector, he also served as CEO of Banco Ripley and in the management of the Personal Banking in Banco de Crédito del Perú and Interbank. He was chairman of the Board at BBVA Continental Sociedad Administradora de Fondos Mutuos, and vice chairman of the Board at Amerika Financiera. He was also a board member at Grupo RPP S.A.C., Refinería La Pampilla S.A.A. (Repsol Group), CARDIF Compañía de Seguros y Reaseguros (BNP Paribas Group), BBVA Banco Provincial de Venezuela, Banco de Crédito del Perú, and others. He graduated in economics at the Pacific University, and holds a master's degree from the Instituto Superiores en Administración (IESA), Venezuela. He attended the Top Management Program at the University of Piura.

#### PIERRE VICTOR M. Devillers

#### **Principal Director** (March 2019 - to date) Male

He has 20 years of experience in the energy sector. He started his career in the ENGIE Group in 1996, where he filled several positions in Electrabel (power generation and distribution, as well as at the headquarters). In 2001 he joined the Operations and Portfolio Management division, where he coordinated the different supporting activities (Finance, Legal, TIC, Com and Human Resources), and founded and led the general management of Electrabel European Portfolio management. In 2007, he became Director of Human Resources for the business area of Energy BeNeLux and Germany. In 2010, he became a member of the main team of the Integration Office of International Power – GDF Suez, where he prepared the merger between the two energy behemots. He holds a master's degree is Law, a bachelor's degree in Business Administration and a master's degree in Finance.

#### **AXEL NICOLAS L.** Levegue

#### **Principal Director** (May 2018 - to date) Male

He joined the ENGIE Group in 1996 and has more than 18 years of experience in the power generation business. He is currently the CEO in ENGIE Energía Chile and Country Manager of ENGIE in Chile. He has worked in companies of the Group in Europe (Belgium and Spain) and Latin America (Chile, Brazil and Peru). He was executive director of Operations for ENGIE Energía Perú (former Enersur) between 2004 and 2008, where he served as senior vice president of Commercial Development for Peru. In 2011, he served as executive director of Operations for Latin America, with headquarters in Brazil, and finally, in 2014, he served Commercial executive director for ENGIE Energía Chile. He holds a Mechanical Engineering degree from the University of Lovaine (Belgium). He also completed the General Management Program in CEPED/ INSEAD.

#### **MARC JACQUES Z.** Verstraete

#### **Principal Director** (November 2018 - to date) Male

He joined the ENGIE Group in 1997 and since then he filled important financial positions in different companies of ENGIE in Belgium, Thailand, Brazil and Chile, where he successfully led expansion projects and market opening. He currently serves as Regional Chief Financial Officer for ENGIE Latin America. He is a commercial engineer and holds a master's degree in Business Administration from the International University of America, United States.

#### **X** OUR GOVERNING BODIES

#### X BOARD OF DIRECTORS 2019

#### DANTE Dell'Elce

**Alternate Director** (March 2016 - March 2019) Male

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Country Manager of ENGIE Argentina. He was also alternate director of ENGIE Energía Perú, from 2004 to 2016. He joined ENGIE in 1992 and served as Chief Executive Officer (CFO) for ENGIE Latam until mid-2018. During his career, he has been in charge of the organization, direction and management of different areas and processes, such as treasury, finance, planning and control, internal control, taxes, insurance, business risk management, acquisitions, accounts payable, IT, etc. Before joining ENGIE, he worked as Administration, Tax, Accounting and Management Control Manager for Cervecerías Quilme, Bemberg Group (Argentina). He graduated as Public Accountant and holds a master's degree in Business Administration. He attended the General Management Program CEDEP in INSEAD, Fontaineblueau (France). In March 2019, he left the position of director in ENGIE Energía Perú.

#### **PHILIP** De Cnudde

Chairman (March 2016 - June 2019) Male

He wasregional director of ENGIE Latin America from February 2014 to June 2019. He started his career in 1985 in Santens Engineering Services in Oudenaarde, Belgium. In 1989, he was appointed CEO in charge of the operations of Santens in the United States. In 1993, he went back to Belgium to work for Electrabel as Head of Operations at the Monceau-sur-Sambre power plant, and in 1994 he filled the position of Project manager for Electrabel in Brussels. In 1998, he served as head of Internal Audit. In 2001, he moved to Tractebel EGI to serve as Head of Business Control, Consolidation and Accounting. In 2007, he served as executive vice president of Business Development and Supervision in SUEZ Energy International, a position he filled in GDF SUEZ Energy Europe & International in 2008. He holds a master's degree in Electrical Engineer from the Gante University and a higher degree in Operation Management. In June 2019, he left the position of director in ENGIE Energía Perú.

#### **STEFANO** Terranova

**Principal Director** (March 2016 - March 2019)

He is currently General Manager of **ENGIE Electro Power System of** France. He joined International Power plc ("IPR") in 2001 as corporate and project financing analyst. In 2006, he joined the project financing team of Credit Agricole in London. In 2008, he joined DPI as senior member of the corporate and project financing team. In 2009, he worked in Abu Dhabi, leading the project financing activities in the Middle East and Africa. In 2011, after the acquisition of DPI, he was chosen to lead the AIFA team in the Middle East, Turkey and Africa region, which later evolved into South Asia. Middle East and Africa. He holds a bachelor's degree in Economics and Commerce from the University of Rome, La Sapienza. He completed his studies in the United Kingdom, with a master's degree in Economics and Finance from the York University. In March 2019, he left the position of director in ENGIE Energía Perú.

#### **MARIANA** Costa Checa

**Principal Director** (March 2019 - December 2019) Female

Current CFO and co-founder of Laboratoria: she was the Chairman of the Board of Kunan, between 2016 and 2017; Business Development manager for Latin America in TechnoServe. between 2013 and 2014; and Project Coordinator for the Organization of American States (OAS) in Washington, between 2007 and 2011. She has been recognized by worldwide institutions with the Innovators Under 35 award in Peru, granted by the MIT Technology Review, in 2015; the Lima 2019 award, granted by the Municipality of Lima; and others. She has also been recognized by the BBC as one of the 100 most influential women in 2016. He holds a bachelor's degree in International Relations from the London School of Economics and Political Science, and holds a master's degree in Public Administration and Development from Columbia University. In December 2019, he left the position of director in ENGIE Engie Perú.

#### **ALTERNATE DIRECTORS 2019**

Alternate Directors	Period
Hendrik De Buyserie	March 2019 - March 2022
Marcelo Fernandes Soares	March 2019 - March 2022
Daniel Cámac Gutiérrez	March 2019 - March 2022
Felisa del Carmen Ros	March 2019 - March 2022
Gilda Spallarossa Lecca	March 2019 - March 2022

### X OUR GOVERNING BODIES

#### **EXECUTIVE COMMITTEE**

Our Executive Committee reflects the company's commitment to working for gender equality in the energy

It should also be noted that there is no relationship of consanguinity or affinity among the directors and executive officers in ENGIE Energía Perú.



4 OPENNESS X TRANSPARENT AND RELIABLE MANAGEMENT

50%

of our vice presidents are male

50%

of our vice presidents are female



#### **FELISA** Ros **Operations Vice President**

(August 2016 - to date)



She was previously Operations Manager in ENGIE Energía Perú. She has served as Vice President Ercot Region in DGF SUEZ Energy North America (now ENGIE North America) and, previously, Vice President of Mexico & Canada in the Generation area. In both positions, she was in charge of the operation of a total installed capacity of 5,800 MW. She has filled several positions in the ENGIE Group since she joined in 1998, in Argentina (Head of Construction), Peru (Technical Manager) and Mexico (Regional Director and Operations Support Director). She is a civil engineer from the National University of Rosario, Argentina, with an MBA from the University of Phoenix, United States.



**HENDRIK** De Buyserie

(February 2018 - to date)



He has more than 22 years of experience in the energy sector and has filled several executive positions for ENGIE in Europe, North America and Latin America. He was director of Human Resources for the ENGIE Group in Paris, and previously, he served as executive vice president of Human Resources for the previous energy business unit of ENGIE in London. He also served as vice president and director of Human Resources in ENGIE Latin America and ENGIE North America, respectively, between 2006 and 2011. In 2014, he was director of ENGIE Energía Chile. He graduated in Human Resources Management from the Sociale Hogeschool KVMW Gent in Belgium. He holds a master's degree in Industrial and Organizational Psychology from the Ghent University (Belgium) and has attended the General Management program in CEDEP (European Center for Permanent Education, for its acronym in French) in the INSEAD school of business, in France.



#### **DANIEL** Cámac

**Commercial Vice President** 

(August 2016 - to date)



He was Commercial and Regulation Manager in ENGIE Energía Perú from May 2012. He previously served as Vice Minister of Energy in the Peruvian Ministry of Energy and Mines. He worked in Osinergmin as manager of the Power Generation and Transmission Regulation Division. He is a graduate of electrical engineering from the Nation University of Central Peru. He is a master of science in Engineering from the Pontifical Catholic University of Chile, and a holds a master's degree in Business Administration from the ESAN University of Peru. He is a Doctor of Science from the Pontifical Catholic University of Rio de Janeiro (Brazil), and has attended other specialization studies in Argentina, Brazil and United States.



**VINCENT** Vanderstockt **Development Vice President** 

(August 2016 - to date)



Since May 2012, he has served as Project and Implementation Manager in ENGIE Energía Perú. He has extensive experience in the development and implementation of projects in Italy, Hungary, Belgium, Perú and Burundi, and the operation and maintenance of power plants, mainly in the ENGIE Group. He is a graduate in electromechanical engineer from the University of Brussels (Belgium).

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MARÍA ELENA Córdova

**Human Resources and Communications Vice President** 

(November 2018 - to date)



She was previously the Vice President of Human Resources in ENGIE Energía Perú, after serving as Human Resources Manager in the company from 2004. She has more than 20 years of experience in managing human talent and compensations in renown companies and consulting firms in Peru. She holds a bachelor's degree in Psychology from the Women's University of the Sacred Heart and attended specialization studies in human resources from the Pacific University and ESAN University. She is currently a Board member of the Peruvian Association of Human Resources (APERHU).



**MARCELO** Fernandes Soares

**Finance Vice President** 

(August 2017 - to date)



He joined the ENGIE Group in 2006 as part of the Acquisitions, Investments and Financial Advisory team (AIFA) in Rio de Janeiro (Brazil). During this period, he was in charge of several mergers and acquisitions, corporate finance and project financing, including a twoyear period in Panama, where he led the team in charge of Central America, and another period, from 2011 until his arrival in Peru, where he was in charge of the AIFA team in Brazil. Before ENGIE, he worked for eight years in an investment bank in Brazil controlled by Brookfield and Mellon Bank. He is an industrial engineer from the Federal University of Rio de Janeiro, with an MBA from the University of Pittsburgh (United States) and a master's degree in Finance and Economics from Fundação Getulio Vargas (Brazil).



**GILDA** Spallarossa Legal Vice President

(August 2016 - to date)



She joined ENGIE Energía Perú in August 2012 as Acting Legal Manager, and took over the Legal Management in April 2015, and since August 2016, she serves as the Legal Vice President. She graduated in Law from the Pontifical Catholic University of Peru and holds a master's degree in Public Law IDEC from the Pompeu Fabra University in Barcelona (Spain). She was partner in law firm Miranda & Amado Abogados, in the lines of business of Gas & Electricity, infrastructure projects, administrative law, civil law and litigation.

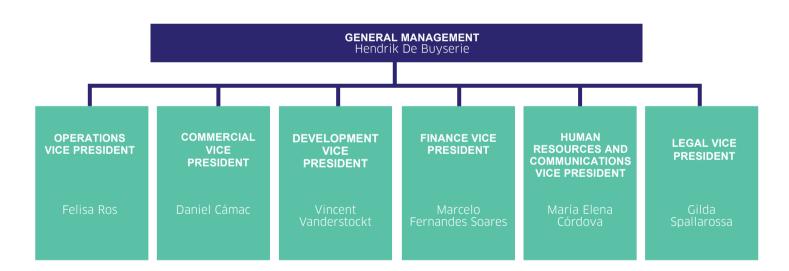
#### X OUR GOVERNING BODIES



### **ORGANIZATION CHART**

as of December 31, 2019

The organization chart shows the first-line executive officers reporting to the General Management of the company.





#### **COMMITTEES**

#### **AUDIT COMMITTEE**

It assists the Board with the supervision of financial reports, internal control, risk managements and assessment, compliance with applicable laws and regulations, as well as verification of transparency and integrity of the financial information made public by the company.

#### Members<sup>10</sup>

José Luis Casabonne Ricketts Marc Verstraete Pierre Devillers

# COMMITTEE FOR REVIEW OF TRANSACTIONS BETWEEN RELATED COMPANIES<sup>11</sup>

It reviews and evaluates the transactions to be made between ENGIE Energía Perú and companies related to it and/or the ENGIE Group, analyzing the terms of such transactions and putting forward recommendations to the Board.

#### **Members**

Fernando de la Flor Belaunde Hendrik De Buyserie Marc Verstraete

The total amount of remunerations of the Board members and management staff account for approximately 0.3954% of the gross income in the year.

- The members of the Audit Committee were appointed at a Board Meeting held on April 15, 2009
- 11. The members of the Committee for Transactions between Related Companies were appointed at a Board Meeting held on April 15, 2019

#### SHARE CAPITAL

As of December 2019, the share capital of ENGIE Energía Perú adds up to PEN 601'370,011.00, of subscribed and fully paid-in capital. This is the

result of a capital increase approved by the General Shareholders' Meeting held on March 18, 2014.



#### SHAREHOLDING STRUCTURE AND COMPOSITION

Tables 1 and 2 show the share of the shareholders of ENGIE Energía Perú and the shareholding composition as of December 31, 2019, respectively.

	Number of shares Shareholders	Share %	Nationality	Economic Group
International Power S.A.	371,478,629	61.77	Belgian	ENGIE
AFP Prima - FONDO 2	43,846,202	7.29	Peruvian	Grupo Romero
AFP Integra - FONDO 2	42,277,522	7.03	Peruvian	SURA
AFP Profuturo - PR FONDO 2	32,303,806	5.37	Peruvian	Scotiabank
AFP Integra - FONDO 3	25,051,690	4.17	Peruvian	SURA
AFP Prima - FONDO 3	24,734,872	4.11	Peruvian	Grupo Romero
Other	61,677,290	10.26	Several	
Total	601,370,011	100.00		

chareholding composition: shares with voting rights

Number of shareholders	Shareholding	Share %
Less than1%	511	4.96
Between 1% and 5%	4	13.58
Between 5% and 10%	3	19.69
More than 10%	1	61.77
Total	519	100.00



#### **LEGAL PROCESSES**

#### LEGAL, ADMINISTRATIVE OR ARBITRATION PROCEEDINGS

ENGIE Energía Perú is not a party in any legal, administrative or arbitration proceeding that may entail an economic contingency, which may affect in a significant and adverse manner the financial results and position of the Company.



### **RELATIONS WITH** THE GOVERNMENT

As a company from the electrical sector, the activities of ENGIE Energía Perú are mainly regulated by the following entities: (i) the Ministry of Energy and Mines (Minem), the governing entity of the energy policy; (ii) the Supervisory Agency of Investment in Energy and Mining (Osinergmin), the entity that regulates, supervises and oversees the sector; (iii) the Agency for Environmental Assessment and Enforcement (OEFA), the governing entity of the **Environmental Assessment and Enforcement National** System; and (iv) the Committee for Economic Operation of the National Interconnected System (COES), the entity responsible for coordinating the short-, medium- and longterm operation of the National Interconnected Electrical System (SEIN); (v) the National Institute for the Defense of Free Competition and the Protection of Intellectual Property (Indecopi), responsible for resolving the proceedings for infringements to the free competition and unfair competition, as well as issuing decisions on the requests for authorization of concentration operations in the electrical sector, and (vi) the National Superintendency

of Labor Inspection (Sunafil), specialized technical entity that supervises and oversees the social labor and occupational health and safety regulations.

ENGIE Energía Perú complies with the payment of mandatory contributions to the entities in the sector, such as Minem, Osinergmin and OEFA, through the payment of the contribution, which according to the Electrical Concession Law (LCE) and Regulation thereof (RLCE), cannot exceed 1% of its annual sales. Similarly, ENGIE Energía Perú provides Minem and Osinergmin regular statistical information on the production and prices, as well as economic and financial information.

Moreover, considering that ENGIE Energía Perú has securities registered in the Stock Market Public Registry, the Company submits information to the Stock Market Superintendency (SMV) pursuant to applicable regulations.



# $\times$

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### **RESULTS 2019**

At 2019 year-end, the energy net sales recorded by ENGIE Energía Perú amounted to USD 536.4 million, 3.0% more compared to 2018 (USD 520.9 million). The gross profit of the company amounted to USD 205.1 million, recording an increase of 6.1% compared to 2018, mainly explained by the update of energy prices of current agreements with free clients and distribution companies, and the update of capacity prices. Similarly, the operating profit amounted to USD 166.5 million, 11.2% less compared to 2018, and finally, the net profit in 2019 amounted to USD 104.2 million, 3.7% less than 2018 (USD 108.3 million).

	2019	2018 *	%
Net sales	536.4	520.9	3.0
Sales cost	331.3	327.6	1.1
Administration costs	22.5	22.4	0.5
Income tax	39.1	44.2	-11.5
Net profit	104.2	108.3	-3.7

Figures re-expressed as per IFRS16

#### **FINANCIAL MANAGEMENT**

The explanation for the main variances in the Statement of Comprehensive Income is the following:

#### **Net sales**

The net energy sales recorded by ENGIE Energía Perú at 2019 year-end amounted to USD 536.4 million, 3.0% more compared to 2018 (USD 520.9 million), mainly explained by (i) increased sales due to the energy price update of existing agreements with free clients and distribution companies, and (ii) increased sales due to the capacity price update of the Ilo31 (Cold Reserve) and Ilo41 (Nodo Energético).

#### Sales cost

The sales cost amounted to USD 331.3 million, 1.1% higher compared to 2018 (USD 327.6 million). This increase is mainly explained by the effect of: (i) higher net capacity cost due to a higher demand from clients and the recognition of the agreement for extension of agreements with distribution companies, (ii) higher fuel consumption (natural gas) partially offset by (ii) the positive impact on the marginal cost as a result of the natural gas non-availability in 2018.

#### **Administration expenses**

The administration expenses in 2019 represented a total of USD 22.5 million, 0.5% higher than the expenses recorded in 2018 (USD 22.4 million).

#### Other income and other expenses (net)

As of December 2019, this expense amounted to USD 16.1 million, less compared to the same period in 2018 (USD 16.6 million), mainly explained by (i) the impairment provision of Ilo21 (USD 25.7 million), (ii) less revenues for penalties to

suppliers and settlement of provisions in 2018, and (iii) partially offset by increased asset sales and supply in 1Q19

#### Financial expenses (net)

Net financial expenses in 2019 (USD 23.1 million) decreased by 33.9% compared to 2018 (USD 34.9 million), due to the decrease of the principal and the positive effect of the exchange rate.

#### Income tax

The income tax expense (USD 39.1 million) was less by 11.5% to the expenses recorded in 2018 (USD 44.2 million), due to a lower profit before tax in 2019.

#### let profit

The net profit in 2019 was USD 104.2 million, lower by 3.7% compared to 2018 (USD 108.3 million) as a result of the reasons explained above

#### **FINANCING AND INDEBTEDNESS**

In 2019, ENGIE Energía Perú renegotiated to decrease the debt cost:

- Leasing of the ChilcaUno Combined Cycle Plant (expired in December 2019), USD 12.4 million was secured in May through a short-term credit, from 6.67% to 2.92%
- Corporate Loan for USD 100 million (expired in June 2023), the rate was renegotiated from 3.3% to 2.7% in October

As of December 31, 2019, the financial debt amounted to USD 612.41 million, as detailed in note 16 to the Audited Financial Statements as of December 31, 2019.

#### × 2019 RESULTS

#### **DIVIDENDS**

The current dividends policy sets forth the payout equivalent to thirty per cent (30%) of the annual revenues, as determined in each year, or a higher percentage if deemed convenient. The retained earnings obtained as of December 31, 2014 will also be taken into consideration, and when they run out, against the earnings obtained from January 1, 2015.

At the Annual Shareholders' Meeting held on March 19, 2019, the payout of dividends for the net income balance of year 2018 was agreed. The total payout amount is equivalent to USD 45.57 million against the available retained earnings as of December 31, 2014.

The Board of ENGIE Energía Perú approved, on November 12, 2019, the payout of dividends on account of the net income as at June 30, 2019, against the retained earnings available as of December 31, 2014, for USD 19.71 million, which was paid on December 18, 2019.

#### **ORDINARY SHARES**

The following table details the monthly listing of securities representing shares listed on the stock exchange.

Information on ordinary sha	ares of ENGIE Energia Peru
-----------------------------	----------------------------

				L	isting 2019 (S/)		
ISIN Code	Mnemonics	Year-Month	Opening	Closing	Maximum	Minimum	Average
PEP702101002	ENGIEC1	2019-01	5.84	5.47	5.84	5.47	5.52
PEP702101002	ENGIEC1	2019-02	5.47	5.70	5.76	5.47	5.63
PEP702101002	ENGIEC1	2019-03	5.70	6.29	6.37	5.70	6.16
PEP702101002	ENGIEC1	2019-04	6.29	6.35	6.35	6.10	6.28
PEP702101002	ENGIEC1	2019-05	6.45	6.05	6.47	6.00	6.15
PEP702101002	ENGIEC1	2019-06	6.05	6.45	6.45	6.05	6.17
PEP702101002	ENGIEC1	2019-07	6.50	6.80	7.00	6.50	6.69
PEP702101002	ENGIEC1	2019-08	6.80	6.75	6.90	6.60	6.76
PEP702101002	ENGIEC1	2019-09	6.75	6.92	6.92	6.75	6.81
PEP702101002	ENGIEC1	2019-10	6.94	7.65	7.80	6.94	7.58
PEP702101002	ENGIEC1	2019-11	7.60	8.00	8.10	7.55	7.78
PEP702101002	ENGIEC1	2019-12	7.89	7.85	7.89	7.54	7.60

#### **CORPORATE BONDS**

The following table details the monthly listing of securities representing indebtedness listed on the stock exchange.

#### Monthly listing of debt securities of ENGIE Energía Perú

				Listing 2019 (%)				
ISIN Code	Mnemonics	Year-Month	Opening	Closing	Maximum	Minimum	Average	
PEP70210M034	ENGIE1BC3U	2019-10	116.22	116.22	116.22	116.22	116.22	
PEP70210M067	ENGIE1BC6A	2019-03	106.66	106.66	106.66	106.66	106.66	
PEP70210M067	ENGIE1BC6A	2019-10	113.22	113.22	113.22	113.22	113.22	
PEP70210M083	ENGIE3BC1A	2019-04	105.91	105.05	105.91	105.05	105.17	
PEP70210M083	ENGIE3BC1A	2019-08	113.08	113.08	113.08	113.08	113.08	
PEP70210M083	ENGIE3BC1A	2019-10	114.63	114.63	114.63	114.63	114.63	
PEP70210M091	ENGIE3BC2A	2019-07	106.75	106.75	106.75	106.75	106.75	
PEP70210M109	ENGIE3BC3A	2019-09	112.01	112.01	112.01	112.01	112.01	
PEP70210M117	ENGIE3BC3B	2019-02	102.79	102.79	102.79	102.79	102.79	
PEP70210M117	ENGIE3BC3B	2019-05	104.26	106.71	106.71	104.26	105.18	
PEP70210M117	ENGIE3BC3B	2019-09	113.11	113.11	113.11	113.11	113.11	
PEP70210M117	ENGIE3BC3B	2019-10	113.02	113.02	113.02	113.02	113.02	

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ANNEXES ENGIE ENERGÍA PERÚ

#### **ANNEXES**

#### 76\_ Audited financial statements

Financial statements as of December 2019 and 2018 and as of January 1, 2018, together with the independent auditors' report.

Independent auditors' report

Statement of financial position

**Statement of comprehensive income** 

Statement of changes in net equity

Statement of cash flows

Notes to the financial statements

166\_ Main regulations in the electrical sector

168\_ Licenses and authorizations

172\_ Good Corporate Governance Report

220\_ Corporate Sustainability Report

# INDEPENDENT AUDITORS' REPORT



To the shareholders of ENGIE Energía Perú S.A.,

We have audited the attached financial statements of ENGIE Energía Perú S.A. (a Peruvian subsidiary company of International Power S.A.), which include the statement of financial position as of December 31, 2019 and 2018, and the corresponding statements of comprehensive income, changes in the net equity and cash flows for the years then ended, as well as a summary of significant accounting policies and other explanatory notes.

#### Management Responsibility for the Financial Statements

The Management is responsible for the preparation and fair presentation of these financial statements pursuant to the International Financial Reporting Standards issued by the International Accounting Standards Boards, and for such internal control as Management deems necessary for the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility consists in expressing an opinion on these financial statements based on our auditing. Our audit was carried out in accordance with International Auditing Standards approved in Peru by the Board of Deans of the Association of Public Accountants of Peru. Such regulations require that we comply with ethical requirements and that we plan and carry out the audit to obtain reasonable assurance that the financial statements do not contain erroneous representations of relative importance.

An audit involves performing procedures to obtain audit evidence on the balances and disclosures in the financial statements. Selected procedures depend on the auditor's judgment, including the assessment of the risk of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor takes into account the internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting principles applied and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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WE PRODUCE ENERGY



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#### Opinion

In our opinion, the aforementioned financial statements present fairly, in all material respects, the financial position of ENGIE Energía Perú S.A. as of December 31, 2019 and 2018, as well as the results of its operations and cash flows for the years then ended, in conformity with the Financial Reporting Standards issued by the International Accounting Standards Board.

#### Other Matters

The financial statements of ENGIE Energía Perú S.A. for the year ended December 31, 2017 (January 1, 2018), before the adjustments from the adoption of International Financial Reporting Standard 16 (IFRS 16), which are included in the attached note 4.3, were audited by other independent auditors, whose auditor's report dated February 12, 2018 did not contain exceptions. As part of our audit of the financial statements of year 2019, we have also audited the conversion adjustments to International Financial Reporting Standard 16 (IFRS 16), which we present in note 4.3. In our opinion, such adjustments are reasonable and properly recognized.

Parades Burga X Asociados

Lima, Peru February 5, 2020

Signed by:

Raúl del Pozo Certified Public Accountant Registry No.22311

3 ,

### **STATEMENT OF FINANCIAL POSITION**

As of December 2019 and 2019 and as of January 1, 2018

	Note	2019 US\$(000)	2018 US\$(000) (Restated) note 4.3	January 1, 2018 US\$(000 (Restated Note 4.
Assets				
Current assets				
Cash and cash equivalent	4.2.1 <b>and</b> 7	91,897	74,617	37,180
Trade accounts receivable, net	4.2.2 <b>and</b> 8	82,730	84,315	98,096
Other accounts receivable	4.2.2 <b>and</b> 9	8,856	8,803	11,046
Accounts receivable to related companies	4.2.2 <b>and</b> 20(b)	161	250	1,544
Income tax	4.2.2 and 21(b)	40,515	35,032	37,740
Inventories, net	4.2.3 <b>and</b> 10	76,217	84,300	83,666
Prepaid expenses	11	10,516	4,726	4,705
Total current assets		310,892	292,043	273,977
Non-current assets Derivative financial instruments	4.2.2 and 12	17,630	12,398	19,781
Prepaid expenses	11	57,604	23,724	12,735
Prepayments	2 (iii and iv)	12,959	15,666	9,691
Properties, plant and equipment, net	4.2.4 and 13	1,758,191	1,828,305	1,900,277
Other assets, net	4.2.8 and 14	47,769	48,385	49,030
Intangible assets, net		223	341	363
Total non-current assets		1,894,376	1,928,819	1,991,877
Total assets		2,205,268	2,220,862	2,265,854

	Note	2019 US\$(000)	2018 US\$(000) (restated) Note 4.3	January 1, 2018 US\$(000) (Restated) Note 4.3
Liabilities and equity				
Current liabilities				
Other financial liabilities	4.2.2 y 15	109,635	131,207	196,768
Trade accounts payable	4.2.2 y 16	61,652	41,854	41,419
Accounts payable to related companies	4.2.2 y 20(b)	865	3,946	44,693
Liabilities for employees' benefits	4.2.13 y 18	13,406	12,963	12,238
Other accounts payable	4.2.2 y 17	9,169	10,963	28,810
Total current liabilities		194,727	200,933	323,928
Non-curren liabilities				
Trade accounts payable	4.2.2 y 16	6,544	-	-
Provisions	4.2.12 y 19	9,515	9,365	3,580
Other financial liabilities	4.2.2 y 15	519,971	620,626	666,840
Derivative financial instruments	4.2.2 y 12	6,774	17,392	6,312
Deferred income tax liability, net	4.2.10 y 21(c)	330,467	281,701	240,929
Total non-current liabilities		873,271	929,084	917,661
Total liabilities		1,067,998	1,130,017	1,241,589
Net equity	22			
Issued capital		219,079	219,079	219,079
Additional capital		35,922	35,922	35,922
Legal reserve		43,816	43,816	43,816
Other reserves		12,374	4,917	12,595
Retained earnings		826,079	787,111	712,853
Total equity		1,137,270	1,090,845	1,024,265
Total liability and net equity		2,205,268	2,220,862	2,265,854

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### **INCOME STATEMENT**

For the years ended December 31, 2019 and 2018

	Note	2019 US\$(000)	2018 US\$(000) (Restated) Note 4.3
Sales income	4.2.14 and 24	536,374	520,909
Sales cost	4.2.14 <b>and</b> 25	(331,318)	(327,647)
Gross profit		205,056	193,262
Administration expenses	4.2.14 and 26	(22,498)	(22,379)
Other income	4.2.14 and 27	10,179	22,972
Other expenses	4.2.14 <b>and</b> 28	(26,246)	(6,395)
Operating profit		166,491	187,460
Financial income	4.2.14 <b>and</b> 29	5,883	5,725
Financial expenses	4.2.14 <b>and</b> 29	(37,601)	(45,135)
Exchange differences, net	33 (a)(v)	1,147	(2,450)
Profit for derivative financial instruments	4.2.2 and 12	7,475	6,936
Profit before income tax		143,395	152,536
Income tax	4.2.10 and 21(a)	(39,148)	(44,236)
Net profit		104,247	108,300
Other comprehensive income			
Cash flow hedge	4.2.2 and 12	10,578	(10,891)
Income tax	4.2.10 and 21(c)	(3,121)	3,213
		7,457	(7,678)
Total comprehensive income of the year, net		111,704	100,622
Basic and diluted earnings per common share (in USD)	4.2.18 and 23	0.173	0.180
Weighted average number of oustanding shares (in thousands of units)	4.2.18 and 23	601,370	601,370

### STATEMENT OF CHANGES IN EQUITY

For the years ended December 31, 2019 and 2018 and January 1, 2018

	Issued capital US\$(000)	Additional capital US\$(000)	Legal reserve US\$(000)	Other equity reserves US\$(000)	Comprehensive income US\$(000)	Total US\$(000)
Balances as of January 1, 2018 (audited)	219,079	35,922	43,816	12,595	725,978	1,037,390
Effect of application of IFRS 16 (Note 4.3)	-	-	-	-	(13,125)	(13,125)
Balances as of January 1, 2018 (Re-expressed note 4.3)	219,079	35,922	43,816	12,595	712,853	1,024,265
Net profit	-	-	-	-	108,300	108,300
Other comprehensive income, net of the income tax, note 12(a)	-	-	-	(7,678)	-	(7,678)
Total comprehensive income of the year	-	-	-	(7,678)	108,300	100,622
Dividends declared	-	-	-	-	(34,042)	(34,042)
Balances as of December 31, 2018 (Re-expressed note 4.3)	219,079	35,922	43,816	4,917	787,111	1,090,845
Net profit	-	-	-	-	104,247	104,247
Other comprehensive income, net of the income tax, note 12(a)	-	-	-	7,457	-	7,457
Total comprehensive income of the year	-	-	-	7,457	104,247	111,704
Dividends declared, note 22(e)	-	-	-	-	(65,279)	(65,279)
Balances as of December 31, 2019	219,079	35,922	43,816	12,374	826,079	1,137,270

# STATEMENT OF CASH FLOWS

For the years ended December 31, 2019 and 2018

	Note	2019 US\$(000)	2018 US\$(000)
Operating activities			
Collection for sale of goods and rendering of services		807,025	798,006
Other cash collections related to operating activities		31,327	24,021
Collection for interests and returns		1,776	720
Payment to suppliers of goods and services		(446,543)	(428,693)
Payments for income tax and other taxes		(89,647)	(85,493)
Payments for interests and returns		(29,105)	(37,555)
Payments to and on behalf of employees		(26,996)	(25,504)
Right of usufruct and social contributions Yuncan	2(i)	(6,378)	(6,339)
Other cash payments related to operating activities		(8,025)	(5,741)
Cash flow and cash equivalent provided		233,434	233,422
by operating activities			
Investment activities			
Sale of properties, plant and equipment		5,085	-
Purchase of properties, plant and equipment	13(j)	(32,464)	(63,000)
Purchase of intangible assets		(38)	(59)
Cash flow and cash equivalent used in investment activities		(27,417)	(63,059)

	Note	2019 US\$(000)	2018 US\$(000)
Financing activities			
Securing of loans	33a(iii)	12,440	120,336
Amortization of payment of loans	33a(iii)	(12,440)	(29,973)
Amorization of financial lease obligations	33a(iii)	(123,458)	(189,247)
Dividends	22(e)	(65,279)	(34,042)
Cash flow and cash equivalents used in financing activities		(188,737)	(132,926)
Net increase in cash and cash equivalents		17,280	37,437
Cash and cash equivalents at the beginning of the year		74,617	37,180
Cash and cash equivalents at year-end	4.2.1 and 7	91,897	74,617

As of December 31, 2019 and 2018 and January 1, 2018
Figures expressed in thousands of US dollars (except where otherwise indicated)

#### 1. ECONOMIC ACTIVITY

#### (a) Profile

ENGIE Energía Perú S.A. (hereinafter the "Company") is a subsidiary of International Power S.A. from Belgium, which owns 61.77% of its share capital. The Company was incorporated in Lima, Peru, on September 20, 1996. On the other hand, GDF Suez IP Luxembourg S.A.R.L. owns 100% of International Power S.A. In turn, International Power Ltd and International Power (Zebra) Limited, companies incorporated in the United Kingdom, are direct and indirect owners, respectively, of GDF Suez IP Luxembourg S.A.R.L. On the other hand, Tractebel S.A., shareholder of International Power Ltd, is a company of the ENGIE Group and holds 99.99% of the share capital of International Power Ltd. ENGIE S.A., a French company, parent company of the ENGIE Group and listed on the Paris stock exchange, owns 99.13% of Electrabel S.A.

