

ANNUAL REPORT 2021



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LIABILITY STATEMENT

This document contains truthful and sufficient information regarding the development of the business of Petróleos del Perú-PETROPERÚ S.A. during 2021. Without prejudice to the responsibility of the issuer, the signatory is responsible for its content in accordance with the applicable legal provisions.

President of the Board of Directors

Lima, September 2022

PRESENTATION BY THE CHAIRMAN OF THE BOARD

PETROPERÚ's management in 2021 was developed in a context characterized by the advancement of covid-19 vaccination and the economic recovery of the country, but also the important challenge of advancing in the completion of the PMRT and recovering the Company's participation in the liquid fuels market.

The Talara refinery complex will be one of the most modern on the South Pacific coast, with global physical progress reaching 96.75% in 2021. In December, the workforce amounted to 4,453 jobs; the local unskilled workforce had a 96.9% share, exceeding the minimum established in the EIA (70%). Meanwhile, the local skilled labor force had a participation of 60.1%.

The Company made improvements to sales processes with the implementation of the new digital sales channel for direct customers, which allows us to self-manage our fuel orders in an efficient and timely manner, in accordance with current regulations and integrated with the SCOP platform (OSINERGMIN) and the PETROPERÚ SAP ERP.

In 2021, the new visual identity of the PETROPERÚ brand was launched. Likewise, the launch of the first brand of convenience store in service stations of the affiliated network. In addition, the first power station in a service station of the PETROPERÚ Network was inaugurated.

Net income amounted to MMUSD 68, contrary to the net loss recorded in 2020 that amounted to MMUSD -67, mainly explained by the recovery of the marketing margins of our main products, the increase in the value of inventories of intermediate and finished products derived from the recovery of international prices, and lower operating expenses. Likewise, an EBITDA of MMUSD 282 was recorded, higher than that of MMUSD 131 obtained the previous year.

Another important event was the approval of the temporary license contract for the exploitation of hydrocarbons in Lot I, held between PERUPETRO and PETROPERÚ S.A., effective from 27.12.2021, for the period of 22 months. This was the first concrete step towards the Company's return to upstream.

This will be followed by the operation of Lot 192. In July 2021, the final act of the prior consultation process by MINEM was signed, with the final report pending until December 2021 to proceed with the signing of the license contract for the exploitation of hydrocarbons of Lot 192 between PERUPETRO and PETROPERÚ, prior issuance of the supreme decree that approves the aforementioned contract and authorizes its signing. In parallel, PETROPERÚ carried out a process of selection of an operating partner, signing on 13.08.2021 an associative contract with the company Altamesa for the development and joint exploitation of Lot 192; however, the opinion of the CGR is pending in relation to the associative contract and the technical-legal analysis requested by the General Shareholders' Meeting.

With regard to Lot 64, in September 2021 the transfer of GeoPark Peru sac's participation in favor of PETROPERÚ was approved. In this way, the Company assumed 100% of the rights and obligations for the exploration and exploitation of hydrocarbons.

Another central aspect has been to recognize and value our workers. In this sense, in 2021, the

Plan for the Surveillance, Prevention and Control of Covid-19 was continued, complying with current regulations with which all workers were constantly monitored. The Covid-19 Remote Social Assistance Plan continued to be developed with attention to workers and family members.

Likewise, for the ninth consecutive year, it was possible to present the Sustainability Report, corresponding to 2020, obtaining the compliance of preparation under the standards of the GRI, which was verified by an external certifier (SGS of Peru).

During 2021, the Company invested more than MMS/ 9.5 in different relationship actions and social projects, for the benefit of approximately 289,478 inhabitants of the area of influence adjacent to its operations in Oleoducto, Talara, Iquitos, Conchán, plants and terminals, aimed at timely managing social risks and opportunities to generate shared value for the Company and its different stakeholders.

In terms of recognition, PETROPERÚ became the leading company in its sector to receive the SGS Certification in Covid-19 Controls by the renowned international certifier SGS. INDECI and the Shoulder to Shoulder business movement recognized the valuable and outstanding contribution of the Company to the Reactive Management of Disaster Risk, during the health emergency generated by Covid-19, for the benefit of the vulnerable population in the country. In the first edition of the CER Recognition Program, created by MINEM, in coordination with SNMPE, PETROPERÚ was recognized as one of the three companies with the best performance in the implementation of the Mechanism for Attention to Complaints and Social Complaints, which complies with the main international standards in the matter, having a procedure of the highest technical level and incorporating the human rights approach.

On the other hand, in 2021, the ISO 9001:2015 Quality Management System Certification, ISO 14001:2015 Environmental Management System and ISO 45001:2018 Occupational Health and Safety Management System were maintained, within the framework of the CASS Corporate Management Model. The recertification of port facilities in Talara, Oleoducto, Conchán and Iquitos was achieved with the PBIP/IPE/RAD 10-2007 Code, granted by the APN. Achieved a Certification of Covid-19 Controls from the company SGS del Perú, in compliance with the requirements of RM No. 972-2020-MINSA, RM No. 128-2020-MINEM/DM and RM No. 135-2020-MINEM/DM.

PETROPERÚ faces an enormous challenge of strengthening its governance and improving its management of transparency and accountability, as well as maintaining a close relationship with its main stakeholders, in order to ensure its sustainability.

Humberto Campodónico Sánchez
Chairman of the Board
Petróleos del Perú-PETROPERÚ S.A.

1

Petroperu in numbers





Total revenue

2021	MMUSD	4,218
2020	MMUSD	3,122
2019	MMUSD	4,668
2018	MMUSD	4,965

Operating income

2021	MMUSD	260
2020	MMUSD	0
2019	MMUSD	265
2018	MMUSD	216

Net income

2021	MMUSD	68
2020	MMUSD	-67
2019	MMUSD	171
2018	MMUSD	120

EBITDA

2021	MMUSD	282
2020	MMUSD	131
2019	MMUSD	395
2018	MMUSD	168

Production of oil products

2021	MMUSD	56
2020	MMUSD	52
2019	MMUSD	99
2018	MMUSD	110

Investments¹

2021	MMUSD	827
2020	MMUSD	821
2019	MMUSD	1,160
2018	MMUSD	606

Social Investment

2021	MMUSD	2.4
2020	MMUSD	1.6
2019	MMUSD	5.4
2018	MMUSD	10.6

¹ Includes investment projects and current investments made by PETROPERÚ. However, there are also investments that are made by the operators of terminals North, Center and South, owned by PETROPERÚ, within the framework of the operating contracts.

2

Relevant Information 2021



2.1 Strategy

The Annual and Five-Year Objectives 2019-2023 of PETROPERÚ consist of 5 strategic objectives and 31 indicators, which were developed in accordance with the corporate purpose and the provisions of Legislative Decree No. 1292, which declares the safe operation of the ONP to be of public necessity and national interest, and provides for the reorganization and improvement of the corporate governance of PETROPERÚ to achieve economic and financial strengthening, comply with the execution of the PMRT and the modernization of the ONP, generate efficiencies and guarantee the financial, operational, environmental and social sustainability of its activities.

During 2021, the targets set for 10 of the 31 indicators defined in the 2019-2023 Annual and Five-Year Objectives were met. There is 1 indicator whose compliance will be measured from 2022.

The fulfilment of strategic objectives was mainly affected by the following factors:

- National health emergency due to covid-19 that generally impacted all indicators and reduced the demand for hydrocarbons nationwide.
- More aggressive competition.
- Contractual breaches in the execution of infrastructure projects of sales plants and terminals.
- Continuation of the difficult situation that the oil sector is going through, which presents a drastic reduction in national oil production, which does not allow to develop an attractive business model and execute the modernization of the ONP. During 2021, the execution of prioritized investments in the ONP transport system continued.
- In July 2021, the final act of the prior consultation process by the MINEM was signed, with the final report pending as of December 2021. Subsequently, the license contract for the exploitation of hydrocarbons

of Lot 192 between PERUPETRO and PETROPERÚ will be signed, subject to the issuance of the supreme decree that approves the aforementioned contract and authorizes its signing. Likewise, the opinion of the CGR is pending in relation to the associative contract and the technical-legal analysis requested by the General Shareholders' Meeting.

- The process to measure the IBGC was not carried out due to modifications in the structure and measurement of the IBGC by the BVL.

However, the Company implemented a series of measures and action plans that allowed it to reduce this impact and that is reflected in the 2021 results.

2.2 Economic dimension

In 2021, net profit amounted to MMUSD 68, contrary to the net loss recorded in 2020 that amounted to MMUSD -67, mainly explained by the recovery of the marketing margins of our main products, the increase in the value of inventories of intermediate and finished products derived from the recovery of international prices and lower operating expenses. However, the upward behavior of the exchange rate continued to negatively impact the determination of the provision of the deferred IR (MMUSD -105 versus MMUSD -26 as of December 2020) and the loss due to exchange rate differential (MMUSD -66 versus MMUSD -26 as of December 2020).

2.3 Market

During 2021, the Company achieved a market share of 36%. The leadership was maintained with 55% participation in gasoline/gasohols and 40% in diesel. The number of service stations affiliated to the PETROPERÚ Network increased by 5% compared to 2020, reaching 700 stations

affiliated to December 2021.

Despite the internal and external context, PETROPERÚ maintained the guarantee of supply on a national scale, providing its customers with high quality products, fulfilling its strategic role in the country.

In 2021, the new visual identity of the brand was launched in the stations of the PETROPERÚ Network. As well as the launch of the first brand of the convenience store in service stations of the PETROPERÚ Network called VAO. In addition, the first power station in a service station of the PETROPERÚ Network was inaugurated.

2.4 Refineries

During 2021, we achieved improvements in our processes:

- At the Conchán Refinery, the use of the 2 submarine lines was achieved simultaneously, decreasing the effect of the port closures that occurred between May and October 2021, maintaining the attention of the import vessels mainly, as well as the decrease in the time of stay of vessels when discharging oil, which allowed doubling the discharge rate reaching between 4 MB and 5 MB per hour.

Diesel production was also maximized by leveraging the quality of imported diesel, in addition to increased condensate recovery by increasing steam production from the FW-705 boiler.

Construction of tanks TK77 (110 MB) and TK78 (160 MB) for gasoline and diesel storage, respectively, was completed.
- At the Iquitos Refinery the construction of 2 new barges of 20 MB each was completed. On 08.01.2021 and 17.05.2021, SIMAI delivered the barges Puerto América and Río Mayo, respectively. With this, the construction project of 5 barges designed for the safe and responsible transport of fuel by river was completed, complying with current regulations.

A 40 MB capacity tank was adapted to Supreme Decree No. 017-2013-EM and the reception/dispatch lines were adapted to be used for diesel storage. With

During 2021, the Company achieved a market share of 36%. The leadership was maintained with 55% participation in gasoline/gasohols and 40% in diesel.

this, hours of overstaying of riverboats in the reception of imported diesel were reduced.

A 78% advance was achieved in the implementation of the online mixing system in Iquitos Refinery that will optimize the use of different crude oils in the area, increasing the efficiency of operating times and ensuring the quality of the crude to be processed.

During 2021, volumetric variations in the processing and storage stage were reduced due to the implementation

² On 25.07.2022, Supreme Decree No. 009-2022-EM was issued, which approves the license contract for the exploitation of hydrocarbons in Lot 192 and authorizes PERUPETRO to sign said contract with PETROPERÚ, in accordance with the current legal framework.

of an action plan for the control and reduction of volumetric variations in Iquitos Refinery, obtaining results within the permissible limits

On the other hand, the current investment projects were aimed at maintaining the operability of the refineries, plants and terminals operated by the Company, improving operational performance and regulatory compliance.

2.5 Supply chain

Despite the crisis caused by the pandemic caused by covid-19, the continuity of administrative and operational operations was achieved, in order to comply with the shipments of products.

During 2021, the work of land and maritime operations was carried out in an uninterrupted manner, providing the storage, reception and dispatch service to internal and external users, through the increase of the land fleet, signing of addenda for the inclusion of alternative routes in transport contracts and supervised trips on critical routes.

Likewise, improvements were implemented in the operational, sales and administrative processes, permanently providing attention to the requirements of maritime transport of fuels to terminals and refineries.

2.6 Execution of investments

During 2021, the execution of our investment portfolio amounted to MMUSD 827: MMUSD 730 in investment projects and MMUSD 97 in current investments.

Within the investment projects are considered PMRT, Nuevo Terminal Ilo, Ninacaca Supply Plant, Puerto Maldonado Sales Plant, Lot 192 and Lot 64.

Regarding PMRT, an overall physical progress of 96.75% was achieved versus 99.35% scheduled.

2.7 PMRT

The PMRT is PETROPERÚ's most emblematic project. In Talara, one of the most modern refineries on the South Pacific coast is built, whose overall physical progress reached 96.75% in 2021, as well as an execution of 91% of the approved budget as of December 2021.

With Board of Directors Agreement No. 014-2021-PP of 05.02.21, the update of the investment amount for MMUSD 4,999.8 was approved, without considering capitalizable interest (MMUSD 5,718.35, including capitalizable interest).

At the end of December, the workforce amounted to 4,453 jobs. The local unskilled labour force had a participation of 96.9% (out of a total of 716 unskilled), exceeding the minimum established in the EIA (70%). Meanwhile, the local skilled workforce had a participation of 60.1% (out of a total of 3,737 qualified).

It should be noted that, in September 2021, the CGR issued Audit Report No. 15543-2021-CG/MPROY-AC, Compliance Audit to PETROPERÚ, to the contracting process for the construction of the auxiliary units and complementary works of the PMRT.

2.8 Vertical Integration

In July 2021, the final act of the prior consultation process by the MINEM was signed, with the final report pending until December 2021. Subsequently, the license contract

³ By Board of Directors Agreement No. 033-2022-PP of 24.03.2022, a new investment amount of MMUSD 5,083.9 is partially approved without capitalizable interest (MMUSD 5,802.4 with capitalizable interest). Subsequently, by means of Board of Directors Agreement No. 077-2022-PP of 27.07.2022, the update of the integral investment amount for MMUS \$5,290 is approved without considering capitalizable interest (MMUSD 6,128.6 with capitalizable interest).



for the exploitation of hydrocarbons of Lot 192 between PERUPETRO and PETROPERÚ will be signed, subject to the issuance of the supreme decree that approves the aforementioned contract and authorizes its signing⁴. In parallel, PETROPERÚ carried out a process of selection of an operating partner, signing on 13.08.2021 an associative contract with the company Altamesa for the development and joint exploitation of Lot 192; however, the CGR's opinion regarding the association contract is expected and the technical-legal reports with the analyses requested by the General Shareholders' Meeting are in the process of preparation.

In September 2021, through Supreme Decree No. 024-2021-EM published in the Official Gazette El Peruano, the transfer of GeoPark Peru sac's participation in Lot 64 in favor of PETROPERÚ was approved. In this way, the Company assumes 100% of the rights and obligations for the exploration and exploitation of hydrocarbons. The EIAs of the Initial Development Project and the Exploratory Project were suspended under the force majeure clause due to the uncertainty of the prior consultation process⁵ and due to a health emergency, respectively⁶.

With Supreme Decree No. 030-2021-EM of 25.12.2021, the temporary license contract for the exploitation of hydrocarbons in Lot I was approved, held between PERUPETRO and PETROPERÚ, effective from 27.12.2021, for a period of 22 months. For the operation of Lot I, the Talara operations team was formed, composed of specialized engineers and technicians, as well as personnel who worked on the lot with the previous operator.

2.9 Public offering of shares

Law No. 30130, which declares the priority implementation of the PMRT to be of public necessity and national interest, states that the Peruvian State may incorporate the private participation of up to 49% of its outstanding share capital, of which it is expected that no less than 5% will be offered through a citizen participation program.

The Annual and Five-Year Objectives 2019-2023 contemplate that, from 2022, activities will begin to implement the plan for obtaining new sources of capital, which aims to ensure the financial sustainability of PETROPERÚ, among other things, incorporating private capital.

⁴ On 25.07.2022, Supreme Decree No. 009-2022-EM was issued, which approves the license contract for the exploitation of hydrocarbons in Lot 192 and authorizes PERUPETRO to sign said contract with PETROPERÚ, in accordance with the current legal framework.

⁵ The license contract has been held for reasons of force majeure since 15.06.2019 due to the lack of definition as to whether or not a prior consultation process is required in Lot 64.

⁶ In September 2022, a contract was signed for the preparation of a new EIA.

2.10 Human Capital Management

At PETROPERÚ, we believe that our main capital is the human resource we have, so, in 2021, in order to provide protection for the health of our staff, the Plan for the Surveillance, Prevention and Control of Covid-19 was continued, complying with current regulations, with which all workers were constantly monitored.

The Covid-19 Remote Social Assistance Plan continued to develop during 2021 with attention to workers and family members; 5,185 calls were registered, reaching 1,943 workers in the corporate sphere.

Comprehensive wellness programs in 2021 with the reinforcement of Dakujamu, through virtual activities aimed at staff and their family, reached the participation of 1,100 workers connected on a corporate scale. This program, which was developed with professional exhibitors in social work, psychology, nutrition and sports training, seeks to provide tools to promote the balance necessary to achieve a healthy lifestyle, contributing to personal growth and adequate family coexistence.

According to the development of the 2021 Annual Training Plan, an execution of 82,565 hours of training was achieved as of 31.12.2021. Likewise, the Comprehensive Training Plan for the New Talara Refinery, as of 31.12.2021, reached an execution of 322,051 hours of specialized training.

2.11 Technological Innovation and Development

Due to the COVID-19 pandemic, during 2021 the use of computer tools to implement remote work and secure access to applications was prioritized, through the use of Office 365 collaboration and productivity tools. All users have a collaboration hub called Teams that allows them to have a Digital Work Place from which they can make videoconferences and calls, create work teams with their information repositories. There were more than 2,200 users who used Office 365 tools on average daily and 500 virtual meetings on average daily via MS Teams.

We make improvements to sales processes with the implementation of the new digital sales channel (Altoke) for direct customers (network service stations and industry), which allows you to manage your fuel orders efficiently and practically in accordance with current regulations and integrated with the SCOP platform (OSINERGMIN) and the SAP ERP (PETROPERÚ marketing and billing solution).

Likewise, the SUPLOS was implemented, which allows the management of calls and offers through an online access portal that will give greater transparency to the logistics processes.



2.12 Corporate governance

PETROPERÚ is committed to achieving the best standards of corporate governance to generate value in the Company, through respect for our stakeholders, the recognition of their rights, the establishment of responsibilities, rules, processes and clear internal procedures, the promotion of an ethical culture, transparency in management, and the disclosure of information.

During 2021, we supervised the principles of the Code of Good Corporate Governance, approved by the Board of Directors, and the implementation of the Corporate Governance Action Plan, in order to achieve and maintain the best standards.

Likewise, the Internal Audit and Risk Management, created in 2020, continued with its activities, aimed at providing assurance, advice and analysis on the basis of risks, in order to generate value and improve the operations of the organization, as well as perform the early warning function, in order to allow the Company to correct problems from a permanent line of monitoring.

On 02.12.2021, with Board of Directors Agreement No. 136-2021-PP, it was approved to change the name of the Internal Audit and Risk Management for Corporate Compliance Management, entrusted with leading the implementation of prevention systems, in accordance with good practices, in order to safeguard the interests and resources of the Company, through adequate control management to ensure correct implementation, as well as ensuring the proper application of the Company Integrity Code, identifying and mitigating ethical and compliance risks, reporting those risks that materialize through the channels implemented, promoting the ethical culture and responsible compliance of workers and business partners. Likewise, direct the attention of complaints, also promoting and safeguarding internal and external regulatory compliance, in order to promote a culture of prevention against fraud and corruption, providing reasonable security to stakeholders.

It should be noted, with the purpose that the Senior Management of the Company allows to ensure the preparation and reasonable presentation of the 2021 financial statements, Deloitte Corporate Finance sac was contracted to perform the forensic due diligence service, which was validated by the Independent Auditors Sociedad de Auditoría Gaveglio, Aparicio y Asociados Sociedad Civil de Responsabilidad Limitada-PwC. As a result, Deloitte concluded that it has not detected any fact or event that could lead to a latent or significant event of fraud or corruption that could impact PETROPERÚ.

2.13 Transfer of management

In September 2021, the Management transfer process from Eduardo Guevara Dodds (outgoing holder) to Mario Contreras Ibárcena (incoming holder) was carried out, in compliance with the provisions of Directive No. 006-2021-CG/INTEG of the CGR.

The transfer minutes, as well as the Management Transfer and Accountability reports of the Holder, are published on the institutional website.

2.14 Sustainability Report

For the ninth consecutive year, the Sustainability Report was presented, corresponding to 2020, obtaining the conformity of preparation under the GRI⁷ standards, which was verified by an external certifier (SGS del Perú).

2.15 Social management

During 2021, the Company invested more than MMS/ 9.5 in different relationship actions and social projects, for the benefit of approximately 289,478 inhabitants of the area of influence adjacent to its operations in Oleoducto, Talara, Iquitos, Conchán, plants and terminals, aimed at timely managing social risks and opportunities to generate shared value for the Company and its different stakeholders.

The social approach is implemented through our Social Management Policy and our Integrity Code, which reaffirm the commitment to ensure respect for human rights in all activities of the Company. Likewise, we carry out our actions under two concepts of vertical integration of the business to cover all the operating units in a transversal way, validated with the expectations and needs of the different interest groups, contributing with it to the strengthening of relations, following the measures decreed by the government and safeguarding the populations of our area of influence.

2.16 Acknowledgments

- PETROPERÚ became the leading company in its sector when it received the SGS Certification in Covid-19 Controls from the renowned international certifier SGS. The implementation of new and strict biosecurity protocols allowed us to receive such a relevant certification that reinforces the work of the Company in the current situation originated by the pandemic.
- INDECI and the Shoulder to Shoulder business movement recognized the valuable and

⁷ Global initiative of greater recognition for the preparation of sustainability reports, whose objective is to promote the quality, rigor and usefulness of these documents.

outstanding contribution of PETROPERÚ to the Reactive Disaster Risk Management, during the health emergency generated by covid-19, for the benefit of the vulnerable population in the country. Since the state of national emergency was declared, PETROPERÚ has carried out social actions, coordinated with the local and regional authorities of the areas of influence of its different operations, to face the spread of covid-19, thus contributing to strengthen health services, and support vulnerable families in situations of poverty and extreme poverty.

- In the first edition of the CER Recognition Program, created by MINEM, in coordination with SNMPE, PETROPERÚ was recognized as one of the three companies with the best performance in the implementation of the Mechanism for Attention to Complaints and Social Complaints, which complies with the main international standards in the field, having a procedure of the highest technical level and incorporating the human rights approach.
- During the award ceremony of the XII Corresponsables 2021 Awards, PETROPERÚ was recognized by the Corresponsables Foundation for its innovative good practices in communication, being a finalist in the Best Coronavirus Communication Campaign category with the initiative "PETROPERÚ S.A. stay at home", which contributed to reducing the impacts of covid-19 in the areas of influence of its main operations.
- The MERCO, which is responsible for measuring the reputation of the main companies worldwide, presented its ranking of the 100 companies with the best reputation in Peru. In its tenth edition, in 2021, PETROPERÚ was ranked 58th among the country's top 100 reputable companies.
- On the other hand, PETROPERÚ was ranked 18th in the top 100 ranking of Companies with Talent 2021, carried out by the independent business monitor MERCO which, for eight years, has measured the ability to attract and retain talent in the country, in companies that have a good climate and quality of work. The Company climbed 15 positions compared to 2020, in which it was ranked 33rd in the top 100 ranking of Companies with Talent. While, in the Oil and Gas Sector Ranking, PETROPERÚ ranked second, unlike the previous year, which was in fourth position.
- It should also be noted, within the dimensions analyzed by this reputation monitor, the performance in the innovation dimension. In 2021, the implementation plan of the new visual identity of PETROPERÚ began, in addition to the systematization of processes driven by the virtuality of remote work, which allowed significantly improving the innovation indicator in 36 positions in the MERCO ranking. In the field of general ranking, we were the company that most innovated its processes in 2021

2.17 Clasificación de riesgo

In April 2021, S&P Global Ratings maintained the credit risk rating as an issuer of PETROPERU in BBB- for long-term debt financial instruments, with a stable outlook; in May 2021, Fitch Rating ratified the rating as an issuer for long-term debt financial

instruments in BBB+ foreign currency with a negative outlook. Considering that PETROPERÚ's ratings are strongly linked to the credit profile of the Peruvian sovereign, as it is a state-owned company, in October 2021 Fitch Rating downgraded the BBB rating from BBB+ to PETROPERÚ as an issuer of long-term debt in local and foreign currency, however, it revised PETROPERÚ's rating outlook from negative to stable.

Likewise, in November 2021, the local risk classifiers Apoyo & Asociados and PCR issued their rating reports. Apoyo & Asociados ratified the rating in AA-(pe) for long-term obligations and CP-1(pe) to the First PETROPERU Short-Term Instrument Program with stable outlook, and PCR ratified the rating of PE1 to the First Short-Term Instrument Program and downgraded to AA from AA+ to the financial solvency (long-term obligations) of PETROPERU, changing the outlook from negative to stable.

2.18 Certifications

- The Certification of the ISO 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System and ISO 45001:2018 Occupational Health and Safety Management System is maintained, within the framework of the CASS Corporate Management Model.
- The recertification of port facilities in Talara, Oleoducto, Conchán and Iquitos was achieved with the PBIP/IPE/RAD 10-2007 Code, granted by the APN.
- Covid-19 Control Certification was achieved by the company SGS del Perú, in compliance with the requirements of RM No. 972-2020-MINSA, RM No. 128-2020-MINEM /DM and RM No. 135-2020-MINEM/DM.
- A 100% qualification result was obtained in the homologation audit of Antapaccay to obtain the Supplier Evaluation Certificate Transport Management and Integral Management, in addition to an optimal qualification in the environmental audit for contractors, to the fuel supply service provided by PETROPERÚ from the Mollendo Terminal, land transport of fuel and dispatch in mine facilities.
- A compliance result of 99.3% was obtained in the environmental audit for contractors by the client Sociedad Minera Cerro Verde SAA to the fuel supply service from the Mollendo Terminal, land transport of fuel and mine delivery.
- In May, the approval of the homologation carried out by the company SGS of Peru for the client Volcan Compañía Minera SAA was obtained.

2.19 Agreements

In March 2021, the institutional collaboration agreement between the SPE Lima Section Association and PETROPERÚ was signed, with the aim of establishing the bases for



collaboration and exchange, based on the establishment of joint actions, leading to the active and permanent participation of women in the hydrocarbons and complementary energies sector.

2.20 New visual identity

By means of Directory Agreement No. 134-2020-PP of 21.12.2020, the dissemination of PETROPERÚ's new visual identity was authorized. On 06.01.2021, the new identity was launched on the market as a reflection of the profound changes that the Company undertook due to the need to strengthen it at administrative, operational and institutional scales, as well as its commercial offer. PETROPERÚ is on its way to becoming a modern, innovative, competitive, efficient company with a social

focus, which contributes to the development of the energy and hydrocarbon industries.

In January, the change of the environment in our operations began, which considered the new corporate colors, advertising totems, redesign of our reception rooms of the main operations, and in 15 service stations of our affiliated chain, adopting the new logo and a modern design in accordance with market expectations. Likewise, the new visual identity was implemented in all the digital platforms of our Company. The second phase considers the intervention in plants, refineries and terminals, as well as administrative offices in a progressive way.

In addition, the systematization of processes was carried out driven by the virtuality of remote work, which allowed significantly improving the innovation indicator in 36 positions in the MERCO ranking. In the field of general ranking , we were the company that most innovated its processes in 2021.

2.21 Case acquisition of biodiesel B100 in the local market

In December, attention was paid to information requirements from external bodies, such as CGR, the Attorney General's Office, the Attorney General's Office specialized in Corruption Crimes, the Congress of the Republic and citizens, through the Transparency Portal, regarding the case on the acquisition of biodiesel B100 from the company Heaven Petroleum Operators.

3

Strategy



As part of our commitment to strengthening PETROPERÚ's role in the country, in October 2019, the Board approved PETROPERÚ's vision, mission and corporate values, in order to establish a new horizon and business pillars that contribute to the strategies and achievement of medium and long-term objectives.

Vision

Being a mixed capital energy company, recognized for its transparency, efficiency and socio-environmental responsibility.

Mission

Provide quality hydrocarbons, carrying out our activities with reliability, financial sustainability and socio-environmental responsibility.

Coordinate with the relevant stakeholders the actions necessary to promote the sustainable development of the company and the energy industry in Peru.

Goals

The Annual and Five-Year Objectives 2019-2023 of PETROPERÚ consist of 5 strategic objectives and 31 indicators, which were developed in accordance with the corporate purpose and the provisions of Legislative Decree No. 1292, which declares the safe operation of the ONP to be of public necessity and national interest and provides for the reorganization and improvement of the corporate governance of PETROPERÚ to achieve economic and financial strengthening, comply with the execution of the PMRT and the modernization of the ONP, generate efficiencies and guarantee the financial, operational, environmental and social sustainability of its activities.

The Annual and Five-Year Objectives 2019-2023 were approved by Directory Agreement No. 085-2018-PP of 01.10.2018 and Ministerial Resolution No. 048-2019-MEM/DM published in the Official Gazette El Peruano on 21.02.2019.

Relevant aspects for each strategic objective are detailed below.

Strategic Objective No. 1: Supply the market efficiently

The main objective is to maintain the leadership in the national market, for which it is necessary to develop the retail and positioning of premium products. Additionally, it considers enhancing the commercial infrastructure through new supply plants and the development of improvements in the terminals, as well as the optimization of the costs of supplying crude oil and products.

Market Share

A less-than-expected market share was obtained due to the contraction of domestic demand for fuels due to the declaration of the state of health emergency due to covid-19, more aggressive competition and operational limitations (reduction in LPG storage capacity), mainly.

Retail PETROPERÚ

Retail sales of PETROPERÚ exceeded the established target, due to an increase in sales of fuels in the domestic market, especially diesel and gasoline (including gasoholes).

Consolidate the positioning of premium products/services

Less progress was made than planned. Users of the PETROPERÚ application were informed that from 01.01.2022 it would go into maintenance due to the upgrade. Likewise, the strategy of the Fleet Card for corporate consumers is rethought; in the

campaign aimed at PETROPERÚ workers, 20 affiliations were obtained. In addition, the joint review of the SantiaGO application system integrity test set was carried out.

Advancement and improvement of logistics infrastructure of sales plants and terminals

The sales plant projects (Nuevo Terminal Ilo, Nueva Planta de Abastecimiento Ninacaca, Nueva Planta de Abastecimiento Puerto Maldonado and Islas de Despacho de Productos en Planta de Ventas Talara) and terminals (Norte, Centro and Sur) presented lags mainly due to contractual breaches and the reprogramming of activities due to the health emergency due to covid-19.

Implement activities for the efficient procurement of crude oil and products

The main oil and product procurement activities were completed at 100%, meeting the proposed objectives.

Strategic Objective No. 2: Operate efficiently, safely, preserving the environment and generating high quality products and services

The PMRT is of great importance for the sustainability of PETROPERÚ's refining business, it will allow the production of fuels in accordance with the new environmental regulations, reduce the import of fuels and achieve the deep conversion (of vacuum bottoms) into high value-added distillates. Likewise, the safe operation of the ONP is a priority for the development of our activities in a socially and environmentally responsible way, avoiding breakages, which will also promote the development of hydrocarbon activities in the country.

Physical progress of the PMRT

On the basis of the integrated schedule of the PMRT, the following progress was made:

- EPC Process Units in charge of Técnicas Reunidas SA: Progress to 98.75%. It should be noted that the engineering is completed and certified, and the search registered an advance of 99.98%.
- EPC Auxiliary Units in charge of the Cobra Consortium: Advance to 91.15%.

With Board of Directors Agreement No. 014-2021-PP of 05.02.21, the update of the investment amount for MMUSD 4,999.8 was approved, without considering capitalizable interest (MMUSD 5,718.35, including capitalizable interest)⁸.

In December, the amount of investment executed was greater than the defined goal due to the greater budgetary requirements, mainly due to term extensions derived from the impact due to pandemic due to covid-19 (implementation of EPC PMRT phase and longer EPC execution period, adaptation to Euro 6, PMRT management, PMC, PMO, FEED, complementary works and auxiliary units).

Financial closure of the PMRT

In February 2021, the reopening of bonds issued in 2017, in the international market, for MMUSD1,000 was carried out on very competitive terms for the Company. Additionally, other funding sources are evaluated to complete PMRT funding.

Zero ruptures in pipelines and submarine lines

During the January-December 2021 period, no confirmed leaks occurred in the ONP or in underwater refinery lines due to causes attributable to PETROPERÚ⁹.

Define and implement the new ONP business model

The difficult situation that the hydrocarbon sector is going through in the northern jungle does not allow to define a long-term business model for the ONP.

Execute the ONP modernization

There was no progress in the ONP Modernization Project because the required investments and the business's own expenses cannot be covered by the projected revenues. Prioritized investments are executed, since it is necessary to maintain the operation of the transport system.

Strategic Objective No. 3: Financial sustainability of PETROPERÚ

The Company deploys strategies to address the effects of the reduction in demand due to covid-19 and the increase in the exchange rate. Among the actions implemented are the reduction of operating expenses and improvements in operating processes, among others. In addition, it includes other specific activities to improve profitability such as the use of assets that are currently unused, the signing of the license agreement for the exploitation of hydrocarbons in Lot 192 and the opening of the capital of the Company to private participation.

⁸ By Board of Directors Agreement No. 033-2022-PP of 24.03.2022, a new investment amount of MMUSD 5,083.9 is partially approved without capitalizable interest (MMUSD 5,802.4 with capitalizable interest). Subsequently, by means of Board of Directors Agreement No. 077-2022-PP of 27.07.2022, the update of the integral investment amount for MMUSD 5,290 is approved without considering capitalizable interest (MMUSD 6,128.6 with capitalizable interest).

⁹ Solo considera las fugas originadas por deficiencias en la operación y el mantenimiento de PETROPERÚ. Excluye los incidentes causados por hechos de terceros, fuerza mayor o caso fortuito.



EBITDA and EBITDA margin

The programmed targets (approved in 2018) for EBITDA margin and EBITDA, which considered the completion of the PMRT in 2020 and a stable production at maximum load of Talara Refinery by 2021, were not achieved.

However, in 2021 there was an EBITDA margin of 6.7% higher than 2020 (4.2%). EBITDA amounted to MMUSD282, higher than 2020 (MMUSD131), due to the gradual recovery of the marketing margins of our main products, greater value of intermediate and finished product inventories due to increased international prices, and lower operating expenses, which resulted in greater efficiency in sales costs.

ROE and ROIC

The profitability targets scheduled for the 2021 period were not met; however, the profitability indicators in the period were higher compared to the previous year: ROE of 3.6% (2021) versus -3.7 (2020), and ROIC of 2.2 (2021) versus 0.8 (2020), due to the better economic performance obtained, reflected in EBIT: MMUSD215 (2021) versus MMUSD48 (2020).

Appreciation of the Company's assets

The indicator target was met. Four contracts were signed for the enhancement of the Company's assets (3 for leasing in the OFP with the Urban Transport Authority for Lima, Proinversion and Interbank and 1 contract signed with Negociación KIO under the concept of surface right of the ICA service station in 2019).

License Agreement Signing

As of December 2021, the final closing report of the prior consultation process of Lot 192 by the MINEM was pending. On 04.07.2021, the act of prior consultation between representatives of the MINEM, PERUPETRO and indigenous communities of 5 basins was signed.

On 21.06.2021, PETROPERÚ selected Altamesa Energy Canada Inc. as operating partner, and on 13.08.2021, the associative contracts were signed; however, the CGR's opinion regarding the association contract is expected and the technical-legal reports will be presented with the analyses requested by the General Meeting of Shareholders.

Implementation of the investment budget

There were gaps in the implementation of investments, mainly explained by the lower economic progress of the PMRT, of ONP projects and current investments whose progress was impacted by the national health emergency due to covid-19.

Strategic Objective No. 4:
Ensure the sustainability of our operations

It seeks to realign the Company's safety and socio-environmental practices with international standards, avoiding accidents, accidents and fatalities with negative impacts for the Company. The social management of PETROPERÚ will focus on achieving harmonious relations with stakeholders, while, through the implementation of the HSE Plan, it will contribute to improving the image of the Company.

Implementation of the Corporate Social Management System and social plans in Talara and the Amazon

Completed the implementation of the Corporate Social Management System. There were delays in the implementation of social and environmental plans caused mainly by social conflicts, contingencies and the situation of covid-19 that negatively impacted the progress of scheduled activities. Likewise, the pending contracts were resumed and corrective actions are implemented in the pending logistics processes.

Reduce accidents at work

The objective of not exceeding the Accident Rate at Work in relation to the maximum permissible limit was met, mainly by the execution of workshops and training courses, the lifting of sub-standard conditions and the execution of activities stipulated in the PASST.

Strategic Objective No. 5:
Strengthen PETROPERÚ through the management of human talent and a BGC

Its purpose is to strengthen PETROPERÚ through the development of personnel and transform the organizational culture to generate efficiencies and improve the work environment, as well as consolidate more advanced standards of corporate governance and the generation of a culture of transparency, responsibility and compliance, which will benefit the Company in the long term and improve its image before investors.

Implementation of new Personnel Development Programme

It concluded its implementation in July 2021. Completed the development of the critical job evaluation methodology and its identification.

Implementation of the Strengthening of Culture and Internal Communication Plan

Completed implementation in December 2021. Internal communication activities, work climate and organizational culture were developed, implementing the relevant actions, according to the selected strategies (streamlining internal communication, aligning employees with the business and its objectives, sustaining the development of communication skills, promoting the experience of corporate values for a better work environment).

Implementation of the Annual Plan to attract, evaluate and retain human talent

Programmed activities aligned with budgetary constraints and economic issues were accomplished: a) identify key business processes, and key positions for the present and future of the organization, b) identify the potential of present personnel, determine gaps and establish strategies, c) learning and skills development, and d) search and recruitment of personnel.

Achieve an adequate index that allows participation in the IBGC of the BVL

From 2021, the annual evaluation of the IBGC organized by the BVL and EY will not be carried out, given that the measurement of said index has been discontinued by its organizers.

Implementation of the Risk Management System

The progress of the four main activities scheduled for this period was fulfilled: a) Risk Matrices in Strategic Objectives 2019-2023, b) Macroprocess Risk Matrices, c) Risk Matrices of Level 1 Processes, and d) Implementation of the Risk Management System Methodology.

Implementation of the capital market communication plan

It concluded its implementation in March 2021. The procedure for standardization and development of conference calls was approved.

4

National and International



4.1 International Environment

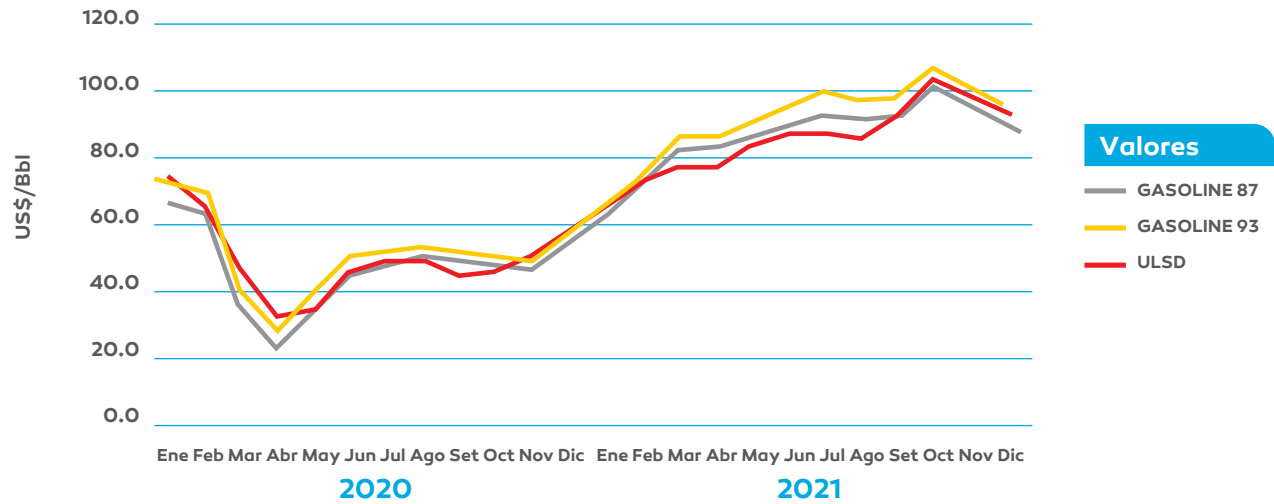
According to information provided by the US Energy Information Administration, crude oil prices rose in 2021 as COVID-19 vaccination rates increased, easing pandemic-related restrictions and a growing economy resulted in global oil demand rising faster than oil supply. The spot price of Brent crude oil started the year at \$50 per Bbl and rose to \$86 per Bbl at the end of October before falling in the final weeks of the year.

The annual average price of Brent crude oil in 2021 was US\$71 per Bbl, the highest in the last three years. The price of WTI crude oil followed a similar pattern to Brent and averaged \$3 per Bbl less than Brent in 2021.

Global oil production increased more slowly than demand, driving prices higher. The slower increase in output was mainly due to cuts in OPEC+ crude oil production that began in late 2020. OPEC and other countries, such as Russia, which coordinate production with OPEC (referred to as OPEC+) announced in December 2020 that they would continue to limit production throughout 2021 to support higher crude prices.

These facts were reflected in the increase in the import prices of middle distillates and gasoline, there was an increase compared to 2020 on average US\$26 per Bbl and US\$18 per Bbl, respectively, this mainly due to the movement of international markers, as can be seen in the graph and table below:

MARCADORES INTERNACIONALES ARGUS DE GASOLINAS Y DIÉSEL ULSD 2020-2021



VARIATION OF INTERNATIONAL MARKERS

Markers	2020	2021	Variation US\$/Bbl
Gasoline 87	47.21	86.50	39.28
Gasoline 93	51.38	91.20	39.82
ULSD	50.23	84.75	34.52

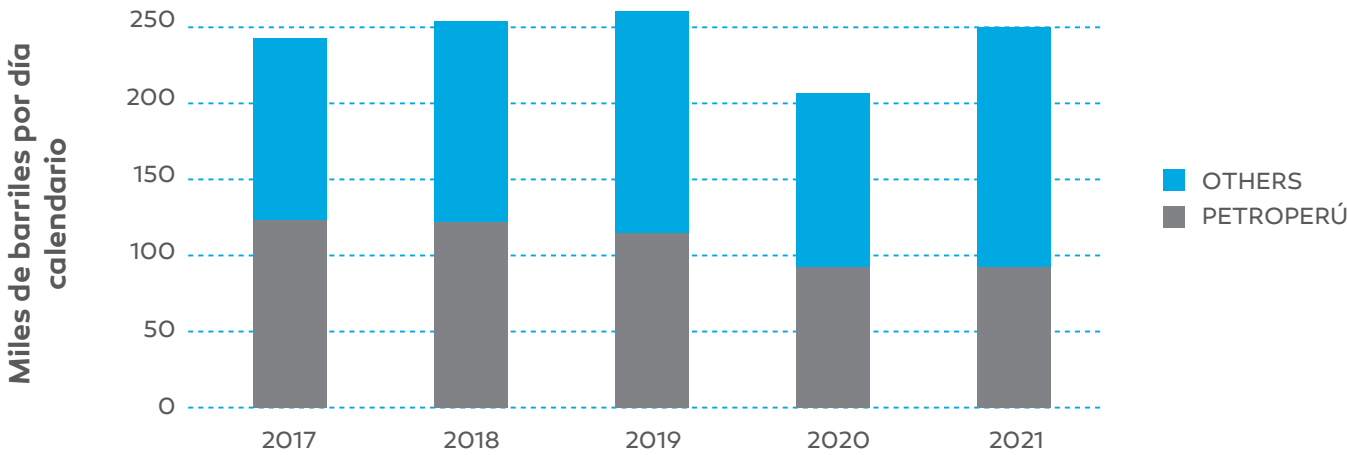
Source: COTIDI/ARGUS

4. 2 National Environment

Domestic sale of liquid fuels

At the end of 2021, there was an increase in national consumption. The market increased by 45 MBDC equivalent to 22% compared to 2020, mainly in diesel and LPG, which are the fuels most in demand in the market; however, pre-pandemic levels have not yet been reached.

Despite the internal and external context, during 2021, PETROPERÚ provided high quality products and security of supply nationwide to all its customers; sales of asphalt increased by 66%, LPG by 24%, chemicals by 14% and gasoline by 11%.



Source: MINEM, PETROPERÚ
Includes sale of A-1 turbo to foreign-flagged airlines.

Fuel prices in the internal market

The price of the WTI crude marker at the end of December registered US\$66.2 per BI, 20.8% lower than the previous month and 36.4% higher than at the end of December 2020.

The lower price was based on fears of lower demand due to the appearance of cases of the new variant of covid-19 in different countries, including the United States, as well as because it is expected that OPEC+ would maintain its decision to increase its production.

Consequently, increases in international prices and the exchange rate have driven up fuel list prices.

In the local market, PETROPERÚ is a net importer of fuels and acts as a wholesale distributor in the local market, trying to compete against producing and importing agents, having no interference on pricing in service stations.

It is important to note that PETROPERÚ has the Fuel and Specialty Pricing Policy in the Local Market approved with Directory Agreement No. 055-2019-PP. This, and the list prices and the methodology for calculating import parity prices are published on the PETROPERÚ website, in order to be transparent with the market.

The market increased by 45 MBDC equivalent to 22% compared to 2020, mainly in diesel and LPG, which are the fuels most in demand in the market

5

Value Chain



5.1 Refining

Supply

To obtain the refinery products, crude oil is processed and intermediate and purchased products are mixed, necessary to achieve the quality specifications required on the national market.

The crude oil processed in our refineries is of local and international origin. As of 01.01.2020, the acquisition of ONO crude oil, since the Talara Refinery process units are out of service, is destined for its commercialization in the national and international market and its processing in Conchán Refinery for the supply of the demand for solvents, asphalt, IFO-380 0.50% S and residuals from our influence market.

Crude oil from the northern jungle of the country (Mayna-Lote 8, Los Angeles-Lote 131 and Brittany-Lote 95 crude) whose prices are associated with crude prices of international markers, are acquired for processing in Refinery Iquitos.

The stoppage of the operations of Lot 8 from April 2020 caused the lack of availability of Mayna crude oil to the Iquitos Refinery for processing in mixture. This caused the UDP to operate intermittently, in periods of 12 to 15 days per month, according to Refining Plans.

The company Cepsa Peruana SAC, operating Lot 131 declared force majeure on two occasions (March and June 2021) due to the fact that the Macuya Defense Front initiated a protest and blocked access to the facilities, making it impossible to ship crude oil, so this situation caused lower availability of crude oil for processing.

During 2021, the import of gasoline and gasoline components increased by 91% compared to 2020, mainly due to the recovery and economic reactivation of covid-19, reaching a total volume of approximately 15.2 MMB. Likewise, crude oil imports increased by 68% compared to 2020, reaching a volume of 1.8 MMB. The total of this crude was of Ecuadorian origin (Napo).

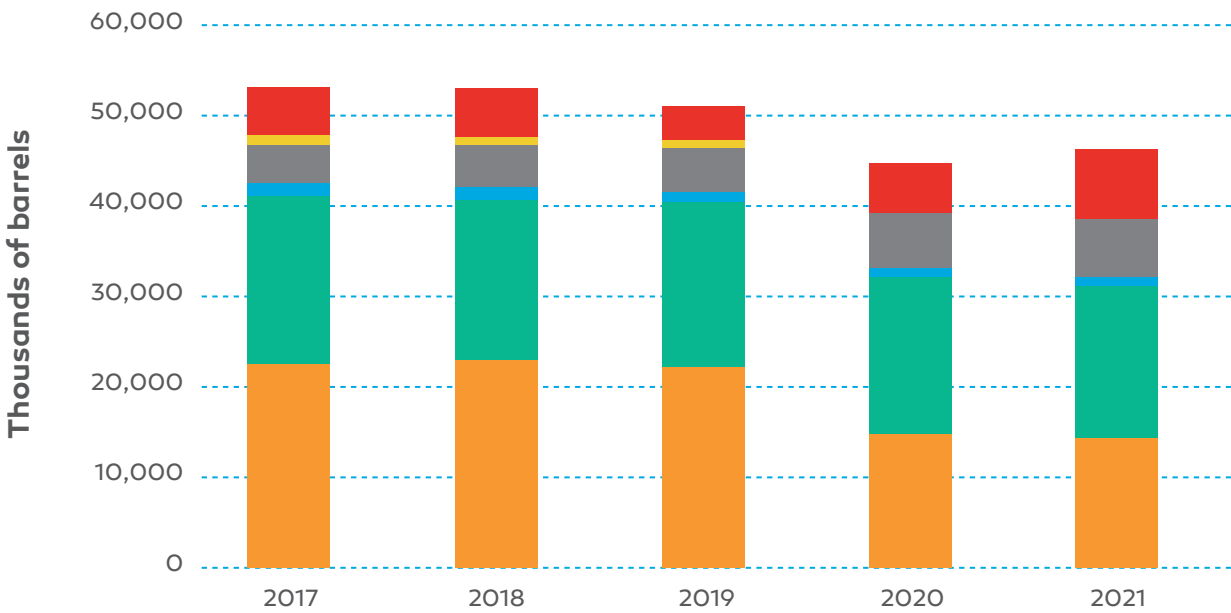
With regard to biofuels, acquisitions were made in the international and national markets, in order to comply with current regulations, which establish the incorporation of 5% by volume in mixture with diesel. In relation to distillates, the import volume was increased by 10 %, reaching a total volume of 17.5 MMB between ULSD diesel and B5-S50 diesel.

On LPG, imports of butane increased by 33%, and of propane by 22% compared to 2020.

On the total sales of Talara crude oil, there was a slight increase (approximately 0.4%), reaching a total volume of 8.70 MMB.



PURCHASES OF CRUDE OIL AND PRODUCTS



Production

Conchán Refinery. The Conchán Refinery is divided into process units (UDP and UDV) and other loads necessary for production to be in specification, which are mixed together to obtain the products (blending).

The load to the UDP during 2021 was 8.13 MBDC. Corrective maintenance of equipment was carried out during August. Likewise, the UDV load was 4.96 MBDC, focusing on the production of IFO-380 (in accordance with the IMO 2020 standard).

In order to resume face-to-face activities at Refinería Conchán and in order to avoid the contagions of covid-19 due to the continuation of the health emergency, preventive measures were taken to safeguard the life and health of our workers and the personnel of the contractor companies, a staff rotation system was implemented within the mixed work scheme, so that, maintaining the attention of the area, PETROPERÚ personnel were protected.

During 2021, the use of the two submarine lines was achieved simultaneously, which decreased the effect of the port closures that occurred between May and October 2021 and maintained the attention of import vessels mainly, as well as the decrease in the stay time of vessels when unloading Napo crude due to the previous heating to 50 °C, which allowed doubling the unloading regime reaching between 4 MB and 5 MB per hour.

Also the maximization of diesel production, taking advantage of the quality of imported diesel, which exceeded the programmed yield of medium distillates, in addition to the greater

recovery of condensate, by increasing the steam production of the FW-705 boiler, reached the programmed goal.

Construction of tanks TK77 (110 MB) and TK78 (160 MB) for gasoline and diesel storage, respectively, was completed.

The reduction in the stabilization time of the process units loaded with Napo crude oil was achieved, for the production of asphalt, and inclusion of the crude mixture with high slop content, with which asphalt inventories were available to meet demand.

The recovery of tanks 21 (50 MB) and 4 (3 MB) for the crude oil service was carried out, with the continuous operation of the industrial effluent treatment plant from September 2021, after the cleaning and inoculation of bacteria, which has allowed the water stored in these tanks to be treated.

7 double-bladed valves were installed for operation of the submarine lines simultaneously, which has reduced the operating times of the ships and their associated costs, and also avoid the removal and installation of blind plates to guarantee the segregation of products.

The tank 40 was adapted with in-line digital densimeter mixing and installation system, which allows to prepare a stable load for the process units, allowing continuous production and avoiding API changes in the supply, reducing waste and reprocessing.

It culminated with the inspection of the Conchán Refinery submarine terminal, which began in April and ended on 12.12.2021. The scheduled work was completed on schedule, in compliance with Supreme Decree No. 081-2007-EM.

Iquitos Refinery. The load to UDP was 2.98 MBDC, due to the low availability of crude oil from the area (Peruvian jungle).

Given this situation, the import of intermediate products was increased (3.17 MBDC Real 2021 versus 1.68 MBDC Real 2020), for the formulation of finished products, according to the refining plan, complying with deliveries to the sales plants of Iquitos (gasoline 84 and 90, diesel B5, and turbo A-1), Yurimaguas (diesel B5) and Pucallpa (diesel B5 and gasoline 90).

The yield of middle distillates was higher than target, due to the 90% optimization of the distillation temperature of the diesel extraction cut-off, which was corrected with in-line heavy naphtha integration, and the increased processing of Los Angeles crude in January, May, June and July, which is a light crude with higher yield of middle distillates compared to Brittany crude.

The need to meet the demand for fuels given the lower load for the UDP, led to greater storage and handling of imported products. In relation to ULSD storage, tanks 332-T-242 and 332-T-118 of 40 MB and 45 MB capacity, respectively, commonly used for waste storage were enabled.

In May 2021, the internal inspection of the fractionator column, furnace and heat exchangers was carried out, for the sizing of the works to be carried out in the general inspection of the UDP scheduled for 2022.

Two new barges of 20MB each were also built. On 08.01.2021 and 17.05.2021, SIMAI delivered Puerto América and Río Mayo, respectively. With this, the construction project of five barges designed for the safe and responsible transport of fuel by river was completed, complying with current regulations.

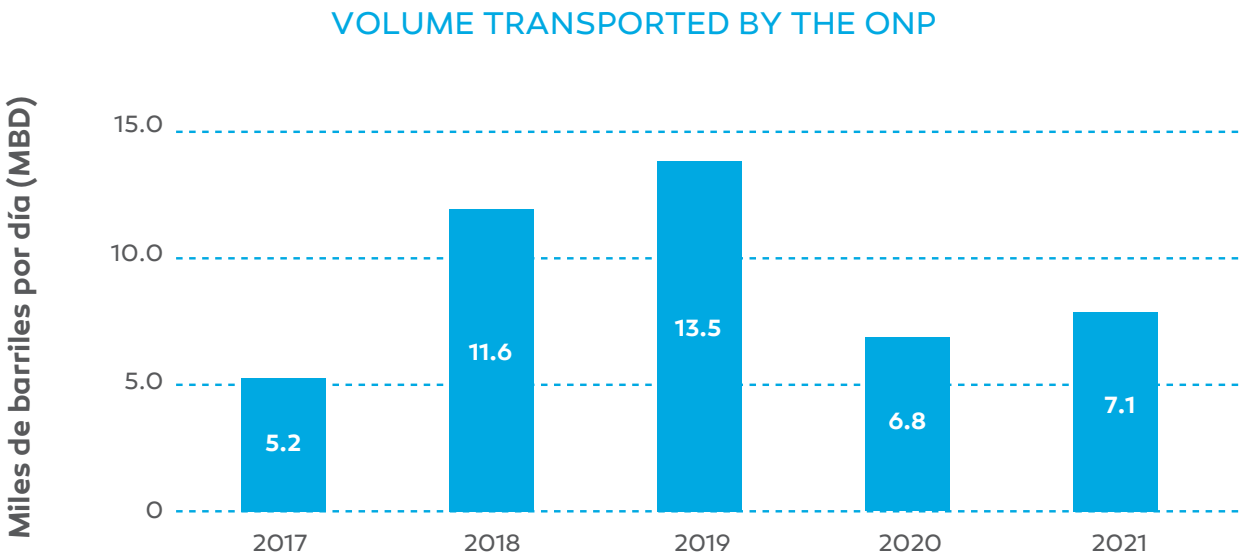
A 78% advance was achieved in the implementation of the online mixing system that will optimize the use of different crude oils in the area, increasing the efficiency of operating times and ensuring the quality of the crude oil to be processed.

Finally, due to the implementation of an action plan for the control and reduction of volumetric variations in Iquitos Refinery, variations in processing have been reduced by 40% and in storage by 37%, having results within the permissible limits.



5.2 Transport: ONP

During 2021, a pumping rate of 7.1 MBD was recorded, 19% lower than the revised scheduled volume (8.8 MBD) and 67% lower than the initially calculated volume (21.8 MBD). The low deliveries of crude oil from customers did not allow to comply with the transport program, as well as the stoppages due to contingencies in Tranche II and social commotion events.



In 2021, there were 3 environmental contingency events (30.01.2021, 13.10.2021 and 31.12.2021) due to oil upwelling (kilometer 718+500, kilometer 609+140 and kilometer 373.2 of Tranche II), 2 contingencies due to third parties and 1 due to technical aspect. In the last 5 years there have been 28 contingencies in the ONP, of which 10 events have occurred in 2019, and 4, in 2020.

