



Executive Summary

# Yearly 2017 Corporate Governance Report



# Presentation

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Corporate governance (CG) acquires more and more importance among companies, both nationally and internationally, since it generates trust and allows the establishment of rules of action that are equivalent and interrelated and serve as a guarantee for interest groups.

The benefits of establishing CG practices are translated simply into an effective governance of the company and a clear transparency in its activities.

The implementation and consolidation of the best CG standards constitutes a commitment that PETROPERU S.A. has assumed for several years. In 2010, a new Corporate Bylaws, Board of Shareholders and Board Regulations and the first Good Corporate Governance Code of PETROPERU S.A.

These standards incorporate Good CG practices that have been developed and complemented by other internal company rules and materialized through decisions and actions from the management and management levels of PETROPERU S.A.



# Corporate Governance Code

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► Through Agreement No. 047-2018-PP of May 28, 2018, the Board of Directors approved the updating of the aforementioned Corporate Governance Code; according to the corporate structure, to the provisions of Corporate Governance Code for Peruvian Companies and in compliance with the provisions of Legislative Decree No. 1292.

► It consists of  
**31 principles**  
referred to:

- 1. Shareholder Rights
- 2. General Board of Shareholders
- 3. Board of Directors and Management
- 4. Risk and Compliance
- 5. Information Transparency

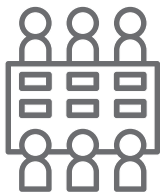
## Property

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- The Peruvian State is the only shareholder of PETROPERU S.A.
- Its share capital is S / 3,927,713,295, of which 80% are Class A shares, and 20% are Class B shares.



# Board of Directors Transparency



- ▶ The Board of Directors must be composed of 6 members, **2 of them must have the status of independent** (represent 1/3 of the Board of Directors).

- ▶ In 2017, 43 Board sessions were held.
- ▶ The average attendance of the Directors was 95.12%.
- ▶ In December 2017, the Assisted Self-Assessment of Directors, Board of Directors and Board Committees was started by Ernst & Young Asesores SCRL.
- ▶ The System for Following-up of Agreements and Requests of the Board (SSAPD) was implemented, which allows the following:
  1. Immediate communication of the agreements and orders of the Board of Directors to the different Management Offices.
  2. Inform the Board of Directors of the progress or termination of the actions assigned to the Management.

- ▶ PETROPERÚ S.A. has three Board Committees:
  1. Corporate Governance Committee
  2. Audit and Control Committee
  3. Management Committee

- ▶ Class B shares are registered in the Public Registry of the Securities Market and in the Securities Registry of the Lima Stock Exchange, and it is **obliged to inform:**



Important facts related to the company.



Periodic information to the stock market through the publication of financial statements and reports.

- ▶ PETROPERÚ S.A. handles requests for information from various interest groups through its website, within the framework of the Law on Transparency and Access to Information (Law No. 27806).
- ▶ Three talks and a workshop on Transparency and Access to Public Information were held and Transparency Week was organized.





# Risk and control

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- ▶ During 2017, the Board approved the modification of the organization; and as a consequence there now is the Internal Control and Risk Management Sub Management.
- ▶ Actions were carried out for the **progressive implementation of the Internal Control and Risk Management System**, reporting an advance of 56.01% versus the planned schedule of 66.16%.
- ▶ The Audit Management has issued 11 Audit reports and 21 Simultaneous Control Services reports.
- ▶ The financial statements for the year 2017 are being audited by Gaveglio, Aparicio y Asociados S.C.R.L.

# Relations with stakeholders

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- ▶ The Investor Relations Management was incorporated into the organization, its creation was within the context of the **US\$ two billion bonds** issuance in the international markets.



- ▶ It was initiated the implementation of quarterly financial reports “Earning Releases” quarterly communications were implemented.
- ▶ Since August 2017, perception studies were carried out quarterly by I Advize Corporate Communications Inc.
- ▶ On the other hand, in May 2017, the PETROPERU S.A. Integrity System was launched, and the new Integrity Code, the Anti-Fraud and Anti-Corruption Corporate Policy and Guidelines became effective.
- ▶ In December, 97% of workers at the Company level presented their Commitment to Adherence to the Integrity System, through an application.
- ▶ The Integrity Line, operated by an independent company, became operational, which makes available through the web <https://www.lineadeintegridadpetroperu.com/> different channels of attention to report any deviation to our standard of conduct. With this, the Integrity Committee began its functions in response to the different complaints.
- ▶ During 2017, the 2016 Sustainability Report was approved, in accordance with the standards of the Global Reporting Initiative.



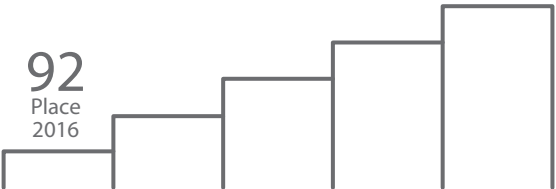


# Acknowledgements

► In the 6th edition of Merco-Social Responsibility and Corporate Governance Peru 2017, PETROPERU S.A. was ranked **48**th out of the 100 most responsible companies with the best CG, rising 44 positions in this ranking, compared to its 2016 rank of 92nd.



2017



# Principles of CG

- The degree of compliance with the CG principles is evaluated annually.
- The General Secretariat is based on the evaluation parameters set by the Lima Stock Exchange for a self-evaluation. Subsequently, the degree of compliance is validated by an external company.
- According to the validation carried out by MC & F, in 2017 a total compliance of **83.7%** was obtained in an evaluation carried out in May 2018.



# PROSEMER

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▶ PETROPERU S.A. is one of the beneficiaries of the Program for the Efficient and Sustainable Management of Energy Resources of Peru (PROSEMER).

▶ Component II of PROSEMER proposes **strengthening the administration and corporate governance** of the beneficiaries, such as PETROPERU S.A.



- ▶ Since 2013, consultancies have been carried out that contribute to the implementation of CG standards in PETROPERU S.A.
- ▶ During 2017, activities related to two consultancies were developed:
1. Diagnosis, preparation of manuals, policies and training for its implementation in financial risk management in PETROPERU S.A.
  2. Training program on CG addressed to directors, managers and key personnel of the companies of the corporation FONAFE and PETROPERU S.A.

## Other activities 2017

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- ▶ The **Induction Program for new directors of PETROPERU S.A** was carried out.
- ▶ Before the end of the year, the Assisted Self-Assessment of Directors, Board of Directors and Board Committees began.
- ▶ In December 2017, the Board appointed the members of the Board Committees.
- ▶ The Board of Directors supervised the mechanisms used by the Company in the framework of **ethics and conflict of interest**.





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