The legal domicile of the Company, where the administrative offices are located, is Av. República de Panamá No. 3490. San Isidro, Lima, Peru.

#### (b) Economic activity

The Company is engaged in the power generation and transmission in secondary systems, through its power generation plants located in several departments across Peru, as well as the sale of energy to distribution companies and free clients in the National Interconnected Electrical System (SEIN), of which the Company is a member.

The Company has five thermal power plants: three in the city of Moquegua (Ilo21, Ilo31 Cold Reseve and Ilo41 Nodo Energético) and two in Chilca (ChicaUno and ChilcaDos), with a rated generation capacity of 2,208 MW. The Company also has two hydropower plants: the Yuncan HPP with a rated capacity of 134 MW, located in the basins of the Paucartambo and Huachón rivers, department and province of Pasco, 340 km to the northeast of the city of Lima, and the Quitaracsa HPP with a rated capacity of 114 MW, located in the province of Huaylas, department of Ancash. In 2018, the Company started operations in the Intipampa Solar Power Plant, located in Pampa Lagunas in Moquegua over an area of 322 hectares and fitted with 138,120 photovoltaic panels, with a rated capacity of 40 MW.

As of December 31, 2019, the total rated capacity amounted to 2,496 MW.

#### (c) Approval of financial statements

The financial statements as of December 31, 2019 have been approved for issuance by the Company's Management on February 5, 2020, and will be presented for the approval of the General Shareholders' Meeting within the time established by law. In Management's opinion, these accompanying financial statements will be approved without changes at the Board Meeting and General Shareholders' Meeting to be held during the first quarter of 2020. The financial statements for the year ended December 31, 2018, before restatement, were approved by the Board and the Annual Mandatory Shareholders' Meeting on February 13 and March 19, 2019, respectively.

#### 2. MAIN OPERATION CONTRACTS AND AGREEMENTS

#### (i) Usufruct Contract

On February 16, 2004, the Company and Empresa de Generación de Energía Eléctrica del Centro S.A. (currently Activos Mineros S.A.C.) entered into, with the intervention of the Agency for Investment Promotion – PROINVERSIÓN, a 30-year Usufruct Contract for the use of the Yuncan Hydropower Plant (Yuncan HPP), as from September 7, 2005 (handover date of the Yuncan HPP).

By virtue of such contract, the Company made the following disbursements that are booked as "Right of Use" (Note 13) and are depreciating during the term of the usufruct contract:

- "Contract fee", for approximately USD 48,392, which was paid in full in June 2005.
- "Social contribution", for approximately USD 5,962, which was deposited in 2006 in a Trust Fund (now Social Fund), to be used exclusively for the execution of projects in the area of influence of the project.

Additionally, the Company has the obligation to make the following payments:

- "Right of Usufruct", for approximately USD 105,517, which are paid in 34 half-year instalments according to the payment calendar established for year 2022. In 2019, the sum of USD 5,506 (USD 5,640 in 2018) was paid and booked as payment on account of the financial obligation in accordance with IFRS 16. The present value of the obligations is recognized as Right of Use (Note 13) and is amortized based on the effective term of the contract.

The total amount paid as of December 31, 2019 according to the contract adds up to USD 92,339 (USD 86,833 as of December 31, 2018), the outstanding balance according to the contract adds up to USD 13,178 (USD 18,690 as of December 31, 2018).

- "Social contribution" for approximately USD 13,014, which was being deposited in a Trust Fund (now Social According to the established payment calendar (34 half-yearly instalments), to be exclusively used for the execution of investment projects in the area of influence of the project. In 2019, the sum of USD 681 (USD 698 in 2018) was paid and booked in the Prepaid expenses (Note 11). These payments are being amortized based on the effective term of the contract.

The total sum as of December 31, 2019, according to the contract adds up to USD 11,383 (USD 10,702 as of December 31, 2018), the outstanding balance according to the contract adds up to USD 1,631 (USD 2,312 as of December 31, 2018), and the balance as of December 2019, net of accruals adds up to USD 5,199 (USD 2,312 as of December 2018) (Note 11).

On May 14, 2004, the Company entered into with the Peruvian Government a Guarantor Agreement, whereby the Peruvian Government guarantees the obligations that Activos Mineros S.A.C. has undertaken with respect to this Usufruct Contract.

#### (ii) Contracts of the ChilcaUno Thermal Power Plant

NOTES TO THE FINANCIAL STATEMENTS

The ChilcaUno Thermal Power Plant, located in the district of Chilca, department of Lima, is fitted with three open-cycle natural gas turbines with a total installed capacity of approximately 560 MW, operating in open cycle, and a steam turbine with a total installed capacity of approximately 292 MW, which combined add up to a total installed capacity operating in combined cycle of 852 MW.

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For the operation of this power plant, the Company entered into the following agreements:

- In December 2004, an Interruptible Natural Gas Transport Service agreement was entered into with Transportadora de Gas del Perú S.A. (TGP). This contract includes five (05) addenda, and is effective until February 2, 2031, and a Maximum Interruptible Capacity (MIC) per day of 1,973,017 m3/std-day.
- In April 2006, an Exclusive Natural Gas Supply agreement was entered into with the Consortium of Camisea Gas Companies (Pluspetrol Perú Corporation S.A., Pluspetrol Camisea S.A., Hunt Oil Company of Perú L.L.C., SK Innovation, Sonatrach Perú Corporation S.A.C., Tecpetrol del Perú S.A.C. and Repsol Exploración Perú). This agreement is effective until November 10, 2021 and is renewable for 5 years. The agreement includes six (6) addenda, whereby the Maximum Daily Quantity (MDQ) of 3,950,000 m3/std-day and a Contractual Daily Capacity (CDC) of 1,950,000 m3/std-day.
- In December 2007, a Firm Natural Gas Transport Service agreement was entered into with Transportadora de Gas del Perú S.A. (TGP). This agreement and subsequent amendments thereto contemplate a Daily Reserved Capacity (DRC) of 3,942,315 m3/std-day until February 1, 2024 and a Daily Reserved Capacity of 2,476,747 m3/std-day until February 1, 2031.
- In July 2010, a High-Pressure Natural Gas Distribution Service agreement was entered into with Gas Natural de Lima Y Callao S.A. It includes three (3) addenda, which sets out an effective term of the agreement until December 31, 2033 and contractual firm quantities with a DRC of 3,942,315 m3/std-day and interruptible MIC per day of 163,627 m3/std-day.
- (iii) "Services Contract" Services contract entered into with Siemens Power Generation Service Company, Ltd.
  On March 28, 2018, a new Service Contract was entered into for the inspection of minor and major maintenance to be required for the three gas generation units referred to in paragraph (ii) of this note, on a regular basis based on the production hours of each of the turbines, starting in 2018, superseding the Services Contract for the two gas generation units dated 2006 and the Service Contract for the third gas generation unit dated 2007.
  - This contract is effective for 15 years or the performance of the second major maintenance of each turbine performed under this new contract, whichever occurs first.
- (iv) Program Parts, Miscellaneous Hardware and Logistics Support Contract entered into with Siemens Power Generation Inc. On March 28, 2018, a new Program Parts, Miscellaneous Hardware and Logistic Support Contract was entered for logistic support, procurement of spare parts and as per the established maintenance and the necessary labor for the erection,

disassembly and effective replacement of procured parts, for the three gas turbines referred to in paragraph (ii) of this note, which supersedes the Program Parts, Miscellaneous Hardware and Logistics Support Contract for the two gas generation units dated 2006 and the Program Parts, Miscellaneous Hardware and Logistics Support Contract for the third gas generation unit dated 2007.

This contract is effective for 15 years or the execution of the second major maintenance of each turbine performed under this new contract, whichever occurs first.

In case of the contracts described in this paragraph, the prepayments made by the Company are booked in an account of Prepayments made and will be recognized as fixed assets when performing the replacement of components in accordance with the program established in the contracts.

As of December 31, 2019, the balance of prepayments corresponding to the payment of these concepts amounts to USD 12,959 (USD 15,666 as of December, 2018).

#### (v) Ilo31 "Cold Generation Reserve - Ilo Plant"

On November 25, 2010, PROINVERSIÓN awarded the concession of the "Cold Generation Reserve – Ilo Plant" to the Company for the construction and operation of a dual thermal power plant located in Ilo, which aims at ensuring the availability of energy and capacity in SEIN in case of supply emergencies or operating efficiency.

On June 2013, the Ilo Generation Cold Reserve entered into commercial operation with a contracted capacity of 460 MW. Since August 2015, the plant has an effective capacity of 497 MW, approved by the Committee for Economic Operation of the National Interconnected System (COES-SINAC).

#### (vi) Quitaracsa Hydropower Plant

This project consisted in the construction of a hydropower plant with a rated capacity of 114 MW, located in the district of Yauracmarca, province of Huaylas, department of Ancash, In November 2010, the "Contract of Unit Rates for the Supply and Construction of the Civil Works of the Quitaracsa Hydropower Plant" was entered into with construction company JME S.A.C.

In October 2015, the Quitaracsa Hydropower Plant entered into commercial operation, with a total rated capacity of 114 MW.

#### (vii) Nodo Energético

On November 29, 2013, PROINVERSIÓN's Energy Safety Project Committee – PRO SEGURIDAD ENERGÉTICA awarded the Company the construction and operation of one of the thermal power plant of the project Nodo Energético del Sur del Perú in the international bidding conducted by PROINVERSIÓN.

The plant is a single-cycle dual plant (diesel B5 and natural gas) and operates in a first stage with diesel, and will operate with natural gas one this resources becomes available in the southern part of the country.

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### NOTES TO THE FINANCIAL STATEMENTS

In October 2016, the Nodo Energético Thermal Plant No.2 Moquegua Region – Ilo Plant of ENGIE, entered into commercial operation, with a total effective capacity of 610 MW.

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#### (viii) Intipampa Solar Power Plant

On May 17, 2016, the Company entered into with the Peruvian Government (represented by the Ministry of Energy and Mines) a concession contract, whereby it will supply to SEIN the awarded energy (108.404 GWh/year) to the Intipampa Photovoltaic Solar Project within the framework of the fourth electricity supply auction with renewable resources (RER) organized by OSINERGMIN. By virtue of the terms of the respective agreement, ENGIE will supply the awarded energy to SEIN from the actual starting date of commercial operations.

On September 30, 2016, the Company entered into engineering, procurement and construction contracts with company Solairedirect for the implementation of the photovoltaic solar plant.

In March 2018, the Intipampa Photovoltaic Solar Power Plant entered into commercial operation with a rated installed capacity of 40 MW (44.54 MW in direct current).

### 3. OPERATING AND LEGAL REGULATION GOVERNING THE ACTIVITIES IN THE ELECTRICAL SECTOR

The main regulations governing the activities of the Company are:

#### (a) Electrical Concessions Law and the Regulation thereof

On November 19, 1992, the Electrical Concessions Law was enacted through Decree Law No. 25844 and on February 19, 1993, the Regulation of the Law was enacted through Supreme Decree No. 009-93-EM.

Pursuant to such law, the Peruvian electrical sector is divided in three large segments: generation, transmission and distribution, to prevent more than one activity to be performed by the same company. The Peruvian electrical system is only composed of the electrical system referred to as National Interconnected System (SINAC), in addition to some isolated electrical systems. The Company conducts its operations in the power generation segment and is a member of SINAC.

Pursuant to the Law, the operation of generation companies will be governed by the provisions of the Committee for Economic Operation of the National Interconnected System (COES-SINAC) to coordinate the operation at minimal cost, ensuring the safety of energy supply and the use of energy resources. COES-SINAC manages the capacity and energy transfers among generation companies considering the injections and withdrawals under contracts, and values such transfers on a monthly basis, as well as the compensations to the holders of transmission systems and compensations to other generation companies pursuant to the relevant regulation.

Supreme Decree No. 040-2017-EM, published on December 13, 2017, amended articles 95 and 96 of the Regulation of the Electrical Concessions Law, regarding the system operation in case of Exceptional Cases and with the information from the generation units provided by the agents implying operating inflexibility; and amended article 7 of the Electricity Wholesale Market Regulation regarding the cost allocation for Operating

Inflexibilities; and amended the Final Provision Sixteen of the Electrical Services Quality Technical Standard regarding the non-application of sanctions and/or compensations during periods of Exceptional Cases.

#### (b) Law to Ensure the Efficient Development of Power Generation

On July 23, 2006, Law No. 28832, Law to Ensure the Efficient Development of Power Generation, was enacted. The law is mainly aimed at: (i) ensuring sufficient efficient power generation to reduce the exposure of the electrical system to price volatility and risk of rationing due to energy shortages; and ensuring competitive electrical tariffs for consumers; (ii) reducing the administrative intervention in the setting of generation prices through market solutions; and (iii) promote effective competition in the generation market.

The main changes introduced by the Law are related to the participation of generation companies, distribution companies and large free clients in the short-term market, therefore including distribution companies and free clients as members of COES-SINAC, thus amending the structure of this entity. Additionally, the bidding mechanism to be followed by power distribution companies was introduced to enter into power purchase agreements with power generation companies.

Energy sales by power generation companies to power distribution companies will be at bid prices in case of Contracts resulting from Biddings or at agreed prices (with a ceiling set by OSINERGMIN) for Contracts not resulting from Biddings. Such provisions is aimed at establishing a mechanism to promote investments in new generation capacity through long-term power purchase agreements and firm prices with power distribution companies.

#### (c) Supervisory Agency of Investment in Energy and Mining

By means of Law No. 26734, enacted on December 27, 1996, the Supervisory Agency of Investment in Energy and Mining (OSINERGMIN) was created to supervise the activities performed by companies in the energy and hydrocarbon sub-sectors, ensuring the quality and efficiency of the service provided to users and enforcing compliance with the obligations undertaken by the concession holders under the concession contracts, as well as the legal provisions and technical standards in force and effect, including those related to environmental protection and stewardship.

As part of its regulatory role, OSINERGMIN has the authority to pass, within their competence, general rules and standards to be applied to entities in the sector and to users.

By virtue of Supreme Decree No. 001-2010-MINAM, enacted on January 20, 2010, OSINERGMIN has transferred the environmental supervision, oversight and sanctioning role on general hydrocarbon and electricity matters to the Agency for Environmental Assessment and Enforcement (OEFA), created by Legislative Decree No. 1013 that approves the Law for the Creation, Organization and Roles of the Ministry of Environment.

#### (d) Electrical Services Quality Technical Standard

By Supreme Decree No. 020-97-EM, the Electrical Services Quality Technical Standard (NTCSE) was approved, which establishes the minimum quality levels for electrical services, including public lighting, and the obligations of electrical companies and clients that operated under the framework of the Electrical Concessions Law.

The NTCSE contemplates procedures to perform measurements and establishes tolerances, assigning the responsibility for their application to OSINERGMIN, as well as the application, to electrical companies and clients, of penalties and compensations in case of infringements of tolerances of parameters established therein.

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The Company's Management considers that in case of contingencies arising in connection with the non-compliance with the parameters set by the NTCSE, these will not be significant in terms of the financial statements taken as a whole.

#### (e) Law Against Anti-Monopolies and Anti-Oligopolies in the Electrical Sector

On November 18, 1997, the Law Against Anti-Monopolies and Anti-Oligopolies in the Electrical Sector, Law No. 26876, was enacted, establishing that the vertical concentrations equal to or higher than 5% or horizontal concentrations equal to or higher than 15% occurring in the power generation, transmission, and distribution activities, will have to be approved in order to prevent concentrations affecting free competition.

With Emergency Decree 013-2019 "Previous Control of Business Concentration Operations" published on November 19, 2019, the Electricity Sector Anti-Monopoly and Anti-Oligopoly Law, Law 26876, was repealed, aiming at establishing a previous control regime for business concentration operations in order to promote the economic efficiency in the markets to benefit consumers.

#### (f) Environmental Stewardship Regulations

The Government designs and applies the necessary policies and regulations for adequate protection of the environment and the nation's cultural heritage, and oversees the rational use of natural resources while performing activities related to power generation, transmission and distribution and hydrocarbons. To such effect, the Ministry of Energy and Mines has approved the Regulation for Environmental Protection in Electrical Activities (Supreme Decree No. 014-2019-EM) and the Regulation for Environmental Protection in Hydrocarbon Activities (Supreme Decree No. 039-2014-EM).

#### (g) Electricity Wholesale Market Regulation

By Supreme Decree No. 026-2016-EM, the Electricity Wholesale Market Regulation was approved (EWM). The main aspects of the EWM regulations are the following: it incorporates the definition of EWM, which is composed of the short-term market (STM) and the mechanisms for allocation of supplementary services, operating inflexibilities and allocation of congestion income. The participants authorized to purchase in the STM are: generation companies to meet the supply contracts; distribution companies to supply their free clients, up to 10% of the maximum demand; and the large users to supply up to 10% of their maximum demand.

COES will estimate the energy marginal costs and the congestion marginal costs. The Congestion Income will be allocated among the participants pursuant to the respective procedure. The participants without an A rating (A, AA or AAA) will need a security for the payment of their obligations in the EWM, and the actions by COES in case of non-compliance with their payment obligations by a participant are incorporated.

By Supreme Decree No. 033-2017-EM, published on October 2, 2017, the Electricity Wholesale Market Regulation, approved by Supreme Decree No. 026-2016-EM, came into full force and effect on January 1, 2018.

(h) Law that Strengthes the Energy Security and Promotes the Development of the Petrochemical Pole in the South of the Country

Law 29970 declared the implementation of measures to strengthen the energy security of the country through the diversification of energy sources, the reduction of external dependence and the reliability of energy supply chain of national interest

- (i) Supreme decrees within the gas emergency framework Supreme Decree 001-2008-EM, published on January 5, 2018, established the methodology whereby the additional fuel costs to be generated as a result of the partial or full interruption gas supply to power generation plants will be recognized.
  - Supreme Decree 017-2018-EM established the rationing mechanisms in case of partial or full shortage of gas supply for the domestic market in any part of the supply chain.
- (j) Law the establishes the mechanism to ensure electricity supply for the regulated market

On January 3, 2008, Law No. 29179 was published, which, together with its amendments and supplements, establish the mechanism to ensure the electricity supply for the regulated market. This law stipulates that the capacity and energy demand for the public electricity service without power purchase agreements to back them up (through the power supply bidding mechanisms set out in Law No. 28832, Law to ensure the efficiency development of power generation, and/or the bilateral contract entered into by virtue of Law No. 25844, Electrical Concessions Law), will be borne by the generation companies pursuant to the procedure to be established by OSINERGMIN.

To this effect, the missing amount to close the energy transfers in COES, due to the capacity and energy withdrawals without contract at busbar prices of the regulated market, will be allocated by COES-SINAC to the generation companies in proportion to their annual efficient firm energy, less their energy sales under contracts. Failure to pay by the distribution companies to generation companies will be grounds for termination of the concession in case of recurrence.

#### (k) Supreme Decree 016-2000-EM

Supreme Decree No. 043-2017-EM, published on December 28, 2017, amends article 5 of Supreme Decree No. 016-2000-EM, stipulating that generation companies using natural gas as fuel shall declare the gas price once a year with effective date on July 1. COES verifies that the declared value is, at least, the results of applying a formula considering the Contractual Daily Quantity, the specific consumption, take or pay contracts and the natural gas supply price without including transport and distribution.

(I) Supreme Decree No. 032-2017-EM that suspends the implementatin of the Secondary Natural Gas Market Regulation Supreme Decree No. 032-2017-EM, published on September 30, 2017, suspends the implementation of the

Natural Gas Secondary Market Regulation approved by Supreme Decree No. 046-2010-EM until December 31, 2018. During this period, the operations in the Secondary Market may be performed under bilateral contracts. The suspension was subsequently extended until December 31, 2019. The suspension was subsequently extended until December 31. 2020.

- (m) Legislative Decree No. 1002 "Promotion of Investment for Electricity Generation with Renewable Energies" Legislative Decree No. 1002, published on November 13, 2010, is aimed at promoting the use of Renewable Energy Resources (RER) to improve the quality of life of the population and protect the environment, through the promotion of investment on electricity production.
- (n) Legislative Decree No. 1221 promoting Distributed Generation for users with equipment for generation with non-conventional renewable energy or co-generation.
- (o) Framework Law on Climate Change
  - With Law No. 30754, published on April 18, 2018, the Framework Law on Climate Change was enacted. It is governed under the principles of Law 28611, General Environmental Law; Law 28245, Framework Law on the National Environmental Management System, the National Environmental Policy, approved by Supreme Decree 012-2009-MINAM and the United Nations Framework Convention on Climate Change, approved by Legislative Resolution 26185. The Framework Law is aimed at establishing the general principles to executed, assess, and communicate public policies for the comprehensive management of adaptation and mitigation measures concerning climate change, seizing the opportunities of low carbon growth and uphold the international commitments undertaken by the Government before the United National Framework Convention. With Supreme Decree No. 013-2019-MINAM, the regulation was approved.
- (p) Recognition of Firm Capacity to plants with renewable energy resources, resolution 144-2019-OS/CD OSINERGMIN's resolution amends Technical Procedure No.26 of COES "Firm Capacity Calculation". Such parameter is used to determine the capacity revenues of generation companies in COES, as well as the contracting level they are allowed to reach. Since September 2019, the Firm Capacity for plants with renewable resources using wind, solar or tidal technologies (prior to the amendment it was zero), will be determined considering the historical energy production in peak hours of the system.
- (q) With Supreme Resolution No. 006-2019-EM, the Multi-Sector Electricity Sub-Sector Reform Committee Its purpose is to perform an analysis of the electricity market and the regulatory framework of the Electricity and Hydrocarbon Sub-Sectors, regarding the energy provision for SEIN, in order to prepare proposals aimed at adopting measures to guarantee the sustainability and development of the Electricity Sub-Sector. The effective term of this committee is 24 months.

#### 4. MAIN ACCOUNTING PRINCIPLES AND PRACTICES

4.1 Basis of Preparation and Presentation

These financial statements have been prepared by the Company in accordance with the Financial Reporting Regulation of the Securities Market Superintendency (SMV).

The accompanying financial statements have been prepared and presented in accordance with the International Financial Reporting Standards (IFRS), issued by the Accounting Standards Board (hereinafter IASB) and in force and effect as of December 31, 2019 and 2018.

The information contained in the accompanying financial statement is the responsibility of the Company, who expressly represent that the principles and criteria included in the International Financial Reporting Standards issued by the IASB and in force and effect as of the date of the financial statements were applied in full.

The financial statements have been prepared on the historical cost basis, based on the accounting records maintained by the Company, except for the derivative financial instruments, which were booked at fair value. The financial statements are presented in United States dollars (USD) and all figures are rounded to the thousands, except where otherwise specified.

Note 5 includes information on the significant accounting judgments and estimates used by Management for the preparation of the accompanying financial statements.

4.2 Summary of significant accounting judgements and practices

4.2.1 Cash and cash equivalents

The cash and cash equivalent of the statement of financial position includes cash in hand and banks and term deposits with original maturity of less than three months.

- 4.2.2 Financial instruments: initial recognition and subsequent measurement
  - (i) Financial assets

Initial recognition and measurement

Financial assets are classified, at the time of their initial recognition, as measured at amortized cost, at fair value with changes in other comprehensive income and at fair value through profit or loss.

The Company's financial assets include cash and cash equivalents, commercial accounts receivable, accounts payable to related companies and other accounts receivable.

Subsequent measurement

For subsequent measurement purposes, financial assets are classified under the following categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value with changes in other comprehensive income through accrued profit and loss (debt instruments);

- Financial assets at fair value with changes in other comprehensive income not transferred to profit and loss when written off (equity instruments; and
- Financial assets at fair value through profit or loss.

The classification depends on the Company's business model and the contractual terms of cash flows.

Financial assets at amortized cost (debt instruments)

The Company measures financial assets at amortized costs when the following conditions are met:

- The financial asset is kept to maintain financial assets to collect contractual cash flows and not to sell or negotiate: and
- The contractual terms of the financial asset give rise, on specific dates, to cash flows that are only payments of the principal and interests on the amount of the outstanding principal.

Financial assets at amortized costs are subsequently measured using the effective interest rate method and are subject to impairment. Any gain or loss are recognized from derecognition, modification or impairment is recognized in the income statement.

The financial assets are not reclassified after the initial recognition, unless the Company changes the business model to the financial asset management

This category includes cash and cash equivalents, trade accounts receivable, accounts receivable to related companies and other accounts receivable.

Financial assets at fair value with changes in other comprehensive income (debt instruments)

The Company measures debt instruments at fair value with changes in other comprehensive income if both of the following conditions are met:

- the asset is held within the business model whose objective is to hold financial assets in order to collect contractual cash flows and then sell them; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are only payments of the principal and interests on the amount of the outstanding principal.

The Company does not hold any debt instrument under this category.

Financial assets at fair value with changes in other comprehensive income (equity instruments)

Upon recognition, the Company can choose to irrevocably classify their equity instruments as equity instruments at fair value with changes in other comprehensive income when they meet the definition of equity and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial instruments are never transferred to profit or loss. Dividends are

recognized as other income in the income statement when the right of payments has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are booked in other comprehensive income. The equity instruments at fair value in other comprehensive income are not subject to impairment assessment.

The Company does not hold any financial instrument under this category.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held to trade, financial assets designated at the time of initial recognition at fair value through profit or loss, or financial assets that need to be measured at fair value. Financial assets are classified as held for trading if they are purchased to be sold or repurchased in the short term. Derivatives are classified as held for trading unless they as designated as effective hedge instruments. Financial assets with cash flows that are not only payments of the principal and interests are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets through profit or loss are booked in the statement of financial position at fair value, and the net changes at such fair value are presented as financial costs (net negative changes in the fair value) or financial income (net positive changes in the fair value) in the statement of comprehensive income.

The Company does not have investments classified as financial assets at fair value through profit or loss.

#### Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized, i.e. is eliminated from the statement of financial position, when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, the Company evaluates whether it has retained, and to which extent, the risks and rewards of the asset. When the Company has neither transferred nor retained substantially all the risks and rewards of the asset not transferred control thereof, the Company continues to recognize the transferred asset. In this case, the Company also recognizes the related liability. The transferred asset and the related liability are measures so as to reflect the rights and obligations retained by the Company.

Continued involvement that takes the form of a guarantee over the transferred asset is measured at the lowest amount between the asset's original carrying amount and the maximum compensation value that the Company is required to pay.

#### Impairment of financial assets

The Company recognizes an allowance for impairment with an expected credit loss model (ECL) for all debt instruments not held at fair value through profit or loss. The ECL is determined as the difference between the contractual cash flows expiring in accordance with the contract and all cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collaterals held or other guarantees received.

ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL is provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating the ECL and performs the analysis of the client portfolio it manages, monitoring whether there are significant changes in credit risks. Based on such assessment, it recognizes an allowance for impairment based on the lifetime ECL at each reporting date. The Company has established a provision matrix that is based on a credit evaluation of each client in its portfolio, adjusted for accounts receivable with credit insurance, as well as forward-looking factors specific to the debtors and the economic environment.

The Company has defined the simplified general approach, determining the expected credit losses during a period corresponding to the entire life of accounts receivable. For trade receivables, the Company applies an approach based on the grouping of accounts receivable in specific groups, taking into consideration the regulatory context and economic environment. Only if trade receivables are deemed individually significant by the administration and there is specific information on any significant increase in credit risk, the Company applies an analytical approach.

For the evaluation of trade receivables, they are grouped based on the characteristics of the credit risk and expired information, considering a specific default definition.

The Company considers that a financial asset is in default when contractual payments are 360 days past due. However, in some cases, the Company may consider that a financial asset is in default when internal or external information indicates that it is unlikely that the Company receives the contractual amounts owed before the Company enforces the guarantees received. A financial asset is derecognized when there is no reasonable expectation of recovering contractual cash flows.

#### (ii) Financial liabilities

Financial liabilities are classified at the time of initial recognition as financial liabilities at fair value through profit or loss, loans, accounts payable, or as derivatives designated as hedge instruments in an effective hedge, as applicable.

All financial liabilities are initially recognized by their fair value and in case of loans, borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade payables, payables to related companies, other payables and other financial liabilities.

#### Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification, as described below:

#### Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, trading derivate financial instruments and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term; gains or losses on liabilities held for trading are recognized in the statement of profit or loss. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition if the criteria in IFRS 9 are satisfied.

The Company has not classified any financial liability at fair value through profit or loss as of December 31, 2019 and 2018, and as of January 1, 2018.

#### Interest-bearing debts and loans

This is the most significant category for the Company. After their initial recognition, debts and loans are measured at amortized cost, using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process applying the effective interest rate method.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The amortization of the effective interest rate is included as finance costs in the statement of comprehensive income.

This category includes trade payables, payables to related companies, other payables and other financial liabilities.

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#### Derecognition

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

#### (iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

#### (iv) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes places either:

- In the principal market for the asset of liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value accounting hierarchy described as follows:

- Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Management determines the policies and procedures for recurring and non-recurring fair value measurements.

At each reporting date, the Management analyzes the changes in the values of the assets and liabilities that must be measured or determined on a recurring and non-recurring basis according to the Company's accounting policies. For this analysis, Management contrasts the main variables used in the latest assessments made with updated information available from valuations included in contracts and other relevant documents.

Management also compares the changes in the fair value of each asset and liability with the relevant external sources to determine whether the change is reasonable.

For the purposes of disclosure of fair value, the Company has determined classes of assets and liabilities based on the inherent nature, characteristics and risks of each asset and liability, and the level of the fair value accounting hierarchy as explained above.

#### 4.2.3 Inventories

Inventories are composed of materials and supplies valued at the lower of cost or net realizable value, net of the estimate for impairment.

Cost is determined based on a weighted average cost method, except for coal and materials and supplies to be received, which are recognized at the specific purchase cost. The net realizable value is the estimated selling price in the ordinary course of business, net of the costs incurred to bring inventories into sale condition and trading and distribution expenses.

#### 4.2.4 Properties, plant and equipment

"Property, plant and equipment, net" is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. The initial cost of an asset comprises its purchase price or manufacturing cost, including tariffs and non-reimbursable purchase taxes and any costs necessary for bringing the asset into operation, the initial estimate of the rehabilitation obligation and the financing costs for long-term construction projects, to the extent that recognition criteria are met.