5.3 Sales

Internal market

Commercial management focuses on serving the needs of the market in all regions of the country, providing quality products through terminals and sales plants strategically distributed nationwide and its affiliated chain of service stations.

We are the leading company in the liquid fuels market in Peru with a 36% share, maintaining the leadership in gasoline/gasohols with 55% and diesel with 40%.

In 2021, despite the internal and external context, PETROPERÚ provided high quality products and security of supply on a national scale to all its customers.

We serve customers from different sectors, such as mining, electrical, construction, asphalt, fishing, transportation, oil and other industries; retail sector and wholesale distributors.

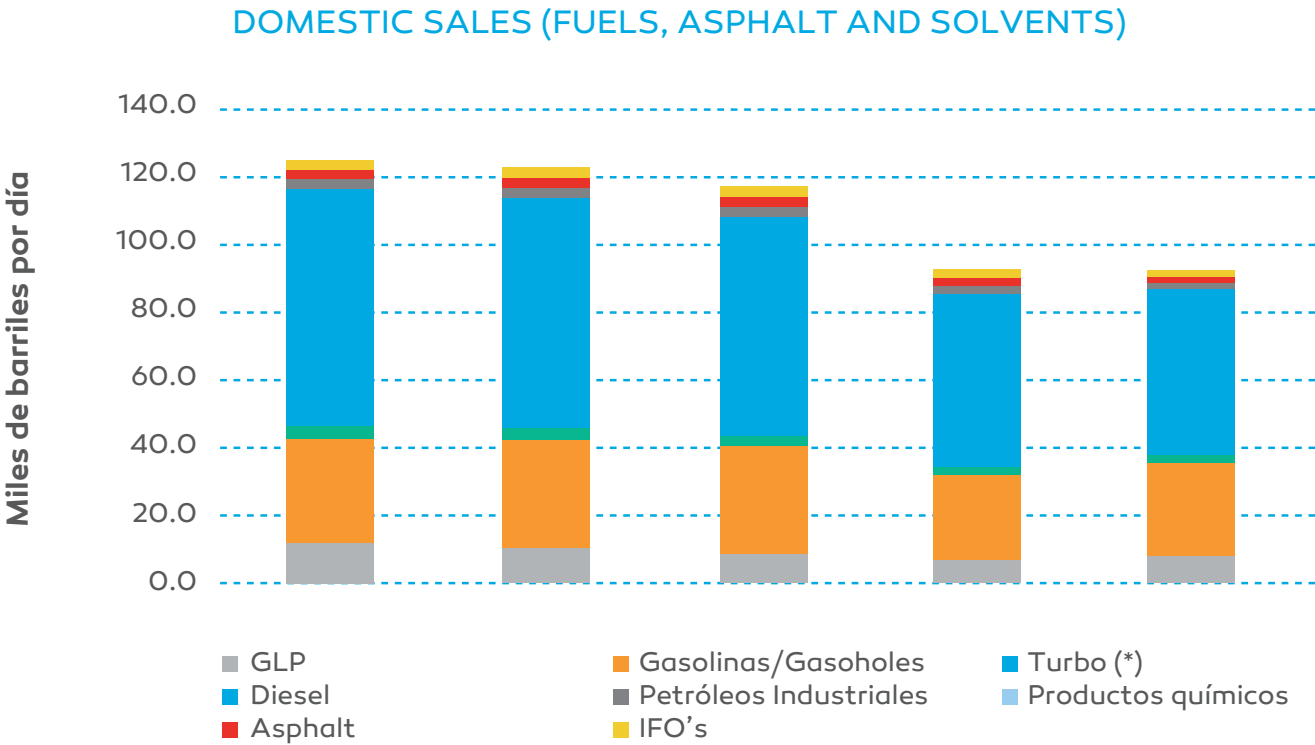
In the mining sector, Glencore awarded us the good pro for the fuel supply service and internal services for its mining operations in Peru (Compañía Minera Antapaccay SA, Compañía Minera Chungar SAC, Volcan Compañía Minera SAA and Empresa Minera Los Quenuales SA), for a period of three years.

The service of operation and supply of fuel in the mine was started with specialized personnel 100% of PETROPERÚ in the operation of the Antapaccay mining company.

Approval of the standards required in the operations of the Volcan y Cía Group was achieved. Minera Antapaccay, after carrying out evaluations and audits in various fields, including quality management, environmental, safety, human resources and training, among others. This achievement allows us to consolidate our participation in mining.

In the aviation sector, we were awarded the tender called by LATAM at Lima Callao airport for the supply of A-1 turbo until December 2022.

Total fuel sales in the country were similar to those of 2020. In particular, sales of asphalt increased by 66%, LPG by 24%, chemicals by 14% and gasoline by 11%.



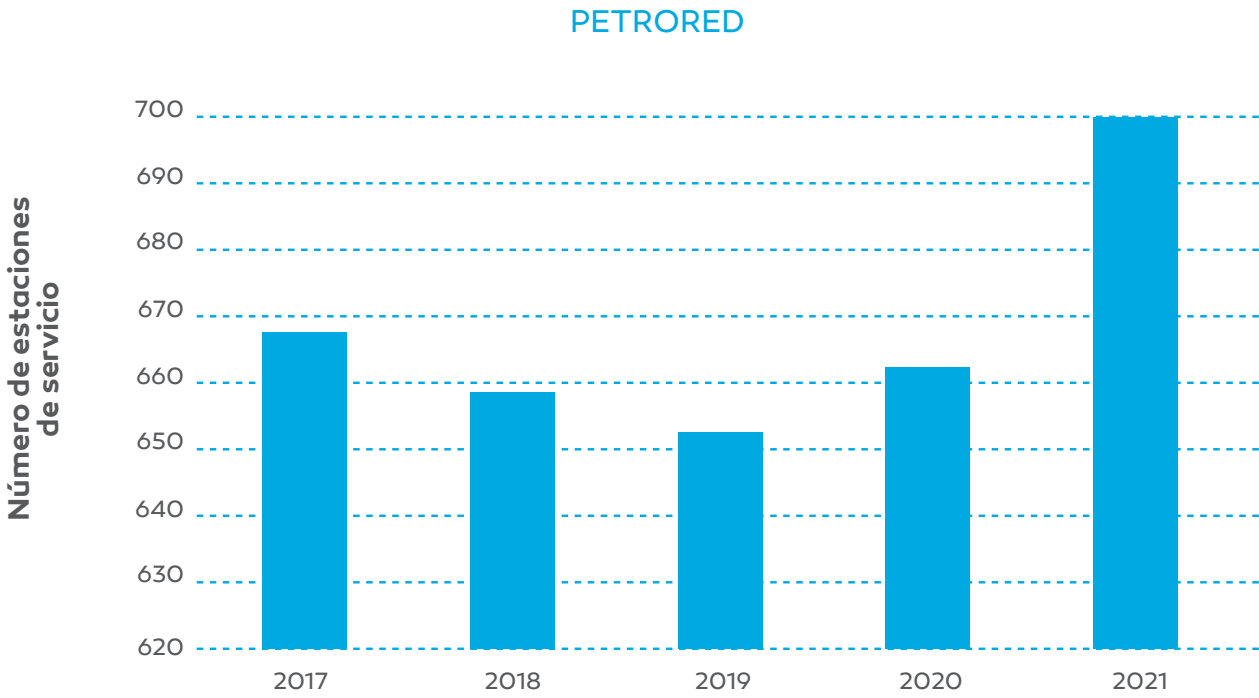
(*) Does not include A-1 turbo sold to foreign-flagged airlines.

On the other hand, improvements were made in business processes with the implementation of the new digital sales channel (Altoke) for direct customers (network and industry service stations), which allows for efficient and practical self-management of fuel orders. The launch of the PETROPERÚ app was carried out: application to retain consumers of service stations nationwide, which has 192,860 registered users in the country at the end of 2021.

The Incognito Client Program was continued, which has the objective of constantly monitoring and evaluating island operators, guaranteeing the continuous improvement of all customer service processes in the service stations affiliated to the PETROPERÚ Network.

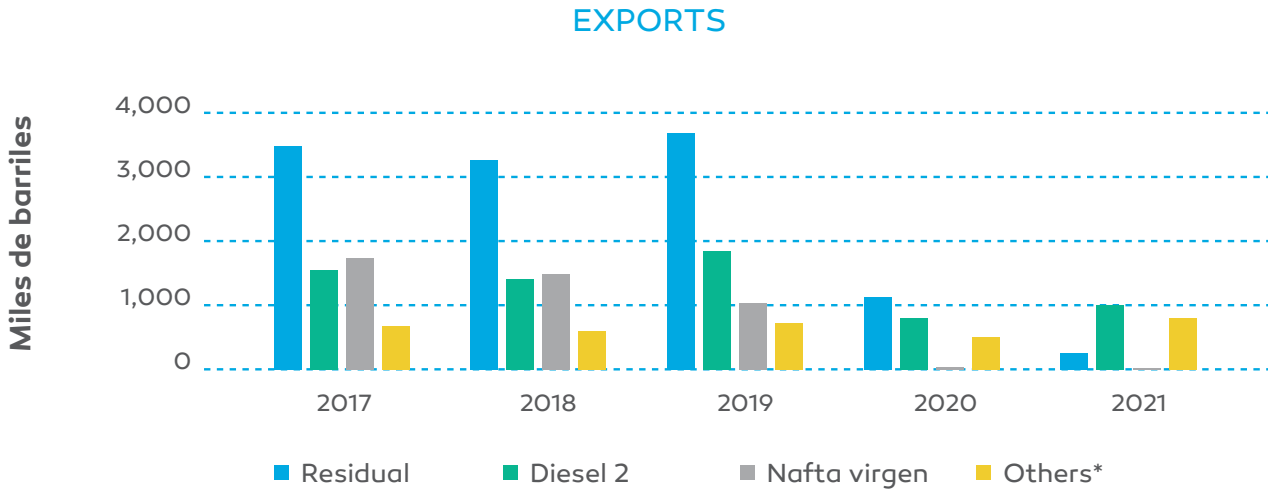
In 2021, the new visual identity of the brand was launched in the stations of the PETROPERÚ Network. Also, the launch of the first brand of the convenience store in service stations of the PETROPERÚ Network, called VAO. There are 4 stores in Lima and 1 in Trujillo. In addition, the first power station in a service station of the PETROPERÚ Network was inaugurated.

The number of service stations affiliated to the PETROPERÚ Network increased by 5% compared to 2020, reaching 700 affiliated stations by December 2021.



External market

Exports amounted to 5.7 MBDC lower in 0.8 MBDC compared to December 2020, mainly due to lower residual surpluses 6 (in January 2020, the export of 1.3 MBDC of residual surpluses 6 was carried out, which remained in inventories and in July 2020 primary pipeline residual was exported for 462 MBL).



(*) Crude, turbo A-1, petrol 84 and asphalt.

The sales of products in both the domestic and foreign markets, as well as the services provided, represented revenues for the Company in the amount of MMUSD4,218, after deducting the contributions and including the compensations of the FEPC.

	REVENUE				
	MMUSD				
	2017	2018	2019	2020	2021
Domestic sales	3,586	4,369	4,098	2,818	3,801
Foreign sales	394	515	471	228	356
Total sales	3,979	4,884	4,568	3,045	4,156
Services Revenue	72	81	100	76	62
Total revenue	4,052	4,965	4,668	3,122	4,218

6

Investments





During 2021, PETROPERÚ invested MMUSD 827, developing various investment projects and current investments, which due to the magnitude of their scope are executed in the medium and long term.

6.1 Investment projects

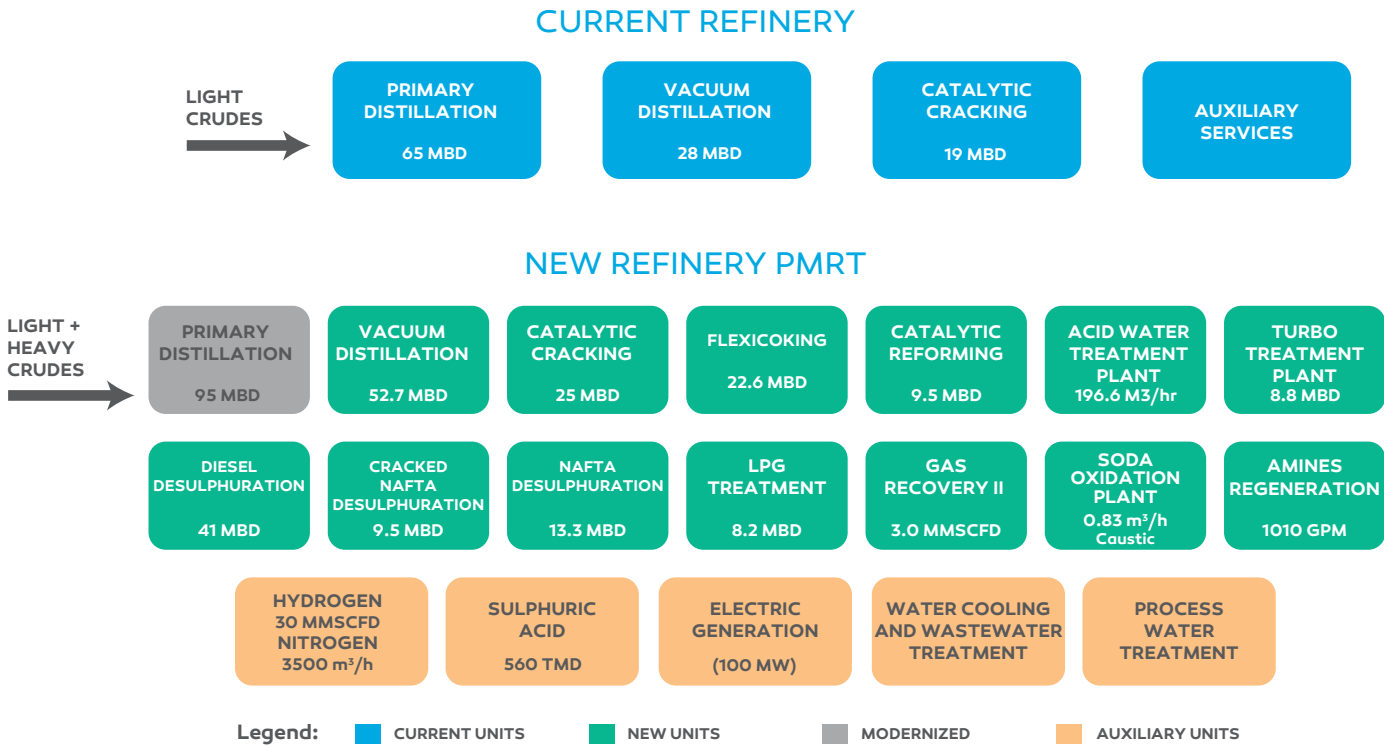
The Company executed MMUSD 730 in capital investment projects, of which MMUSD 716 corresponds to the PMRT.

PMRT

The PMRT is a megaproject that consists of the installation of new process units, industrial services and facilities, aimed at improving fuel quality, increasing the refinery's processing capacity from 65 MBDC to 95 MBDC to process heavy and less expensive crude oil, converting them into higher value-added products, such as LPG, gasoline and diesel with less than 50 ppm of sulfur. The new Talara Refinery will be one of the most modern on the South Pacific coast.

The economic and socio-environmental benefits will be as follows:

- Reduction of the presence of diseases related to sulphur particles and compounds from fuels.
- Reactivation of the economy of Talara and the Piura region.
- Reduction of the emission of gaseous effluents in the Talara Refinery.
- Decrease in the import of liquid fuels and improvement of the commercial balance of hydrocarbons.
- Deep conversion of high viscosity residues into distillates, improving the profitability of the Talara Refinery and the value of the Company.
- Promotion of employment in Talara and sustainable development in the region.



In addition to the above process units, the PMRT envisages the construction of a new hybrid dock (MU2) and new storage tanks.

Likewise, as part of the scope of the PMRT, the auxiliary units and complementary works necessary for the operation of the process units of the new Talara Refinery are built.

The PMRT recorded a physical advance of 96.75%. It should be mentioned that its execution has been affected since March 2020 by the effects of the COVID-19 pandemic, causing delays in construction work.

Regarding the cumulative economic progress of the project, its execution amounts to MMUSD5,307, which represents 93% of the total approved investment amount (considering capitalizable interests). With Board of Directors Agreement No. AD-014-2021-PP of 05.02.2021, the new amount of the PMRT investment was approved for MMUSD4,999.8, without considering capitalizable interest (MMUSD 5,718.35, including capitalizable interest)¹⁰.

As of December 2021, the Master Schedule Level III Rev. 9, presented by Técnicas Reunidas SA. For auxiliary units, there is an estimate by CPT, which is subject to modification when the EPC Cobra SCL contractor presents its updated master schedule.

¹⁰ By Board of Directors Agreement No. 033-2022-PP of 24.03.2022, a new investment amount of MMUSD 5,083.9 is partially approved without capitalizable interest (MMUSD 5,802.4 with capitalizable interest). Subsequently, by means of Board of Directors Agreement No. 077-2022-PP of 27.07.2022, the update of the integral investment amount for MMUSD 5,290 is approved without considering capitalizable interest (MMUSD 6,128.6 with capitalizable interest).



6.2 Other investment projects

The scope and status of the projects being implemented are:

Construction and operation of Pasco-Ninacaca Sales Plant

Consists of the construction of a supply plant on land owned by PETROPERÚ (12 hectares), for the reception, storage and dispatch of diesel and gasohol. Its execution will allow to supply the market of the region, preserving the zone of influence. Currently, the project is being detained due to disputes with the OBS-IMECON SA Consortium. The overall physical progress of the project is 73.5%.

The progress of the work of the management, engineering and mobilization plan is 93%, civil 61%, mechanical 62%, electrical 55%, instrumentation and control 1%, while the mobilization of equipment and infrastructure , earthworks and tank foundations, were 100% completed. It has a building license valid until 10.08.2023.



EPC Agreement

The execution of the EPC of the process units is in charge of Técnicas Reunidas SA; at the end of 2021 it had an advance of 98.75%.

The main advances for each component of the service are a) engineering (it is completed and certified), b) procurement (99.98% progress), c) construction (98.98% progress) and d) commissioner (66.79% progress).

Auxiliary units

The comprehensive progress of the EPC contract with the Cobra SCL UA6TC Consortium was 91.15%. Delays occurred in the energization of PMRT and steam generation due to delays in obtaining permits for energization, as well as in complementary work between existing refinery and PMRT, and in electrical work. Also, delays associated with the construction of the boilers. The main advances for each component of the service are a) engineering (advance of 99.71%), b) procurement (records an advance of 96.26%), c) construction (advance of 89.46%) and d) commissioner (records an advance of 22.3%).

Hiring of local labor

At the end of December 2021, the workforce amounted to 4,453 jobs; the local unskilled workforce had a participation of 96.9% (out of a total of 716 unskilled), exceeding the minimum established in the EIA (70%). Meanwhile, the local skilled workforce had a participation of 60.1% (out of a total of 3,737 qualified).



Construction and operation of Puerto Maldonado Sales Plant

Consists of the construction of a sales plant on land owned by PETROPERÚ, for the dispatch of diesel and gasoline. Its implementation will contribute to the reduction of transport and storage costs, due to the possibility of using an alternative route to the one currently used to supply the area.

Integral physical progress is 81.9%, which was impacted by the state of emergency generated by covid-19.

The procurement and construction service is in charge of the contractor Tecnitankes, which currently carries out the general preliminary works (advance 96%), civil (advance 77.8%), mechanical (advance 92%), and electrical and instrumentation (advance 57%). Likewise, the use of right of way, with PROVÍAS, for access to the terminal is in the management process. Use of right of way for access to the plant in the process of review and approval by PROVÍAS (95% progress).

New Ilo Terminal

Consists of the construction, installation and commissioning of a new Supply Terminal in Ilo, on land owned by PETROPERÚ, for the reception, storage and dispatch of fuels (diesel, gasoline and gasohol). Its implementation will meet the demand of the area of influence and generate greater revenue for the storage and dispatch of diesel 2 for export.

Overall physical advancement was 46%. The initial activities of 2020 and 2021 were rescheduled for the declaration of a health emergency and for the longer deadlines for the completion of the new detailed engineering.

In 2021, the activities have focused on the procurement of equipment and materials that present an advance of 71.8%. On the other hand, the notice of future contracting No. ACF-2021-190 was published for the new service that will allow to continue with the construction of the terminal, after the termination of the contract with Felguera and the update of the detailed engineering.

The term of the reversal of the land of the New Ilo Terminal (term for the resumption of activities) until 31.12.2023 was revalidated. However, the approval for the extension of the building license presents delays on the part of the Municipality of Ilo.

Exploitation of Lot 192

The project represented a budget compliance of 33.7%. On 04.07.2021, the prior consultation act of Lot 192 was signed between representatives of MINEM, PERUPETRO and various indigenous organizations, an indispensable requirement for the signing of the license contract, with the preparation of the final report pending until December 2021.

By means of Board of Directors Agreement No. 066-2021-PP, dated 21.06.21, the selection of the company Altamesa Energy Canada Inc. as a strategic partner for the development of the project was approved. On 13.08.2021, associative contracts were signed with Altamesa; however, the CGR's opinion regarding the associative contract is expected and it is pending to submit to the General Shareholders' Meeting the technical-legal analysis requested by this regarding the association.

As for the procedure for issuing the supreme decree, at the end of 2021 the MINEM was already in compliance and passed to the MEF for its corresponding endorsement¹¹.

¹¹ On 25.07.2022, Supreme Decree No. 009-2022-EM was issued, which approves the license contract for the exploitation of hydrocarbons in Lot 192 and authorizes PERUPETRO to sign said contract with PETROPERÚ, in accordance with the current legal framework.

Exploitation of Lot 64

The project presents a budget execution in the period of MMUSD0.1, due to the delay in the selection process and association with a private operator. Its postponement to December 2021 was due to the fact that it was pending to define whether prior consultation was a requirement to continue with the project, a key factor to attract the interest of investors.

In September 2021, through Supreme Decree No. 024-2021-EM published in the Official Gazette El Peruano, the transfer of GeoPark Peru sac's participation in Lot 64 in favor of PETROPERÚ was approved. In this way, the company assumes 100% of the rights and obligations for the exploration and exploitation of hydrocarbons

In December 2021, the EIAs of the initial development project and the exploratory project were suspended under the force majeure clause due to the pending definition of the prior consultation process and due to health emergency, respectively¹².

¹² The license contract has been held for reasons of force majeure since 15.06.19 due to the lack of definition as to whether or not a prior consultation process is required in Lot 64. However, in September 2022, a contract was signed for the preparation of a new EIA.

6.3 Current Investments

The Company executed MMUSD 97 in current investments, which were found to be oriented towards compliance with environmental and safety regulations, the major maintenance and inspections of process units, the construction and major maintenance of tanks, improvements in sales plants, as well as acquisition or replacement of equipment.

At the end of the year, investments were concluded, among which the following stand out:

- Automatic boiler purging system (Conchán Refinery).
- Expansion of the sewer of submarine lines (Conchán Refinery).
- UDP/UDV plant shutdown (Conchán Refinery).
- Treatment of industrial effluents - stage II (Conchán Refinery).

6.4 Investments in terminals

In compliance with the commitments acquired by the operating contracts, the operator has executed additional investments, in accordance with the amounts established in the investment programs (contractual period November 2020-October 2021): MUSD 7,251 executed in northern terminals and MUS\$6,859 in the terminals of the center.

During 2021, the contracting process of the Investment and Maintenance Inspector service of the Operation Contracts of the North and Center Terminals was carried out.

6.5 Concession of the Natural Gas Distribution System

By Supreme Decree No. 029-2020-EM, the MINEM entrusted PETROPERÚ with the operation and maintenance of the Southwest Concession from 19.12.2020 and for a period of three years (until 18.12.2023).

As part of this temporary administration, PETROPERÚ has the following functions:

- Manage the Southwest Concession as a Business Unit, in separate accounting.
- Operate and maintain the existing Distribution System infrastructure.
- Manage the infrastructure complying with the rules of natural gas distribution by pipeline network.
- Assume the receipt of the goods of the concession by the former concessionaire.
- Assume the assignment of contractual position of all contracts with third parties that ensured the continuity of the operation.
- Invoice the revenues of the concession in the name of PETROPERÚ.
- Carry out all actions to ensure the continuity of service to consumers in the area.
- The costs and expenses of the administration, operation and maintenance of the concession are covered by the income, of any nature received for the provision of the service. Costs and expenses not covered by such income are covered by the MINEM.

In 2021, 12,430 customers were connected (19 industries, 29 shops, 12,382 residences), 400 kilometers of network built and 6 regasification plants (3 in Arequipa, 1 in Tacna, 1 in Moquegua and 1 in Ilo).



7

Economic and financial results



7.1 Comprehensive income statement

In 2021, net profit amounted to MMUSD 68, contrary to the net loss recorded in 2020 that amounted to MMUSD -67, mainly explained by the recovery of the marketing margins of our main products, the increase in the value of inventories of intermediate and finished products derived from the recovery of international prices and lower operating expenses. However, the upward behavior of the exchange rate continued to negatively impact the determination of the provision of the deferred IR (MMUSD -105 versus MMUSD -26 as of December 2020) and the loss due to exchange rate differential (MMUSD -66 versus MMUSD -26 as of December 2020).

COMPREHENSIVE INCOME STATEMENT
MMUSD

	2020	2021
Total revenue	3,121.7	4,218.4
Cost of sales	(2,862.4)	(3,764.4)
Sales and administrative expenses	(193.9)	(241.7)
Other revenue (expenses)	(65.1)	48.0
OPERATING PROFIT/LOSS	0.3	260.3
Financial Income and expenses	(41.6)	(87.2)
Current and deferred IR	(26.0)	(105.2)
NET PROFIT (LOSS)	-67	68

Compared to December 2020, the higher net income is explained:

Inventory value

- Increase in the value of inventory by USD 26.8 per BL (USD 75.3 per BL versus USD 48.5 per BL), due to an increase in the international price of crude oil and derivatives, given the increased demand in the world due to the reactivation of their economies, due to medical advances with respect to Covid-19.
- As of December 2020, inventory value decreased by lower cost by US\$32.3 per BL (USD 48.5 per BL versus USD 80.8 per BL) and lower volume by 84 MBL (7,298 versus 7,383 MBL) due to the impact of the pandemic.

Increase in other revenue

- Increased other income in MMUSD35, mainly for transfer of GeoPark assets, transfer of Callao land, honoring of letter of guarantee, low casualty bonus for the 2019-2020 civil liability policy, insurance compensation for explosion of the F-B1 Talara boiler and for compensation for the PP-1520 kilometer 400 accident (oil pipeline cut by third parties), and for maritime operations services, refund of countervailing duties made by INDECOPI paid on ethanol imports (2020-20213). Likewise, for the increase in other management revenues, which includes repayment of excess payment from the supplier Tesoro Company, capitalization of committed investments of southern terminals.
- Minor other charges in MMUSD 79, mainly due to the fact that in September 2020 MMUSD 71 was recorded for impairment of PMRT assets due to the recommendation of the limited review process of the financial statements carried out by PWC due to the calculated impact of covid-19 on said project. Also for the registration in 2020 of MMUSD4 for materials in stock that lose their value and MMUSD 2 for voluntary disengagement.
- Higher financial expenses mainly for the compensation paid to PETROTAL (MMUSD 28.7) corresponding to the price adjustment made in accordance with the provisions of the contract for the acquisition of crude oil from Lot 95 for marketing. It should be noted that, in November, compensation from the company PETROTAL to PETROPERÚ was also recorded for MMUSD 6, in compliance with said contract.

Exchange rate

- Greater loss due to exchange rate differential in MMUSD 40 due to the greater appreciation of the dollar as of December 2021 (0.374 versus 0.307 S/ per USD as of December 2020).
- Increased provision of deferred IR in MMUSD 79, mainly generated by the increase in the exchange rate, which affected the monetary items in dollars of the works in progress, due to the fact that the Company taxes the IR in a currency other than its functional currency (soles).

7.2 Statement of financial position

At the end of December 2021, the structure of the company's financial situation was maintained with a greater contribution from non-current assets (83%) and a majority share of third-party financing with respect to that of shareholders.

Total assets amounted to MMUSD 8,686, showing an increase of 20% compared to the same period of the previous year, which amounted to MMUSD 7,260, explained to a greater extent by the growth of net and intangible fixed assets in MMUSD 754 and inventories in MMUSD 224, mainly. The total liability amounted to MMUSD6,777, showing an increase of 25% (MMUSD1,358) compared to December 2020 that amounted to MMUSD5,419, mainly due to the reopening of 2047 bonds (MMUSD1,000). Likewise, net equity increased by 4% (MMUSD68) due to the net profit obtained in the 2021 accumulated period.

STATEMENT OF FINANCIAL POSITION
MMUSD

	2020	2021
Current Assets	951.3	1,458.9
Non-current assets	6,308.5	7,226.6
Total assets	7,259.8	8,685.5
Current liabilities	2,083.4	2,301.4
Non-current liabilities	3,335.4	4,475.2
Total liabilities	5,418.8	6,776.6
Net equity	1,841.0	1,908.9
Total liabilities and equity	7,259.8	8,685.5

Current Assets

- Cash of MMUSD 119.5 of the bond issue made in February 2021 is maintained.
- Higher inventory value for higher cost at US\$26.8 per BL (75.3 versus 48.5) and higher volume at 357 MBL (7,656 versus 7,298).
- The IGV tax credit was increased by MMUSD150 and a recovery of MMUSD26 per balance of profit and MMUSD16 per investment in PMRT was obtained.

Non-current assets: There was an increase in works in progress of buildings, machinery and equipment, due to the progress of the PMRT work.

Current liabilities

- With the cash received from the issuance of bonds for MMUSD1,153, short-term loans taken for the PMRT for MMUSD570 were paid as of December 2021.
- Credit terms with direct suppliers are longer, so as not to compromise credit lines.

Non-current liabilities: MMUSD 1,000was obtained for issuance of bonds maturing in 2047. Likewise, in November, MMUSD9 of CESCE balance and MMUSD141 were received for deferring income generated by issuance over the par, which will be recognized in income proportionally until the payment of the debt in 2047.

Equity: Higher in MMUSD67.9 compared to the balance as of December 2020.



7.3 Financial Indicators

The results of the financial indicators for 2021 were:

FINANCIAL INDICATORS
MMUSD

INDICADOR	UNIDAD	2020	2021
Índice de liquidez			
Liquidez general	veces	0.5	0.6
Prueba ácida	veces	0.3	0.4
Índice de solvencia			
Endeudamiento patrimonial	Nº veces	2.9	3.5
Índice de rentabilidad			
Rentabilidad económica (ROA)	%	0.0	3.0
Rentabilidad financiera (ROE)	%	-3.7	3.6
EBITDA			
Ebitda	MMU\$\$	131.4	281.5
Relación con los ingresos	%	4.2	6.7

- Greater liquidity (0.6 versus 0.5) as a result of the cash received with the reopening of bonds in February 2021 (MMUSD1,153) and the fund balance received with the issuance of bonds (MMUSD149 in current account), which were used to cancel the short-term debt of the PMRT in June 2021 (MMUSD570).
- Regarding solvency, higher level of indebtedness (3.5 versus 2.9), due to the increase in long-term debt, as a result of the reopening of 2047 bonds to meet PMRT obligations.
- As for the ROA and ROE, higher rate of return on assets (ROA) due to the increase in operating income recorded as of December 2021 (MMUSD260 versus profit of MMUSD0.3 as of December 2020).
- Higher rate of return on equity (ROE) mainly explained by net income of MMUSD68 as of December 2021 versus loss of MMUSD -67 as of December 2020.
- Better EBITDA and EBITDA margin due to the gradual recovery of the marketing margins of our main products, greater value of inventories of intermediate and finished products, due to the increase in international prices and lower operating expenses, which led to greater efficiency of the cost of sales

7.4 Source and application of funds

In 2021, the investments have been financed with long-term debt issuance, with the increase in credit days with suppliers and with the net profit of MMUSD68 obtained:

CONCEPTO	MMUS\$
Origen	
Reapertura de bonos 2047 para financiar PMRT	651
Incremento días de crédito con proveedores	545
Utilidad año 2021	68
Varios	70
Aplicación	
Aumento neto de activos fijos-inversión en PMRT	(748)
Incremento otras cuentas por cobrar, principalmente crédito fiscal IGV	(259)
Inventario renovadoa mayor costo	(224)
Uso de efectivo en pagar inversiones - PMRT	(155)
Varios	50

The obtaining of resources by the Company has:

Origin in:

- Increase in bank financing for a net of MMUSD651, which is mainly due to the funds received for the reopening of 2047 bonds for MMUSD1,000 made in February 2021, placement that was on par, which allowed to receive an additional MMUSD141, which will be deferred to income until the cancellation of the debt and in November MMUSD9 of balance of the CESCE loan was received. Part of this fund was used to immediately repay the \$570 million short-term loans that had been taken to finance the project while the long-term loan was not taken.
- Increase in debt with direct suppliers, by extending credit days, in order to reduce debt with financial institutions and maintain breadth in our lines of credit with banks.
- The income generated as of December 2021 by MMUSD68.

Application in:

- Investment in fixed assets for MMUSD748 (net of depreciation), basically due to the progress of PMRT work, which as of December 2021 is a comprehensive physical progress of 96.79%
- Increase in other accounts receivable in MMUSD259, mainly due to an increase in: i) IGV tax credit in MMUSD150, which is a net of MMUSD192 increase, decreased by SUNAT refunds by early recovery regime for MMUSD16 and by balance of benefit for MMUSD26, ii) ISC tax credit in MMUSD78 and iii) balance in favor for IR payments in MMUSD17.
- Renewal of the inventory at an average higher cost of US\$26.8 per BL (75.3 to December 2021 versus 48.5 to December 2020), derived from the recovery of the international price of crude oil and derivatives, originated by the highest demand in the world, by the progress in the control of the pandemic and the economic reactivation of the countries that originate this.
- Increase in the cash balance for a net amount of MMUSD155, mainly from the fund received for the reopening of 2047 bonds for MMUSD1,000. From that fund, as of December 2021, \$120 is kept in the MMUS box that will be used to pay obligations generated by the progress of the PMRT work.

Investor Relations

During 2021, the quarterly report for the third quarter of 2021 (earnings releases) was prepared, which includes data for the first and second quarters of 2021. The quarterly reports describe the financial and operating results of the business, in addition to the most salient issues related to the management of PETROPERÚ in a truthful and transparent manner to existing and potential investors.

Likewise, through the press releases, local and foreign investors were kept informed about the events that occurred during the year that in one way or another may influence investment decisions.

On the other hand, the PETROPERÚ investor web portal is kept updated, in order to facilitate the search for information from the financial community and other agents of interest, regarding financial, economic, operational and management information.

As part of the management, the relationship with the local and foreign risk classifiers was maintained, the timely delivery of the required information and the relevant supports, necessary for the preparation of their classification reports, was complied with.



In April 2021, S&P Global Ratings maintained the credit risk rating as an issuer of PETROPERU in BBB- for long-term debt financial instruments, with a stable outlook; in May 2021, Fitch Rating ratified the rating as an issuer for long-term debt financial instruments in BBB+ foreign currency with a negative outlook. Considering that PETROPERÚ's ratings are strongly linked to the credit profile of the Peruvian sovereign, as it is a state-owned company, in October 2021 Fitch Rating lowered PETROPERÚ's rating to BBB from BBB+ as a long-term debt issuer in local currency and foreign exchange, it also revised PETROPERÚ's rating outlook from negative to stable.

Likewise, in November 2021, the local risk classifiers Apoyo & Asociados and PCR issued their rating reports. Apoyo & Asociados ratified the rating in AA-(pe) for long-term obligations and CP-1(pe) for PETROPERÚ's first short-term instruments program with a stable outlook. PCR ratified the rating of PE1 to the first program of short-term instruments and downgraded AA from AA+ to the financial solvency (long-term obligations) of PETROPERÚ, changing the perspective from negative to stable.



8

Revenue generated for the State



During 2021, PETROPERÚ generated resources for the State for a total of MMUSD1,111.7, of which MMUSD84.7 were for its own operations and MMUSD1,027.0 as a collecting agent of the ISC, IGV, IR and withheld contributions to personnel. While PETROPERÚ applied a tax credit for a total of MMUSD1,157.4, corresponding to ISC and IGV paid in its acquisitions.

REVENUE GENERATED FOR THE STATE

MMUSD	2020	2021
For the operations of the company		
IR	27.4	36.5
Import duties	2.3	0.7
OSINERGMIN/DGH aliquot Supreme Decree No. 114-2001-PCM	10.2	11.9
ITF	4.1	1.2
OEFA Supreme Decree No. 127-2013-PCM	2.5	3.1
FISE-SISE laws No. 30114 and No. 29852	31.0	31.2
Subtotal	77.5	84.7
On behalf of third parties		
IGV	503.2	617.3
ISC	348.1	295.2
Road Tax	56.1	80.9
IGV-withholdings payable (suppliers)	0.8	1.0
IR withheld from staff	23.0	11.6
Other taxes	18.8	21.0
Subtotal	950.0	1,027.0
Total revenue generated	1,027.5	1,111.7
Tax credit used		
IGV Tax credit	(647.0)	(850.2)
ISC Tax Credit	(305.3)	(307.2)
Total	(952.3)	(1,157.4)

FEPC

Revenue from FEPC is recognized simultaneously with revenue from sales to customers of the refined products covered by the fund, for which the MINEM DGH establishes a price band.

The income from FEPC is recognized as part of the income from ordinary activities.

The total amount receivable from the DGH as of 31.12.2021 and 2020, amounts to MUS\$43,025 and MUS\$15,757, respectively, generated by the offsetting and contributions operations, which includes as of 31.12.2021 the claim for protection registered in a claims account for MUS\$14,514 (MUS\$16,012 as of 31.12.2020), classified as other long-term accounts receivable and MUS\$28,511 receivable for compensation as of 31.12.2021, and the amount payable (contribution) of MUS\$255, classified as other accounts payable as of 31.12.2020.



9

Administrative Management



9.1 Legislative Decree No. 1292

Legislative Decree No. 1292, which declares of public necessity and national interest the safe operation of the ONP, and provides for the reorganization and improvement of the corporate governance of PETROPERÚ, was published in the Official Gazette El Peruano on December 30, 2016.

The PETROPERÚ Reorganization and Modernization Plan was approved by Directory Agreement No. 067-2018-PP of 06.08.2018; it comprises 6 components with 21 activities and their corresponding indicators, which consider the guidelines indicated in Legislative Decree No. 1292.

As of December 2021, the implementation of the PETROPERÚ-DL Reorganization and Modernization Plan No. 1292 has a comprehensive progress of 75% versus 98.8% goal.

9.2 Personnel

The current CAP is as follows:

Type	2019			2020			2021			2020-2019	2021-2020
	S	E	Total	S	E	Total	S	E	Total		
Indeterminate term	1,029	1,112	2,141	994	987	1,981	1,288	1,170	2,458	-160	477
Contract subject to modality	344	270	614	364	306	670	140	180	320	56	-350
Injunction	5	24	29	3	25	28	4	28	32	-1	4
Total	1,378	1,406	2,784	1,361	1,318	2,679	1,432	1,378	2,810	-105	131

9.2 Training

By means of Board of Directors Agreement No. 052-2021-PP of 20.05.2021, the Training Policy of PETROPERÚ-Corporate University was approved. The General Management was entrusted with the creation of the Corporate University of PETROPERÚ with the purpose of transforming PETROPERÚ through a culture of sustainable learning, under a training model that leads to a greater development of skills and capacities.

In this sense, the General Management, with Memorandum GGRL-1718-2021 of 14.06.2021, approved the creation of the Corporate University, considering the management of programs and schools, restructuring existing programs and incorporating the schools of Leadership and Innovation and Transformation, designed as a strategy to assist the organization in the scope of its mission, conducting activities that promote organizational learning, and knowledge of the Company, based on six strategic lines. Its official launch took place on 20.08.2021.

The Leadership and Innovation and Transformation schools began activities on 10.09.2021, with the support of the international consultancy Innostrategy, under the trademark Opinno, for their design and implementation; however, considering the prioritization of essential services for PETROPERÚ and the austerity measures established by the High Administration, on 29.10.2021 the activities of both schools were suspended.

The General Management approved the 2021 Annual Training Plan, considering the situation due to the economic and social impact of the coronavirus (covid-19) at national level, which considers the development of training programs and activities, according to areas of knowledge, prioritizing activities in virtual or online mode, linked to safety and health at work, digital transformation and use of digital tools, certifications, mandatory according to the law, as well as the operational continuity of the Company.

In this context, the use of digital tools was enhanced since the training activities were developed in the virtual or online mode, continuing with the use of Aula Virtual PETROPERÚ, an application to which all staff can permanently access training and training resources.

We have had important strategic allies to train our staff, such as CAREC, which developed 8 specialized courses, in which 20 workers participated in virtual mode.

A training trip was carried out outside the country on QHSSE and 5 workers participated with an execution of 90 hours of training.

According to the development of the 2021 Annual Training Plan, as of 31.12.2021 an execution of 82,565 hours of training has been achieved. Likewise, the Comprehensive Training Plan for the New Talara Refinery, as of 31.12.2021, has reached an execution of 322,051 hours of specialized training.

Workplace climate

In August 2021, the Labor Climate Management procedure in PETROPERÚ was approved, with which the parameters for the measurement and management of the labor climate are updated. This allows to obtain direct, clear and objective information from the staff based on specific dimensions that affect the work environment, in order to analyze the results periodically and execute actions on the opportunities for improvement that are considered necessary to strengthen the commitment and performance of the workers.



These parameters consider the following methodology for the assessment of the working environment:

- General measurement: the purpose of the study is to know the degree of satisfaction and commitment of PETROPERÚ personnel, through the measurement and will be carried out annually.
- Pulse measurement: the purpose of this study is to measure the evolution of the dimensions that obtained a low level of score in the general measurement. It will be done every 6 months.
- Specific measurements: The purpose of the study is to identify which dimensions are low in a specific situation or context. This analysis will be carried out three times a year.

It should be noted as a reference that the last work climate study was carried out in 2020 and prior to that in 2018, after five years of the previous one, in 2013, which until that moment only considered an annual study. Hence the need to establish and keep updated a procedure that gives periodicity to this good practice of measuring work climate.

The annual work climate study was scheduled for May 2022.

During 2021, the execution of action plans elaborated in accordance with the results of the 2020 Work Climate Study was continued. Of this, the managements executed their 2021 plans with quarterly reports, running as of December 2021 in 78% at the corporate level

Talking to Your Leader 2021 Program

Conversando con Tu Líder (Talking to Your Leader) is a space in which the workers of the Company can express their queries, doubts, suggestions, opinions and complaints, referring to the current situation of the company or its functions, in order to receive feedback from General Management and the Chair of the Board.

The purpose is to ensure that the worker's voice is heard at all levels of the Company. During 2021, 43 virtual sessions were held in open and horizontal conversation spaces between the general manager with groups of supervisory and auxiliary staff on a corporate scale, reaching 697 workers during 2021 and 347 actions implemented.

Between Us Program

The objective of this program is to promote that People Management Management generates bonds of trust and openness with the PETROPERÚ worker. A virtual, pleasant, close and personalized meeting that contributes to build together a favorable climate between colleagues, in which the Management dialogues with the engine of PETROPERÚ, our people. The program was deployed in 12 sessions with 90 workers.

Election of the workers' representative on the Board of Directors of PETROPERÚ (2021-2023)

Pursuant to article 46 of the Regulations on Elections of the Workers' Representative to the PETROPERÚ Board of Directors, approved by Supreme Decree No. 022-2007-EM, the General Shareholders' Meeting formalized the appointment of Oscar Elect Vera Gargurevich, as a member of the PETROPERÚ Board of Directors and as an alternate director of Antonio Leonardo Manosalva Alarcón, elected as workers' representatives to the PETROPERÚ Board of Directors as of 01.05.2021.

Change Management

We apply the ADKAR model of change management, which addresses the human component in project management, accompanying the portfolios of the New Talara and PETROPERÚ Evolucionaria Refinery.

The consultancy in the Laboratory Management System project is concluded and activities in the New Management Model project are started; both are part of the New Talara Refinery. In the corporate sphere, projects from the PETROPERÚ Evolucionaria portfolio were accompanied, such as the migration to the new Office 365 work platform, the post-launch appropriation of the new visual identity, the introduction to the Growing Together program (performance evaluation) and the launch of the PETROPERÚ Corporate University.

Leveling sessions were held to extend the use of the ADKAR model. Currently, PETROPERÚ is developing this new organizational competence to facilitate adaptation to changes and increase effectiveness in new projects.

Performance assessment

The implementation design of the Personnel Development Program based on competencies and objectives was carried out. This program will allow evaluating the period January-December 2021, with the aim of establishing a solid and strategic process that allows measuring the contribution of worker value, based on the measurement of skills and objectives. Likewise, the new Growing Together 2021 process was launched - Performance Evaluation by Objectives + 360° Competencies, which allows under a new approach to evaluate and know the performance of workers with a view to professional development and closing gaps through an individual development plan and a succession pillar. A powerful platform is managed that provides the technological support in process Growing Together 2021-Performance Evaluation.

9.4 Supply chain management

Despite the crisis due to the Covid-19 pandemic, the continuity of administrative and operational operations was achieved, in order to comply with product dispatches. Remote work was implemented for risk personnel and that fulfills an essential function for the continuity of the processes, as well as the mixed work of other collaborators, in order to meet the plant objectives and reduce the risk of contagion.

During 2021, the work of land and sea operations was carried out uninterruptedly, providing the storage, reception and dispatch service to internal and external users, through the increase in the land fleet, signing of addenda for the inclusion of alternate routes in the contracts transportation, and supervised travel on critical routes.

We provide permanent attention to the maritime transport requirements of fuels (crude, intermediate and finished products) to terminals and refineries, despite the high incidence of port closures in 2021, and the constant maintenance and repair work of port facilities.

Total Talara crude oil sales have generated revenues of approximately MMUSD629, being 66% higher than 2020.

Likewise, improvements were achieved in operational, sales and administrative processes, providing permanent attention to the requirements of maritime transport of fuels to terminals and refineries.

A contract was signed with the state oil company Yacimientos Petrolíferos Fiscales de Bolivia (YPFB), for the sale of high-sulfur diesel and inputs and additives (gasoline 84) and ULSD.

Likewise, two exports of crude Brittany were made from Terminal Bayóvar for a total of 950 MB. In addition, the validity of the purchase contract for crude oil Brittany with the company PETROTAL was extended for three years.

Two tankers were contracted for the service of transport of bulk liquid hydrocarbons to the coastal terminals for a period of three years, with lower rates compared to previous years.

Development of the International Charter improvement project, which allows PETROPERÚ to trade together. Between March and April the procedures were implemented: Panel of Shipping Brokers and Shipowners, approved on 07.04.2021, as well as for the contracting of international ships and vessels approved on 15.03.2021.

The implementation of quality laboratories was carried out in our Talara, Piura, El Milagro and Pisco plants as part of the Quality Assurance Plan.

Bidding was achieved with ground transportation of fuel from the Glencore Group (Co. Minera Antapaccay SA, Volcan Compañía Minera SAA, Empresa Minera los Quenuales SA).

Enabling the new NL65 and NL66 tanks for the dispatch of gasoline (of 60 MBL capacity each) and the enabling of the NL76 tank for fuel alcohol in the Conchán Plant.

The major maintenance program of LPG storage tanks in Terminal Callao was completed, with a maximum capacity of 49.5 MB to date.

9.5 Procurement of goods and contracting of services

During 2021, 725 procurement processes for goods, services and works were convened for an amount of MMS/3,333.3, out of a total of 861 scheduled processes, which correspond to the contracts that were made under the PETROPERÚ Contracting Regulations.

On 28.06.2021, the New Text of the PETROPERÚ Procurement Regulations began to take effect, approved by Board of Directors Agreement No. 039-2021-PP dated 08.04.2021, which made it possible to optimize the contracting management of the company by supporting three main pillars: (i) innovation, (ii) control and (iii) evolution. Among the main proposed changes based on these pillars, are the inclusion of the electronic reverse auction modality, whose scope facilitates the contracting of standardized goods and services, optimization of the regulation of framework agreement, inclusion of clauses that reinforce transparency, the express delimitation of the prohibition of fractionation, improvements in the methodology of evaluation of bidders in selective awards and dissemination of registration requirements in the BDPC in the PETROPERÚ Transparency Portal, among others.

The new SUPLOS was implemented. Through this medium, suppliers can present their technical and economic offers electronically, strengthening the levels of transparency of our contracting processes.

9.6 Operating, direct operating and leasing contracts

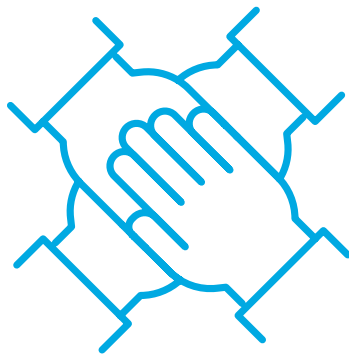
In 2021, revenue was generated from the North and Central Terminal Operation contracts. Invoiced amounts amount to MMUSD9 (north terminals) and MMUSD10 (center terminals).

Likewise, income was obtained from the lease of areas of the OFP amounting to MMUSD1.

Since November 2019, we have taken on the great challenge of directly operating the southern terminals (Pisco, Mollendo, Ilo, and Cusco and Juliaca sales plants), after concluding the operation contract with the Terminals Consortium (integrated by Graña y Montero SA and Oiltanking Perú sac), contracting Servosa Cargo sac, in the outsourcing modality, for the operation service of the southern terminals.

Likewise, at the end of 2021, approximately MMUSD13 was obtained for the RAD services of operation of the southern terminals (storage, dispatch and additional services) within the framework of the six RAD contracts signed with external users (La Pampilla SAA Refinery and Mobil Petroleum Company Overseas Limited), slightly exceeding the results of the 2020 period, despite the exogenous factors that were presented.

In May 2021, the physical delivery and reception of the facilities and goods of the Pucallpa Refinery was carried out to the Jungle Refining Department Management. The Settlement Board reported that it does not have the necessary resources for the removal of Maple-owned property from the facilities in Pucallpa.



9.7 Integrity System

By means of Board of Directors Agreement No. 088-2019, the Compliance Office was created from 10.09.2019, in charge of monitoring the design, implementation and operation of the Corruption Crime Prevention System and the SPLAFT, as well as directing the operation of the Integrity and Transparency System of the Company, created in 2017, giving it autonomy and independence in the exercise of the function, with a direct report to the Board of PETROPERÚ.

With Board of Directors Agreement No. 136-2021-PP of 02.12.2021, the change of the name of Compliance Officer to LAFT Prevention Body was approved, maintaining its level of reporting to the Board of Directors.

Since May 2017, PETROPERÚ has the Integrity System in order to establish the standard of ethical conduct in PETROPERÚ that all workers, directors and shareholders must comply with, translating them into commitments that we assume with our different interest groups.

The Integrity System works on three components: prevention, detection and response.



Prevention

PETROPERÚ has the Integrity Code and related guidelines that serve as a guide to guide the conduct of workers. These documents are disseminated among the different interest groups, and form part of the contracts or agreements that under any form of contract are signed with any natural or legal person.

PETROPERÚ seeks the continuous strengthening of an ethical culture, based on the Policy of Integrity and Fight against Corruption and Fraud that establishes a clear position of zero tolerance in the face of fraud, corruption, bribery and any irregular act. In this sense, it trains and trains all workers, thus providing the tools to act in a probative manner, in order to develop preventive actions and detect irregular acts.

As part of the activities to strengthen the ethical culture of PETROPERÚ, the General Management approved the 2021 Awareness, Dissemination and Training Plan of the Compliance Office, developing training, training and communication activities aimed at the Company's personnel to strengthen ethical conduct and values. In 2021, 19 training activities on ethics and integrity issues were developed, with a total of 4,082 participants nationwide during the year.

Detection

The PETROPERÚ Integrity Line is the confidential reporting system, which has various communication channels so that workers and citizens in general can report any suspicion or evidence of non-compliance with the Integrity Code and related regulations, and so PETROPERÚ can detect such acts and take concrete actions. This system is operated by an independent company, in order to ensure the confidentiality of the identity of the complainant and retaliation against him.

The Integrity Line makes available a web form, an email, a 24-hour voice mail box, a telephone exchange, a post office box and personal interviews, so that workers and citizens can report any deviation from our standard of conduct, being public on the Company's website.

Response

PETROPERÚ, as part of its Integrity and Anti-Corruption and Fraud Policy, has committed to apply disciplinary measures to those workers who break the law or act dishonestly.

In 2021, 107 complaints have been received registered through the company's receiving channels for this purpose, which are being addressed in accordance with the regulations on the matter.

Updating the Integrity System Regulations

In 2021, the Integrity Code was updated, approved by Directory Agreement No. 070-2021-PP of 01.07.2021, taking as a reference the good practice promoted by the Peruvian State on the affidavit of interests of public officials, so that workers declare their personal interests and the activities of their relatives in a timely manner. Having the information of the family group will allow us to prevent conflicts of interest and hiring impediments in accordance with the State Procurement Law.

Likewise, the Policy of Integrity and Fight against Corruption and Fraud POLA1-004 (in replacement of the Corporate Anti-Fraud and Anti-Corruption Policy) was approved with Directory Agreement No. 070-2021-PP of 01.07.2021; the Integrity System Guideline (v.1) -LINA1-096, on 09.09.2021, was updated by the General Management; the procedure Detection, Verification, Control and Monitoring of Conflict of Interest-PROA1-262 (v.3), on 15.09.2021; and the guideline Use of the Integrity Line-LINA1-088 (v.2), on 06.08.2021.

Finally, the Whistleblower Protection Procedure-PROA1-427 was approved, on 30.08.2021, by General Management.

9.8 Conflict of Interest Management

In the period December 2020-December 2021, the SIIN application has registered 2,785 workers who complied with submitting their adhesion commitments.

In order to warn of the existence of possible cases of conflict of interest prior to a contract, the managers involved in contracting services, goods and works have consulted the database of the SIIN application, communicating to the area in charge of this for analysis and evaluation that allows mitigating the risk of conflict of interest. In 2021, the area in charge of the SIIN has attended 94 consultations, preventing cases of conflicts of interest in contracting.

9.9 Transparency

As part of the strengthening of transparency management in PETROPERÚ, 6 officials were appointed responsible for providing publicly accessible information, at the national level, according to their scope of influence or geographical space, through Directory Agreement No. 050-2021-PP of 20.05.2021. And there are 3 channels available to respond to requests¹³ for public information, with the online channel being the one with the highest demand from citizens, especially in the current context of the COVID-19 pandemic.

During 2021, PETROPERÚ received 546 requests for public information, which have been fully addressed; the average attention to requests for information is 7 useful days, as part of the good practices implemented by transparency management. Likewise, only 57 requests were denied by PETROPERÚ because they were in the cases of confidential information, provided access only to the public part.

Also, as part of the Active Transparency, through Directory Agreement No. 050-2021-PP of 20.05.2021, PETROPERÚ appointed the official responsible for the preparation and updating of the Transparency Portal, in which publicly accessible information is published periodically, through formats in friendly, understandable versions, with a clear language for citizens, promoting a culture of openness of information in line with the reuse of data.

PETROPERÚ signed a cooperation agreement with PROÉTICA that expired in August 2021, which provided support and guidance for transparency management. Within this framework, various activities were carried out that contributed to the strengthening of the culture of transparency, including 4 conferences, 2 of which were workshops with international experts.

As part of the gap closure plan as a result of the First Perception Survey of Integrity in PETROPERÚ, and in order to strengthen the culture and transparency management, the First Annual Transparency Report 2020 was disseminated internally. Likewise, the institutional electronic addresses of the officials of the organizational structure were published on the Transparency Portal and the PETROPERÚ website, all with the aim of guaranteeing greater spaces of transparency. And there was a greater relationship and rapprochement with the Secretariat of Public Integrity of the PCM, the Directorate of Transparency and Access to Public Information of the MINJUS and the non-profit association Transparency, which allowed us to share trends in the management of transparency, implementation of good practices and collaboration in internal talks.

In December, attention was paid to information requirements from external bodies, such as CGR, the Attorney General's Office, the Attorney General's Office specialized in Corruption Crimes, the Congress of the Republic and citizens, through the Transparency Portal, regarding the case on the acquisition of biodiesel B100 from the company Heaven Petroleum Operators.

¹³ The three channels are the email (Comisión_transparencia@petroperu.com.pe), the Documentary Processing offices in each of PETROPERÚ's offices nationwide and the online platform in the Transparency Portal (www.petroperu.com.pe/transparencia/solicitud-de-acceso-a-la-informacion-publica/).

9.10 System for the Prevention of Crime of Corruption

PETROPERÚ, in accordance with the mandate issued by its Board of Directors, implements the Corruption Crime Prevention System, in accordance with the good practices that are adopted throughout the world, in order to significantly reduce the risk of its commission.