When significant parts of property, plant and equipment are required to be replaced, the Company derecognizes the replaced part, and recognizes the new part with its own associated useful life and depreciation. Similarly,

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when major inspection is performed, its cost is recognized as a replacement if the recognition criteria are satisfied. All other routine maintenance and repair costs are recognized as an expense in the income statement in the period as they are incurred.

The present value of the estimated cost of dismantling the asset after usage is included in the cost of such asset, insofar as the requirements for the recognition of the respective provision are satisfied.

An item of property, plant and equipment of a significant part thereof is derecognized upon disposal or when no future economic rewards are expected from its use or disposal. Any gain or loss arising out of the derecognition of the fixed asset (estimated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the statement of comprehensive income om the year when the asset is derecognized.

The residual value, useful life and methods of depreciation are reviewed and adjusted, where appropriate, at year end.

Work in progress includes payments for asset construction, financing costs, and other direct costs attributable to such work, accrued during the construction phase. Work in progress is capitalized when completed and depreciation is calculated since the moment the asset is available for usage.

The criteria to capitalize financial costs and other direct expenses are:

- Borrowing costs which are directly attributable to the procurement, construction or production of qualifying assets, which require a substantial period of time to get ready for its intended use, e.g. power generation facilities, are capitalized as part of the respective asset. The interest rate applied corresponding to the specific financing of the Company in terms of the investment made.
- To capitalize direct expenses of personnel, the Company identified each of the areas engaged in the planning, execution and management of works, applied to the cost of employees in such areas.

Depreciation is calculated using the straight-line method over the estimated useful life of the assets, represented by equivalent depreciation rates, except for the assets related to the Nodo Energético Thermal Plant – Ilo Plant (Note 2 (vii)), which given its nature and operation considers the production unit method based on generation hours. Annual depreciation is recognized as expense or cost of another asset, and is estimated considering the following useful lives estimated for different areas:

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WE PRODUCE ENERGY
FOR A SUSTAINABLE
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	Between (Years)
Buildings and other constructions	10 - 80
Machinery and equipment	3 - 33
Transport units	5 - 17
Furniture and fixtures	5 - 12
Other equipment	4 - 15

#### 4.2.5 Lease

The Company evaluates at the beginning of a contract whether it is or contains a lease, i.e. if the contract confers the right to control the use of an identified asset for a period of time in exchange for a consideration.

#### As lessee -

The Company applies a single method of recognition and measurement for all leases, with the exemption of short-term leases and low value asset leases. The Company recognizes as lease liabilities the payments to be made for the lease and as the right to use the underlying assets.

#### a) Asset by right of use -

The Company recognizes the assets for right of use on the start date of the lease (that is, the date on which the underlying asset is available for use). The right-of-use assets are measured at cost, less, any accumulated depreciation and impairment losses, and are adjusted for any new measurement of lease liabilities. The cost of the assets with the right to use includes the amount of the recognized lease liabilities, the initial direct costs incurred, and the lease payment made on or before the start date, less the lease incentives received. The assets recognized by right of use are depreciated in a straight line during the shortest period of their estimated useful life and the term of the lease, as follows:

	Between (Years)
Buildings and other constructions	10 - 80
Machinery and equipment	3 - 33

If the ownership of the leased asset is transferred to the Company at the end of the lease term or if the cost of the asset reflects the exercise of a purchase option, the depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment tests.

#### b) Lease liabilities -

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the price of a purchase option that the Company can reasonably exercise and penalty payments for terminating a lease, if the lease term reflects that the Company exercises the option to terminate.

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Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental interest rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes in future payments results from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in "Other financial liabilities".

#### c) Short-term leases and leases of low-value assets -

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment, IT equipment that are considered to be low value. Lease payments of short term leases and leases of low-value assets are recognized as expenses over the lease term on a straight-line basis.

As a consequence, the Company does not recognize right-of-use assets and lease liabilities for short-term leases of machinery and equipment with a lease term of 12 months or less, and low-value assets, including IT equipment, minor equipment, such as pumps and ventilators. The Company recognizes lease payments associated with these lease contracts as an expense over the lease term on a straight-line basis.

#### Incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The rate therefore

reflects what the Company 'would have to pay', which required estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease (e.g. when the leases are not in the functional currency).

The Company estimates the incremental rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates, such as the entity's stand-alone credit rating, the bank margins for this type of borrowing, etc.

Determination of the lease term for lease agreements with renewal and termination options.

The Company determines the lease term as the non-cancellable term of a lease, along with:

- Any periods covered by an option to extend the lease if it is reasonably certain to be exercised; and
- Any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has several lease agreements that include extension and termination options. The Company evaluates whether it will exercise with reasonable certainty an option to extend the lease, or will not exercise an option to terminate a lease, and considers all relevant facts and circumstances that create an economic incentive for the Company to exercise the option to extend the lease or not exercise the option to terminate the lease. After the commencement date, the Company reevaluates the lease term if there is a significant event or a change in the circumstances under its control affecting its capacity to exercise or not exercise the option to renew or terminate the lease.

The Company included the extension period as part of the lease term for the leases of plant and machinery with a shorter non-cancellable term (i.e. from three to five years). The Company generally exercises its option to renew for these leases because failing to do so would generate a negative effect on its production since the replacement of the asset is not readily available. The renewal terms for plant and machinery leases with longer non-cancellable terms (i.e. from 10 to 15 years) are not included as part of the lease term as the it is not reasonably certain that the option to extend the lease will be exercised. Additionally, the options to renew vehicle leases are not included as part of the lease term as the Company's policy is not to lease vehicles for more than five years and, therefore, no option to renew is exercised. The terms covered by the options to terminate the lease are included as part of the lease term only when it is reasonably certain that they will not be exercised.

In Management's opinion, these estimates were made on the basis of their better knowledge of the relevant facts and circumstances at the date of preparation of these financial statements; however, final results may differ from estimates included therein. The Company's Management expects that variations, if any, will not have a significant effect on the financial statements.

#### 4.2.6 Impairment of long-lived (non-financial) assets

At the end of each reporting period, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, or if the annual impairment test needs to be performed, the Company estimates the recoverable amount of the asset, The recoverable amount of an asset is the higher of an asset's fair value less the costs to sell or its value in use, whether for an asset or a cash generating unit when an asset does not generate cash flows substantially separate from those of other assets or group of assets.

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If the carrying value of an asset or cash generating unit is higher than the recoverable amount, the asset is deemed to be impaired and the value is reduced to its recoverable amount. When determining value in use, the estimated cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of the money and the risks specific to the asset.

In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are confirmed by valuation multiples, quoted share prices for publicly traded subsidiaries and other available fair value indicators.

For long-lived assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses for an asset may have decreased or may no longer exist. If such indication exists, the Company estimates the recoverable amount of the asset or cash generating unit. A previously recognized loss on impairment is reversed only when the estimates on the basis of which the recoverable amount of the asset was determined have changed since the last time the loss on impairment was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no loss on impairment been recognized for the asset in prior years. Such reversal is recognized in the income statement.

As of December 31, 2019, the Company has recognized an impairment of its long-lived assets related to the Ilo1 TPP and Ilo21TPP. Such provision is included in "property, plant and equipment, net."

#### 4.2.7 Provision for plant dismantling

Dismantling liabilities are recognized when the Company is required to dismantle and remove facilities to reclaim the site where there are located, and when the liability can be reasonably estimated. The cost for dismantling and removal are provisioned at present value of the expected costs to cancel the obligation, using estimated cash flows, and are recognized as integral part of the cost of such asset. Cash flows are discounted at a current pretax market rate to reflect the specific risks of the liability. The update of the liability is carried as an expense when incurred and is recognized in the income statement as a financial cost. Estimated future costs for dismantling and removal are reviewed on a yearly basis and adjusted as applicable. The changes in these estimated future costs or discount rate used are added to or deducted from the costs of the related asset.

#### 4.2.8 Other assets

These assets are mainly composed of the construction of the Quitaracsa Hydropower Plant access road and other completed projects, which are recognized at costs and presented net of accumulated amortization. The amortization is determined on a straight-line method based on the estimated useful life of the asset for periods ranging from 1 and 80 years.

#### 4.2.9 Bonds

Bond issuance obligations are recognized at nominal value. Fees and interests are recognized in the income statement when accrued.

#### 4.2.10 Income tax

Current portion of the income tax

The income tax for the current year is calculated according to the amount expected to be recovered from or paid to tax authorities. Legal regulations and tax rates used to estimate the amounts payable are those in force at the date of the statement of financial position.

#### Deferred portion of the income tax

The income tax for future periods is recognized using the liability method, on temporary differences between the tax and accounting bases of assets and liabilities at the date of the statement of financial position. The deferred assets and liabilities are measured using tax rates expected to apply to taxable income in the years in which temporary differences are recovered or eliminated.

Deferred liabilities are recognized for all taxable temporary differences.

Deferred assets are recognized for all deductible differences and tax loss carryforwards, to the extent that it is likely that taxable income against which to offset the deductible temporary differences and carryforwards can use the tax losses. The carrying amount of deferred tax assets is reviewed at each date of the statement of financial position and is reduced to the extent that it is unlikely that sufficient taxable profits against which to offset all or part of the deferred asset. Unrecognized deferred tax assets are reviewed at each date of the statement of financial position.

The carrying amount of deferred tax assets and liabilities may change even if there are no changes in the amount of the corresponding temporary differences. This may be caused by a change in tax rates or fiscal laws. In this case, the resulting deferred tax will be recognized in the income statement except for the deferred tax related to items not recognized previously in the statement of comprehensive income.

Income tax deferred assets and liabilities are offset if there is legal right to offset and are related to the same taxable entity and the same tax authority.

#### 4.2.11 Contingencies

Contingent liabilities are recognized in the financial statements when it is probable that they will occur, and the amount of the liabilities can be reasonably estimated. Possible contingencies are not recognized in the financial statements. These are disclosed in notes to the financial statements, except when the likelihood of cash outflows is considered remote.

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Contingent assets are not recognized in the financial statements, but are disclosed in the notes when the degree of contingency is probable.

#### 4.2.12 Provisions

A provision is only recognized when the Company has a present obligation (legal or implicit) as a result of a past event, if it is probable that settling the obligation will result in an outflow of resources, and when a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the best estimate at the date of the statement of financial position. The expense related to a provision is shown in the income statement. When the effect of time is significant, provisions are discounted using a rate to reflect the specific risks related to the liability. When the discount is made, the increase in the provision for the passing of time is recognized as a financial expense.

#### 4.2.13 Employee benefits

The Company has short-term obligations for employee benefits including salaries, social benefits, legal bonuses, performance bonuses and profit sharing. These obligations are monthly recorded in the income statement on an accrual basis.

According to regulations, employees' profit sharing is calculated on the same basis used by the Company to calculate the current income tax, and is recognized in the income statement in "Sales cost" and "Administration expenses", as applicable.

#### 4.2.14 Recognition of revenues and costs

Revenues are recognized upon fulfilment of a performance obligation through the transfer of committed goods and services to the client. An asset is transferred when the client obtains control over such asset.

Revenues will be recognized based on the transaction price allocated to such performance obligation, to which the Company expects to be entitled in exchange for transferring the committed goods and services to the client, excluding the amounts collected on behalf of third parties.

The consideration promised in a contract may include fixed amounts, variable amounts or both.

In the case of the Company, the following specific criteria must be satisfied for the recognition of revenues:

- Revenues for energy and capacity sales are invoiced monthly based on cyclic readings, and are fully recognized

in the period where the service is rendered. The revenues for energy and capacity delivered and not invoiced, which are generated between the last cyclic reading and the end of the month, are included in the invoice of the following month, but are recognized are revenues in the corresponding month based on the estimates of energy consumed by the service user during the respective period.

- Revenues for interests are recognized in proportion to the time elapsed, using the effective interest method.
   Interests earned are included in financial revenues in the statement of comprehensive income.
- All other revenues are recognized on an accrual basis.

#### Costs and expenses

Costs and expenses are recognized on an accrual basis, except for construction costs, and are recorded in the corresponding period.

#### 4.2.15 Transaction in foreign currency

Functional currency and reporting currency

The items included in the financial statements of the Company are stated in United States Dollars, which is the functional and reporting currency of the Company.

#### Transactions and balances in foreign currency

Foreign currency transactions are those made in a currency different from the functional currency. Transactions in foreign currency are initially recorded in the functional currency at the exchange rate in force at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are then translated to the functional currency at the exchange rate at the date of the statement of financial position. Gains or losses due to the exchange rate resulting from the settlement of such transactions and the translation of monetary assets and liabilities in foreign currency at the year-end exchange rate are recognized in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies are translated to the functional currency using the exchange rates as of the date of the transaction.

#### 4.2.16 Embedded derivatives

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics are not closely related to those of the host contract and the contracts are not designated as a negotiable financial asset or designated as at fair value through profit or loss. The gains or losses due to changes in fair value of embedded derivates are recorded in the statement of comprehensive income.

As of December 31, 2019 and 2018 and as of January 1, 2018, the Company does not have embedded derivatives that require to be separated.

#### 4.2.17 Classification of current and non-current balances

In the statement of financial position, balances are classified according to their maturities, i.e., current balances are those with maturities equal to or less than twelve months, and non-current balances are those with maturities exceeding such period.

# In case of obligations with maturities of less than twelve months, but with long-term financing secured at the discretion of the Company through unconditional available credit agreements with long-term maturities, they may

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#### 4.2.18 Basic and diluted earnings per share

be classified as non-current liabilities.

The basic and diluted earnings per share have been calculated based on the weighted average number of ordinary shares in issue at the date of the statement of financial position.

As of December 31, 2019 and 2018, the Company does not have financial instruments with diluted effect, and therefore the basic and diluted earnings per share are the same for reported years.

#### 4.2.19 Subsequent events

Subsequent events at the end of the period that provide information about the financial position of the Company at the date of the statement of financial position (adjusting events) are included in the financial statements.

Significant subsequent events, that are not adjusting events, are disclosed in the notes to the financial statements.

#### 4.2.20 Segments

A business segment is a distinguishable component of a company that us engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of a company that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of the components operating in other economic environments. Companies should consider their organizational and management structure, as well as their financial reporting systems to identify their segments.

The only segments of the Company are energy sales and the rendering of services.

#### 4.3 Changes in accounting policies and disclosures

Adoption of new accounting standards

In 2019, the Company has adopted the new standards issued by the IASB, in force and effect from January 1, 2019, specifically IFRS 16 "Leases" and IFRIC 23 "Uncertainty over Income Tax Treatments".

The Company has recorded the impacts resulting from the adoption of these standards and has incorporated them in the financial statements as of December 31, 2019 and 2018 and as of January 1m 2018.

The main changes and the estimated impact, where applicable, are described below:

#### 4.3.1 IFRS 16 - "Leases"

The Company adopted IFRS 16 "Lease", in force as of January 1, 2019, which permitted the early adoption in 2018. The nature and effect of the changes as a result of the adoption of this new accounting standard are described below.

IFRS 16 replaces IAS 17 Leases, IFRS IC 4 Determining Whether an Agreement Contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease. IFRS 16 establishes for the recognition, measurements, presentation and disclosure of leases and requires lessees to account for most of leases in the statement of financial position.

According to the options set out in IFRS 16, the Company's Management adopted IFRS 16 using the full retrospective method. As permitted by this method, the Company was not required to reassess whether an agreement is, or contains, a lease at the date of initial application. Instead, the Company's Management is permitted:

- To apply this Standard to agreement previously identified as leases applying NIC 17 Leases and IFRS IC 4 Determining Whether an Agreement Contains a Lease.
- Not to apply this Standard to agreement not previously identified as containing a lease in application of NIC 17 and IFRS IC 4.

Company's Management also elected to use recognition exemptions for lease agreements that, at commencement date, have a lease term ending within the 12 months from the date of initial application and do not contain a purchase option (short-term leases), and lease agreements for which the underlying asset is of low value.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases under which it is the lessee, except for short-term leases and leases of low-value assets. The Company recognized lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. In accordance with the full retrospective method of adoption, the Company applied IFRS 16 at the date of initial application as if it had been in effect at the commencement date of existing lease agreements.

As of January 1, 2018, December 31, 2018 and December 31, 2019:

- The "right-of-use assets" were recognized and presented in "Property, plant and equipment.
- Additional lease liabilities were recognized and included in "Other financial liabilities".
- Pre-paid expenses and other payables related to previous operating leases were derecognized.

For year ended December 2019 and 2018:

- The depreciation expense increased due to the depreciation of additional assets recognized (i.e., increase in right-of-use assets, net of the decrease in "Property, plant and equipment"). This resulted in increased in "Sales cost" of USD 4,984 (in 2018, it increased to USD 5,055).
- Rental expenses included in Sales cost, relating to operating leases, decreased by USD 748 (in 2018, it increased to USD 883).

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- Financial costs increased by USD 1,032 relating to interest expenses on additional recognized lease liabilities.
- Cash outflows from operating activities decreased by USD 748 (in 2018, it increased by USD 883) and cash outflows from financial activities increased by the same amount.

The adoption of IFRS 16 represented the recognition of an asset for USD 45,740 (net effect of the increase of Property, plant and equipment for USD 77,769 and reclassification of Other assets, net for USD 32,029) and a right-of-use liability for USD 26,543 (effect on Other financial liabilities current portion for USD 7,749 and non-current portion for USD 18,794), as of January 1, 2018 (initial date of adoption).

The adjustments made by the Company, according to the International Financial Reporting Standard 16, in the statement of financial position as of January 1, 2018 and the financial statements previously publish as of and for the year ended December 31, 2018, are presented below:

Balance as of January 1, 2018

	Note	Audited US\$(000)	Adjustments US\$(000)	Reviewed US\$(000)
Current asset				
Pre-paid expenses	4.3.1	8,222	(3,517)	4,705
Current asset accounts		269,272	-	269,272
Total current asset		277,494	(3,517)	273,977
Non-current asset				
Pre-paid expenses	4.3.1	47,032	(34,297)	12,735
Property, plant and equipment	4.3.1	1,822,508	77,769	1,900,277
Other assets, net	4.3.1	81,059	(32,029)	49,030
Other non-current asset accounts		29,835	-	29,835
Total non-current asset		1,980,434	11,443	1,991,877
Total asset		2,257,928	7,926	2,265,854
Liability and net equity				
Current liability				
Other financial liabilities	4.3.1	189,019	7,749	196,768
Current liability accounts		127,160	-	127,160
Total current liability		316,179	7,749	323,928
Non-current liability				
Other financial liabilities	4.3.1	648,046	18,794	666,840
Deferred income tax	4.3.1	246,421	(5,492)	240,929
Other non-current liability accounts		9,892	-	9,892
Total non-current liability		904,359	13,302	917,661
Total liability		1,220,538	21,051	1,241,589
Net equity				
Other equity accounts		311,412	-	311,412
Retained earnings	4.3.1	725,978	(13,125)	712,853
Total net equity		1,037,390	(13,125)	1,024,265
Total liability and net equity		2,257,928	7,926	2,265,854

We have also reconciled the balance of the financial position under IFRS 16 as of December 31, 2018, as follows:

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#### Balance as of December 31, 2018

	Note	Audited US\$(000)	Adjustments US\$(000)	Reviewed US\$(000)
Current asset				
Pre-paid expenses	4.3.1	8,243	(3,517)	4,726
Current asset accounts		287,317	-	287,317
Total current asset		295,560	(3,517)	292,043
Non-current asset				
Pre-paid expenses	4.3.1	60,144	(36,420)	23,724
Property, plant and equipment	4.3.1	1,755,473	72,832	1,828,305
Other assets, net	4.3.1	78,601	(30,216)	48,385
Other non-current asset accounts		28,405	-	28,405
Total non-current asset		1,922,623	6,196	1,928,819
Total asset		2,218,183	2,679	2,220,862
Liability and net equity				
Current liability				
Other financial liabilities	4.3.1	123,458	7,749	131,207
Other current liability accounts		69,726	-	69,726
Total current liability		193,184	7,749	200,933
Non-current liability				
Other financial liabilities	4.3.1	607,140	13,486	620,626
Deferred income tax	4.3.1	287,175	(5,474)	281,701
Other non-current liability accounts		26,757	-	26,757
Total non-current liability		921,072	8,012	929,084
Total liability		1,114,256	15,761	1,130,017
Net equity				
Other equity accounts		303,734	-	303,734
Retained earnings	4.3.1	800,193	(13,082)	787,111
Total net equity		1,103,927	(13,082)	1,090,845

#### Statement of comprehensive income

Total other comprehensive income for the period

	Note	Audited US\$(000)	Adjustments US\$(000)	Reviewed US\$(000)
Sales revenues		520,909	-	520,909
Sales cost	4.3.1	(328,084)	437	(327,647)
Gross profit		192,825	437	193,262
Administration expenses	4.3.1	(23,356)	977	(22,379)
Other income		22,972	-	22,972
Other expenses		(6,395)	-	(6,395)
Operating profit		186,046	1,414	187,460
Other income (expenses)				
Financial income		5,725	-	5,725
Financial expenses	4.3.1	(43,782)	(1,353)	(45,135)
Exchange difference, net		(2,450)	-	(2,450)
Net profit for derivative financial instruments		6,936	-	6,936
Profit before income tax		152,475	61	152,536
Tax income	4.3.1	(44,218)	(18)	(44,236)
Net profit		108,257	43	108,300
Cash flow hedge		(10,891)	-	(10,891)
Income tax		3,213	-	3,213

100,579

100,622



The main information on the statement of changes in net equity as of January 1, 2018, according to the audited financial statements for that year, together with the adjustments made to modify them, is shown below:

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	Issued capital US\$(000)	Additional capital US\$(000)	Legal reserve US\$(000)	Other equity reserves US\$(000)	Retained earnings US\$(000)	Total US\$(000)
Balances as of January 1, 2018	219,079	35,922	43,816	12,595	725,978	1,037,390
Effect of application of IFRS16	-	-	-	-	(13,125)	(13,125)
Balances reviewed as of January 1, 2018	219,079	35,922	43,816	12,595	712,853	1,024,265

#### 4.3.2 Interpretation IFRIC "Uncertainty over Income Tax Treatments"

The Interpretation addresses the accounting of income taxes when tax treatments imply uncertainty that affects the application of IAS 12 Income tax. It does not apply to taxes or encumbrances that are outside the scope of IAS 12, nor does it specifically include requirements related to interests and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- If an entity considers the treatment of uncertain tax treatments separately.
- The assumptions that an entity makes about the assessment of tax treatments by tax authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

The Company determines whether to consider each tax treatment as uncertain separately or in combination with one or more uncertain tax treatments and uses the approach best predicting the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments.

Upon adopting the Interpretation, the Company determined, based on its tax compliance and transfer pricing studies, that it is probable that its tax treatments will be accepted by tax authorities. The Interpretation did not have an impact on the Company's financial statements.

#### 4.3.3 Other standards

In 2019, other accounting standards approved by the IASB came into force and effect, which do not have an impact on the Company's financial statements, as shown below:

- Amendements to IFRS 9: Prepayment features with negative compensation.
- Amendments to IAS 19: Modification of the plan, reduction or liquidation.
- Amendments to IAS 28: Long-term investments in associates and joint ventures.

#### 5. SIGNIFICANT ACCOUNTING JUDGMENTS. ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires Management to make judgments, estimates and assumptions to determine the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of financial statements, as well as the reported amounts of income and expenses as of December 31, 2019 and 2018.

The most significant estimated considered by Management regarding financial statements are basically

(i) Estimate of the useful life of assets and dismantling - notes 4.2.4, 4.2.7 and 4.2.8. The accounting treatment of investments on property, plant and equipment and intangible assets requires making estimates to determine the useful lives for depreciation and amortization purposes. The determination of the useful lives requires estimates regarding the expected technological evolution and alternative use of assets. The hypothesis regarding the technological framework and future development imply a significant judgment as the timing and nature of future technological changes are hard to predict.

The accounting treatment of the dismantling provision is recognized when the Company has the obligation to dismantle and remove facilities to reclaim the site where it is located, and when a reasonable estimate of the liability can be made.

(ii) Current and deferred income tax – note 4.2.10 and note 30 There are different interpretations of tax standards, uncertainty on the changes in tax laws and on the

determination of taxable income. The differenced arising between actual income and formulated hypotheses, or future changes in such assumptions, may require future adjustments to recorded tax income and expenses.

The Company establishes provisions based on reasonable estimates. The scope of these provisions is based on several factors, including the Company's past experience with previous audits and different interpretations of tax regulations and competent tax authority.

Deferred tax assets, including those generated from unused tax losses, requires Management to assess the probability that the Company will generate sufficient taxable income in future period to use the deferred tax assets recognized. Assumptions about the generation of future taxable income are based on operating cash flows forecasts and judgments about the application of tax laws in force and effect. To the extent that future cash flows and taxable income significantly differ from estimates, if could affect the ability of the Company to realize the net deferred tax assets recorded at the reporting date.

(iii) Contingencies – note 4.2.11 and note 31.

Given their nature, contingencies will only be settled when one or more future events occur or cease to occur. The determination of the existence and potential amount of contingencies inherently involves the exercise of significant judgment and use of estimates on the results of future events.

(iv) Determination of the lease term of agreement with renewal and termination options – Group as a lessee – note 4.2.5 The Company determines the lease term as the non-cancellable period of a lease, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise such option, or any period covered by an option to terminate the lease, if the Company is reasonably certain not to exercise that option.

The Company exercises judgment when assessing whether it is reasonably certain to exercise or not the option to renew or terminate the lease. In other words, it considers all relevant factors that create an economic incentive for the Company to exercise the renewal or termination.

The Company generally exercises its option to renew leases of property, plant and equipment because there will be no significant negative effect on the production is a replacement asset is not readily available. Renewal lease periods of property, plant and equipment with longer non-cancellable periods (i.e., from 10 to 15 years) are not included as part of the lease term, as they cannot be reasonably exercised. Additionally, the periods covered by the termination options are included as part of the lease term only when the Company is reasonably certain that they will not be exercised.

(v) Impairment of non-financial assets - note 4.2.6
Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less the sales costs is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposal of the asset. The calculation of the value in use is based on a discounted cash flow model. The cash flows are derived from the budget for the next few years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tests. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangible assets with undefined useful lives recognized by the Company.

The Company has determined a single cash generating unit, which is composed of all the plants it operates.

#### 6. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

The relevant standards and interpretations applicable to the Company, in issue but not yet effective as at the date of issuance of these Company's financial statements, are described below. The Company intends to adopt these standards and interpretations, where applicable, when they will come into force and effect.

Amendments to IFRS 3: Definition of a Business -

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments clarify the minimum requirements for a business; remove the assessment of whether market participants are capable of replacing any missing elements; and add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce and optional fair value concentration test. New illustrative examples were provided together with the amendments. Since the amendments are retrospectively applied to transactions or other events occurring before or after the date of application, the Company will not be affected by these amendments at the transition date.

Amendments to IAS 1 and IAS 8: Definition of material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, 'information is material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments to the definition of material are not expected to have a significant impact on the Company's financial statements.

#### 7. CASH AND CASH EQUIVALENT

(a) A breakdown of this heading is given below:

	2019 US\$(000)	2018 US\$(000)	January 1, 2018 US\$(000)
Cash	20	18	18
Current accounts (b)	91,877	35,496	37,162
Term deposits (c)	-	39,103	-
Total	91,897	74,617	37,180

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- (b) As of December 31, 2019, 2018 and as of January 1, 2018, the Company maintains its current accounts in soles and US dollars. The funds are freely disposable, and are deposited in local banks with adequate risk rating and accrue interests at market rates.
- (c) As of December 31, 2018, the Company maintained short-term deposits in soles and US dollars, which were As of December 31, 2018, the Company maintained short-term deposits in soles and US dollars, which were freely disposable and maintained in first-tier local banks, which accrued interests at effective annual rates ranging from 2.12% and 3.3%, and with original maturities of less than 30 days.

#### 8. TRADE ACCOUNTS RECEIVABLE, NET

(a) A breakdown of this heading is given below:

	2019 US\$(000)	2018 US\$(000)	January 1, 2018 US\$(000)
Invoices	25,410	32,047	44,758
Delivered energy and capacity not invoiced (c)	58,297	52,937	54,756
	83,707	84,984	99,514
Allowance for doubtful accounts (e)	(977)	(669)	(1,418)
Total	82,730	84,315	98,096

- (b) Accounts receivable are mainly denominated in US dollars, have current maturities and are non-interest bearing.
- (c) The delivered energy and capacity not invoiced corresponds to the capacity and energy remuneration that the regulatory agency of the national interconnected system, COES-SINAC, allocates monthly to each power generation company and requires to be invoices to the other power generation and distribution companies that are members of COES-SINAC.

The delivered energy and capacity not invoiced as of December 31, 2019, 2018 and as of January 1, 2018, were invoiced and collected in accordance with the collection policy of the Company, without significant changes.

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(d) As of December 2019, 2018 and as of January 1, 2018, the aging of trade accounts receivable is as follows:

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	2019 US\$(000)	2018 US\$(000)	January 1, 2018 US\$(000)
Effective and not impaired	76,149	81,441	81,047
From 1 to 30 days	3,726	1,382	13,612
From 31 to 60 days	187	416	1,014
From 61 to 90 days	74	308	554
From 91 to more days	3,571	1,437	3,287
Total	83,707	84,984	99,514

(e) The estimate for doubtful accounts receivable in 2019 and 2018 is as follows:

	2019 US\$(000)	2018 US\$(000)	January 1, 20181 US\$(000)
Initial balances	669	1,418	715
Provision for impairment	647	86	703
Recoveries	(339)	(835)	-
Final balances	977	669	1,418

The allowance for impairment of accounts receivable is determined in accordance with the policies established by Management and is recognized considering, among other factors, the balances pending collection, the probabilities for recovery, and the evidence of financial hardships of the debtor that increases outside normal ranges the bad

debt risk of balances pending collection, so that the amount is deemed sufficient by Management to cover eventual losses in accounts receivable at the date of the statement of financial position.

In Management's opinion, the balance of the allowance for impairment of accounts receivable is sufficient to cover the loss risk of doubtful accounts as of December 31, 2019, 2018 and as of January 1, 2018.

#### 9. OTHER ACCOUNTS RECEIVABLE

(a) A breakdown of this heading is given below:

	2019 US\$(000)	2018 US\$(000)	January 1, 2018 US\$(000)
Advance payment to suppliers (b)	4,813	3,981	708
Miscellaneous (c)	3,654	3,183	9,879
General Sales Tax Credit (IGV) (d)	389	1,639	459
Total	8,856	8,803	11,046

- (b) As of December 31, 2019, 2018, and as of January 1, 2018, the Company maintains advance payments to national and foreign suppliers mainly related to import fees and supplies for plant maintenance.
- (c) As of January 1, 2018, the Company maintained a balance pending collection as a result of resolution 230-2017-OS/CD passed by OSINERGMIN, which provided the return of the Energy Security Fee (CASE) for S/. 29.6 million (equivalent to USD 9.1 million). As of December 31, 2018, this amount was collected in full.
- (d) General Sales Tax Credit (IGV), corresponding to the IGV balance paid for the procurement of goods and services as of December 31, 2019, which will be applied with the IGV to be paid for taxable operations during 2020.

#### 10. INVENTORIES, NET

(a) A breakdown of this heading is given below:

	2019 US\$(000)	2018 US\$(000)	January 1, 2018 US\$(000)
Supplies and spare parts (b)	25,345	27,893	28,406
Fuel (c)	59,630	61,054	59,653
Coal	3,930	6,470	4,949
Goods in transit	420	122	381
	89,325	95,539	93,389
Provision for impairment (d)	(13,108)	(11,239)	(9,723)
Total	76,217	84,300	83,666

- (b) It corresponds mainly to supplies and miscellaneous spare parts kept at warehouses and to be used for maintenance of power generation plants in the current period.
- (c) It corresponds to the diesel kept by the Company as emergency backup for power generation.
- (d) The movement of the provision for impairment of inventories in 2019 and 2018 was as follows:

	2019 US\$(000)	2018 US\$(000)
Initial balances	11,239	9,723
Provision for impairment	4,395	1,516
Recovery	(2,526)	-
Final balances	13,108	11,239

The provision for impairment of inventories (coal, fuel and supplies) has been determined based on internal reports. In Management's opinion, this provisions sufficiently covers the impairment risk as of December 31, 2019, 2018 and as of January 1, 2018.

#### 11PREPAID EXPENSES

(a) A breakdown of this heading is given below:

	2019 US\$(000)	2018 US\$(000) (Restated) Note 4.3	January 1, 2018 US\$(000) (Restated) Note 4.3
Social contribution Usufruct Contract, note 2(i)	5,199	4,950	4,683
Insurance	2,177	2,542	2,596
Other (b)	60,744	20,958	10,161
Total	68,120	28,450	17,440
Maturities:			
Current portion	10,516	4,726	4,705
Non-current portion	57,604	23,724	12,735
Total	68,120	28,450	17,440

(b) As of December 31, 2019 and 2018, it includes the accounting of the amendments of energy agreements derived from the application of Resolution No. 216-2018-OS/CD dated December 28, 2018 and Supreme Decree No. 022-2018-EM dated September 4, 2018.

In accordance with paragraph 21 (a) of IFRS 15 "Revenues from contracts with customers", the Company accounts for the amendment of such contracts as the terminations of the old contract and the creation of a new contract. For these modifications, the revenues recognized to date in the original contract (the amount associated with completed performance obligations) are not adjusted. Instead, the remaining portion of the original contract and the modification are accounted for, in a prospective manner, by allocating the amount of the new contract to the performance obligations to be fulfilled, including those incorporated in the modification.

#### 12.DERIVATIVE FINANCIAL INSTRUMENTS

(a) As of December 31, 2019, 2018 and as of January 1, 2018, the Company has contracted cross currency interest rate swaps to manage interest rate and exchange risk. The detail of these instruments is as follows:

	Effect on statement of financial position asset (liability), net			Effect on profit (loss) income		Effect on net equity from income tax			
	2019 US\$(000)	2018 US\$(000)	Jan 1, 2018 US\$(000)	2019 US\$(000)	2018 US\$(000)	Jan 1, 2018 US\$(000)	2019 US\$(000)	2018 US\$(000)	Jan 1, 2018 US\$(000)
Hedge derivative financial instruments:									
Swap contract 2nd and 7th issuance bond program	(2,309)	(13,918)	(6,312)	61	143	1,021	91	196	1,665
Swap contract 1st, 2nd and 3rd issuance of 3rd bond program	14,219	12,398	19,781	6,764	6,382	3,690	6,391	(6,741)	7,758
Forward contracts - loans	(1,054)	(3,474)	-	650	411	1,307	975	(1,133)	(267)
Total	10,856	(4,994)	13,469	7,475	6,936	6,018	7,457	(7,678)	9,156
Total asset Total liability	17,630 (6,774)	12,398 (17,392)	19,781 (6,312)						

The variance from January to December 2019 of derivative financial instruments for swap contracts of the First Program (2nd and 7th issuance) and the Third Program (1st, 2nd and third issuance Series A and Series B) of Corporate Bonds that are recognized as income for the year, includes a profit of USD 4,432, which is offset by the exchange difference of the debt for these bonds (loss of USD 9,531 in the same period 2018) (Note 33, a (v)) presented in exchange difference, which creates a neutral effect in the statement of comprehensive income.

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#### **Derivative financial instrument related to Corporate Bonds**

As a result of the issuance of Corporate Bonds in soles (currency different than the functional currency of the Company), under the First and Third Corporate Bond Program, and to hedge future exchange rate fluctuations, the Company decided to contract Swap derivative financial instruments referred to as "Cross currency interest rate swap". As a result, the Company managed to fixed payments in dollars during the effective term of the bonds.

In June 2016, 2017 and then in June 2018, as a result of the 1st, 2nd, 3rd issuance – Series A and 3rd issuance – Series B of the Third Corporate Bond Program, the Company contracted currency and interest rate swaps, fixing payments in dollars during the effective term of the bonds.

As a result, the Company exchanged the following:

Financial entity	Bonds	Issuance amount	Interest rate	Agreed amount	Swaps		Expiration
		S/(000)	rate	US\$(000)	Interest rate	Fixed exchange rate	
1st Program							
Citibank	2nd issuance	84,105	7.1875%	29,973	6.1690%	2.8060	09/06/2018
BBVA Continental	7th issuance	42,420	7.5938%	15,043	5.9738%	2.8199	03/12/2020
3rd Program							
Banco de Crédito del Perú	1st issuance	250,000	7.1250%	76,324	3.3800%	3.2755	23/06/2026
BBVA Continental	2nd issuance	78,946	6.0000%	24,269	3.1500%	3.2530	26/06/2024
Banco de Crédito del Perú	3rd issuance (series A)	251,054	6.5313%	76,986	3.5500%	3.2610	28/06/2027
Banco de Crédito del Perú	3rd issuance (series B)	115,000	6,7188%	35,168	4.8800%	3.2755	12/06/2028
BBVA Continental	3rd issuance (series B)	115,000	6,7188%	35,157	4.9100%	3.2710	12/06/2028

The profit from cross currency swaps for the period January to December 2019 amounted to USD 7,475 (USD 6,936 for the same period in 2018), which is included in Net Profit for Derivative Financial Instruments in the statement of comprehensive income.

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#### Derivative financial instruments related to Long-Term Bank Loan

In March 2018, the Company contracted derivative financial instruments referred to as "Cross Currency and Interest Rate Swap" for loans provided by Scotiabank Perú S.A.A. in 2018. The purpose of these instruments is to set the exchange rate for payment of the principal and interests during the effective term of the loans.

Loan	Interest rate	Agreed amount	Interest rate	Swaps	
Amount S/(000)		US\$(000)		Fixed exchange	Expiration
80,675	4.499%	25,000	3.076%	3.227	22/06/2023
80,900	4.646%	25,000	3.204%	3.236	22/06/2023

The variance from January to December 2019 of derivative financial instruments for bank loan swap contracts that is recognized in the income for the year includes a profit of USD 840, which is offset by the exchange difference of the debt for these loans (loss of USD 2,041 in the same period 2018) (Note 33, a (v)) presented in exchange rate difference, which creates a neutral effect in the statement of comprehensive income.



#### 13.PROPERTY, PLANT AND EQUIPMENT, NET

(a) The cost flow and accumulated depreciation are as follows:

Cost	Lands US\$(000)	Buildings and other constructions  US\$(000)	Machinery and equipment US\$(000)	Transport units	Furniture and fixtures US\$(000)	Miscellaneous equipment US\$(000)	Works in progress US\$(000)	Right of Use (I) US\$(000)	Dismantling US\$(000)	Total US\$(000)
Balance as of January 1, 2018 (Restated, note 4.3)	7,876	899,339	1,333,196	2,899	2,864	59,385	57,620	131,617	4,110	2,498,906
Additions	-	179	111	1,113	17	832	12,705	118	5,919	20,994
Transfer (b)	-	5,482	48,919	-	-	2,021	(56,625)	-	-	(203)
Removals	-	(4,777)	-	(128)	(12)	(8)	(646)	-	-	(5,571)
Reclassifications	-	-	157	75	(1)	(2)	(968)	-		(739)
Balance as of December 31, 2018 (Restated, note 4.3)	7,876	900,223	1,382,383	3,959	2,868	62,228	12,086	131,735	10,029	2,513,387
Additions	-	2	8,910	450	65	1,704	21,771	1,619	-	34,521
Transfer	-	1,709	14,562	-	13	751	(17,084)	-	-	(49)
Removals	-	(4,549)	(71,785)	(633)	(149)	(5,363)	(166)	-	-	(82,645)
Balance as of December 31, 2018	7,876	897,385	1,334,070	3,776	2,797	59,320	16,607	133,354	10,029	2,465,214
Accumulated depreciation										
Balance as of January 1, 2018 (Restated, note 4.3)	-	103,171	383,462	2,391	2,181	35,490	-	53,848	4,110	584,653
Depreciation for the year	-	21,285	57,198	141	195	5,648	-	5,055	846	90,368
Removals	-	(378)	-	(123)	(12)	(7)	-	-	-	(520)
Reclassifications		35,616	(35,526)	23	-	(853)	-	-	-	(740)
Balance as of December 31, 2018 (Restated, note 4.3)	-	159,694	405,134	2,432	2,364	40,278		58,903	4,956	673,761
Depreciation for the year	-	21,414	49,998	265	155	5,535	-	4,984	846	83,197
Removals	-	(2,853)	(68,098)	(633)	(145)	(4,749)	-	-	-	(76,478)
Balance as of December 31, 2018	-	178,255	387,034	2,064	2,374	41,064	-	63,887	5,802	680,480

Cost	Lands US\$(000)	Buildings and other consttructions	Machinery and equipment US\$(000)	Transport units	Furniture and fixtures US\$(000)	Miscellaneous equipment US\$(000)	Works in progress US\$(000)	Right of Use (I) US\$(000)	Dismantling US\$(000)	Total US\$(000)	
		US\$(000)		US\$(000)							
Provision for impairment	-	-	13,976	-	-	-	-	-	-	13,976	
of January 1, 2018 (Restated, note 4.3)											
Recovery	-	_	(2,655)	-		-	-	-	-	(2,655)	
Provision for impairment of December 31, 2019 (Restated, note 4.3)	-	-	11,321	-	-	-	-	-	-	11,321	
Addition (g)	-	-	22,536	-	-	-	-	-	-	22,536	
Recovery, note 27	-	-	(1,475)	-	-	-	-	-	-	(1,475)	
Removals			(5,839)				-		***************************************	(5,839)	
Provision for impairment of December 31, 2019	-	-	26,543	-	-	-	-	-	-	26,543	
Net carrying value											
As of January 1, 2018	7,876	796,168	935,758	508	683	23,895	57,620	77,769	-	1,900,277	
As of December 31, 2018	7,876	740,529	965,928	1,527	504	21,950	12,086	72,832	5,073	1,828,305	
As of December 31, 2019	7,876	719,130	920,493	1,712	423	18,256	16,607	69,467	4,227	1,758,191	

(b) In 2018, the Company capitalized the disbursements regarding the Intipampa Solar Power Plant for a total sum of USD 50,775.

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(c) The Properties, plant and equipment, net, without including works in progress, classified per Power Generation Plants as of December 31, 2019, 2018 and as of January 1, 2018 are as follows:

	2019 US\$(000)	2018 US\$(000)	January 1, 2018 US\$(000)
Chilca Complex:			
ChilcaUno	429,157	443,099	479,666
ChilcaDos	112,411	116,769	121,127
Total	541,568	559,868	600,793
Ilo Complex:			
llo1	-	-	250
llo21 (g)	6,775	32,614	35,053
Ilo31 – Cold Reserve	183,291	192,733	201,475
llo41 – Nodo Energético del Sur	330,694	334,745	337,136
Other supplementary assets	84,106	91,514	95,543
Total	604,866	651,606	669,457
Yuncán Hydropower Plant	5,053	5,033	5,938
Quitaracsa Hydropower Plant	470,864	477,126	485,489
Intipampa Solar Power Plant	47,079	49,639	-
Total	1,669,430	1,743,272	1,761,677

(d) Properties, plant and equipment include assets procured under financial leases as follows:

	Useful life in years	2019 US\$(000)	2018 US\$(000)	January 1, 2018 US\$(000)
Buildings	25, 37 y 40	141,642	141,642	141,642
Machinery and equipment	15, 25 y 30	906,681	948,935	948,935
Total		1,048,323	1,090,577	1,090,577
Less - accumulated depreciation		(189,927)	(204,826)	(177,485)
Total		858,396	885,751	913,092

(e) The depreciation expense for the period comprised between January and December 2019 and 2018 has been recorded in the following lines of the statement of comprehensive income:

	2019 US\$(000)	2018 US\$(000)
Sales cost, note 25	82,126	89,195
Administration expenses, note 26	1,071	1,173
Total	83,197	90,368

- (f) According to the policies established by Management, as of December 31, 2019, 2018 and as of January 1, 2018, the Company has taken out all-risk insurance policies. Additionally, the Company has a Loss of Profit Insurance in case of economic losses due to damages to the power plants. In Management's opinion, the insurances policies taken out conform to the standard used by similar companies in the sector, and sufficiently cover for the risk of eventual losses that may occur, considering the type of assets owned by the Company.
- (g) As part of the corporate strategy and in according with the announcement make during COP25 in Madrid of closing the coal-fired plant in Peru, the Company's Management as of December 31, 2019, conducted a review of the recoverable amount of property, plant and equipment in connection with its Ilo21 coal-fired plant. As a result, an impairment of the Ilo21 plant was recognized for USD 22,536 (note 28) based on the value of economic use.
- (h) The accumulated loss on impairment as of December 31, 2019 and 2018 and as of January 1, 2018, corresponds to the impairment of the assets in connection with the IIo1 and IIo21 plants for USD 26,543 (USD 11,321 as of December 2018), as the carrying value exceeds the recoverable values. In Company's Management opinion, as of December 31, 2019, 2018 and as of January 1, 2018, no provisions in addition to the previously recognized allowance for impairment of property, plant and equipment are required.
- (i) The right of use includes mainly the disbursement made for "Contract fees", "Usufruct fees" and initial payment of the "Social Contribution" (Note 2 (i)), and are amortized in 30 years starting on September 7, 2005 (taking over date of the Yuncán HPP).
- (j) In 2019 and 2018, the total amount of cash disbursements for the procurement of property, plant and equipment and works in progress, is as follows:

	2019 US\$(000)	2018 US\$(000)
Addition of fixed assets	34,521	20,994
Acquisitions not representing cash flow	(8,830)	(9,951)
Cash acquisitions from previous years	6,773	51,957
Total	32,464	63,000

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#### **14.OTHER ASSETS, NET**

(a) The cost flow and accumulated depreciation are as follows:

	Quitaracsa HPP (d) US\$(000)	Other US\$(000)	Total US\$(000)
Cost			
Balance as of January 1, 2018	48,755	3,800	52,555
Additions	-	26	26
Transfers	-	39	39
Balance as of December 31, 2018	48,755	3,865	52,620
Additions	-	73	73
Removals	-	(22)	(22)
Balance as of December 31, 2019	48,755	3,916	52,671
Accumulated amortization			
Balance as of January 1, 2018	1,149	2,376	3,525
Additions	528	182	710
Balance as of December 31, 2018	1,677	2,558	4,235
Additions	530	159	689
Removals	-	(22)	(22)
Balance as of December 31, 2019	2,207	2,695	4,902
Net carrying value			
As of January 1, 2018	47,606	1,424	49,030
As of December 31, 2018	47,078	1,307	48,385
As of December 31, 2019	46,548	1,221	47,769

(b) The amortization rates are as follows (stated in percentages):

	%
Quitaracsa road and others	1 - 100

(c) The amortization distribution for the period from January to December 2019 and 2018, which includes the amortization of intangible assets for USD 145 and USD 212 respectively, is as follows:

	2019 US\$(000)	2018 US\$(000)
Sales cost, note 25	669	659
Administration expenses, note 26	167	261
Total	836	920

(d) An approximate amount of USD 42,362 corresponds to the construction of roads in the Municipal Province of Yu racmarca and the Municipality of Huaylas, which are state-owned and permit for the Company to gain access to the Quitaracsa Hydropower Plant.

#### **15.OTHER FINANCIAL LIABILITIES**

(a) A breakdown of this heading is given below:

		2019			2018			January 1, 2018		
	Current portion US\$(000)	Non- current portion US\$(000)	Total US\$(000)	Current portion US\$(000)	Non- current portion US\$(000)	Total US\$(000)	Current portion US\$(000)	Non- current portion US\$(000)	Total US\$(000)	
Corporate bonds (b)	12,812	279,639	292,451	-	288,019	288,019	25,974	227,224	253,198	
Bank loans (c)	-	148,799	148,799	-	147,959	147,959	-	100,000	100,000	
Financial lease (d)	90,266	80,896	171,162	123,458	171,162	294,620	163,045	320,822	483,867	
Leases IFRS 16	6,557	10,637	17,194	7,749	13,486	21,235	7,749	18,794	26,543	
Total	109,635	519,971	629,606	131,207	620,626	751,833	196,768	666,840	863,608	

#### (b) The bond debt is made up as follows:

	Currency	Amount	Date of	Annual	Payment of	Expiration		Curre	nt portion		Non-curr	ent portion		Tota	al debt as of
	of origin	issued	issuance	rate (%)	interests	date	2019 2 US\$(000) US\$(	2018 (000)	January 1, 2018 US\$(000)	2019 US\$(000)	2018 US\$(000)	January 1, 2018 US\$(000)	2019 US\$(000)	2018 US\$(000)	January 1, 2018 US\$(000
First Bond Program															
- 2nd Isuance	S/	84,105	<b>June</b> 2008	7.1875	Half-yearly	<b>June</b> 2018	-	-	25,974	-	-	-	-	-	25,974
- 3rd Issuance	US\$	10,000	<b>June</b> 2008	6.3125	Half-yearly	June 2028	-	-	-	10,000	10,000	10,000	10,000	10,000	10,000
- 6th Issuance	US\$	25,000	<b>Dec</b> . 2010	6.5000	Half-yearly	<b>Dec</b> . 2025	-	-	-	25,000	25,000	25,000	25,000	25,000	25,000
- 7th Issuance	S/	42,420	<b>Dec</b> . 2010	7.5938	Half-yearly	<b>Dec</b> . 2020	12,812	-	-	-	12,591	13,101	12,812	12,591	13,101
						Total	12,812	-	25,974	35,000	47,591	48,101	47,812	47,591	74,075
Third Bond Program															
- 1st Issuance	S/	250,000	<b>June</b> 2016	7.1250	Half-yearly	June 2026	-	-	-	75,506	74,206	77,208	75,506	74,206	77,208
- 2nd Issuance	S/	78,946	June 2017	6.0000	Half-yearly	June 2024	-	-	-	23,844	23,433	24,381	23,844	23,433	24,381
- 3rd Issuance series A	S/	251,054	June 2017	6.5313	Half-yearly	June 2027	-	-	-	75,824	74,519	77,534	75,824	74,519	77,534
- 3rd Issuance series B	S/	230,000	June 2018	6.7188	Half-yearly	June 2028	-	-	-	69,465	68,270	-	69,465	68,270	-
						Total	-	-	-	244,639	240,428	179,123	244,639	240,428	179,123
						Total	12,812	-	25,974	279,639	288,019	227,224	292,451	288,019	253,198

To hedge future exchange fluctuations in bonds issued in soles, the Company contracted currency and interest rate swaps with local banks (note 12).

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#### (c) Bank loans are made up as follows:

	Interest rate (%)	Amount issued in thousands	Expiration	2019 US\$(000)	2018 US\$(000)	January 1, 2018 US\$(000)
Scotiabank						
Loans in soles (ii)	4.4994	80,675	<b>June</b> 2023	24,366	23,946	-
Loans in soles (ii)	4.6460	80,900	<b>June</b> 2023	24,433	24,013	-
Loans in dollars (i)	2.7000	100,000	<b>June</b> 2023	100,000	100,000	100,000
Total				148,799	147,959	100,000

(i) These loans do not have pledged collaterals and were used to prepay the loan for USD 100 million as of December 31, 2016, granted in June 2014 by The Bank of Tokyo-Mitsubishi UFJ, Ltd. and Sumitomo Mitsui Banking Corporation, whose expiration date was June 2020. In October 2019, the original loan rate changed from 3.30% to 2.70%.

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(ii) These loans do not have pledged collaterals and were obtained for the procurement of assets.

To hedge future exchange fluctuations, for loans in soles, the Company contracted currency and interest rate swaps with local banks (note 12).

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WE PRODUCE ENERGY
FOR A SUSTAINABLE
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#### (d) Financial leases are detailed below:

						Balanc	es payable				
				Total			Current	I		Non-Current	
Creditors	Amount authorized and/or used US\$(000)	Expiration	2019 US\$(000)	2018 US\$(000)	January 1, 2018 US\$(000)	2019 US\$(000)	2018 US\$(000)	January 1, 2018 US\$(000)	2019 US\$(000)	2018 US\$(000)	January 1, 2018 US\$(000)
Banco de Crédito del Perú											
Balances payable, net of interest and IGV, from the contract for the construction and procurement of combined-cycle equipment of the ChilcaUno TPP, the payment of the first installment was made in March 2013. The annual interest rate is 6.67%.	310,000	December 2019	-	16,586	85,576	-	16,586	42,788	-	-	42,788
Balances payable, net of interest and IGV, from the contract for the construction of the Cold Reserve project located in Ilo. Amortizations are paid on a quarterly installments and started in August 2013 with the payment of the first installment. The annual interest rate is 5.70%.	100,000	<b>May</b> 2019	-	7,741	23,224	-	7,741	15,483	-	-	7,741
Balances payable, net of interest and IGV, from the contract for the construction of the Nodo Energético project located in Ilo. Amortizations are paid in quarterly installments and started in March 2017. The annual interest rate is 4.90%.	145,000	December 2021	55,587	83,379	111,171	27,793	27,793	27,792	27,794	55,586	83,379
BBVA Continental											
Balances payable, net of interest and IGV, from the contract for the construction of the Cold Reserve project located in Ilo. Amortizations are paid in quarterly installments and started in August 2013 with the payment of the first installment. The annual interest rate is 5.70%.	100,000	May 2019	-	8,864	26,592	-	8,864	17,728	-	-	8,864
Balances payable, net of interest and IGV, from the contract for the construction of the Nodo Energético project located in Ilo. Amortizations are paid in quarterly installments and started in March 2017 with the payment of the first installmente. The annual interest rate is 4.90%.	145,000	December 2021	57,706	86,559	122,624	28,853	28,853	36,066	28,853	57,706	86,558
Balances payable, net of interest and IGV, from the contract for the construction of the ChilcaDos located in Lima. Amortizations are paid in quarterly installments and started in January 2017. The annual interest rate is 4.20%.	125,000	December 2022	57,869	91,491	114,680	33,620	33,621	23,188	24,249	57,870	91,492
	Total		171,162	294,620	483,867	90,266	123,458	163,045	80,896	171,162	320,822

e) Minimum future payments for financial leases, net of future financial charges, are as follows:

		2019		2018	January 1, 2018	
	Minimum payments US\$(000)	Present value of financial lease payments	Minimum payments US\$(000)	Present value of financial lease payments	Minimum payments US\$(000)	Present value of financial lease payments
		US\$(000)		US\$(000)		US\$(000)
Up to 1 year	96,662	94,360	135,086	130,834	210,607	180,436
Between 1 and 2 years	82,202	78,333	96,662	90,673	135,086	153,343
Between 2 and 3 years	1,090	1,014	83,294	75,642	179,956	161,190
More than 3 years	-	-	-	-	-	-
Total payments to be made	179,954	173,707	315,042	297,149	525,649	494,969
Less						
Interests payable	(8,792)	-	(20,422)	-	(41,782)	-
Total	171,162	173,707	294,620	297,149	483,867	494,969

(f) The main requirement to be met by the Company regarding its long-term financial obligations as detailed in the financial lease agreements, the long-term bank loan and the master prospectus of the First and Third Corporate Bond Program, is to keep a debt hedge ratio below 3.5 X EBITDA.

In Management's opinion, the Company has complied with such financial requirements as of December 31, 2019 and 2018, and as of January 1, 2018 related to the purchase of energy, capacity, tolls, fuel and supplies.

#### **16.TRADE ACCOUNTS PAYABLES**

(a) A breakdown of this heading is given below:

	2019 US\$(000)	2018 US\$(000)	January 1, 2018 US\$(000)
Within maturity terms	63,967	39,419	40,403
Between 1 and 30 days	3,718	2,034	794
Between 31 and 60 days	38	28	26
More than 61 days	473	373	196
Total	68,196	41,854	41,419

	2019 US\$(000)	2018 US\$(000)	January 1, 2018 US\$(000)
Current	61,652	41,854	41,419
Non-current	6,544	-	-
Total	68,196	41,854	41,419

- (b) Trade accounts payable are denominated in soles and US dollars and do not bear interests and not have specific guarantees.
- (c) As of December 31, 2019, 2018 and as of January 2018, services received from local and foreign suppliers are included. These concepts mainly refer to goods and services received and not invoiced.

#### 17.OTHER ACCOUNTS PAYABLE

A breakdown of this heading is given below:

	2019 US\$(000)	2018 US\$(000)	January 1, 2018 US\$(000)
Taxes payable	3,757	3,423	2,916
Advance payment to clients	1,587	1,587	59
Reimbursement CASE	-	-	9,062
Interests payable over financial obligations	956	1,205	2,743
Other	2,869	4,748	14,030
Total	9,169	10,963	28,810

#### **18.LIABILITIES FOR EMPLOYEES' BENEFITS**

A breakdown of this heading is given below:

	2019 US\$(000)	2018 US\$(000)	January 1, 2018 US\$(000)
Remunerations and vacation	8,854	8,517	7,189
Employees' profit-sharing	4,351	4,257	4,830
Pension Fund Managers - AFP	147	137	143
Essalud	54	52	76

Total	13,406	12,963	12,238
Total	15,700	12,505	12,230

#### 19. PROVISIONS

(a) A breakdown of this heading is given below:

	2019 US\$(000)	2018 US\$(000)	January 1, 2018 US\$(000)
Provision for dismantling (b)	9,515	9,365	3,580
Total	9,515	9,365	3,580

(b) The provision for the dismantling of Ilo1 and Ilo21 thermal power plants is shown below:

	2019 US\$(000)	2018 US\$(000)	January 1, 2018 US\$(000)
Initial balance	9,365	3,580	4,218
Provision for Ilo21 TPP	-	5,919	-
Financial update in:			
C.T. Ilo1	17	13	13
C.T. Ilo21	209	203	-
Disbursements	(76)	(350)	(651)
Final balance	9,515	9,365	3,580

#### **20.TRANSACTIONS AMONG RELATED PARTIES**

(a) As of December 31, 2019, 2018 and as of January 1, 2018, the Company has conducted the following transactions with related entities:

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	Detail	2019 US\$(000)	2018 US\$(000)	January 1, 2018 US\$(000)
Solairedirect Global Operations S.A.	Engineering services for the Intipampa Project	-	3,209	44,471
	Penalties Intipampa Project	-	1,485	1,485
Engie Perú S.A.	Consultancy and advisory services	400	400	400
	Services rendered for administrative support and office rental	108	105	110
Leme Engenharia Sucursal Perú	Project engineering services	-	228	261
Laborelec	Consultancy and advisory services	184	52	334
Engie Energy Management Trading	Purchase of coal	-	-	4,311
Leme Engenharia Ltda	Engineering services for the Quitaracsa Project	-	-	95
Engie Services Perú S.A.	Reimbursement of expenses	-	8	29
	Civil works, advisory and consultancy services	546	399	-
Tractebel Engineering	Project engineering and consultancy services	139	17	14
International Power - Sucursal Argentina	Reimbusement of expenses	-	-	12
Engie S.A.	IT application maintenance services	123	39	-
Engie Information et Tecnologies	IT and support services	160	90	-
Engie GBS Latam	Services and administrative support	500	188	-

#### (b) A breakdown of this heading is given below:

	2019 US\$(000)	2018 US\$(000)	January 1, 2018 US\$(000)
Trade receivables:			
Engie Services Perú S.A.	146	237	34
Engie Perú S.A.	9	6	11
Engie GBS Latam	5	5	-
Leme Engenharia Sucursal Perú	1	2	2
Solairedirect Global Operations S.A.	-	-	1,485
International Power - Sucursal Argentina	-	-	12
Total	161	250	1,544
Trade payables:			
Engie GBS Latam	362	188	-
Engie Information et Tecnologies	171	-	-
Engie S.A.	121	-	-
Laborelec	54	14	147
Engie Solar	43	-	-
Engie Services Perú S.A.	40	169	1
Engie Perú S.A.	40	39	36
Tractebel Engineering	26	26	12
Tractebel Engineering S.A.	8	17	-
Solairedirect Global Operations S.A.	-	3,470	44,471
Tractebel Engineering LTDA Sucursal Perú	-	23	-
Leme Engenharia Ltda	-		26
Total	865	3,946	44,693

- (c) Balances receivable from and payable to related entities have current maturities, do not bear interests and do not have specific guarantees.
- (d) The remunerations and/or compensations paid during the period from January to December 2019 and 2018 to the management staff, who have the authority and responsibility for planning, directing and controlling the Company's activities, amounted to USD 2,020 and USD 2,100, respectively. The remunerations paid to Board members in the period from January to December 2019 and 2018 amounted to USD 95 and USD 70, respectively.

### **21.INCOME TAX**

(a) The income tax expense in 2019 and 2018 in the income statement is composed as follows:

	2019 US\$(000)	2018 US\$(000)
Defered	45,645	43,985
Other	(6,497)	251
Total	39,148	44,236

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- (b) As of December 31, 2019, the Company has an income tax credit for recovery amounting to S/ 134,402 equivalent to USD 40,515 (as of December 31, 2018, the Company had an income tax credit for recovery amounting to USD 35,032).
- (c) The components of the deferred asset and liability for income tax are as follows:

	As of January 1, 2018 US\$(000) (Restated) Note 4.3	Credit (debit) to the income statement US\$(000) (Restated) Note 4.3	Credit to the statement of changes in equity US\$(000) (Restated) Note 4.3	As of December 31, 2018 US\$(000) (Restated) Nota 4.3	Credit (debit) to the income statement US\$(000)	Debit to the statement of changes in equity US\$(000)	As of December 31, 2019 US\$(000)
Deferred asset							
Carrying tax loss, Note 30 (e)	-	(14,227)	-	(14,227)	(4,348)	-	(18,575)
Lease IFRS 16	(5,492)	18	-	(5,474)	(635)	-	(6,109)
Provision for inventory impairment	(2,537)	(448)	-	(2,985)	(551)	-	(3,536)
Provision for dismantling	(1,056)	(313)	-	(1,369)	(1,622)	-	(2,991)
Other provisions	(5,793)	766	-	(5,027)	(5,245)	-	(10,272)
Deferred liability							
Difference in depreciation rates	252,301	60,373	-	312,674	54,098	-	366,772
Derivative financial instruments	3,506	(2,184)	(3,213)	(1,891)	3,948	3,121	5,178
Deferred liability net	240,929	43,985	(3,213)	281,701	45,645	3,121	330,467

(d) Reconciliation of the effective income tax rate with the legal rate for years 2019 and 2018 is given below:

		2019		2018
	US\$(000)	%	US\$(000) (Restated) Note 4.3	% (Restated) Note 4.3
Accounting profit before income tax	143,395	100.00	152,536	100.00
Theoretical income tax	42,302	29.50	44,998	29.50
Non-deductible expenses	1,708	1.19	2,180	1.43
Donations	154	0.11	739	0.48
Adjustments from previous years	(5,307)	(3.70)	(3,793)	(2.49)
Other adjustments	291	0.20	112	0.07
Income tax expense	39,148	27.30	44,236	29.00

### 22. NET EQUITY

(a) Issued capital

As of December 31, 2019 and 2018, and as of January 1, 2018, the share capital is represented by 601,370,011 fully subscribed and paid-in ordinary shares with a par value of S/ 1.00 each (equivalent to USD 0.301).

As of December 31, 31, 2019, the Company's shareholding structure is as follows:

	Number of shares	Total interest percentage (%)
Investors		
International Power	371,478,629	61.77
AFP Prima-Fondo 2	43,846,202	7.29
AFP Integra-Fondo 2	42,277,522	7.03
AFP Profuturo-Fondo 2	32,303,806	5.37
AFP Integra-Fondo 3	25,051,690	4.17
AFP Prima-Fondo 3	24,734,872	4.11
Other (513 shareholders)	61,677,290	10.26
Total	601,370,011	100.00



### NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2019, the quotation (on the Lima Stock Exchange) per share was S/ 7.85 (S/ 5.84 as of December 31, 2018). The shares of the Company are ordinary and all have voting rights.

#### (b) Additional capital

It is the capital premium, freely available, resulting from the capital increase due to the contribution of Pension Fund Managers (AFP) in 2004. Such premium resulted from comparing the amount of contributions made by AFP for USD 48,000 with the amount of USD 12,078, corresponding to the value in US dollars from the 42,098,992 ordinary shares issued with a par value of S/ 1.00, applying the exchange rate of S/ 3.4855 per every USD 1.00.

### (c) Legal Reserve

In accordance with the General Corporations Law, a minimum of 10% of the net income for each year is to be transferred to a legal reserve, after deducting accumulated losses, until an amount equal to one fifth of the capital. In the absence of non-distributed profit or freely available reserves, the legal reserve is to be applied to offset losses, and it should be restored. The legal reserve may be capitalized but has to be subsequently restored. As of December 31, 2019 and 2018, the legal reserve has reached the required limit.

### (d) Retained Earnings

On December 10, 2016, Legislative Decree No. 1261 was enacted and came into effect on January 1, 2017, whereby the Income Tax Law was amended, and required that domiciled legal entities agreeing to the distribution of dividends or any other form of profit-sharing apply a 5% rate for year 2017 and onwards, except when such distribution is made to domiciled legal entities.

There are no restrictions for the remittance of dividends or the repatriation of capital to foreign investors.