In fact, Law No. 30424, and amending and regulatory rules, design the main characteristics of the System for the Prevention of Corruption Crimes in Peru, taking into account the recommendations of international organizations such as OECD, FATF, UN, that legal persons (companies) assume responsibility for the commission of crimes of active bribery (in its international, generic and specific modality), money laundering, terrorist financing, influence peddling, simple or aggravated collusion, establishing itself as a defense tool in case of tax investigation. In addition, provide an early warning system on possible breaches or commission of crimes that allows timely measures to reduce the risk of exposure, generating a climate of confidence, at internal and external scales in our organization.

The elements of the Corruption Crime Prevention System are:



His main achievements in 2021 are as follows:

- 1. Two training talks, Knowing Prevention Systems, which highlighted the importance of the Corruption Crime Prevention System. The first training was attended by 251 workers, and in the second, 241. These talks were aimed at different areas of the Company, such as Internal Audit and Risks, Exploration and Production, Supply Chain, Culture and Wellness, Logistics, Marketing, Operational Planning, and Information Technologies, among others.
- 2. Signing of the commitment to adhere to the System for the Prevention of Money Laundering and Financing of Terrorism, to the system for the Prevention of Corruption Crimes and to the Anti-Bribery Management System by 706 workers.
- 3. The clauses of Prevention of Money Laundering and Financing of Terrorism, Corruption Crimes and Bribery were updated, to be included in the contracts and other documents that are signed with the business partners of PETROPERÚ.

9.11 Bribery Management System
ISO 37001:2016

PETROPERÚ adopted the decision to voluntarily submit to ISO 37001:2016, implementing the Anti-Bribery Management System to two of its main processes, which will establish a globally recognized standard structure in the prevention, detection and treatment of bribery risk, as well as increasing its competitiveness and reputation, thus ensuring the achievement of its objectives and goals of the Company.

During 2021, the following results were achieved:

- 1. Awareness and interpretation course of the requirements of ISO 37001:2016, aimed at the members of the Board of Directors, general manager, managers and personnel of the areas in which the implementation was carried out.
- 2. Signing of the commitment to the Anti-Money Laundering and Terrorist Financing System, the Anti-Corruption Crime Prevention System and the Anti-Bribery Management System, by 706 workers.
- 3. Approval of the due diligence procedure in the knowledge of the suppliers that are related to PETROPERÚ.
- 4. Training of authorized personnel for the management of the review tool in national and international lists, application of the due diligence procedure in the knowledge of suppliers.
- 5. The clauses of Prevention of Money Laundering and Financing of Terrorism, Corruption Crimes and Bribery were updated, to be included in the contracts and other documents that are signed with the business partners of PETROPERÚ.



9.12 SPLAFT

PETROPERÚ has the quality of an obligated subject to implement an SPLAFT, reporting to the FIU, since it is a company that produces and markets chemical inputs that could be used in the manufacture of drugs or explosives. The SPLAFT is made up of policies and procedures, in accordance with the law, its regulations and other provisions on the subject, taking into account the risk factors of the LAFT. Likewise, the controls linked to the timely detection and reporting of suspicious transactions, in order to prevent the products that it markets to its customers from being used for purposes related to the crimes of LAFT, guaranteeing the duty of confidentiality of the information related to said system.

The SPLAFT comprises the following components:

- Appoint a Compliance Officer.
- Apply due diligence measures in the knowledge of its customers, directors, workers, suppliers and counterparties, as appropriate.
- Approve the policy, manual and code of conduct for the prevention and management of LAFT risks.
- Carrying, preserving and communicating an RO.
- Notify the FIU of suspicious transactions detected through a ROS.
- Have internal and external audits where appropriate.
- Prepare and communicate semi-annual reports to the supervisory body and the FIU.
- Awareness-raising, dissemination and training of the SPLAFT.
- Respond to requests for information from the FIU.

Within the framework of the 2021Work Plan, activities were developed that contribute to the proper implementation and functioning of the SPLAFT, such as:

- Strengthening of knowledge and internal regulatory framework of the system
- SPLAFT training
- Updating policy documents
- LAFT Risk Identification and assessment
- SPLAFT Due Diligence Monitoring
- LAFT Risks assessment
- System maintenance
- SPLAFT Improvement
- SPLAFT evaluation mechanisms

The relevant achievements of the 2021 management are detailed below:

- Update of the Policy for the Prevention of Money Laundering and Financing of Terrorism, Corruption Crimes and Anti-Bribery Management of PETROPERÚ, approved by Directory Agreement No. 031-2021-PP.
- As a result of the application of the LAFT risk identification methodology, there is a report of these that contains recommendations that seek to improve their identification and evaluation.
- The General Management approved a new procedure of the LAFT Prevention System (PROA1-461) approved on 03.09.2021, which aims to provide the specific framework of the mechanisms, controls and records that must be implemented as part of the SPLAFT.
- Regarding SPLAFT training, virtual talks were provided in the corporate field to staff in face-to-face, remote or hybrid work, in order to strengthen the culture of prevention in the field of LAFT. Exhibitors of recognized national and international trajectory participated.
- A tool was developed that allows obtaining the record of operations with information available in the SAP ERP, taking into account the criteria contemplated in the corresponding regulations.
- Attention was paid to the queries made by the various areas of the Company related to the different components of the SPLAFT and their associated risks.
- Likewise, the monitoring of the SPLAFT was carried out, using digital tools, such as the use of background search platforms related to LAFT or previous crimes, as part of the strengthening of due diligence in customer knowledge.

9.13 Technological Innovation and Development

During 2021, we made improvements in sales processes with the implementation of the new digital sales channel (Altoke) for direct customers (network service stations and industry). This allows fuel orders to be managed efficiently and practically in accordance with current regulations and integrated with the SCOP platform (OSINERGMIN) and the SAP ERP (PETROPERÚ marketing and billing solution).

The expected benefits for customers are that they have a tool to plan and control their purchases, reduce transaction time in the plants, validate their requirements information for their care and fuel dispatch online.

Likewise, the SUPLOS was implemented, which allows the management of calls and offers through an online access portal that will give greater transparency to the logistics processes.

On the other hand, the PETROPERÚ app was made available, an application to retain consumers of service stations nationwide, which has 192,860 registered users at the end of 2021.

Improvements were made in SAP ERP Shipping Management. The consolidation in the SAP ERP of the different events of the trips/ships was achieved for the management of the evaluation of the behavior of the contracts. Also, calculation of indicators, recording of information on ship activities with details of date and time, complement of volumetric travel information regarding the volumes used, remaining volumes, which allow areas to manage contracted maritime transport with indicators, consolidation of information in the SAP ERP, allowing greater access to it.

the PETROPERÚ app was made available, an application to retain consumers of service stations nationwide, which has 192,860 registered users

Adaptations were implemented in electronic invoicing for compliance with the SUNAT standard (PETROPERÚ and PETROAMAZONAS), and RS No. 042-2021/SUNAT, regarding the issuance of electronic vouchers. Give legal tax validity to our electronic vouchers on our sales that generate tax on filming (50% of our turnover), around 15 billing scenarios.

On the other hand, the ICT Governance and Management Model was implemented, consisting of the approval of the ICT Policy 2020, conformation of the ICT Steering Committee, and the approval of 17 processes at levels 1, 2 and 3, which are aligned with the 11 ICT governance and management objectives that were prioritized.

In March 2020, an agreement was signed with DINI in aspects related to the digital security of the ACNs managed by PETROPERÚ. As part of this agreement, it has been possible to carry out the evaluation of digital security risks of the ACNs managed by PETROPERÚ in view of typical industry risk scenarios.

Price Analysis for Sales was implemented, which allows to provide tools for decision making to make offers (ranges) of prices, which allow PETROPERÚ to maintain its margins, identify the behavior of service stations by region, in the face of the price change made by the Company, generate greater cash flow and profitability for the company.

The Communication Link to the COES-New Talara Refinery Data Center was implemented, due to regulatory compliance of the sector to share information from the new electric cogeneration plant given its connection with the SEIN.

10

Social Management



10.1 Programs

In 2021, the Company has invested more than MMS/ 9.5 in different relationship actions and social projects, benefiting approximately 289,478 residents of the area of influence surrounding its operations in Oleoducto, Talara, Iquitos, Conchán, plants and terminals, oriented to timely manage social risks and opportunities to generate shared value for the Company and its various stakeholders.

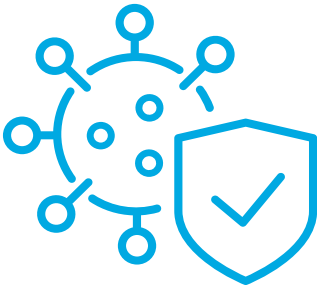
Our social approach is implemented through the Social Management Policy and the Integrity Code, which reaffirm our commitment to ensure respect for human rights in all activities of the Company, with emphasis on the eradication of child labour, forced labour and all forms of discrimination, in line with the Global Compact, the IFC Performance Standards, the Equator Principles and the Universal Declaration of Human Rights.

Likewise, we carry out our actions under two concepts of vertical integration of the business to cover all the operating units in a transversal way, validated with the expectations and needs of the different interest groups, contributing with it to the strengthening of relations, following the measures decreed by the government and safeguarding the populations of our area of influence.

Facing Covid-19 Together

In 2021, an approximate of MS/425,334 has been invested in health and food security, benefiting more than 54,136 inhabitants of greater social vulnerability in the environment of our operations. The most relevant activities are detailed below:

- Focused on helping with vaccinations against covid-19, PETROPERÚ provided logistical support to MINSA in July and August to carry out the First Vaccination for the benefit of more than 10,000 residents of CC Saramuro and CN Saramurillo, adjacent to ONP Station 1, and residents of the towns of Talara. This management made it possible to accelerate the immunization process in these areas of influence of our main operations.
- We contribute to the reduction of risks of the population with the massive delivery of different biosecurity equipment, benefiting 32,050 people in Talara, Conchán and Pucallpa. Biosafety kits, portable heartbeat detector, pulse oximeter and 10 oxygen balloons were delivered.
- We continue to support with the provision of food for medical personnel trained in the care of patients with coronavirus symptoms at the Talara II Carlos H. Vivanco Mauricio health center. It is important to note that this support has been carried out since the beginning of the state of emergency due to COVID-19, benefiting approximately 25 doctors during 2021.
- Health Programs: During 2021, two programs focused on health promotion and early childhood were completed: Program of Interventions with Health Agents in Early Childhood and Family Pata Daku, and Messaging and Health Promotion Program. Both benefited more than 12,000 residents of the Pipeline's area of influence, providing messages with an emphasis on healthy hygiene and feeding practices, in addition to the health care that families must maintain within the framework of the health emergency.
- Finally, we support economic reactivation through tourism, one of the sectors most affected by covid-19, which was worked in alliance with the regional directorates of Tourism of Loreto,



Ucayali and Madre de Dios. In Iquitos, the tourist circuit of the Independence community was strengthened, and the inhabitants were trained in management and techniques of tourist guidance and groups. In Puerto Maldonado, the signage of the tourist circuit of Bajo Tambopata was improved. In Pucallpa, the contest of the DIRECTUR Ucayali Tourism Week was sponsored and the spaces of the Pucallpa Plant were lent to capture the local Amazonian art.

Community Relations

We continue with actions of direct relationship with the localities surrounding our operations, with the purpose of maintaining an efficient management of critical issues, thus strengthening the trust between the actors for the timely coordination of operational needs.

As the main instrument for managing and monitoring the relationship with our stakeholders, we have the Mechanism for Attention to Complaints and Social Complaints, which was recognized as one of the three best practices of the Responsible Business Conduct Recognition Program of MINEM and SNMPE. This positions us as referring to national and regional scales in response to complaints and claims.

- In addition, various activities were carried out during 2021 with an approximate investment of MMS/ 3.4, benefiting more than 149,862 people from populations surrounding our operations, such as:
 - Communication with the population in the PMRT through the OIPC. The following achievements were made:
 - 111,850 people served by different channels (more than 86,000 compared to 2020).
 - Record number of applications, registering 81,422.
 - 5,388 phone calls for data update.
 - 857 calls were received, 6,413 vacancies and 5,207 candidates sent.
 - Home telephone verification of 3,508 pre-selected and 13,127 people.
 - 86 broadcasts of pre-selection sessions.
- Polyduct Integrity Awareness Talks. 345 people from the communities surrounding Refinería Iquitos were benefited with talks focused on the prevention of any accident and the use of pyrotechnics in the vicinity of the facilities.
- Logistical facilities for articulation with the State. More than 150 residents (authorities and leaders) of the communities surrounding the ONP were benefited with transport, mobility and food, contributing to timely diligence, management of their concerns and articulation to meet their expectations with the State, related to closing social gaps and conflict resolution.
- Strengthening ONP contractors. Improved competitiveness and contractor performance through ongoing technical assistance. Thirty persons from 15 contractor companies were trained.

- First Socioeconomic Diagnosis. During 2021, PETROPERÚ made a socioeconomic diagnosis in the 13 communities surrounding Refinería Iquitos. This will allow to know the reality of the communities, their main economic activities and the identification of their potentialities around productive projects that PETROPERÚ can strengthen.
- Social intervention in the emergency due to river accident in Yurimaguas, which occurred on 29.08.2021. Successful actions of continuous relationship, psychological care and accompaniment to the affected families were carried out, in addition to a medical campaign that covered the care of 150 people, support with food and articulation with key institutions, such as Caritas Yurimaguas. With this, the rapprochement with the population was achieved and the initial position of rejection of PETROPERÚ was mitigated.
- Christmas Program Awakening Smiles, for the benefit of children from the different operations in Iquitos, Talara, Oleoducto, Conchán, new projects in Ilo, Ninacaca, sales plants and PETROPERÚ terminals. It should be noted that, since 2020, following the protocols indicated by the national government for the Covid-19 emergency, Christmas shows are not held. In 2021, 32,050 children from the surrounding areas benefited.
- Social support to communities around our operations, in order to strengthen solidarity ties between PETROPERÚ and surrounding populations, as well as maintain our positioning as a socially responsible company, benefiting more than 4,600 people in our area of direct influence.

Contribution to local development

The sustainable management of PETROPERÚ is committed to the planned and monitored use of resources through the execution of social projects of public interest that contribute to the attention of a complex social problem, as well as to closing socioeconomic gaps in our interest groups. In this way, we have achieved a direct improvement in living conditions and ensured the sustainability of our operations.

In 2021, an approximate of MMS/ 5.7 has been invested, benefiting more than 85,480 inhabitants of the different operations. Below, we detail the most relevant projects:



Education

- Academic Reinforcement Program. For the third consecutive year, this program has benefited more than 80 low-income students from the communities surrounding Refinería Iquitos. To date, 2 students have been admitted to the university.
- Program for the Improvement of Apprenticeships Developed since October 2021 in the communities of Fernando Rosas and Mayuriaga, area of influence of the Orn, with the aim of improving learning in communication, mathematics, citizenship and socio-emotional skills in students of primary and secondary levels. The project benefits 230 families.
- Delivery of school supplies. Committed to the education of the children of the surrounding populations, 9,764 packs of school supplies were delivered in different educational institutions near Refinería Iquitos, Villa El Salvador and Lurín, in Refinería Conchán.

Health

- Medical campaigns. In order to cover the health gaps in the localities close to our operations, PETROPERÚ runs free medical campaigns in partnership with the regional health directorates and companies in each area. During 2021, more than 2,000 people have benefited from care in general medicine, dentistry, obstetrics, diabetes screening, anemia and days of immunizations against covid-19. Simultaneously, medicine was delivered.

Productive projects and income generation

- Innovation Project in Artisanal Productive Techniques. We continue to strengthen the capacities of craftsmen in chambira fiber of the communities around Refinería Iquitos, through the Digital Craftsman 2021 workshop, organized by CIDENE, with the support of the Embassy of the United States and in coordination with the Tourism Directorate of Loreto. This program seeks to increase the skills in artisans, allowing them to digitize their offer and improve their competitiveness, through digital platforms. More than 160 artisans from communities around Refinería Iquitos have benefited in recent years.
- Women in Action Program. During 2021, a digital literacy program was developed for women entrepreneurs in the town of Talara, in order to strengthen the productive development of their ventures and seek business reactivation in the face of the pandemic. There were 11 women entrepreneurs who benefited.
- Technified Irrigation System Project, CC San Pedro de Ninacaca. During 2021, it culminated with the Permisology Service, obtaining the accreditation of water availability for the scope of the project. Likewise, the main permits and authorizations were managed by SERNANP and MIDAGRI. The implementation will begin in 2022 and will benefit approximately 1,800 inhabitants of that locality in the management of water resources, especially in times of drought.
- Cocoa and Macambo Cultivation Project. Developed since March 2021 in the community of Nuevo Milagro, area of influence of the Orn, with the aim of promoting the development of the value chain through technological transfer aimed at installing and increasing the production of its crop in the community. The project benefits 16 families with nurseries installed to sow and develop capacities in the management of cocoa and macambo cultivation, giving them the possibility to improve their economic income and promote the development of the cocoa value chain.
- Minor Birds Productive Project. Developed since October 2021 in 5 communities in the area of influence of Section I of the ONP (Barranca, July 28, Ungumayo, San Antonio, May 6), with the aim of strengthening and training in the management, reproduction, feeding and health in minor birds to increase and diversify the diet with protein source. The project benefits 500 families.
- Urban Agriculture Program in Conchán. During 2021, activities were developed for the strengthening and sustainability of ecological bio-gardens, through the recovery of public spaces, contributing to the food security of 56 families in the Conchán Refinery area of influence, generating jobs and income that allows them to improve their quality of life.
- Technical Careers Training Program. Performed for the benefit of young Talareans graduated from public educational institutions in the district of Pariñas, who demonstrated an outstanding trajectory and school performance. During 2021, 120 new comprehensive higher technical education scholarships were awarded at CETEMIN, a higher education institution licensed by MINEDU. It is important to note that over the years this program is carried out in an articulated way with the UGEL Talara and the directors of educational institutions.
- Program Educating for the Work of Tomorrow (2021). This initiative benefits 600 schoolchildren and 50 school teachers in Ilo (Moquegua), Ninacaca (Pasco), Pariñas (Talara) and Villa El Salvador

(Lima). The objective is to increase the potential and capacity for employment insertion or job creation, through the development and strengthening of skills and competences that allow access to the increasingly competitive labor market.

- Program for the development of skills and competencies for the improvement of the work path (2021), for the benefit of 1,600 third, fourth and fifth high school students, and more than 70 teachers from the areas of interest of Conchán, Ninacaca, Ilo and Talara, with the aim of enhancing their capacity for job insertion or job creation through the development or strengthening of skills and competencies.

Public infrastructure projects

We support the improvement of infrastructure and public space of communities and settlements around our facilities, with delivery of construction materials, in order to improve their public spaces, such as sidewalks, bridges, roads and green areas, as well as communal premises. To date, 18,610 residents have benefited. Among the most relevant contributions, we have:

- Rehabilitation of the Northern Cone Road. As part of our commitment to the development of the community of Talara, between November 2020 and February 2021, the rehabilitation of the Northern Cone-I Stage road was completed, with the act of delivery and reception of the work to the Regional Government of Piura. This project benefits more than 900 residents of the Northern Cone area.
- Rehabilitation and supervision of streets in the CN Santa Rosa. As part of the commitments of the collaboration agreement signed on December 23, 2020, between PETROPERÚ and the CN Santa Rosa, before the stoppage of the activities of the contractor INMAC, in charge of the hillside stabilization service at kilometer 323+190. It benefited about 400 residents (80 families), establishing a greater space for dialogue with the community, in which different situations of conflict have been presented due to environmental issues or demands to the State for social gaps.

Governance

During 2021, in order to enhance the capacities of positive leaders who ensure the well-being and development of their localities, workshops on governance, local leadership and public management were held, benefiting more than 116 leaders and authorities of local and district governments in ONP and Iquitos.

Environment

Participatory Socio-Environmental Monitoring Program. 35 residents of Ilo and Conchán were trained in monitoring and promotion activities, as well as in the management of solid waste, monitoring of air and soil quality. This program aims to generate confidence in the population about the operational management of the operation. It also acts as the main communication channel to show transparent management and reduce the perception of environmental pollution.

10.2 Conflict Management

The Company has faced various processes of social conflict, achieving its prevention, mitigation and containment, thanks to the permanent work of the community relations team, focused on a set of actions and strategies that allow overcoming the crisis and redirecting it to a process of dialogue, with the objective not only of strengthening PETROPERÚ's relationship with neighboring populations, but also implementing measures that allow us to make our operational activities viable. This contributes to the Company not being affected by possible fines or sanctions by auditing bodies, in addition to avoiding incurring costs that would have a negative impact on the sustainability of operations.

During 2021, 59 social conflicts have been registered, of which 31 (53%) correspond to the ONP; 18 (31%), to Talara Refinery; 5 (8%), to plants; 4 (7%), to Iquitos Refinery; and 1 (2%), to Conchán. Of the total, 51 conflicts (86%) have been resolved. The remaining 8 conflicts are in process and constant monitoring, since the solutions do not correspond directly to the Company, but to the articulation with the State.

Among the most important actions that our team performs for conflict management, we can mention:

- Mechanism for Attention to Complaints and Social Complaints of the population, local workers, local companies, social organizations and local authorities towards the Company, its contractors or subcontractors, in all its headquarters, which contributes to preventing issues that can be addressed early from escalating into crisis situations.
- Permanent relationship of the social team with the population for the dissemination of activities of the Company, preventive coordination of operational activities and processes of hiring local personnel, among others. The relationship incorporates the intercultural approach in the case of indigenous native communities in the ONP area.
- Local employment management: PETROPERÚ monitors and permanently accompanies the processes of hiring local personnel, in order to guarantee an equitable and transparent process of qualified and unskilled labor in the scope of its main operations, which contributes to managing the expectations of job generation, which could be the basis of subsequent conflicts between local inhabitants and PETROPERÚ.
- Strengthening contractors through training actions and initiatives aimed at strengthening their business management skills, in order to improve their management and mitigate the risk of conflicts associated with inadequate performance.
- Social supervision of contractors through various procedures. Clear guidelines are established for the work of our contractors and subcontractors in the field of social management, which are continuously supervised by the management areas of each contract with the support of the Sustainable Development Management. It also informs local people about processes and engages local leaders and authorities to record their perception, complaints or grievances.
- Social investment in actions aimed at bridging development gaps in education, health, early childhood, water, sanitation, electrification and infrastructure, with the aim of preventing conflicts by addressing the demands of neighboring communities in the face of the low presence of the State and the poor capacity of local and regional government to properly manage public investment.



10.3 Communications management

In 2021, it was allowed to a greater extent to plan for the challenges caused by the COVID-19 pandemic. In this sense, in the internal communication aspect, the communication channels were strengthened, in order to keep the worker informed and updated, including the interaction component, which allows a greater participation of the internal public. In this sense, the reach of Yammer, the internal social network in which more than 2,600 workers participate, was maximized.

Also, in order to enhance the opportunity of information, Petroinforma was activated, a communication channel through the instant messaging application WhatsApp, which allows segmenting and reaching the worker quickly.

On the other hand, we continue to promote spaces for direct dialogue between the Company's leaders and the workers, through the virtual presentations of the General Management to the workers. This made it possible to report on the situation of the Company, the progress of the main projects and the biosafety care measures. In total, 20 presentations were developed during 2021.

Along the same lines, the General Management and the Presidency of the Board of Directors led 61 group conversations, in which more than 820 workers participated. These meetings were held every week and allowed to know the requirements and concerns of the workers on aspects related to their work, benefits or other topics of interest. The information was taken as input for the development of initiatives in worker welfare.

Likewise, in December 2021, two video messages from the General Management were disseminated to the workers, in order to share the main issues of the new Company Administration.

The Internal Communication Diagnosis was also developed in-house, which will allow to have updated information on the uses and consumption of internal channels, and identify the expectations and requirements of workers, favoring the planning of activities for 2022.

The coverage in traditional media about the Company reached 6,270 mentions, being 68.21% neutral and positive, against 31.79% that were negative. It should be noted that, of the total mentions, about half occurred in digital media, a quarter in print media, and the other quarter mainly in television, with a lower percentage in radio.

271 press releases and communiqués were prepared and disseminated, and 37 explanatory letters, which were published in our official channels and in the media, generating value and contributing to strengthening the reputation and image of PETROPERÚ.

73 interviews of officials with the media were carried out, in addition to presentations at events, for which 130 guides were developed, including arguments, memory aids, own Q&A questionnaires, responses to third party questionnaires, articles and written statements for national and international media by spokespersons of the Senior Management.

More than 30 activities have been achieved in relation to journalists or influencers in the cities where we operate, with the aim of reinforcing our image and efficient management with the various stakeholders.

Constant digital surveillance is carried out with the support of a specialized external company, having identified and annulled numerous fraudulent websites (including phishing and other monitored incidents) that usurped the Company's logo for illicit purposes. Monitoring contracts

are developed and managed in social networks and websites, guidelines in social networks, digital surveillance, translation and web accessibility, among other services.

The number of visits to the institutional web portal was 1,454,898 and that of new users was 405,628.

In 2021, 1,909 posts were made on the Company's institutional social media accounts: 599 posts on Facebook; 356 on Twitter; 516 on LinkedIn; 179 on YouTube; 249 on Instagram; and 10 on TikTok. They were carried out according to a plan that includes a number of daily publications, days, schedules and appropriate content for each social network.

As a result, as of December 2021, 111,000 new followers were gained on our official social media accounts, with a peak of 17,311 in December. While from February to December 2021 the net sentiment of the Company has been above the target of 44% planned for the year. Likewise, the queries that are entered through social networks and the official communications mail are attended daily.

The annual target of videos was doubled, producing 602 activity logs, as well as animated videos for dissemination on social networks and the Company's web portal, with the aim of providing our stakeholders with information in friendly, accessible and understandable formats. In addition, 5 reports on PMRT were produced.

In terms of radio, 275 editions of the radio program Talara Mi Orgullo were produced and broadcast, through radio Marilú, in Talara, as well as 23 radio spots. Likewise, 9 virtual editions of the Talara Mi Pride newsletter were prepared and disseminated, which remains among the top 3 radio programs with the greatest tuning in Talara.

In addition, the PMRT's OIPC issued 354 editions of its radio program OIPC Informa (for the aforementioned Talare radio station), prepared and disseminated 882 printed and digital materials, disseminated 837 job profiles, all through its 6 information channels (Fan Page, Web, Digital Bulletin, radio program, information windows and lines of attention). With a reach of 2,068,996 people, in addition to 6,969 stories published with a total of 45,503 views and 2,335 messages attended with an average response of 13 minutes.

Institutional Relations

Even in a pandemic scenario, the Company adapted to virtuality to reach its various consumer audiences, institutions, authorities and the general public, in order to disseminate the advances in its main projects and BGC.

In this sense, it participated in 26 events, between sponsorships and collaborations, with different institutions at national and international scales. The period of greatest activity was the first half of the year, highlighting the events organized by entities such as Prensa Grupo sac, SAE, ALOXI, CCCP and SPR.

Highlights the participation of PETROPERÚ in Peru Energy, one of the most important and recognized events in the electricity and hydrocarbons sector in our country. This, which was held on October 21 and 22, on the Zoom-webinar platform with streaming, aimed to share, analyze and disseminate information and approaches on the situation and the future of the energy sector at local, regional and global scales.

The face-to-face event, held on December 27, 2021, took place on the same date that PETROPERÚ began the return to oil and gas production activities, after 25 years, by taking control of the production operations of Lot I, in the historic Talara oil basin. The ceremony was attended by the President of the Republic Pedro Castillo Terrones. This was carried out in one of the 190 wells that are part of Lot I, located between the La Brea and Pariñas districts, in the Piurana province of Talara. The first president of the nation described this day as historic and maintained that the hydrocarbon industry in the country takes an important step in Peru with this return, after a quarter of a century.

Cycles of webinars were also developed to project PETROPERÚ's contribution to industry issues. From May 2021, the Energy Talks conference cycle was offered, in partnership with entities in the energy and hydrocarbons sector, with the participation of its most outstanding experts. These activities are disseminated through social networks and press releases, and are transmitted through the Company's Facebook Live. Since June 2021, the Energy Master Class conference cycle has been managed in partnership with the country's various national and private universities. These activities are disseminated by social networks and are transmitted in coordination with each study center.

Five media plans were carried out for the dissemination of the Copé Award, PMRT, Campaign in Iquitos, ONP and Ilo, to publicize the benefits of the Construction of the New Terminal of PETROPERÚ in that city. In addition to the dissemination of spots and advertising in radio and written media on the quality of products, hours of operation of the sales plants and supplier database, and the publication of various institutional notices.

The MERCO, which is responsible for measuring the reputation of the main companies worldwide, presented its ranking of the 100 companies with the best reputation in Peru. In its tenth edition, in 2021, PETROPERÚ is ranked 58th among the 100 best companies in the country in reputation.

On the other hand, PETROPERÚ was ranked 18th in the top 100 ranking of Companies with Talent 2021, carried out by the independent business monitor MERCO which, for eight years, has measured the ability to attract and retain talent in the country, in companies that have a good climate and quality of work. The Company climbed 15 positions compared to 2020, in which it was ranked 33rd in the top 100 ranking of Companies with Talent. While, in the Oil and Gas Sector Ranking, PETROPERÚ ranked second, unlike the previous year, which was in fourth position.

It should also be noted, within the dimensions analyzed by this reputation monitor, the performance in the innovation dimension. In 2021, the implementation plan of the new visual identity of PETROPERÚ began, in addition to the systematization of processes driven by the virtuality of remote work, which allowed significantly improving the innovation indicator in 36 positions in the MERCO ranking. In the overall ranking, we were the company that most innovated its processes in 2021.

In December 2021, the implementation and optimization of the functionalities of the Reputational Scorecard began, which will allow providing Senior Management with the updated status of the organization's reputation, as well as support for strategic decision making. Likewise, through the Board of Directors Agreement No. 092-2020 PP of 01.10.2020, it was agreed, among other points, to elaborate the Reputation Plan 2021-2022 of PETROPERÚ, which will contribute to an increasingly efficient management of one of our most important intangible assets, such as our brand, which gives competitiveness and value creation to the Company.

¹⁴ Empresas is the global reputation monitor through which the reputational diagnosis of the most valued companies is accessed around its management with the main stakeholders, with 972 business managers. It is also worth noting that it is the only reputation monitor in the world that takes on the challenge of being verified by the internationally renowned KPMG auditor.



Likewise, by means of Directory Agreement No. 134-2020-PP of 21.12.2020, the dissemination of PETROPERÚ's new visual identity was authorized. On January 6, 2021, after 9 years of planning, the new identity was launched on the market, reflecting the profound changes that the Company undertook due to the need to strengthen it at the administrative, operational and institutional levels, as well as its commercial offer. We are on our way to becoming a modern, innovative, competitive, efficient and socially profitable company that contributes to the development of the energy and hydrocarbon industries.

In January 2021, the change of the environment in our operations began, which considered the new corporate colors, advertising totems, redesign of the reception rooms of our main operations, and in 15 service stations of the affiliated chain, adopting the new logo and a modern design in accordance with market expectations. Likewise, the new visual identity was implemented in all the digital platforms of our Company.

On a sustained basis, PETROPERÚ renews its membership of the most important institutions and unions in order to strengthen our relations with those prominent actors in the sectors in which we have a presence. These are SNMPE, SPH, SAE Support, ASCLA, CCCP, ALOXI, SPR, Piura Chamber of Commerce, Talara Chamber of Commerce, Lima Chamber of Commerce and ARPEL.

11

Cultural Management



In 2021, the transfer of face-to-face cultural activities to the virtual space continued to be used to significantly expand access, participation and user interaction in the promotion of our national culture.

Consumers of the culture website nearly doubled in 2021, compared to 2020: from 435,535 they increased to 799,299. While the reproductions of cultural events tripled compared to the previous year: from 132,120 reproductions in 2020 to 332,407 in 2021.

On the other hand, visits to our Virtual Library also doubled, going from 350,963 visits to 690,685. At the same time, visits to our virtual exhibitions quadrupled: from 48,547 in 2020 to 183,303 in 2021.

The Copé Prize had the highest result of participation in its history. The judging panel issued its final ruling in November 2020, after reviewing more than 3,000 papers.

Among the reasons that explain this remarkable growth we have the renovation of the Cultural Management website, which includes new sections and brings together the cultural contribution made by the Company since its inception. This new space was added to the work of dissemination and interconnection with cultural social networks and streaming presentations.

In parallel, the digitization of the catalogue of publications of Ediciones Copé continues in stages to be disseminated in the Virtual Library of PETROPERÚ, which explains the increase in visits to this cultural space.

Likewise, in the Cultural social media accounts of PETROPERÚ, the brand was positively exposed, significantly increasing social interaction. The digital community that we address is interested in knowing in a friendly way about the events, products and contests to be held through our cultural activities.

As a result, in 2021, the fulfillment of objectives planned in the Cultural Management Work Plan reached 98%, far exceeding, in many cases, the goals initially planned.

During 2021, the Cultural Transformation area was established, with the aim of building an organizational culture that leverages the business strategy.

The 2021 Organizational Culture Diagnosis was also carried out, as a basis for the design of the PETROPERÚ cultural model. This study is executed with 30 focus groups, 13 interviews and an open survey, in which collaborators from all locations and levels of the organization participate.

The Esencia Cultural report was prepared, in which we outline the updating of the corporate philosophy to create a structured system that enhances the work style in PETROPERÚ as part of its competitive advantage.



12

Sustainable Development



12.1 Certifications

The Certification of the ISO 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System and ISO 45001:2018 Occupational Health and Safety Management System is maintained, within the framework of the CASS Corporate Management Model.

The recertification of port facilities in Talara, Oleoducto, Conchán and Iquitos was achieved, with the code PBIP/IPE/RAD 10-2007, granted by the APN.

A 100% qualification result was obtained in the approval audit of Antapaccay to obtain the certificate of evaluation of suppliers Transport Management and Integral Management, in addition to an optimal qualification in the environmental audit for contractors, to the fuel supply service provided by PETROPERÚ from Mollendo Terminal, land transport of fuel and dispatch in mine facilities.

A 99.3% compliance result was obtained in the environmental audit for contractors by the client Sociedad Minera Cerro Verde SAA, to the fuel supply service from Terminal Mollendo, land transport of fuel and delivery in the mine.

In May, PETROPERÚ approved the homologation carried out by the company SGS del Perú for the client Volcan Compañía Minera SAA.

PETROPERÚ became the leading company in its sector when it received the SGS Certification in Covid-19 controls from the renowned international certifier SGS. The implementation of new and strict biosafety protocols allowed us to receive such relevant certification that reinforces the work of the Company in the current situation originated by the pandemic, in compliance with the requirements of RM No. 972-2020-MINSA, RM No. 128-2020-MINEM/DM and RM No. 135-2020-MINEM/DM.

During the second half of 2021, the company Bureau Veritas carried out a complete verification, both in the field and in the cabinet, of the infrastructure of the South West gas distribution system, on which it issued a report in which it concluded the operational compliance of the assets that make up said system. In this way, Bureau Veritas issued a certification of the Natural Gas Distribution System (networks and regasification plants), in which it was possible to demonstrate the good operational functioning of the company's assets, both of the distribution networks and the RDPs, through field visits and cabinet work.



12.2 Environmental remediation in privatized units

Refineria La Pampilla SA

The environmental remediation works of this contract have already been concluded, according to the corresponding environmental study. PETROPERU and the operator execute work on the recovery of floating hydrocarbons on the groundwater that underlies the refinery.

Southern Terminals

Soil remediation work is completed in Pisco, Ilo and Mollendo terminals, as well as in the Cusco and Juliaca plants, and OEFA has obtained approval for these works. The operator submitted the identification report of contaminated sites to the MINEM and its approval is still pending, as indicated by current regulations.

Center Terminals

In Terminal Callao, the remediation work of soils determined by the environmental study has been completed. OEFA sent a letter to the operator indicating that no significant findings that could mean a sanction have been found in the supervision. The current operator submitted to the MINEM the identification report of contaminated sites that includes the results of the environmental audit carried out by the end of the contract, which so far does not have the approval of the MINEM.

North Terminals

The current operator submitted to the MINEM the identification report of contaminated sites that includes the results of the environmental audit carried out by the end of the contract. This is under review and so far does not have the approval of the MINEM.

Lot X

The work of the first and second stages of environmental remediation is completed, according to the corresponding environmental study, and the approval of the OEFA is pending.

CNPC's response is expected regarding the approval by the competent authority of the identification report of contaminated sites in Lot X to start the works of the third stage, as indicated by the current environmental regulations.

Lote 8

La Empresa y el operador iniciarán los trabajos de remediación ambiental en sitios contaminados en el Lote 8, toda vez que dicha contaminación haya sido ocasionada durante la operación de PETROPERÚ. El actual operador presentó al MINEM el informe de identificación de sitios contaminados que precisa las zonas afectadas, documento que se encuentra pendiente de la aprobación por parte del MINEM.



Within the framework of article 6 of Law No. 28840 (Law on Strengthening and Modernization of PETROPERÚ), which establishes that the General Directorate of the Public Treasury must transfer to the Company all the resources necessary to cover the expenses of environmental remediation of the fully privatized business units that belonged to it.

As of 31.12.2021, we have received MMUSD69.2 in capital contributions from the Republic of Peru for environmental remediation expenses and we expect to receive an additional MMS/ 34 to cover future expenses.

12.3 Environmental Remediation in Own Units

Until 2021, the amount of investment for environmental remediation in our operations reached MMUSD15.91. The corresponding programme includes 20 projects, the implementation of which will be completed in 2022.

In relation to the ONP contingencies, in 2021 the cleaning and remediation work of the affected areas continued, with a total amount of US\$5.7 million executed. Procedures were carried out with the insurance companies contracted by the Company for the reimbursement of these expenses.

12.4 Safety Management

The Company has managed to promote the improvement of the preventive culture in the organization through the following actions:

- Execution of 4 corporate safety stops at all headquarters with the participation of 19,796 workers, including own personnel and contractors, in order to raise awareness about the consequences of the accidents that occurred, the importance of the use of tools such as stop work and the PETROPERÚ T-CUIDA card, the prevention of fires and vehicle accidents.
- Execution of 144 drills.
- Issuance of 2,306 PETROPERÚ T-CUIDA cards.
- Implementation of the Security Moment at the beginning of the work meetings.
- Improve the culture of accident reportability by using the Alert and Lessons Learned tool.
- Carrying out 10 virtual awareness campaigns.
- Execution of 3 virtual courses: QHSSE Virtual Induction, IPERC, ATS, Work Permit, Induction, Prevention and Covid-19 Control.

The evaluation of the physical protection system of the facilities (Iquitos Refinery, and Iquitos, Pucallpa, Tarapoto and Yurimaguas sales plant) was carried out.

CASS management is guaranteed in all the Company's facilities, guaranteeing safe and environmentally responsible operations. Likewise, CASS management is ensured in the supply of fuel to the customers Sociedad Minera Cerro Verde SAA and Compañía Minera Antapaccay SA.

In a multidisciplinary work with the social and operational areas, an agreement was reached with the native communities surrounding Station 5, for the release of this facility, which was taken from 9/28/2021 to 12/17/2021.

A comprehensive evaluation was carried out of the pipeline firefighting systems, which have been included in an action plan to be implemented in 2022 for their repowering.

The Safety and Firefighting Week was held, in which several activities were carried out, including safety stop, IC drill, dissemination talks and training to the emergency response brigades.

Ten webinars were held, with topics related to industrial and process safety, recording the participation of 2,597 attendees.

107,512 hours of training have been provided between courses on HSE, work permits, ATS, IPERC, firefighting, specific, technical and specialized training.

Procedures, instructions, guidelines on occupational safety and health were implemented and strengthened.

In 2021, the corporate training program in SBC and defensive management was continued as a preventive tool against unwanted events.

Biosafety controls and measures against covid-19

The CASS corporate strategy for the Control, Monitoring and Verification of Covid-19 Biosafety Guidelines was developed in order to control and prevent the spread of the virus for both its own personnel and contractors.

As part of the activities, the Plan for the Surveillance, Prevention and Control of Covid-19 was developed. Various biosecurity measures were implemented, social distancing, use of respiratory protection and facial protection, hand washing, cleaning and disinfection of environments, in addition to taking tests for covid-19 (serological or molecular), among others.

The inclusion of rapid strategies to prevent the spread of covid-19 was carried out: conditioning of environments according to MINSA requirements, with a modern implementation of heat detection system (thermographic cameras) and various biosafety controls (signaling, reduction of capacity, gel alcohol dispensers, foot showers, etc.).

13

General information



13.1 Name and address

The name of the Company is Petróleos del Perú-PETROPERÚ S.A.

The administrative offices are located at 150 Canaval Moreyra Avenue, Lima 27, Peru. Their telephone numbers are (511) 614-5000 and (511) 230-3100. The customer service line is (511) 630-4079, and the toll-free line, 0800-77155.

13.2 Constitution and share capital

By Decree-Law No. 17753 of 24.07.1969, Petróleos del Perú-PETROPERÚ S.A. was named the Empresa Petrolera Fiscal created by supreme resolution of 02.04.1948. Likewise, it was awarded ownership of the assets forming part of the so-called Talara Industrial Complex and related annexes in Decree Law No. 17066 and the values resulting from the balance sheet of said complex closed on 30.06.1969.

PETROPERÚ was incorporated as a public limited company by means of a public deed dated 29.12.1981, granted before the notary Ricardo Fernandini Arana, in accordance with the provisions of Supreme Decree No. 034-81-EM/DGM. It is registered in entry A1 of file No. 38674, continued in electronic entry No. 11014754 of the Register of Legal Entities of Lima.

As of 31.12.2021, the authorized, subscribed and paid-up capital is represented by 5,368,412,525 common shares (5,368,412,525 as of 31.12.2020), whose nominal value is one sol each. As of 31.12.2021, the composition of the shareholding that participates in the issued capital of the Company includes:

CAPITAL STOCK	
Class A	4,294,730,020
Class B	1,073,682,505
Total	5,368,412,525

Class A shares have the right to vote, but they are indivisible, non-transferable and non-attachable shares, and may not be subject to security, usufruct or any impairment.

Class B shares are entitled to vote and may be transferred through centralized stock market trading mechanisms.

The dividend policy establishes that: "The distributable profits and after deducting the participation of the workers, the taxes of the Law and the legal reserve that may correspond, will be destined to the investment projects for the modernization or expansion of the activities of the company, in compliance with its approved annual and five-year objectives, in accordance with the provisions of article 4 of Law No. 28840-Law on Strengthening and Modernization of the Petroleum Company of Peru-PETROPERÚ S.A.", which is consistent with article 29 literal F) of the current Articles of Association.

In this line, the profits of the previous year are capitalized during the reporting period. Having obtained in 2020 a net loss of MUS\$67,280, there was no distributable profit, therefore in 2021 there was no movement in the share capital of the Company.

13.3 Corporate Purpose

PETROPERÚ is a state-owned company under private law in the Energy and Mines sector, whose corporate purpose is to carry out the hydrocarbon activities established by Law No. 26221 (Organic Law on Hydrocarbons), in all phases of the hydrocarbon industry and trade, including its derivatives, the basic and intermediate petrochemical industry, and other forms of energy.

The Articles of Association of PETROPERÚ were approved by the General Shareholders' Meeting on 18.10.2010, in which it is established that the Company aims to carry out activities in accordance with the provisions of the Organic Law on Hydrocarbons.

In the exercise of its corporate purpose, PETROPERÚ acts with full economic, financial and administrative autonomy, and in accordance with the objectives, policies and strategies approved by the MINEM. In addition, it may perform and conclude all kinds of acts, contracts and be governed in its foreign trade operations, by the customs and customs of international trade, and by the generally accepted rules of international law and the hydrocarbon industry.

13.4 Operations & Development

PETROPERU's turnover corresponds to ISIC group 23208 (manufacture of petroleum refining products). It was created by Decree Law No. 17753 on 24.07.1969. It is governed by its law adopted on 04.03.1981, by Legislative Decree No. 43, amended by Law No. 26224 of 23.08.1993 and other amending regulations. These laws regulate the economic, financial and labor activity of the Company, as well as the relationship with the various levels of government and administrative regimes.

In 1991, CEPRI and the Company's Board of Directors implemented a plan of rationalization and resizing, in a regime of free competition in the Hydrocarbons sector, so it was decided to put

the petrochemical plants out of service. Likewise, legal provisions were enacted to initiate the privatization process of the Company, selling the business units of operation and production, drilling/well service, maritime transport, lubricants, gas, and service stations, also establishing contracts for the operation of terminals and sales plants.

Through Law No. 28244 of 02.06.2004, PETROPERÚ was authorized to negotiate contracts with PERUPETRO, in exploration or exploitation and oil operations or services, in accordance with the law.

On 23.07.2006, the Congress of the Republic promulgated Law No. 28840, which aims to provide greater autonomy to the Company in the development of its activities, excluding it from the scope of FONAFE, the rules and regulations of snip, as well as the process of promoting private investment of State companies. Likewise, the aforementioned law is aimed at streamlining the procurement and contracting processes in coordination with the former CONSUCODE, now OSCE. Its regulation was approved on 26.04.2013, by Supreme Decree No. 012-2013-EM.

On 20.12.2007, Law No. 29163 (Promotion Law for the Development of the Petrochemical Industry) was promulgated, which in its 10th article orders to replace the first paragraph of article 3 of Legislative Decree No. 43, amended by Law No. 28840, with the following text:

“Article 3.- The corporate purpose of PETROPERÚ S.A. is to carry out the activities of Hydrocarbons established by Law No. 26221, Organic Law of Hydrocarbons, in all phases of the industry and trade of Hydrocarbons, including its derivatives, the Basic and Intermediate Petrochemical Industry and other forms of energy.”

On the other hand, since the entry into force of Legislative Decree No. 1031, which promotes the efficiency of the State's business activity, PETROPERÚ complied with the provisions of article 12 of said norm and registered 20% of its share capital in the Public Registry of the Stock Market. It is currently subject to the provisions issued by the Superintendency of the Securities Market, formerly CONASEV.

Likewise, Law No. 29817 of 21.12.2011 authorizes the transfer of up to 20% of the shares representing the share capital of the Company.

On 22.12.2012, through Law No. 29970 (Law that Strengthens Energy Security and Promotes the Development of the Petrochemical Pole in the South of the Country), PETROPERÚ is provided for its participation, individually or associated, in the development of the petrochemical pole referred to in said law.

On 13.12.2013, Law No. 30130 (Law Declaring the Priority Execution of the PMRT as a Public Necessity and National Interest) was promulgated, by which the Company is authorized to develop its main project and to sell or issue shares, being able to incorporate up to 49% of private participation of its outstanding share capital.

By Law No. 30357 of 06.11.2015, PERUPETRO is authorized to sign, after evaluation and through direct negotiation, the hydrocarbon exploitation contract of Lot 192 with PETROPERÚ. To this effect, it was exempted from the application of article 6 of Law No. 30130. Likewise, PETROPERÚ was authorized to convene, in accordance with the law, strategic partners and to carry out the necessary procedures.

By means of Supreme Decree No. 031-2016-MEM of 01.12.2016, the assignment of contractual position in the license contract for the exploration and exploitation of hydrocarbons in Lot 64 was approved by the Company, in favor of GeoPark Peru sac, the latter being designated as the operator of the aforementioned contract. Likewise, on 02.12.2016, the public deed of the aforementioned assignment was signed.

On 30.12.2016, Legislative Decree No. 1292 (Law Declaring the Safe Operation of the ONP to be of Public Necessity and National Interest) was published and provides for the reorganization and improvement of the corporate governance of PETROPERÚ.

The duration of the Company is indeterminate, according to the General Companies Law.

For the development of the activities, we have various authorizations, licenses and permits, among which are:

- Proof of registration in the DGH of the processing capacity of the refinery units. Also, the storage capacity of crude oil and products in refineries and sales plants.
- Operating licence for the refining and sale of petroleum products and derivatives.
- Certificate of registration in the DGH as a wholesale distributor of liquid fuels, granted by the MINEM.
- Registration as a marketer of aviation fuels, granted by OSINERGMIN.
- Registration of marketer of fuels for boats, granted by OSINERGMIN.
- Final concession contract for liquid transport by the ONP and the Orn, signed with the DGH.
- Authorization for discharges of treated industrial wastewater from Talara Refinery.
- Sanitary authorization to the wastewater treatment and reuse system in Conchán Refinery.
- Authorizations for the use of the aquatic area granted by DICAPI.
- Register for the control of audited assets issued by SUNAT.

Operations

PETROPERÚ carries out the following activities:

OPERATIONS

Activity	Infrastructure
Production of crude oil	Lot 1
Oil transport	ONP Own and contracted maritime and river fleet
Petroleum refining	Conchán and Iquitos refineries.
Distribution	Own and contracted maritime and river fleet Tank truck fleet and contracted train
Sale of fuel products and petroleum products	At the national level, through its own sales plants, terminals with operating contracts and affiliated service stations identified with the PETROPERÚ brand (PETRORED)

In the crude oil refining business, the competition is made up of Refinería La Pampilla SAA.

Regarding the commercialization of fuels, in addition to the aforementioned company, several wholesale marketers are involved that are supplied by Refinería La Pampilla SAA, PETROPERÚ or that directly import fuels.

Regarding PETROPERÚ, the Company markets the following fuels in accordance with current national and international environmental and quality technical standards, according to use:

- Domestic: LPG.
- In land transport: LPG, diesel B5 and diesel B5 S50, gasoline 84 and 90 octane, gasohols 84, 90, 95 and 97 octane.
- In air transport: turbo A-1, petrol 100 LL, turbo JP5.
- In maritime transport: bunkers, MGO.
- Industrial: diesel B5, industrial petroleum No. 6, industrial petroleum No. 500.
- Other: solvents and asphalts.

Main Assets

PETROPERÚ has five refineries, of which two were operational during 2021:

- Conchán Refinery. Made up of a UDP, a UDV and the submarine mooring, in addition to other facilities.
- Iquitos Refinery. Composed of a UDP, Merox Unit, springs for unloading crude oil and products, pipeline for the transport of products, and other facilities.

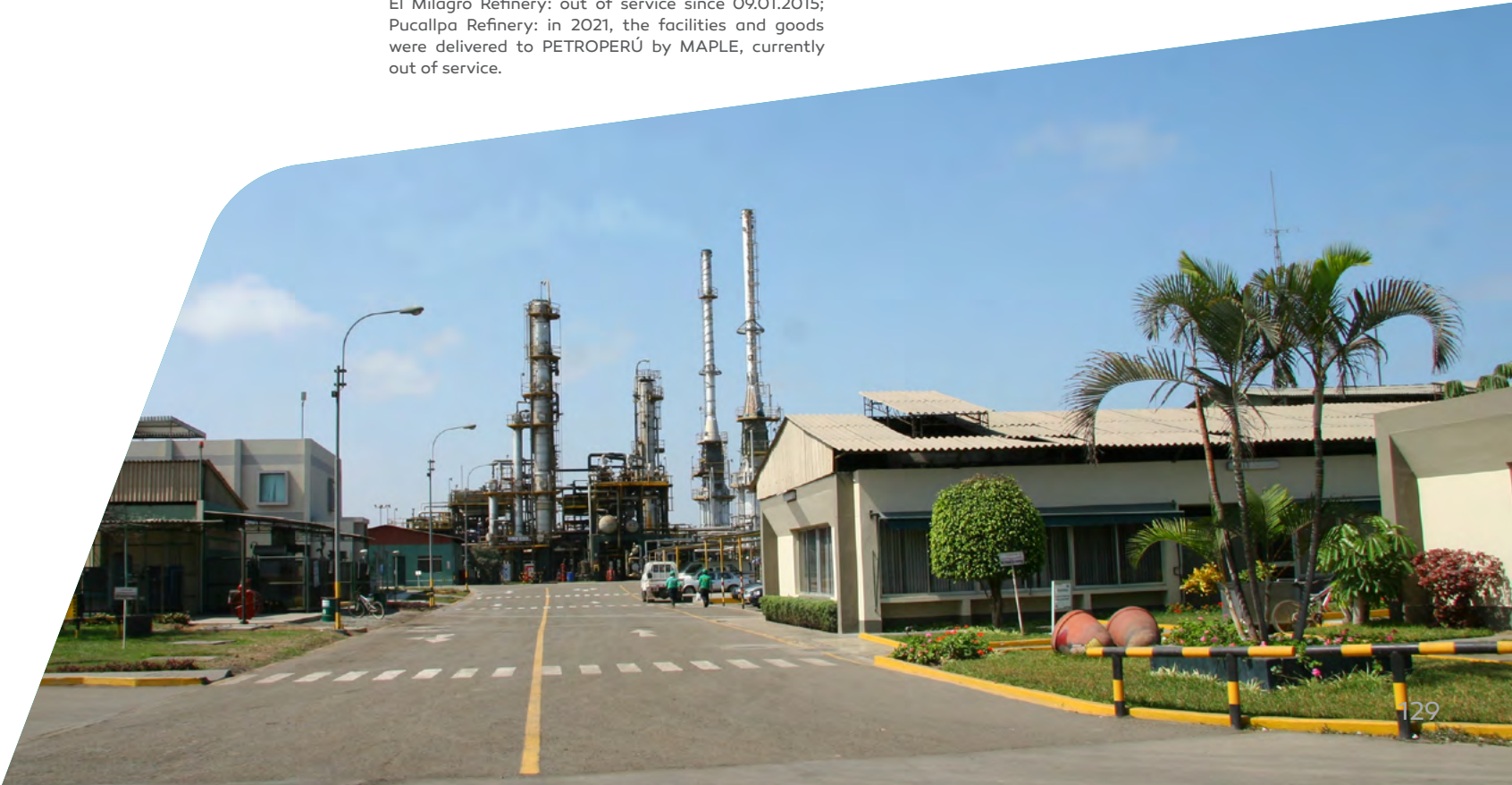
It also has the following own sales plants:

- Talara and Piura.
- Conchán.
- Iquitos, Pucallpa, Yurimaguas and Tarapoto.

Additionally, among its assets is the ONP, which extends from Station 1, located in San José de Saramuro, to the Bayóvar Terminal, on the coast of Piura. In Station 5, Datem del Marañón province, it is joined by the Orn, which originates in Andoas, located in Loreto.

In addition, PETROPERÚ owns the north, center and south terminals, the first two are under operating contracts, as well as various plants in regions, airport plants and other facilities. It should be noted that PETROPERÚ assumed the direct operation of southern terminals from 03.11.2019.

¹⁵ Talara Refinery: out of service since 31.12.2019; El Milagro Refinery: out of service since 09.01.2015; Pucallpa Refinery: in 2021, the facilities and goods were delivered to PETROPERÚ by MAPLE, currently out of service.



13.5 Judicial, Administrative or Arbitration Proceedings

The Company has processes, including:

MAIN JUDICIAL AND ADMINISTRATIVE PROCEEDINGS

FILE No.:	Type of process	Instance	Process Start Date	Contingent amount	Relevant management aspect
00642-08	Contentious - Administrative	Second instance	2008	S/ 360,000,000	Pending the Court's decision on our appeal. The nullity of the resolution of the Municipality of Callao has been requested, since there would be the triple identity because OSINERG sanctioned PETROPERÚ for the same event.
00282-18	Contentious - Administrative	Second instance	2018	S/ 2,202,654	Pending a decision by the Chamber. This process is relevant because of the amount.
05094-2020-O-1801-JR-C A-06	Contentious - Administrative	First Instance	2020	S/ 1,036,601	It is in the appeal stage. On 12.06.2021, the court notified the order confirming Resolution No. 5 that resolves to declare the lawsuit filed. On 11.20.2020, PETROPERÚ filed a lawsuit against OSINERGMIN, with the purpose that the partial nullity of Resolution No. 124-2020-OS/TASTEM, which resolved to confirm the administrative responsibility of PETROPERÚ in the Talara Refinery, be declared.
02547-2020	Contentious - Administrative	First Instance	2020	S/ 53,560,320	Pending that the court admits the precautionary measure filed by PETROPERÚ.
2544-2018-OEFA	PAS	In verification of compliance with corrective measure	2019	1,232.991 UIT	OEFA notified Directorial Resolution No. 969-2020, through which it resolves to sanction the Company with 1,232,991 UIT. PETROPERÚ filed the appeal.
1257-2019-OEFA	PAS	On appeal	2019	2,000 UIT	On 07.10.2021, OEFA notified Directorial Resolution No. 2372-2021, by which they declare the appeal for reconsideration unfounded. PETROPERÚ filed the appeal.

m1548-2019-OEFA	PAS	On appeal	2020	1,932.289 UIT	On 10.01.2022, OEFA notified Directorial Resolution No. 2938-2021, by which it declares the reconsideration appeal unfounded. PETROPERÚ filed the impugnatory appeal.
1203-2019-OEFA	PAS	On appeal	2020	4,000 UIT	On 24.06.2021, OEFA notified Sanction Resolution No. 1489-2021, which resolves to sanction PETROPERÚ with 4,000 UIT. PETROPERÚ filed the appeal.
3292-2018-OEFA	PAS	On appeal	2020	1,110.383 UIT	On 11.03.2021, OEFA notified Resolution No. 3292-2018-OEFA, by which it orders the company to be sanctioned with 1,110,383 UIT. PETROPERÚ filed the appeal.
2019000 19122	PAS	On appeal	2019	1,001.82 UIT	On 01.07.2020, OSINERGMIN notified Resolution No. 286-2020, by which it resolves to sanction the Company. PETROPERÚ filed the appeal.

MAIN LEGAL PROCEEDINGS IN LABOUR MATTERS

Description	Type of process	Instance	Result of previous instances	Date on which the process started
Increase in remuneration demanded by the STAPP. The STAPP requests the increase in remuneration by 9.09% and not by 7.216% that the Company had recognized, as a result of the change in working hours from 44 to 48 hours.	Ordinary labour process	In cassation (Supreme Court of Justice)	Second instance: favorable to the Company. First instance: pro-union	20.05.2011
The denaturalization of the outsourcing of 250 workers of the IMI Peru sac Company and the payment of benefits is declared. The lawsuit was filed by SITRAIMI, which demands the replacement of 250 workers in PETROPERÚ.	Ordinary labour process	First Instance	Without judgment in the first instance	23.01.2019



MAIN LEGAL PROCEEDINGS IN TAX MATTERS

FILE No.:	Type of Process	Instance	Process Start Date	Contingent amount	Relevant management aspect
06304-2019	Contentious - Administrative	Second instance	2019	S/ 120,000,000	Pending that the Chamber issues a ruling on appeal filed by SUNAT and that is favorable to PETROPERÚ regarding the non-payment of the taxes that taxed the import within the framework of the reception to the Regime of Replacement of Goods in Franchise.
06305-2019	Contentious - Administrative	Supreme Court	2019	S/ 160,000,000	Pending that the Supreme Court issues a ruling on an appeal filed by SUNAT against the Second Instance Judgment, which was favorable to PETROPERÚ, regarding the non-payment of taxes that taxed the import within the framework of the acceptance of the Regime of Replacement of Goods in Franchise.
04185-2020	Contentious - Administrative	Second instance	2020	S/ 60,000,000	Pending that the Chamber issues a ruling on appeal filed by PETROPERÚ regarding the non-payment of taxes that taxed imports within the framework of the Replacement of Goods in Franchise Regime.

MAIN JUDICIAL PROCEEDINGS IN CIVIL MATTERS

Counterpart	Description of the dispute	Status
Asociación Civil Club PETROPERÚ	PETROPERÚ owns the property located at Avenida El Golf Los Incas 320, Santiago de Surco, assigned in use to the Asociación Civil Club PETROPERÚ for the operation of the PETROPERÚ Club. The Company does not receive any payment for the use of the asset. At the instruction of the Board of Directors, negotiations were held with the Asociación Civil Club PETROPERÚ, in order to obtain the return of the property. When no agreement was reached, legal actions are carried out to recover possession	A claim was filed that has been admitted by the Civil Court. Pending notice to defendant.
Naviera Fluvial Morochita SRL	PETROPERÚ owns land adjacent to the Itaya River (Iquitos), previously used as a port for fuel disembarkation and currently a water catchment point in the event of a fire at the Iquitos Sales Plant. Said property is invaded by the company Naviera Fluvial Morochita SRL.	A claim was filed, which has been admitted. Once the claim has been answered, the process is in the evidentiary stage.
Loreto Regional Government	PETROPERÚ owns the property located on Avenida José Abelardo Quiñones, Iquitos, which was temporarily transferred to CTAR Loreto and is the current headquarters of GOREL, an entity that occupies the property without making any payment.	The claim is in the evidentiary stage. A precautionary measure was obtained that orders the suspension of the execution of constructions on the property by GOREL.

MAIN ARBITRATIONS

Counterpart	Description of the controversy	Status
Savia Perú SA	Award resolved that the rent for the lease is MUS\$5 per month from 2013 to 2023. It determined that for the period 2013-2018 PETROPERÚ must return MUS\$25 plus interest.	An appeal for annulment of the arbitration award has been filed before the Commercial Chamber of Lima by resolution No. 1 of 02.11.2021, it is decided to admit the claim to processing, the answer by the defendant being pending.
Estudio Garrigues Abogados	PETROPERÚ is required to pay 1% of the services provided in the execution of the contract, in the amount of 3,234,300 as success fees.	By partial award, it is declared that "the success fee set as 1% of the amounts that may eventually be transferred with Técnicas Reunidas SA is limited to the maximum amount provided for in the introductory provision of Clause Four of the Contract, according to the text of the signed Addendum, since it established; without excluding any concept a maximum amount of fees". Pending issuance of the final award, to determine: i) whether it is appropriate for PETROPERÚ to be ordered to pay in favor of Garrigues 1% of what it transacted with Técnicas Reunidas SA and Técnicas Reunidas de Talara sac, ii) whether it is appropriate for it to be ordered to pay in favor of Garrigues the default interest accrued until the effective date of payment of the success fee, and iii) determine whether it is appropriate for PETROPERÚ to pay all the costs generated in the arbitration process.

Other processes

During 2021, the archive of sanctioning administrative procedures initiated by OEFA and OSINERGMIN was achieved with a total archive of 73 pas and partial archive of 39 pas, in addition to supervisory actions.

Likewise, of 182 processes in labor matters, in which the Company was still a party, during 2021 PETROPERÚ was archived or excluded in 41 processes, without any payment having been generated by the Company.

As a result of the representation of the Company in the tax audit of IR 2014 and 2015, it was possible to reduce the objections made by SUNAT, generating effective savings of 30% and 28%, respectively.

13.6 Board of Directors

The General Shareholders' Meeting is the supreme and sovereign body of PETROPERÚ, the Board of Directors being the collegiate decision-making body to which the administration of the Company corresponds, with the powers and attributions indicated in the Articles of Association and the laws and regulations that regulate PETROPERÚ, except in matters that fall within the exclusive competence of the General Shareholders' Meeting.


Directors' Compensation Policy

The Remuneration Policy of the Board of Directors was approved by the General Shareholders' Meeting Agreement of June 27, 2018. It established the amount of remuneration of the members of the Board of Directors amounting to S/ 3,000 for attending the sessions, with a maximum of two paid sessions per month.

Additionally, the Board Remuneration Policy establishes the amount of the remuneration of the Board members equivalent to 50% of the diet established for each Board session for participation in the sessions of the Board committees, with a maximum of one paid session per month.

Attendance at board meetings

During 2021, the Board held a total of 46 sessions, in which we highlight the attendance of the directors to the sessions held during each of their periods, as shown in the following table¹⁶:

 Name of the director	Attendance rate
Mario Candelario Contreras Ibárcena	100
Luis Zoeger Núñez	100
Hugo Chávez Arévalo	100
Juan Donato Pari Choquecota	100
Carlos Alberto Palacios Olivera	100
Óscar Electo Vera Gargurevich	100

¹⁶ The table shows the attendance of the members of the Board of Directors who held these positions at the end of 2021.

At the beginning of 2021, the Board of Directors was integrated as follows:

- Eduardo Alfredo Guevara Dodds Chairman of the Board
- Hernán Barros Cruchaga independent director
- José del Carmen Cabrejo Villagarcía independent director
- Raúl Ricardo Pérez-Reyes Espejo director
- Jaime Augusto Aguirre Guarderas director

On 30.04.2021, the General Meeting of Shareholders unanimously agreed to formalize, as of 01.05.2021, the appointment of Óscar Electo Vera Gargurevich, as representative of the workers in the Board of Directors of PETROPERÚ and as an alternate to Antonio Leonardo Manosalva Alarcón.

Subsequently, on 15.09.2021, the General Meeting of Shareholders met and approved the appointment of five members to the Board of Directors as of 16.09.2021. Therefore, the composition of the Board of Directors of PETROPERÚ as of 31.12.2021 was as follows:

- Mario Contreras Ibárcena Chairman of the Board
- Luis Rafael Zoeger Núñez Independent Director
- Juan Donato Pari Choquecota Independent Director
- Carlos Alberto Palacios Olivera director
- Hugo Ángel Chávez Arévalo director
- Óscar Electo Vera Gargurevich representative of the workers on the Board

Mario Candelario Contreras Ibárcena

Chemical engineer from UNMSM and active member of the College of Engineers of Peru of Talara, with specialization in Mining Management and Marketing for Service Companies by ESAN University, with extensive experience in oil operations.

Hugo Ángel Chávez Arévalo

Economist graduated from UNMSM, graduated from the Master in Economics and with doctoral studies in Economics with a mention in Global Economic Management by UNMSM. It has postgraduate-level studies in the UNMSM in Identification, Formulation, Evaluation and Management of Social and Productive Public Investment Projects; Administration and Management of PMI-Projects; Preparation, Supervision of Profiles and Technical Records of Public Investment Projects; Strategic Management and Human Resources Management; and in the UNI, in Tax Works as Financing Mechanisms for the Execution of Infrastructure Projects.

Carlos Alberto Palacios Olivera

Mechanical engineer from UNI, and master in Business Administration, with a mention in Finance, from ESAN. He also has more than 25 years of experience in the Peruvian energy sector, between the tariff regulation of the distribution of electricity and natural gas.

Juan Donato Pari Choquecota

Economist engineer from the National University of the Altiplano, with doctoral studies in Global Economy and master's degree in Social Promotion and Citizenship. He specializes in the management of programs, projects and rural issues, community relations, management and resolution of socio-environmental conflicts. He has experience in development and public management projects. It has investigative capabilities in corruption issues. He has skills and experience in facilitating workshops and organizational processes and has been a Congressman of the Republic.

Luis Rafael Zoeger Núñez

Chemical engineer by the UNT, with extensive experience in the management of public and private companies in the energy sector, as well as in the design and execution of natural oil and gas projects, electricity generation and social responsibility.

Óscar Electo Vera Gargurevich

Chemical engineer of the UNT and master in Global Business Administration and Energy by the PUCP. He has more than 37 years of experience in the oil industry, having held managerial and managerial positions in different departments of the Company.

CHANGES OF THOSE RESPONSIBLE FOR THE PREPARATION AND REVIEW OF FINANCIAL INFORMATION

The following are the changes that have occurred in the last two years.

Corporate Finance Manager

CORPORATE FINANCE MANAGER

No. of employees	Last names and surnames	Management	Position	Level	From	To	Reason
58467	Sersen Navarrete, Mathius Alexis	Corporate Finance Management	Corporate Finance Manager	N2	04.02.2019	01.03.2020	Appointment of staff in vacant posts
58467	Sersen Navarrete, Mathius Alexis	Administration and Finance Management	Finance and Administration Management	N2	04.02.2019	24.09.2020	-
55203	Fung Quiñones, Beatriz Cristina	Administration and Finance Management	Administration and Finance Manager (e)	N2	25.09.2020	27.10.2021	Personnel management considering the withdrawal of confidence of M. Sersen in the position.
59290	Vásquez Martínez, Eduardo Miguel	Administration and Finance Management	Finance and Administration Management	N2	28.10.2021	20.01.2021	-
56479	De La Torre Tejada, Jesús Fernando	Corporate Finance Management	Corporate Finance Manager (e)	N2	21.01.2022	21.03.2022	-
56479	Flores Vivar, Farouk Iván	Corporate Finance Management	Corporate Finance Manager (i)	N2	22.03.2022	03.04.2022	-

HEAD OF THE INSTITUTIONAL CONTROL BODY

No. of employees	Last names and surnames	Management	Position	Level	From	To	Reason
8628	Mejía Zuloeta, Víctor Enrique	Audit Management	Audit Manager	N2	15.05.2019	01.03.2020	Comptroller's Resolution No. 142-2019-GG
58628	Mejía Zuloeta, Víctor Enrique	Institutional Control Body	Head of the Institutional Control Body	N2	02.03.2020	27.12.2021	-
58154	Espino Menacho, Percy Ronald	Institutiona Control Body	Head of the Institutional Control Body	N2	28.12.2021	to Date	Comptroller's Resolution No. 294-2021-CG

13.7 Basic structure management, advisory and control bodiesI

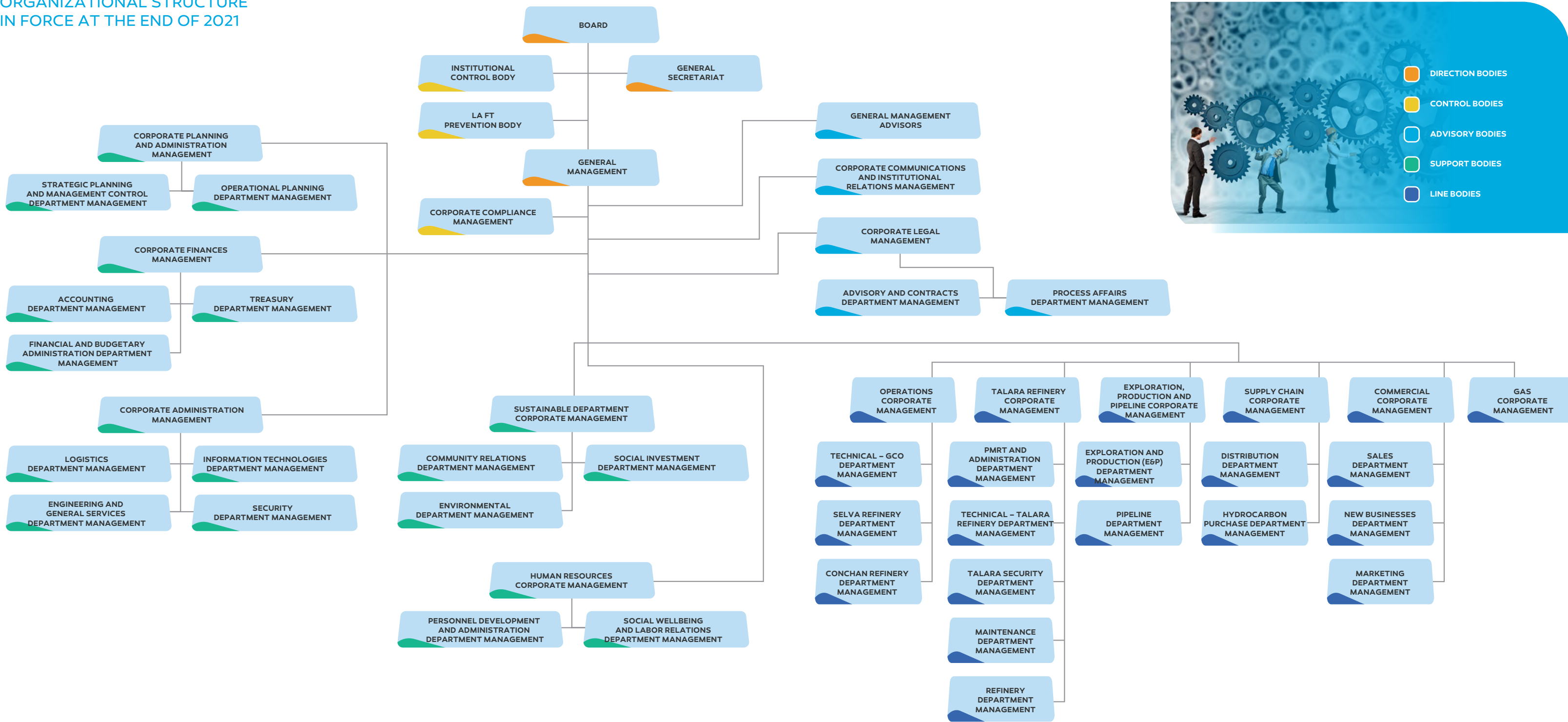
On 18.12.2020, with Board of Directors Agreement No. 133-2020-PP, the modification of the basic structure of PETROPERÚ was approved, among others, with the creation of the Natural Gas Management, level 2 body, with report to General Management, qualified as Management and Trust, with effective date from 18.12.2020.

By means of Board of Directors Agreement No. 048-2021-PP of 31.05.2021, the Board of Directors approved, among others, the modification of the basic structure of PETROPERÚ, with the creation of the NRT Legal Advice Department Management and New Projects, level 3 position, qualified as management and trust, with report to the Legal Management.

By means of Board of Directors Agreement No. 062-2021-PP dated 17.06.2021, the Board of Directors approved, among others, the modification of the basic structure of PETROPERÚ, with the change of the name of the Management Department of Labor Relations for the Management Department of Compensation and Labor Relations, and of the Management Department of Culture and Welfare, for the Management Department of Climate and Culture Management.

By means of Board of Directors Agreement No. 136-2021-PP of 03.12.2021, the Board of Directors approved, among others, the Basic Structure of PETROPERU Organization, made up of level 1-General Management, level 2-Basic Structure Management and level 3-Complementary Structure Management.

ORGANIZATIONAL STRUCTURE
IN FORCE AT THE END OF 2021



Description of the professional career of the management plan of the basic structure

Hugo Ángel Chávez Arévalo

General Manager

Economist graduated from UNMSM, graduated from the Master in Economics and with doctoral studies in Economics with a mention in Global Economic Management by UNMSM. He has postgraduate-level studies in the UNMSM in Identification, Formulation, Evaluation and Management of Social and Productive Public Investment Projects; Administration and Management of PMI-Projects; Preparation, Supervision of Profiles and Technical Records of Public Investment Projects; Strategic Management and Human Resources Management; and in the UNI, in Tax Works as Financing Mechanisms for the Execution of Infrastructure Projects. He held the position of general manager until 21.03.2022.

Rubén Martín Contreras Arce

General Secretary

Lawyer from UL, graduated from the Master in Business Law. He has knowledge in hydrocarbon management, energy law, finance and business law, organization and administration. He has more than 25 years of professional experience. He served as general secretary of PETROPERÚ until 24.04.2022.

Percy Ronald Espino Menacho

Head of the Institutional Control Body

Mechanical engineer from PUCP, Master in Business Administration from ESAN and graduate of the Doctorate in Business Administration from the National University Federico Villareal. He participated in the ESAN Management Program in Public Administration and in the Specialization Program for Assistant Managers in Public Management of the CGR. He has more than 21 years of experience occupying various management positions in various leading companies in his activities. He currently holds the position of head of the Institutional Control Body of PETROPERÚ.

Zenaida Calderón Anticona

Corporate Compliance Manager

Public Accountant of the UNT, admitted to the College of Public Accountants of La Libertad in 2001, master in Audit by the UP. With more than 17 years of professional experience in the hydrocarbon sector. She has held, among others, the positions of Internal Audit and Risk Manager and Deputy Manager for Internal Control and Risk Management at PETROPERÚ. She held the position of Corporate Compliance Manager until 07.01.2022.

Carla Milagros Santa Cruz Sandoval

Corporate Manager Communications and Institutional Relations

Degree in Public Relations from the UIGV and graduated from the International Master in Business Communication Management of the Peruvian University of Applied Sciences. She has postgraduate studies in Corporate Communication, participated in the Specialization Program in Corporate Social Responsibility and in the Governance, Political Management and Public Management Program, both from PUCP. She has more than 18 years of experience in the hydrocarbon sector. She held the position of Corporate Manager of Communications and Institutional Relations until 07.01.2022.

Juana Eloísa Liendo Herrera

Corporate Manager Planning and Management

Graduated in Administration from the UP, with a Diploma in International Corporate Finance from Tecnológico de Monterrey. She has Corporate Management and Leadership Programs, as well as Corporate Consulting and Project Management Programs. She has more than 39 years of professional experience in various industries. She held the position of Corporate Manager Planning and Management until 02.02.2022.

Eduardo Miguel Vásquez Martínez

Corporate Finance Manager

Master in Business Management from the University of Piura, public accountant from the UL. Bilingual and financial executive with leadership, direction and analysis with the finance team in transnational and public companies, with more than 19 years of experience in US GAAP'S, IFRS, cost control, planning, auditing and negotiation, process implementation and organizational improvements. Leader in the preparation of the annual budget, review of monthly sums and compliance with budgetary objectives. He held the position of Corporate Finance Manager until 20.01.2022.

César Augusto Aguilar Villegas

Corporate Manager Administration

Degree in Administration from the UIGV and graduated from the Master in Government and Public Management of the University of San Martín de Porres. With specializations in financial management, strategic planning and public management. He has more than 15 years of experience in the public sector in administration and finance, as well as in budgetary evaluation and control. He held the position of Corporate Administration Manager until 03.04.2022.

Iván Raúl Montoya Torres

Corporate Legal Manager (e)

Lawyer from the PUCP, with postgraduate studies in tax law. He participated in the Recruitment,

Bidding and Royalties Program in the Hydrocarbon Industry of the UP and has knowledge in risk management and prevention of money laundering from terrorist financing. He has more than 21 years of experience in tax and administrative matters, holding senior and managerial positions in national entities. He held the position of Corporate Legal Manager until 03.04.2022.

Raúl Francisco Verano Vásquez

Sustainable Development Corporate Manager

Lawyer from the UNMSM, graduated from the Master in Law of the CIFF (Spain) and the Doctorate in Fundamentals of Public Law of the University of Alcalá (Spain). Specialist in internal and external conflict management, with experience in corporate social responsibility management. He has more than 20 years of experience in managerial, management, leadership and advisory positions. He held the position of Corporate Manager for Sustainable Development until 03.04.2022.

Abilio Da Costa Manzur

HR Corporate Manager

Master in Organization and Management of People by the ESAN University, economist by the UIGV. Human resources executive with more than 34 years of experience in labor relations management, human and organizational development, compensation and social service, in leading multinational and local companies. Orienting the alignment of teams towards the objectives of the company. He held the position of Corporate Human Resources Manager until 31.01.2022.

Óscar Electo Vera Gargurevich

Operations Corporate Manager

Chemical engineer from the UNT and master in Global Business Administration and Energy by the PUCP. He has more than 37 years of experience in the oil industry, having held managerial and managerial positions in different departments of the Company, as well as the position of titular representative of the workers in the Board of Directors. He held the position of Corporate Operations Manager until 03.04.2022 and currently serves as Talara Refinery Corporate Manager.

Arturo Alexander Rodríguez Paredes

Talara Refinery Corporate Manager (e)

Chemical Engineer by the UNT, with postgraduate studies in senior business management, managerial skills, managerial financial accounting, project management and engineering, production planning and control, operations management and maintenance management. Specialization in engineering, simulation, industrial automation and process control. Training in pre-commissioning, commissioning, shutdowns and commissioning of industrial plants. Fluent in English. He has more than 19 years of experience in the hydrocarbons sector in refining areas, having held managerial and managerial positions in different departments of the Company. He held the position of Talara Refinery Corporate Manager until 03.04.2022.

William Farías Gallo

Gas Corporate Manager

Chemical engineer from the UNT and master in Business Administration with a mention in Business Management from the National University of Piura. He has more than 38 years of experience in the area of distribution, sales, commerce, process engineering, product movement, supply and sales plants of the oil industry, serving in various heads and managements of the Company. He held the position of Gas Corporate Manager until 10.08.2022.

Walter Enrique Tejada Sverko

Commercial Corporate Manager

Mining Engineer by the UNMSM, MBA in General Management by the University of Piura, has the Specialization Program of Executives in Sales Management by the ESAN University and the Diploma in Strategic Marketing Management by the UP. With more than 20 years of experience in commercial management and corporate sales, working in managerial positions. He held the position of Corporate Commercial Manager until 03.04.2022.

Muslaim Jorge Abusada Sumar

Supply Chain Corporate Manager

Industrial engineer by the UL and master in Scientiae in Administration by the Agricultural University La Molina. He has more than 20 years of professional experience, serving as director, general manager, consultant and supervisor in the areas of hydrocarbons, logistics, operations, planning, administration and marketing, in public institutions and private sector companies. He held the position of Corporate Supply Chain Manager until 03.04.2022.

Tomás Díaz del Águila

Exploration, Production and Pipeline Corporate Manager

Petroleum Engineer from UNI. He holds a master's degree in Ecology and Environmental Management from the University Ricardo Palma. He has more than 45 years of experience in the oil and gas industry, in the area of reservoirs, exploration and exploitation.

14

Corporate Governance



BGC

PETROPERÚ is committed to achieving the best standards of corporate governance to generate value in the Company, through respect for our stakeholders, the recognition of their rights, the establishment of responsibilities, rules, processes and clear internal procedures, the promotion of an ethical culture, transparency in the management and disclosure of information.

Since 2012, with the recognition of a body in charge of corporate governance issues (Secretariat of Corporate Governance and General Secretariat-Corporate Governance Unit), the implementation of these practices and the formation of an institutional culture based on the best practices of corporate governance has been promoted.

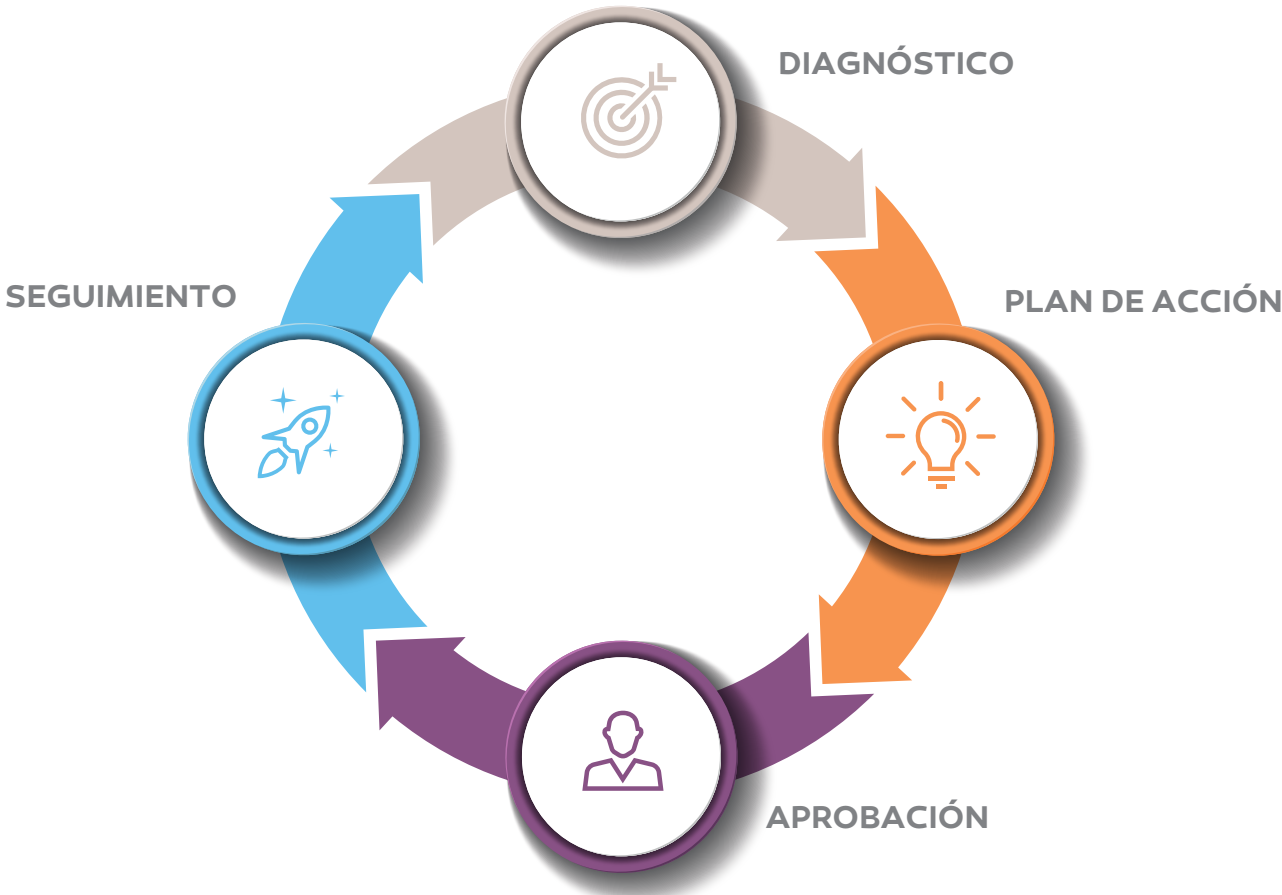
The General Secretariat annually applies a BGC implementation scheme, which is detailed below:

- 1. **Diagnosis.** The General Secretariat makes an annual diagnosis of the current standard of corporate governance in PETROPERÚ.
- 2. **Annual Plan of Action for Good Corporate Governance.** Once the diagnosis has been made, each year the BGC Action Plan is prepared, in which the feasible standards to be implemented in a certain period are identified, as well as those reached on said measurement date in order to maintain them. This Action Plan is evaluated by the Good Corporate Governance Practices Committee, for subsequent approval by the Board of Directors.
- 3. **Approval.** The Board approves the BGC Action Plan, which guarantees the commitment to achieve the best standards of corporate governance in a cross-cutting manner. In this way, the General Secretariat can work together with all PETROPERÚ management to implement the aforementioned plan.
- 4. **Follow up.** The General Secretariat is responsible for advising, implementing the actions that correspond to it and supervising the plan and reporting on its compliance to the Committee on Good Corporate Governance Practices or Board of Directors.

In 2018, the Board of Directors approved the new Code of Good Corporate Governance. This, in addition to making international good practices and the principles established in the Code of Good Corporate Governance for Peruvian Companies its own, is structured in a similar way to the latter, facilitating its study and comparison. In this way, the provisions of the last paragraph of paragraph 3.1 of article 3 of Legislative Decree No. 1292 are complied with, which declares the safe operation of the ONP to be of public necessity and national interest, and provides for the reorganization and improvement of the corporate governance of PETROPERÚ.

It should be noted that, by means of Board of Directors Agreement No. 110-2020-PP, dated 05.11.2020, the Board of Directors approved the modification of principles 22, 25, 26, 28 and 31 of the Code of Good Corporate Governance, referring to integrity and conflicts of interest, risk and compliance and information policy. Thus, the Company seeks to maintain the current and updated code.

Next, we will develop an account of the main activities in corporate governance carried out in 2021, in accordance with the pillars included in our code:



Right of shareholders and General Shareholders' Meeting

PETROPERÚ is a state company under private law whose only shareholder is the Peruvian State. Likewise, it disseminates and applies the Regulations of Internal Regime of Organization and Functioning of the Shareholders' Meeting, which details the rights and responsibilities of the shareholder. In addition, the role of the State as owner is delimited, so the Company can only accept special assignments by express mandate approved by supreme decree and with allocation of resources by the State¹⁷.

In 2020, PETROPERÚ received the special assignment of the provisional administration of the Concession of the Natural Gas Distribution System by Pipeline Network of the Southwest Concession, as a result of the departure of the Spanish Naturgy, in December 2019. The assignment was granted for a maximum period of three years and the resources for the execution of the special assignment are provided by the MINEM. It should be noted that, as of December 2021, PETROPERÚ did not receive additional special orders.

¹⁷ Article 3 of Supreme Decree No. 012-2013-EM (Regulation of Law No. 28840, Law on Strengthening and Modernization of the Petroleum Company of Peru- PETROPERÚ S.A.).

Board of Directors and Management

Our Board has two independent directors and has a Policy and Training Plan for New Directors, which have been implemented during 2021. The activity of the Board is organized through the Annual Work Plan approved by said collegiate.

Both the Board and the Board committees approved their work plans for 2021 and their respective meeting dates. These guarantee the supervision of key issues, provided that those that are dealt with in the Board of Directors and in the Board committees do not overlap.

During 2021, the Board committees: Corporate Governance Good Practices Committee, Audit and Control Committee, Management Committee, and Business Innovation and Development Committee operated regularly, complying with their approved annual work plans. According to its regulations, the committees are composed of three members of the Board, of which two must have the category of independent directors and one with that of non-independent director.

During 2021, the position of Chairman of the Board of Directors and that of General Manager fell to different people, and each of them exercised their functions in accordance with the provisions of the corporate documents, as appropriate. It should also be noted that two members of the Board of Directors held managerial positions during the October-December 2021 period.

Risk and Compliance

At the end of 2021, with regard to the implementation of the SCI, we have a level of maturity SCI Continuous Improvement, whose rating is 4.02 , determined from the self-assessment carried out.

Regarding the Risk Management System, there was a comprehensive progress in the implementation of action plans to address risks in strategic objectives 2019-2023 of the order of 75.05%, which were supervised by the Board.

Likewise, PETROPERÚ is within the scope of the National Control System, carrying out its work according to guidelines and policies established by the CGR.

Regarding the external audit, the Board of Directors of PETROPERÚ is responsible for proposing to the General Meeting of Shareholders the criteria for selecting the auditing companies for approval. These criteria are incorporated into the bases of the public competition of merits carried out by the CGR for the designation of the auditing company of financial statements. Once the result of the process is available, it is submitted to the General Shareholders' Meeting for consideration so that the appointment of the auditing company can be formalized.

Within the framework of the preventive culture, PETROPERÚ implements various prevention mechanisms such as the Integrity System, ISO 37001:2016 Anti-Bribery Management System, the Money Laundering and Terrorist Financing Prevention System and the Corruption Crime Prevention System.

¹⁸ In accordance with the provisions of Directive No. 011 2019 CG/INTEG ("Implementation of the Internal Control System in the Central Reserve Bank of Peru, PETROPERÚ S.A., Superintendency of Banking, Insurance and AFP, National Fund for Financing State Business Activity and Entities that is under the supervision of both"), which establishes as a rating scale to determine the level of maturity of the implementation of the SCI the following: (i) nonexistent: 0, (ii) initial SCI: 0.01-1.00, (iii) intermediate SCI: 1.01-2.00, (iv) advanced SCI: 2.01-3.00, (v) optimal SCI: 3.01-4.00 and (vi) continuous improvement SCI: 4.01-5.00. It should be noted that subsequently, in August 2022, the Institutional Control Body issued an optimal maturity level rating with a score of 3.90 with respect to the 2021 period.

Information transparency

PETROPERÚ complies with the Law on Transparency and Access to Public Information and, at the same time, reaffirms its commitment to the fight against corruption as a socially responsible company, promoting greater spaces for transparency and accountability, as part of the strengthening of the BGC and institutionality. During 2021, 546 requests for access to public information were received, which have been fully addressed, being 57 denied by PETROPERÚ for being in the case of confidential, secret or reserved information (25 partially and 32 totally).

PETROPERÚ as a company listed in the Public Registry of the Stock Market and in the Registry of Securities of the BVL informs the stock market of several important facts and regularly discloses its financial information. In addition, it serves the various stakeholders through the link implemented in the Company's Transparency Portal. Likewise, the website has a section for our investor interest group; through the electronic address implemented in that section, requests for information from this interest group are addressed.

The Board of Directors annually approves the Good Corporate Governance Report, which is published on the corporate website and the executive summary is distributed to the main stakeholders.

In order to promote the implementation of corporate governance practices in the Company, staff awareness activities were developed both in OFP and operations, achieving the involvement of workers in this matter.

The consulting company Deloitte Corporate Finance sac was contracted by PETROPERÚ to carry out the forensic due diligence service with respect to the October-December 2021 period, which concluded that no fact or event has been detected that allows assuming a latent or significant event of fraud or corruption, which could impact PETROPERÚ.

In addition, Deloitte Corporate Finance sac issued recommendations that will be implemented, in order to restore and deepen the application of good practices and achieve better corporate governance standards in the performance of the Company.



15

Report on compliance with the code
of good corporate governance for
peruvian companies



Section A

PETROPERÚ is a company in the Energy and Mines sector, wholly owned by the Peruvian State. As such, it has a single shareholding and its share capital is divided into two classes of shares:

1. **Class A shares**, representing 80% of the share capital, which can only be owned by the Peruvian State.
2. **Class B shares**, which represent 20% of the share capital, are registered, since 2010, in the Public Registry of the Securities Market of the Superintendency of the Securities Market, as well as in the Registry of Securities of the BVL.

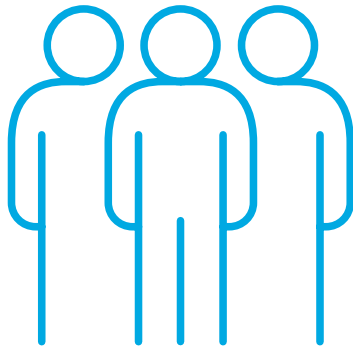
In this context, we are committed to the continued implementation of corporate governance practices, which have been consistently and effectively implemented within the Company. Likewise, apart from the provisions of the PETROPERÚ Code of Good Corporate Governance, we have been incorporating into our internal practices and regulations the application of the principles included in the Code of Good Corporate Governance for Peruvian Companies, as well as the complementary standards issued. Therefore, since 2010, PETROPERÚ has a Code of Good Corporate Governance approved by the Board of Directors, whose last update has been made in 2020. This update included international practices for companies in the hydrocarbon sector, as well as the provisions of the Code of Good Corporate Governance for Peruvian Companies. In this way, the provisions of Legislative Decree No. 1292 are complied with, which states that the Company's Board of Directors, within the framework of the Plan for the Reorganization and Improvement of the Corporate Governance of PETROPERÚ, must include the Code of Good Corporate Governance in accordance with international practices for companies in the hydrocarbon sector.

It should be mentioned that, although PETROPERÚ is entirely owned by the Peruvian State, our regulations establish rules that favor the eventual incorporation of new shareholders in the future, other than representatives of the State, who acquire Class B shares when they are freely transferable, and regulate their access to corporate information and the strengthening of the protection of their interests in the government of PETROPERÚ. The foregoing is in line with the provisions of article 3 of Law No. 30130, which authorizes PETROPERÚ to sell or issue shares up to 49% of its outstanding share capital, so that they can be placed on the stock market and can be acquired by natural or legal persons.

Likewise, we must emphasize that, as a State-owned company with a single shareholder, PETROPERÚ is governed in some aspects by regulations different from private companies, which must be taken into account when implementing certain principles, especially those referring to exchange or taking control, arbitration for dispute resolution, internal audit and external auditors.

In section B of the report, PETROPERÚ reports on the adherence, implementation and development of each of the principles of the Code of Good Corporate Governance for Peruvian Companies during 2021. For its part, section C of the report includes the list of documents that PETROPERÚ has and under which the various principles of the code are regulated.

In section D, we will detail information complementary to that indicated in sections A, B and C, as well as practices related to corporate social responsibility and voluntary adherence to other codes of ethical principles or good practices.



As a summary, below, we will detail the activities carried out during the 2021 period, in accordance with the five pillars of the Code of Good Corporate Governance for Peruvian Companies, which have contributed to the strengthening of corporate governance practices in the Company:

Pillar I: Shareholder rights

PETROPERÚ has the Regulations of the Shareholders' Meeting, which is hosted in the BGC section of the corporate website. The document details the rights and responsibilities of the shareholder, as well as the procedures for the organization and development of each General Meeting of Shareholders, among others.

Pillar II: General Shareholders' Meeting

PETROPERÚ has as its sole shareholder the Peruvian State, which is represented at the General Meeting of Shareholders by means of five members: (i) Minister of Energy and Mines, (ii) Minister of Economy and Finance, (iii) Deputy Minister of Hydrocarbons of the MINEM, (iv) Deputy Minister of Finance of the MEF and (v) Secretary General of the MINEM.

During 2021, the General Meeting of Shareholders met in five sessions, only one of them being face-to-face, with all of them accounting for 100% of the direct exercise.

Pillar III: The Board of Directors and Senior Management

In accordance with the Rules of Procedure for the Organization and Operation of the Board of Directors, the Board of Directors of PETROPERÚ is composed of 6 members (2 independent directors, 3 non-independent directors and a representative of the workers on the Board of Directors). This body is responsible for the administration of the Company.

During 2021, the Boards of Directors functioned regularly. The sessions mainly monitored the following topics:

- Committee of Corporate Governance Practices. Issues reported to investors, results obtained from the execution of social management plans, status of social and environmental projects, implementation of the Good Corporate Governance Action Plan, supervision of the attention of requests for information by Transparency Law. The Report on Compliance with the Code of Good Corporate Governance for Peruvian Companies, the Annual Report on Good Corporate Governance 2020 and the update of the Induction Policy for New Directors, among others, were submitted for approval.
- Administrative Committee. Compliance with the Training Policy and the Annual Training Plan, annual and five-year objectives, status of the administration of the Family Medical Assistance Program, performance evaluation, management of cultural change, among others.
- Audit and Control Committee. Risks related to strategic objectives and implementation of the SCI, monitoring and control over cases of complaints against ethics, conflicts of interest, fraudulent use of assets and transactions between interested parties, results of audit reports issued by the Institutional Control Body and action plans to implement its recommendations, situation of the external audit to the financial statements, business continuity plan, and classification of information, among others.

- Innovation and Business Development Committee. Reports on energy matrix change projects, energy efficiency and business models; status of electrolineras projects, convenience stores and PETROPERÚ service stations; and digital and cultural transformation, among others.

During 2021, the position of Chairman of the Board of Directors and that of General Manager were held by different persons, and each of them exercised their functions in accordance with the provisions of the Internal Regulations on the Organization and Functioning of the Board of Directors and the Articles of Association, as appropriate.

Moreover, during 2021, two Board members held managerial positions¹⁹. One of them served as general manager during the last quarter of 2021.

Pillar IV: Risk and Compliance

Internal control and risk managemen

The Internal Control and Risk Management function during 2021 was in charge of the Corporate Compliance Management, which reported to the Board of Directors²⁰.

Regarding the SCI, its implementation is continuous and responsibility in the development, strengthening and generation of the culture of internal control is shared with all staff. At the end of the period, there was a level of maturity SCI Continuous Improvement, obtaining a rating of 4.02. As for the Risk Management System, at the end of 2021 there was a comprehensive progress in the implementation of action plans to address risks in the 2019-2023 strategic objectives of the order of 75.05% and in all the strategic objectives more than 89% of the total action plans established to address risks were implemented.

Government control

PETROPERÚ, as a State-owned company, is within the scope of the National Control System, carrying out its work according to guidelines and policies established by the CGR.

External audit

For 2021, the external audit of PETROPERÚ's financial statements was carried out by the company Gaveglio, Aparicio y Asociados SCRL.

¹⁹ The directors who held managerial positions were Hugo Ángel Chávez Arévalo, in the position of general manager, and Óscar Vera Gargurevich, in the position of operations manager. At the end of this report, only Oscar Vera, a member of the Board of Directors, holds a managerial position.
²⁰ As of the date of this report, Corporate Compliance Management has gone on to report to General Management, its new name being Corporate Process and Risk Management.

Prevention Systems

Within the framework of the preventive culture, PETROPERÚ implements various prevention mechanisms, such as the Integrity System, the ISO 37001:2016 Anti-Bribery Management System, SPLAFT and the Corruption Crime Prevention System.

Pillar V: Transparency of information

PETROPERÚ complies with the Law on Transparency and Access to Public Information and, at the same time, reaffirms its commitment to the fight against corruption as a socially responsible company, promoting greater spaces for transparency and accountability, as part of the strengthening of the BGC and institutionalality.

The channels implemented for the attention of public information requests are:

- Processing Offices at national level in each of the headquarters and Virtual Parts Table.
- Online channel, published on the Transparency Portal: www.petroperu.com.pe/transparency/solicitud-de-acceso-a-la-informacion-publica/
- E-mail: comisión_transparencia@petroperu.com.pe

During 2021, 546 requests for access to public information were received, which have been fully addressed, being 57 denied by PETROPERÚ for being in the case of confidential, secret or reserved information (25 partially and 32 totally).

On the other hand, in the context of the issuance of corporate bonds, since June 2017 there has been an area specialized in the attention to investors, which is responsible for providing information of interest to said community. Therefore, the mechanisms that are used for the relationship with this interest group are:

- Earnings releases provide information on the company's financial, management and operations performance on a quarterly basis.
- Press releases issued when a relevant event occurs that may affect investors' decision making or for knowledge from the primary source.
- Email box created mainly to respond to inquiries from investors or potential investors: investorrelations@petroperu.com.pe.
- Investor relations website that can be accessed from the PETROPERÚ corporate website.

Likewise, PETROPERÚ, as a company registered in the Public Registry of the Stock Market and in the Registry of Securities of the BVL, informs the stock market, through the Superintendency of the Stock Market, of the important facts related to the Company and periodic information (for example, financial statements and qualitative reports, among others).

In addition, for the ninth consecutive year, the Sustainability Report was presented, corresponding to the 2020 financial year, which follows the guidelines of the GRI standards of essential conformity.

Based on the forensic due diligence examination carried out by Deloitte with respect to the October-December 2021 period, recommendations made by said firm aimed at restoring and deepening the application of good practices and achieving better standards of corporate governance in the performance of the Company will be implemented.

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Corporate Sustainability Report



Section B

CORPORATE SUSTAINABILITY REPORT (10180)

Name	:	PETRÓLEOS DEL PERÚ - PETROPERÚ S.A.
Year	:	2021
Website	:	https://petroperu.com.pe/
Denomination or corporate name of the reviewing company ¹	:	

¹ It is only applicable if the information contained in this report has been reviewed by a specialized company (for example: audit firm or consulting firm).

I. ENVIRONMENT AND CLIMATE CHANGE

Environmental Policy:

Question 1

	Yes	No	Explanation
Does the Company have an environmental policy or a management system that includes environmental commitments?	X		PETROPERÚ S.A. has an Integrated Management Policy for Quality, Environment, Safety and Health at Work.

a. If the answer to question 1 is in the affirmative, indicate the name of the document in which the policy or management system adopted by the company is evidenced, the date of approval and the year from which it has been applied:

Name of the Document	Approval date	Year it went into effect
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Integrated Quality, Environment, Safety and Health at Work Management Policy	Board No. 080-2019-PP 26/08/2019	2019
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b. b. If the answer to question 1 is in the affirmative, please specify:

	Yes	No	Explanation
Has this environmental policy or management system been approved by the Board of Directors?	X		Yes, through Board Agreement No. 080-2019-PP.
Does this environmental policy or management system expressly contemplate the management of risks, opportunities and impacts of its operations related to Climate Change (*)?	X		In the second commitment it states the following: Identify, evaluate and control the environmental aspects, hazards and risks of its processes, products and services relevant and appropriate to their context; protecting the environment and preventing its pollution by managing the efficient use of energy and other natural resources, and strategies to combat climate change.
Does the company have a report evaluating the results of its environmental policy and has this been known to the Board?	X		PETROPERÚ has the ISO 9001, ISO 14001 and ISO 45001 certification, whose process is presented for review by management, with the results of the environmental management of the Company.

(*) The Company is expected to consider in the management related to climate change, the “physical” aspects (floods, landslides, droughts, desertification, etc.) or the “transition” aspects to a new low-carbon economy (use of new technologies, decarbonization of investment portfolios, etc.).

Question 2

	Yes	No	Explanation
Has the company, during the exercise, been the subject of any investigation, community complaint or public controversy or has any corrective measure, precautionary measure, fine or other sanction been imposed that involves the violation of environmental regulations by it? (*)	X		Administrative Sanctioning Procedures (PAS) initiated by OEFA for the alleged breach of some environmental obligations.

(*) The company is expected to consider at this point those investigations, community complaint or public controversy or corrective measures, precautionary measures, fines or other sanction, that are linked to material impacts. According to the definition of the Global Reporting Initiative, thematic materials are understood to: a) relate to or reflect significant economic, environmental and social impacts of the organization; and b) substantially influence the assessments and decisions of stakeholders.

a. If the answer to question 2 is in the affirmative, indicate the type of investigation, corrective measure, precautionary measure, fine or other sanction, community complaint or public controversy that involves the violation of the environmental standards to which the company has been subjected during the year; as well as the state or situation of this at the end of the year.

Investigation, corrective action, injunction, fine or other sanction, community complaint or public controversy	Status or situation
Administrative Sanctioning Procedures (PAS) initiated by OEFA for the alleged breach of some environmental obligations.	In various instances of the administrative route.

b. Specify if the company maintains in force any investigation, corrective measure, precautionary measure, fine or other sanction, community complaint or public controversy that involves a breach of environmental standards initiated in previous years, as well as the state or situation of this at the end of the year:

Investigation, corrective action, injunction, fine or other sanction, community complaint or public controversy	Status or situation
Administrative Sanctioning Procedures (PAS) initiated by OEFA for the alleged breach of some environmental obligations.	In various instances of the administrative route.

Greenhouse gas (GHG) emissions:

Question 3

	Yes	No	Explanation
Does company measure its GHG emissions (*)?	X		The Company annually measures its GHG emissions, using the guidelines of the international standard ISO 14064-I.

(*) **Greenhouse Gases (GHG):** These are the gases that are inside the atmosphere and trap the heat reflected from the earth, producing global warming. The most common is carbon dioxide (CO2), generated by the burning of fossil fuels.

a. If the answer to question 3 is in the affirmative, please specify:

Measurement of GHG emissions	Información requerida
If the company has a certification, report or report from a third party that evidences the measurement of total GHG emissions (*), indicate the name of the same, date of issue and if it is in force at the end of the year.	Declaration of the Verification of Greenhouse Gases, issued on December 30, 2020. In force at the end of the financial year.
If the company has an internally developed platform, tool or standard for the measurement of total GHG emissions (*), indicate the name of the same, its date of implementation and, if applicable, its latest update.	Procedure PA1-DES-012 "Preparation of Greenhouse Gas Inventories" v.2. implemented on 30/07/2014 and updated on 23/06/2015.

(*) The total GHG emissions generated by a company are called the corporate carbon footprint

b. If your answer to question 3 is yes, please provide the following information for the last three (3) years

Period	Total GHG emissions (TM CO 2e)		
	Scope 1 (*)	Scope 2 (**)	Scope 3 (***)
Fiscal year 2021	44,875.04	6,938.19	No
(Period-1) 2020	58,519.03	7,058.10	No
(Period-2) 2019	377,966.64	13,059.01	No

(*)Scope 1: GHG emissions that are directly generated by the company. For example, emissions from combustion in boilers, furnaces, vehicles, etc.
(**) Scope 2: GHG emissions generated indirectly by the company's energy use.
(***) Scope 3: All other GHG emissions indirectly generated by the company. For example: air travel, land travel, paper consumption, transfer of collaborators, etc.

Question 4

Does the company have goals or targets to reduce GHG emissions?

Yes	No	Explanation
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X

The Company is still assessing the real opportunities for GHG emission mitigation.

(*) **Greenhouse Gases (GHG):** These are the gases that are inside the atmosphere and trap the heat reflected from the earth, producing global warming. The most common is carbon dioxide (CO2), generated by the burning of fossil fuels.

a. If yes, please indicate the name of the document supporting the company's GHG emission reduction objectives or targets, the date of approval of the objectives or targets and the year from which it has been applied:

Name of the Document	Approval date	Year it went into effect
N/A	N/A	N/A

b. If the answer to question 4 is yes, please specify:

Have such reduction goals or targets been approved by the Board of Directors?

Yes	No	Explanation
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N/A

Water:

Question 5

Does the Company measure its water consumption (in m3) in all its activities?

Yes	No	Explanation
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X

PETROPERÚ measured its water consumption in its operations in Conchán, Selva, Talara, Main Office, Pipeline and Distribution.

If your answer to question 5 is yes, please provide the following information for the last three (3) years:

Period	Total water consumption (m³)
Fiscal year 2021	1,133,021.41
(Period-1) 2020	1,329,600.67
(Period-2) 2019	1,681,653.44

Question 6

Does the Company measure its water footprint (*)?

Yes	No	Explanation
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X

PETROPERU in 2017 measured the water footprint at Refinería Conchán.

(*) **Water Footprint:** Total volume of surface water and groundwater (fresh water used to produce the goods and services consumed by the company directly and indirectly. Water use is measured in terms of volumes of water consumed (water evaporated or incorporated into a product) or contaminated water (water that presents negative changes in its quality) per unit of time.

a. If the answer to question 6 is in the affirmative, please specify:

Measurement of the water footprint	Required information
If the company has a certification, report or report from a third party that evidences the measurement of its water footprint, indicate the name of the same, date of issue and if it is in force at the end of the year.	There is no external statement.
If the company has a platform, tool or standard developed internally for the measurement of its water footprint, indicate its name, its date of implementation and, if applicable, its latest update.	The Company employs the guidelines set forth in the GRI Guidelines.

Question 7

	Yes	No	Explanation
Does the Company have goals or targets to reduce its water consumption?		X	N/A

a. If your answer to question 7 is yes, indicate the name of the document in which the objectives or goals of reducing water consumption of the company adopted are evidenced, date of approval and the year from which it has been applied:

Name of the Document	Approval date	Year it went into effect
N/A	N/A	N/A

b. If the answer to question 7 is yes, please specify:

	Yes	No	Explanation
Have such reduction goals or targets been approved by the Board of Directors?		X	N/A

Question 8

	Yes	No	Explanation
Does the Company control the quality of its effluents (*)?	X		N/A

(*) **Efluente:** Direct discharge of wastewater into the environment, whose concentration of polluting substances must contemplate the Maximum Permissible Limits (LMP) regulated by Peruvian legislation. Wastewater is considered to be those whose characteristics have been modified by human activities, require prior treatment and can be discharged into a natural body of water or be reused (Glossary of Terms for Peruvian Environmental Management, Directorate General of Policies, Standards and Instruments of Environmental Management, 2012)

If your answer to question 8 is in the affirmative, indicate the name of the document that evidences the control of the effluents

Name of the Document	Periodic monitoring reports.
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Energy:

Question 9

	Yes	No	Explanation
Does the Company measure its energy consumption (in kWh)?	X		During 2021, PETROPERÚ's activities demanded a total energy consumption of 815,299.45 gigajoules (GJ), coming from its own generation (82.71%) and acquired from other companies (17.29%).

If your answer to question 9 is yes, please provide the following information for the last three (3) years:

Period	Total Energy Consumption (kWh)
Fiscal year 2021	226,472,069.44
(Period-1) 2020	285,238,975
(Period-2) 2019	1,673,800,552

Question 10

	Yes	No	Explanation
Does the Company have goals or objectives to reduce its energy consumption?		X	N/A

a. If your answer to question 10 is in the affirmative, indicate the name of the document in which the reduction objectives adopted by the company are evidenced, the date of approval and the year from which it has been applied:

Name of the Document	Approval date	Year it went into effect
N/A	N/A	N/A

b. If the answer to question 10 is yes, please specify:

	Yes	No	Explanation
Have such reduction goals or targets been approved by the Board of Directors?		X	N/A

Solid Waste:

Question 11	Yes	No	Explanation
Does the Company measure the solid waste it generates (in tons)?		X	PETROPERÚ measures hazardous and non-hazardous solid waste from all its operations.

If your answer to question 11 is in the affirmative, please provide the following information for the last three years:

Period	Hazardous waste (TM) (*)	Non-Hazardous Waste (TM) (**)	Total solid waste (TM)
Fiscal year 2021	69,433.68	1,439.64	70,873.32
(Period-1) 2020	58,180.53	52,926.17	111,106.70
(Period-2) 2019	68,298.40	4,235.62	72,534.02

(*) **Hazardous solid waste:** Those contemplated in Annex III of the Regulation of Legislative Decree No. 1278, Legislative Decree approving the Law on Integral Management of Solid Waste, approved by Supreme Decree No. 014-2017-MINAM, or regulation that replaces or modifies it, are considered hazardous solid waste.

(**) **Non-hazardous solid waste:** Non-hazardous solid waste is considered those contemplated in Annex V of the Regulations of Legislative Decree No. 1278, Legislative Decree approving the Law on Integral Management of Solid Waste, approved by Supreme Decree No. 014-2017-MINAM, or regulation that replaces or modifies it.

Question 12	Yes	No	Explanation
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Does the company have objectives or goals to manage (reduce, recycle or reuse) its solid waste?

a. If your answer to question 12 is in the affirmative, indicate the name of the document in which the solid waste management objectives adopted by the company are evidenced, the date of approval and the year from which it has been applied.

Name of the Document	Approval date	Year it went into effect
N/A	N/A	N/A

b. If the answer to question 12 is yes, please specify:

	Yes	No	Explanation
Have such reduction goals or targets been approved by the Board of Directors?		X	N/A

II. SOCIAL

Stakeholders:

Question 13	Yes	No	Explanation
Has the company identified the risks and opportunities in relation to its stakeholders (collaborators, suppliers, shareholders, investors, authorities, customers, community, others)?	X		The Company, in compliance with its Social Management Policy and following international standards in the matter, carries out the identification and evaluation of social risks as a starting point for the process of preparing the Annual Social Management Plans. Likewise, for the preparation of the Sustainability Report, each year the GRI standards are followed, taking into account the materiality process required to raise expectations with stakeholders.

a. If the answer to question 13 is in the affirmative, please indicate:

	Yes	No	Explanation
Do you have an action plan to manage risks and opportunities in relation to your stakeholders?	X		PETROPERÚ identifies, manages and evaluates the needs of the main stakeholders, having as a framework the evaluation of the context of our organization through the risks and opportunities of the relationship of our main stakeholders.

Does the company have a report in which the results of its action plan are evaluated and this has been known by the Board of Directors?

X

Within the framework of the Management Model, which includes the ISO 9001, ISO 14001 and ISO 45001 standards, the results of the compliance assessment of the relationship of our main stakeholders are evaluated and the Senior Management is informed.

Do you publicly report your action plan and progress in relation to your stakeholders?