### (e) Dividend Distribution

In October 2015, the General Shareholders' Meeting unanimously approved the amendment of the Company's policy on dividends, agreeing, inter alia, to ratify that the repatriation of dividends is equivalent to thirty per cent (30%) of available annual profit, as determined in each year, or a higher percentage if deemed convenient, and regarding the distribution basis, the earnings obtained as of December 31, 2014 will be considered, and when depleted, the earnings recorded as from January 1, 2015 will be used.

In 2019, the Company agreed to distribute and pay dividends for USD 65,279 corresponding to an advance payment of dividends for year 2019 and the balance of dividends for 2018. In 2019 and 2019, dividends were paid as follows:

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WE PRODUCE ENERGY
FOR A SUSTAINABLE
FUTURE

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Dividends 2019		US\$(000)	Dividends per ordinary share
November 12	Advance payment for 2019	19,706	0.0328
March 19	Balance from 2018	45,573	0.0758
Total		65,279	

Dividends 2018			
November 13	Advance payment for 2018		0.0301
March 14	Balance from 2017	15,960	0.0265
Total		34,042	

### 23.BASIC AND DILUTED EARNINGS PER SHARE

The basic earnings per ordinary share have been calculated by dividing the net earnings in the year attributable for ordinary shareholders by the weighted average of the number of ordinary shares outstanding in the year. Diluted earnings per ordinary shares have not been calculated as there are no potential diluting ordinary shares, i.e. financial instruments or other contracts conferring the right to obtain ordinary shares.

The calculation of the earnings per share for years 2019 and 2018 is given below:

	2019	2018
Net earnings attributed to ordinary shareholders in USD (000)	104,247	108,300
Weighted average of the number of ordinary shares:		
Outstanding at the start of the period	601,370,011	601,370,011
Outstanding during the period	601,370,011	601,370,011
Basic and diluted earnings per ordinary share in USD	0.173	0.180

### **24. SALES REVENUES**

A breakdown of this heading is given below:

	2019 US\$(000)	2018 US\$(000)
Energy sales	336,875	324,636
Capacity sales	180,867	174,378
Toll sales	3,910	3,066
Other revenues	14,722	18,829
Basic and diluted earnings per ordinary share in USD	536,374	520,909

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As of December 31, 2019, the Company has 79 free clients accounting for 48.5% of the revenues for sales of energy and capacity (67 free clients accounting for 49.5% as of December 31, 2018) and 12 distribution companies accounting for 51.5% (12 distribution companies accounting for 50.5% as of December 31, 2018).

### 25. SALES COST

(a) A breakdown of this heading is given below:

	2019 US\$(000)	2018 US\$(000) Restated
Fuel consumption	146,047	126,721
Toll purchase	7,602	6,149
Purchase of energy and capacity (b)	39,157	49,276
Personnel charges	20,906	19,451
Supplies and spare parts	4,208	3,963
Right of usufruct and social contribution	431	432
Contribution 1% Power Companies	4,788	4,713
Maintenance of industrial equipment	6,377	6,234
Other generation expenses	17,674	19,200
Depreciation, note 13	82,126	89,195
Amortization, note 14	669	659
Other	1,333	1,654
Total	331,318	327,647

(b) In 2019, the accrued cost of option agreements relating to the extension of contracts with distribution companies is included, pursuant to Supreme Decree 022-2018-EM dated September 4, 2018.

### **26. ADMINISTRATION EXPENSES**

A breakdown of this heading is given below:

	2019 US\$(000)	2018 US\$(000) Restated
Personnel expenses	13,703	14,066
Third-party services	5,028	4,679
Adm inistrative, financial and technical services	400	400
Taxes	687	809
Management charges and others	795	905
Depreciation, note 13	1,071	1,173
Amortization, note 14	167	261
Other	647	86
Total	22,498	22,379

### **27. OTHER INCOME**

A breakdown of this heading is given below:

	2019 US\$(000)	2018 US\$(000)
Sale of suuplies and fixed asset	6,422	-
Recovery of impairment, note 13(a)	1,475	2,655
Other	1,029	964
Penalties to contractors	926	5,570
Settlement of provisions	327	10,783
Easement fee received	-	3,000
Total	10,179	22,972

### 28. OTHER EXPENSES

In 2019, other expenses mainly correspond to the impairment of inventories (USD 3,185) and property, plant and equipment (USD 22,536) of the Ilo21 TPP (note 13(g)). In 2018, other expenses mainly correspond to the writing off of unused fixed assets for USD 4,399.

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### 29.FINANCIAL INCOME AND EXPENSES

A breakdown of this heading is given below:

	2019 US\$(000)	2018 US\$(000) Restated Note 4.3
Financial income		
Interests on bank deposits	1,275	465
Interests on time deposits	150	149
Other	4,458	5,111
Total	5,883	5,725
Financial expenses		
Interests on bonds	19,500	18,459
Interests on financial leases	11,092	19,705
Interests on loans	5,571	4,706
Other	1,438	2,265
Total	37,601	45,135

### **30. TAX SITUATION**

(a) The Company is subject to the Peruvian tax regime. The income tax rate as of December 31, 2019 and 2018 was 29.5%, over taxable profits, after deducting employees' profit-sharing that is calculated at a rate of 5% over taxable profits.

In July 1998, the National Tax Administration Superintendency (SUNAT), authorized the Company to keep its accounting, from 1998, in foreign currency (US dollars), pursuant to the provisions set out in the Tax Code.

Legal entities and individuals not domiciled in Peru are subject to an additional tax on dividends received. Pursuant to the provisions in Legislative Decree No. 1261, the additional tax on dividends for generated profits shall be as follows:

- 6.8% for the profits generated from January 1, 2015 to December 31, 2017...
- For profits generated from January 1, 2018, whose distribution is carried out from such date, the applicable rate will be 5%.
- (b) For determining the income tax, the transfer prices for transactions with related companies and companies domiciled in territories with little or no taxation must be supported with documentation and information on the valuation methods used and the criteria considered for their determination. Based on the analysis of the Company's operations, Management and its legal counsels believe that, as a result of the application of these regulations, no material contingencies will arise for the Company as of December 31, 2019 and 2018.
  - On January 1, 2017, Legislative Decree No. 1312 came into force and effect, modifying Article 32 A of the Income Tax Law, law that regulates transfer prices. Additionally, on November 17, 2017, the regulatory standard of Supreme Decree 333-2017 EF was published and in January 2018, Superintendency Resolution No. 014-2018/SUNAT was published, regulating the presentation of informative statements for local reporting purposes.
- (c) In July 2018, Law No. 30823 was published, whereby the Congress delegated to the Executive Branch the power to legislative on several issues, including tax and financial matters. In this sense, the main tax regulations issued are as follows:
  - (i) Beginning on January 1, 2019, the treatment applicable to royalties and remuneration for services rendered by non-domiciled entities was modified, eliminating the obligation to pay the amount equivalent to the withholding due to the accounting record of the cost or expense. Now the income tax is withheld because of the payment or accreditation of the compensation. For such cost or expense to be deductible for the local company, the compensation is required to have been paid or accredited until the annual income tax filing date (Legislative Decree No. 1369).
  - (ii) The rules that regulate the obligation of legal persons and/or legal entities to report the identification of their end beneficiaries (Legislative Decree No. 1372) were established. These rules are applicable to legal entities domiciled in the country, in accordance with the provisions of Article 7 of the Income Tax Law, and legal entities incorporated in the country. The obligation covers non-domiciled legal persons and legal entities incorporated abroad, provided that: a) they have a branch, agency or other permanent establishment in the country; b) the individual or legal entity who manages the autonomous equity or foreign investment funds, or the individual or legal person who has the status of protector or administrator, is domiciled in the country; c) any of the parts of a consortium is domiciled in the country. This obligation will be complied with through the presentation to the Tax Authority of an informative Sworn Statement, which must contain the information on

relations.



the end beneficiary, and be submitted, in accordance with the regulations and within the deadlines established by Superintendency Resolution issued by SUNAT. Pursuant to SUNAT Resolution 185-2019-SUNAT, the obligation will be applied gradually, starting with taxpayers who, as of November 30, 2019, are classified as main taxpavers.

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- (iii) The Tax Code regarding the application of the General Avoidance Prevention Rule was amended (Rule XVI of the Preliminary Heading of the Tax Code) (Legislative Decree No. 1422). As part of this amendment, a new assumption of joint and several liability is envisaged, when the tax debtor is subject to the application of the measures provided by Rule XVI in the event that tax evasion cases are detected; in such case, the joint and several liability shall be attributed to the legal representatives provided that they have cooperated with the design or approval or commission of acts or situations or economic relations foreseen as elusive in Rule XVI. In the case of companies with a Board of Directors, it is up to this corporate body to define the tax strategy of the entity, having to decide on the approval or not of acts, situations or economic relations to be carried out within the framework of tax planning, this power being nondelegable. The acts, situations and economic relations carried out within the framework of fiscal planning and implemented on the date of entry into force of Legislative Decree No. 1422 (September 14, 2018) and which continue to have effect, must be evaluated by the Board of Directors of the legal entity for the purpose of ratification or amendment until March 29, 2019, without prejudice to the fact that the management or other administrators of the company have approved before the aforementioned acts, situations and economic
  - Moreover, it has been established that the application of Rule XVI, regarding the recharacterization of tax evasion cases, will take place in the final inspection procedures in which acts, facts or situations occurring from July 19, 2012 will be reviewed.
- (iv) Amendments to the Income Tax Law, in force as from January 1, 2019, to improve the tax treatment applicable to (Legislative Decree No. 1424):
  - The income obtained from indirect sale of shares or ownership interests representing of legal entities domiciled in the country. One of the most relevant changes is the inclusion of a new assumption for indirect sale, which is applied when the total amount of shares of the legal entity domiciled in the country is equal or higher than 40,000 tax units at the moment of the indirect sale.
  - The permanent establishments of sole proprietorship, companies and entities of any nature incorporated abroad. To this effect, new assumptions for permanent establishment were incorporated, for example, when services are provided in the country for the same project or service, or for another related to it, for a period exceeding 183 calendar days per any twelve-month period.
  - The credit regime against Income Tax for taxes paid abroad, to be incorporated into the indirect credit (corporate tax paid by foreign subsidiaries) as applicable credit against the Income Tax of domiciled legal entities, in order to avoid double economic taxation.

- The deduction of interest expenses to determine the business Income Tax. In 2019 and 2020, the debt limit, set at three times the net equity as of December 31 of the previous year, will be applicable to both loans with related parties and loans with third parties that are acquired from September 14, 2018. As of 2021, the deduction limit for financial expenses will be equivalent to 30% of the Company's tax EBITDA.
- (v) Rules have been established for the accrual of income and expenses for tax purposes as from January 1, 2019 (Legislative Decree No. 1425). Until 2018, there was no regulatory definition of this concept, and in many cases accounting rules were used for interpretation purposes. In general terms, with the new criteria, for the purpose of determining the Income Tax, it will now be taken into account whether substantial events for the generation of the income or expense agreed by the parties, who are not subject to a suspension, have occurred, in which case the recognition will occur when it is fulfilled and the opportunity for collection or payment established will not be taken into account; and, if the determination of the consideration depends on a future fact or event, the total or part of the corresponding income or expense will be deferred until that fact or event occurs.
- (d) Tax authorities are entitled to review and, if necessary, amend the income tax and general sales tax calculated by the Company during the last four years from the date of filing of the tax returns. The tax returns for income tax for years 2015 through 2018 and for general sales tax for December 2015 through December 2019 are pending review by tax authorities.

Due to the possible interpretations by tax authorities of existing legal rules, it is not possible to determine to date if the reviews will result in liabilities for the Company. Consequently, any eventual higher tax or surcharge that may result from any tax reviews would be applied to income for the year in which it is determined. However, in opinion of Management and its legal counsel, any additional tax assessment would not be significant to the financial statements as of December 31, 2019 and 2018.

- (e) In accordance with the Income Tax Law and its amendments, companies established in Peru that have generated tax losses may apply it to reduce the income tax payable in future years through the voluntary application of one of the following methods:
  - i. Method A -

The tax loss may be used up to four years after its generation.

ii. Method B -

The tax loss may be offset with future profits year after year until its maturity date, applying 50% of its taxable base.

In the Income Tax Returns for 2018, where losses were generated, the Company decided to apply method A. As of December 31, 2019, the Company has determined its tax loss carryforward in USD 62,967 (S/ 162,530) equivalent to USD 48,229 as of December 31, 2018), which is subject to the reviews indicated in (d). Company's



Management, in accordance with tax laws, believes that it will be able to apply the full amount of such losses in the future, and decided to record a deferred tax asset as of December 31, 2019 for USD 18,575 (USD 14,227 as of December 31, 2018) see note 21 (c).

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### **31. CONTINGENCIES**

As of December 31, 2019 and 2018, the Company has legal and arbitration proceeding yet to resolve, as well as administrative and tax proceedings relating to its activities. In opinion of the Management and its internal and external legal counsel, liabilities deemed appropriate have been recorded based on the information available as of December 31, 2019 and 2018, and no additional liabilities are believed to arise other than those already recorded by the Company.

### **32.COMMITMENTS**

(a) Power purchase agreements As of December 31, 2019, the Company maintains the following power purchase agreements:

Long-Term Contracts from Biddings		C	Contracted Capacity
Long Torm Contracto from Diddingo			Jonnadioa Gapaon
		Peak Hour (MW)	Off-Peak Hour (MW)
Luz del Sur	ED-01-2009-LP	128.13	128.13
Luz del Sur	ED-02-2009-LP	70.67	70.67
Luz del Sur	ED-03-2009-LP	20.73	20.73
Luz del Sur	LDS-01-2011-LP	50.22	50.22
Luz del Sur	LDS-01-2011-LP-II	24.61	24.61
Total Luz del Sur		294.36	294.36
Enel Distribución Perú	ED-01-2009-LP	159.29	159.29
Enel Distribución Perú	ED-02-2009-LP	83.35	83.35
Enel Distribución Perú	ED-03-2009-LP	25.78	25.78
Enel Distribución Perú	LDS-01-2011-LP	8.97	8.97
Enel Distribución Perú	LDS-01-2011-LP-II	6.79	6.79
Total Enel Distribución Perú		284.18	284.18
Seal	ED-01-2009-LP	23.51	23.51
Seal	ED-02-2009-LP	14.88	14.88
Seal	ED-03-2009-LP	4.41	4.41
Total Seal		42.80	42.80

Long-Term Contracts from Biddings		C	ontracted Capaci
		Peak Hour (MW)	Off-Peak Hour (MW)
Electronoroeste	ED-01-2009-LP	13.85	13.85
Electronoroeste	ED-02-2009-LP	8.70	8.70
Electronoroeste	ED-01-2009-LP	8.60	8.60
Electronoroeste	HID-2009-LP	9.01	9.01
Total Electronoroeste		40.16	40.16
Electrosureste	ED-01-2009-LP	12.81	12.81
Electrosureste	ED-02-2009-LP	12.97	12.97
Electrosureste	ED-03-2009-LP	4.01	4.01
Total Electrosureste		29.79	29.79
Hidrandina	HID-2009-LP	18.12	18.12
Total Hidrandina		18.12	18.12
Electronorte	HID-2009-LP	12.86	12.86
Total Electronorte		12.86	12.86
Electrosur	ED-02-2009-LP	9.44	9.44
Electrosur	ED-03-2009-LP	3.06	3.06
Total Electrosur		12.50	12.50
Electrocentro	HID-2009-LP	10.74	10.74
Total Electrocentro		10.74	10.74
Edecañete	ED-01-2009-LP	3.81	3.81
Edecañete	LDS-01-2011-LP	0.81	0.81
Edecañete	LDS-01-2011-LP-II	0.61	0.61
Total Edecañete		5.23	5.23
Electropuno	ED-03-2009-LP	2.69	2.69
Total Electropuno		2.69	2.69
Coelvisac	HID-2009-LP	0.38	0.38
Total Coelvisac		0.38	0.38
Total Contrats from Biddings		753.81	753.81

Bilateral Contracts		Contracted Capacity
	Peak Hour (MW)	Off-Peak Hour (MW)
ElectroUcayali	21.00	21.00
Electronoroeste	2.50	2.50
Electrosur	15.00	15.00
Distriluz	60.00	60.00
Electrosureste	11.00	11.00
Seal	25.00	25.00
Coelvisac	9.00	9.00
Total bilateral contracts	143.50	143.50
Total Regulated	897.31	897.31

Contracts Free Clients	C	ontracted Capacity
	Peak Hour (MW)	Off-Peak Hour (MW)
Antamina S.A	170.00	170.00
Nexa Resources Cajamarquilla S.A.	170.00	125.00
Minera Yanacocha S.R.L.	60.00	60.00
Sociedad Minera Cerro Verde S.A.A.	38.00	38.00
Volcan Compañía Minera S.A.A.	49.00	49.00
Yura S.A.	60.00	66.00
Celep EP	40.00	40.00
Compañía Minera Milpo S.A.	38.00	38.00
Trupal S.A.	25.00	25.00
Gloria S.A.	27.00	27.00
Minsur S.A.	26.50	26.50
Quimpac S.A.	20.00	66.00
Marcobre	24.00	24.00
Compañía Minera Chungar	15.40	15.40
Empresa Administradora Cerro S.A.C	15.00	15.00
Milpo Andina Perú S.A.C	15.00	15.00
Papelera Nacional S.A	12.00	12.00
Owens Illinios Perú S.A.	12.00	12.00
Compañía Minera Atacocha S.A.A	9.00	9.00
Cerámica Lima S.A.	8.20	8.20
San Fernando S.A.	7.17	7.17
Esmeralda Corp. S.A.	7.00	7.00
Casa Grande S.A.A.	6.00	6.00
Tecnofil S.A.	6.00	6.00
Óxidos de Pasco S.A.C.	5.40	5.40
Minera Bateas S.A.C.	5.20	5.20
Cartavio S.A.A.	5.00	5.00
Otros	84.06	97.64
Total Contracts Free Clients	959.93	970.51
Total Contracts (Regulated + Free)	1,857.24	1,867.82

### (b) Letters of guarantee and securities

The main letters of guarantee and securities held by the Company are:

- (i) As guarantee for the payment of the "Usufruct Fee and Social Contribution" of the Usufruct Contract (Note 2(i)), the Company issued in favor of Activos Mineros S.A.C. letters of guarantee for USD 10,000. A performance bond was also provided for USD 2,000 in favor of Activos Mineros S.A.C.
- (ii) In favor of the Ministry of Energy and Mines USD 27,500 for the Nodo Energético project investment performance bond.

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#### 33.FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### (a) Financial risk management

The Company is exposed to the following risks related to the use of financial instruments:

### (i) Risk management framework

Management is responsible for establishing and supervising the risk management structure. The Finance Division is responsible for risk management. This department identifies, evaluates and manages financial risks.

The Company's risk management policies are established to identify and assess the risks to which the Company is exposed and set adequate risk limits and controls and monitor risks and compliance of limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Company operations.

The Company seeks to develop a disciplined and constructive control environment through its risk management standards and procedures in which all personnel fully understands their functions and duties.

#### (ii) Credit risk

The Company's financial assets potentially exposed to credit risk concentrations, mainly comprise bank deposits and accounts receivable included in the statement of financial position.

The Company mitigates the credit risk concentration through the policy by distributing its excess funds in prestigious financial institutions.

On the other hand, the credit risk corresponding to accounts receivable from the business activity is historically very low given the short term for collection to clients, which prevents accumulation of individually significant amounts.

Company's Managements regularly assesses the credit risk of its client portfolio, based on a methodology designed by its parent company, which takes into consideration factors such as: liquidity, indebtedness,

profitability, years in the business, payment history, criminal record, and other factors.

Management believes that amounts past due for more than 30 days are still fully chargeable based on historical payment behavior and analysis of the client credit risk, where available.

### (iii) Liquidity risk

Management is aware that the liquidity risk implies having sufficient cash and cash equivalents and having the possibility of committing or having financing committed through an adequate number of credit sources. The Company maintains suitable levels of cash and cash equivalents and available lines of credit.

The following table shows the maturity profile of the Company's financial liabilities based on non-discounted contractual obligations:

	Less than 1 year US\$(000)	1 to 2 years US\$(000)	2 to 5 years US\$(000)	More than 5 years US\$(000)	Total US\$(000)
2019					
Other financial liabilities	128,796	98,289	215,300	285,220	727,605
Trade accounts payable	61,652	6,544	-	-	68,196
Other accounts payable to related companies	865	-	-	-	865
Other accounts payable	5,412	-	-	-	5,412
Total	196,725	104,833	215,300	285,220	802,078

	Less than 1 year US\$(000)	1 to 2 years US\$(000)	2 to 5 years US\$(000)	More than 5 years US\$(000)	Total US\$(000)
2018					
Other financial liabilities	148,885	129,304	279,111	320,883	878,183
Trade accounts payable	41,854	-	-	-	41,854
Other accounts payable to related companies	3,946	-	-	-	3,946
Other accounts payable	7,540	-	-	-	7,540
Total	202,225	129,304	279,111	320,883	931,523

### X

### NOTES TO THE FINANCIAL STATEMENTS

The previous table does not include hedge financial derivatives as the Management believes that such contracts are effectively liquidated on a net base; as a consequence, the hedge derivatives flow and the reconciliation of amounts equivalent to carrying values of the discounted net flow generated by these instruments are shown below:

	Less than 3 months US\$(000)	3 months to 1 year US\$(000)	1 to 5 years US\$(000)	More than 5 years US\$(000)	Total US\$(000)
2019					
Net liquidation - Asset -	-	7,545	25,419	16,815	49,779
Cross currency swap					
Total	-	7,545	25,419	16,815	49,779

	Less than 3 months US\$(000)	3 months to 1 year US\$(000)	1 to 5 years US\$(000)	More than 5 years US\$(000)	Total US\$(000)
2018					
Net liquidation - Asset -	-	7,230	25,324	22,244	54,798
Cross currency swap					
Total	-	7,230	25,324	22,244	54,798

### Changes in liabilities from financing activities

The changes in liabilities from financing activities for the years ended December 31, 2019 and 2018 are shown below:

	Balance as of January 1, 2019 US\$(000)	Cash flow US\$(000)	Effect of exchange rate US\$(000)	Other US\$(000)	Balance as of December 31, 2019 US\$(000)
Other financial liabilities:					
Loans from banking entities	147,959	(12,440)	840	12,440	148,799
Bonds	288,019	-	4,432	-	292,451
Financial leases	294,620	(123,458)	-	-	171,162
Dividends payable	-	(65,279)	-	65,279	-
Total	730,598	(201,177)	5,272	77,719	612,412

	Balance as of January 1, 2018 US\$(000)	Cash flow US\$(000)	Effect of exchange rate US\$(000)	Other US\$(000)	Balance as of December 31, 2018 US\$(000)
Other financial liabilities:					
Loans from banking entities	100,000	50,000	(2,041)	-	147,959
Bonds	253,198	40,363	(5,542)	-	288,019
Financial leases	483,867	(189,247)	-	-	294,620
Dividends payable	-	(34,042)	-	34,042	-
Total	837,065	(132,926)	(7,583)	34,042	730,598

### (iv) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Financial instruments affected by the market risk include loans and deposits maintained by the Company.

The sensitivity analyses illustrated in the following sections are associated with the position as of December 31, 2019 and 2018, and were prepared on the basis that the net debt amount, the proportion of fixed and variable interest and the proportion of financial instruments in foreign currency remain constant.

### (v) Exchange rate risk

The exchange rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuate due to changes in the exchange rates.

The Company minimizes its exchange rate risk with a hedge policy formulated based on the projected cash flows and contemplates maintaining a balance between the indexed flows to US dollars and the levels of assets and liabilities in such currency. The purpose is to minimize the exposure of flows to the risk of exchange rate variations. Maintaining balances in foreign currency by the Company as of December 31, 2019 resulted in a gain of USD 1,147 (net loss for USD 2,450 in 2018), which is included in heading "Net exchange difference" in the statement of comprehensive income.

As of December 31, 2019, the weighted exchange rate published the Superintendency of Banking, Insurance and Pension Fund Managers (SBS) for transactions in US dollars was USD 0.3020/PEN for purchase operations and USD 0.3015/PEN for selling operations (USD 0.2959 for sale and USD 0.2968 for purchase as of December 31, 2018), as summarized below:

	2019	2018
	S/(000)	S/(000)
Assets		
Cash and cash equivalents	58,812	53,408
Trade accounts receivable, net	176,536	161,592
Other accounts receivable, net	151,432	164,920
Total	386,780	379,920
Liabilities		
Trade accounts payable	73,433	68,822
Liabilities for employees' benefits	35,655	31,362
Other accounts payable	32,740	33,623
Financial obligations	1,013,995	1,013,995
Total	1,155,823	1,147,802
Hedge debt	(1,013,995)	(1,013,995)
Total net asset position	244,952	246,113

The exchange risk hedge policy is formulated based on projected cash flows and contemplates maintaining a balance between flows indexed to soles and the levels of assets and liabilities in such currency. The purpose is to minimize the exposure of flows to the risk of exchange rate variations.

Presented below is the sensitivity analysis, assuming a revaluation/devaluation of the US dollar (USD) equivalent to the aforementioned rate, exclusively over the balances of previously reflected monetary assets and liabilities:

	Increase (decrease) in exchange rate	Effect on profit before income tax US\$(000)
2019		
U.S. Dollars / Soles	+10%	23,185
U.S. Dollars / Soles	-10%	(23,185)
2018		
U.S. Dollars / Soles	+10%	22,725
U.S. Dollars / Soles	-10%	(22,725)

For the years ended December 31, 2019 and 2019, the gain (loss) for exchange rate is as follows:

	2019 US\$(000)	2018 US\$(000)
Exchange difference monetary items (a)	1,147	(2,450)
Exchange difference Corporate Bonds and loans	(5,272)	11,572
Derivative financial instruments of Corporate Bonds (note 12)	4,432	(9,531)
Derivative financial instruments of loans (note 12)	840	(2,041)
Total	1,147	(2,450)

#### (vi) Interest rate risk

The Company does not have significant assets bearing interests; the operating income and cash flows of the Company are independent from changes in market interest rates. The Company's exposure to this risk is basically due to its financial obligations.

Debts at variable rates may expose the Company to the interest rate risk over its cash flows. The Company minimizes this risk by partially contracting its contractual obligations at fixed interest rates, either with debts initially issued at fixed interest rates or contracting derivative financial instruments transforming the interest rate risk from variable to fixed.

The portion of financial obligations at fixed rate or hedged as of December 31, 2019 and 2018 is 100%, and the Company believes that it will not be affected by the risk of interest rate fluctuations as it is within the adequate band on which it manages its debt composition at fixed and variable rates.

On the other hand, debts at fixed rates may expose the Company to the interest rate over the fair value of its financial liabilities. In this regard, the Company believes that this risk is not material as the interest rates in its financing contracts do not differ significantly from market interest rates.

Management believes that future fluctuations in interests rates will not significantly affect future income from its operations.

### (b) Capital management

The primary objective of the Company's capital management is to ensure that it maintains a sound credit rating and healthy capital ratios to sustain its business maximize the value for the shareholder.

The Company manages its capital structure and makes relevant adjustments in such structure according to changing economic conditions. To maintain or adjust its capital structure, the Company may modify the payment of dividends to shareholders, return capital to shareholders or issue new shares.

No changes were made to the objectives, policies or processes relating to capital management as of December 31, 2019 and 2018.

The Company controls its capital using an indebtedness ratio, defined as the quotient between the gross debt and the total capital plus the gross debt. In Company's Management opinion, the indebtedness ratios as of December 31, 2019 and 2018 are consistent with the Company's financial policy.

	2019 US\$(000)	2018 US\$(000)
Other financial liabilities (i)	629,606	751,833
Trade accounts payable	68,196	41,854
Accounts payable to related companies	865	3,946
Other accounts payable	5,412	7,540
Less: cash and cash equivalents	(91,897)	(74,617)
Net debt	612,182	730,556
Total equity	1,137,270	1,090,845
Leverage ratio (times)	0.5383	0.6697

(i) It includes the effect of the application of IFRS 16 (note 15)

### 34.MEASUREMENT AT FAIR VALUE

The fair value is defined as the amount at which an asset may be exchanged or a liability settled between knowledgeable and willing parties in an arm's length transaction, under the assumption that the entity is an operating company.

When a financial instrument is traded in a liquid and active market, its price as set in a real market transaction offers the best evidence of its fair value. When no price is set in the market or the latter may not be indicative of the instrument's fair value, the market value of another substantially similar instrument, the analysis of discounted flows or other applicable techniques may be used to determine this fair value, which is materially affected by the assumptions used. Although Management has used its best judgment in estimating the fair values of its financial instruments, any technique for making these estimates entails a certain level of inherent fragility. As a result, fair value may not be indicative of the net realizable or liquidation value of financial instruments.

Management estimates that the carrying value of the Company's financial instruments (current assets and liabilities) as of December 31, 2019 and 2018, does not significantly differ from their fair value due to their short-term maturity.

Except for the following headings, Company's Management estimates that the carrying value of financial instruments recorded at amortized cost is approximately their fair value due to their short-term maturity:

	2019		2018	
	Carrying Fair value US\$(000) US\$(000)		Carrying value US\$(000)	Fair value US\$(000)
Financial liabilities:				
Corporate bonds	292,451	328,813	288,019	305,161
Bank loans	148,799	148,799	147,959	147,959
Financial leases	171,162	165,179	294,620	312,864
Total	612,412	642,791	730,598	765,984

In case of long-term debts, Management believes that the carrying value is less than their fair value as the effective rates at the transaction date are, in average, lower than those prevailing in the market.

For the calculation of the fair value, Management has projected each long-term debt of the Company in accordance with the terms and conditions agreed at the time of the transaction, and has discounted them at current market rates taking into consideration the following factors: type of facility, amortization scheme, term and equivalent term, credit risk of the Company, country where the debt was disbursed, among other factors.

Market rates have been obtained through a combination of public sources, as well as recent bank quotes received by the Company. These fair values would be classified as level 2, as the measurements corresponds to variables based on observable market data, either directly or indirectly, different than the quoted prices included in level 1.

The Company has entered into derivative financial instruments agreements with a financial entity with sound credit rating. The derivative valued through valuation techniques that uses observable market data is a cross currency swap. The valuation technique most frequently used is the term pricing model using present value

calculations. The model incorporates data including the credit capacity of the parties, the exchange for cash and term transactions, interest rate curves and underlying commodity prices. The Company uses cross currency swaps to manage certain exposures in its transactions. The features and effects of such contracts are described below:

#### Cash Flow Hedge:

Al 31 de diciembre de 2019, el valor razonable de los contratos cross currency swap asciende a un activo por US \$10,856 (un pasivo ascendiente a US\$4,994 al 31 de diciembre de 2018).

### Fair value hierarchy:

The Company uses the following hierarchy to determine and disclose the fair value of financial instruments in accordance with the valuation technique used:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable,

Level 3: Valuation techniques (no observable market input).

As of December 31, 2019 and 2018, the Company had the following instruments at fair value in the statement of financial position:

	2019 US\$(000)	2018 US\$(000)
Liabilities measured at fair value:		
Level 2		
Cross currency swap	10,856	(4,994)
Total	10,856	(4,994)

### 35. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Between January 1, 2020 and the date of issuance of these financial statements, no subsequent significant events of financial – accounting nature have occurred, which may affect the interpretation of the accompanying financial statements.

### **MAIN REGULATIONS IN** THE ELECTRICAL SECTOR

Reference of the main regulations governing the electrical sector is presented below. For further information, please refer to each regulation in detail.

#### 19-11-1992

### **First Reform**

### **Publication of the Electrical Concessions Law**

- > Power Generation, Transmission and Distribution activities were separated to prevent them from being performed by a single holder.
- > Trading activities are permitted to be performed Generation<sup>1</sup> and Distribution<sup>2</sup> Companies.
- > The prices to be paid by Users for Transmission and Distribution activities are set by the regulator (now Osinergmin).
- > Two markets were established for generation prices: a) for large consumers (Free Users<sup>3</sup>), generation prices are freely agreed with suppliers, and b) for Regulated Users, prices are to be set by Osinergmin.
- > The marginal cost system was introduced to determine prices in the short-term wholesale market, at which energy transfers are paid between generation companies. Such price shall be the variable cost<sup>4,5</sup> of the most expensive unit used to satisfy the demand at each market interval<sup>6</sup>.
- > The capacity payment regime to generation units was established with a price set by Osinergmin for the firm capacity<sup>7</sup> of these units.