X

We carry out an annual Sustainability Report that complies with the guidelines of the GRI, which highlights the actions we are carrying out with our stakeholders.

b. If your answer to question 13 is in the affirmative, indicate the name of the document that evidences the action plan of the company in relation to its interest groups: If your answer to question 13 is in the affirmative, indicate the name of the document that evidences the action plan of the company in relation to its interest groups:

Name of the Document	Social Management Plan
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Question 14

	Yes	No	Explanation
Does the company have any controversy or material conflict (*) in force at the end of the year with any of its interest groups, including the social conflicts contained in the Social Conflicts Report of the Ombudsman's Office (**) and the Willaqniki Report on social conflicts issued by the Presidency of the Council of Ministers (***)?	X		There are conflicts that have been presented mainly by lawsuits to the State related to the coverage of social gaps, as well as expectations from stakeholders about the activities of the Company.

(*) According to the definition of the Global Reporting Initiative is understood by subject materials that:
a) Relate or reflect significant economic, environmental and social impacts of the organization; and b) substantially influence the assessments and decisions of stakeholders.

(**) According to the Attachment for the Prevention of Social Conflicts and the Governance of the Ombudsman of Peru, a “social conflict” must be understood as “a complex process in which sectors of the Company, the State and companies perceive that their objectives, interests, values or needs are contradictory and that contradiction can lead to violence.” Source: Attachment for the Prevention of Social Conflicts and the Governance of the Ombudsman's Office of Peru. Social Conflicts Report No. 186 (August-2019), Lima, 2019, p. 3).

(***) According to the Secretariat of Social Management and Dialogue of the Presidency of the Council of Ministers of Peru, “social conflict” is defined as the “dynamic process in which two or more social actors perceive that their interests are generally opposed by the exercise of a fundamental right or by access to goods and services, adopting actions that can escalate into scenarios of violence between the parties involved, meriting the articulated intervention of the State, civil society and the productive sectors. Social conflicts are addressed when the demands that generate it are within the policies of the Government and its guidelines.

Source: Secretariat of Social Management and Dialogue of the Presidency of the Council of Ministers. ABC of the Secretariat of Social Management and Dialogue. Lima, 2018, p.3.

If the answer to question 14 is in the affirmative, indicate the dispute or material conflict with any of its stakeholders; the status or situation of this and the year of the beginning of said dispute or conflict:

Controversy or conflict	Status or situation	Starting year
Paralyzation of the operational activities of Station 1 due to social conflict with the CN Saramurillo and the CC Saramuro: The operations of Station 1 (discharge of crude oil in the pontoon area and work of contractors) were paralyzed on 14.07.21 due to the conflict with the CN Saramurillo due to claims to the State for compliance with 2016 commitments and the demand for social support to PETROPERÚ. They argue that they are entitled to PETROPERÚ operations because Station 1 is located within the territory of the CN and registered in SUNARP. The CC Saramuro has joined the conflict with its own statement of claims to the State and requests to PETROPERÚ. It should be mentioned that the stoppage of the activities of Station 1 brings as a consequence for PETROPERÚ: interruption of unloading of barges with crude oil from Lot 95 (PETROTAL), 67 (PERENCO), Iquitos Refinery (PETROPERÚ), shipment of crude oil from Lot 8 to Iquitos Refinery, interruption of pumping operation by Tranche I, interruption of waterproofing projects of watertight areas of E1 (risk of pas and fine by OEFA), installation of bucket for the valve yard (safe operation of transfers between tanks). Likewise, the stoppage of the operations of Station 1 has the consequence of affecting the economy of the Loreto Region, taking into account that Lot 192 and Lot 8 are not currently in production.	Faced with the situation of conflict and paralysis of Station 1, PETROPERÚ has held virtual and face-to-face meetings with each community (Saramurillo and Saramuro). Likewise, he has coordinated the participation in the virtual meetings of the different State entities involved in the attention of their demands. Despite all the dialogue efforts made by PETROPERÚ in coordination with the State (PCM, MINEM, GOREL, etc.), the CN Saramurillo maintains the measure of force and has only granted a truce of 60 days (since 09.09.2021), charged with dissolving that truce if the government does not comply with what is already offered in the minutes. The truce expired on 11.11.21 and the CC Saramuro and the CN Saramurillo threatened to resume the measure of force before the State communication on the delay in the implementation of the commitments. After days of intense dialogue between the commission of the Executive Power, representatives of the CN Saramurillo, officials of the GOREL, District Municipality of Urarinas, and the companies PETROPERÚ and PETROTAL, on 06.01.2022 important agreements were made that allowed to meet the demands of the population and lift the force measures in Station 1.	10.07.2021

Question 15

	Yes	No	Explanation
Does the company include environmental, social and corporate governance (ESG) aspects in its criteria for purchasing and/or selecting suppliers of goods and/or services?	X		PETROPERÚ has a Procurement and Contracting Regulation that establishes the principle of social and environmental sustainability applied to all suppliers. Through a survey as an affidavit, suppliers provide us with information on their social, environmental and governance management.

If your answer to question 15 is affirmative, indicate the name of the document that evidences the inclusion of ESG aspects in the criteria for the purchase and/or selection of suppliers of goods and/or services:

Name of the Document	Procurement and Procurement Regulations
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Labour rights:

Question 16

	Yes	No	Explanation
Does the Company have a labor policy?	X		<p>The Company's labor guidelines are typified in the RIT, which specifies the obligations and rights of our workers.</p> <p>The following management documents are also available:</p> <p>1. PETROPERU rules, policies and procedures. 2. Integrity Code. 3. Integrated Quality, Environment, Safety and Health Management Policy at Work.</p>

a. If the answer to question 16 is yes, please specify:

	Yes	No	Explanation
Has this employment policy been approved by the Board of Directors?	X		<p>1. The RIT was approved by General Management, and subsequently submitted to the MTPE for approval, which was granted on 02.10.2021.</p> <p>2. The People Management Manual was approved by General Management on 08.09.2021.</p> <p>3. The Integrity Code (Directory Agreement No. 070-2021-PP of 01.07. 2021).</p> <p>4. Integrated Quality, Environment, Safety and Health at Work Management Policy. Approved with Directory Agreement No. 080-2019-PP.</p>
Does the company have a report that evaluates the results of its labor policy and this has been known to the Board?		X	N/A

b. If the answer to question 16 is in the affirmative, indicate whether said employment policy includes the following topics; as well as specify the name of the document that evidences its adoption, date of approval and the year from which it has been applied

	Yes	No	Name of the Document	Approval date	Year from which it has been applied
a. Equal opportunities and non-discrimination.	X		Internal Work Regulations (Art. 17)	02.10.2021 (MTPE)	Always.
b. Harassment prevention.	X		Internal Work Regulations (Art. 126)	02.10.2021 (MTPE)	Always.
c. Freedom of affiliation and collective bargaining.	X		Procedure code PA1-ADM-119 V.1-Collective Negotiation	07.09.2015	2015
			Guideline code LINA1-072 V.O-Trade Union Permissions	27.08.2020	2020
d. Eradication of forced labour.	X		Social Management Policy.	07.09.2018	2018
e. Eradication of child labour.	X		Circular No. HR-RI-007-2014	28.08.2014	2014

Labour rights:

Question 17

Has the company been investigated during the year or has any corrective measure, precautionary measure, fine or other sanction been imposed on it related to non-compliance with labour standards, health and safety, forced labour or child labour?

Yes	No	Explanation
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X
N/A

a. If the answer to question 17 is in the affirmative, indicate the type of investigation, corrective measure, precautionary measure, fine or other sanction to which the company has been subjected during the year related to non-compliance with labor standards, health and safety, forced labor or child labor; as well as the state or situation of this at the end of the year:

Investigation, corrective action, precautionary measure, fine or other sanction	Status or situation
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N/A
N/A

b. Specify whether the company maintains investigations, corrective measures, precautionary measures, fines or other sanctions of previous years related to non-compliance with labor standards, health and safety, forced labor or child labor; as well as the state or situation of this at the end of the year:

Investigation, corrective action, precautionary measure, fine or other sanction	Status or situation
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N/A
N/A

Question 18

Does the company carry out an annual evaluation on its compliance or observance of the standards related to Health and Safety at Work?

Yes	No	Explanation
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X
As part of PETROPERÚ's CASS corporate management model, there is a compliance evaluation process within which those applicable to occupational health and safety management are reviewed.

Question 19

	Yes	No	Explanation
Does the company keep a record of occupational accidents?	X		As part of PETROPERÚ's CASS corporate management model focused on performance indicators, a record of occupational accidents is kept.

If the answer to question 19 is in the affirmative, indicate what is the rate of accidents at work (*) of direct employees (**) and contractors (***) of the company in the last three (3) years:

Indicator	Fiscal year 2021	(Period-1) 2020	(Period-2) 2019
No. of Direct Employees	2,810	2,679	2,784
Total Hours worked by all Direct Employees during the financial year	5,386,301	6,753,048	6,884,592
No. of Mild Accidents (Direct Employees)	1	4	4
No. of accidents Disabling (Direct Employees)	5	11	10
No. of Fatal Accidents (Direct Employees)	0	0	0

Indicator	Fiscal year 2021	(Period-1) 2020	(Period-2) 2019
No. of Employees Hired	12,547	10,354	12,936
Total hours worked by all employees hired during the year	23,806,163	23,110,561	32,223,574
No. of Mild Accidents (Contracted Employees)	22	36	57
No. of Disabling Accidents (Contracted Employees)	19	17	28
No. of Fatal Accidents (Contracted Employees)	0	0	0

(*) **Mild Accident:** Occurrence whose injury, result of the medical evaluation, which generates in the injured a short rest with maximum return the next day to their usual work.

Incapacitating Accident: event whose injury, as a result of the medical evaluation, gives rise to rest, justified absence from work and treatment.

Fatal Accident: Event whose injuries result in the death of the worker

Source: Glossary of Terms of the Regulations of Law No. 29783-Law on Safety and Health at Work, Supreme Decree No. 005-2012-TR.

(**) All those who are directly linked to the company through any contractual modality are considered direct employees.

(***) All those who carrv out out outsourced activities are considered contracted employees.

Question 20

	Yes	No	Explanation
Does the Company measure its working environment?	X		A study of work climate measurement is carried out.

a. If the answer to question 20 is in the affirmative, please indicate:

	Yes	No	Explanation
Does the company have goals or objectives to improve its working environment?	X		Stipulated in the Work Climate Management Procedure.

b. If you have indicated objectives or goals to improve your work environment, indicate the name of the document in which these objectives are evidenced, date of approval and the year from which it has been applied:

Name of the Document	Approval date	Year it went into effect
Work Climate Management Procedure	25.08.2021 (latest issue)	2020 (first version)

Question 21

	Si	No	Explanation
Does the company have a training plan for its employees?	X		The Annual Training Plan is prepared in accordance with the Organizational Learning Policy approved by Directory Agreement No. 052-2021-PP

If your answer to question 21 is in the affirmative, indicate the name of the document that supports the training or training plan for your collaborators:

Name of the Document:	Annual Training Plan
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Question 22

Does the Company have any procedures to prevent sexual harassment and workplace hostility?

Yes	No	Explanation
X		PETROPERÚ has the Procedure for the Prevention, Investigation and Punishment of Acts of Sexual Harassment (Code PROA1-081), as well as has urged the prevention and rejection of such acts through the Internal Working Regulations (Chapter 15: Prevention and Punishment of Sexual Harassment).

If your answer to question 22 is in the affirmative, please indicate the name of the company document supporting the procedures to prevent sexual harassment and hostility at work:

Name of the Document:	<ul style="list-style-type: none">• Prevention, Investigation and Punishment of Acts of Sexual Harassment (Code PROA1-081)• Internal Work Regulations, approved on 02.10.2021 by the MTPE.
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Human Rights:

Question 23

Does the company have an internal and external policy or management system that includes a complaint/whistleblowing channel to address human rights impacts?

Yes	No	Explanation
X		<p>PETROPERÚ has the Social Management Policy, which has guidelines from the Global Compact, the IFC Performance Standards, the Equator Principles and the Universal Declaration of Human Rights. It also has the PETROPERÚ Integrity Code that ensures respect for human rights in all the Company's activities.</p> <p>Likewise, with a mechanism for dealing with complaints and social complaints and the Procedure for Managing Complaints, Complaints and Suggestions of Population, Organizations and Local Authorities.</p>

a. If the answer to question 23 is affirmative, indicate the name of the document in which the policy or internal and external management system adopted by the company is evidenced, date of issue and the year from which it has been implemented:

Name of the Document	Issue date	Implementation year
Procedure for Managing Complaints, Complaints and Suggestions of Population, Organizations and Local Authorities. (PA1-GCGS-006)	x	28.12.2017

b. If the answer to question 23 is in the affirmative, indicate:

	Yes	No	Explanation
Does the company have a report evaluating the results of its internal and external policy or management system to remedy human rights impacts?		X	No.
Does the Company have a training plan on human rights issues that includes the entire organization?	X		We have a training program in voluntary principles and human rights aimed at contractors (external) and internal.

III. ADDITIONAL INFORMATION

Environmental policy:

Question 24	Yes	No	Explanation
Does the Company have an international certification in Corporate Sustainability?		X	N/A

If your answer to question 24 is in the affirmative, indicate the certification that the company has and indicate the web link where it can be validated.

International Certification	Web link
N/A	N/A

Question 25	Yes	No	Explanation
Does the company have a Corporate Sustainability Report different from this report?		X	Every year PETROPERÚ prepares its Sustainability Report following the guidelines of the GRI. The 2021 Sustainability Report is in the process of being prepared.

If the answer to question 25 is affirmative, indicate the name of the same and the web link through which the last available report can be accessed:

Report Name	Web link
The 2021 Sustainability Report is in the process of being prepared.	N/A

PILLAR I: Shareholders' Rights

Principle 1: Equal treatment

Question I.1	Yes	No	Explanation
Does the company recognize in its actions equal treatment to shareholders of the same class and who maintain the same conditions(*)?	X		Despite the fact that the Company has only one shareholder, the Rules of Procedure for the Organization and Operation of the PETROPERÚ Shareholders' Meeting (hereinafter referred to as the GAB Rules) establish the principle of fair treatment between shareholders, transparency and access to information, so that they are in a position to sufficiently know the situation of PETROPERÚ and fully exercise their rights in a reasoned and informed manner.

(*) It is understood by the same conditions those particularities that distinguish the shareholders, or make them have a common characteristic, in their relationship with the company (institutional investors, non-controlling investors, etc.). It must be considered that this in no case implies that the use of privileged information is favoured.

Question I.2	Yes	No	Explanation
Does the company only promote the existence of classes of shares with voting rights?	X		The Articles of Association state that Class A and Class B shares are entitled to vote. There is no other kind of action.

a. On the capital of the company, specify:

Subscribed capital at the end of the year	Capital paid at year-end	Total number of shares representing capital	Number of voting shares
S/. 5,368,412,525	S/. 5,368,412,525	5,368,412,525	5,368,412,525

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

Class	Number of shares	Nominal value	Rights (*)
A	4,294,730,020	S/. 1	"The Articles of Association indicate as particular rights, the following: - Be preferred, with the exceptions and in the manner provided for in the Law, to: 1. The subscription of class A shares in the event of an increase in share capital and in other cases of placement of shares. 2. The subscription of class B shares in the event of an increase in share capital, when the holders of the shares of this class do not exercise their preferential subscription right. 3. The subscription of bonds or other securities convertible or entitled to be converted into class A shares. - In case of capital increase due to new contributions, including the capitalization of credits against the company, the new Class A shares that are issued as a consequence may only be offered for subscription and payment by the Peruvian State."
B	1,073,682,505	S/. 1	"The Articles of Association establish as particular rights, the following: They will have the right of preferential subscription, in accordance with the following provisions: 1. They may subscribe to Class B shares with pro rata voting rights of their participation in the capital in cases of capital increase in which the agreement of the General Meeting: (i) increases the capital through the creation of Class A and Class B shares or in cases in which (ii) increases the capital only through the creation of Class B shares with voting rights. 2. They may subscribe for bonds or other convertible securities or with the right to be converted into shares of class B, applying the rules of paragraph 1 as appropriate to the respective issuance of the convertible bonds or securities. In any case of capital increase for new contributions, they may only subscribe and pay Class B shares to maintain their existing participation pro rata before the aforementioned capital increase."

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

Question I.3

If the company has investment shares, does the company promote a policy of redemption or voluntary exchange of investment shares for ordinary shares?

Yes	No	Explanation
	X	The only shareholder of PETROPERÚ is the Peruvian State, there are no investment shares. Therefore, no policies of redemption or voluntary exchange of investment shares for ordinary shares are promoted.

Principle 2: Shareholder participation

Question I.4

a. Does the company establish in its corporate documents the form of representation of the shares and the person responsible for registration in the registration of shares?

Yes	No	Explanation
X		"The Articles of Association state that class A and B shares will be represented by physical certificates, book entries or in any other way permitted by law. Article 4 of Law No. 29817 states that the holder of the shares of PETROPERÚ is the Peruvian State, with the custody of the titles representing the shares in charge of the Ministry of Energy and Mines or, if designated by this Ministry, PETROPERÚ. The personnel of the Corporate Finance Management is responsible for the registration in the registration of shares."

b. Is the share registration kept permanently up-to-date?

X	The registration of shares is updated whenever there is any event related to the modification of the share capital; this is updated with the registration that is made on the date the share certificate is issued.
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Indicate the frequency with which the registration of shares is updated, after having become aware of any change.

Frequency	Within forty-eight hours
	Weekly
Other / Detail (in days)	It does not apply, given that during the 2021 period there was no capital increase.

Principle 3: Non-dilution in equity participation

Question I.5	Yes	No	Explanation
a. Does the company have as a policy that the proposals of the Board of Directors referring to corporate operations that may affect the right of non-dilution of shareholders (i.e., mergers, spin-offs, capital increases, among others) are previously explained by said body in a detailed report with the independent opinion of an external advisor of recognized professional solvency appointed by the Board of Directors?	X		"The right of non-dilution of shareholders is not affected or violated in any way, considering that PETROPERÚ has as its sole shareholder the Peruvian State. Notwithstanding this, during 2021, the Board of Directors did not propose to the General Meeting of Shareholders any of the operations indicated in the question. Likewise, the Regulations on the Internal Organization and Functioning of the Board of Directors (hereinafter, the Board Regulations) oblige said body to provide shareholders with the reports of external advisors regarding, among others, the increase or reduction of capital or the transformation, merger, spin-off, reorganization and dissolution of PETROPERÚ."
b. Does the company have as a policy to make the aforementioned reports available to shareholders?	X		The Peruvian State as the sole shareholder may request the Board of Directors to submit reports in the event of a capital increase or reduction or the transformation, merger, spin-off, reorganization and dissolution of PETROPERÚ; in accordance with the provisions of the Board of Directors Regulations and JGA Regulations.

In case of having occurred in the company during the year, corporate operations under the scope of paragraph a) of question I.5, and if the company has Independent Directors (*), specify if in all cases:

	Si	No
Did all the Independent Directors vote in favour for the appointment of the external consultant?		
Did all the Independent Directors clearly express their acceptance of the aforementioned report and substantiate, if applicable, the reasons for their disagreement?		

(*) Independent Directors are those who according to the Guidelines for the Qualification of Independent Directors, approved by the SMV, qualify as such.

Principle 4: Information and communication to shareholders

Question I.6	Yes	No	Explanation
Does the company determine the managers or means for shareholders to receive and require timely, reliable and truthful information?	X		The Articles of Association provide that holders of shares of any kind have the right to obtain information about PETROPERÚ, regardless of the calls to the General Shareholders' Meeting, unless their dissemination harms the corporate interest. Likewise, the Board of Directors' Regulations provide that the information channel with Class A and Class B shareholders will be at the Board level and/or Chairman of the Board. In addition, the same Regulation regulates relations with class B shareholders, when the ownership of the shares does not belong to the Peruvian State.

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

Media	Receive information	Request information
Email	X	X
Telephone	X	X
Corporate website		
Postal mail		
Briefings	X	X
Others / Indicate	Online reception desk	

b. Does the company have a maximum time limit to respond to requests for information submitted by shareholders?. If yes, please specify the time limit:

Maximum term (days)	7
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Question I.7

Does the company have mechanisms for shareholders to express their opinion on the development of the company?

Yes	No	Explanation
	X	"The Articles of Association establish the right of the shareholder to raise at any time to PETROPERÚ, through the communication channels adopted by the Board of Directors, the issues, suggestions and comments of interest to PETROPERÚ or for their status as shareholders, which they deem appropriate. Shareholders may also ask any questions they deem appropriate, regarding the information that PETROPERÚ makes public from the moment of its publication. The JGA Regulation establishes that minority shareholders may raise by email and/or written communication, addressed to the Corporate Communications and Institutional Relations Management, the issues, suggestions and comments of interest to PETROPERÚ or associated with their status as shareholders that they deem appropriate at any time."

If the answer is in the affirmative, it details the established mechanisms that the company has for shareholders to express their opinion on the development of the company.

The Board of Directors Regulations designate the Board of Directors and/or Chairman as an information channel with Class A and B shareholders. If Class B shares cease to belong to the Peruvian State, PETROPERÚ's basic information channels with its shareholders are the PETROPERÚ corporate website and the Corporate Communications and Institutional Relations Management. Likewise, the JGA Regulations and the Board Regulations establish that minority shareholders count as channels of information, email and/or written communication, addressed to the Corporate Communications and Institutional Relations Management, in order to raise with the Board the issues, suggestions and comments of interest to PETROPERÚ or associated with their status as shareholders that they deem appropriate. Shareholders may ask any questions they deem appropriate, regarding the information that PETROPERÚ makes public from the moment of its publication.

Principle 5: Participation in dividends of the Company

Question I.8

a. Is compliance with the dividend policy subject to defined periodicity assessments?

Yes	No	Explanation
X		Compliance with the Dividend Policy is subject to annual frequency.
	X	The Dividend Policy is made known to shareholders and the general public through the corporate website.

a. Indicate the dividend policy of the company applicable for the year.

Approval date	21/12/2009
Dividend policy (criteria for profit distribution)	On the proposal of the Board of Directors, the General Shareholders' Meeting may approve the application of distributable net profits in investment projects for the modernization or expansion of its productive infrastructure and services in accordance with the provisions of article 4 of Law No. 28840 (Law on Strengthening and Modernization of the PETROPERU Company) modified by article 7 of Legislative Decree No. 1292 (which declares the safe operation of the Norperuano Pipeline to be of public necessity and national interest and provides for the reorganization and improvement of the corporate governance of PETROPERU).

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

Per share	Dividends per share			
	Reported Fiscal Year		Previous fiscal year to the one reported	
	In Cash	In shares	In Cash	In shares
Class A		0		414,013,760
Class B		0		103,503,440
Investment share				

Principle 6: Change or takeover

Question I.9

Does the company maintain policies or agreements of non-adoption of anti-absorption mechanisms?

Yes	No	Explanation
	X	"During 2021, no operation was carried out that merits implementing the mechanisms indicated in the question. In this sense, PETROPERÚ has not planned to adopt such policies or agreements as it has only one shareholder (the Peruvian State). Notwithstanding the foregoing, the Code of Good Corporate Governance of PETROPERÚ states that the Company will ensure the implementation of the necessary measures to ensure that, during the transfer process, the regular flow of PETROPERÚ's operations and the performance of its workers is not affected."

Indicate whether any of the following measures have been established in your company:

	Yes	No
Requirement of a minimum number of shares to be a Director		x
Minimum number of years as Director to be appointed as Chairman of the Board		x
Compensation agreements for executives/officials as a result of changes following a takeover bid.		x
Other of a similar nature/Indicate	No additional measures.	

Principle 7: Arbitration for dispute settlement

Question I.10

a. Do the Articles of Association include an arbitration agreement that recognizes that any dispute between shareholders, or between shareholders and the Board of Directors, is subject to arbitration by law; as well as the challenge of JGA and Board of Directors agreements by the shareholders of the Company?

Yes	No	Explanation
	X	"The Peruvian State is the sole shareholder of PETROPERÚ, in this sense, the Articles of Association do not provide for an arbitration agreement for disputes between shareholders or between shareholders and the Board of Directors; therefore, at this time it has not been considered standard regarding the arbitration agreement for shareholders and the Board of Directors. Notwithstanding the foregoing, the JGA Regulation states that the procedures for challenging and invalidating agreements adopted by the General Shareholders' Meeting are regulated in accordance with the legal provisions in force at all times. Our Code of Corporate Governance states that the Company will adopt a position of neutrality in the face of conflicts that may arise within the shareholders; and in the event that the Peruvian State ceases to be the sole shareholder, it would seek to establish mechanisms that allow arbitration as a preferred means to resolve conflicts of interest between shareholders, or between shareholders and the Board of Directors."
	X	The Peruvian State is the sole shareholder of PETROPERÚ, which is why we do not have such a clause.

b. Does this clause make it easier for an independent third party to resolve disputes, except in the case of express legal reservation before the ordinary courts?

In the event that JGA and Board of Directors agreements have been challenged by the shareholders or others that involve the company, during the year, specify their number.

Number of challenges to JGA agreements	0
Number of challenges to Board of Directors agreements	0

PILLAR II: General Shareholders' Meeting

Principle 8: Role and competence

Question II.1

Is the approval of the Board's remuneration policy an exclusive and non-delegable function of the JGA?

Yes	No	Explanation
X		The Articles of Association, as well as the Board of Directors Regulations, state that the General Shareholders' Meeting must approve the Directors' Remuneration Policy, on the proposal of the Board of Directors.

Indicate if the following functions are exclusive of the JGA, if negative, your answer must be specified by the body that exercises them.

	Yes	No	Body
Arrange investigations and special audits	X		
Agree to amend the Statute	X		
Agree on the increase of share capital	X		
Agree on the distribution of interim dividends	X		
Appoint external auditors	X		

Principle 9: Regulations of the General Shareholders' Meeting

Question II.2

Does the company have a JGA Regulation, which is binding and its non-compliance entails liability?

Yes	No	Explanation
X		The Articles of Association state that the General Shareholders' Meeting approves and modifies its own regulations, which will regulate the content and development of the rights and duties of the shareholders, becoming binding for the shareholders of PETROPERÚ. No liability is expressly established for non-compliance with the provisions of the JGA Regulations; however, the Regulations provide that the Board of Directors shall annually evaluate compliance with the provisions contained therein and report the results of the evaluation to the Board at its mandatory annual meeting, as well as in the Report and/or in the Corporate Governance Report.

Have a precise JGA Regulation if it establishes the procedures for:

	Yes	No
Calls for the Board	X	
Incorporate agenda items by shareholders	X	
Provide additional information to shareholders for the Meetings	X	
The development of the Board Meetings	X	
Appointment of Board Members		X
Other relevant / Indicate	The appointment of the members of the Board of Directors is regulated in the Articles of Association of PETROPERÚ and in the Board of Directors Regulations.	

Principle 10: Convening mechanisms

Question II.3

In addition to the call mechanisms established by law, does the company have call mechanisms that allow to establish contact with shareholders, particularly with those who do not have participation in the control or management of the company?

Yes	No	Explicación
X		<p>The Articles of Association establish that the notice of call for all general meetings must be published in the Official Gazette ""El Peruano"" and in one of the newspapers with the largest circulation in Lima. Additionally, through the JGA Regulations, the necessary mechanisms will be developed to give maximum dissemination to the call.</p> <p>In addition, the JGA Regulations provide for the publication of the General Meeting call on the PETROPERÚ website, from the date of publication of said announcement. It also states that, in case of concurrence of minority shareholders, the Company will include on the corporate website the information it deems appropriate to facilitate its participation.</p>

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

Date of notice of call	Date of the Board Meeting	Venue of the Board Meeting	Type of Board Meeting		Universal Board Meeting		Quórum %	No. of Shareholders in Attendance	Participation (%) of total voting shares		
			Special	General	Yes	No			Through powers	Direct exercise (*)	Did not exercise their right to vote
	31/03/2021	Virtual Modality		X	X		100	1		100	
	30/04/2021	Virtual Modality		X	X		100	1		100	
	14/06/2021	Virtual Modality		X	X		100	1		100	
	19/07/2021	Virtual Modality		X	X		100	1		100	
	15/09/2021	Ministry of Economy and Finance		X	X		100	1		100	

(*) The direct exercise includes voting by any means or modality that does not involve representation.

- b. What means, in addition to that referred to in article 43 of the General Companies Law and the provisions of the Regulation of Important Facts and Confidential Information, did the company use to disseminate the calls to the Meetings during the year?

Email		Postal mail	
Telephone		Social Media	
Corporate website		Others / Indicate	

Question II.4

Does the company make available to shareholders all the information related to the points contained in the agenda of the JGA and the proposals of the agreements they intend to adopt (motions)?

Yes	No	Explanation
X		<p>The JGA meetings held during the 2021 period were universal. The PETROPERÚ JGA Regulations state that the secretary of the Board will deliver the corresponding documents on each item of the agenda, so that the shareholders are duly informed of the issues to be treated to exercise their right to vote at the Shareholders' Meeting.</p>

In the notices of call made by the company during the year:

- Was the location of the information regarding the agenda items to be discussed at the meetings specified?
- Were “other items”, “miscellanea” or similar items included as agenda items?

Yes	No
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Principle 11: Proposals for agenda items

Question II.5

Does the JGA Regulation include mechanisms that allow shareholders to exercise the right to formulate proposals for agenda items to be discussed at the JGA and procedures for accepting or denying such proposals?

Yes	No	Explanation
X		The Articles of Association establish that shareholders may propose to the Board of Directors the inclusion of topics of interest in the agenda in accordance with the procedure established in the GAB Regulations. Likewise, it indicates the right of the shareholder to raise at any time to PETROPERÚ, through the communication channels adopted by the Board of Directors, the issues, suggestions, and comments of interest to PETROPERÚ or for their condition as shareholders that they deem appropriate. Shareholders may also ask any questions they deem appropriate, regarding the information that PETROPERÚ makes public from the moment of its publication. In turn, the JGA Regulations indicate that shareholders will be provided with the possibility that, through the Chairman of the Board, they raise the suggestions they deem appropriate on the matters included in the agenda.

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

Number of requests		
Received	Accepted	Denied

b. If requests to include agenda items to be discussed in the AGM have been denied in the year, indicate whether the company communicated the support of the denial to the requesting shareholders.

Yes ☐ No ☐

Principle 12: Procedures for voting

Question II.6

Does the company have in place the mechanisms that allow the shareholder to vote remotely by secure, electronic or postal means, which guarantee that the person casting the vote is effectively the shareholder?

Yes	No	Explanation
X		The Articles of Association provide that the General Shareholders' Meeting may meet in non-attendance sessions through any means, whether written or electronic or otherwise, that allows communication and guarantees the authenticity of the agreements.

a. If applicable, indicate the mechanisms or means that the company has for the exercise of remote voting.

Voting by electronic means	X	Voting by mail	
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b. If remote voting has been used during the financial year, please provide the following information:

Date of the Board Meeting	% remote voting				% remote voting / Total
	Email	Corporate website	Postal mail	Others	
31/03/2021				100	100
30/04/2021				100	100
14/06/2021				100	100
19/07/2021				100	100

Question II.7

Yes	No	Explanation
X		The JGA Regulation establishes that the voting process for each of the proposed agreements will be carried out following the planned agenda. The President shall ensure that the various proposals are voted on in an orderly and separate manner.

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

	Yes	No
The appointment or ratification of the Directors by individual vote by each of them.		X
The amendment of the Statute, for each article or group of articles that are substantially independent.		X
Others / Indicate		

Question II.8

Yes	No	Explanation
X		Corporate documents have no restrictions.

Principle 13: Delegation of vote

Question II. 9

Yes	No	Explanation
X		The JGA Regulation regulates the delegation and representation of the shareholder at the General Meeting of Shareholders, stating that any shareholder may be represented at the General Meeting by another person, whether or not a shareholder.

If your answer is no, please indicate whether your Statute restricts the right of representation, in favour of any of the following persons:

Yes	No
	From another shareholder
	From a Director
	From a manager

Question II.10

Yes	No	Explanation
X		The procedure for delegating and representing the shareholder at the General Meeting is regulated in the JGA Regulations.
	X	"The Peruvian State is the sole shareholder of PETROPERÚ, the representatives of the State in the General Meeting of Shareholders are appointed by supreme decree. It should be noted that, the JGA Regulation establishes that at the time of the call for each General Meeting of Shareholders, the Board of Directors will make available to all minority shareholders a representation model, which facilitates them to grant their representation, which includes what is indicated in the question, and which can be downloaded from the

Indicate the requirements and formalities required for a shareholder to be represented at a Meeting:

Formality (indicate if the company requires simple letter, notarial letter, public deed or others).	It is established that the representation will be conferred in writing, with a legalized signature and with a special character for each Meeting, except in the case of powers granted by public deed. A model of representation shall be made available to all minority shareholders.
Anticipation (number of days prior to the Board with which the power of attorney must be presented).	It is presented on the day of the General Meeting of Shareholders.
Cost (indicate if there is a payment required by the company for these purposes and how much it amounts to).	It's free of cost.

Question II.11

	Yes	No	Explanation
a. Does the company have as a policy to establish limitations on the percentage of delegation of votes in favor of the members of the Board of Directors or Senior Management?		X	There is no specific policy of limits on the percentage of delegation of votes indicated in the question. However, the JGA Regulation states that the director who votes on behalf of the shareholders may not exercise the right to vote corresponding to the shares whose representation he has obtained in relation to those points of the agenda in which he is in conflict of interest.
b. In cases of delegation of votes in favor of members of the Board of Directors or Senior Management, does the company have as a policy that the shareholders who delegate their votes leave clearly established the meaning of these?		X	The JGA Regulations state that PETROPERÚ will adopt an active position before its shareholders to minimize the sending and use of blank voting delegations, for which it will promote to the maximum that the document in which the representation appears contains or has attached: (i) the identity of the delegating shareholder and his representative; (ii) the agenda of the General Meeting of Shareholders; (iii) an indication urging the shareholder not to delegate blank; and (vi) a request for instructions for the exercise of the right to vote choosing, for each item of the agenda, between any of the following four (4) options: (i) vote Yes; (ii) vote NO; (iii) ABSTAIN and (iv) leave my vote TO MY REPRESENTATIVE 'S DISCRETION.

Principle 14: Follow-up to GAB Agreements

Question II.12

	Yes	No	Explanation
a. Does the company follow up on the agreements adopted by the JGA?	X		"The Code of Corporate Governance of PETROPERÚ states that, through an area or responsible, the agreements adopted by the General Meeting of Shareholders are monitored. Likewise, in accordance with the Regulations of Organization and Functions of PETROPERÚ, the General Secretariat provides support for the follow-up of agreements and requests of the Shareholders' Meeting. Monitoring is carried out in accordance with the procedure "Control of Compliance with Agreements, Orders and Requirements".
b. Does the company issue periodic reports to the Board of Directors and are they made available to shareholders?		X	It should be noted that it is reported to the General Shareholders' Meeting when the agreement is 100% fulfilled, in order for this corporate body to become aware.

If applicable, indicate the area and/or person in charge of monitoring the agreements adopted by the JGA. In the case of a person in charge, additionally include their position and area in which they work.

Area in charge		General Secretariat			
Person in charge					
Names and Surnames		Position		Area	
Rubén Martín Contreras Arce		General Secretary		General Secretariat	

PILLAR III: The Board of Directors and Senior Management

Principle 15: Formation of the Board of Directors

Question III.1

Is the Board made up of people with different specialties and competencies, with prestige, ethics, economic independence, sufficient availability and other qualities relevant to society, so that there are plurality of approaches and opinions?

Yes	No	Explanation
X		"The Board was made up of professionals chosen by the JGA for their skills and qualities. In addition, the requirements that directors must meet for their appointment or during their tenure are regulated in the Board of Directors Regulations."

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

First and last name	Professional Background(*)	Date		Share Participation (****)	
		Beginning (**)	End (***)	Number of shares	Share (%)
Directors (not including independents)					
Guevara Dodds, Eduardo Alfredo	Lawyer from the Pontificia Universidad Católica del Perú and Master of Laws from the Southern Methodist University in Dallas (Texas). He has more than 20 years of professional practice as legal advisor to companies in various industries, including the hydrocarbon, telecommunications, aeronautics and mining sectors. He served as Deputy Minister of Hydrocarbons in the Ministry of Energy and Mines, being responsible for monitoring the policies and regulatory issues of the entire hydrocarbon industry. He did not participate in other directories simultaneously.	6/04/2020	15/09/2021		

Pérez-Reyes Espejo Raúl	Economist from the Universidad de Lima. He has completed his Master's degree in Economics at the Center for Economic Research and Teaching (CIDE) and holds a Doctorate in Economics from the University of Las Palmas in Gran Canaria (Spain). Specialized in competition policies and regulation of public services. He did not participate in other directories simultaneously.	22/04/2019	15/09/2021		
Aguirre Guarderas, Jaime Augusto	Economist from Universidad del Pacífico, graduated from the first promotion of the Independent Board Members Program at CENTRUM (from the Pontificia Universidad Católica del Perú), he obtained the MBA degree with a specialization in international business from Pace University (New York). In 2021, he simultaneously participated in three directories (Cargo Transport, Kondifi IT Services and Grupo Silvestre). None of these companies is part of any economic group of PETROPERÚ.	20/06/2019	15/09/2021		
Contreras Ibárcena, Mario Candelario	Chemical Engineer from the Universidad Nacional Mayor de San Marcos, with a specialization in Mining Management and Marketing for Service Companies, from the ESAN University. He did not participate in other directories simultaneously.	19/09/2019	1/04/2022		

Chávez Hugo, Arévalo Ángel	Economist from the Universidad Nacional Mayor de San Marcos, graduated from the Master's Degree in Economics and with a PhD in Economics with a mention in Global Economic Management from the same university. He did not participate in other directories simultaneously.	16/09/2021	1/04/2022		
Palacios Olivera, Carlos Alberto	Mechanical Engineer from the Universidad Nacional de Ingeniería, and Master in Business Administration (MBA), with a mention in Finance from the Graduate School of Business Administration (ESAN). He also has more than 25 years of experience in the Peruvian energy sector, between the tariff regulation of the distribution of electricity and natural gas. He did not participate in other directories simultaneously.	16/09/2021	1/04/2022		
Vera Gargurevich, Óscar Electo	Chemical Engineer from the Universidad Nacional de Trujillo and Master in Global Business Administration and Energy from the Pontificia Universidad Católica del Perú. He has more than 37 years of experience in the oil industry, having held managerial and managerial positions in different departments of the Company. He did not participate in other directories simultaneously.	1/05/2021			

Independent Directors

Barros Cruchaga, Hernán	Business Admiral from Universidad del Pacífico, with a Master of Business Administration from the University of Texas at Austin McCombs School of Business. He is licensed to FINRA of the United States in series 7,63 and 65. He served as an advisor on issues related to capital markets and financing in the Ministry of Economy and Finance. He did not participate in other directories simultaneously.	2/12/2016	15/09/2021		
Cabrejo Villagarcía, José de Carmen	Candidate for a doctorate in Law from the Pontificia Universidad Católica del Perú and master of Law in Securities and Financial Regulation from Georgetown University, as well as candidate for a master's degree in Finance and Corporate Law from ESAN University and a master's degree in International Economic Law from the Pontificia Universidad Católica del Perú. In the public sector, he has served as an advisor on concessions and infrastructure projects (project finance) and advisor attached to the Consumer Defense Commission and Regulatory Bodies of the Congress of the Republic of Peru. He did not participate in other directories simultaneously.	1/02/2019	15/09/2021		

Independent Directors

Pari Choquecota, Juan Donato	Economist Engineer from the Universidad Nacional del Altiplano, with PhD studies in Global Economy and Master in Social Promotion and Citizenship. He specializes in the management of programs, projects and rural issues, community relations, management and resolution of socio-environmental conflicts. Experience in development and public management projects. Investigative skills in corruption issues. Skills and experience in facilitating workshops and organizational processes. Former Congressman of the Republic. He did not participate in other directories simultaneously.	16/09/2021	1/04/2022		
Zoeger Núñez, Luis Rafael	Chemical engineer from the Universidad Nacional de Trujillo, with extensive experience in the management of public and private companies in the energy sector, as well as in the design and execution of oil-natural gas, electricity generation and social responsibility projects. He did not participate in other directories simultaneously.	16/09/2021	1/04/2022		

(*) Further detail whether the Director simultaneously participates in other Boards, specifying the number and whether these are part of the economic group of the reporting company. For this purpose, the definition of economic group contained in the Regulation on Indirect Ownership, Linking and Economic Groups should be considered.

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

(***) Complete only if he had ceased to exercise the position of Director during the year.

(****) Mandatorily applicable only to Directors with a stake in the share capital equal to or greater than 5% of the shares of the reporting company.

% of total shares held by Directors	0
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Indicate the number of Directors of the company who are in each of the following age ranges:

Less than 35	Between 35 and 55	Between 55 and 65	Greater than 65
1	2	3	4

b. Indicate if there are specific requirements to be appointed Chairman of the Board, in addition to those required to be appointed Director.

Yes

No

X

If yes, please indicate these requirements.

c. Does the Chairman of the Board have a casting vote?

Yes

X

No

Question III.2

Does the company avoid the appointment of alternate or alternate Directors, especially for quorum reasons?

Yes	No	Explanation
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X

The company documents do not establish the figure of alternate director. During the 2021 financial year, there were no alternate directors.

If alternate or alternate Directors are present, specify the following:

Names and surnames of alternate or alternate Director	Start (*)	End (**)

(*) Corresponds to the first appointment as alternate or alternate Director in the company that reports.

(**) Complete only if they have left the position of Alternate Director during the financial year.

Principle 16: Functions of the Board of Directors

Question III.4

Yes

No

Explanation

Does the Board have as a function?

a. Approve and direct the corporate strategy of the company

X

This is the function of the Board of Directors, in accordance with the provisions of the Articles of Association and the Board of Directors Regulations.

b. Set goals, targets and action plans including annual budgets and business plans.

X

This is the function of the Board of Directors in accordance with the provisions of the Articles of Association and the Board of Directors Regulations.

c. Control and supervise the management and take charge of the governance and administration of the company.

X

This is the function of the Board of Directors in accordance with the provisions of the Articles of Association and the Board of Directors Regulations.

d. Supervise good corporate governance practices and establish the policies and measures necessary for their best implementation.

X

This is the function of the Board of Directors in accordance with the provisions of the Articles of Association and the Board of Directors Regulations.

a. Detail what other relevant powers fall on the Board of Directors of the company.

The Board of Directors has all the management and legal representation powers necessary for the administration of PETROPERÚ; these are specified in the Articles of Association; in the same way they are contemplated in the Board of Directors Regulations.

b. Does the Board delegate any of its functions?

Yes

X

No

Indicate, if applicable, what are the main functions of the Board that have been delegated, and the body that exercises them by delegation:

Duties	Body / Area to which functions have been delegated
Approval of open-ended recruitment to fill vacant and budgeted positions in the Staff Allocation Table (CAP).	General Management
Approval of temporary work contracts subject to modality: to attend new functions, start or increase of activity or the level of production or market needs or to attend specific works or specific service of fixed duration, as well as intermittent, seasonal, emergency or business counterclaim contracting.	General Management
Approval of the profiles of the posts of the Staff Allocation Table (CAP) of basic structure levels 2 and 3.	General Management

Principle 17: Duties and Rights of Board Members

Question III.5

Yes

No

Explanation

Do the members of the Board have the right to:

a. Ask the Board for expert support or input.

X

The Board Regulation establishes this right.

b. Participate in induction programs on their faculties and responsibilities and be informed in a timely manner about the organizational structure of the company.

X

In accordance with the Induction Policy for New Directors.

c. Receive remuneration for the work carried out, which combines recognition of professional experience and dedication to society with criteria of rationality.

X

In accordance with the provisions of the Board of Directors Regulations and the Directors' Remuneration Policy, approved by the General Shareholders' Meeting.

a. If specialized advisors have been hired during the year, indicate whether the list of specialized advisors of the Board of Directors who have provided services during the year for the decision-making of the company was made known to the shareholders.

Yes

No

X

If applicable, specify if any of the specialized advisors had any link with any member of the Board of Directors and/or Senior Management (*).

Yes

No

X

(*) For the purposes of linking, the linking criteria contained in the Regulation on Indirect Property, Linking and Economic Groups shall apply.

b. If applicable, indicate whether the company carried out induction programmes for new members who had joined the company.

Yes

X

No

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c. Indicate the percentage that represents the total amount of the remunerations and annual bonuses of the Directors, with respect to gross income, according to the financial statements of the company.

Yes ☒ No ☐

Remunerations	(%) Gross Income	Bonuses	(%) Gross Income
Directors (not including independents)	0.00108	Allotment of shares	
Independent Directors	0.00113	Allotment of options	
		Payment of money	
		Others (Indicate)	Directors have only received subsistence allowance for each Board meeting and for each Board Committee meeting they have attended. The percentage of gross income that represents the remuneration of independent and non-independent directors does not include the remuneration received by the Chairman of the Board, which was 0.00212%, with respect to gross income.

Principle 18: Board Regulations

Question III.6

Does the company have a Board of Directors Regulation that is binding and its non-compliance entails responsibility?

Yes

No

Explanation

X

"The Articles of Association provide that the Board of Directors shall propose to the General Shareholders' Meeting, for approval, a Board Regulation, which shall be binding on the directors when they act individually by delegation or as a collegiate body.

For their part, the Board of Directors Regulation states that, from the moment of their appointment, the directors have the obligation to know, comply and enforce said Regulation."

Indicate whether the Directory Regulations contain:

	Yes	No
Policies and procedures for its operation	X	
Organizational structure of the Board of Directors	X	
Roles and responsibilities of the Chairman of the Board	X	
Procedures for the identification, evaluation and nomination of candidates for Board members, which are proposed to the JGA	X	
Procedures for cases of vacancy, dismissal and succession of Directors	X	
Others / Indicate	X	

Principle 19: Independent Directors

Question III.7

Yes	No	Explanation
	X	The Articles of Association state that of the six members that must make up the Board of Directors, two have the status of independent. During 2021, two directors had the status of independents.

In addition, to those established in the "Guidelines for the Qualification of Independent Directors", the company has established the following criteria to qualify its Directors as independent:

- (i) Not to be a public official or servant.
 - ii) Not having had an employment relationship with PETROPERÚ or a significant commercial or contractual relationship with PETROPERÚ, within the last 2 years prior to the date of their appointment.
 - iii) Not to maintain litigation or conflict of interest with the company, or that in general, are incurred within the incompatibilities established in art. 161 of Law No. 26887, General Law of Companies.
- In addition to the above criteria, the following shall be taken into consideration:
- Develop a full and qualified professional activity outside the Board of Directors.
 - Maintain an equity situation that allows to presume a sufficient economic independence against the remuneration that may be received from the Board of PETROPERÚ.
 - Have a professional and personal profile that allows you to boast your independence.

Question III.8

Yes	No	Explanation
	X	The Board of Directors may propose to the General Meeting of Shareholders the appointment of independent directors or not. This proposal, as provided for in the Board Regulations, must be accompanied by a report that will address the candidate's compliance with the conditions and requirements established to be appointed director. Likewise, the proposal for appointment to fill the position of independent director must be accompanied by an affidavit by the candidate who meets the requirements established by PETROPERÚ to be considered independent, expressly indicating any factor that may challenge said independence before third parties.
	X	At the beginning of each financial year, the independent directors sign their sworn declaration of independence. Likewise, in September 2021, two members joined the Board of Directors with the status of independents, who presented, for their designation, a document by which they declared compliance with the aforementioned condition.

Indicate if at least once a year the Board verifies that the Independent Directors maintain compliance with the requirements and conditions to be qualified as such.

Yes X No

Principle 20: Board Operability

Question III.9

Yes	No	Explanation
	X	Annually, the Board approves a Work Plan; in January 2021, the Board of PETROPERÚ approved its Annual Work Plan for the 2021 period.

Pregunta III.10

Yes	No	Explanation
	X	The Board of Directors Regulation states that the Board of Directors may adopt agreements through non-attendance sessions, using for this purpose the written, electronic or any other means provided that they allow communication and guarantee the authenticity of the agreement. For both the face-to-face and non-attendance sessions, the secretary of the Board of Directors proceeds to make the summons by means of a letter delivered with a reception charge no less than four days before the date indicated for the session.

a. Indicate in relation to the Board sessions held during the year, the following:

Number of sessions carried out	46
Number of sessions in which the call has been dispensed with (*)	0
Number of sessions in which the Chairman of the Board did not attend	0
Number of sessions in which one or more Directors were represented by alternate Directors	0
Number of incumbent Directors who were represented on at least one occasion	0

(*) In this field, the number of sessions that have been carried out under the provisions of the last paragraph of article 167 of the LGS must be reported.

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

Name	% of Attendance
Eduardo Alfredo Guevara Dodds	100
Hernán Barros Cruchaga	100
José Cabrejo Villagarcía	100
Raúl Pérez-Reyes Espejo	89-65
Jaime Aguirre Guarderas	100
Óscar Electo Vera Gargurevich	100
Mario Candelario Contreras Ibárcena	100
Luis Zoeger Núñez	100
Juan Donato Pari Choquecota	100
Hugo Ángel Chávez Arévalo	100
Carlos Alberto Palacios Olivera	100

c. Indicate how far in advance of the Board session all the information relating to the matters to be dealt with in a session is available to the Directors.

	Less than 3 days	3 to 5 days	Greater than 5 days
Non-confidential Information		X	
Confidential information		X	

Question III.11

	Si	No	Explicación
a. Does the Board evaluate, at least once a year, objectively, its performance as a collegiate body and that of its members?	X		The Evaluation Policy of the Board of Directors, Board Committees and Directors establishes the annual evaluation. At the beginning of the second half of 2021, the external evaluation of the Board of Directors, directors and Board committees corresponding to the first half of 2020 was completed.
b. Is the self-assessment methodology alternated with external assessors' assessment?	X		The Board of Directors, Board Committees and Directors Evaluation Policy regulates the methodology as follows: (i) internal evaluation, known as self-assessment, and (ii) external evaluation, which is carried out by consultants external to the Company. Both assessments alternate each year.

a. Indicate whether Board performance evaluations have been conducted during the year.

	Yes	No
As a collegiate body	X	
To its members	X	

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

Assessment	Self-Assessment		External Assessment		
	Date	Dissemination (*)	Date	Entity in charge	Dissemination (*)
Board of Directors, Directors and Boards of Directors-First Semester 2020			2/07/2021	Mercados de Capitales, Inversiones y Finanzas, Consultores SA (MC&F SA)	

(*) Indicate Yes or No, in case the evaluation was made known to the shareholders.

Principle 21: Special Committees

Question III.12

a. Does the Board of Directors of the company form special committees that focus on the analysis of those aspects most relevant to the performance of the company?

b. Does the Board approve the regulations governing each of the special committees it constitutes?

c. Are the special committees chaired by Independent Directors?

d. Do the ad hoc committees have a budget?

Yes	No	Explanation
X		The Articles of Association of PETROPERÚ empower the Board of Directors to establish permanent or temporary Boards of Directors, with powers of support, information, advice and proposals in selected matters. In addition to the Management Committee and the Audit and Control Committee, the Board formed the Committee on Good Corporate Governance Practices and the Committee on Innovation and Business Development.
	X	The Board approves the regulations and their amendments; in 2018, an update of the internal regulations of the three existing Board committees was approved at that date. In 2020, the Board approved the Regulations of the Business Innovation and Development Committee.
	X	The Articles of Association privileges the participation of independent directors in the formation of the Boards of Directors, for which these are made up of two independent directors and a non-independent director. Each of the Board Committees is chaired by one of the independent directors.
	X	The internal regulations of the Boards of Directors intend to request the Board to hire external advisors in case it is deemed necessary for the performance of its functions.

Question III.13

Does the company have an Appointments and Remuneration Committee that is responsible for nominating candidates for Board members, who are proposed to the JGA by the Board, as well as approving the remuneration and incentive system of Senior Management?

Yes	No	Explanation
	X	Corporate documents establish these functions to the Board of Directors. Notwithstanding the foregoing, PETROPERÚ has the Board of Directors Management Committee, which has the functions of recommending criteria for the selection of candidates for directors and periodically reviewing them; also, evaluating, on behalf of the Board, candidates for managers and main executives and formulating the corresponding proposals or recommendations; and periodically supervising compliance with the policies and standards related to evaluations, remunerations and incentives for PETROPERÚ personnel, and formulating recommendations for their improvement to the Board.

Question III.14

Does the company have an Audit Committee that monitors the effectiveness and adequacy of the company's internal and external control system, the work of the audit firm or independent auditor, as well as compliance with the rules of legal and professional independence?

Yes	No	Explanation
	X	The Audit and Control Committee of the PETROPERÚ Board oversees, among others, the implementation of the internal control system and the recommendations issued by the Comptroller General of the Republic, external and internal auditors. It also recommends to the Board of Directors and General Management improvements to the internal control system, based on the results (reports, reports or other documents) issued by the Office of the Comptroller General of the Republic, external audit and other external control and audit entities. This Committee also oversees the integrity of the Company's financial and accounting policies, regulatory compliance, internal controls, financial reporting, financial reporting practices and other specific financial matters.

a. Specify whether the company additionally has the following Special Committees:

	Yes	No
Risk Committee		X
Corporate Governance Committee	X	

b. If the company has Special Committees, indicate the following information regarding each committee:

COMMITTEE 1	
Name of the Committee:	Committee of Corporate Governance Practices
Date of creation:	16/09/2009
Main functions:	<p>Review and submit for approval by the Board of Directors the amendments to the PETROPERÚ BGC Code. Supervise the effective application of BGC practices, according to which PETROPERÚ operates, proposing improvements.</p> <p>Evaluate, recommend and propose to the Board the approval of the information on compliance with the BGC Principles for Peruvian Companies.</p> <p>Ensure that BGC policies and standards are available to stakeholders through accessible means.</p> <p>Coordinate that the corporate social responsibility policies, plans and programs implemented in PETROPERÚ are in accordance with BGC standards.</p> <p>Coordinate with the Administration the dissemination of BGC practices among all members of the Company and promote training programs for management personnel on the subject.</p>

Members of the Committee (*): Names and Surnames	Date		Position within the Committee
	Start (**)	End (***)	
José del Carmen Cabrejo Villagarcía	18/02/2019	15/09/2021	President
Jaime Augusto Aguirre Guarderas	23/07/2019	15/09/2021	Member
Hernán Barros Cruchaga	23/07/2018	15/09/2021	Member
Luis Rafael Zoeger Núñez	07/10/2021	01/04/2022	President
Juan Donato Pari Choquecota	07/10/2021	01/04/2022	Member
Carlos Alberto Palacios Olivera	07/10/2021	01/04/2022	Member
% Independent Directors with respect to the total Committee			66.67
Number of sessions performed during the exercise:			4
It has delegated powers in accordance with article 174 of the General Companies Law:			Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
The committee or its chair participates in the JGA			Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

(*)Information will be provided regarding the persons who make up or were members of the Committee during the reporting period.
(**) Corresponds to the first appointment as a member of the Committee in the reporting company.
(***) Complete only if you have ceased to be a member of the Committee during the financial year.

COMMITTEE 2

Name of the Committee:	Audit and Control Committee
Date of creation:	20/08/2010
Main functions:	<p>Recommend to the Board policies and methodologies to be applied to strengthen the internal control system.</p> <p>Supervise the implementation of the internal control system and the recommendations of the Comptroller General of the Republic, external and internal auditors.</p> <p>Know the issues related to compliance with the Integrity Code and the financial reporting process.</p> <p>Issue recommendations to the terms of reference prepared by the competent body for the appointment of independent external auditors, in accordance with the applicable standards.</p> <p>Supervise financial and accounting policies, regulatory compliance and financial reports, among others.</p> <p>Monitor the establishment of a risk management system.</p> <p>Review the risk exposure reports prepared by the competent body.</p> <p>Find out about the services contracted with the external auditor who issued the financial statements, other than financial audits.</p>

Members of the Committee (*): Names and Surnames	Date		Position within the Committee
	Start (**)	End (***)	
Hernán Barros Cruchaga	23/07/2018	15/09/2021	President
Raúl Ricardo Pérez-Reyes Espejo	10/05/2019	15/09/2021	Member
José del Carmen Cabrejo Villagarcía	18/02/2019	15/09/2021	Member
Juan Donato Pari Choquecota	07/10/2021	01/04/2022	President
Luis Rafael Zoeger Núñez	07/10/2021	01/04/2022	Member
Hugo Ángel Chávez Arévalo	07/10/2021	01/04/2022	Member
% Independent Directors with respect to the total Committee			66.67
Number of sessions performed during the exercise:			7
It has delegated powers in accordance with article 174 of the General Companies Law:			Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
The committee or its chair participates in the JGA			Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

(*)Information will be provided regarding the persons who make up or were members of the Committee during the reporting period.
(**) Corresponds to the first appointment as a member of the Committee in the reporting company.
(***) Complete only if you have ceased to be a member of the Committee during the financial year.