#### 14-09-2000

### **Gas Prices Declaration** Publication of Supreme Decree No. 016-2000-EM

ANNEXES

> The mechanism for annual declaration of natural gas prices was implemented for generation companies to report the variable costs of the power generation units operating with this fuel.

#### 23-07-2006

### **Second Reform** Publication of Law No. 28832 - Efficient **Generation Law (EGL)**

- > The Bidding mechanism was implemented for Generation Companies to sell electricity to Distribution Companies at the prices set in such Biddings instead of prices set by Osineramin.
- > The 2-vear Transmission Plan was established for the expansion of the transmission system.
- > The demand was incorporated into the Electricity Short-Term Market
- > A specific regulation was established for total or partial interruption in the natural gas supply chain to power generation plants.



- 1. To Free Users and Distribution Companies
- 2. To Free and Regulated Users within their concession
- 3. Initially, Free Users were those whose demand exceeded 1000 kW. Subsequently, with Law No. 28832, and its Regulation, Supreme Decree 022-2009-EM, published on April 16, 2009, Free Users and those whose maximum annual demand at each supply point exceeds 2500 kW; Regulated Users are those with a maximum annual demand equal to or less than 200 kW. Users with a demand above 200 kW up to 2500 kW may choose to be Regulated or Free Users.
- 4. Defined in the ECL as the cost for producing one additional electricity unit.
- 5. It refers to the cost that depends on the amount of energy produced, typically expressed in Soles/Megawatt-hour. In this case, it is mainly composed of the variable cost of the fuel used for electricity generation.
- 6. The current market Interval is 15 minutes.
- 7. Firm Capacity is defined in the ECL as: capacity that can be generated by each generation unit with high security. In case of hydropower plant, the firm capacity

#### 02-05-2008

### **Promotion of Renewable Sources Publication of Legislative Decree No. 1002**

> The incentive mechanism was created for the incorporation of generation units with nonconventional renewable sources (tidal, wind, solar, biomass, geothermal and hydropower below 20 MW) through auctions carried out by Osinergmin.

### 26-06-2008

### **Publication of Legislative Decree No. 1041**

> Establishment of the regulatory framework whereby Proinversión carried out the bidding for the incorporation of cold reserve units in the system9 to operate in exceptional situations.

#### 18-12-2008

### **Publication of Emergency Decree 049-2008**

> The decree was in effect until October 1, 2017, and stipulated that no restrictions on natural gas production or transport or power transmission were to be considered for the calculation of the marginal costs of the system.

#### 29-04-2010

#### Publication of Emergency Decree No. 032-2010

- > Establishment of the regulatory framework whereby Proinversión carried out biddings to incorporate hydropower plants<sup>10</sup> for power supply to Regulated Users.
- will be determined with a probability of exceedance of ninety-five per cent (95%). In case of thermal power plants, the firm capacity needs to consider scheduled and unforeseen downtime factors.
- 8. At present, according to the Electricity Wholesale Market Regulation, approved by Supreme Decree 026-2016-EM, the following can purchase in this market: A) Distribution companies to satisfy the demand of Free Users up to 10% of the maximum demand of all Free Users in the last twelve (12) months; B) Large Users (with contracted capacity equal to or higher

#### 22-12-2012

#### Publication of Law No.29970

> The implementation of measures to consolidate the energy security in the country was declared of national interest through the diversification of energy sources and reliability of the energy supply chain. The bidding for the development of power generation plants of the Nodo Energético del Sur was carried out. Certain provisions on the use of natural gas were also provided.

#### 24-09-2015

### **Publication of Legislative Decree No. 1221**

Promotion of Distributed Generation for all users with non-conventional renewable energy generation or cogeneration equipment.

#### 28-12-2017

#### Publication of Supreme Decree No. 043-2017

Modification of the mechanism for natural gas price declaration (Supreme Decree No. 016-2000-EM), incorporating a formula to determine a minimum gas price for each plant.

#### 31-08-2019

#### Publication of Resolution No. 144-2019-OS/CD

- > Establishment of a methodology to determine the firm capacity for wind, solar and tidal generation units. This methodology allows for economic revenues for firm capacity, unlike the previous regulation, which considered a firm capacity equal to zero.
  - than 10 MW) to satisfy the demand for up to 10% of the maximum demand recorded in the last twelve (12) months.
- 9. The cold reserve plants built within this framework are: Talara, Ilo, Puerto Eten, Puerto Maldonado and Pucalipa.
- 10. The Chaglia and Cerro del Águila hydropower plants were built under this framework. The Pucará Hydropower Plant was also awarded but has not been
- 11. The bidding of the Nodo Energético del Sur included the Mollendo and Ilo Plants.

2019 ANNUAL REPORT ANNEXES

### LICENSES AND AUTHORIZATIONS

For the performance of its activities, ENGIE Energía Perú has been granted several permits, authorizations, licenses and concessions approved by the corresponding authorities, including the authorizations for thermal power generation, definitive generation and transmission concessions, as well as the resolutions imposing easements, as listed in Tables B1, B2 and B3.

### Table **B1** Generation authorizations and concessions

Legal Regulation	Date of publication	Generation unit %
Ministry Resolution No. 115-97-EM/DGE	04/04/1997	llo TPP
As amended by the following resolutions:		
Ministry Resolution No. 394-97-EM/VE	04/10/1997	
Ministry Resolution No. 538-97-EM/VME	19/12/1997	
Ministry Resolution No. 571-2012-MEM/DM		
Ministry Resolution No. 235-2015-MEM/DM	21/05/2015	
Ministry Resolution No. 265-2019-MINEM/DM	16/09/2019	
Ministry Resolution No. 265-98-EM/VME	10/06/1998	llo21 TPP
As amended by the following resolutions:		
Ministry Resolution No. 395-2000-EM/VME	17/10/2000	
Ministry Resolution No. 340-2005-MEM/DM	02/09/2005	Chilca 1 TPP (First, Third and
As amended by the following resolutions:		Fourth Units)
Ministry Resolution No. 608-2006-MEM/DM	07/01/2007	
Ministry Resolution No. 024-2008-MEM/DM	25/01/2008	
Ministry Resolution No. 179-2010-MEM/DM	29/04/2010	

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Ministry Resolution No. 011-2015-MEM/DM	24/01/2015	Chilca 2 TPP	
Ministry Resolution No. 217-2016-MEM/DM¹	09/06/2016		
Supreme Resolution No. 059-2005-EM <sup>2</sup>	12/10/2005	Yuncán HPP	
Supreme Resolution No. 023-2002-EM <sup>3</sup>	13/06/2002	Quitaracsa HPP	
As amended by the following resolutions (mainly):			
Supreme Resolution No. 017-2004-EM <sup>4</sup>	15/03/2004		
Supreme Resolution No. 005-2010-EM <sup>5</sup>	03/02/2010		
Ministry Resolution No. 488-2015-MEM/DM <sup>6</sup>	12/11/2015		
Ministry Resolution No. 546-2011-MEM/DM	09/01/2012	Cold Reserve TPP - Ilo Plant	
Ministry Resolution No. 229-2015-MEM/DM	20/05/2014	Nodo Energético in the South o Pery Plant No. 2 – Moquegua Region	
Ministry Resolution No. 312-2017-MEM/DM	01/08/2017	Intipampa Solar Power Plant	

- 1. Through Ministry Resolution No. 217-2016-MEM/DM, the authorization of the ChilcaUno TPP was approved in favor of ENGIE Energía Perú, splitting it in two separate authorizations, being the ChilcaUno TPP composed of four (4) generation units with a rated capacity of 851.8 MW; and the new ChilcaDos TPP composed of two (2) generation units with a rated capacity of 110.9 MW.
- 2. Supreme Resolution No. 059-2005-EM approved the assignment of contract position entered into with Empresa de Generación de Energía Eléctrica del Centro ("Egecen") and ENGIE Energía Perú, whereby Egecen assigned its contract position in favor of ENGIE Energía Perú for the performance of power generation activities with the Yuncan HPP.
- 3. Through Supreme Resolution No. 023-2002-EM, the definitive concession was approved to perform the power generation activity in the Quitaracsa HPP in favor of S&Z Consultores Asociados S.A.
- 4. Through Supreme Resolution No. 017-2004-EM, the assignment of contract position entered into between S&Z Consultores Asociados S.A. ("S&Z") and Empresa de Generación Eléctrica Quitaracsa S.A. ("Quitaracsa") was approved, whereby S&Z assigned in favor of Quitaracsa its position in the Concession Contract for the performance of power generation activities with the Quitaracsa HPP.
- 5. Through Supreme Resolution No. 017-2004-EM, the assignment of contract position entered into between S&Z Consultores Asociados S.A. ("S&Z") and Empresa de Generación Eléctrica Quitaracsa S.A. ("Quitaracsa") was approved, whereby S&Z assigned in favor of Quitaracsa its position in the Concession Contract for the performance of power generation activities with the Quitaracsa HPP.
- 6. Through Ministry Resolution No. 488-2015-MEM/DM, the amendment to the concession contract for the performance of power generation activities with the Quitaracsa HPP was approved, regarding the modification of the guaranteed calendar for execution of works.

### Table B2 Definitive transmission concessions

Transmission concessions	Date of publication	Transmission Lines		
Supreme Resolution No. 132-98-EM	30/12/1998	<ol> <li>Ilo21 TPP - Moquegua SS<sup>7</sup>(Montalvo)</li> <li>Moquegua SS (Montalvo) - Botiflaca SS</li> <li>Moquegua SS(Montalvo) - Toquepala SS</li> </ol>		
Supreme Resolution No. 019-2003-EM	27/03/2003	Ilo TPP - Botiflaca SS - Moquegua SS		
Supreme Resolution No. 028-2006-EM <sup>8</sup>	27/05/2006	Yuncán HPP (Santa Isabel SS)- Carhuamayo Nueva SS		
Supreme Resolution No. 068-2006-EM,	12/11/2006	Chilca 1 SS - Chilca SS 220 kV		
as amended by the following resolutions:				
Supreme Resolution No. 021-2007-EM	26/05/2007			
Supreme Resolution No. 086-2011-EM	06/11/2011			
Ministry Resolution No. 494-2015-MEM/DM	18/11/2015			
Supreme Resolution No. 011-2013-EM	02/03/2013	Quitaracsa SS - Kiman Ayllu SS 220 kV		
as amended by the following resolutions:				
Supreme Resolution No. 091-2014-EM	24/12/2014			
Supreme Resolution No. 010-2015-EM	16/04/2015	Ilo 4 SS - Montalvo SS		
Ministry Resolution No. 285-2017-MEM/DM	06/07/2017	138 kV TL Moquegua SS - Intipampa SS 138 kV TL Intipampa SS - Toquepala SS (Mil Site)		

### Table B3 Easements

Legal Regulation	Date of Publication	Тур
Ministry Resolution No. 220-99-EM/VME	04/04/1997	Transmission line easement and right of way for the Moquegua SS.
Ministry Resolution No. 733-99-EM/VME	15/01/2000	Transmission line easement and access right of way for custody, maintenance and repair of works and facilities of the 220 kV TL of the Ilo21 TPP – Moquegua SS (Montalvo) and 138 kV TL Moquegua SS (Montalvo) – Botiflaca SS.
Ministry Resolution No. 621-2003-MEM/DM	07/01/2004	Transmission line easement and right of way for custody, maintenance and repair of works of the facilities of the 138 kV T170 TL (138 kV TL of the Ilo TPP – Botiflaca SS) – Moquegua SS.
Ministry Resolution No. 323-2006-MEM/DM	20/07/2006	Transmission line easement of the 220 kV TL of the Yuncan HPP (Santa Isabel SS) – Nueva Carhuamayo SS.
Ministry Resolution No. 534-2007-MEM/DM	02/12/2007	Transmission line easement of the 220 kV TL ChilcaUno SS – Chilca REP SS.
Ministry Resolution No. 053-2016-MEM/DM	17/02/2016	Transmission line easement for 50 kV TL IIo 4 SS – Montalvo SS.
Ministry Resolution No. 154-2018-MEM/DM	07/05/2018	Occupation easement for the Intipampa Solar Plant.
Ministry Resolution No. 235-2018-MEM/DM	03/07/2018	Transmission line, communication systems easements and right of way for the bypass of the 138 kV Transmission Line Moquegua SS – Toquepala SS (MillSite) to the Intipampa SS.

<sup>7</sup> SS: Substation

<sup>8.</sup> Through Supreme Resolution No. 028-2006-EM, the assignment of contract position entered into between Egecen and ENGIE Energía Perú was approved, whereby Egecen assigns in favor of ENGIE Energía Perú its position in concession contract 203-2002.

Company name:	ENGIE Energía Perú S.A.	
Fiscal year:	2019	
Website:	engie-energia.pe	
Company name or business name of audit firm: <sup>1</sup>		
RPJ:	20333363900	

1. Available only if the information contained in this report has been reviewed by any specialized Company (for instance: Audit firm or consultancy firm).

### **SECTION A**

During fiscal year 2019, ENGIE Energía Perú has implemented the following actions regarding good corporate governance practices:

- 1) For the second consecutive year, ENGIE Energía Perú was included in the Good Governance Index of the Lima Stock Exchange.
- 2) The Board Regulation of ENGIE Energía Perú was approved.

### **SECTION B**

ASSESSMENT OF THE COMPLIANCE WITH THE PRINCIPLES OF THE GOOD GOVERNANCE CODE FOR PERUVIAN COMPANIES

### **PILLAR I: SHAREHOLDERS' RIGHTS**

**Principle 1: Equal treatment** 

Question I.1	Yes	No	Explanation:
Does the Company recognize in its conduct of	Х		According to the Company's bylaws, all shares of
business an equitable treatment of shareholders of			the same class have the same rights and are
the same class and that they are afforded the same			subject to the same obligations.
conditions?(*)			

(\*) The same conditions are understood to be those particularities that distinguish shareholders, or make them have a common characteristic in their relationshipwith the company (institutional investors, non-controlling investors, etc.). It should be noted that this does not imply that the use of privileged information is favored.

Question I.2	Yes	No	Explanation:
Does the company promote exclusively the existence		Χ	The Company has not set any limit for the creation of
of voting share classes?			shares conferring different voting rights. According to
"Does the company promote exclusively the existence			Company's bylaws, shares of different classes, rights and
of voting share classes?"			obligations may be issued. The Company currently has
			shared with voting rights.

a. About the Company's share capital, specify:

Subscribed share capital at year-end	Paid-in share capital at year-end	Total number of shares representative of capital	Number of shares with voting rights
S/. 601'370,011.00	S/. 601'370,011.00	601,370,011	601,370,011



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# REPORT ON COMPLIANCE WITH THE GOOD CORPORATE GOVERNANCE CODE FOR PERUVIAN COMPANIES (10150)

b. In case the company has more than one class of shares, please specify:

Class	Number of shares	Par value	Rights (*)

(\*) Please indicate particular rights of the distinctive class.

Yes	No	Explanation:
	X	Since the Company does not currently have investment shares, it does not have a redemption or swap of investment shares for ordinary shares.
	Yes	

### **Principle 2: Shareholders' interest**

Question I.4	Yes	No	Explanation:
Does the Company provide in its corporate documents the form of representation of the shares and who is in charge of entry thereof in the share register book?	X		Article 8 of the Company's bylaws contemplates the representation of shares in (i) the Share Register Book in case the shares are represented in certificates, and (ii) in the accounting record for Clearing and Settlement of Securities, in case the shares are represented by book entry. It should be noted that, since 2005, the Company keeps the book-entry of shares.
b. Is the share register book permanently updated?	X		Through a Services Contract, entered into March 13, 2006, the Company engaged Banco de Crédito del Perú (now Credicorp Capital) to be responsible for keeping up to date the share registry book and other obligations related to the calculation and follow-up of shares traded on the Lima Stock Exchange (BVL) representative of Company's capital.

Indicate the frequency in which the share register is updated, after being informed of any change.

Frequency:	Within forty-eight hours:	X
	Weekly	
	Other / Detail (in days)	

### Principle 3: Non-dilution of shareholding in share capital

Question I.5	Yes	No	Explanation:
a. Is it a policy of the Company that the proposals of the Board of Directors in connection with corporate operations that may affect the right to non-dilution of shareholders (i.e., mergers, spinoffs, capital increases, among others) be previously explained by the Board of Directors in a detailed report with the independent opinion of an external advisor of professional repute appointed by the Board of Directors?		X	The Company has not established that the proposals of the Board related to corporate operations that may affect the non-dilution of shareholders be explained in a report under the terms laid down in this principle. Since the Board has not considered the application of the aforementioned practice, the provisions set forth in the General Corporations Law shall govern. Should any of the aforementioned operations occur, Board members can request the support from specialized external experts and advisors in accordance with the Board Regulation.
b. Does the company have a policy to make such reports available to the shareholders?		Χ	See answer above.

If any corporate operations under the scope of item a) of question 1.5 have occurred during the fiscal year, and if he Company has Independent Directors(\*), please state if in all cases:

	Yes	No
Was the appointment of the external advisor made with the affirmative vote of all Independent Directors?		
All of the Independent Directors clearly expressed their acceptance of the aforementioned report and, if applicable,		
state the reasons for non-acceptance?		

(\*) Independent Directors are those who, according to the Guidelines for Qualification of Independent Directors, approved by the SMV, qualify as such.

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# REPORT ON COMPLIANCE WITH THE GOOD CORPORATE GOVERNANCE CODE FOR PERUVIAN COMPANIES (10150)

### Principle 4: Non-dilution of shareholding in share capital

Question I.6	Yes	No	Explanation:
Does the company determine the responsible persons or means so that the shareholders can receive and/or request timely, reliable and truthful information?	X		The Finance and Investor Relations Management from the Company's Finance Division is the single point of contact and is responsible for providing information to shareholders and investors. Additionally, the Company's Corporate Communications Management is responsible for maintaining the Company's website updated. Finally, the Company's stock exchange representatives are responsible for preparing significant events to submit them to the Securities Market Superintendency.

**ANNEXES** 

a. Indicate the means by which the shareholders receive and/or request Company information.

Means of communication	Receive information	Request information			
Electronic mail	X	X			
Phone	X	X			
Corporate website	X	X			
Mail					
Informative metings	X	X			
Others / Detail	General Shareholders' Meeting				

b. Does the company have a deadline to answer requests for information submitted by the shareholders?. If yes, specify such deadline

Deadline (days)

Question I.7	Yes	No	Explanation:
Does the company have mechanisms for the	Х		
shareholders to express their opinion about the			
company's performance?			

If the answer is yes, please describe the mechanisms established by the Company for shareholders to express their opinion about the Company's performance.

Shareholders can express their opinion about the Company's performance via the website (http://www.engie-energia.pe), electronic mail (investorrelations@engie.com) and by phone (616-7979), and at meetings to be called by shareholders.

### **Principle 5: Participation in Company's dividends**

Question I.8	Yes	No	Explanation:
Is compliance with the dividend policy subject to evaluations to be conducted within a specific time frame?		X	The Company has not established that the compliance with the dividend policy is subject to regular evaluations. To date, the Board has not deemed convenient the application of this practice, considering that the General Shareholders' Meeting approves the dividend distribution on a yearly basis.
b. Is the dividend policy made known to the shareholders by its corporate website, among other means?	X		The Company's dividend policy approved by the Genera Shareholders' Meeting on October 1, 2015 is published at Company's website (http://www.engie-energia.pe).

a. Indicate the Company's dividends policy applicable to the year.

Date of approval	1/10/15
"Dividends polict (criteria for profit-sharing)"	a) Dividends will be distributed according to the shareholding interest in the share capital of each shareholder. b) Only the amount left after making the deductions expressly set out by will be distributed c) The distribution will be made first with retained earnings as of December 31, 2014 and, when they run out, against the earnings as from January 1, 2015. d) Against the earnings in the order specified in item c) above, every year an amount equal to thirty per cent (30%) of available annual profit will be paid out, as determined in each year, starting from 2015, or a larger percentage as deemed convenient. e) The Company's Board will determine the dates when the agreed payment of dividends will be made, according to the availability of funds. f) The compliance with the dividend policy is subject to the profit actually obtained and the actual retained earnings. g) The Company's Board may agree to the distribution of dividends against the regular balanced. The distribution will be made against the farnings as per the order indicated in item c) above.

b. . Indicate the dividends into cash and share distributed by the Company in the year and the previous year.

Per share	Dividends per share			
	Reporting year		Previous year	
	In cash	In shares	In cash	In shares
Class	0.10855091	0	0.05660787	0
Class		0		0
Investment share	0	0	0	0



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### **Principale C6: Change of Control or Takeover**

Question I.9	Yes	No	Explanation:
Does the Company have policies or agreements of non-adoption of anti-takeover mechanisms?		X	The Company does not have policies or agreements for adopting anti-takeover mechanisms. Since the Board has not considered the application of such practice to date, the provisions in the General Corporations Law shall apply.

Indicate if any of the following measures has been established inyour company:

		Yes	No
Requirement of a minimum number of shares to be Director			
Minimum number of years as a Director to be appointed as Chairman of the Board			
Compensation agreements for executives/officers as a result of changes following a Takeover Bid			
Others of similar nature / Please detail	According to the Company bylaws, to serve as Director it is not required to be shareholder. Additionally, according to the bylaws, the Chairman of the Bo elected among its members.		

### **Principle 7: Arbitration for settlement of disputes**

Question I.10	Yes	No	Explanation:
a. Do the Company bylaws contain an arbitration agreement providing that any dispute between shareholders, or between shareholders and the Board of Directors; and any challenges to resolutions of the General Shareholders' Meeting or of the Board by the shareholders of the Company be submitted to arbitration?	X		Article 53 of the Company bylaws provides for arbitration as the mechanism to resolve disputes between the Company and its shareholders or between the shareholders and the Board, as well as regarding the agreements adopted by the governing bodies.
b. Does this clause state that an independent third party shall resolve the disputes, except for express legal reserve before ordinary courts?	X		The Company's bylaws provide that the arbitrator who will resolve the dispute will be appointed by mutual agreement between the parties. It also provides that in case the parties fail to reach an agreement, the arbitrator will be appointed by the International Chamber of Commerce.

If the agreement of the the General Shareholders' Meting and the Board are challenged by shareholders or others in this period, please specify the number.

Number of challenges to agreements of the General Shareholders' Meeing	0
Numbe of challenges to agreements of the Board	0

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### PILLAR II: GENERAL SHAREHOLDERS' MEETING

### **Principle 8: Roles and competences**

Question II.1	Yes	No	Explanation:
Is approval of the Board of Directors remuneration	Χ		Article 25 of the Company's bylaws provides that the
policy an exclusive and nondelegable role of the			determination of the Board remuneration is a role of the
General Shareholders' Meeting?			General Shareholders' Meeting.

Indicate whether the following roles are exclusive of the General Shareholders' Meeting. If the answer is no, indicate the body that exercises them.

	Yes	No	Body
To arrange for investigations and special audits		Х	It is not a role of the General Shareholders' Meeting, the Board and the Management may arrange investigations and special audits.
To resolve the amendment of the bylaws	Χ		General Shareholders' Meeting
To agree to a share capital increase	Χ		General Shareholders' Meeting
To agree to the dividend distribution on account		Х	According to the Company's dividends policy, approved by the General Shareholders' Meeting, the Board may agree to the dividend distribution on account.
To appoint external auditors	Χ		General Shareholders' Meeting







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# REPORT ON COMPLIANCE WITH THE GOOD CORPORATE GOVERNANCE CODE FOR PERUVIAN COMPANIES (10150)

### Principle 9: Regulation of the General Shareholders' Meeting

Question II.2	Yes	No	Explanation:
Does the Company have binding Regulations of the General Shareholders' Meeting, the non-compliance of which entails liability?		×	The Company does not have a Regulation of the General Shareholders' Meeting. To date, neither the Board nor the General Shareholders' Meeting have proposed to implement such practice, and therefore the provisions set out in the General Corporations Law and the Company's bylaws apply to regulate the main provisions applicable to the General Shareholders' Meeting (call for meeting, representation, roles, etc.). Additionally, the Company has an Internal Code of Conduct (available at the Company's website). The Board will evaluate whether to have a Regulation of the General Shareholders' Meeting, which will be submitted for approval by the General Shareholders' Meeting.

If there is a Regulation of the General Shareholders' Meeting, please specify whether procedures have been established for:

		Si	N
Call of the General Shareholders' Me	eting		
Include items proposed by sharehold	ers		
Provide additional information to shar	eholders for meetings		
Conduct of meetings			
The appointment of Board members			
Other relevant / Please detail	The Company does not have a Regulation of the General Shareholders' Me however, some of the items herein are regulated in the Company's bylaws aforementioned Internal Code of Conduct.	•	е

Princip	le 10: Ca	II mechani	isms

Question II.3	Yes	No	Explanation:
In addition to the procedures to give notice of meetings	Х		
established by law, does the Company have notice			
procedures that allow establishing contact with			
shareholders, particularly those who have no			
participation in the control or management of the			
Company?			

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

Date of call for meetng	Date of meeting	Meeting venue	Type of meetin	g	Universal Meeting		Quorum %	No. of attendees	Participatio	n (%) over the to	tal voting
			Special	general	YES	NO			Through powers of attorney	Direct exercise (*)	Did not exercise its votinig right
6/03/19	19/03/2019	Hotel los Delfines (Calle Eucapliptos N° 555)		Х		Х	96.91	15	99.99	0.002	0

### (\*) Direct exercise refers to the voting by any means of method other than by proxy.

b. What other means, in addition to the one provided in Article 43 of the General Corporations Law and the provisions in the Relevant Facts and Reserved Information Regulations did the company use to give notice of the meetings during the year?

Electronic mail	X	Mail	
Phone	Х	Social networks	
Company website	Х	Others / Please detail	

Question II.4	Yes	No	Explanation:
Does the Company make available to the shareholders all information relative to the items in the agenda of the General Shareholders' Meeting and the proposed resolutions intended to be passed (motions)?		X	For 2019, the Company made available to the shareholders information relative to the items in the agenda of the General Shareholders' Meeting, as well as the proposal of the Board for each item in the agenda submitted for approval of the shareholders (except for the appointment of Board members and the setting of remunerations, as well as the appointment of people authorized to sign documents). This information was also available at the Company offices, as indicated in the calls for the General Shareholders' Meetings.

In the calls of meeting given by the Company during the year:

	Si	No
Did they specify the location of the information on the items to be discussed at the Meetings?	Χ	
Were "other business", "various items" or similar included as items in the agenda?		Χ

### **Principle 11: Proposals of agenda items**

Do the Regulations of the General Shareholders'		Χ	The Company does not have a Regula	tion of the General
Meeting include procedures allowing the she exercise the right to submit proposed agend discussed at the meeting and the procedure	areholders to da items to be	X The Company does not have a Regulation of the Ge Shareholders' Meeting. To date, the Board has not considered the application of such practice, and then the provisions set out in the General Corporations La apply, which stipulates, in article 117, the possibility f shareholders to call for a meeting.		
or reject such proposals?				
•	•	during	shareholders to call for a meeting.	a to be discussed at
or reject such proposals?  Indicate the number of proposals submitte	•	during	shareholders to call for a meeting.	a to be discussed at
or reject such proposals?  Indicate the number of proposals submitte	•	during	shareholders to call for a meeting.	a to be discussed at
or reject such proposals?  Indicate the number of proposals submitted the General Shareholders' Meeting and the or	•	during	shareholders to call for a meeting.	a to be discussed at

<b>Princip</b>	le 12: \	Voting	proced	lures
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Question II.6	Yes	No	Explanation:
Does the Company have mechanisms in place that		Х	The Company does not have such mechanisms in place. T
allow the shareholder to exercise remote voting by			date, neither the Board nor the General Shareholders'
secure means, whether electronic or mail, that			Meeting have considered the application of such practice,
ensure that the person casting the vote is actually			since the Company's bylaws permit shareholders to confer
the shareholder?			powers of attorney to be represented by third parties at the
			meeting.

a. If applicable, indicate the mechanisms or means in place by which the Company may exercise remote voting.

Electronic voting	Voting by mail	

b. If remote voting was exercised during the year, please provide the following information:

Meeting date	% remote voti	ng		% remote voting / total	
	Electronic mail	Company website	Mail	Other	

Question II.7	Yes	No	Explanation:
Does the Company have corporate documents that clearly provide that shareholders may vote separately on substantially independent matters, so they may exercise their voting preferences separately?		X	The Company does not have a corporate document specifying that shareholders may vote separately on substantially independent matters. To date, neither the Board nor the General Shareholders' Meeting have considered the application of such practice, and therefore the provisions set out in the General Corporations Law apply, and article 31 of the Company's bylaws permits shareholders to vote separately on the election of directors.

Indicate whether the Company has corporate documents that clearly provide that hareholders may vote separately on:

					Si	No
Directors appointment or confirmation though individual vote for every one of them.						
The amendment of the bylaws, for each article or g	roup of article	es tl	hat a	re substantially independent.		Χ
Others / Please detail						
Question II.8	Ye	s	No	Explanation:		
Does the Company allow those acting on behalf of	X			There is no limitation in the bylaws for one person to		
several shareholders to cast differentiated votes fo	r each			represent more than one shareholder, provided that	the	
shareholder, so they comply with the instructions o	f each			granting of powers of attorney is in writing and regist	ered	l at
shareholder that they represent?				least 24 hours prior to the General Shareholders' Me	etin	g.

### **Principle 13: Voting delegation**

Question II.9	Yes	No	Explanation:
Do the bylaws of the company allow its shareholders	Х		Article 21 of the Company's bylaws provides that
to delegate their vote to any person?			shareholders may confer powers of attorney to a person
			who is not necessarily a shareholder.

If the answer is no, please indicate whether the Company's bylaws limits the right of representation to any of the following people:

	Yes	No
Another shareholder		
A Director		
A Manager		

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Question II.10	Yes	No	Explanation:
a. Does the Company have procedures detailing the conditions, the means and the formalities to be performed in situations of voting delegation?	X		Article 21 of the Company's bylaws establishes the formalities for voting delegation of shareholders.
b. Does the Company make available to shareholders a proxy form setting forth details of the proxies, the business for which the shareholder delegates its vote and, if applicable, its voting intent for each of the proposals?		X	The Company does not make available to shareholders a proxy form. Management has not considered the implementation of such practice, and therefore the provisions set out in the General Corporations Law and Company's bylaws apply.

Please list the requirements and formalities to be met for a shareholder to be represented by proxy at a meeting:

Formality (indicate if the Company requires simple letter, notarized letter, public deed or other).	The representation by proxy may be in a simple letter. Article 21 of the bylaws provides that the representation by proxy of a shareholder may be through any means of communication that permits keeping evidence. As a result, the representation by proxy is for each General Shareholders' Meeting, except in case of powers by public deed.
In advance (number of days prior to the Meeting where the power has to be submitted).	The powers shall be received by the Company at least twenty-four (24) hours before the time set for the General Shareholders' Meeting.
Cost (indicate if there is a payment required by the Company to such purposes and how much is it?	No, the Company does not charge for accepting/permitting the representation by proxy of shareholders.

Question II.11	Yes	No	Explanation:
a. Is it a policy of the Company to set limitations to the percentage of delegation of votes to members of the Board of Directors or Top Management?		Х	The Company does not have any limitations as to the percentage of delegation of votes. To date, neither the Board nor the General Shareholders' Meeting have considered the application of such practice, and therefore the provisions set forth in the General Corporations Law and the Company's bylaws apply.
b. In case of delegation of votes to members of the Board or Top Management, is it the policy of the Company that shareholders who delegate their votes clearly state the intent thereof?		Х	The Company has not established that shareholders delegating their votes have the obligation to clearly state their intent.



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# REPORT ON COMPLIANCE WITH THE GOOD CORPORATE GOVERNANCE CODE FOR PERUVIAN COMPANIES (10150)

### Principle 14: Follow-up on resolutions of the Shareholders' Meeting

Question II.12	Yes	No	Explanation:
a. Does the Company follow up on the resolutions passed at the General Shareholders' Meeting?	X		Resolutions are to be followed up by the Company's Legal Vice President. At present, the Legal Vice President also serves as the Board Secretary.
b. Does the Company issue regular reports to the Board and are these made available to the shareholders?		X	The Company does not issue regular reports to the Board for them to be made available to the shareholders.  However, the resolutions passed at the General Shareholders' Meeting have been executed as approved, and the implementation of such resolutions is informed to the Board through Board meetings. To date, the Management has not considered the application of such practice.

If applicable, indicate the area and/or person in charge of following up on the resolutions passed by the General Shareholders' Meeting. If a person is in charge, please also include the position and area.