COMMITTEE 3

Name of the Committee:	Administrative Committee
Date of creation:	20/08/2010
Main functions:	<p>Require reports to the Administration of PETROPERÚ on the management, direction and administration activities of the Company</p> <p>Recommend to the Board the approval of general policies necessary for the best management, direction and administration of PETROPERÚ.</p> <p>Submit to the Board through the Chairman of the Committee or any of its members reports of its sessions, indicating the main recommendations and decisions adopted by the Management Committee.</p> <p>Evaluate, on behalf of the Board, the candidates for managers and main executives, and formulate the corresponding proposals or recommendations.</p> <p>Periodically monitor compliance with policies and standards regarding evaluations, remuneration and incentives for PETROPERÚ personnel and make recommendations to the Board of Directors.</p>

Members of the Committee (*): Names and Surnames	Date		Position within the Committee
	Start (**)	End (***)	
Hernán Barros Cruchaga	23/07/2018	15/09/2021	President, as of 18/02/2019
José del Carmen Cabrejo Villagarcía	18/02/2019	15/09/2021	Member
Jaime Augusto Aguirre Guarderas	07/11/2019	15/09/2021	Member
Juan Donato Pari Choquecota	07/10/2021	01/04/2022	President
Luis Rafael Zoeger Núñez	07/10/2021	01/04/2022	Member
Hugo Ángel Chávez Arévalo	07/10/2021	01/04/2022	Member
% Independent Directors with respect to the total Committee			66.67
Number of sessions performed during the exercise:			3
It has delegated powers in accordance with article 174 of the General Companies Law:			Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
The committee or its chair participates in the JGA			Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

(*) Information will be provided regarding the persons who make up or were members of the Committee during the reporting period.
(**) Corresponds to the first appointment as a member of the Committee in the reporting company.
(***) Complete only if you have ceased to be a member of the Committee during the financial year.

COMMITTEE 4

Name of the Committee:	Innovation and Business Development Committee		
Date of creation:	16/12/2019		
Main functions:	Contribute to formulate and strengthen the research, development and innovation strategy, aligned with its long-term development. Supervise, implement and recommend research, development and innovation improvements. Know about the implementation of digital strategy, technological cultural change, implementation of methodologies and disruptive projects. Recommend the approval of general policies, technological innovation in production processes and development of hydrocarbon or energy activities. Coordinate with the Administration the development and monitoring of policies and procedures on research, development and innovation. Inform the Board of Directors of the main recommendations and decisions adopted. Supervise compliance with research, development and innovation policies and standards, and formulate their improvement to the Board.		
Members of the Committee (*): Names and Surnames	Date		Position within the Committee
	Start (**)	End (***)	
José del Carmen Cabrejo Villagarcía	16/12/2019	15/09/2021	President
Hernán Barros Cruchaga	16/12/2019	15/09/2021	Member
Jaime Augusto Aguirre Guarderas	16/12/2019	15/09/2021	Member
Luis Rafael Zoeger Núñez	07/10/2021	01/04/2022	President
Juan Donato Pari Choquecota	07/10/2021	01/04/2022	Member
Carlos Alberto Palacios Olivera	07/10/2021	01/04/2022	Member
% Independent Directors with respect to the total Committee			66.67
Number of sessions performed during the exercise:			3
It has delegated powers in accordance with article 174 of the General Companies Law:			Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
The committee or its chair participates in the JGA			Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

(*) Information will be provided regarding the persons who make up or were members of the Committee during the reporting period.
(**) Corresponds to the first appointment as a member of the Committee in the reporting company.
(***) Complete only if you have ceased to be a member of the Committee during the financial year.

Principle 22: Code of Ethics and Conflicts of Interest

Question III.15	Yes	No	Explanation
Does society take steps to prevent, detect, manage and disclose conflicts of interest that may arise?	X		The measures adopted are through control mechanisms to prevent potential, apparent or real conflicts of interest, including: Workers make a declaration of interest, annually, upon entry into the company, or when there is a change; the information declared by workers is stored in the Integrity System application, and every year an evaluation of what is declared is carried out; prior to a hiring, the participating areas must review the Integrity System application, where the information of the legal or natural persons declared by workers is stored, for the purpose of warning the existence or not of a conflict of interest, in case of doubt it must be consulted with the corresponding area; Integrity Line channels, through which, if a worker or third party has knowledge of an irregular case, it can report it through them; and training and awareness activities.

Indicate, if applicable, which area and/or person is responsible for the monitoring and control of possible conflicts of interest. If you are a person in charge, additionally include your position and area in which you work.

Area in charge	Corporate Compliance Management (as of December 2021)	
Person in charge		
Names and Surnames	Position	Area
Zenaida Calderón Anticona (as of December 2021)	Corporate Compliance Manager	Corporate Compliance Management, currently Corporate Processes and Risks Management

Question III.16 / Compliance

a. Does the company have a Code of Ethics (*) whose compliance is required of its Directors, managers, officials and other collaborators (**) of the company, which includes ethical criteria and professional responsibility, including the management of potential cases of conflicts of interest?

X

During 2021, the update of the Integrity Code was approved, which reaches all organizational levels and directors. The Code of Integrity is composed of 20 ethical commitments by stakeholders; this is how workers commit to maintain ethical conduct with their co-workers, with the Company, customers, competitors and suppliers, State, community, environment and media. It is a behavioral guide, designed with criteria and guidelines to guide the ethical performance of PETROPERÚ members in various situations.

Regarding the management of potential cases of conflicts of interest, in the compromise, it is indicated to avoid conflicts of interest, and points out, among others: We act with honesty and ethics always seeking to protect the interests of PETROPERÚ, and as workers we avoid situations that mean or could mean a conflict between personal interests and the interests of PETROPERÚ.

b. Do the Board of Directors or General Management approve training programs for compliance with the Code of Ethics?

X

The Corporate Training Plan in charge of the Corporate Human Resources Management is approved by the General Management.

Likewise, the General Management approves the Awareness, Dissemination and Training Plan of the Compliance Office, which includes the communication, training and training activities carried out by the Compliance Office for compliance with the Integrity Code.

(*) The Code of Ethics may form part of the Internal Standards of Conduct.
(**) The term collaborators covers all people who maintain some type of employment relationship with society, regardless of the regime or work modality.

If the company has a Code of Ethics, indicate the following:
a. Is available to:

Shareholders
Other persons to whom it is applicable
Fom the General Public

Yes No

X
X
X

b. Indicate the area and/or person responsible for the monitoring and compliance with the Code of Ethics. In the case of a person in charge, additionally include their position, the area in which they work, and who they report to.

Area in charge		Corporate Compliance Management (as of December 2021)	
Person in charge			
Names and Surnames	Position	Area	Person to whom they report
Zenaida Calderón Anticona (as of December 2021)	Corporate Compliance Manager	Corporate Compliance Management, currently Corporate Processes and Risks Management	Chairman of the Board, currently reporting to General Management

c. Is there a record of cases of non-compliance with this Code?

Yes

X

No

d. Indicate the number of breaches of the provisions established in said Code, detected or reported during the year.

Number of non-compliances

7

Question III.17

a. Does the company have mechanisms that allow reporting any illegal or unethical behavior, guaranteeing the confidentiality of the complainant?

X

PETROPERÚ has the Integrity Line which is the official reporting system, which has different communication channels for PETROPERÚ workers or third parties to comply with communicating any serious or sensitive irregularity for the Company in a proactive manner, related to conduct contrary to the Integrity Code and Integrity System standards.

The Integrity Line is managed by an independent operator, external to the Company, in order to protect the confidentiality and identity of the reporting person, with the aim of making whistleblowers feel safe and avoiding retaliation.

b. Are complaints submitted directly to the Audit Committee when they are related to accounting aspects or when General Management or Financial Management are involved?

X

The Procedure for Response to Complaints for Breaches of the Integrity System states that, in case of complaints related to the general manager and finance manager, as well as accounting and financial aspects, they must be reported to the Audit and Control Committee. Likewise, the Code of Good Corporate Governance of PETROPERÚ states that complaints that are related to accounting aspects or when General Management, level 2 officials and members of the Integrity Committee are involved, will be presented directly to the Audit and Control Committee.

Question III.18

a. Is the Board responsible for monitoring and controlling potential conflicts of interest that arise in the Board?

X

The Articles of Association provide that it is the function of the Board of Directors to establish mechanisms for the knowledge and management of PETROPERÚ's conflicts of interest with shareholders, senior management and directors, as well as its related parties, and the control of operations with related parties. Likewise, the Rules of Procedure for the Organization and Operation of the Board of Directors establish that directors must notify the Board of Directors of any conflict situation and the procedure to be followed in these cases is envisaged.

b. If the company is not a financial institution, has it established as a policy that the members of the Board of Directors are prohibited from receiving loans from the company or any company of its economic group, unless they have the prior authorization of the Board of Directors?

X

The Articles of Association prohibit the granting of credits or guarantees in favor of the members of the Board of Directors.

c. If the company is not a financial institution, has it established as a policy that the members of the Senior Management are prohibited from receiving loans from the company or any company of its economic group, unless they have prior authorization from the Board of Directors?

X

Contained in I

a. Indicate the following information of the members of the Senior Management who have the status of shareholders in a percentage equal to or greater than 5% of the company.

Full name	Position	Number of shares	% of total shares
N/A.			
N/A.			
% of total shares held by Senior Management			0

b. Indicate if any of the members of the Board of Directors or Senior Management of the Company is a spouse, relative in the first or second degree of consanguinity, or relative in the first degree of affinity of:

Full name	Link with:			Names and surnames of the shareholder / Director / Manager	Type of relationship (**)	Additional information (***)
	Shareholder (*)	Director	Senior Management			

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

(**) For the purposes of linking, the linking criteria contained in the Regulation on Indirect Property, Linking and Economic Groups will be applied.

(***) In the event that there is a link with any shareholder, include their shareholding. In the event that the link is with a member of the management team, include their position.

c. If any member of the Board of Directors occupies or has occupied any managerial position in the company during the financial year covered by this report, indicate the following information:

Full name	Managerial position held or held	Date in managerial position	
		Start (*)	End (**)
Hugo Ángel Chávez Arévalo	General Manager	8/10/2021	21/01/2022
Óscar Efecto Vera Gargurevich	Operations Manager (e)	25/09/2021	14/10/2021
Óscar Efecto Vera Gargurevich	Operations Manager	15/10/2021	2/12/2021
Óscar Efecto Vera Gargurevich	Operations Corporate Manager	3/12/2021	

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

(**) Complete only if he had ceased to exercise the managerial position during the year.

d. If any member of the Board of Directors or Senior Management of the company has maintained during the year, any commercial or contractual relationship with the company, which have been important for its amount or for its matter, indicate the following information.

Full name	Type of relationship	Brief Description
None		

Principle 23: Operations with related parties

Question III.19

a. Does the Board of Directors have policies and procedures for the valuation, approval and disclosure of certain transactions between the company and related parties, as well as for knowing the direct or indirect commercial or personal relationships that the Directors maintain between themselves, with the company, with their suppliers or customers, and other stakeholders?

b. In the case of operations of special relevance or complexity, is the intervention of independent external advisors contemplated for their valuation?

Yes	No	Explanation
	X	The Board of Directors Regulation establishes that transactions with companies and/or parties related to PETROPERÚ understood as any transfer of resources, services or obligations between them, must be reported to the Board of Directors for its corresponding authorization. It also establishes criteria for determining who may be considered companies and/or related parties of directors or managers. Additionally, it mentions that when the Board of Directors deems it necessary, it will submit the decision to approve the transaction with the parties and/or related companies to the consideration of the General Meeting of Shareholders.
	X	The intervention of external advisors is subject to the discretion of the Board in the case of transactions of special relevance or complexity with related parties. However, the Board may request the information and advice it needs for the performance of its functions, in accordance with the Board Regulations.

a. To comply with question III (a).19, indicate the area(s) of the company in charge of the processing of transactions with related parties in the following aspects:

Aspects	Area in charge
Rating	
Approval	
Revelation	

b. Indicate the procedures for approving related party transactions:

The Board of Directors Regulation establishes that transactions with companies and/or parties related to PETROPERÚ must be reported to the Board of Directors for their corresponding authorization. When the Board of Directors deems it necessary, it will submit the decision to approve the transaction with the parties and/or related companies to the consideration of the General Meeting of Shareholders.

Prior to the approval of the operation in question, the Board of Directors must issue a report assessing the operation from the point of view of fair treatment of shareholders and respect for market conditions.

c. Details those transactions carried out between the company and its related parties during the year that have been important for their amount or for their subject matter.

Name or corporate name of the related party	Type of relationship(*)	Type of transaction	Amount (S/)
None			

(*) For the purposes of determining the linkage, the Provisions for the application of paragraph c) of article 51 of the Securities Market Law, approved by Resolution No. 029-2018-SMV/O1 or rule that replaces it, shall apply.

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

Yes

X

No

Principle 24: Functions of Senior Management

Question III.20 / Compliance

	Yes	No	Explanation
a. Does the company have a clear policy of delimitation of functions between the administration or government exercised by the Board of Directors, the ordinary management in charge of the Senior Management and the leadership of the General Manager?	X		The functions of administration or government of PETROPERÚ in charge of the Board of Directors are clearly defined in the Articles of Association and Regulations of the Board of Directors. In the same way for the functions of Senior Management and the General Manager. However, the Articles of Association state that the functions and powers of the general manager may be assumed by the chairman of the Board of Directors with the agreement of the General Shareholders' Meeting.
b. Do the appointments of General Manager and Chairman of the Board of Directors of the company fall on different people?	X		At the end of the 2021 period, the Chairman of the Board and the General Manager were Mario Candelario Contreras Ibárcena and Hugo Ángel Chávez Arévalo, respectively.
c. Does the Senior Management have sufficient autonomy for the development of the assigned functions, within the framework of policies and guidelines defined by the Board, and under its control?	X		The Articles of Association define the functions of the Board of Directors and Management. The general manager is the representative of the Board of Directors, and directs, coordinates and controls the action of the other organs of PETROPERÚ.
d. Is General Management responsible for complying with and enforcing the information delivery policy to the Board of Directors and its Directors?	X		The Code of Good Corporate Governance of PETROPERÚ establishes that among the main responsibilities of the General Management is to inform the Board of Directors of the matters of competence of this body, taking care that the proposals are accompanied by the corresponding reports and opinions.
e. Does the Board annually evaluate the performance of the General Management based on well-defined standards?	X		The evaluation of the general manager is carried out annually in accordance with the criteria and methodology approved by the Board of Directors, for the period considered.
f. Does the remuneration of Senior Management have a fixed and a variable component, which take into account the results of the company, based on a prudent and responsible assumption of risks, and compliance with the goals set out in the respective plans?		X	Senior management had only fixed remuneration. It should be noted that during June, July and August 2021, variable remuneration was paid to Senior Management.

c. Indicate the following information regarding the remuneration received by the General Manager and management plan (including bonuses)

Position	Payments (*)	
	Fixed	Variable
General Manager	0.00342	0.00008
Managerial Staff	0.04296	0.00060

(*) Indicate the percentage that represents the total amount of the annual remunerations of the members of the Senior Management, with respect to the level of gross income, according to the financial statements of the company.

b. If the company pays bonuses or indemnities other than those determined by legal mandate, to Senior Management, indicate the form(s) in which they are paid.

	General Management	Managers
Allotment of shares	-	-
Allotment of options	-	-
Payment of money	-	-
Others / Indicate	The Company does not grant shares, cash or other long-term benefits to Senior Management personnel, only as established by Law and the Salary Policy. It should be noted that during June, July and August 2021, variable remuneration was paid to Senior Management.	

c. If there is a variable component in remuneration, specify the main aspects taken into account for its determination.

While the monthly variable remuneration was in force, it was calculated on the basis of the achievement of objectives and individual and/or group performance, whose definition and evaluation was carried out annually or when required according to the needs of the Company. It should be noted that the monthly variable remuneration was paid in June, July and August 2021, based on operational indicators approved by the General Management and the Board of Directors.

d. Indicate whether the Board evaluated the performance of the General Management during the year.

Yes ☐ No ☒

PILLAR IV: Risk and Compliance

Principle 25: Environment of the risk management system

Question IV.1

	Yes	No	Explicación
a. Does the Board approve a comprehensive risk management policy according to its size and complexity, promoting a culture of risk management within the company, from the Board and Senior Management to the employees themselves?	X		In 2019, the Board of Directors approved the Risk Management Policy through which it undertakes to implement and maintain a Corporate Risk Management System, which allows it to reduce the probability of occurrence and the impact of the different risks it faces to appropriate levels that lead to reasonably ensure the achievement of the organizational objectives and compliance with the current legal system applicable to the Company.
b. Does the comprehensive risk management policy cover all member companies of the group and allow a global view of critical risks?	X		PETROPERÚ is not part of an economic group.

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

Yes ☐ No ☒

Question IV.2

	Yes	No	Explicación
a. Does the General Management manage the risks to which the company is exposed and make them known to the Board of Directors?	X		The general manager, in coordination with the Corporate Compliance Management, directs and supports risk management. Likewise, each unit manages the risks under its functional competence in coordination with the Corporate Compliance Management.
b. Is the General Management responsible for the risk management system, in case there is no Risk Committee or Risk Management?	X		ttt

Does the company have a Risk Manager?

Yes

X

No

If yes, please provide the following information:

Full name	Date of exercise of office		Area / body to which it reports
	Start (*)	End (**)	
Zenaida Calderón Anticona	02/03/2020	07/01/22	Board of Directors

(*) Corresponds to the first appointment in the reporting company.
(**) Complete only if he had ceased to hold office during the year.

Question IV.3

Does the company have an internal and external control system, whose effectiveness and suitability is supervised by the Company's Board of Directors?

X

PETROPERÚ is committed to the implementation of the Internal Control System, led by the Corporate Compliance Management.

Regarding the supervision of the Internal Control System:

- The Audit and Control Committee of the Board supervises the implementation of the Internal Control System and monitors the establishment of the Risk Management System.
- The Board evaluates compliance with the Internal Control System and Risk Management System.

Regarding the External Control System, the Board proposes to the JGA the criteria for selecting the external auditor, to be incorporated into the bases of the public tender conducted by the Comptroller General of the Republic; the effectiveness and suitability of the system is ratified by the Board and supervised by the Audit and Control Committee.

Principle 26: Internal Audit

Question IV.4

a. Does the internal auditor perform audit work exclusively, have autonomy, experience and specialization in the topics under his/her evaluation, and independence for monitoring and evaluating the effectiveness of the risk management system?

X

The Institutional Control Body provides audit work - exclusively - to the processes and/or activities developed by the company, which are carried out autonomously and independently with the experience and training of the personnel in the area. If a specific control service or some specialized opinion is required, an expert is hired, ensuring its independence and objectivity of its services. Likewise, at the end of the 2021 period, in accordance with the PETROPERÚ Organization and Functions Regulations, the Corporate Compliance Management was responsible for leading the implementation of prevention systems, in accordance with good practices, including risk management, internal control, ethics and compliance.

b. Are the internal auditor's functions the ongoing assessment that all financial information generated or recorded by the company is valid and reliable, as well as verifying the effectiveness of regulatory compliance?

X

Corporate Finance Management is responsible for permanently evaluating that all financial information generated or recorded by the company is valid and reliable. Since 2011, the Company has been fully implementing International Financial Reporting Standards (IFRS). For this reason, the constant adaptation of the Company's accounting policies and procedures are permanent, in order to comply with the provisions of said standards, being monitored by the Accounting Department Management.

c. Does the internal auditor report directly to the Audit Committee on his plans, budget, activities, progress, results achieved and actions taken?

X

The Institutional Control Body reports directly to the Board, through its chairman.

a. Indicate whether the company has an independent area in charge of internal audit.

Yes

X

No

Reporting To	The Board of PETROPERÚ, through its president, maintains a functional relationship with the Comptroller General of the Republic.
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b. Indicate whether the company has a Corporate Internal Auditor.

Yes

No

X

Indicate the primary responsibilities of the internal audit officer and whether he or she performs other functions outside of internal audit.

It is the main function of the Institutional Control Body to promote the correct and transparent management of the resources and assets of the Company, ensuring the legality and efficiency of its acts and operations, as well as the achievement of its results. Likewise, it is responsible for promoting the corresponding preventive measures, as well as evaluating and improving the efficiency of the management, control and governance processes of the Company, monitoring the performance of simultaneous control and subsequent control services contained in the Annual Control Plan to be developed in the various units of the organization within the legal framework of Government Control, as well as international standards on the professional practice of internal audit.

Question IV.5

Does the appointment and dismissal of the Internal Auditor correspond to the Board of Directors on the proposal of the Audit Committee?

Yes	No	Explanation
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X
PETROPERÚ is a company wholly owned by the Peruvian State, is within the regulatory scope of the Government Control Body. As such, the appointment of the head of the Institutional Control Body is the exclusive and exclusive competence of the Comptroller General of the Republic, in accordance with the provisions of Law No. 27785 (Organic Law of the National Control System and the Comptroller General of the Republic).

Principle 27: External auditors

Question IV.6

Yes	No	Explanation
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Does the JGA, at the proposal of the Board of Directors, appoint the audit firm or the independent auditor, those who maintain a clear independence with the company?

X
The General Meeting of Shareholders ratifies the appointment of the audit firm on the proposal of the Board of Directors of the Company, after the latter has been selected through a public competition of merits conducted by the Comptroller General of the Republic.

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

Yes X No

If the above question is affirmative, describe the procedure for engaging the audit firm responsible for issuing the annual financial statements (including identification of the body of the firm responsible for electing the audit firm).

The Board of Directors of PETROPERÚ proposes to the General Meeting of Shareholders the criteria for selecting the audit companies for approval. Said criteria are incorporated into the bases of the public contest of merits conducted by the Comptroller General of the Republic for the designation of the PETROPERÚ financial statement audit firm. Once the result of the process is available, it is submitted to the General Meeting of Shareholders for consideration to formalize the appointment.

b. If the audit firm has performed services other than the audit itself, indicate whether such engagement was reported to the JGA, including the percentage of turnover that such services represent on the audit firm's total turnover to the firm.

Yes No

c. Do persons or entities related to the audit firm provide services to the audit firm other than those of the audit itself?

Yes No

If the answer to the previous question is yes, indicate the following information regarding the additional services provided by persons or entities related to the audit firm in the reporting period.

Name or business name	Additional Services	% of remuneration(*)

(*) Invoicing of additional services on the invoicing of audit services.

d. Indicate whether the audit firm has used different equipment, if it has provided additional audit services.

Yes No

Question IV.7

a. Does the company maintain a renewal policy for its independent auditor or audit firm?

X PETROPERÚ, being a State company, is subject to the regulations of the Office of the Comptroller General of the Republic. In this sense, the regulations related to the renewal of the audit firm are regulated in Directive No. 012-2020-CG/GAD (Management of Audit Firms), approved with Comptroller's Resolution No. 303-2020-CG.

b. If such policy establishes longer renewal periods for the audit firm, does the audit firm's work team rotate at most every five (5) years?

X This rotation is regulated by Comptroller's Resolution No. 303-2020-CG.

Indicate the following information of the audit companies that have provided services to the company in the last five (5) years.

Business name of the audit firm	Service (*)	Period	Remuneration (**)	% of Audit Firm Revenue
Gaveglio, Aparicio y Asociados SCRL.	Audit service to the financial statements and financial statements 2020.	2021	100	
Gaveglio, Aparicio y Asociados SCRL.	Audit service to the financial statements and financial statements 2019-second installment.	2020	36.41	
Gaveglio, Aparicio y Asociados SCRL.	Review of financial statements by the PwC Technical Panel (PwC Global Group specializing in accounting standards).	2020		
Gaveglio, Aparicio y Asociados SCRL.	Limited review, in accordance with international auditing standards approved in Peru, of the financial statements for the nine-month period ended September 30, 2020.	2020		
Gaveglio, Aparicio y Asociados SCRL.	Assistance in the issuance of bonds: participation in conference calls of the working group; analysis and review of compliance with the disclosures required by the sec regulation; assistance in the coordination of information between the different teams of banks and audit; review and comment on the financial statements; and other services.	2020		
Vizcarra y Asociados SCRL.	Accounting audit in the operation of Lot 64 for the years 2018, 2019 and first half of 2020.	2020		

Vizcarra y Asociados SCRL.	Accounting audit in the operation of Lot 64 for the year 2017.	2020		
Panez Chacaliaza y Asociados SCRL.	Collection and individualized digitization of per diem returns.	2020		
Gaveglio, Aparicio y Asociados SCRL.	Audit service to the financial statements and financial statements for the period 2019-first installment.	2019	44.88	
Gaveglio, Aparicio y Asociados SCRL.	Audit service to the financial statements and financial statements for the period 2018-second installment.	2019	44.88	
Gaveglio, Aparicio y Asociados SCRL.	Limited review of the financia statements as of March 31, 2019.	2019		
Paredes, Burga & Asociados SCRL.	Assistance service in the diagnosis of implementation of NIF 9 and NIF 15-third phase.	2019		
Panez Chacaliaza y Asociados SCRL.	Recruitment of advisory service.	2019		
Panez Chacaliaza y Asociados SCRL.	Review of accountability management.	2019		
Panez Chacaliaza y Asociados SCRL.	Special review of per diem accounts rendered.	2019		
Gaveglio, Aparicio y Asociados SCRL.	Audit service to the financial statements and financial statements for the period 2018-first installment.	2018	25.06	

Gaveglio, Aparicio y Asociados SCRL.	Audit service to the financial statements and financial statements for the period 2017.	2018	55,89	
Gaveglio, Aparicio y Asociados SCRL.	Limited Review of Financial Statements as of June 30, 2018.	2018		
Gaveglio, Aparicio y Asociados SCRL.	Limited review of financial statements as of September 30, 2018.	2018		
Paredes, Burga & Asociados SCRL.	Assistance service in the diagnosis of implementation of NIF 9 and NIF 15-first and second phase.	2018		
Paredes, Burga & Asociados SCRL.	Specialized service to assist in the analysis of the functional currency.	2018		
Herrera Manrique & Asociados SRL.	Roton inspection and repair service.	2018		
Herrera Manrique & Asociados SRL.	Study of technical due diligence to the terminals of PETROPERÚ.	2018		
Herrera Manrique & Asociados SRL.	Consultancy in donation management.	2018		
Caipo y Asociados SCRL.	Financial audit for 2016.	2017	32.69	
Caipo y Asociados SCRL.	Limited review for the three months ended 31.03.2017.	2017		

Gaveglio, Aparicio y Asociados SCRL.	Issuance of financial statements for the years ended 31.12.2016, 31.12.2015 and 31.12.2014, for the purposes of the offer document.	2017		
Caipo y Asociados SCRL.	Proposal for offering notes services, in order to issue a comfort letter for the issuance of a bond in the international market, from 04.04.2017 to 19.05.2017.	2017		
Caipo y Asociados SCRL.	Review limited to and for the nine-month period ended 30.09.2017.	2017		
Caipo y Asociados SCRL.	Review limited to and for the six-month period ended on 30.06.2017.	2017		
Paredes, Burga & Asociados SCRL.	Specialized service to assist in the analysis of the functional currency.	2017		
Paredes, Burga & Asociados SCRL.	Conference on Money Laundering Prevention.	2017		

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

(**) Of the total amount paid to the audit firm for all items, indicate the percentage that corresponds to remuneration for financial audit services.

Question IV.8

In the case of economic groups, is the external auditor the same for the whole group, including offshore subsidiaries?

N/A.

Indicate whether the audit firm hired to issue the financial statements of the company for the year covered by this report also issued the financial statements for the same year for other companies in its economic group.

Yes

☐

No

☐

If your previous answer is in the affirmative, please indicate the following:

Name or Company Name of the company (s) of the economic group
N/A.

PILLAR V: Transparency of Information

Principle 28: Information policy

Question V.1

Does the company have an information policy for shareholders, investors, other stakeholders and the market in general, with which it formally, orderly and comprehensively defines the guidelines, standards and criteria that will be applied in the management, collection, elaboration, classification, organization and/or distribution of the information generated or received by the company?

Yes

No

Explanation

X

PETROPERÚ has an Information and Communications Policy, aimed at guaranteeing access to information to all stakeholders, which is aligned, among others, with the Code of Good Corporate Governance of PETROPERÚ. Likewise, there is the Information Classification Guideline, which establishes the criteria for the classification and protection of the Company's information.

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

	Yes	No
Goals of the Company	X	
List of members of the Board of Directors and Senior Management	X	
Share structure	X	
Description of the economic group to which it belongs		X
Financial Statements and Annual Report	X	
Others / Indicate	Consult the web portal for additional information about the company: https://www.petroperu.com.pe PETROPERÚ does not belong to any economic group.	

b. Does the company have a corporate website?

Yes

X

No

☐

The corporate website includes:

	Yes	No
A special section on corporate governance or shareholder and investor relations that includes Corporate Governance Report	X	
Important Facts	X	
Financial information	X	
Bylaw	X	
JGA rules and information on Boards (attendance, minutes, others)	X	
Composition of the Board of Directors and its Regulations	X	
Code of Ethics	X	
Risk policy	X	
Corporate Social Responsibility (community, environment, others)	X	
Others / Indicate	Consult the web portal for additional information about the company: https://www.petroperu.com.pe	

Question V.2

	Yes	No	Explanation
Does the company have an investor relations office?	X		PETROPERÚ has an area that reports to the Corporate Finance Management, which is responsible for attending to the queries of investors, as well as providing relevant information about the Company. Additionally, it is responsible for managing the requirements of local and international risk classifiers.

If you have an investor relations office, please indicate who is responsible.

Head of the Investor Relations Office	Luis Sánchez Torino Head of Investor Relations
---------------------------------------	---

If you do not have an investor relations office, indicate which unit (department/area) or person is responsible for receiving and processing requests for information from shareholders of the company and the general public. If a person, additionally include their position and area in which they work.

Area in charge	In addition, to the area that provides information to the investor community; in the different areas of the Company there are responsible for meeting the requirements of public information in accordance with the provisions of the regulatory framework of the Law on Transparency and Access to Public Information.
----------------	---

Person in charge		
Names and Surnames	Position	Area
Jhohanna Cortez Salazar	Head of Integrity and Transparency Unit	Corporate Compliance Management
Eduardo Arrese Estrada	Pipeline Department Manager	Corporate Management Exploration, Production and Pipeline
Fidel Marrugara Pelaez	Refining Department Manager Conchán	Corporate Management Operations
Christian Enrique Guerrero Seminario	Jungle Refining Department Manager	Corporate Management Operations
Gustavo Milla Mora	PMRT Department Manager	Talara Refinery Corporate Management
Gustavo Milla Mora	Management Department Manager	Talara Refinery Corporate Management

Principle 29: Financial Statements and Annual Report

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

Yes

No

Principle 30: Information on shareholder structure and shareholder agreements

Question V.3

	Yes	No	Explanation
Does the company reveal the ownership structure, considering the different classes of shares and, if applicable, the joint participation of a certain economic group?	X		PETROPERÚ, through its website, reveals the shareholding composition of the Company in its Articles of Association, as well as its organizational structure.

Indicate the composition of the shareholding structure of the company at the end of the year.

Holding of Voting shares	Number of shareholders (at the end of The Period)	% of Share
Less than 1%		
Between 1% and 5%		
Between 5% and 10%		
More than 10%	1	100
Total	1	100

Holding of non Voting shares (if any)	Number of shareholders (at the end of The Period)	% of Share
Less than 1%		
Between 1% and 5%		
Between 5% and 10%		
More than 10%		
Total		

Holding investment shares (if applicable)	Number of shareholders (at the end of The Period)	% of Share
Less than 1%		
Between 1% and 5%		
Between 5% and 10%		
More than 10%		
Total		

Percentage of shares in portfolio over share capital:

0

Question V.4

Does the company inform about agreements or agreements between shareholders?

Yes	No	Explanation
	X	The only shareholder of the Company is the Peruvian State, therefore the provisions of the question do not apply. However, the Regulations of the Shareholders' Meeting of PETROPERÚ oblige to communicate to the shareholders and to the market the conclusion, modification or extension of an agreement between shareholders of which it is aware.

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

Yes ☐ No ☒

b. If any agreement or agreement has been made between the shareholders that has been informed to the company during the year, indicate on what matters each of these has dealt with.

Election of members of the Board of Directors

Exercise of voting rights in the assemblies

Restriction on the free transferability of shares

Changes of internal or statutory rules of the company

Others / Indicate

Principle 31: Corporate Governance Report

Question V.5

Does the company disclose the standards adopted in matters of corporate governance in an annual report, the content of which is the responsibility of the Board, after a report by the Audit Committee, the Corporate Governance Committee, or an external consultant, if applicable?

Yes	No	Explanation
X		During 2021, the Board approved the Annual Corporate Governance Report and the Report on Compliance with the Code of Good Corporate Governance for Peruvian Companies; both corresponding to the 2020 period; which were disseminated through the corporate website and through email was communicated to the main stakeholders.

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

Yes ☒ No ☐

If yes, please specify the mechanisms used.

Internal dissemination:
- Virtual training for staff.
- Corporate mail.
External dissemination:
- BGC section in the PETROPERÚ Web Portal.
Networking with stakeholders.
- Social media presence.
- E-mail.

Section C

Content of Company Documents

Indicate in which of the following document(s) of the Company the following topics are regulated:

		Principle	Bylaw	Rules of Procedure (*)	Manual	Others	Unregulated	Not applicable	Name of the Document (**)
1	Policy for the redemption or exchange of non-voting shares	1						X	
2	Method of registration of share ownership rights and responsible for registration	2	X			X			Job Description
3	Procedures for the selection of an external advisor who issues an independent opinion on the proposals of the Board of Corporate Operations that may affect the shareholders' right of non-dilution	3		X					Rules of Procedure for the Organization and Operation of the Board of Directors
4	Procedure for receiving and responding to requests for information and opinion from shareholders	4	X	X					Rules of Procedure for the Organization and Operation of the Board of Directors
5	Dividend policy	5	X			X			Minutes of the General Shareholders' Meeting Article No. 4 of Law No. 28840
6	Policies or agreements not to adopt anti-absorption mechanisms	6						X	
7	Arbitration agreement	7	X	X					Regulations of the Shareholders' Meeting. Code of Corporate Governance of PETROPERÚ S.A.

8	Policy for the selection of company directors	8	X	X					Rules of Procedure for the Organization and Operation of the Board of Directors
9	Policy for evaluating the remuneration of company directors	8	X			X			Directors' Remuneration Policy
10	Mechanisms to make available to shareholders information related to points contained in the agenda of the JGA and proposals for agreements	10	X	X					Regulations of the Shareholders' Meeting
11	Means additional to those established by Law, used by the company to convene Meetings	10		X					Regulations of the Shareholders' Meeting
12	Additional mechanisms for shareholders to formulate proposals for agenda items to be discussed at the AGM.	10		X					Regulations of the Shareholders' Meeting
13	Procedures to accept or deny shareholder proposals to include agenda items to be discussed in the JGA	11		X					Regulations of the Shareholders' Meeting
14	Mechanisms that allow the non-attendance of shareholders	12		X					Regulations of the Shareholders' Meeting
15	Procedures for the issuance of the differentiated vote by shareholders	12		X					Regulations of the Shareholders' Meeting
16	Procedures to be followed in voting delegation situations	13		X					Regulations of the Shareholders' Meeting
17	Requirements and formalities for a shareholder to be represented at a Meeting	13		X					Regulations of the Shareholders' Meeting
18	Procedures for the delegation of votes in favor of the members of the Board of Directors or Senior Management.	13		X					Regulations of the Shareholders' Meeting

19	Procedure for monitoring JGA agreements	14				X			Procedure: Control of compliance with Agreements, Orders and Requirements Organization and Functions Regulations
20	The minimum and maximum number of Directors that make up the Board of Directors of the company	15	X	X					Rules of Procedure for the Organization and Operation of the Board of Directors
21	The Duties, Rights and Functions of the Directors of the Company	17	X	X					Rules of Procedure for the Organization and Operation of the Board of Directors
22	Types of bonuses that the board receives for meeting goals in society	17					X		
23	Policy for hiring advisory services for Directors	17		X					Rules of Procedure for the Organization and Operation of the Board of Directors
24	Induction policy for new Directors	17				X			Induction Policy for New Directors
25	The Special Requirements for Being an Independent Director of Society	19	X	X					Rules of Procedure for the Organization and Operation of the Board of Directors
26	Criteria for evaluating the performance of the Board and its members	20				X			Board Evaluation Policy, Board Committees and Directors
27	Policy for determining, monitoring and controlling potential conflicts of interest	22		X		X			Rules of Procedure for the Organization and Operation of the Board of Directors Procedure: Verification, Control and Monitoring of Conflict of Interest

28	Policy defining the procedure for the valuation, approval and disclosure of related party transactions	23		X					Rules of Procedure for the Organization and Operation of the Board of Directors
29	Responsibilities and functions of the Chairman of the Board, Executive Chairman, General Manager, and other officials with positions of Senior Management	24	X	X	X				Regulations of the Shareholders' Meeting Rules of Procedure for the Organization and Operation of the Board of Directors Organization and Functions Regulations Organization and Functions Manual
30	Criteria for the evaluation of the performance of Senior Management	24				X			Approved evaluation criteria and methodology, for the evaluation period
31	Policy for setting and evaluating the remuneration of Senior Management	24	X			X			Wage Policy Procedure PROA1-408 v.2 Wage Administration Procedure
32	Comprehensive risk management policy	25				X			Risk Management Policy
33	Responsibilities of the Internal Audit Manager	26		X	X	X			Organization and Functions Regulations Audit Statute Internal Audit Manual Organization and Functions Manual Job description

34	Policy for the appointment of the External Auditor, duration of the contract and criteria for renewal	27	X	X		X			Rules of Procedure for the Organization and Operation of the Board of Directors Regulations of the Audit Companies Conforming to the National Control System
35	Information Disclosure and Communication Policy to Investors	25				X			Information and Communications Policy

(*) Includes JGA Regulations, Board of Directors Regulations or others issued by the company.
(**) Indicate the name of the document, except in the case of the Articles of Association of the company.

Section D

In this section we detail PETROPERÚ’s main adhesions to other codes of ethical principles, corporate social responsibility or good practices, international and sectoral.

PETROPERÚ has an inter-institutional agreement with the MIMP, whose objective is to articulate efforts and coordinate strategies or joint actions and implementation of projects, technical advice, campaigns or activities aimed at:

- a) Preventing and eradicating violence against women and family members, as well as promoting and protecting women’s rights and closing gender gaps.
- b) Promote and protect rights, as well as provide care for persons in vulnerable situations, especially children and adolescents, persons with disabilities, the elderly and internally displaced persons.

The agreement is valid until 2022.

It has adherence to the SNMPE Code of Conduct and the date of accession is annual. It also has the Accession to the Fund of the Peru 2021 Board of Trustees.

Through the Social Management Policy, PETROPERÚ undertakes to manage social aspects with the same priority as operational, economic, environmental and quality aspects, assuming commitments aimed at integrating social responsibility into the value chain.

To this end, it has been implementing a social management model based on the main international standards (IFC performance standards, OECD, Equator Principles, Global Compact, etc.) and public policies at the national level, which set the tone for the development of all social management strategies.

Regarding the practices implemented in PETROPERÚ related to corporate social responsibility, we have:

- Presentation for the eighth consecutive year of the Sustainability Report, which follows the guidelines of the GRI standards of essential conformity. This document is also subject to an external verification process.
- The incorporation in the contracts signed with customers of clauses referring to the protection of the environment and conflicts of interest. On the other hand, the quality of the products that are shipped nationwide is monitored in order to guarantee their optimal quality in the market.

PETROPERÚ has an inter-institutional agreement with the MIMP, whose objective is to articulate efforts and coordinate strategies or joint actions and implementation of projects, technical advice, campaigns or activities

On the other hand, regarding the questions set out in Section B, we specify the following:

1. PETROPERÚ is not part of any economic group, so the questions in the questionnaire related to economic groups do not apply to it.
2. Throughout the development of section B, mention is made of (i) Corporate Relations Department Management and (ii) Corporate Compliance Management. With regard to paragraph i, we specify that the aforementioned denomination is no longer in force. In the organization in force during the 2021 period, this area was called Corporate Communications and Institutional Relations Management.

In relation to paragraph ii, as of the date of this report, Corporate Compliance Management has gone on to report to General Management, its new name being Corporate Process and Risk Management.

3. With regard to principle 4 (b) of question I.6, the answer concerns the period of seven working days, which is a right of minority shareholders. These may raise with the Board, through the Corporate Relations Department Management, the issues, suggestions and comments of interest to PETROPERÚ or associated with their status as shareholders. It should be noted that PETROPERÚ is a company wholly owned by the State, that is, with a single shareholding.
4. With regard to paragraph a of principle 5, the Dividend Policy was approved by the General Meeting of Shareholders on 21.11.2009. However, article 7 of Legislative Decree No. 1292, which declares the safe operation of the ONP to be of public necessity and national interest and provides for the reorganization and improvement of the corporate governance of PETROPERÚ, in force since 31.12.2016, modifies article 4 of Law No. 28840 (Law on Strengthening and Modernization of the PETROPERÚ Company), empowering the General Meeting of Shareholders to approve the application of the net distributable profits in investment projects for the modernization or expansion of its productive and service infrastructure.
5. In relation to paragraph b of principle 5, it is specified that during the 2021 period there was no capitalization of distributable income.
6. On principle 10, questions II.3, literal a and II.4, we indicate that, in 2021, only Universal Shareholders' Meetings were held, that is, no call notices were made.
7. Referring to principle 15, question III.2, only for the case of the worker director, Supreme Decree No. 022-2007-EM, which approves the annexed Regulations on Elections of the Workers' Representative in the PETROPERÚ Board, indicates in article 41 that, whoever obtains the second place, will be an alternate and will exercise the position only in the event of the vacancy of the holder.
8. Principle 21, question III.14, letter b; the Boards of Directors or their chairmen do not participate in the General Meeting of Shareholders, unless they are invited to it. Additionally, it is specified that both the Audit and Control Committee and the Management Committee do not have powers delegated by the Board of Directors, since the powers of these were

established by the General Meeting of Shareholders in article 56 of the Internal Regulations of Organization and Operation of the Board.

9. Concerning principle 22 of the Code of Ethics and Conflicts of Interest, question III.16, literal d, we indicate that, as of December 2021, seven cases concluded in evidenced breaches that merited administrative actions.
10. As regards Principle 23 (d) of Question III.19, in which it is indicated that PETROPERÚ does not set limits to carry out operations with related parties, we specify that the Internal Regulations of Organization and Operation of the PETROPERÚ Board of Directors states that: "(...) The authorization of transactions between companies and/or related parties related to oil activity does not apply (...)", that is, in a strict sense PETROPERÚ has not regulated setting limits to carry out transactions with related parties. It is also important to note that PETROPERÚ has no related parties, since the Peruvian State owns 100% of PETROPERÚ's shares and its representatives at the General Shareholders' Meeting are officials of the MINEM and the MEF. In this sense, the existing link is with the aforementioned ministries that are part of the Peruvian State.
11. With reference to principle 29, it is specified that the audit of the financial statements of PETROPERÚ, as at 31.12.2020, is unqualified.

17 Audited Financial Statements





(Free translation from the original in Spanish)
PETRÓLEOS DEL PERÚ - PETROPERÚ S.A.

FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

Gaveglío Aparicio y Asociados Sociedad Civil de Responsabilidad Limitada.
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(Free translation from the original in Spanish)

PETRÓLEOS DEL PERÚ - PETROPERÚ S.A.

FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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US\$ = United States dollar
S/ = Peruvian sol
EUR = Euro
JPY = Japanese yen



(Free translation from the original in Spanish)

INDEPENDENT AUDITOR’S REPORT

To the Shareholders and Board of Directors
Petróleos del Perú - PETROPERÚ S.A.

September 9, 2022

We have audited the accompanying financial statements of **Petróleos del Perú - PETROPERÚ S.A.**, which comprise the statements of financial position at December 31, 2021 and 2020 and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes, from 1 to 33.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing approved for application in Peru by the Board of Deans of Institutes of Peruvian Certified Public Accountants and in accordance with the Governmental Financial Audit Manual. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risk of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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September 9, 2022
Petróleos del Perú - PETROPERÚ S.A.

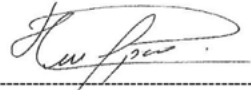
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of **Petróleos del Perú - PETROPERÚ S.A.** at December 31, 2021 and 2020, its financial performance and cash flows for the years then ended, in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

GAVEGLIO APARICIO Y ASOCIADOS

Countersigned by


-----(partner)
Hernán Aparicio P.
Peruvian Certified Public Accountant
Registration No.01-020944

(Free translation from the original in Spanish)

PETRÓLEOS DEL PERÚ - PETROPERÚ S.A.**STATEMENT OF FINANCIAL POSITION**

ASSETS	Note	At December 31,		LIABILITIES AND EQUITY	Note	At December 31,	
		2021	2020			2021	2020
		US\$000	US\$000			US\$000	US\$000
Current assets				Current liabilities			
Cash and cash equivalents	7	239,557	84,818	Other financial liabilities	14	824,511	1,196,648
Trade receivables	8	302,091	287,853	Trade payables	15	1,352,831	807,568
Other receivables	9	273,910	157,317	Other payables	16	95,793	53,229
Inventories	10	641,323	417,612	Other provisions	17	16,282	24,204
Other assets		2,012	3,687	Lease liabilities	13	12,004	1,755
Total current assets		1,458,893	951,287	Total current liabilities		2,301,421	2,083,404
Non-current assets				Non-current liabilities			
Other receivables	9	567,702	425,688	Other financial liabilities	14	4,240,973	3,217,750
Property, plant and equipment	11	6,579,422	5,831,901	Other provisions	17	13,464	14,434
Investment properties	12	9,545	9,556	Deferred income tax liabilities	18	206,600	101,439
Intangible assets	2.10	43,758	37,565	Lease liabilities	13	14,159	1,748
Right-of-use assets	13	26,216	3,760	Total non-current liabilities		4,475,196	3,335,371
Total non-current assets		7,226,643	6,308,470	Total liabilities		6,776,617	5,418,775
				Equity	19		
				Share capital		1,599,443	1,599,443
				Legal reserve		1,930	69,210
				Retained earnings		307,546	172,329
				Total equity		1,908,919	1,840,982
TOTAL ASSETS		8,685,536	7,259,757	TOTAL LIABILITIES AND EQUITY		8,685,536	7,259,757

The attached notes from pages 8 to 86 form part of the financial statements.

(Free translation from the original in Spanish)

PETRÓLEOS DEL PERÚ - PETROPERÚ S.A.

STATEMENT OF COMPREHENSIVE INCOME

		For the year ended December 31,	
	Note	2021 US\$000	2020 US\$000
Revenue from ordinary activities	20	4,156,414	3,045,302
Other operating income	21	62,030	76,457
Total revenue		4,218,444	3,121,759
Cost of sales	22	(3,764,406)	(2,862,410)
Gross profit		454,038	259,349
Selling and distribution expenses	23	(61,681)	(64,271)
Administrative expenses	24	(180,049)	(129,741)
Other income	26	48,414	13,876
Impairment of assets	11.vii	-	(71,446)
Other expenses	26	(398)	(7,535)
Total operating expenses		(193,714)	(259,117)
Profit from operating activities		260,324	232
Finance income	27	14,280	17,758
Finance expenses	27	(35,783)	(33,278)
Exchange difference, net	3.1.a.i	(65,723)	(26,041)
Profit before income tax		173,098	(41,329)
Income tax expense	28	(105,161)	(25,951)
Net profit for the year and comprehensive income		67,937	(67,280)
Earning (loss) per basic and diluted share	30	0.013	(0.014)

The attached notes from pages 8 to 86 form part of the financial statements.



(Free translation from the original in Spanish)

PETRÓLEOS DEL PERÚ - PETROPERÚ S.A.**STATEMENT OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

	Number of shares	Share capital US\$000	Additional capital US\$000	Legal reserve US\$000	Retained earnings US\$000	Total equity US\$000
Balances at January 1, 2020	4,850,895,325	1,445,586	-	52,115	410,561	1,908,262
Comprehensive income:						
Net profit for the year	-	-	-	-	(67,280)	(67,280)
Total comprehensive income	-	-	-	-	(67,280)	(67,280)
Transactions with shareholders:						
Tranfers to additional capital and legal reserve	-	-	153,857	17,095	(170,952)	-
Tranfers to share capital	-	153,857	(153,857)	-	-	-
Total transactions with shareholders	517,517,200	153,857		17,095	(238,232)	(67,280)
Balance at December 31, 2020	5,368,412,525	1,599,443	-	69,210	172,329	1,840,982
Balances at January 1, 2021	5,368,412,525	1,599,443	-	69,210	172,329	1,840,982
Comprehensive income:						
Net profit for the year	-	-	-	-	67,937	67,937
Total comprehensive income	-	-	-	-	67,937	67,937
Transactions with shareholders:						
Transfer to retained earnings	-	-	-	(67,280)	67,280	-
Total transactions with shareholders	-	-	-	(67,280)	67,280	-
Balance at December 31, 2021	5,368,412,525	1,599,443	-	1,930	307,546	1,908,919

The attached notes from pages 8 to 86 form part of the financial statements.

(Free translation from the original in Spanish)

PETRÓLEOS DEL PERÚ - PETROPERÚ S.A.

STATEMENT OF CASH FLOWS

Note	For the year ended December 31,	
	2021	2020
	US\$000	US\$000
OPERATING ACTIVITIES		
Net cash provided by operating activities	382,419	483,910
Interest payment	(5,036)	(22,480)
Income tax payment	(14,440)	(6,553)
Net cash provided by operating activities	362,943	454,877
INVESTING ACTIVITIES		
VAT early refund related to investing activities	16,392	56,399
VAT related to investing activities	(45,507)	(73,856)
Payment for purchase of property, plant and equipment	(586,077)	(798,927)
Capitalized interest payment	(208,289)	(148,161)
Payment for purchase of intangible assets	(1,833)	(3,000)
Retirement of investment in fixed term deposits	400,000	5,329
Investment in fixed term deposits	(400,000)	-
Net cash applied to investing activities	(825,314)	(962,216)
FINANCING ACTIVITIES		
Loans from financial institutions	1,868,315	2,669,968
Bonds issued	1,000,000	-
Disbursement over par	147,180	-
CESCE loans	9,084	54,199
Payment of loans to financial institutions	(2,380,969)	(2,483,237)
Payment of transactional costs	(2,000)	-
Payment of lease liability	(12,760)	(16,680)
Net cash provided by financing activities	628,850	224,250
Net increase (decrease) in cash and cash equivalents	166,479	(283,089)
Effect of changes in exchange rate on cash	(11,740)	(7,792)
Cash and cash equivalents at beginning of year	84,818	375,699
Cash and cash equivalents at end of year	239,557	84,818
NON-CASH TRANSACTIONS FROM FINANCING AND INVESTMENT ACTIVITIES		
- Unpaid accrued interest	5,961	9,889
- Work in progress payable	37,527	41,167
- Right-of-use asset and lease liability	35,726	9,035
- Reclassification of Property, plant and equipment to intangible assets	6,843	-
- Income from donation of assets	16,813	-

The attached notes from pages 8 to 86 form part of the financial statements.

(Free translation from the original in Spanish)

PETRÓLEOS DEL PERÚ - PETROPERÚ S.A.

STATEMENT OF CASH FLOWS

Note	For the year ended December 31,	
	2021	2020
	US\$000	US\$000
Net profit for the period	67,937	(67,280)
Adjustments to reconcile the profits for the year to cash from operating activities:		
Estimate for impairment of other trade receivables	8	7,815
Estimate for impairment of inventories	232	4,394
Provision for contingencies	17	942
Provision for plugging and environmental remediation	17	793
Provision for job termination	17	2,136
Depreciation of property, plant and equipment and investment properties	11 and 12	47,136
Provision for impairment of property, plant and equipment	-	71,446
Amortization	2,483	2,208
Depreciation of right-of-use assets	13	13,940
Disposal and adjustments of property, plant and equipment and investment properties	397	667
Deferred income tax	18	25,951
Income from donation of assets	(16,813)	-
Effect on adjustment of unrealizable exchange gains and losses	11,740	7,792
	237,565	117,940
Net changes in operating assets and liabilities:		
Trade receivables	(14,238)	66,964
Other receivables	(229,492)	(33,277)
Inventories	(223,943)	232,413
Other assets	1,674	572
Trade payables	548,903	158,954
Other payables and provisions	61,951	(59,656)
Net cash applied to operating activities	382,419	483,910

The attached notes from pages 8 to 86 form part of the financial statements.

(Free translation from the original in Spanish)

PETRÓLEOS DEL PERÚ - PETROPERÚ S.A.

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

1 BACKGROUND AND ECONOMIC ACTIVITY

a) Background -

Petróleos del Perú - PETROPERÚ S.A. (hereinafter, the Company) was incorporated on July 24, 1969 under Decree Law No.17753.

The Company is a government-owned company under private law operating in the hydrocarbons subsector within the Energy and Mining Industry. The Company was organized and incorporated as a stock company, under the provisions of Legislative Decree No.043, *Ley de la Empresa Petróleos del Perú - PETROPERÚ S.A.*, published on March 4, 1981, as amended, by which the Peruvian Government holds the Company's total share capital. The Company is also subject to the provisions of article 12 of the rules for application of Law No.28840, setting forth that each member of the General Shareholders' Meeting shall represent the number of equity shares of the Company resulting from dividing the total number of shares by the number of members designated to act on behalf of the Peruvian Government.

The Company is registered with the Peruvian company and securities regulator (Superintendencia de Mercados de Valores - SMV).

The legal address of the Company is at Av. Enrique Canaval y Moreyra No.150, San Isidro, Lima Perú.

Under the provisions of Law No.28840, "Ley de Fortalecimiento y Modernización de la Empresa de Petróleos del Perú - PETROPERÚ S.A.", for the modernization of the Company was expressly excluded from the scope of the governmental agency that provides financing to government-owned companies, ("Fondo Nacional de Financiamiento de la Actividad Empresarial del Estado - FONAFE) and the public investment system ("Sistema Nacional de Inversión Pública - SNIP"). Further, by means of the second final provision of Law No.28840, the Supreme Resolution No.290-92-PCM - by which the Company was included within the scope of the process of private investment promotion, and any other regulation opposing Law No.28840 was superseded.

The Company's activities are governed by its Organic Law approved under Legislative Decree No. 043, its Bylaws, Law No.28840 - Law for the Strengthening and Modernization of Empresa de Petróleos del Perú, PETROPERÚ S.A. (its internal rules, approved under Supreme Decree No.012-2013-EM dated April 27, 2013); it is also governed by the Peruvian Corporate Law on a supplementary basis and is under the oversight of the Peruvian Comptroller's Office ("Contraloría General de la República (CGR), the Peruvian tax and customs Regulator ("Superintendencia Nacional de Aduanas y de Administración Tributaria - SUNAT") and the local hydrocarbons regulator.

Also, under the third final provisions of Legislative Decree No. 1031, by which the efficiency of the government-run companies is promoted, dated June 23, 2008, the Company is subject to subsection 9.3, article 9 and article 12 of Legislative Decree No. 1031. With respect to the former, the Company's financial statements are audited, on an annual basis, by external independent auditors who are designated at the General Shareholders' Meeting; with respect to the latter, under decision at the General Shareholders' Meeting the minimum level of capital stock to be registered with the Peruvian Securities Stock Market is to be determined in adherence to the regulations issued by the SMV.

Other applicable laws and regulations are the provisions of the legislation stating the need for the modernization of the Talara Oil Refinery, Law No.30130 enacted on December 18, 2013 (originally called "Ley que declara de necesidad pública e interés nacional la prioritaria ejecución de la modernización de la Refinería de Talara para asegurar la preservación de la calidad del aire y la salud pública y adopta medidas para fortalecer el Gobierno Corporativo de Petróleos del Perú - PETROPERU S.A.", (hereinafter the PMRT) as well as its rules for application, as approved under Supreme Decree No.008-2014-EM, published on March 24, 2014. The Law No.30130 approved the grant by the Peruvian Government of up to US\$200 million per year and up to a cumulative total of US\$1,000 million to secure the financial obligations derived from the financing to be contracted by the Company to execute the PMRT in the event the Company is not able to obtain the necessary resources to honor its obligations. At December 31, 2021 and 2020 there has been no need to use those guarantees.

Additionally, on December 30, 2016 Legislative Decree No.1292 was enacted declaring of public need and national interest the safe operation of "Oleoducto Norperuano" and stipulating the re-organization and improvement of the corporate governance of the Company. By means of Law No. 30993 enacted on August 15, 2019, the development and execution of the Project for the Strengthening and Modernization of the Peruvian northern oil pipeline was declared of national interest, in order to guarantee its operation and efficient maintenance, expand its extension, as well as increase its transportation capacity and profitability. This Law also seeks to safeguard the conservation of the environment and complement the Talara Refinery Modernization Project, as well as guaranteeing adequate participation for taxes, canon and royalties in favor of the estate.

b) Economic activity -

By means of Law No.28244 enacted on June 2, 2004, the Company is authorized to enter into contracts with PERUPETRO S.A. for exploration and exploitation operations as well as petroleum-related services as permitted by law.

As established under the Law of "Fortalecimiento y Modernización de Petroperú S.A.", the Company has economic, financial and administrative autonomy in accordance with its annual and five-year business objectives approved by the Ministry of Energy and Mines. The agreements and contracts entered into in order to achieve its business purpose are subject to the guidelines established under i) Legislative Decree No. 043, as amended; ii) its Bylaws; iii) its internal rules; iv) Board agreements; v) the Standards of the National Control System; and vi) the standards and regulations specific to the Company.

The Company's foreign trade transactions are governed by the generally accepted practices and uses of international trade and International Law standards as well as the generally accepted practices in the hydrocarbon and energy industry.

As part of its core business purpose, the Company carries out activities in accordance with the Peruvian Hydrocarbons Law (*Ley Orgánica de Hidrocarburos*) - *Law No.26221*. These activities consist of all oil industry phases, such as oil trade, including its by-products, basic petrochemicals and other forms of energy.

By means of Law No.29970 - law for the strengthening of the energy supply continuity throughout the Southern Region in Perú ("Ley que afianza la Seguridad Energética y promueve el desarrollo del Polo Petroquímico en el Sur del País") the Company shall take part, individually or jointly, in the petrochemical development described in the above-mentioned law.

Pursuant to Law No.30130 the Company is authorized to sell or issue shares to be placed in the Securities Market. In this process, the Peruvian Government is allowed to incorporate a private stake of up to 49% of its share capital outstanding. Also, the Company is allowed to carry out investment activities and projects as long as no current or future firm or contingent liabilities are incurred by the Company, do not affect the guarantees for the Talara Refinery Modernization Project (PMRT the Spanish acronym); and no Treasury resources are required; which is not restrictive of those ongoing projects that enable the Company to be operational at the effective date of this law. These restrictions will cease to exist whenever the Company generates sufficient cash flows to be able to secure repayment of the borrowings contracted to invest in implementing the PMRT and a private stake of at least 40% has been incorporated in its outstanding share capital.

By means of Supreme Decree No.031-2016-MEM dated December 1, 2016, approved the assignment of contractual position in the License Agreement for the Hydrocarbons Exploration and Exploitation on Block 64, from PETROPERU to GEOPARK PERU S.A.C.; the latter now being designated as the Operator of the License Agreement. On December 2, 2016 the relevant public deed of the referred assignment was signed. In August 2020, the Company accepted the assignment of the 75% interest in the License Agreement for Block 64, held by Geopark Perú S.A.C., because in July it notified the Company that it decided to withdraw from the License Agreement. On September 28, 2021 Supreme Decree No.024-2021-EM was released in the Peruvian Gazette “El Peruano”, which approved the transfer of GeoPark Perú S.A.C.’s interest in Block 64 in favor of PETROPERÚ S.A. Thus, PETROPERU assumed 100% of the rights and obligations of the exploration and exploitation of hydrocarbons.

Pursuant to Legislative Decree No.1292, issued on December 30, 2016, the safe operation of the Peruvian northern oil pipeline (“Oleoducto Norperuano”) was declared of public need and national interest; in this sense, the Company was ordered to re-organize and enhance its corporate governance, authorizing a period of 720 days for that purpose, to come due on December 30, 2018, to prepare a plan to govern, among others: the contracting and amending of agreements/contracts as well as service agreements relating to the Company’s business units; the participation of the Company in contracts of hydrocarbon exploration and exploitation; the possibility for the Company to take part in social responsibility actions under the mechanism of work in exchange for taxes; using the capital increase referred to in subsection 8.1, article 8, Law No. 29970 to implement the Talara Refinery Modernization Project and the amendment of article 4 and Complementary Provision to Law No 28840 – “Ley de Fortalecimiento y Modernización de la Empresa de Petróleos del Perú - PETROPERÚ S.A.” to implement the Legislative Decree No. 1292” approved by the Board of Directors. This plan was approved by the Board of Directors through Agreement No.067-2018-PP dated August 6, 2018.

c) Regulatory framework governing the Company’s selling prices -

In accordance with article 77 of the Organic Hydrocarbon Law, the activities and prices of crude oil and by-products are governed by supply and demand.

- The fuel pricing policy of the Company approved by the Board establishes that:

- Pricing of liquid and specialty fuels is determined on a supply-and-demand services in compliance with the provisions of the Peruvian Law of Hydrocarbons (“Ley Orgánica de Hidrocarburos”) and regulations that modify or replace it.
- The price listing of liquid and specialty fuels will be approved by the Executive Committee of Prices (“Comité Ejecutivo de Precios”) led by the General Management comprising Corporate Finance Management, Supply Chain Corporate Management, Corporate Operating Management and Commercial Corporate Management, or those who fulfill those functions.

- Setting the prices of liquid and specialty fuels sold by the Company in the local market will consider the cost-opportunity basis and will be set at prices that allow the Company to compete in the market and at the same time achieve its strategic and budgetary goals. In the case of liquid fuels, the opportunity cost comprises the Import Parity Price (“Precio de Paridad de Importación - PPI”) calculated with the methodology defined by the Company in its guidelines.
- The Company’s price lists of liquid fuels should be competitive in relation with other economic agents - manufacturers and importers – at the Sales Plants nationwide in which sales are conducted, provided that economic benefits are obtained.
- In case international market events or circumstances have an adverse impact on prices of liquid and specialty fuels up or down, that negatively affect the Company’s reputation or put it in an economic condition of potential risk, the Price Executive Committee may decide to progressively transfer those events to customers or ignore those price variances specific to a current economic juncture until the local or international market stabilizes, taking into account the financial sustainability of the Company.

Price Stabilization Fund of Petroleum Derived Fuels (hereinafter, Price Stabilization Fund).

The Price Stabilization Fund was established by the Peruvian Government under Emergency Decree No. 010-2004, relevant rules standards and amendments. Pursuant to this piece of legislation the Peruvian Government establishes a contingency fund to prevent the volatility of the hydrocarbon prices being transferred to the final consumers; however, the Ministry of Energy and Mines (MEM, the Spanish acronym) will compensate the Company for the pricing differences that are not transferred to its clients.

Under the above-mentioned regulations, the National Hydrocarbons Office (“Dirección General de Hidrocarburos - DGH”) within the Ministry of Energy and Mines sets a price range per each fuel product sold in Peru. Article 6 of Supreme Decree No.133-2010-EF (dated June 23, 2010) stipulates that OSINERGMIN shall update and publish every two months in the Peruvian official gazette “El Peruano”, the price ranges (“bandas de precios”) per each product the last Thursday of the second month, computed from the effective date of the last price update.

On a weekly basis, OSINERGMIN publishes a reference price per each fuel product sold in Perú known as “Import parity price (“Precio de paridad de importación - PPI”). Whenever the PPI is higher than to the upper range, the difference is the Compensation factor and whenever the PPI is lower than the lower range, the difference is the Contribution factor.

At the beginning of 2020, the Fuel Price Stabilization Fund (FEPC, for its acronym in Spanish) applied to the following fuels: GLP-E, Diesel B5, Diesel B5 S-50 and industrial oil 6. In April 2020, with Supreme Decree No. 007- 2020-EM, GLP-E, Diesel B5 and Diesel S-50 were excluded as products subject to the FEPC. Between March and November 2021, with Supreme Decrees No. 006-2021-EM, No. 015-2021-EM and No. 025-2021-EM, Diesel for vehicular use was included as a product subject to the FEPC. Likewise, in September 2021, through Supreme Decree No. 023-2021-EM, GLP-E was incorporated as a product subject to the FEPC.

At December 31, 2021 said fund represented 0.61% (compensation) of the Company’s revenue. At December 31, 2020 said fund represented -1.1% (contribution) of the Company’s revenue.

d) Impacts of COVID-19 -

Given the severe outbreak of COVID-19 worldwide, on March 11, 2020 the World Health Organization declared it a pandemic. In Peru, from March 2020 to date, the Peruvian Government issued a series of supreme decrees declaring a state of national emergency, which was extended until September 30, 2022 due to the risks that the virus implies for the health of the population. The aforementioned Supreme Decrees set forth restrictions to a large number of economic, trade, cultural, recreational, activities as well as those of hotels and restaurants. Nonetheless, the Company has continued operating under the provisions of Supreme Decree No. 044-2020-PCM, since the beginning of the pandemic, secured the supply of food products and provision of health services, and the continuity of other related industries; in this sense, since the Company is engaged in the refining and marketing of fuel, it provides services that complement and are involved in the acquisition, production and supply of food and provision of health services, and then, linked to the productive chain of goods and services and therefore, an activity within those industrial activities that has not paralyzed its work at any time, as they are considered essential.

The Company's financial sustainability is based on the high commercialization of products in the market, which during the most complex stage of the pandemic was affected by social isolation and with the gradual economic reactivation has been showing a progressive improvement due to the greater transit of the population and the increase in the demand for their products. The Company considers that this situation does not affect its long-term plans, the compliance with borrowings and the recoverability assessment of its assets.

The Company's financial position and performance were most notably affected by the aforementioned situation at December 31, 2021. The measures carried out by the Company, as well as the financial assessment are explained below:

- Operating results -

The state of emergency has significantly affected the Company's income and costs in 2021 and 2020 due to a lower volume of purchases and sales, compared to 2019 (pre-pandemic). The Company recognizes that the crude price uncertainty remains constant; however, the variation in oil has no significant impact on the financial performance of the business since the Company obtains its profit based on a net margin on refinery. However, it does affect the market value of inventories, due to variations in local and international prices of crude oil and refined products. Therefore, this is the main factor for the positive result at the end of this period.

This factor is triggered by the higher demand for fuels in the world and in the country, due to the economic reactivation measures taken internationally and, in the country. As it represents a temporary situation for companies in the hydrocarbon sector, it has been overcome with greater population traffic, greater demand and the consequent recovery in prices, which has been progressively occurring at the date of approval of the financial statements.

- Assessment of current assets -

The increase in inventories and trade receivables is related to the higher volume of purchases and sales during the period compared to 2020.

Receivables are guaranteed by bank guarantees, so the increase in the risk of impairment of receivables from customers is significantly mitigated.

Based on the determination of the net realizable value of its inventories, the Company considers that their carrying amount will be recovered in the normal course of operations.

The increase in cash and cash equivalents comprises the remaining balance of the Bond issue carried out in February 2021, which is fully used to pay for the PMRT work progress.

- PMRT impairment assessment (Note 11.vii.b) -

At December 31, 2021 the Company has deemed it appropriate to perform the impairment test of the PMRT, considering the changes in the execution schedule and budget. The impairment test was performed by comparing the recoverable amount, by estimating its value in use, with the carrying amount of its assets.

At December 31, 2021 the Company has estimated the recoverable value of the PMRT and, as a result of this evaluation, it has determined that it is not necessary to establish any provision for impairment for the PMRT. At December 31, 2021 the carrying amount of the PMRT assets, net of impairment, amounts to US\$5,417,256 thousand.

At December 31, 2020 the Company estimated the recoverable value of the PMRT and determined a provision for impairment of US\$71,446 thousand, which was recognized in profit or loss under the item impairment of assets. At December 31, 2020 the carrying amount of the PMRT, net of impairment, amounts to US\$4,665,422 thousand.

e) Approval of the financial statements -

The financial statements at December 31, 2021 have been issued with the authorization of General Management on September 9, 2022 and will be submitted for approval of their issue by the Board and then for consideration of the General Shareholders' Meeting for final approval. The financial statements at December 31, 2020 were approved at the General Shareholders' Meeting dated July 19, 2021.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation and presentation -

i) Compliance with IFRS -

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (hereinafter IFRS) issued by the International Accounting Standards Board ("IASB"), effective at the date of the financial statements.

The information contained in these financial statements is the responsibility of the Company's Board of Directors, which expressly states that in preparing them it has applied all accounting principles and criteria required under the IFRS issued by the IASB.

ii) Basis of measurement -

The financial statements of the Company have been prepared under the historical cost convention, except for derivative financial instruments recorded at fair value. The financial statements are presented in thousands of U.S. dollars, unless a different monetary expression is indicated.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

- iii) New standards and interpretations in force for the financial statements for annual periods beginning on or after January 1, 2021 -

There have been no regulatory changes of mandatory application for the 2021 financial statements that the Company has considered for the preparation of these financial statements, except for the following:

- Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 -

In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address issues arising during interest rate benchmark reform, including the replacement of a benchmark rate for another alternative.

These amendments provide the following practical applications:

- By changing the basis for determining contractual cash flows for financial assets and financial liabilities (including lease liabilities), the exceptions have the effect that changes, which are necessary as a direct consequence of the IBOR reform and which are considered economically equivalent, will not have an immediate effect on the income statement.
- Hedge accounting exceptions will allow most IAS 39 or IFRS 9 hedging relationships that are directly affected by the IBOR reform to continue. However, additional ineffectiveness may need to be recorded.

The amendments to the previously listed standards have not had a significant impact on the Company's financial statements at December 31, 2021, since it does not maintain borrowings affected by the Libor rate.

- iv) New standards, amendments and interpretations effective for the financial statements for annual periods beginning on or after January 1, 2022 and which have not been early adopted -

Certain standards and amendments to standards have been published that are mandatory in 2022 or later and have not been early adopted by the Company. The Company's assessment of the impact that these standards will have on the financial statements is explained below:

- Rent concession related to COVID-19 - Amendments to IFRS 16 -

As a result of the COVID-19 pandemic, rent concessions have been granted in lease contracts. Such concessions might take many forms including rent reductions, payment holidays and deferral of lease payments. In May 2020, IASB published an amendment to IFRS 16 "Leases" where lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. Generally, this will result for the concession as variable lease payments in the period in which they are granted.

The practical application could originally be applied to rent concessions granted until June 30, 2021. However, this date was later extended to June 30, 2022.

If a lessee used the original practical expedient application in 2021, it must continue to apply the same treatment to all leases with similar characteristics and circumstances, taking into account the above-mentioned extension. If a lessee did not use the practical expedient in 2021 on eligible leases, it is prohibited from applying it in the new extended term.

However, if a lessee has not established its accounting policy on rent concessions on eligible contracts, it could decide to apply the option in the extended term.

The amendment is effective for annual periods beginning on or after April 1, 2021.

As a result of the application of the amendment of this standard, the Company does not expect to have a significant impact on its financial statements.

- Classification of Liabilities as Current or Non-current - Amendments to IAS 1 -

This amendment clarifies that liabilities should be classified as current or non-current depending on the existing rights at the date of the financial statements. The classification should not be affected by the entity's expectations or by events occurring after the date of the financial statements, for example, the receipt of a waiver from the bank following the breach of a contractual commitment (covenants).

The amendment also clarifies the meaning of the IAS 1 reference to what is a 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for those entities that previously considered management's intentions in determining the classification and for some liabilities that may be converted to equity.

The amendments should be applied retrospectively in accordance with the requirements of IAS 8. The amendment is effective from January 1, 2023.

The Company is currently evaluating the impact this amendment may have on its financial statements.

- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 -

Originally the IAS established that "Significant" accounting policies must be disclosed, with this amendment it is specified that the disclosure must be made for "material" accounting policies. In this regard, this amendment incorporates the definition of what is "information about material accounting policies" and explains how to identify this type of information. It also clarifies that it is not necessary to disclose information on immaterial accounting policies and if it is disclosed, it must not cause material accounting information to be misleading.

Consistently, the Statement of Practice 2, 'Making judgements about materiality' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

This amendment is effective from January 1, 2023. The Company will evaluate during 2022 and 2023 the impact that this amendment may have on its financial statements.

- Definition of Accounting Estimates - Amendments to IAS 8 -

This amendment clarifies how to distinguish changes in accounting policies from changes in accounting estimates. The distinction is important in defining the accounting treatment, since changes in accounting estimates are recognized prospectively to future transactions and events, while changes in accounting policies are generally applied retrospectively to past transactions and events, as well as the current period.

This amendment is effective from January 1, 2023. The Company will evaluate during 2022 and 2023 the impact that this amendment may have on its financial statements.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 -

These amendments provide those deferred taxes arising from a single transaction that, on initial recognition, gives rise to taxable and deductible temporary differences of the same value should be recognized. This will generally apply to transactions such as leases (for lessees) and decommissioning or remediation obligations, where deferred tax assets and liabilities will be required to be recognized.

These amendments should be applied to transactions occurring on or after the beginning of the earliest comparative period presented. In addition, deferred tax assets (to the extent that it is probable that they can be used) and deferred tax liabilities should be recognized at the beginning of the earliest comparative period for all deductible or taxable temporary differences associated with:

- Right-of-use assets and lease liabilities, and
- liabilities for dismantling, restoration and similar activities, and the related amounts should be recognized as part of the cost of the related assets.

The cumulative effect of these adjustments is recognized in retained earnings or another component of equity, as appropriate.

Previously, IAS 12 did not establish any particular accounting treatment for the tax effects of leases that are recognized on the balance sheet and for similar transactions, so different approaches were considered acceptable. Entities that are already recognizing deferred taxes on these transactions will have no impact on their financial statements.

This amendment is effective from January 1, 2023. The Company will evaluate in 2022 and 2023 the impact this amendment may have on its financial statements.

In addition, other effective amendments have been published for future years that are not relevant for the Company's activities:

- IFRS 17 - Insurance Contracts.
- Proceeds before Intended Use - Amendments to IAS 16, Property, Plant and Equipment.
- Reference to the Conceptual Framework - Amendments to IFRS 3.
- Cost of Fulfilling a Contract - Amendments to IAS 37, Onerous Contracts.
- Annual Improvements to IFRS Standards 2018 - 2020.
- Sale or contribution of assets between an investor and its associate or joint venture - Amendments to IFRS 10 and IAS 28.

Other IFRS or IFRIC interpretations that are not yet effective are not expected to have a significant impact on the Company's financial statements.

2.2 Foreign currency translation -

a) Functional and presentation currency -

Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency). The financial statements are presented in U.S. dollars, which is the Company's functional currency and presentation currency.

b) Transactions and balances -

Foreign currency transactions (different from the U.S. dollar) are translated into the functional currency using the exchange rates prevailing at the date of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

2.3 Going concern -

The financial statements have been prepared under the going concern assumption; that is, the Company will be able to continue its activities normally in the foreseeable future.

Under this assumption, the Company will be able to honor its financial obligations disclosed in Note 14.

At December 31, 2021 the Company has reported a gain of US\$67,937 thousand and the current liabilities exceed its current assets by US\$842,528 thousand (US\$1,132,117 thousand at December 31, 2020), which primarily reflects the increase in trade payable by US\$545,263 thousand due to maintaining longer payment terms and evidences an improvement in the management of working capital compared to 2020. In addition, this situation is due to the fact that the short-term bank loans include US\$144,444 thousand of the loan with Guarantee of the "Compañía Española de Seguros de Crédito a la Exportación - CESCE" for US\$1,300,000 thousand, whose amortization begins in 2022.

The Company monitor cash flow projections carried out on the basis of the liquidity requirements of the Company to ensure sufficient cash to cover the operating needs, while maintaining sufficient headroom on its credit facilities. In this sense, the Company considers that revolving credit lines with local and foreign banks for a total of US\$2,955,750 thousand and cash flows of its operating activities, with the start-up of the Talara Refinery Modernization Project (PMRT). The most relevant benefits are the possibility of refining heavy crude oils that cannot be processed with current technology, increasing refining capacity, improving the hydrocarbon trade balance, reducing the risk of fuel shortages due to fuel production independent of external factors, and business sustainability, among others. This will allow it to increase its profit margins and maintain enough cash to meet its obligations and reverse the current negative working capital in the medium term. In February 2021, the Company issued Bonds for US\$1,000,000 thousand as part of the financing process for the Talara Refinery Modernization Project (Note 14), which allowed to pay the short-term loans taken for the project and with it improve the Company's working capital position. In 2022, the Company received a working capital loan from the MEF to meet short-term obligations (Note 33).

2.4 Segment information -

Segment information is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker of the Company.

The Company's board has designated General Management as the chief operating decision-maker, which assesses the financial performance and position, makes strategic decisions and is responsible for allocating resources to the operating segments.

For management purposes, Management analyzes the performance of the Company on the basis of three operating segments for the purposes of disclosure of financial information (Note 5).

The Company evaluates the performance of operating segments based on operating profit. The Company determines the segment's assets as the total assets attributable to each segment and the liabilities as the total liabilities attributable to each segment. The accounting policies used in segment reporting are the same as those used in preparing the financial statements. Inter-segment transfer prices are based on market prices.

Revenue by geographical area is determined based on the location of the customer. All of the Company's non-current assets are located in Peru. Accordingly, no other information by geographical area is prepared on non-current assets.

2.5 Financial assets -

Classification -

The Company classifies its financial assets in the following categories:

- Measured at fair value (through profit or loss or other comprehensive income), and
- Measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, any gains or losses will be recognized in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, measurement will depend on whether the Company irrevocably opts, at initial recognition, to recognize these equity instrument though other comprehensive income.

The Company performs the classifications of the debt instruments whenever the underling business model to manage these instruments changes.

Financial assets measured at amortized cost consists of trade receivables and some items included in other receivables.

Recognition and derecognition -

Purchases or sales of financial assets are recorded on the trading date of the transaction; i.e. the date on which the Company undertakes to buy or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Measurement -

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Embedded derivatives are assessed on a comprehensive basis to determine whether their cash flows are solely payments of principal and interest.

For financial assets measured at the amortized cost, these are assets held for the contractual cash flows to be obtained, where these cash flows only relate to payments of principal and interest. Interest income on these financial assets is included in finance income using the effective interest rate method. Impairment losses are presented as separate line item in the statement of comprehensive income.

Impairment -

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in the credit risk.

For receivables, the Company applies the simplified approach permitted by IFRS 9, which requires that management estimates the expected credit loss over the lifetime of the instrument and recognize it from initial recognition (see Note 3.1-b of Financial Risk Management for more details).

2.6 Cash and cash equivalent -

For purposes of the statement of cash flows, cash and cash equivalents includes cash in hand in checking accounts, highly liquid investments with original maturities of three months or less that are easily convertible into cash and are subject to an insignificant risk of changes in value and fixed funds.

2.7 Trade receivables -

Trade receivables are amounts owed to the Company by customers for items sold or services rendered in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are initially recognized at their fair value and are subsequently measured at their amortized cost using the effective interest method, less the provision for impairment.

2.8 Inventories -

Inventories are stated at the lower of cost and net realizable value. The cost includes direct material costs and, where applicable, direct labor related production overheads (based on normal operating capacity). It excludes borrowing costs and exchange differences and includes costs incurred in transferring inventories to their actual location and conditions. The cost of crude oil and acquired by-products/derived products is determined using the first-in / first-out method. Refined products in process and finished products are determined at average production cost. Material and supplies at weighted average cost. In-transit inventories are stated at specific cost of acquisition. The volume of crude oil acquired and kept in the oil pipeline ("Oleoducto") is accounted for at the initial cost of acquisition.

The provision for impairment of inventories of in-process refined products, finished products and by-products acquired is applied directly to the carrying amount of inventories, with a charge to cost of sales; the carrying amount of these inventories is reduced to their net realizable value in the same year. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

With respect to supplies, Management makes a periodic provision for obsolescence based on a technical study or considering those items with no movement for more than two years; said estimated provision is recognized with a charge to results of the period they relate to.

2.9 Property, plant and equipment -

The property, plant and equipment are recorded at acquisition cost, less their accumulated depreciation and accumulated amount of any impairment loss. The cost of an element of property, plant and equipment comprises its purchase price or construction or manufacturing cost, including customs duties and non-reimbursable purchase taxes, as well as any necessary cost, the initial estimate of the obligation to dismantle the asset and, for qualifying assets, the finance costs. The purchase price or construction cost comprises the total amount paid, and the fair value of any other consideration given to purchase the asset. The elements of property, plant and equipment are recognized at a major component level.

Costs incurred to replace a component of an item or element of property, plant and equipment are capitalized separately if the qualifying criterion is met and the carrying amount of the component being replaced is written down.

Subsequent costs attributable to an item of fixed assets are capitalized, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably, otherwise they are accounted for as expenses.

Assets under construction are capitalized as a separate component. Recognition of costs will cease when the item is ready for use as expected by Management and from that date those items are depreciated. When the items are ready for their intended use, they are transferred to their final category.

The cost of the items of property, plant and equipment, net of their residual value is depreciated over their estimated useful lives. Depreciation of assets is recognized as cost or expense depending on their function.

Land is not depreciated. Depreciation is calculated using the straight-line method over the estimated useful life of each asset, as follows:

	<u>Years</u>
Buildings and other constructions	Between 6 and 25
Machinery and equipment	Between 2 and 42
Containers and returnable containers	20
Vehicles	Between 5 and 15
Other equipment	Between and 10
Computer equipment	Between 3 and 5
Furniture and fixtures	Between 5 and 10

The assets' residual values, useful lives and depreciation method applied are reviewed, and adjusted if appropriate, at the date of each statement of financial position. Any change in these estimates is prospectively adjusted. At December 31, 2021 and 2020 there were no significant changes as a result of its review.

Items of property, plant and equipment are written off when they are disposed of or when economic benefits are no longer expected from their use or subsequent sale.

The carrying amount of property, plant and equipment is written-down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount according to with is described in note 2.12.

Gains or losses on disposal are determined considering the difference between the proceeds and carrying amount of the assets. These are included in statement of comprehensive income.

The accounting treatment of the capitalization of interest on qualifying assets is described in Note 2.16.

Assets received by donation or assignment are recorded at their fair value, which is recognized under Other income in the statement of comprehensive income (Note 26).

The income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.10 Intangible assets -

Software -

Intangible assets include acquired computer software licenses and software, which are capitalized based on costs incurred to acquire and put the specific software to use. These costs are amortized over their estimated useful lives (between three and ten years).

Costs associated with maintaining computer software programs are recognized as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated that the software product will generate probable future economic benefits.
- adequate technical, financial and other resources are available to complete the development and to use or sell the software product; and

- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of the corresponding overheads.

Hydrocarbon exploration activities -

Exploration costs such as seismic lines and exploratory drilling of wells are capitalized until the technical and commercial feasibility of extracting the resources in the area is demonstrated.

If the exploration and evaluation activities are not expected to be successful, such assets are charged to profit or loss recognizing an impairment loss in the statement of comprehensive income. In the event feasible reserves are identified, exploration and evaluation assets are re-classified from said category as development costs after evaluating their recoverability. Depreciation is not recognized during the exploration and evaluation phase.

If events or circumstances indicate a possible impairment of resource exploration and evaluation assets has occurred, their recoverability is assessed by grouping assets at the lowest levels for which there are separately identifiable cash flows, cash-generating units (hereinafter, CGU), based on considerations such as geographical and geological features, common use of facilities and contractual terms and conditions. Such events and circumstances include the interpretation of seismic data, return requirements of areas, drilling results, remaining period to comply with the exploration commitment period, remaining capital investment plans and political and market conditions.

The hydrocarbons exploration activity comprises the Project for the Exploration and Exploitation of Hydrocarbons in Block 64 ("Proyecto de Exploración y Explotación de Hidrocarburos en el Lote 64"), which consists of the implementation of the project called "Desarrollo y explotación del yacimiento Situche Central Lote 64", to bring to production the crude oil reserves discovered in Block 64.

At December 31, 2021 costs associated amounted to US\$29,814 thousand (US\$29,563 thousand at December 31, 2020) and are recorded in intangible assets.

On the other hand, on December 25, 2021 Supreme Decree 030-2021-EM was published, which approved the Temporary License Contract for the Exploitation of Hydrocarbons in Block I, assuming the operation on December 27, 2021, which consists of the production of hydrocarbons from the Block for a period of 22 months.

2.11 Investment properties -

Investment properties consists of land and buildings owned by the Company, that are held to obtain cash from terms over a long term and are not used by the Company. Investment properties are shown at cost less accumulated depreciation and impairment losses, if any. Subsequent costs attributable to investment properties are capitalized only if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of these assets can be measured reliably; if not, they are recognized as expenses when incurred.

Repair and maintenance expenses are recognized in profit and loss when they are incurred. A property's carrying amount is written down immediately to its recoverable amount when the property's carrying amount is greater than its estimated recoverable amount.

Cost and accumulated depreciation of properties sold or retired are eliminated from their respective accounts and any profit or loss is recognized in the income statement. Depreciation of these assets is determined under the straight-line method at a rate considered sufficient to absorb the carrying amount of assets at the end of their useful lives and considering their major components with substantially different useful lives (each component is accounted for separately for depreciation purposes over its individual useful life).

2.12 Impairment of non-financial assets of indefinite useful lives -

The Company conducts an assessment of impairment under the provisions of International Accounting Standard 36 "Impairment of assets" and performs annual tests of impairment of its items of property, plant and equipment, intangible assets, investment properties and right-of-use assets to determine whether there are indications that said items are impaired. If there is any indication of impairment, Management calculates the recoverable amount in order to determine the extent of the impairment loss (if any). If the recoverable amount of an individual asset item cannot be determined, the Company calculates the recoverable amount of the respective CGU to which the asset belongs. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Provided that consistent and reasonable criteria of asset allocation are used, common assets are also allocated to individual CGUs; or otherwise to the smallest groups of CGUs identified on a consistent and reasonable basis.

The recoverable amount is the higher of the asset's value in use or fair value less costs of disposal. Value in use corresponds to the present value of the estimated future cash flows discounted to current value using a pre-tax discount rate that reflects the current market conditions and the specific risks associated with each asset or CGU.

Impairment losses, calculated with reference to the value in use of the assets, recognized in previous years, are reversed if there is a change in the estimates used when an impairment loss was last recognized.

Impairment losses of assets are recognized in the statement of comprehensive income in the categories of expenses corresponding to the nature of the impaired asset.

The Company evaluates annually if there is evidence that indicates that previously recognized impairment losses have been partially or totally reversed. At December 31, 2021 and 2020 the Company has carried out an impairment test for Pipeline Operations and determined that it was not necessary to recognize any provision for impairment. At December 31, 2021 and 2020 the Company has performed the PMRT impairment test and the results are disclosed in Note 11(viii)(b).

2.13 Financial liabilities -

The Company classifies its financial liabilities into the following categories: i) financial liabilities at fair value through profit or loss and ii) other financial liabilities at amortized cost. The classification depends on the purpose for which the liabilities were assumed and the way in which they are managed. The Company determines the classification of its financial liabilities at the date of initial recognition.

At December 31, 2021 and 2020 the Company only holds liabilities in "other financial liabilities at amortized cost", which correspond to (i) corporate bonds, (ii) unsecured bank loans, which includes the CESCE loan, (iii) trade payables (iv) provisions, (v) some items included in other payables and, (vi) lease liabilities.

In addition, the Company has liabilities for derivative financial instruments that are measured and classified at fair value with changes in profit or loss.

In the case of financial liabilities measured at fair value through profit or loss, changes in the fair value of these liabilities are recognized as gains or losses through profit or loss and shown within "financial income or expenses" in the period in which changes occur.

2.14 Trade payables -

Trade payables are payment obligations for goods or services acquired from suppliers in the normal course of business. Payables are classified as current liabilities if payment must be made within one year or less (or in the normal operating cycle of the business if it is greater), otherwise, they are presented as non-current liabilities.

Payables are initially recognized at their fair value and subsequently, if the time value of money is relevant, they are remeasured at amortized cost using the effective interest method, otherwise they are shown at their nominal value.

2.15 Borrowings -

Borrowings consist of loans obtained from financial institutions, including unsecured short-term, which are used for working capital and capital expenditures in the PMRT, corporate bonds and CESCE loan. Borrowings are classified based on the terms and conditions of the agreements signed and considering the economic substance of the agreement.

Loans maintained by the Company are initially recognized at their fair value, net of transaction costs incurred. These loans are subsequently recorded at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the loan using the effective interest method. The Company presents borrowings within other financial liabilities.

Fees and commissions paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case transaction costs are deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as payments for services to obtain liquidity and are recognized in the statement of income over the period of the facility to which it relates.

Borrowings are derecognized from the statement of financial position when the obligation specified in the contract is settled or expires. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the paid consideration, including non-cash transferred or the liabilities assumed are recognized in profit or loss within other finance income or finance costs.

Borrowings are classified as current liabilities unless the Company obtains the unconditional right to defer the payment of the obligation by no less than 12 months from the statement of financial position date.

2.16 Borrowing costs -

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets. Capitalization starts when activities are being carried out to bring the qualifying asset to its expected condition for use and costs are being incurred, as well as borrowing costs; capitalization ends when all the activities required to prepare the asset for its expected use have been completed. The Company has defined a substantial period of 1 year to capitalize borrowing costs on qualifying assets.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. Other borrowing costs are recognized in the statement of comprehensive income in the period in which they are incurred.

The Company mainly leases property, shipping units and other equipment. Rental contracts are usually signed for fixed periods, but they may have term extension options. The terms of the lease are agreed on a lease-by-lease basis and contain a wide range of different terms and conditions. These lease contracts do not give rise to any other performance obligation apart from guarantee on the lease assets that are held by the lessor. The lease assets cannot be used to guarantee a borrowing.

Leases are recognized as a right-of-use assets and a lease liability at the date the leased asset is ready for use by the Company.

Assets and liabilities arising from a lease contract are initially measured at present value. The amount of the initial measurement of the lease liability is made on the basis of fixed payments.

Rights-of-use assets are usually depreciated under the straight-line basis over the shorter of the asset's useful life and lease term. If the Company has reasonable certainty that a purchase option will be exercised, the right-of-use asset is depreciated over the useful life of the underlying leased asset.

Short-term lease payments and low-value leases are recognized under the straight-line method as expenses in profit or loss. Short-term leases are leases of 12 months or less. Low-value assets consists of IT equipment and small office furniture fixtures.

Lease payments to be made under renewal options with reasonable certainty to be exercised are also included in the measurement of the liability.

Lease payments are discounted using an interest rate implicit in the lease contract, if determinable, or otherwise the Company's incremental borrowing rate, the rate a lessee would have to pay on borrowings to obtain the required cash to obtain a similar right-of-use asset in an similar economic environment under similar terms and conditions.

In determining the incremental borrowing rate, the Company uses the rate used on recent financing obtained from third parties as a starting point and adjusts it to reflect changes in circumstances from the date those borrowings were obtained.

The Company is exposed to future possible lease variable payments linked to an index or rate, which are not included in the lease liability until they become effective. When index-linked payments come in effect, the lease liability is re-assessed and adjusted to the right-of-use asset.

Each lease payment is allocated between the liability and the finance charges. The finance cost is recognized in profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

In determining the lease term, Management considers all facts and circumstances that lead the Company to exercise the option to renew or early terminate the lease contract. Renewals options (post-termination extensions) are only included in the terms of the contracts if it is reasonably certain that the lease contract will be extended (or not terminated).

a) Statutory bonuses -

The Company recognizes an expense for statutory bonuses and related liability in accordance with laws and regulations currently in force. Statutory bonuses consist of two one-month salaries per year paid every July and December, respectively. Statutory bonuses are recognized proportionally to the time during which a worker has provided the services that entitle him/her to said benefit.

b) Employees' severance indemnities -

Employees' severance indemnities for time of service of the Company's personnel correspond to their indemnification rights, calculated in accordance with the regulations in force in Peru, which has to be credited to the bank accounts designated by the workers in May and November every year. Personnel severance indemnity is equivalent to one-half of a one-month salary prevailing at the date of deposit, which is recognized in profit or loss as accrued. The Company does not have additional payment obligations once the annual deposits of the funds that the worker is entitled to are made.

c) Vacation leave -

Personnel's annual vacation leave is recognized on an accrual basis. The provision for the estimated obligation for annual vacations of personnel resulting from services provided by the employees is recognized at the date of the statement of financial position. The annual leave to which the employee is entitled is 30 days.

d) Workers' profit sharing -

The Company recognizes a liability and an expense for the workers' profit sharing in accordance with laws and regulations currently in force. Workers' profit sharing is calculated applying the rate of 10% to the taxable income determined by the Company in accordance with current income tax legislation.

2.19 Provisions -

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are reviewed at each period-end. When the effect of the time value of money is significant, provisions are discounted using a pre-tax rate that reflects, when appropriate, the risks specific to the obligation. The reversal of the discount due to the passage of time gives rise to an increase of the obligation recognized with a charge to the statement of comprehensive income as finance cost. Provisions are not recognized for future operating losses.

Provision for environmental remediation and plugging wells of privatized units -

The obligation to be incurred in environment remediation and plugging wells arises from the operating units transferred by the Peruvian Government to the private sector and from a specific mandate, respectively. The Peruvian Government, through the Company assumed these obligations. In this respect, the Peruvian Government will refund all expenses incurred by the Company in meeting these obligations. The obligation assumed by the Peruvian Government was recognized with a charge to prior-year profit or loss. The amount of the provision at that date is adjusted at each year-end.

its legal obligations to remediate the environment at the end of operation of these wells and in adherence to a specific legal mandate. At the date of initial recognition of the liability arising from this obligation, as measured at its fair value discounted to its present value, the same amount is simultaneously charged to the statement of comprehensive income. Subsequently, the liability amount is reviewed and increased in each period, if applicable. In settling this liability, the Company recognizes any resulting profit or loss. Changes in the estimated fair value of the initial obligation and the interest rates are recognized in the statement of comprehensive income.

2.20 Contingent liabilities and assets -

Contingent liabilities are recognized in the financial statements to the extent that cash outflows are probable; and they are only disclosed in a note to the financial statements when cash outflows are possible.

Contingent assets are not recognized and are only disclosed if it is probable that economic benefits will flow to the Company in the future.

2.21 Current and deferred income tax -

The income tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly in the statement of other comprehensive income or in equity. In this case tax is also recognized in the statement of other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the statement of financial position. The Company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The Company establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using the tax rates (and tax laws) enacted at the date of the statement of financial position and expected to be applicable when the deferred income tax is realized or settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority.

For the recognition and measurement of current and deferred income tax, the Company has evaluated the existence of probable uncertain tax positions assumed by the Company; however, the Company has not identified significant uncertain tax positions that need to be accounted for.

2.22 Capital -

Subscribed and paid-in common shares are classified as equity. Shareholder cash capital contributions and profit capitalization for which shares remain to be subscribed and issued are recognized as additional capital when they occur and are approved by shareholders.

2.23 Revenue recognition -

a) Revenue from sales of refined products -

The Company sells refined products principally in the local market, but a smaller portion is exported. Revenue from sales of products is recognized when control of goods is transferred, which occurs, when the product is delivered to the customer and there are no performance obligations to be satisfied that may make customer not to accept the goods. A product is considered to be delivered, for products sold in the local market, when the goods are delivered; for exported goods, it all depends on the export contractual conditions, which mainly occurs when the goods are delivered to the port of shipment.

Income from these sales is recognized based on the price list to which the contract refers, net of the estimated volume discounts. In certain cases, products are sold applying discounts by retroactive volumes, based on cumulative sales for a period of 12 months. Historical information is used to estimate and record discounts recognizing revenue only to the extent it is highly probable that no significant reversal will occur in the future. Discounts are stated net of the balance of trade receivables at the estimated volume discounts that are expected to be offset against customer sales billings. There was no need to separate any financing component because sales are agreed at a term no exceeding 45 days, which is consistent with the practice in the local market.

b) Revenue from the fuel price stabilization fund (Note 1-c) -

Revenue derived from the fuel price stabilization fund are recognized simultaneously with the revenue from sales to customers of the refined products comprising the Fuel Price Stabilization Fund, for which the General Direction of Hydrocarbons (DGH) of the Ministry of Energy and Mines sets a price range. The Company's price-setting policy is using as a reference the Import Price Parity (PPI); nevertheless, the price billed to customers must be within the price ranges set for the products within the scope of the Fund.

In accordance with the provisions of Emergency Decree No. 010-2004, whenever the Company's price is above the upper price range threshold, the Company records revenue and the respective receivable from the Ministry of Energy and Mines (MEM), for the amount equivalent to the difference between the price billed to customers and the upper price range threshold, since this is a compensating factor; whenever the Company's price is below the lower price range threshold, the Company recognizes a reduction in revenue and the receivables from MEM, for the amount equivalent to the difference between the price billed to customers and the lower price range threshold, since this is a contribution factor.

Revenue from the Price Stabilization Fund is recognized as part of revenue from ordinary activities. Balances receivable from the Ministry of Energy and Mines are accounted for as described in 2.5.

c) Revenue from sales of services -

The Company provides services at fixed prices in accordance with contractual terms.

Revenue from services rendered are recognized when control over service is transferred to the customer. For the services of operating terminals, freight, supply, and use of hydrocarbons, the transfer of control occurs when the service is completed and there are no other performance obligations remaining to be satisfied that may affect the customers' acceptance of the service (revenue recognized at a point in time). For the services of rent, transport of crude oil and other services, transfer of control occurs over time, because the relevant performance obligations are satisfied to the extent the service is being rendered given that there is no possibility for the customer not to accept the service already completed.

d) Interest income -

Interest income is recognized on a time-proportion basis using the effective interest method.

2.24 Earnings per share -

Earnings per share are calculated by dividing the net profit attributable to the Company's stockholders by the weighted average number of shares outstanding during the year.

2.25 Recognition of selling costs and expenses -

The cost of sales of products and services is recorded in profit or loss when the products are delivered or the services are rendered, simultaneously with the recognition of income in accordance with the accounting policies described in Note 2.23. Distribution costs are present in selling cost.

Selling and administrative expenses and other expenses are recognized as they are accrued, regardless of when they are paid and are recorded in the periods to which they relate.

2.26 Derivative financial instruments -

Derivative financial instruments such as futures contracts (forwards) are used to hedge foreign currency risks. These derivative financial instruments are initially recognized at their fair values on the date the derivative contract is entered into, and are subsequently remeasured at their fair value. Derivatives are accounted for as financial assets when their fair value is positive, and as financial liabilities when their fair value is negative. The variation in fair value is recognized in the item "Financial income or expenses" in the statement of comprehensive income.

3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Management is responsible for establishing and supervising the risk management structure. Corporate Finance Management is responsible for risk management. Management 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 entity-specific 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.

3.1 Financial risk factors -

The Company's activities expose it to a variety of financial risks: market risk (principally foreign exchange risk, interest rate risk and price risk of crude oil or commodities), credit risk and liquidity risk.

a) Market risk -

The most significant market risks for the Company's activities are explained below:

i) Foreign exchange risk -

Transactions in foreign currency are mainly agreed in soles and euros. The Company is exposed to the risk of severe fluctuations in the exchange rate of said currencies.

Management manages the foreign exchange risk using forward exchange contracts to mitigate its exposure to fluctuations in foreign exchange rates in the short term, mainly resulting from billing of sales in the local market and working capital financing. For other transaction such as purchases from suppliers in Peruvian soles and Euros and obligations with suppliers, the Company takes the Exchange rate risk, which has significantly impacted the net exchange difference for the twelve-month period ended December 31, considering which is the global economic and health crisis.

At December 31, assets and liabilities related to transactions in foreign currency, as well as the net position exposed to exchange risk, are summarized as follows:

	<u>2021</u>			<u>2020</u>		
	S/000	EUR000	JPY000	S/000	EUR000	JPY000
Assets:						
Cash and cash equivalent	293,686	1,033	-	253,505	2,241	-
Trade receivables	857,351	-	-	761,764	-	-
Other receivables	<u>3,297,220</u>	<u>-</u>	<u>-</u>	<u>2,031,250</u>	<u>-</u>	<u>-</u>
	<u>4,448,257</u>	<u>1,033</u>	<u>-</u>	<u>3,046,519</u>	<u>2,241</u>	<u>-</u>
Liabilities:						
Other liabilities	(298,350)	-	-	(290,000)	-	-
Trade payables	(286,493)	(1,258)	(783)	(168,744)	(74)	(191)
Other payables	(389,758)	-	-	(137,857)	-	-
Lease liability	(10,639)	-	-	(7,861)	-	-
Other provisions	(13,972)	-	-	(39,704)	-	-
	<u>(999,212)</u>	<u>(1,258)</u>	<u>(783)</u>	<u>(644,166)</u>	<u>(74)</u>	<u>(191)</u>
Net asset (liability) exposition	<u>3,449,045</u>	<u>(225)</u>	<u>(783)</u>	<u>2,402,353</u>	<u>2,167</u>	<u>(191)</u>

The Company's assets and liabilities denominated in foreign currencies were translated into its functional currency using the exchange rates published by the Peruvian banking, insurance and pension plan regulator ("Superintendencia de Banca y Seguros y AFP- SBS"). The following exchange rates were used per each foreign currency:

	<u>Exchange rate at</u> <u>December 31</u>	
	<u>2021</u>	<u>2020</u>
S/	0.250	0.276
EUR	1.212	1.354
JPY	0.011	0.012

For the year ended December 31, 2021 and 2020, the Company recognized a net exchange loss of US\$65,723 thousand and US\$26,041 thousand, respectively, as stated in "Exchange difference, net" in the statement of comprehensive income.

Sensitivity analysis -

If the U.S. dollar had strengthened/weakened against the Peruvian soles by 5% with all other variables held constant, it would have affected profit before income tax.

	<u>Movement of</u>	<u>Effect on profit and loss before taxes</u>	
		<u>Revaluation</u>	<u>Devaluation</u>
		<u>US\$000</u>	<u>US\$000</u>
Year 2021			
S/	5%	43,135 (	43,135)
Year 2020			
S/	5%	33,152 (	33,152)

At December 31, 2021 and 2020 if the U.S. dollar had strengthened/weakened against the euros and yens by 5% with all other variables held constant, it would not have affected profit before income tax.

ii) Interest rate risk -

The Company maintains some assets that accrue interest at fixed market rates.

The Company's interest rate risk arises from short-term and long-term borrowings. Borrowings at variable rates expose the Company to cash flow interest rate risk. Borrowings at fixed rates expose the Company to fair value interest rate risk on its borrowings. Management's policy is to maintain financing mainly at fixed interest rates. The Company considers that the interest rate risk on the fair value of its short-term loans is not material because the interest rates of its financing contracts are similar to those available to the Company in the market for similar financial instruments; in the case of long-term borrowings, the Company assumes this risk.

At December 31, 2021 and 2020 the Company maintains all of its debt to finance its operations and for the completion of the construction of the PMRT project at fixed rates according to the following: i) bullet bonds, interest are paid on a semi-annual basis from December 2017 at rates of 4.750% and 5.625% and maturity in 2032 and 2047, respectively; ii) CESCE loan at a rate of 3.285%, interest is payable on a semi-annual basis from May 2019 and maturity in 2031; (iii) bank loans without short-term guarantees in U.S. dollars at rates between 0.29% and 0.77% and Peruvian soles at rates between 1.56% and 1.92%; (iv) financial lease liabilities at rates between 0.41% and 0.45%.

iii) Price risk of crude oil or commodities -

Selling prices of the products traded by the Company are exposed to commercial risks inherent to the volatility of international prices. Prices invoiced by the Company are modified according to the variations in international prices (Note 1-c).

As explained in Note 1-c, prices in the local market are determined considering the international prices of crude oil and by-products. Prices are expressed in soles at the effective exchange rate, taking into consideration the legal requirements issued in prior years, according to which, under the regime established for the "Price Stabilization Fund" the Peruvian Government can make compensating payments or receive contributions to stabilize the price of certain products for final consumers. This mechanism mitigates the effect of changes in the prices of some products, which are not transferred to the final consumer.

Note 9 shows the net balance of compensations and contributions made by the Peruvian Government at December 31, 2021 and 2020.

The Company seeks to enter into agreements with crude oil suppliers and manufacturers in Peru in order to mitigate the price risk by signing long-term purchase agreements at referential basket prices of crude oil or WTI pricing formulas, taking into account the expected margins in the international market. In addition, in purchasing crude oil and imported products, the best price quotes are obtained based on international public bidding processes.

b) Credit risk -

Credit risk arises from the cash and cash equivalents, time deposits with banks as well as the exposure to wholesale and retail credit customers, that is reflected by the balances of trade receivables. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted.

i) Risk management -

Credit risk is the risk that a counterparty is unable not meet its borrowings in relation to a financial instrument or sales contract, generating a financial loss. The Company's financial assets potentially exposed to credit risk concentrations, mainly comprise bank deposits, trade receivables and some items included in other receivables.

With respect to bank deposits, the Company reduces the probability of significant concentrations of credit risk by distributing its excess funds in prestigious financial institutions and sets limits on the amounts of credit risk exposure with any of these financial institutions.

For trade receivables, credit risk concentration mostly relates to wholesale customers, which are nation-wide prestigious prime-rated companies. The Company has policies in place to make sure that sales of goods are made to wholesale customers with an adequate credit history and guarantees. Such policies comprise, among others, approving credit limits on a customer-by-customer basis, monitoring procedures and continuous follow-up of payment behavior. With respect to agreements signed with Government entities (Peruvian Armed Forces and National Police Force), a due date for payment has been set at 45 days. The Company does not foresee significant losses arising from its counterparties.

ii) Impairment of financial assets -

The Company has the following types of financial assets that are subject to models to determine the expected credit loss:

- Cash and cash equivalents and certain items of other receivables,
- Trade receivables for sales of products and services.

For cash and cash equivalents and certain items of other receivables, the Company considers any credit loss as immaterial.

For trade receivables, the Company applies the simplified approach according to IFRS 9 to measure expected credit losses, which uses expected losses over the life of the asset.

To measure the expected credit losses, trade receivables are grouped based on common risk characteristics that reflect the payment capacity of each segment of customers for the amounts owed and the number of days past due. The Company has grouped its customers into (i) Trade, (ii) Armed Forces, (iii) Industrial and (iv) Wholesale.

The rates of expected credit losses are based on the payment profiles of over a 12-month period before December 31, 2021 and 2020, respectively, and the historical credit losses are adjusted to reflect the current and prospective information about macroeconomic factors that affect customers' ability to settle the Company's trade accounts receivable. The expected credit loss is shown in Note 8.

c) Liquidity risk -

Prudent liquidity risk management involves maintaining sufficient cash and cash equivalents, the availability of financing through an adequate number of sources of committed credit facilities and the capacity to close positions in the market. In this sense, the Company does not have significant liquidity risks since the cash flows from its operations have enabled it to maintain sufficient cash to meet its obligations. The Company maintains negative working capital; however, the Company considers that it does not represent a risk as stated in Note 1-d) and 2.3.

The Company manages its liquidity risk by ensuring that sufficient committed lines of credit are available at all times and meeting its working capital needs with the cash flows obtained from operating activities.

At December 31, 2021 the Company maintains short-term revolving credit lines with local and foreign banks for a total of US\$2,955,750 thousand, of which US\$1,880,735 thousand are available at that date, a sufficient amount to meet its purchase operations in the local territory and in foreign markets and other obligations related to working capital. These credit limits involve no maintenance costs or collateral requirements.

The Company's Corporate Finance Management supervises the cash flow projections carried out based on its liquidity requirements to ensure that there is sufficient cash to cover the operating needs while maintaining sufficient headroom on its undrawn committed borrowing facilities, so that the Company does not breach borrowing limits or covenants, where applicable, on any of its borrowing facilities. Cash surpluses and balances above what is required for the administration of working capital are invested in interest-bearing instruments and time deposits, choosing instruments with appropriate due dates or sufficient liquidity.

The table below analyzes the Company's financial liabilities into relevant maturity groupings based on the period remaining at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the undiscounted cash flows:

	Carrying amount US\$000	Cash flows non-discounted US\$000	Less than 1 year US\$000	More than 1 year US\$000	More than 2 years US\$000
2021					
Other financial liabilities	5,065,484	8,548,933	1,022,208	341,627	7,185,098
Trade payables	1,352,831	1,352,831	1,352,831	-	-
Lease liabilities	26,163	28,163	12,004	13,713	446
Other payables (*)	<u>31,200</u>	<u>31,200</u>	<u>31,200</u>	<u>-</u>	<u>-</u>
	<u><u>6,475,678</u></u>	<u><u>9,961,127</u></u>	<u><u>2,418,243</u></u>	<u><u>355,340</u></u>	<u><u>7,185,544</u></u>
2020					
Other financial liabilities	4,414,398	6,804,203	1,339,849	267,320	5,197,034
Trade payables	807,568	807,568	807,568	-	-
Lease liabilities	3,503	3,760	1,892	1,868	-
Other payables (*)	<u>7,085</u>	<u>7,085</u>	<u>7,085</u>	<u>-</u>	<u>-</u>
	<u><u>5,232,554</u></u>	<u><u>7,622,616</u></u>	<u><u>2,156,394</u></u>	<u><u>269,188</u></u>	<u><u>5,197,034</u></u>

(*) Other payables do not include liabilities for taxes, advances, or labor liabilities. Liabilities for derivative financial instruments are included.

3.2 Capital risk management -

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings), without including lease liabilities less cash and cash equivalent. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

At December 31, 2021 the Company maintains the investment grade given by credit rating agencies: Standar & Poor's (BBB- on the long-term debt) and Fitch Ratings (BBB on the foreign currency long-term debt), as well as the AA- rating issued by local agency of AA- with Apoyo & Asociados Internacionales S.A.C. (AA-(pe)).

At June 30, 2022 the Company maintains the investment grade given by credit rating agencies: Standar & Poor's (BB on the long-term debt) and Fitch Ratings (BBB- on the foreign currency long-term debt), as well as the AA-(pe) with Apoyo & Asociados Internacionales S.A.C. (Note 33).

At December 31, gearing ratios were as follows:

	2021 US\$000	2020 US\$000
Other financial liabilities (Note 14)	5,065,484	4,414,398
Cash and cash equivalents (Note 7)	(239,557)	(84,818)
Net debt (A)	4,825,927	4,329,580
Total equity (B)	<u>1,908,919</u>	<u>1,840,982</u>
Total capital (A)+(B)	<u><u>6,734,846</u></u>	<u><u>6,170,562</u></u>
Ratio (A/(A+B))	<u><u>0.72</u></u>	<u><u>0.70</u></u>

(*) Not including lease liabilities.

3.3 Estimation of fair value -

The information used by the Company to estimate the fair value is classified as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs generally based on the Company's internal estimates and assumptions).

At December 31, 2021 and 2020 the Company has only measured at fair value its forward foreign exchange contracts. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Derivatives are recorded as financial assets, under other receivables, when their fair value is positive, and as financial liabilities, under other payables, when their fair value is negative. The fair value of forward foreign exchange contracts is estimated discounting the future contractual cash flows, net, comparing the contractually agreed foreign exchange rate against a forward foreign exchange rate applicable at the date of measurement. Discounting is performed using a market interest rate that is available to the Company for similar financial instruments, and the inputs of which used in fair value measurement have been classified in Level 2.

In determining the fair value of bonds (measured at the amortized cost), Management uses observable market inputs (Bloomberg), that are classified in Level 1. The fair value of unsecured borrowings, for disclosure purposes, is estimated by discounting the contractual future cash flows using a current market interest rate that is available to the Company for similar financial instruments and the inputs of which have been classified in Level 2; while for the CESCE loan, Management has discounted the contractual cash flows at the Company's average borrowing rate at mid- and long-term plus a spread, information that is classified in level 3. See note 14.

The carrying amount of cash and cash equivalents corresponds to their fair value. The Company considers that the carrying amount of receivables and payables (including borrowings) are similar to their fair values due to their short-term maturity and the impact of the discount is not significant.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments used are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Estimates and critical accounting criteria -

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of the reported assets and liabilities are addressed below:

- Useful life of property, plant and equipment -

Depreciation is calculated under the straight-line method over the estimated useful life of the asset. This results in depreciation charges that are proportional to the estimated wear and tear of the assets as measured in number of years. The useful life of the assets is assessed on the basis of: i) the physical wear and tear of the asset and ii) expected use of the asset. These calculations require estimates and assumptions to be made regarding the market demand for the Company's production and the capital disbursements that will be required in the future.

- Provisions and contingencies -

The Company is subject to a number of laws and regulations as well as business practices effective in Peru. In this sense, Management makes judgement and estimates in recording environmental matters and seeking to meet the technical standards issued by the local regulatory authorities. Actual costs may differ from estimates for a number of reasons, such as changes in the assumptions and differing interpretations of laws, opinions and assessments in determining the amount of losses.

The Company updates the provision for remediation of privatized and own units as well as the provision of plug-back costs to reflect new events, changes in circumstances and any other relevant information available to determine the costs that it will incur to cover these items (Note 17). Changes in the variables used to establish the amount of the environmental obligation and plugging wells costs may give rise to major adjustments to the balance of the obligation. Also, the Company determines the provisions required for the environmental remediation obligation arising from oil spills derived from the events that occurred on the Northern Peruvian Oil Pipeline ("Oleoducto Norperuano"), considering the contracts remaining to be implemented and currently in the contracting process.

Furthermore, in the ordinary course of business, the Company is exposed to certain contingent liabilities relating to existing or potential claims, litigation and other actions brought against it, including some involving taxes.

A provision is recorded for contingencies when it is probable that a liability has been incurred and the amount of the loss can be estimated reliably. The Company's estimates are based on projections that are updated considering the results of the above-mentioned litigation or other actions and the previous experience of its technical staff and legal counsel both internal and external to address and resolve legal, labor-related and tax claims. To the extent the amount of obligations is being more clearly defined or further information become available, the Company may change its future cost estimates, which may have a significant effect on the results of its operations and its financial position or liquidity.