Responsible Area Company's Legal Division		sion
Responsible		
Name and last name	Position	Area
Gilda Spallarossa Lecca	Legal Vice President	Legal Division

### PILLAR III: THE BOARD AND TOP MANAGEMENT

### **Principle C15: Board structure**

Question III.1	Yes	No	Explanation:
Is the Board made up of persons specializing in various areas and with different competences, with good reputation, ethical, financial independence and other qualities relevant to the Company, so that there is a plurality of approaches and opinions?	X		

a. Please provide the following information about the Board members during the period.

Name and last name	Professional education (*)	C	ate	Shareholdii	ng interest (*
		Start (**)	End (***)	No. of shared	Part. (%)
Stefano Terranova	Economist Director of ENGIE Perú S.A. until 23.11.2019.	14/03/16	19/03/19		
Dante Dell'Elce	Business Administrator Director of ENGIE Perú S.A. until 23.11.2019.	14/03/16	19/03/19		
Philip De Cnudde	Engineer Director of ENGIE PERU S.A. until 23.11.2019.	25/02/14	7/06/19		
Pierre Devillers	Lawyer Director ENGIE PERÚ S.A. and ENGIE Services Perú S.A.	19/03/19			
Frank Demaille	Engineer Director of ENGIE Perú S.A. since 23.11.2019.	7/06/19			
Axel Leveque	Mechanical engineer	22/05/18			
Marc Jacques Verstraete	Commercial engineer Director of ENGIE Perú S.A. since 23.11.2019.	13/11/18			
Independent Directors					
José Luis Casabonne Ricketts	Economist, director of Grupo Incapalca TPX S.A.A. Inca Tops S.A. and Crac Incasur S.A.	14/03/16			
Fernando de la Flor Belaunde	Engineer, Grupo Caral; Corporación Media Chakana; GN Brands; and, AMROP Perú	14/03/16			
Mariana Costa Checa	International Relations	19/03/19	20/12/19		

- (\*) Please also indicate if the Director participates simultaneously in other Boards, specifying the number and if these are part of the financial group of the reporting Company. For that purpose, it should be considered the definition of financial group contained in the Regulation of Indirect Ownership, Relationship and Financial Groups.
- (\*\*) It corresponds to the first appointment in the reporting company.
- $(^{\star\star\star})$   $\,$  To be completed only if the Director ceased to work during the period.
- (\*\*\*\*) It shall be applied only to Directors with an interest in the share capital equal to or greater than 5% of the shares of the reporting company.

Total shares % held by the Dir	ectors				0
Please Indicate the number of o	company's Directors in each of	the foll	lowing age groups:		
Under 35 years of age	Between 35 and 55		Between 55 and 65		Over 65 years of age
	0	4		1	
Yes			No		X
If the answer is use please sne	cify the requirements				
If the answer is yes, please spe	ecify the requirements.				
lf the answer is yes, please spε	ecify the requirements.				
If the answer is yes, please spe					
			No		
c. Does the Chairman of the Bo	pard have a casting vote?		No		

Question III.2	Yes	No	Explanation:
Does the Company prevent the appointment of		Χ	At present, the Company has five alternate directors
substitute or alternate Directors, especially for quorum			appointed by the General Shareholders' Meeting. By
reasons?			resolution passes by the General Shareholders' Meeting,
			independent directors José Luis Casabonne and Fernando
			de la Flor do not have alternates.

In case of alternate or substitute Directors, specify the following:

Names and last names of alternate or substitute Director	Start (*)	Término (**)
Daniel Javier Cámac Gutiérrez	12/03/13	
Pierre Devillers	14/03/16	19/03/19
Marcelo Fernandes Soares	12/09/17	
Gilda Spallarossa	1/04/15	
Felisa Ros	19/03/19	
Hendrik De Buyserie	13/02/18	

(\*) It corresponds to the first appointment as alternate or substitute director in the reporting company.

(\*\*) To be completed only if the alternate or substitute Director left the position during the period.

### **Principle 16: Board duties**

Question III.4	Yes	No	Explanation:
Is it a duty of the Board?:  a. To approve and lead the corporate strategy of the company.	Х		
<ul> <li>To establish aims, goals and action plans including the annual budgets and business plans.</li> </ul>	Х		
C. To control and supervise the management and be responsible for the direction and administration of the Company.	Χ		
d. To supervise the good corporate governance practices and to establish the policies and measures necessary for a better application.	Х		

a. Plase list any additional relevant roles of the Board of the Company.

A.Lead and control all businesses and activities of the Company;

B.Regulate its own operation, if deemed appropriate;

C.Organize the Company's offices and determine the roles and expense budgets;

D.Appoint and dismiss the general manager, managers, proxies, representatives and any other officer working for the Company, confer the powers it deems convenient, indicate their obligations and remunerations, provide bonuses, if deemed convenient, limit and revoke previously conferred powers and establish all rules and regulations deemed necessary for the good conduct of the Company;

E.Authorize the transfer for valuable consideration, trade, purchase, sale, promise to purchase and promise to sell properties, as well as establish mortgage over them pursuant to common law or other special laws, of whatever nature;

F.Authorize the pledging of assets, whether common, industrial, trade or of any other nature, pursuant to common law or other special laws, of whatever nature;

G.Authorize the request or provision of loans through mutual agreements, overdrafts, advances in current account or in any other way:

H.Authorize the request or provision of collaterals, sureties and other guarantees to third parties;

I.Establish branches, agencies and subsidiaries of the company as deemed necessary, and restructure and eliminate them;

J. Waive the right to the jurisdiction of its domicile;

K.Propose to the General Shareholders' Meeting the resolutions deemed convenient for social interests;

L.Enter into financial lease agreements;

M.Present to the Annual Shareholders' Meeting the general balance and the report for the year ended;

N.Render accounts;

O.Approve the distribution of advances of profits and dividends regarding the current year according to regular balances, in any way permitted by applicable laws;

P.Authorize through general or special powers of attorney the performance of any act or contracts referred to in the paragraphs above or any other deemed necessary to comply with the business purpose, except for those referred to in the foregoing paragraphs M), N) and O), amend or revoke them.





Q.Set up of special committees composed of its members (principal or alternate) for the best administration of the company business, without being exempted from its responsibility, and being able to establish duties in such committees and the remuneration of their members;

R.Delegate any or all his powers, excepts for those referred to in the foregoing paragraphs M) and N). This list is by way of illustration and not limitation, and therefore the Board is entitled to discuss and resolve all other matters that, in accordance with these bylaws, are not referred to the decision of the general shareholders' meeting.

b. Does the Board of Directors delegate any of its roles?

Vaa	V	Nο	
Yes	٨	110	

Please indicate which are the main roles of the Board delegated and the body in charge of them by delegation:

Roles	Body / Area to whom the roles have been delegated
Special Powers (for specific transactions of the Company such as Power Purchase Agreements, financing contracts, projects, etc.)	Legal representatives
There is a General Powers Regime where the ordinary management roles for Company's legal representatives and the roles assigned to the Board have been established.	Legal representatives

### **Principle 17: Duties and rights of Board members**

Question III.5	Yes	No	Explanation:
Do Board members have the right to?  a. Request the Board the support or assistance from experts.	X		The Regulation of the Company's Board, approved at Board Meeting held on March 1, 2019, establishes that Board members have the right to request the support from experts and external specialized advisors to the Board.
b. To take part of the induction programs about their powers and responsibilities and to be timely informed about the organizational structure of the Company.	X		The Regulation of the Company's Board, approved at Board Meeting held on March 1, 2019, established the procedure for induction of people appointed for the first time as Directors.
C. Be remunerated for the work performed, combining recognition of professional experience and dedication to the company with criterion of rationality.	X		Only Independent Directors receive remuneration, the other Directors waive the right to receive such remuneration.

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a. If specialized consultants were engaged during the period, please indicate whether the list of specialized advisors who served during the period for decision-making purposes was communicated to the shareholders.

Yes	No	
100	110	

If applicable, please indicate whether any of the specialized advisors was related to any member of the Board and/or Top Management (\*)

Yes		No	
-----	--	----	--

(\*) For relations purposes, the criteria contained in the Regulation on Indirect Ownership, Relationship and Economic Groups shall apply.

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

c. Please indicate the percentage representing the total amount of annual remuneration and bonuses of Directors, in relation to the gross income according to the financial statements of the Company.

Remuneration	"(%) Gross income"	Bonuses	"(%) Gross income"
Directors (independents not included)		Delivery of shares	
Independent Directors	0.0177	Delivery of options	
		Delivery of money	
		Other (please detail)	

### **Principle 18: Regulation of the Board**

Question III.6	Yes	No	Explanation:
Does the Company have binding Regulations of	Χ		The Company has a Board Regulation, which was
the Board the noncompliance of which entails			approved at Board Meeting held on March 1, 2019.
liability?			

Please indicate whether the Regulation of the Board contains:

Si	No
X	
X	
X	
	Х
	_
Χ	
	Si X X X

Other / please detail

The Regulation of the Board, approved on March 1, 2019, also establishes: (i) the principles governing the acts of the Board; (ii) the roles of the Board Committees; (iii) the engagement of and advice from experts; (iv) the evaluation of Board members; (v) the remuneration of Board members, among other things.

### **Principle 19: Independent Directors**

Pregunta III.7	Yes	No	Explanation:
Does at least one-third of the Board of Directors consist of Independent Directors?	X		The Board is composed of 7 principal board members. After the resignation of one of the independent directors, communicated to the SMV on December 20, 2019, the company has two (2) independent directors.

In addition to the criteria established in the "Guidelines for the Qualification of Independent Directors", the company has established the following criteria to classify Directors as Independent Directors:

Pursuant to the provisions in article 5 of Resolution No. 016-2019-SMV/0, the Company appointed its Independent Directors in accordance with its own criteria. See answer III.8 b) of principle 19 herein.

Question III.8	Yes	No	Explanation:
Does the Board state that the proposed candidate is independent based on inquiries and the statement made by the candidate?		X	Directors sign a statement certifying their independent condition. Considering that, according to the Company Law and Bylaws, the Board is appointed by the General Shareholders' Meeting, the Board has not considered to date the ex ante verification of the independent condition of candidates for Director.
b. Do the applicants to Independent Directors declare their independent condition before the Company, its shareholders and directors?	X		Each of the current independent directors submitted a statement to the Company declaring that: (i) they do not have any relationship with the management or the main shareholder of the Company, (ii) they do not have any ownership interest in the share capital of the Company or the main shareholder permitting them to be in their boards; (iii) they are not a director or manager at any of the legal entities composing the economic group of the Company, or any main shareholder of the Company; (iv) they do not belong to the group of people who exercised control of the economic group of the Company, or to the group of people who exercised control of the economic group of the main shareholders of the Company. (Main shareholder is to be understood as the shareholder holding more than 5% of the share capital).

Please indicate whether the Board at least once a year verifies that Independent Directors comply with the requirements and conditions to be qualify as such.

### **Principle 20: Board operation**

No	Explanation:
	Expianation.
	The Board has a meeting program including certain proposed items in the agenda.

Question III.10  Does the company provide its Directors channels and procedures necessary to effectively participate in Board meetings, even remote sessions?	Yes	No	Explanation:  The Company bylaws establishes the possibility to carry out remote sessions of Board meetings; and Board meetings may be attended by phone, video conference call and electronic mail. In case a remote session is held, a call is sent three (3) days in advance. The call includes the agenda to be discussed and the necessary documents are submitted for review by the directors.

**ANNEXES** 

a. Please indicate the following regarding the Board meetings held in the year:

Number of meetings held	14
Number of meetings held without call for meeting (*)	0
Number of meetings where the Chairman of the Board was absent	3
Number of meetings where one or more Directors were represented by alternate or	5
substitute directors	
Number of principal directors represented at least once	5

- (\*) In this field, please indicate the number of meetings held by virtue of the last paragraph of article 167 of the General Corporations Law.
- b. Please indicate the percentage of Directors' attendance to Board meetings during the year.

Name	% of attendance
Frank Demaile (he serves as director since 7/06/2019)	71
Philip De Cnudde (he served as director until 7/06/2019)	80
Stefano Terranova (he served as director until 19/03/2019)	100
Dante Dell'Elce (he served as director until 19/03/2019)	100
José Luis Casabonne Ricketts	100
Axel Leveque	92
Mariana Costa (she served as director from 19/03/2019 to 20/12/19 )	100
Marc Verstraete	85
Pierre Devillers (he serves as director since 19/03/2019)	90
Fernando de la Flor Belaunde	100

C. Please indicate how far in advance the information related to the topics to be discussed at a meeting is provided to the Board.

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

Question III.11	Yes	No	Explanation:
Does the Board assess at least once a year, its performance as governing body and its members?		X	The Regulation of the Company's Board establishes the possibility to assess the Board management performance (as a governing body and individually). If applicable, such assessment will be conducted in the first three months of every calendar year. However, to date, the Board has not conducted such assessment.
b. Is the self-assessment method alternated with the assessment performed by external advisors?	X		The Regulation of the Company's Board establishes that the Board may approve the engagement of external advisors in the assessment procedure.

a. Please indiciate if Board performance assessments have been performed during the year.

	Yes	No
As a governing body		Х
To its members		Χ

In case the answer is yes to any of the questions above, please indicate the following information for each assessment:

Assessment	Self-Assessment		External Ass		
	Date	Communication (*)	Date	Responsible Entity	Communication (*)

(\*) Answer Yes or No in case the assessment was made known to the shareholders

### **Principle C21: Special Committees**

Question III.12	Yes	No	Explanation:
a. Are there special committees within the Board of Directors of the Company created to focus on areas that are most important for the conduct of Company business?	X		Some of the Board members are part of the following committees: Committee for the Review of Transactions between Related Companies and Audit Committee.
b. Are the regulations governing each of the special committees created by the Board of Directors subject to Board approval?	X		Each of these committees have documents governing their operation, which were approved at a Board meeting held on May 5, 2006.
C. Are the special committees chaired by Independent Board Members?	Х		The Committee for Review of Transactions between Related Companies and the Audit Committee are chaired by independent directors.
d. Are special committees assigned a budget?		Х	Special committees are not assigned a budget. To date, the Board has not considered assigning a specific budget to the committees. However, the Regulation of the Board provides that directors are entitled to request the support from experts and specialized external advisors to the Board.

Question III.13	Yes	No	Explanation:
Does the Company have a Nominating and		Х	The Company does not have a Nominating and
Compensations Committee entrusted with appointing the			Compensations Committee. To date, the Board has not
Board member candidates who will be proposed by the			considered the application of such practice, and therefore
Board for approval at the General Shareholders' Meeting,			the provisions set forth in the General Corporations Law
and approving Senior Management's compensation and			and Company Bylaws apply.
incentive system?			

Question III.14	Yes	No	Explanation:
Does the Company have an Audit Committee to	Х		The Company has an Audit Committee, the operation of
supervise the effectiveness and suitability of the			which was approved at the Board Meeting held on May 5,
Company's internal and external control system and			2006.
the reports submitted by the independent auditor or			
auditing firm, as well as compliance with regulations			
on legal and professional independence?			

a. Please specify whether the Company additionally has the following Special Committees:

	Yes	No
Risk Committee		Х
Corporate Governance Committee		Х

b. If the Company has Special Committees, please provide the following information about each committee:

COMMITTEE 1	
Name of Committee:	Committee for Review of Transactions
	between Related Companies
Created on:	5/05/06
Main duties:	Review and evaluate the transactions to be made
	between the Company and companies related to it
	and/or the ENGIE Group, analyzing the terms of
	such transactions and putting forward its
	recommendations to the Board.

Committee Members (*):		Date				
Name and last name	Start (**)	Position in	Position in the committee			
Fernando de la Flor Belaunde	10/05/16		Chairman			
Dante Dell'Elce	10/05/16	19/03/19	Member			
Hendrik De Buyserie	13/02/18		Member			
Marc Verstraete	15/04/19	Member				
% of Committee Members wh	o are Independent Directors:				33	
Number of meetings held duri	ng the fiscal year:	-	-	-	2	
Does it have powers conferred	Yes	No	Х			
General Corporations Law?:						
Does the Committee or its Ch	airman participate in the Genera	al Shareholders' Meeting?	Yes	No	Х	

- (\*) Information is to be provided on persons who were Committee members during the reporting year.
- (\*\*) It refers to the initial appointment as Committee member in the reporting company
- (\*\*\*) To be completed only if the member stopped servingon the Committee during the fiscal year.

COMMITTEE 2	
Name of Committee:	Audit Committee
Created on:	5/05/06
Main duties:	Assist the Board with the supervision of financial reports, internal control, risk management and assessment, compliance with applicable laws and regulations, as well as with the verification of transparency and integrity of the financial information made public by the Company.

Committee Members (*):		Date				
Name and last name	Start (**)	Position i	n the Commi	ttee		
Jose Luis Casabonne	10/05/16		Chairman			
Dante Dell'Elce	10/05/16	19/03/19	Member			
Stefano Terranova	10/05/16	19/03/19	Member			
Marc Verstraete	15/04/19		Member			
Pierre Devillers	15/04/19		Member			
% of Committee Members wh	o are Independent Directors:				33	
Number of meetings held duri	ng the fiscal year:	-		•	4	
Does it have powers conferre	Yes	No	Χ			
General Corporations Law?:						
Does the Committee or its Ch	airman participate in the Gene	ral Shareholders' Meeting?	Yes	No	Χ	

<sup>(\*)</sup> Information is to be provided on persons who were Committee members during the reporting year.

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rinci	nla	77.	Code	Λf	Ethice	and	conflicte	of interest
			Oute	$\mathbf{v}$		anu	COHILICIS	OI IIILEI ESL

Qustion III.15	Yes	No	Explanation:
Does the Company take measures to prevent, detect, handle and reveal any conflicts of interest that may arise?	Х		The Company has an Ethics Officer, an Ethics Committee and ethics policies, as well as an Internal Code of Conduct and a system for reporting incidents, where the actions to be taken in case of conflicts of interest are provided.

If applicable, please indicate what area and/or person is in charge of follow-up and control of possible conflicts of interest. If the responsible party is a person, additionally include that person's position and company area.

Responsible Area	Legal	Legal Division			
Responsible Person					
Responsible Person Name and last name	Position	Area			

Question III.16 / Compliance	Yes	No	Explanation:
a. Does the Company have a Code of Ethics (*), and are Board Members, managers, officers and other Company employees (**) required to comply with it, which includes ethical and professional responsibility criteria, as well as how potential conflicts of interest are handled?	X		The Company has a Code of Ethics, which is distributed among the employees (there are also ethics policies in place, which include the protocol on how to handle conflict of interest cases).
b. Are training programs on compliance with the Ethics Code submitted to the Board of Directors or the General Manager for approval?	X		The Company provides training, including practical cases of how to apply the ethics code among employees from all premises. Training sessions are also carried out for specific groups of the Company.

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

(\*\*) The term "employees" includes all person who have any type of work relationship with the Company, irrespective of employment regime or system.

If the Company has an Ethics Code, please specify:

a. Is it available to:

	Yes	No
Shareholders	X	
Others to whom it applies	X	
General public	X	

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<sup>(\*\*)</sup> It refers to the initial appointment as Committee member in the reporting company

<sup>(\*\*\*)</sup> To be completed only if the member stopped servingon the Committee during the fiscal year.



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b. Please indicate what area and/or person is in charge of follow-up and compliance with the Ethics Code. If the responsible party is a person, additionally include that person's position, company area and to whom the person reports.

Responsible Area Ethics Officer Responsible Person Position Name and last name Area Report to Gilda Spallarossa Ethics Officer Legal Division General Management C. Is a record kept of non-compliances with this Code? No Yes d. Please indicate the number of non-compliances with the provisions established in said Code that were detected or reported during the fiscal year. Number of non-compliances

Question III.17	Yes	No	Explanation:
a. Does the Company have mechanisms for reporting any illegal or unethical conduct and ensuring the confidentiality of the informant?	X		The informant can meet with the Ethics Officer, who will evaluate the situation. There is also an Ethics Committee to review the reports in a confidential manner. Additionally, the Company has an Ethics Line RESGUARDA to receive anonymous reports on irregularities or suspicions of noncompliances with the Ethics Charter, through the Company's website (engie-energia.com.pe), electronic mail (ética.engie@resguarda.com), fax (0-800-00932) and by phone (0-800-000932).
b. Are reports made directly to the Audit Committee when they are related to financial matters o when the General Management or the Financial Management are involved?		X	The reports are not directly submitted to the Company's Audit Committee. To date, the Board has not considered the application of such practice, since: (i) the Company has an Ethics Committee; and (ii) the Regulation of the Company's Board establishes that the Finance Vice President and/or the Ethics Officer, as applicable, are responsible for reporting to the Audit Committee the concerns that may relate to accounting matters or when the Finance Vice President or the General Manager are involved.

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Question III.18	Yes	No	Explanation:
a. Is the Board responsible for follow-up and control of any potential conflicts of interests within the Board?		X	The Board is not responsible for follow-up and control of conflicts of interest arising within the Board. The responsibility for such follow-up lies with the Ethics Officer. To date, the Management has not considered such practice, since the Ethics Officer, who is also the Board Secretary, reports to the Board about the follow-up and control. However, the Regulation of the Company's Board requires directors to disclose the conflicts of interest they may have and to refrain from voting in matters where there they have conflicts of interest.
b. If the Company is not a financial institution, does it have an established policy preventing Board members from receiving loans from the Company or any company in its economic group, unless prior authorization from the Board of Directors is obtained?		X	The Company does not have a policy prohibiting Board members to receive loans from the Company or any company in its economic group. To date, the Management has not considered the application of such practice, and therefore the provisions set out in the General Corporations Law apply.
C. If the Company is not a financial institution, does it have an established policy preventing Senior Management members from receiving loans from the Company or any company in its economic group, unless prior authorization from the Board of Directors is obtained?		X	The Company does not have a policy prohibiting Senior Management members to receive loans from the Company or any company in its economic group. To date, the Management has not considered the application of such practice, and therefore the provisions set out in the General Corporations Law apply.

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# REPORT ON COMPLIANCE WITH THE GOOD CORPORATE GOVERNANCE CODE FOR PERUVIAN COMPANIES (10150)

a. Provide the following information on any Senior Management members who own a share interest equal to or greater than 5% of the Company.

Name and last name	Position	Numb	er of share	es	% of total shares
% of total shares held by Senior	Management.				

b. Please indicate if any members of the Company Board or Senior Management is a spouse, has a first or second degree kinship by blood, or has any first degree of affinity with:

Name and last name	Related to:			Name and last name	Type of relationship	Additional information (***)	
	Shareholder (*)	Director	Senior Management	of shareholder / Director / Manager	relationship (**)		

- (\*) Shareholders with a share interest equal to or greater than 5% of the share capital.
- (\*\*) The criteria for relationship contained in the Regulation of Indirect Ownership, Relationship and Economic Groups shall apply in order to determine such relationships
- (\*\*\*) Should a relationship exist with any shareholder, include the shareholder's share interest. If there is a relationship with a member of the Senior Management, include the manager's position.
- c. If any Board Member serves or has served during this fiscal year in any management position in the Company, provide the following information:

Name and last name	Management position held	Period at Manag	Period at Management position			
		Start (*)	End (**)			
Hendrik De Buyserie (Alternate Director)	General Manager	13/02/18				
Marcelo Fernandes Soares (Alternate Director)	Finance Vice President	17/08/17				
Daniel Javier Cámac Gutiérrez (Alternate Director)	Commercial Vice President	15/05/12				
Gilda Spallarossa (Alternate Director)	Legal Vice President	1/04/15				
Felisa Ros (Alternate Director)	Operations Vice President	7/06/16				

- (\*) It refers to the initial appointment to the management position in the reporting company
- (\*\*) To be completed only if the member stopped serving in the management position during the fiscal year.

d. If any member of the Company Board or Senior Management has maintained during the fiscal year any commercial or contractual relationship with the Company considered significant, whether for its amount or for the matter involved, provide the following information.

Name and last name	Type of relationship	Brief description

### **Principle 23: Operations with related parties**

Question III.19	Yes	No	Explanation:
a. Does the Board of Directors have policies and procedures to assess, approve and disclose certain transactions between the Company and related parties, as well as to be aware of direct or indirect commercial or personal relationships among Board Members and between Board Members and the Company, Company suppliers or clients, and other stakeholders?	X		The Committee for Review of Transactions between Related Companies analyzes the cases with operations between the Company and related companies. Independent directors sign affidavits certifying that they do not take part in companies representing main shareholders. The Internal Code of Conduct takes into account the purchase/sale of Company shares.
b. In the case of particularly significant or complex transactions, is assessment by independent external advisors provided for?	X		The Regulation of the Company Board establishes that Directors are entitled to request the support or assistance from external experts or specialized advisors to the Board.

a. If the answer to item a., Question III.19 was yes, indicate which area(s) of the Company is in charge of handling transactions with related parties in the following aspects:

Aspect	Area in Charge
Assessment	Committee for Review of Transactions between Related Companies
Approval	Board
Disclosure	

b. Please indicate the procedures for approving transactions between related parties.

The Committee for Review of Transactions between Related Companies evaluates the transaction and analyzes the information provided. Afterwards, if the Committee deems it convenient, it recommends the transaction to the Board, which, after a second evaluation, approves or disapproves it.

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c. Please detail any transactions between the Company and related parties that took place during the fiscal year considered significant whether for its amount or for the matter involved.

Name or company name of the related party	Nature of the relationship (*)	Type of transaction	Amount (S/.)

- (\*\*) The provisions for the application of paragraph c) of article 51 of the Securities Market Law, approved by Resolution No. 029-2018-SMV/01 or substitute regulation apply to determine any such relationship.
- d. Please specify if the Company establishes limits on transactions with related parties:

### **Principle 24: Roles of Senior Management**

Question III.20 / Compliance	Yes	No	Explanation:
a. Does the Company have a clear policy defining the limits between the governance functions of the Board of Directors, the regular management by Senior Management and the leadership of the General Manager?	X		Regulated through the General Powers Regime.
b. Are the positions of General Manager and Chairman of the Board of the Company held by different persons?	X		Both postions are appointed by the Board.
c. Does Senior Management have sufficient autonomy to carry out designated functions within the framework of the policies and guidelines defined and monitored by the Board of Directors?	Х		
d. Is the General Manager responsible for following and enforcing the policy for providing information to the Board and Board Members?	Х		
e. Does the Board annually review the General Manager's performance subject to well-defined standards?		X	To date, the Company has not considered the application of such practice, since the Board meets on a regular basis, where the General Management gives an account about the Company's operation and management, and the Board is deemed to have been duly informed.
f. Does the compensation made to Senior Management have a fixed component and a variable component that take into consideration the Company's performance, based on sound and responsible risk-taking and meeting the goals defined in the respective plans?	Х		

. Provide the following information on the compensation paid to the General Manager and senior management (inclu	uding
onuses)	

Name and last name	Date in the management position	
	Start (*)	End (**)
General Manager		
Senior management	0.26 (including remuneration of the general manager)	0.12 (including remuneration of the general manager)

b. If the Company pays bonuses or benefits other than those legally established to Senior Management, indicate the manner(s) in which these are paid.

	General Manager	Managers
Shares		
Stock options		
Monetary		
Other / Please detal		

C. If the	e Senior	Managemei	nt's compens	ation has a	variable o	component,	specify th	ne main	aspects	considered	in order t	o detern	nine such
compe	nsation.												

d. Please indicate if the Board evaluated the performance of the General Manager during the fiscal year

Yes	X	No	
		1	



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### PILLAR IV: RISK AND COMPLIANCE

### **Principle 25: Risk Management Environment**

Question IV.1	Yes	No	Explanation:
a. Has the Board of Directors approved a comprehensive risk management policy suitable to the Company's size and complexity, promoting a risk management culture within the Company, from the Board of Directors to Senior Management to the employees themselves?			At Board meeting held on November8, 2016, the new Commercial and Market Risk Policy was approved. The Company also manages its risks at all levels, verifying the risks in all divisions at the Vice President Committee and at the Board level through face-to-face meetings, the review of Occupational Health and Safety Standards (OHS), ethics, financial and commercial issues, and others.
b. Does the comprehensive risk management policy extend to all of the companies in the group and provide an overall overview of critical risks?			The ENGIE Group has implemented several programs to minimize risks of different types. In fiscal year 2019, programs were implemented to prevent ethical, OHS, commercial and financial, operation, environmental and regulatory compliance risks.
Does the Company have a risk management delegation police he Company?  Yes	cy esta	blishir <b>No</b>	ng the limits of risks that may be managed by each level of

Question IV.2	Yes	No	Explanation:
a. Does the General Manager manage the risks to which the Company is exposed and advises the Board of Directors of these risks?	Х		
b. Is the General Manager responsible for the risk management system, should there be no Risk Committee or Risk Manager?	Х		As explained below, there is a manager who consolidate and reports the risk to the general manager, being the latter responsible for managing the risks to which the Company is exposed.

	Yes	Х	No	
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a. If the answer is yes, please provide the following information:

Name and last name	Date in management	position	Reports to (Area / Body)
	Start (*)	End (**)	
Marcelo Fernandes Soares	17/08/17		General Manager

- (\*) It refers to the initial appointment in the reporting company.
- (\*\*) To be completed only if the manager stopped serving in that position during the fiscal year.

Question IV.3	Yes	No	Explanation:
Does the Company have an internal and external monitoring system supervised by the Board of Directors as to effectiveness and suitability?	X		The Board Regulation establishes that Company's internal auditor is responsible before the Audit Committee for rendering an account on the internal (annual) audit plan, the execution of such plan and the results obtained in the year. Additionally, at the Board meeting held on November 12, 2019, the internal auditor gave an account of the 2020 Audit Plan.

### Principle 26: Internal audit

Question IV.4	Yes	No	Explanation:
a. Does the internal auditor work exclusively on auditing tasks, having autonomy, experience and expertise in the areas to be monitored, and independence to follow-up and evaluate the effectiveness of the risk management system?	X		
b. Do the functions of the internal auditor include to continuously review that all of the financial information created or booked by the Company is valid and reliable, as well as to verify the effectiveness of regulatory compliance?	X		
c. Does the internal auditor report directly to the Audit Committee on plans, budget, activities, progress, results obtained and actions taken by said internal auditor?	X		The Board Regulation establishes that the Company's internal auditor is responsible before the Audit Commit for rendering an account on the internal (annual) plan, the execution thereof and the results obtained in the year.

**ANNEXES** 

Vos	×	No	

If the answer is yes, within the organizational structure of the Company, what body does Audit report to?

The Board, at the proposal of the Audit Committee, approves the appointment, ratification or dismissal of the internal auditor. Additionally, the Company's internal auditor reports directly to the Audit Committee (see answer IV.4.c of Principle 26 herein) and is shown under the General Manager in the internal organization
chart.

b. Please indicate if the Company has a Corporate Internal Auditor.

	.,	No	
Yes	X	No	

Please indicate what the main responsibilities of the person in charge of internal auditing are, and if that person has duties other than internal auditing.

Supervision duties for the Company's internal control model to provide reasonable safety for fulfillment of the following objectives: efficiency and effectiveness of operations, reliability of the financial information and compliance with applicable laws and regulations.

Question IV.5	Yes	No	Explanation:
Does the Board of Directors appoint and remove the Internal Auditor at the proposal of the Auditing Committee?	Х		The Board Regulation establishes that the Audit Committee proposes to the Board the appointment, ratification or dismissal, as applicable, of the Company's internal auditor.

### **Principle 27: External auditors**

Question IV.6	Yes	No	Explanation:
Is an auditing firm or independent auditor, demonstrably independent from the Company, designated at the General Shareholders' Meeting, at the proposal of the Board of Directors?	X		At the General Shareholders' Meeting held on March 19, 2019, the designation of the Audit Firm was approved for year 2019. Every year, the General Shareholders' Meeting shall appoint external auditors, who shall be certified public accountants, but can also delegate to the Board such appointment.

a. Does the Company have a policy for designating the External Auditor?

Yes	X	No	

If the answer is yes, describe the procedure for engaging the auditing firm entrusted with preparing the audit report on the annual financial statements (including identification of the corporate body in charge of selecting the auditing firm).

Article 25 of the Bylaws provides that the General Shareholders' Meeting is entitled to appoint or delegate to the Board the appointment of auditors. The current auditors were appointed by the General Shareholders' Meeting. Additionally, at the Board Meeting held on May 30, 2017, the procedure for "Appointment of External Audit Firms and External Audit Process" was approved for selecting, maintaining or changing the audit firm taking into account the criteria set out therein.

b. If the audit firm has performed services other than auditing accounts, please indicate if such other services were advised to the General Shareholders' Meeting, and what percentage of the audit firm's total invoicing to the Company is represented by such other services

162			No	X
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c. Do persons or entities related to the auditing firm provide services to the Company, other than services performed for auditing accounts?

If the answer is yes, please provide the following information about the additional services rendered by persons or entities related to the auditing firm during this reporting year.

Name or company name	Additional services	% of remuneration (*)
Ernst & Young Asesores Empresariales S. Civil de R.L.	Assistance for evaluation of the Compliance Program focused on corruption, money laundering and terrorism financing risks.	34%

(\*)Invoicing for additional services in addition to the invoicing of audit services.



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d. Please indicate if the audit firm has used different teams for any additional services rendered other than auditing accounts.

Yes			No		
Question IV.7		Yes	No	Explanation:	
a. Does the Company maintain a its independent auditor o auditing	. ,	Х			
b. If such policy establishes time the auditing firm, does the auditin rotate at most every five (5) years	g firm's work team	X			

Please provide the following information on the audit firms that have provided services to the Company in the past five (5) years.

Name of audit firm	Service (*)	Period	Compensation (**)	% of amount paid to audit firms
Gris y Asociados S. Civil de R.L., miembro de Deloitte, Touche, Tohmatsu	Opinion on financial information	2015	100	100
Gris y Asociados S. Civil de R.L., miembro de Deloitte, Touche, Tohmatsu	Opinion on financial information	2016	100	100
Gris y Asociados S. Civil de R.L., miembro de Deloitte, Touche, Tohmatsu	Opinion on financial information	2017	100	100
Paredes, Burga & Asociados Sociedad Civil de Responsabilidad Limitada	Opinion on financial information	2018	100	100
Paredes, Burga & Asociados Sociedad Civil de Responsabilidad Limitada	Opinion on financial information	2019	100	100

<sup>(\*)</sup> Please include all types of services, including opinions on financial information, account assessments, operational audits, system audits, tax audits and/or other services

Question IV.8	Yes	No	Explanation:
In the case of economic groups, is the external auditor the same one for the whole group, including offshore affiliates?		X	At the Board Meeting held on May 30, 2017, the procedure for "Appointment of External Audit Firms and External Audit Process" was approved. By virtue of such policy, and taking into account the observations made by the shareholders, the external audit firm was rotated from fiscal year 2018.

Please indicate if the audit firm engaged to issue an opinion on the Company's financial statements for this fiscal year also issued an opinion on the financial statements of other companies in its economic group for the same year.

Yes	X	No	

If the answer is yes, please indicate the following:

Name or Business Name of the company(ies) in the Economic Group	
ENGIE PERU S. A.	
ENGIE SERVICES PERU S. A.	

<sup>(\*\*)</sup> From the total amount paid to the audit firm on all items, indicate the percentage paid for financial auditing services.

Yes

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# REPORT ON COMPLIANCE WITH THE GOOD CORPORATE GOVERNANCE CODE FOR PERUVIAN COMPANIES (10150)

### **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, where the guidelines, standards and criteria to be applied to manage, collect, prepare, classify, organize and/or distribute information developed or received by the Company are defined in a formal, orderly and comprehensive manner?		X	The Company has information available on its corporate website (http://www.engie-energia.pe/) regarding its operations, production, client portfolio, projects under development and financial position. This information is updated on a quarterly basis, after the publication of its financial statements. The Company also has a single point of contact for shareholders and investors.

a. If so, please indicate whether the Company disseminates the following under its information policy:

					Yes	No
Corporate purpose					Χ	
List of Board and Senior Manage	ement members				Χ	
Shareholding structure					Χ	
Description of its Economic Group				Χ		
Financial Statements and annua	l report				Χ	
Others / please specify						
b. Does the company have a corp	oorate website?					
Yes	Х	No				

The corporate website includes:

		Yes	No
A special section on corporate govern Governance Report	ance and/or shareholder and investor relations, including the Corporate	Х	
Significant Events		Х	
Financial Information		Х	
Bylaws		Х	
General Shareholders' Meeting Regu	ation and infromation on meetings (attendance, minutes, other)	Х	
Board members and Regulation	-	Х	
Code of Ethics	-	Х	
Risk policy	-		Χ
Corporate Social Responsibility (com	munity, environment, other)	Χ	
Others / please specify	Projects. It should be notes that regarding items five and six of this quanswer does not include the General Shareholders' Meeting Regulation.	-	

Question V.2		Yes	No	Explanation:	
Does the Company have an investor re	lations office?	Χ			
the Company has an investor relations	office, please indica	te who	is the	person in charg	e.
Responsible for the investor relations office			Adriana Burneo – Manager of Corporate Flnance and Investor Relations		
f there is no investor relations office, ind	, ,		,	•	
	iors and the general p	public.	11 11 15	a person, includ	e such person's position and company
	ers and the general p	риопс.	II IL IS	a person, includ	e such person's position and company
area.	ers and the general p	public.	11 11 15	a person, includ	e such person's position and company
area.	iors and the general p	public.	11 11 15	a person, includ	e such person's position and company
Responsible Area	Position Position	риынс.	II IL IS	a person, includ	e such person's position and company  Area
Responsible Area  Person in charge		риынс.	III IL IS	a person, includ	
Responsible Area  Person in charge		риынс.	III II IS	a person, includ	
Responsible Area  Person in charge	Position		III IL IS	a person, includ	

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## X

# REPORT ON COMPLIANCE WITH THE GOOD CORPORATE GOVERNANCE CODE FOR PERUVIAN COMPANIES (10150)

### Principle 30: Information on shareholding structure and shareholders' agreement

Question V.3	Yes	No	Explanation:
Does the Company disclose the ownership structure, considering the various share classes and, if applicable, any joint share interest held by a particular economic group?	Х		The Company reports about its shareholding structure and share interest of the economic group at year end in its Annual Report and through information reported to the Securities Market Superintendency.

Please indicate the share ownership structure of the Company at the end of the fiscal year

Shares with voting rights	Number of shareholders (at fiscal	Share interest %
Less than 1%	511	4.96
Between 1% and 5%	4	13.58
Between 5% and 10%	3	19.69
More than 10%	1	61.77
Total	519	100

Shares with voting rights	Number of shareholders (at fiscal year-end)	Share interest %
Less than 1%		
Between 1% and 5%		
Between 5% and 10%		
More than 10%		
Total		

Shares with voting rights	Number of shareholders (at fiscal year-end)	Share interest %
Less than 1%		
Between 1% and 5%		
Between 5% and 10%		
More than 10%		
Total		

Question V.4		Yes	No	Explanation:					
Does the Company report share									
Does the Company have existing shareholders' agreements registered?									
Yes			No		X				

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b. In the event that the Company was advised of any shareholders' agreement during the fiscal year, indicate the subject matter each agreement.

Election of Board members	
Exercising of voting right at shareholders' meetings	
Restriction on the free transfer of shares	
Changes in Company internal regulations or bylaws	
Other / Please specify	

### **Principle 31: Corporate governance report**

Question V.5	Yes	No	Explanation:
Does the Company disclose its corporate governance standards in an annual report, the contents of which is under the responsibility of the Board of Directors, following prior reports from the Audit Committee, the Corporate Governance Committee or, if applicable, an external consultant?		X	The Company prepares a corporate governance report To date, the Board has not given consideration to the application of such practice, since the Annual Report includes the Good Corporate Governance and Sustainability Principles, which are approved first by the Board and then by the Annual Shareholders' Meeting.

a. The Company has methods for internal and external dissemination of corporate governance practices.

Yes	No	X

If the answer is yes, please specify the mechanisms used.

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# REPORT ON COMPLIANCE WITH THE GOOD CORPORATE GOVERNANCE CODE FOR PERUVIAN COMPANIES (10150)

**ANNEXES** 

### **SECTION C**

### **Contents of Company documents**

Indicate which of the following Company documents regulate the matters below:

		Principles	Bylaws	Internal Regulation (*)	Manual	Other	Not regulated	Not applicable	Document name (**)
1	Policy for redemption or swap of shares without voting rights	1						Х	
2	Shareholder registration method and person in charge of the shareholder register	2	Х						
3	Procedures for selecting an external advisor to issue an independent opinion on proposals made by the Board of Directors on corporate operations that may affect the shareholders' right to no dilution	3		X					
4	Procedure for receiving and responding to shareholders' requests for information and opinion	4					Х		
5	Dividend policy	5		Х					Dividend Policy
6	Policies or agreements preventing adoption of anti-takeover mechanisms	6						Х	
7	Arbitration agreement	7	Χ						
8	Policy for selecting Company Board Members	8	Χ						
9	Policy for evaluating remuneration of Company Board Members	8	Χ		•			•	
10	Mechanisms to make available to the shareholders information regarding the items in the agenda for General Shareholders' Meetings and the proposals for resolutions to be passed	10				Х			Call to shareholders

		Principles	Bylaws	Internal Regulation (*)	Manual	Other	Not reglulated	Not applicable	Document name (**)
11	Methods in addition to those established by law used by the Company to call shareholder meetings	10					Х		
12	Additional mechanisms for shareholders to submitproposals for agenda items to be discussed at General Shareholders' Meetings	11					Х		
13	Procedures for accepting or rejecting agenda items proposed by shareholders to be included in General Shareholders' Meetings	11					Х		
14	Mechanisms to allow for shareholders not physically present to participate in Shareholders' meetings	12					Х		
15	Procedures for shareholders to issue separate votes on independent matters	12	Х						
16	Procedures for delegating voting rights	13	Х						
17	Requirements and formalities for a shareholder to be represented at a Shareholders' Meeting	13	Х						
18	Procedures for delegating voting rights on members of the Board or of Senior Management	13					Х		
19	Procedure for following-up on resolutions passed at General Shareholders' Meetings	14					Χ		
20	The minimum and maximum number of members in the Company's Board of Directors	15	Χ				•		
21	The duties, rights and roles of the Company's Board Members	17	Х	Х		Х			Internal Code of Conduct (nov. 2017)

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		Principles	Bylaws	Internal Regulation (*)	Manual	Other	Not regulated	Not applicable	Document name (**)
22	Types of bonuses received by the Board of Directors for meeting Company goals	17						Х	
23	Policy for retaining consulting services to be provided to Board Members	17					Χ		
24	Induction Policy for new Board Members	17		Х		Х			Board Agreements
25	Special requirements to be an Independent Director of the Company	19					Χ		
26	Criteria for evaluating the performance of the Board of Directors and of its Members	20					Х		
27	Policy for determining, following-up and monitoring possible conflicts of interests	22				Х			Ethics Charter and Practical Guide to Ethics
28	Policy defining the procedure for assessing, approving and disclosing operations with related parties	23				Х			Terms of Reference of the Committee fo Transactions between Related Companies
29	Responsibilities and roles of the Chairman of the Board, the Executive President, the General Manager, and other officers with Senior Management positions	24	Х	Х					Board Regulation

		Principles	Bylaws	Internal Regulation (*)	Manual	Other	Not regulated	Not applicable	Document name (**)
30	Criteria for evaluating the performance of Senior Management	24					Х		
31	Policy for establishing and evaluating compensation of Senior Management	24				Х			
32	Comprehensive risk management policy	25				X			Internal procedures
33	Responsibilities of person or area in charge of Internal Auditing	26		X		Х			Integrated control system
34	Policy for designating the External Auditor, the External Auditor's contract term, and criteria for External Auditor renewal	27				Х			Policy for appointing audit firm and extenal audit process
35	Policy for disclosing and communicating information to investors	28					Χ		

<sup>(\*)</sup> Includes Regulation of the General Shareholders' Meeting, Board and others issued by the Company.

 $<sup>(\</sup>sp{**})$  Please indicate the name of the document, unless it is the Company Bylaws.



## CORPORATE SUSTAINABILITY REPORT

	ENGIE Energía Perú S.A.
Company name:	
Fiscal year:	2019
Website:	engie-energia.pe
Company name of audit firm:1	
RPJ:	20333363900

<sup>1.</sup> Available only if the information contained in this report has been reviewed by any specialized Company (for instance: Audit firm or consultancy firm).

### **SECTION A**

Question A.1	Yes	No	Explanation
Has the Company voluntarily adhered to standards of good Corporate Sustainability practices?	X		The ENGIE Group deems the certification of its affiliates around the world on quality, environmental and safety matters to be of paramount importance. As result, ENGIE Energía Perú has the following certifications: ISO 9001, ISO 14001 and OHSAS 18001. The aforementioned certifications are related to environmental management, occupational health and safety management, as well as quality management in energy dispatch and trading processes at the administrative office and operations at the ChilcaUno TPP, Ilo21 TPP (includit port facilities), Capacity Systems, Moquegua SS and the Yuncan HPP. Additionally, in 2018, ENGIE Energía Perú was incorporated into the Good Corporate Governance Index. The incorporation of the Company in the index evidences the compliance with high ethical and transparency standards in management.  The ENGIE Group is a member of the United Nations Global Compact, which promotes 10 fundamental principles related to human rights, labor rights, environment and anti-corruption.

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ELITIBE

ELITIBE

If the answer is yes, please indicate the standard and the date of adherence:

Standard	Fecha de adhesión
ISO 9001	09/02/2004
ISO 14001	09/02/2004
OHSAS 18001	09/02/2004
Environmental and Societal Responsability Policy	2014 (ENGIE Group)

If any other sustainability reports other than this report have been prepared, indicate the following information:

these reports are prepared:		Yes	No		
Voluntarily		Х			
By investor demand			Х		
By public institution requirement					
Other (please specify)	ENGIE Energía Perú uses the Corporate Environm System (CERIS), a digital system used to provide consumption, CO2 emissions and greenhouse gas contingency plans to minimize the impacts.	information on e			

Such reports may be accessed through:

Portal of the Securities Market Superintendecy	
Corporate website	x
Social networks	
Other / please specify	

Question A.2	Yes	No	Explanation
Does the Company have a	Х		In line with the requirements of ISO 14001 certification, in 2004 ENGIE
corporate policy			Energía Perú kicked off the corporate environmental commitments.
that considers the impact of			At present, the Company has an Environmental Policy approved in 2018,
its activities on the			which follows the guidelines of the ENGIE Group.
environment?			



a. If the answer to Question A.2 is yes, please indicate the corporate document where said policy is regulated and the corporate body approving said document.

Document	Body
P0200 Environmental Policy	Corporate Head of Environement - Operations Vice President

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

Yes	X	No	
-----	---	----	--

If the answer is yes, please indicate the results obtained:

The equivalent level of CO2 emissions, in 2019, at all plants of ENGIE Energía Perú, reached 2,000,408 tons.

c. Does the corporation quantify and documentthe total electric power used by its activities?

Yes X	No
-------	----

If the answer is yes, please indicate the results obtained:

ENGIE Energía Perú has a platform to compile operating and environmental information, entering energy inputs and outputs at each operating plant.

Main results: Energy consumption 91.9 GWh lhv\* (coal), 9,696 GWh lhv (natural gas), 30.02 GWh lhv (heating oil, gasoil, light gasoil).

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 $\begin{tabular}{ll} (\star) & Low heating value: Primary energy consumption from supplies used for power generation purposes. \end{tabular}$ 

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d. Does the corporation quantify and document total water used (water footprint) in its activities?

Yes X No
----------

If the answer is yes, please indicate the results obtained:

ENGIE Energía Perú quantifies the water used in all internal processes for energy production and per plant. At 2019 year-end, the incidence of water usage for all operating plants reaches 137,341 m3.

e. Does the corporation quantify and document the waste resulting from its activities?

Yes	Х	No	
-----	---	----	--

If the answer is yes, please indicate the results obtained:

ENGIE Energía Perú quantifies hazardous and non-hazardous waste from operating plants and administrative office in Lima.

In 2019, the final disposal of 140 tons of hazardous waste and 155 tons of non-hazardous waste was completed, of which 21 tons of hazardous waste and 48 tons of non-hazardous waste were recycled or treated.

Question A.3	Yes	No	Explanation
Does the corporation	Х		ENGIE Energía Perú has policies and processes to ensure observance with the
have a policy to promote			principles and rights of our employees, freedom of association, collective
and guarantee its			bargaining right, gender equality and the creation of a mutual cooperation
employees' fundamental			culture.
principles and rights at			
work?(*)			

- a. If the answer to Question A.3 was yes, please indicate the corporate document where this policy is regulated and the corporate body approving this document:
- (\*) According to the International Labor Organization (ILO) Declaration on Fundamental Principles and Labor Rights, adopted in 1998, the principles and rights come under the following four categories: (i) freedom of association and the effective recognition of the right to collective bargaining, (ii) the elimination of forced or compulsory labor, (iii) the abolition of child labor and (iv) the elimination of discrimination in respect of employment and occupation

Do	ocument	Body
•	P0400 Human Resources Management, including:	Human Resources and Communication VIce President -
•	Salary policy	Compensations and Labor Relations Management - General
•	P0408 Personnel recruitment policy	Management
•	P0401 Corporate induction policy	
•	P0412 Performance assessment policy	
•	P0405 Learning policy	
•	P0402 Company benefit policy	
•	P0406 Overtime	
•	P0407 Permits and leave of absence	
•	P0409 Health insurance	
•	P0410 Vacation	
•	P0411 Layoff	
•	P0413 Payroll	
•	P0414 Breastfeeding room	
•	P0200 Environmental, OHS and Security Management,	
	including:	Occupational Safety and Health Management
	- Internal occupational safety and health regulation	
	- Occupational safety and health consequences,	
	acknowledgements and sanctions policy	

Yes	×	No	
1.44		_ · · ·	

If the answer is Yes, indicate the area responsible for keeping that record and who this area reports to.

Area in charge	Reports directly to
Occupational Safety and Health Management	Operations Vice President

C. Does the corporation have a training plan for its employees?

Yes	X	No	
-----	---	----	--

If the answer is yes, indicate the corporate body that gives its approval to said plan and the frequency with which compliance with said plan is evaluated:

Area	Evaluation Frequency
Human Resources and Communications Vice President	Quarterly
Occupational Safety and Health Management	Quarterly

d. Does the corporation carry out surveys or assessments of the working environment?

If the answer is yes, please indicate the results obtained:

In 2019, the work survey ENGIE&Me was conducted among all our employees. The following results show the satisfaction of the main stakeholders of our Company, being 0 the lowest scoe and 100 the highest score:

ENGIE -> 91

Employee experience -> 82

Sustainable commitment -> 89

Question A.4	Yes	No	Explanation
Does the Company have	Х		ENGIE Energía Perú has a procedure to address and manage concerns,
a policy establishing			grievances and claims, which permits it to have guidelines for the reception,
basic guidelines for its			recording, follow-up and resolution of concerns, grievances and claims filed by
relationship with the			stakeholders, individually or collectively, in connection with Company
communities with which			operations and/or projects, in order to cement the trust and prevent potential
it interacts?			social conflicts.

a. If the answer to Question A.4 is Yes, indicate the corporate document where said policy is regulated and the corporate body approving said document.

Document	Body
Human rights policy / Procedure for handling and managing concerns, grievances and claims	Board / Operations Vice Presidency







b. Has the corporation faced social conflicts (strikes, marches, others) due to its operations in the community where it conducts its main activities?

Yes	X	No	
-----	---	----	--

If the answer is yes, explain the impact of these social conflicts on the Company's activities:

In 2019, no activities were stopped at the facilities of ENGIE Energía Perú; however, contractor activities were stopped, which represented man-hours lost for the execution of infrastructure projects. These events have not resulted in power generation downtime or physical and property damages.

C. Does the corporation work in collaboration with the community to jointly create value, including identifying and solving its main common problems?

V	.,	Na	
Yes	X	NO NO	

d. Does the corporation invest in social programs in the community where it conducts its main activities?

If the answer is yes, please indicate the percentage of its gross income that it invests in said programs, according to the Company's financial statements:

(%) Gross income	0.16%
------------------	-------

Question A.5	Yes	No	Explanation
Does the Company have a	Х		ENGIE Energía Perú has policies aiming at ensuring the ethics, responsibility,
policy establishing			transparency, punctuality and safety in managing suppliers.
basic guidelines for			
managing its relationships			
with suppliers?			

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a. If the answer to Question A.5 is yes, indicate the corporate document where said policy is regulated and the corporate body approving said document.

Document	Body
P0500 Procurement policy, including: •General service	Supply Management - Finance Vice Presidency
conditiona •General procurement conditions • Practical ethical guide for relations with suppliers (Practical Ethical Guide, Ethics Charter)	Board

b. Does the Company keep an updated record of its suppliers?

Yes	X	No	

If the answer is yes, please indicate the area responsible for keeping that record and who this area reports to.

Area in charge	Reports directly to
Supply and Administration Management	Finance Vice President
Accounting Management	Finance Vice President

C. Does the Company have supplier selection criteria that include ethical aspects and compliance with labor laws? An updated record of suppliers?

cí	.,	No	
<b>3</b> I	X	NO	

d. Does the Company have a procurement policy or contracting policy that selects suppliers who comply with environmental or sustainable management standards?

Si	X	No	

Question A.6	Yes	No	Explanation
Does the Company have a policy that establishes basic guidelines for managing client relations?	X		ENGIE Energía Perú has policies to ensure traceability in its client communication and management processes, as well as follow-up of contractual commitments, among other issues.

MEMORIA ANUAL 2019

Yes



## X CORPORATE SUSTAINABILITY REPORT

a. If the answer to question A.6 is yes, please indicate the corporate document where said policy is regulated and the corporate body approving said document.

Document	Body
P0300 Power Trading Policy, including:	Sales and Client Relations Management - Commercial Vice Presidency
Sales process	
Post-sales process	
Client enagement processes	

If the answer is Yes, indicate the area responsible for keeping that record and who this area reports to.

Area in charge	Reports directly to:
Sales and Client Relations Management	Commercial Vice Presidency

No

c. Does the Company have permanent channels for customer service and to receive suggestions and complaints related to the products and services it provides?

Yes	X	No			
d. Has the corporation received any recognition for the quality of its customer service?					
Yes	X	No			

If the answer is yes, please indicate the recognitions it has been awarded:

In 2019, ENGIE Energía Perú was awarded a recognition in the "Clients Come First" contest organized by Indecopi, thanks to two client-oriented practices: ENGIE Green Experience and Engienet. Both initiatives were runners-up in the responsible consumption category.

### **SECTION B**

#### **DETAIL OF ACTIONS IMPLEMENTED BY THE COMPANY**

In 2019, in ENGIE Energía Peru we continued to strengthen our business strategy through a sustainable operation approach. We identified new challenges to tackle, such as having more effective communications, be more committed with the environment and managing our resources in a more efficient manner.

This is reflected in the company objectives:









In line with this, the most relevant activities and results obtained by the Company in connection with its stakeholders are summarized below:





### **EMPLOYEES**

Name of activity	Description of activity	Objective	Results obtained and main indicators
Training to employees	As part of our strategy to lead the zero-carbon transition, in ENGIE we identify and encourage learning through courses on business-related matters, digitalization, clients, culture, ethics, occupational health and safety, and other matters.	Prepare and develop competences and internal talent, permitting employees to gain knowledge through online and/or in-class training.	<ul> <li>98% of employees have received training.</li> <li>20 elective courses imparted during the year on energy, innovation, digitalization, leadership and other subjects.</li> <li>3 on-the-job training sessions.</li> <li>5 "Sharing the Learning" sessions by replicating the attendance in events and conferences in the sector.</li> <li>Approximately 24 hours of training per employee.</li> </ul>
Performance assessment	Performance assessment of each employee to analyze the "what" and "how" of the objectives and competences that foster the Company's culture. Focus on constant feedback and support with development plans.	Support the performance of employees through development plans.	<ul> <li>100% of employees have completed the performance assessment process.</li> <li>Feedback campaign launched in all Company premises.</li> <li>1 in-class workshop and 1 online course on how to provide feedback.</li> </ul>
Leadership & Culture	Campaigns and workshops aimed at strengthening the Company's culture.	Incorporate guidelines, objectives and key behaviors that all employees in ENGIE should have.	<ul> <li>141 leaders trained in workshop of Leadership objectives.</li> <li>403 employees trained on 4 behaviors.</li> </ul>
Leadership - 360° Evaluation	360° evaluation on leaders of the operations division.	Reinforce the necessary competences for developing leaders of the operations division.	83 leaders have been evaluated at least once by one of their direct reports, peers or line manager.

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Name of activity	Description of activity	Objective	Results obtained and main indicators
Opportunities for professional growth	Publication of internal opportunities	Creating opportunities for development of internal personnel	51% of vacancies have been filled by internal opportunities (67% promotions, 16% on-the-job training and 17% internal transfers)
ENGIE Previene	Mobile app for safety reporting	Improve reporting time for events that may compromise the safety of personnel, or acknowledge good actions.	<ul> <li>1,200 "Safety Moments": reflection on risk situations</li> <li>1,650 safety inspections</li> <li>120 good safety practices implemented</li> <li>2,030 preventive reports issued</li> </ul>
Safety Sponsors	Involvement of employees as safety campaign leaders	Motivate employees to protect themselves through their own experiences	<ul> <li>14 videos on the use of personal protection equipment and compliance with procedures</li> <li>30 people acknowledged for their good safety performance</li> </ul>
Analysis and improvement of safety procedures	Review of our internal procedures and policies	Improve and simplify procedures and policies for ease of application	<ul> <li>14 procedures reviewed</li> <li>3 procedures simplified</li> <li>6 cross audits to review compliance</li> <li>Update of the Consequence Policy</li> </ul>
Leading by example	Empowerment of leaders as main spokespersons of the safety culture	Motivate employees to follow safety measures	<ul> <li>238 safety visits to offices or plants by vice presidents, managers and heads</li> <li>9 safety videos featuring the general manager and vice presidents</li> </ul>



### **COMMUNITIES**

Name of activity	Description of activity	Objective	Results obtained and main indicators
Development of local infrastrcutre	Improvement of parks, community centers, sport courts and institutional premises	Provide public areas for villagers from our areas of influence	3,400 beneficiary villagers from the areas of influence of the Yuncan and Quitaracsa power plants
	Maintenance of access roads, streets and pedestrian trails	Improve transit and access to production centers and agricultural areas	1,100 beneficiaries from the areas of influence of plant in Quitaracsa
	Improvement of irrigation infrastructure	Contribute with better facilities for agricultural production in our areas of influence	1,100 beneficiary villagers from rehabilitation and expansion works
	Management and provision of internet and telephony systems for the Quitaracsa community, as part of undertaken commitments	Connect people with information and technology	400 beneficiaries with access to telephony services
	School caravan for implementation of educational areas and handout of school supplies	Reduce educational gaps in public schools from our areas of operation	More than 15,060 beneficiary students from the communities close to Chilca, Ilo, Chen Chen, Yuncán and Quitaracsa

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Name of activity	Description of activity	Objective	Results obtained and main indicators
Productive development	Agricultural Entrepreneurial Development Program: training, workshops and permanent coaching to improve agricultural management in rural communities from the districts of Paucartambo and Huachón	Contribute to fight poverty and improve the quality of life of villagers	<ul> <li>107 beneficiary farmers</li> <li>11% yield increase of their products</li> <li>Loyalty of 2 large and formal clients</li> <li>4 products traded</li> </ul>
	Implementation of the primary processing plant for agricultural products in Paucartambo	Improve the trading conditions for agricultural products	650 m2 total area     Improved processing plant infrastructure  Implementation of granadilla pulp processing line
	Field School for Cattle  Management and  Sanitary Control	Control and reduce parasite diseases in cattle	<ul><li>150 beneficiary cattle breeders</li><li>5,000 beneficiary animals</li></ul>
	Advice and coaching to set up associations and application to competitive funds	Improve the economic activity of families	<ul> <li>18 beneficiary families with the setting up of an association in Ilo</li> <li>7 farmers' groups set up in the area of influence of the Quitaracsa plant</li> <li>20 beneficiary families by securing funds from the Lima Regional Government</li> </ul>
	Development and facilitation of field schools, technical assistance and internships for training of farmers in Quitaracsa	Identify emerging industries and improve local production in our area of influence	<ul> <li>14 beneficiary families with the internship</li> <li>35 beneficiary villagers with the technical assistance</li> <li>25 beneficiary families with production improvement</li> <li>250 villagers controlled their crop quality</li> </ul>
	Training scholarships and certification workshops for villagers and union members	Develop and strengthen capacity in local villages (fishermen, civil construction, etc.)	135 beneficiaries     20 beneficiary families with the course on photovoltaic panel installation



### **COMMUNITIES**

Name of activity	Description of activity	Objective	Results obtained and main indicators
Cultural and educational development	Energy Race: sport activity organized annually in Ilo, in coordination with educational centers, the local Educational Management Unit (UGEL), the Ilo Province Municipality (MPI), the Peruvian National Police and the Red Cross, among other allies.	Promote sport and an active and healthy life among students in the region	1,800 participants in all categories     More than 30 participating schools
	Guided tours of our facilities	Contribute with the vocational orientation of students from Chilca and Moquegua	Awareness raised among 200 visitors, among students and villagers, at our Ilo21 and Intipampa plants     Awareness raised among more than 150 students from Chilca
	The Energy Voice: artistic festival held in llo	Create an artistic and cultural space to promote the discovery of new talents and boost local culture	More than 3,000 contestants and spectators

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Name of activity	Description of activity	Objective	Results obtained and main indicators
Health and healthy food	Awareness campaign on the importance of oral hygiene	Improve oral hygiene practices of children	<ul> <li>1,100 oral health kits handed out to students</li> <li>Practical workshops at each of the schools visited in Chilca and in the communities in the vicinity of the Yuncan power plant</li> </ul>
	Comprehensive health campaign	Provide access to health services for populations in the vicinity of our operations	3,388 services provided among the population in the vicinity of all our operations
	Preventive health campaign "Clean hands, healthy lives" (Ilo and Moquegua)	Encourage children to wash their hands correctly and have healthy habits	Awareness raised among 4,562 students
	Healthy food workshops and contest	Educate mothers of community kitchens, among other community representatives, to reduce anemia and malnutrition at the Chilca community	More than 120 people trained, which will have an impact on the rest of the community

# CORPORATE SUSTAINABILITY REPORT

### **CLIENTS**

Name of activity	Description of activity	Objective	Results obtained and main indicators
Strategic events	We engage our clients through different events as the 2019 Lima Pan-American and Parapan-American Games, Perumin, Cade, and others	Bring clients closer to our products and strengthen bonds	10 events
Solar banks	We bring solar generation technology to the facilities of our clients	Promote the development of renewable energy	6 installed banks
Pilot project: Electric bus	Our electric bus was brought to the facilities of our clients for testing and experiencing it in their operations	Promote technology and promote future investments	4 clients tried e-mobility at their premises
Direct contact platforms	24-hour customer service through the control and supervision center and client extranet	Maintain constant communication with the client and resolve issues as soon as possible	56.4% of our clients have an extranet usernames
Satisfaction survey	Annual client survey on the quality of the service they receive	Measure the level of satisfaction and identify aspects for improvement with our clients	90% of general satisfaction

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SUPPLIERS

Name of activity	Description of activity	Objective	Results obtained and main indicators
Standardization	Evaluation of suppliers	Guarantee safety	More than 60 contractors started their
of Contractors	processes and analysis to adapt them to ENGIE's way of working.	processes as per ENGIE's standards.	standardization process.
Responsible purchases	Initiative aimed at promoting the procurement of products from local suppliers.	Contribute with the growth of the suppliers within our area of influence.	12% of our domestic purchases are local.
Performance Evaluation	Continuous improvement tool to evaluate the management with our suppliers.	Identify opportunities for improvement.	1,431 performance evaluations received.

# CORPORATE SUSTAINABILITY REPORT

### **ENVIRONMENT**

Name of activity	Description of activity	Objective	Results obtained and main indicators
Team training	Training of our Citizen  Monitoring and Surveillance  Committee	Empower villagers to protect the environment	<ul> <li>28 members in different sites</li> <li>16 meetings among Committee members</li> <li>More than 70 monitoring at the Ilo31 Cold Reserve TPP and Ilo41 Nodo Energético TPP</li> </ul>
Regular monitoring and permanent environmental inspection	Annual evaluation of the carbon and water footprints	Identify aspects for improvement in environmental management	<ul> <li>137,341m3 of water for consumption at all our plants</li> <li>77,707 m3 of recycled water for irrigation of green areas</li> </ul>
Waste management	Several actions taken for efficient disposal of our waste	Use and reuse resources	412.53 tons of waste generated and managed
Training and awareness	Talks among our employees on environmental instruments	Keep the know-how of our employees up to date on environmental issues	33 talks among employees
	Talks among villagers from Ilo on environmental monitoring	Capacity building for active participation of villagers in monitoring work activities	60 villagers trained
Beach cleaning	Cleaning campaign "In Harmony with our Beaches"	Improve the cleaning conditions of beaches in Chilca and Ilo	More than 10,000 beneficiary villagers