- Taxes -

Determination of tax expenses and obligations requires interpretation of the Peruvian tax laws. The Company seeks professional advice in tax matters before making tax-related decisions. Management considers that these estimates are reasonable and appropriate at the reporting date; however, it considers that a particular interpretation of a point of tax laws by the Peruvian tax authorities may eventually result in additional taxes payable in the future. The Company recognizes liabilities for the observations resulting from tax audits when additional taxes become payable; any differences have an impact on the balances of current and deferred income tax for the fiscal period in which those observations are determined.

Deferred income tax asset is reviewed at each reporting date to determine the recoverable amount.

The current income tax determination is performed by the Company following applicable laws and regulations and it does not include any estimated provisions that may eventually give rise to differences against tax audit results. Accordingly, no sensitivity analysis has been considered necessary to be included to simulate variances in calculation, because Management considers that no significant differences will arise that may have a material impact on its financial statements.

- Review of carrying amounts and impairment provision -

The Company performs an assessment of whether a provision for impairment is required following the accounting policy described in Note 2.12. This determination requires the Company to exercise judgment in analyzing evidence of impairment and determining the recoverable amount. In determining the latter, judgment is required to calculate the expected future cash flows, including Management's projections of the Company operations in the future, projections of economic factors that may affect the Company's expected revenue and costs as well as determining the discount rate to be applied to those cash flows.

Estimates used in determining the recoverable amount of assets consider prior-year events, current operations, future expectations as well as changes in the Company's business strategy. These considerations were relevant in estimating the expected future cash flows and are taken into account in the coming years. The Company, taking into account internal and external information, has considered it appropriate to carry out the impairment test of the CGU, Oil Pipeline Operations and the PMRT (Note 11), CGUs for Production and trading and rented and privatized units and it has not identified any evidence that would lead to an impairment test.

- Impairment test of assets subject to amortization or depreciation -

Assets that are subject to depreciation and amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount of an asset comprises the higher of its fair value less cost of disposal or its value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs).

The Company groups its assets into three CGUs: (i) Production and trading; (ii) Oil Pipeline operations and (Note 11) iii) Leased and privatized Units.

- Impairment test of PMRT assets in process of construction -

PMRT assets in the process of construction are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Impairment losses are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

- Expected loss of trade receivables -

The Company has recognized a correction in the amount of the provision based on the expected credit losses on its financial assets applying the simplified approach. Under IFRS 9, impairment of a financial asset has to be estimated based on the expected credit losses rather than incurred losses.

4.2 Critical judgments in the application of accounting policies -

Determination of functional currency - Note 2.2 - a) -

Under IAS 21, "The Effects of Changes in Foreign Exchange Rates", an entity must define its functional currency as the currency of the primary economic environment in which the Company operates. As part of its assessment, an entity analyzes primary indicators (those associated with the economic forces that mainly influence sales prices and costs); when the primary indicators are not conclusive, it analyzes secondary indicators (those associated with the currency in which funds from financing activities are generated and in which cash surpluses are maintained). After this evaluation, the determination of the functional currency may not be evident, in which case, Management should exercise judgment to determine its functional currency as the currency that most faithfully reflects the economic effects of the Company's underlying transactions.

The Company sells its products and services mostly in the Peruvian market; selling prices of crude are influenced by the international market and by the local market and regulations. Most of the costs correspond to the import of crude, this cost is denominated in U.S. dollars and is mainly influenced by the international markets, most Note by the United States market.

In 2021 and 2020, Management has not observed any relevant change in the circumstances prevailing until 2016. However, from 2017, borrowings are mostly held in U.S. dollars as a result of the issuance of bonds in foreign markets for US\$2,000,000 thousand; this circumstance gave rise to a change in the financing structure existing until previous years. In addition, in 2018 the Company obtained a long-term loan with CESCE for US\$1,236,717 thousand, which increased in 2020 by US\$54,199 thousand and in 2021, US\$9,084 thousand; in addition to a new issuance of bond, carried out in February 2021, via the reopening of Bonds 2047 for US\$1,000,000 thousand (Note 14).

The financing structure and the notable prevalence of the U.S. dollar lead the Company to define this currency as its functional currency, accordingly, the financial statements are to be expressed in the currency in which most of the underlying transactions are denominated.

At December 31, 2021 and 2020 according to Company's critical judgment, the functional currency is the US dollar.

5 SEGMENT INFORMATION

- a) Description of business segments and core activities -

The Company's chief operating decision-maker (General Management) evaluates the Company's performance in its three divisions that are considered reportable segments. These divisions offer different products and services and are managed separately since they required different sales and financial business strategies.

The Company's operating segments are assessed by the activities of the following business units: (i) Production and trading, (ii) Oil Pipeline operations and (iii) Leased and privatized units.

As set forth under IFRS 8, the reportable operating segment based on its level of revenue is: 'Production and trading'. However, the Company has voluntarily decided to report on all its operating segments as detailed in this Note.

The following summary describes the operations of each reportable segment:

Reportable segment	Operations
Production and trading	Refining and commercialization of petroleum products.
Oil Pipeline operations	Service of transfer and custody of crudes from the Northern jungle of Peru.
Leased and privatized units	Assets that originate cash inflows derived from rentals.

The Company's General Management reviews the internal management reports of each segment on a quarterly basis.

There are several levels of transactions between the Production and trading segments and Oil Pipeline operations. These transactions include oil transfers or some transportation products and services, respectively.

- b) Statement of financial position by segments -

	Production and trading (*) US\$000	Oil Pipeline operations US\$000	Leased and privatized units US\$000	Total US\$000
At December 31, 2021				
Assets:				
Current	1,175,195	262,895	20,803	1,458,893
Non-current	<u>6,751,994</u>	<u>270,737</u>	<u>203,912</u>	<u>7,226,643</u>
	<u>7,927,189</u>	<u>533,632</u>	<u>224,715</u>	<u>8,685,536</u>
Liabilities:				
Current	2,141,238	106,800	53,383	2,301,421
Non-current	<u>4,457,821</u>	<u>17,375</u>	<u>-</u>	<u>4,475,196</u>
	<u>6,599,059</u>	<u>124,175</u>	<u>53,383</u>	<u>6,776,617</u>
At December 31, 2020				
Assets:				
Current	791,350	109,950	49,987	951,287
Non-current	<u>5,873,759</u>	<u>241,670</u>	<u>193,041</u>	<u>6,308,470</u>
Total assets	<u>6,665,109</u>	<u>351,620</u>	<u>243,028</u>	<u>7,259,757</u>
Liabilities:				
Current	1,998,650	52,796	31,958	2,083,404
Non-current	<u>3,317,934</u>	<u>17,437</u>	<u>-</u>	<u>3,335,371</u>
Total liabilities	<u>5,316,584</u>	<u>70,233</u>	<u>31,958</u>	<u>5,418,775</u>

(*) Include refineries, a gas station, commercial area and main office.

c) Statement of comprehensive income by segments -

	<u>Production and trading (*) US\$000</u>	<u>Oil Pipeline operations US\$000</u>	<u>Leased and privatized units US\$000</u>	<u>Total US\$000</u>
For the year ended December 31, 2021				
Revenue from ordinary activities	4,156,237	177	-	4,156,414
Other operating income	<u>28,061</u>	<u>9,668</u>	<u>24,301</u>	<u>62,030</u>
Total revenue	<u>4,184,298</u>	<u>9,845</u>	<u>24,301</u>	<u>4,218,444</u>
Cost of sales	(3,716,973)	(42,055)	(5,378)	(3,764,406)
Transfers	(8,175)	8,175	-	-
Gross profit	<u>459,150</u>	<u>(24,035)</u>	<u>18,923</u>	<u>454,038</u>
Selling and distribution expenses	(53,613)	-	(8,068)	(61,681)
Administrative expenses	(133,506)	(11,543)	(35,000)	(180,049)
Other income and expenses	<u>45,834</u>	<u>2,182</u>	<u>-</u>	<u>48,016</u>
Profit (loss) from operating activities	<u>317,865</u>	<u>(33,396)</u>	<u>(24,145)</u>	<u>260,324</u>
Financial, net	(82,397)	(2,855)	(1,974)	(87,226)
Profit (loss) before income tax	<u>235,468</u>	<u>(36,251)</u>	<u>(26,119)</u>	<u>173,098</u>
Income tax expense	(105,322)	42	119	(105,161)
Result from the year	<u>130,146</u>	<u>(36,209)</u>	<u>(26,000)</u>	<u>67,937</u>
For the year ended December 31, 2020				
Revenue from ordinary activities	3,045,173	129	-	3,045,302
Other operating income	<u>27,705</u>	<u>22,278</u>	<u>26,474</u>	<u>76,457</u>
Total revenue	<u>3,072,878</u>	<u>22,407</u>	<u>26,474</u>	<u>3,121,759</u>
Cost of sales	(2,811,283)	(45,750)	(5,377)	(2,862,410)
Transfers	(6,856)	6,856	-	-
Gross profit	<u>254,739</u>	<u>(16,487)</u>	<u>21,097</u>	<u>259,349</u>
Selling and distribution expenses	(60,352)	-	(3,919)	(64,271)
Administrative expenses	(117,957)	(11,784)	-	(129,741)
Other income and expenses	(67,428)	<u>2,323</u>	<u>-</u>	<u>(65,105)</u>
Profit (loss) from operating activities	<u>9,002</u>	<u>(25,948)</u>	<u>17,178</u>	<u>232</u>
Financial, net	(34,581)	(6,969)	(11)	(41,561)
Profit (loss) before income tax	<u>(25,579)</u>	<u>(32,917)</u>	<u>17,167</u>	<u>(41,329)</u>
Income tax expense	(27,220)	<u>582</u>	<u>687</u>	<u>(25,951)</u>
Result from the year	<u>(52,799)</u>	<u>(32,335)</u>	<u>17,854</u>	<u>(67,280)</u>

(*) Include refineries, a gas station, commercial area and main office.

d) Revenue by geographical area -

At December 31, revenue by geographical segment is based on the customers' geographical location:

	<u>2021 US\$000</u>	<u>2020 US\$000</u>
Peru	3,862,893	2,894,047
Other countries	<u>355,551</u>	<u>227,712</u>
	<u>4,218,444</u>	<u>3,121,759</u>

6 FINANCIAL INSTRUMENTS

6.1 Financial instruments per category -

The classification of financial assets and liabilities per category is as follows:

	<u>At December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>US\$000</u>	<u>US\$000</u>
Financial assets as per the statement of financial position		
Financial assets at amortized cost:		
- Cash and cash equivalents (Note 7)	239,557	84,818
- Trade receivables (Note 8)	302,091	287,853
- Other receivables (*) (Note 9)	<u>39,265</u>	<u>37,907</u>
	<u>580,913</u>	<u>410,578</u>
Other assets measured at fair value through profit and loss:		
- Derivative financial instruments (Note 9)	<u>6,759</u>	<u>2,195</u>
	<u>587,672</u>	<u>412,773</u>
Financial liabilities as per the statement of financial position		
Other financial liabilities at amortized cost:		
- Other financial liabilities (Note 14)	5,065,484	4,414,398
- Trade payables (Note 15)	1,352,831	807,568
- Lease liabilities (Note 13)	26,163	3,503
- Other payables (*) (Note 16)	<u>31,155</u>	<u>7,073</u>
	<u>6,475,633</u>	<u>5,232,542</u>
Other liabilities measured at fair value through profit and loss:		
- Derivative financial instruments (Note 16)	<u>45</u>	<u>12</u>
	<u>6,475,678</u>	<u>5,232,554</u>

(*) Not including taxes, labor liabilities nor advances.

6.2 Credit quality of financial assets -

The credit quality of financial assets is shown in Note 3.1.b).

According to the information provided by Apoyo & Asociados Internacionales S.A.C. (Fitch Ratings representative) the credit quality of the financial institutions in which cash is maintained in checking accounts, liquidity funds and time deposits is broken down as follows:

	<u>At December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>US\$000</u>	<u>US\$000</u>
Cash and cash equivalent -		
Cash and cash equivalent:		
A+	220,512	60,670
A	<u>19,026</u>	<u>23,074</u>
	<u>239,538</u>	<u>83,744</u>
Liquidity funds:		
A	<u>-</u>	<u>1,050</u>

ratings are obtained from the credit rating agencies authorized by the Peruvian banking regulator, (Superintendencia de Banca, Seguros y AFP - SBS).

Customers' credit quality is assessed in three categories (internal ranking):

- A: new customers / related parties (less than six months),
 B: existing customers / related parties (more than six months) with no history of default
 C: existing customers / related parties (more than six months) with some history of default in the pas

	<u>At December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>US\$000</u>	<u>US\$000</u>
Trade receivables (Note 8)		
A	624	4
B	245,450	266,225
C	<u>56,017</u>	<u>21,624</u>
	<u>302,091</u>	<u>287,853</u>

Other receivables (Note 9)

Counterparties without external credit rating (excludes tax credit, advances, payments on account, other taxes, derivatives and impaired accounts).

	<u>At December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>US\$000</u>	<u>US\$000</u>
A	1,306	12,896
B	15,836	10,789
C	<u>22,123</u>	<u>14,222</u>
	<u>39,265</u>	<u>37,907</u>

The total balance of trade receivables and receivables from related parties is in compliance with contract terms and conditions; none of them have been re-negotiated.

7 CASH AND CASH EQUIVALENTS

This item comprises:

	<u>At December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>US\$000</u>	<u>US\$000</u>
Checking accounts (a)	239,538	83,744
Liquidity funds (b)	-	1,050
Fixed funds	<u>19</u>	<u>24</u>
	<u>239,557</u>	<u>84,818</u>

- (a) The Company maintains cash in checking accounts in local and foreign currency with financial institutions. These funds are freely available earning preferred interest rates between 2.15% and 0.58%. The increase in checking account balances is mainly due to the balance of cash flows derived from the reopening of 2047 bonds carried out in February 2021 (Note 14).

- (b) At December 31, 2020 liquidity funds are short term instruments in foreign institutions, characterized by liquidity and a stable share price with a yield of 0.12% and are immediately available without a defined maturity date. During 2021, the liquidity funds have been used in the investment activities of the PMRT.

8 TRADE RECEIVABLES

This item comprises:

	<u>At December 31,</u>	
	<u>2021</u>	<u>2020</u>
	<u>US\$000</u>	<u>US\$000</u>
Wholesalers	171,520	189,221
Mining industry	35,976	22,604
Fuel traders	16,025	11,234
Oil companies	22,460	37,416
External market	12,201	-
Armed Forces and National Police Force	4,570	7,891
Aviation business	2,552	2,843
Fishing industry	4,391	8,279
Construction industry	771	2,424
Transport industry	1,389	1,309
Industrial industry	459	555
Electric power industry	179	2,452
Other customers	1,087	1,625
Doubtful accounts receivable from different customers	<u>11,989</u>	<u>13,673</u>
	<u>285,569</u>	<u>301,526</u>
Price Stabilization Fund - Ministry of Energy and Mines (Note 1-c)	<u>28,511</u>	<u>-</u>
	<u>314,080</u>	<u>301,526</u>
Less: Expected loss of trade receivables	<u>(11,989)</u>	<u>(13,673)</u>
	<u>302,091</u>	<u>287,853</u>

Accounts receivable -

The balances of trade receivables are invoices in soles and U.S. dollars mainly originated by sales of refined products. For the Armed Forces and National Police Force, receivables fall due after 45 days; for wholesalers and other customers, from 7 to 45 days. Following internal policies, receivables are mostly secured by a letter of guarantee and other instruments of the Peruvian financial system in accordance with the credit policy approved by the Board of Directors.

Price Stabilization Fund - Ministry of Energy and Mines -

At December 31, 2021 and 2020 the total amount receivable from the General Hydrocarbons Agency (DGH) amounted to US\$43,025 thousand and US\$15,757 thousand, respectively, generated from compensations and contributions transactions (Note 2.23-b). These balances includes a legal recours ("Demanda de Amparo") recorded in a Claims account for US\$14,514 thousand at December 31, 2021 (US\$16,012 thousand at December 31, 2020), classified as other long-term receivables (Note 9).

During 2021, the increase in balances receivable from the Fuel Price Stabilization Fund is mainly due to the inclusion in the FEPC of GLP-E, Diesel B5 and Diesel S-50. Likewise, the upward trend in the price of crude oil (US\$76.99 per barrel in 2021 vs. US\$48.52 per barrel in 2020) as a result of the Russia-Ukraine conflict, had an impact on the calculation of the FEPC.

At December 31, the movement of the total balance of the item Price Stabilization Fund is explained as follows:

	<u>2021</u> <u>US\$000</u>	<u>2020</u> <u>US\$000</u>
Opening balance	(255)	9,796
Price compensation	28,473	1,336
Price contribution	(3,174)	(36,243)
Net (charged) credited to revenue from ordinary activities (Note 20)	25,299	(34,907)
Compensation generated by imported products	4,626	-
Contribution generated by import of products	(926)	(9,236)
Collection and compensation and/or contribution payments	145	32,560
Exchange difference	(378)	1,532
Final balance receivable (payable)	<u>28,511</u>	<u>(255)</u>

Expected loss of trade receivables -

To measure the expected credit losses, the Company has classified its customers based on common risk characteristics that reflect the payment capacity of each segment of customers considering the amounts owed. This classification was performed considering the segments that represent specific risks: wholesale, industrial, trade and armed forces segments.

The Company considered appropriate to exclude trade receivable from wholesale and trade segments considering their high liquidity and because no historical losses have been incurred.

The rates of expected credit losses are based on the payment profiles of sales over a 12-month period before December 31, 2021 and the historical credit losses are adjusted to reflect the current and prospective information about macroeconomic factors that affect customers' ability to settle the Company's trade receivables. The Company has identified the growth rate of hydrocarbon Gross Domestic Product (GDP) and the variation in real minimum vital remuneration as the most relevant factors and, consequently, adjusts the historical loss rates based on the expected changes in these factors.

Based on that information, the provision for losses at December 31, 2021 and 2020 was determined as follows:

	<u>2021</u>			<u>2020</u>		
	<u>Expected loss rate</u>	<u>Gross carrying amount</u>	<u>Expected loss</u>	<u>Expected loss rate</u>	<u>Gross carrying amount</u>	<u>Expected loss</u>
	<u>%</u>	<u>US\$000</u>	<u>US\$000</u>	<u>%</u>	<u>US\$000</u>	<u>US\$000</u>
Current	0.00	273,507	4	0.02	272,297	47
From 1 to 300 days	99.36	22	22	0.46	15,195	70
From 301 to 330 days	99.36	-	-	41.10	175	72
From 331 to 360 days	99.36	-	-	79.28	22	17
More than 360 days	99.36	<u>12,040</u>	<u>11,963</u>	97.33	<u>13,837</u>	<u>13,467</u>
Total (*)		<u>285,569</u>	<u>11,989</u>		<u>301,526</u>	<u>13,673</u>

(*) Does not include the Price Stabilization Fund.

The movement in the provision for expected loss of trade receivables is as follows:

	<u>2021</u> <u>US\$000</u>	<u>2020</u> <u>US\$000</u>
Opening balance	13,673	6,270
Expected loss (Note 23)	-	7,815
Exchange difference	(1,635)	(412)
Recoveries	(49)	-
Final balance	<u>11,989</u>	<u>13,673</u>

Management considers that the estimate for the expected loss recognized in the financial statements and guarantees required are sufficient to cover any eventual risk of collection of trade receivables at the date of the statement of financial position.

Trade receivables that have reached maturity, on which no losses are expected, are related to independent customers maintaining letters of guarantee and/or whose debt is reconciled and is expected to be collected in the short term; therefore, Management has not estimated an expected loss for these accounts.

The provision for expected loss for trade receivables is included in selling expenses in the statement of comprehensive income (Note 23).

9 OTHER RECEIVABLES

This item comprises:

	<u>At December 31,</u>	
	<u>2021</u> <u>US\$000</u>	<u>2020</u> <u>US\$000</u>
Current		
Tax credit - VAT and income tax (a)	222,105	121,007
Advances granted to suppliers	27,598	20,277
Association investment with GeoPark	3,522	3,779
Loans to personnel	3,242	3,669
Funds subject to restriction	3,094	2,229
Assets for derivative financial instruments	6,759	2,195
Loans to third parties	2,166	2,270
Others	5,424	1,891
Doubtful claims to municipalities and others (e)	<u>32,824</u>	<u>34,521</u>
	306,734	191,838
Less: Expected loss of other receivables (e)	(32,824)	(34,521)
Current portion	<u>273,910</u>	<u>157,317</u>
Non-current		
Tax credit - VAT, long-term (b)	539,364	394,738
Price Stability Fund Claims - Ministry of Energy and Mines (Note 1-c), Note 8)	14,514	16,012
Claims against tax authorities - SUNAT (d)	7,303	8,057
Other long-term taxes	<u>6,521</u>	<u>6,881</u>
Non-current portion	<u>567,702</u>	<u>425,688</u>

(a) Tax credit - Value added tax and income tax, short-term -

At December 31, 2021 corresponds to the Value Added Tax credit (IGV in Peru) of operations for US\$2,824 thousand (equivalent to S/11,249 thousand), Value Added Tax of the PMRT for an amount of US\$48,790 thousand (equivalent to S/195,064 thousand) and tax credit for excise tax (ISC) for US\$113,763 thousand (equivalent to S/454,825 thousand) and tax credit for payments on account of income tax for US\$56,726 thousand (equivalent to S/226,789 thousand), which will be recovered in the short term from operations and under the VAT anticipated recovery regime. At December 31, 2020 corresponds to the Value Added Tax credit (IGV in Peru) of operations for US\$17,000 thousand (equivalent to S/65,669 thousand), Value Added Tax of the PMRT for an amount of US\$28,000 thousand (equivalent to S/114,593 thousand) and tax credit for excise tax (ISC) for US\$36,202 thousand and tax credit for payments on account of income tax for US\$39,507 thousand (equivalent to S/143,174 thousand), which will be recovered in the short term from operations and under the VAT anticipated recovery regime.

During 2021, SUNAT made the return of VAT tax credit for US\$42,352 thousand (equivalent to S/168,805 thousand), which was requested by the Company through the early recovery regime ("Régimen de Recuperación Anticipada") for US\$16,392 thousand (equivalent to S/67,312 thousand) (Note 28-e) and return of the balance in favor of the exporter's benefit for US\$25,960 (equivalent to a S/101,493 thousand).

During 2020, SUNAT made the return of VAT tax credit for US\$101,957 thousand (equivalent to S/355,566 thousand), which was requested by the Company through the early recovery regime ("Régimen de Recuperación Anticipada") for US\$56,399 thousand (equivalent to S/197,196 thousand) (Note 28-e) and return of the balance in favor of the exporter's benefit for US\$45,558 thousand (equivalent to S/158,370 thousand).

(b) Tax credit - Value added tax, long-term -

At December 31, 2021 corresponds to the Value Added Tax credit (IGV in Peru) paid for the acquisition of goods and services mainly related to the Talara Refinery Modernization Project amounting to US\$301,624 thousand (equivalent to S/1,205,917 thousand) and the VAT for operations amounting to US\$237,740 thousand (equivalent to S/950,506 thousand). At December 31, 2020 corresponds to the Value Added Tax credit (IGV in Peru) paid for the acquisition of good and services mainly related to the Talara Refinery Modernization Project amounting to US\$105,054 thousand (equivalent to S/380,717 thousand) and the VAT for operations amounting to US\$289,684 thousand (equivalent to S/1,049,811 thousand).

This credit balance of tax credit has no expiry date. The Company expects to recover this tax credit through its operations and the early recovery regime ("Régimen de Recuperación Anticipada") in the long-term.

(c) Price Stabilization Fund Claims - Ministry of Energy and Mines -

In April 2010, the General Hydrocarbons Agency (DGH) issued Resolution 075-2010-EM/DG, by which the producers and importers of fuel are required to amend the weekly statements presented since August 2008 and apply, on a retroactive basis, the reference values established in said Resolution. The Company, based on the opinion of Management and legal counsel, has filed an Action seeking constitutional protection with the second constitutional court in Lima, on the grounds that this resolution was unconstitutional. This action was assigned with the File N°21022-2010-0-1801-JR-CI-02.

On November 28, 2018 a Sentence was issued as contained in Resolution No.16 by which a constitutional court in Lima ("Segundo Juzgado Especializado Constitucional de Lima") decided the claim was groundless. By means of Resolution No.17, the Appeal of said Judgment was granted to the second instance.

On November 28, 2018, by means of Resolution No.16, the Second Constitutional Court ("Tercera Sala Civil") declared Resolution No.16 null and void, which decided the claim was groundless and ordered that the Judge of First Instance issue a new resolution in accordance with the aforementioned. At December 31, 2021 the Second Constitutional Court of Lima ("Segundo Juzgado Especializado Constitucional de Lima") has not issued a Sentence.

Management considers that, based on the reports of its external legal counsel, once the court proceedings are completed, the outcome will be favorable to the Company and it will enable it to recover the whole account receivable recorded those amounts to US\$14,514 thousand at December 31, 2021 (US\$16,012 thousand at December 31, 2020).

(d) Claims to the Peruvian Tax and Customs regulator (Superintendencia Nacional de Aduanas y de Administración Tributaria - SUNAT) -

This item consists of claims against tax assessments involving the Turbo A-1 (fuel intended only for aviation activities) resulting from the provisions of DS 186-2002-EF, which stipulated the sales of Turbo A1 intended for general aviation activities were not subject to Excise Tax (ISC in Peru). In this respect, the Company considers it illegal to restrict the tax to sales conducted by profit-making entities since they were finally directed to aviation entities by virtue of private contracts.

At December 31, 2021 and 2020 this item only comprises File No.17806-2012., which is explained below:

In November 2012, the Company paid a total US\$8,651 thousand (equivalent to S/29,197 thousand), in respect of a number of tax determination and tax penalty resolutions involving allegedly unpaid excise tax (ISC) and VAT (IGV) for fiscal. At December 31, 2021 this action remains to be resolved by Courtroom 4 of the Peruvian Tax Tribunal, under File No. 17806-2012. The Company and its legal counsel have high expectations of obtaining a favorable outcome. The expected refund is equivalent to US\$7,303 thousand at the closing exchange rate.

(e) Expected credit loss of other receivables -

The expected loss is mainly related to claims submitted to municipalities involving property taxes and municipal taxes; the probability of a favorable outcome is low. In this sense, the Company applies the general model of IFRS 9 to measure the expected credit losses of claims.

The Company considers the probability of default after the initial recognition of claims and whether there has been a significant increase in credit risk on a continuous basis throughout each period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default in the asset on the date of presentation of the financial statements with the risk of default on the date of its initial recognition. The current and reasonable information that is available is considered. In particular, the internal credit rating is incorporated as an indicator.

Regardless of the above analysis, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making the claim payment. With respect to the other items of other receivables, the Company considers that the credit risk of counterparties is low. Therefore, the Company has not registered an expected loss for these accounts as it is not significant.

At December 31, 2021 and 2020 the movement of the provision for expected loss is as follows:

	<u>2021</u> <u>US\$000</u>	<u>2020</u> <u>US\$000</u>
Opening balance	34,521	35,954
Exchange difference	(1,487)	(1,433)
Write-offs	(210)	-
Final balance	<u>32,824</u>	<u>34,521</u>

10 INVENTORIES

This item comprises:

	At December 31,	
	2021	2020
	US\$000	US\$000
Crude oil	210,379	110,698
Refined products:		
In-process	53,096	55,802
Finished	165,567	99,418
Acquired refined products	150,538	94,984
In-transit inventories	27,682	30,890
Supplies	38,312	30,239
	<u>645,574</u>	<u>422,031</u>
Less - Provision for impairment of supplies	(4,251)	(4,419)
	<u>641,323</u>	<u>417,612</u>

In 2021, the cost of inventories recognized as expenses and included in the cost of sales amounted to US\$3,506,281 thousand (US\$2,608,374 thousand in 2020) which are equivalent to cost of sales less operating expenses of production (Note 22).

At December 31, 2021 the crude oil price had a rising trend, with a closing price of US\$76.99 per barrel (US\$48.52 per barrel at December 31, 2020). The average price during December 2021 was US\$71.53 per barrel (US\$47.05 per barrel in December 2020).

The movement of the provision for impairment of supplies is explained as follows:

	2021	2020
	US\$000	US\$000
Opening balance	(4,419)	(1,002)
Obsolescence of supplies	(232)	(4,394)
Recovery	400	456
Adjustment	-	521
Final balance	<u>(4,251)</u>	<u>(4,419)</u>

This provision was recognized as a result of analyzing the net realizable value of inventories, taking into account the expectations of obtaining net cash flows from sales or consumption and considering their physical condition. At December 31, 2021 and 2020 the Company considers that the amount of the provision adequately reflects the risk of impairment of all its inventories both by physical obsolescence and net realizable value.



11 PROPERTY, PLANT AND EQUIPMENT

This item comprises:

	Land US\$000	Buildings and others constructions US\$000	Machinery and equipment US\$000	Vehicles US\$000	Furniture and fixtures US\$000	Other and computer equipment US\$000	Equipment not in use US\$000	Work in progress US\$000	Additional investments US\$000	Total US\$000
At January 1, 2020:										
Cost	204,162	201,203	872,463	37,725	6,046	62,973	6,387	4,237,035	34,101	5,662,095
Accumulated depreciation	-	(99,116)	(409,330)	(16,160)	(4,227)	(32,003)	(6,063)	-	-	(566,899)
Accumulated impairment	-	-	(309)	-	-	-	(324)	-	-	(633)
Net cost	<u>204,162</u>	<u>102,087</u>	<u>462,824</u>	<u>21,565</u>	<u>1,819</u>	<u>30,970</u>	<u>-</u>	<u>4,237,035</u>	<u>34,101</u>	<u>5,094,563</u>
Year 2020:										
Opening balance of net carrying amount	204,162	102,087	462,824	21,565	1,819	30,970	-	4,237,035	34,101	5,094,563
Additions	-	538	2,918	77	-	-	-	846,476	6,565	856,574
Transfers	-	5,118	16,567	5,765	284	1,397	-	(29,131)	-	-
Disposals	-	-	(19)	-	(17)	-	(3,268)	-	-	(3,304)
Reclassification to equipment out of use	-	-	(961)	(50)	(39)	(1,378)	2,428	-	-	-
Reclassifications	-	-	-	-	2	-	-	-	-	2
Cost adjustments	-	(530)	(9)	-	-	-	-	-	-	(539)
Depreciation for the year	-	(5,486)	(34,982)	(2,630)	(538)	(3,489)	-	-	-	(47,125)
Depreciation of disposals	-	-	19	-	17)	-	3,268	-	-	3,304)
Obsolete assets	-	-	-	-	-	-	(138)	-	-	(138)
Transfer depreciation	-	-	836	39	39	1,376	(2,290)	-	-	-
Impairment of assets	-	-	-	-	-	-	-	(71,446)	-	(71,446)
Depreciation adjustments	-	-	9	-	-	-	-	-	-	9
At December 31, 2020	<u>204,162</u>	<u>101,727</u>	<u>447,202</u>	<u>24,766</u>	<u>1,568</u>	<u>28,876</u>	<u>-</u>	<u>4,982,934</u>	<u>40,666</u>	<u>5,831,901</u>
Cost	204,162	206,329	890,959	43,517	6,276	62,992	5,547	5,054,380	40,666	6,514,828
Accumulated depreciation	-	(104,602)	(443,448)	(18,751)	(4,708)	(34,116)	(5,223)	-	-	(610,848)
Accumulated impairment	-	-	(309)	-	-	-	(324)	(71,446)	-	(72,079)
At December 31, 2020	<u>204,162</u>	<u>101,727</u>	<u>447,202</u>	<u>24,766</u>	<u>1,568</u>	<u>28,876</u>	<u>-</u>	<u>4,982,934</u>	<u>40,666</u>	<u>5,831,901</u>
Year 2021										
Opening balance of net carrying amount	204,162	101,727	447,202	24,766	1,568	28,876	-	4,982,934	40,666	5,831,901
Additions	6,261	1,635	53,694	-	-	3,773	-	770,719	(28,146)	807,936
Transfers	-	5,002	107,671	5,837	190	1,411	-	(120,111)	-	-
Disposals	-	-	(3,098)	(1,028)	-	(39)	(380)	-	-	(4,545)
Reclassification to equipment out of use	-	-	(3,488)	(108)	17	(738)	4,351	-	-	-
Reclassifications	-	-	-	-	-	-	-	(6,843)	-	(6,843)
Cost adjustments	-	-	-	-	-	(2)	-	2	-	-
Depreciation for the year	-	(5,612)	(40,696)	(2,862)	(470)	(3,535)	-	-	-	(53,175)
Depreciation of disposals	-	-	3,098	1,028	-	39	380	-	-	4,545
Transfer depreciation	-	-	3,124	102	17	711	(3,954)	-	-	-
Obsolete assets	-	-	-	-	-	-	(397)	-	-	(397)
At December 31, 2021	<u>210,423</u>	<u>102,752</u>	<u>567,507</u>	<u>27,735</u>	<u>1,288</u>	<u>30,496</u>	<u>-</u>	<u>5,626,701</u>	<u>12,520</u>	<u>6,579,422</u>
Cost	210,423	212,966	1,045,738	48,218	6,449	67,397	9,518	5,698,147	12,520	7,311,376
Accumulated depreciation	-	(110,214)	(477,922)	(20,483)	(5,161)	(36,901)	(9,518)	-	-	(660,199)
Accumulated impairment	-	-	(309)	-	-	-	-	(71,446)	-	(71,755)
At December 31, 2021	<u>210,423</u>	<u>102,752</u>	<u>567,507</u>	<u>27,735</u>	<u>1,288</u>	<u>30,496</u>	<u>-</u>	<u>5,626,701</u>	<u>12,520</u>	<u>6,579,422</u>

(i) Major projects -

Name of the project	Disbursements December 31, 2021	Progress percentage %	
	US\$000	Real	Planned
Talara Refinery Modernization Project - PMRT (a)	5,370,069	96.79	93.37
Project to set up and operate the New Ilo Terminal (b)	47,432	46.00	78.50
Supply Plant in Pasco Ninacaca (c)	7,352	73.50	100.00
Puerto Maldonado Plant and Selling Point (1st stage) (d)	19,491	81.90	100.00

a) Talara Refinery Modernization Project - PMRT -

Its objective is the technological development involving building new manufacturing facilities, modernizing and extending current facilities to:

- i) Manufacture Diesel and Gasoline with less than 50 ppm (part per million) of Sulphur.
- ii) Enlarge the production capacity of the refinery from 65 to 95 thousand bpd (barrels per day).
- iii) Process heavy and more economic crudes to be used in manufacturing light fuels of higher commercial value.

At December 31, 2021 the status of the Project is described as follows:

- Overall progress

- Overall progress of PMRT is 96.79% Real vs 99.37% Scheduled.

Since March 16, 2020, Petroperú temporarily suspended the PMRT construction activities, maintaining only the execution of tasks related to the industrial safety of the facilities and equipment. Since June 15, 2020, the work in the PMRT has been progressively restarted, complying with the protocols approved and established in the Plan for the Surveillance, Prevention and Control of COVID-19 of the PMRT.

To date, the Master Schedule level 3 review 9 presented by Técnicas Reunidas has been approved. For Auxiliary Units, there is an estimate by CPT, which is subject to modification when the EPC Cobra-SCL Contractor presents its updated Master Schedule.

The approval of the change proposals proposed by Técnicas Reunidas and Cobra is being managed due to the impacts on time and cost caused by the State of National Emergency due to Covid-19 during 2021. On November 6, 2021 the Framework Agreement II was signed with the contractor Cobra SCL UA&TC, where the delivery dates of the Auxiliary Units are established, as well as the impacts that must be recognized by Petroperú as a consequence of the effects of the Covid-19 pandemic during 2021 and 2022, among others. On November 24, 2021 Change Proposal No. 272 was received, in which it is limited exclusively to collecting (from January 1 to December 31, 2021) the cost impacts corresponding to 2021 to which Técnicas Reunidas is forced to incur as a result of the regulations and protocols due to the Covid-19 pandemic.

At December 31, 2021 the table below shows a breakdown of the estimated cost of project compared to the disbursements incurred:

	December 31, 2021		Total Budget	
	Disbursements US\$000	Progress percentage %	Planned US\$000	Total percentage %
Técnicas Reunidas (TR) -				
Processing unit	3,065,992	96.36	3,181,708	55.64
Consorcio Cobra SCL -				
Auxiliary units	770,797	90.99	857,124	14.99
Complementary work	292,912	80.64	363,215	6.35
Others -				
Supervising	321,837	91.95	350,009	6.12
Management	201,249	81.23	247,766	4.33
Interest on financing	717,282	99.83	718,525	12.57
	<u>5,370,069</u>	<u>93.91</u>	<u>5,718,347</u>	<u>100.00</u>

	December 31, 2020		Total Budget	
	Disbursements US\$000	Progress percentage %	Planned US\$000	Total percentage %
Técnicas Reunidas (TR) -				
Processing unit	2,765,065	92.26	2,996,984	56.59
Consorcio Cobra SCL -				
Auxiliary units	652,944	82.97	786,949	14.86
Complementary work	245,573	72.31	339,635	6.41
Others -				
Supervising	286,809	89.63	319,994	6.04
Management	172,250	71.72	240,180	4.54
Contingencies	-	-	16,265	0.31
Interest on financing	531,969	89.33	595,495	11.25
	<u>4,654,610</u>	<u>92.74%</u>	<u>5,295,502</u>	<u>100.00</u>

- Progress of EPC Unidades Auxiliares y Trabajos Complementarios - Contract with Consorcio Cobra SCL UA&TC

The Comprehensive Progress in the EPC Contract with the Consorcio Cobra SCL UA&TC is 91.15% Real VS.99.50% Scheduled.

Cobra SCL UA&TC has recorded progress in the Engineering, Procurement and Construction (EPC) activities, as follows:

- Progress of engineering: 99.71% Real vs 100% Scheduled.
- Progress of Procurement: 96.26% Real vs 100% Scheduled.
- Progress of construction: 89.46% Real vs 100% Scheduled.
- Commissioner Advance: 22.30% Real vs 100% Scheduled.

At December 31, 2021 the accumulated executed amount is US\$1,063.71 million.

- **Progress of “EPC Unidades de Proceso” - Contract with Técnicas Reunidas (TR) -**

The Comprehensive Progress in the EPC Contract with TR is 98.75% Real vs. 99.84% Scheduled. TR has recorded progress in the construction activity (C), as follows:

- Progress of engineering: 100%.
- Progress of Procurement: 99.98% Real vs 100% Scheduled.
- Progress of construction: 98.98% Real vs 100% Scheduled.
- Commissioner Advance: 66.79% Real vs 92.15% Scheduled.

At December 31, 2021 the accumulated executed amount is US\$3,065.99 million.

- **Financial structure of the PMRT**

- Capital contribution for US\$325 million.
- Own resources for: US\$808 million.
- Bond placement (15 and 30 years) for US\$2,000 million.
- Loan secured by Compañía de Seguros de Crédito a la Exportación (CESCE) for US\$1,300 million.
- Loans from the Corporate Internationalisation Fund (FIEM) for US\$148 million (in structuring process).
- Bonds for US\$1,155,000 thousand.

- **Social responsibility and Community Relations**

- Local labor plan (“Plan de Mano de Obra Local”)

At December 31, 2021 the total labor plan was 4,453 job positions. The share of local unqualified labor was 96.9% (from a total of 716 unqualified labor), above the limit set in the EIA (70%), while the share of local qualified labor was 60.1% (from a total of 3,737 qualified labor).

- Improvement of the Northern Cone Road (Section: Víctor Raúl Bridge – A.H. Jesús María):
 - ✓ 1st Stage: Track Adequacy. Real progress: 100%
 - ✓ 2nd Stage: Contracting process of the work. The approval was given to the Consorcio del Norte JPO for the execution of the work.
- Storm Drainage Improvement IEP Federico Villareal and Protection of the blocks and houses involved (Urb. South America).

b) **Project to set up and operate the New Ilo Terminal -**

This project consists of the construction, installation and startup of a new Supply Terminal in Ilo for receiving, storing and shipping of fuel (Diesel, Gasoline and Gasohol) to meet demand in the surrounding area.

At December 31, 2021 the status of this Project is described as follows:

- The investment amount totals US\$47,432 thousand, of which 56.50% has been executed. The overall physical progress was 46.00% vs. 78.50% scheduled, since the activities initially scheduled for 2020 and 2021 were deferred by the Declaration of the State of Emergency due to Covid-19, as well as the longer deadlines for the completion of the new Detailed Engineering.

- In 2021, the activities have focused on the procurement of equipment and materials that present an advance of 71.8%. On the other hand, Future Contract Notice No. ACF-2021-190 was published for the new PC service for the continuation of the construction of the terminal on the PETROPERÚ website, after the termination of the contract with Felguera and the update of Detail Engineering.
- The term for the reversion of the land of the New Ilo Terminal (deadline for the restart of activities) was revalidated until December 31, 2023. However, the approval for the expansion of the Building License presents delays by the Municipality of Ilo.

c) **Supply Plant in Pasco Ninacaca -**

Construction, installation and start-up of a new Supply Plant in Ninacaca, to meet the demand for liquid fuels (Diesel B5, Gasohol 84, Gasohol 90) in the surrounding area.

At December 31, 2021 the status of this Project is described as follows:

- The project investment amounts to US\$7,352 thousand, of which 81.7% has been executed. Comprehensive physical execution remained at 73.5% during 2021, given that the project has been on hold since April 2020, due to direct treatment of controversies with the OBS – IMECON S.A. Consortium, whose expert opinion culminated on November 12, 2021 with the issuance of the report, which includes a recognition of US\$375 thousand (equivalent to S/1,500 thousand) in favor of Consorcio. To date, PETROPERÚ and the contractor agree on deadlines for its application.
- The progress of the works of the Management, Engineering and Mobilization Plan is 93%, civil works 61%, mechanical works 62%, electrical works 55%, instrumentation and control works 1%; while the works of mobilization of equipment and infrastructure, earthworks and foundation of tanks were 100% completed.
- There is a valid Building License until August 10, 2023.

d) **Puerto Maldonado Plant and Selling Point (1st stage) -**

Construction, installation and start-up of a new Supply Plant in Puerto Maldonado, to meet the demand for liquid fuels in the surrounding area and reduce the cost of transport.

At December 31, 2021 the status of this Project is described as follows:

- The investment amount totals US\$19,491 thousand, of which 97.00% has been executed. Comprehensive overall physical progress is 81.90% vs. 100.00% scheduled, explained by the economic difficulties of the contractor for the inclusion of larger work fronts derived from the State of Emergency due to COVID-19.
- The Procurement and Construction (PC) service is in charge of the Tecnitauques contractor showing an advance of 96.00% in general preliminary works, 77.80% in civil works, 92.00% in mechanical works and 57.00% in electrical works.
- Use of the right of way to access the plant under review and approval by PROVIAS (95% progress).

(ii) **Concession of port terminals -**

The purpose of the Terminal Operation Contract is to contract operators to operate, under their sole responsibility, cost and risk, North, Central and South Terminals; additionally, for the effective period of the concession agreement, making investments as committed as well as additional investments. Terminal operation consists of receiving, storing and shipping hydrocarbons, including maintenance and compliance with the work safety and environmental technical standards.

Maintenance of concession assets is contained in the respective operation agreements, by which, at the termination of those agreements, the concession assets must be returned to grantor in the same conditions in which they were originally provided, except for regular wear and tear from use.

During 2014, a public tender was organized to select Operators for the North, Central and South Terminals; awards for the North and Central Terminals were granted to the companies Graña y Montero Petrolera S.A. and Oiltanking Perú S.A.C; the relevant operating contracts were signed for an effective period of 20 years, which are effective until October 31, 2034 (Terminales Norte) and September 1, 2034 (Terminales del Centro).

The conditions of the agreements include executing additional investments for the approximate amount of US\$83,116 thousand (Terminales Norte) and US\$102,842 thousand (Terminales Centro) and investments committed by US\$18,390 thousand (Terminales Norte) and US\$18,766 thousand (Terminales Centro).

The South Terminal Operation Contract was signed in 1998 for a period of 15 years with Consorcio Terminales, made up of the companies Graña y Montero Petrolera S.A. and Oiltanking Perú S.A.C., which remained in force, by means of the addenda for years 2014, 2015, 2017 and 2019, and ended on November 2, 2019.

On November 3, 2019 the Company took the operation of the South Terminals.

At December 31, 2021 and 2020 the net carrying amounts of the concession assets totaled US\$105,526 thousand and US\$89,409 thousand, respectively; included mainly in the item of land, machinery and equipment.

(iii) Insurance -

The assets and operations of the Company are covered with an integral insurance policy against:

- Property and loss of profits policy for up to US\$500,000 thousand with declared values of US\$6,803,935 thousand; effective until September 9, 2022.
- Sabotage and terrorism policy for up to US\$200,000 thousand with declared value of assets of US\$6,803,935 thousand; effective until February 27, 2022.
- Public general liability insurance ("Póliza de responsabilidad civil general comprensiva") for up to US\$100,000 thousand; effective until October 25, 2022.
- Air carrier's liability and insurance ("responsabilidad civil de aviación") for up to US\$500,000 thousand, effective until October 25, 2022.

(iv) Depreciation -

The annual depreciation charge to profit or loss on property, plant and equipment is allocated to the following cost centers:

	<u>2021</u> <u>US\$000</u>	<u>2020</u> <u>US\$000</u>
Cost of sales (Note 22) (*)	38,563	36,211
Selling and distribution expenses (Note 23)	10,662	6,278
Administrative expenses (Note 24)	<u>3,950</u>	<u>4,636</u>
	<u>53,175</u>	<u>47,125</u>

(*) Not including the depreciation of investment properties for US\$11 thousand at December 31 2021 (US\$11 thousand at December 31, 2020).

At December 31, 2021 and 2020 the Company has not granted any element of its fixed assets as collateral for loans.

The gross cost of totally depreciated assets still in use at December 31, 2021 was US\$158,622 thousand (US\$157,882 thousand at December 31, 2020).

(v) Major additions related to work in progress -

At December 31, 2021 additions of work in progress mostly relate to PMRT's EPC contract, PMC, PMO and Auxiliary services amounting to US\$530,146 thousand equivalent to S/2,087,820 thousand (US\$566,546 thousand equivalent to S/1,995,988 thousand in 2020); and other works in progress at corporate level amounting to US\$109,577 thousand equivalent to S/425,776 thousand (US\$121,485 thousand equivalent to S/439,117 thousand in 2020).

Additionally, borrowing costs that were capitalized over the period ended December 31, 2021 related to the Talara Refinery Modernization Project amounted to US\$185,313 thousand equivalent to S/722,409 thousand (US\$158,445 thousand equivalent to S/554,641 thousand during 2020).

(vi) Assets retirement -

At December 31, 2021 the final disposal of assets mainly includes the fully depreciated cost of: combustion engines, tugboats, storage tank and industrial turbines in custody of the Pipeline Management; a van at the Talara Refinery; generator set, electric pumps, vans, horizontal tanks in charge of the Commercial Management and other computer equipment registered as out of use in custody by the Management of the Information Technology Department (OFP) for US\$4,545 thousand, equivalent to S/15,244 thousand.

At December 31, 2020 the final disposal of assets mainly includes fully depreciated cost of: machinery and other equipment in custody of OFP; containers and returnable containers, pipeline, electric pumps, compressors, centrifugal pumps, air conditioning equipment at Talara Refinery; analyzer, spectrophotometer, potentiometric titrator, centrifugal pump, computer network and other equipment recorded as out of use under custody and storage of Conchan Refinery for US\$3,265 thousand, equivalent to S/10,969 thousand.

(vii) Impairment of assets -

a) Cash-generating units (CGUs) -

At December 31, 2021 2020 the Company, taking into account the decrease in income and results of 2021 of the CGUs and Oil Pipeline (Note 5), based on internal and external information, considers that there are certain indications that the assets of the CGUs and Oil Pipeline Operations could be impaired.

The impairment test was performed by comparing the recoverable amount of the CGUs against the carrying amount of the assets of that CGU. The CGU is the smallest group of identifiable assets capable of generating cash flows for the Company. The Company has determined the recoverable amount of the CGU using their value in use. Key assumptions used in determining the value in use were as follows:

Oil Pipeline operations (ONP) -

- Operating cash flows from the service of transportation and custody of crude from the Northern jungle in Peru.
- Forecast crude volumes: Based on crude production volume projections released by Perupetro S.A., Management has prepared forecast of crude volumes expected to be carried through the Oil Pipeline (ONP).
- Forecast transportation rate: The Company estimates the transportation rate based on the current rate schedule as established under the contracts and negotiations for the service of liquid hydrocarbon transport via Nor Peruano pipeline.

- Operating cash flows from the service of crude unloading and use.
- Operating cash flows from sales in 2025 of crude held in the oil pipeline.
- Cash flows from services rendered to the Production and trading CGU of transport and selling of residual products from the Iquitos Refinery.
- All relevant assets have been allocated to the respective CGU.
- A 10-year projection horizon and perpetuity. The perpetuity cash flows projection considers no growth rate in the long term. The Company considers it appropriate to use a projection of 10 years since it has the support information for these purposes.
- Projections do not include cash inflows or outflows from financing activities.
- Pre-tax discount rate affected by the risks associated with a specific CGU and market assessments of the time value of money.
- Projected costs and expenses are based on the expense budgets for 2021 prepared by Management.

Key assumptions used in calculating the value in use are as follows:

	<u>Oil Pipeline Operations</u>
Annual growth rate (%)	17%
Budgeted gross margin (%)	46%
Prices (\$)	9
Discount rate (%)	11.78%

The annual growth rate corresponds to annual growth rate compound income during the period 2022 - 2031. The average growth rates used are consistent with the actual performance of the CGU and with the Company's forecasts. Revenue growth is generated according to the forecasts prepared by Perupetro S.A.

The budgeted gross margin is the average gross margin for 10-year projections.

The rates used are before taxes and reflect specific risks associated with the business of the CGU.

At December 31, 2021 the Company has estimated that the recoverable value of the Oil Pipeline CGU amounts to US\$388,411 thousand (US\$310,209 thousand in 2020), while the carrying amount of the assets amounts to US\$246,399 thousand (US\$213,399 thousand in 2020).

Sensitivity analysis -

The Company performs a sensitivity analysis to determine the effect of eventual changes in the assumptions used in the valuation model. In this sense, the pre-tax discount rate used by the Company to determine the recoverable value was 11.78%.

If the discount rate used increases by 2%, the Company would not have to record impairment.

The Company has conducted a sensitivity analysis of the key assumptions used in determining the recoverable amount:

<u>Key assumption</u>	<u>Variation</u>	<u>Impairment</u> US\$000
Oil Pipeline operations:		
Budgeted annual growth	-5%	-
Prices	-5%	-
Budgeted gross margin	-5%	-

b) Talara Refinery Modernization Project (PMRT, the Spanish acronym) -

At December 31, 2021 the Company has deemed it appropriate to perform the impairment test of the PMRT, hereinafter the Project for impairment, considering the changes in the execution schedule and budget; as well as the variability in crude oil prices.

The impairment test was performed by comparing the recoverable amount of this Project against the carrying amount of the Project assets. Management has determined the recoverable amount by estimating their value in use. Key assumptions used in determining the value in use are as follows:

- Operational cash flows from the Project activities. Cash flow projections comprise all cash flows that are expected to be generated in the normal course of the Project.
- The forecast cash flows consider an investment to be made to complete construction of PMRT.
- 21-year including construction period projection horizon and a perpetuity. The perpetuity cash flow projections consider no growth rate in the long term of 1.58%. The Company considers it appropriate to use a projection period of 21 years since it has the support information for these purposes.
- Post-tax discount rate affected by specific risk of the industry and market and a risk premium since this is under construction.
- Projections considered in valuation were operating cash flows from purchases, refinery and sales of crude by-products.
- Fixed and variable costs were defined by the Company.
- Forecast selling prices: The Company estimates the selling prices of oil by-products at import parity prices, based on the movement of prices of WTI crude oil and spreads of by-products in time, considering inputs obtained from a specialized international price source IHS Consulting Services.
- Selling prices used in valuation are prices at the plant site.
- Forecast crude product volume purchases: Refinery loads are estimated by the Management of Refinery and Pipelines ("Gerencia Refinación y Ductos") using the mathematical model of Refining.
- Forecast of costs of acquisition: The Company has prepared, based on projections released by IHS Consulting Services, a forecast of costs of acquisition of crude and products, based on the movement of prices of WTI crude oil and spreads of by-products in time.

Key assumptions used in determining the value in use are as follows:

Annual growth rate (%)	3%
Budgeted gross margin (%)	6%
Prices (\$)	98
Discount rates (%)	7.79%

The annual growth rate corresponds to annual growth rate compound of income during the period 2022-2042. The average growth rates used are consistent with the actual performance of the asset and with the Company's forecasts.

The budgeted gross margin is the average gross margin for operating 21-year projections.

Prices are the average included in projections. Management determines the budgeted prices based on IHS estimates, which consider current trends in the industry, established rates and market development expectations.

Risk-adjusted rates are post-tax and reflect the risks associated with the relevant business.

At December 31, 2021 the Company has estimated that the recoverable value of the PMRT. As a result of this assessment, the Company has determined that it is not necessary to record an impairment provision for PMRT at the date of the statement of financial position. At December 31, the recoverable amount amounts to US\$5,934,715 thousand, while the carrying amount of assets amounts to US\$5,417,256 thousand.

At December 31, 2020 the Company has estimated the recoverable value of the PMRT, for which a provision for impairment of US\$71,446 thousand, which has been recognized in the statement of comprehensive income as asset impairment. At December 31, 2020 the carrying amount of the PMRT net of impairment amounts to US\$4,665,422 thousand.

Sensitivity analysis -

Management performs a sensitivity analysis to determine the effect of changes in the assumptions used in the valuation model. In this sense, the after-tax discount rate used by the Company averaged 7.79% in determining the recoverable amount.

If the Company used an average discount rate of 7.69%, the recoverable amount would be equal to the carrying amount.

The Company has conducted a sensitivity analysis of the key assumptions used in determining the recoverable amount:

<u>Key assumption</u>	<u>Variation</u>	<u>Impairment US\$000</u>
Budgeted annual growth	-2%	(141,248)
Prices per year	-2%	-
Budgeted annual margin	-2%	-
Production	-2%	-

12 INVESTMENT PROPERTIES

	<u>Land US\$000</u>	<u>Buildings and other constructions US\$000</u>	<u>Total US\$000</u>
At December 31, 2019			
Cost	9,341	927	10,268
Accumulated depreciation	-	(699)	(699)
Net cost	<u>9,341</u>	<u>(228)</u>	<u>(9,569)</u>
Year 2020			
Net opening carrying amount	9,341	228	9,569
Disposals	(2)	-	(2)
Depreciation for the year	-	(11)	(11)
Net closing carrying amount	<u>9,339</u>	<u>217</u>	<u>9,556</u>
At December 31, 2020			
Cost	9,339	927	10,266
Accumulated depreciation	-	(710)	(710)
Net cost	<u>9,339</u>	<u>217</u>	<u>9,556</u>

	<u>Land US\$000</u>	<u>Buildings and other constructions US\$000</u>	<u>Total US\$000</u>
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Year 2021

Net opening carrying amount	9,339	217	9,556
Depreciation for the year	-	(11)	(11)
Net closing carrying amount	<u>9,339</u>	<u>206</u>	<u>9,545</u>

At December 31, 2021

Cost	9,339	927	10,266
Accumulated depreciation	-	(721)	(721)
Net cost	<u>9,339</u>	<u>206</u>	<u>9,545</u>

At December 31, 2021 and 2020 this item comprises:

- (a) A lease contract of the assets of Block Z-2B with Savia Perú S.A. (ex Petro-Tech Peruana S.A.) for a period of 10 years, which expired on November 15, 2013. The lease contract continues to be effective under the provisions of article 1700 of the Peruvian Civil Code, by which, if at the contract termination date, the lessee continues using the leased asset, it should not be understood as a tacit renewal, but the continuation of the lease under the same terms and conditions, until lessor requests the return of the asset, which can occur at any time. By virtue of this lease, Savia Perú S.A. pays the Company US\$10,000 thousand annually.

In April 2018, Savia Perú S.A. begins an arbitration process against the Company and stated that it is not entitled to pay the rent set in the contract, considering that it paid the value of assets for an amount of US\$200,000 thousand until 2013. Therefore, on June 12, 2019 the Company submitted its answer to the Arbitration Center of the Lima Chamber of Commerce.

On September 5, 2019 the Company was notified with the partial arbitration decision to declare Savia's claims unfounded.

At December 31, 2020 the final arbitration decision remains to be issued by the Arbitration Tribunal, whose pronouncement depends on whether there is an agreement between Petroperú S.A. and Savia on the amount of the rent. The deadline for negotiations with Savia on a possible change in the amount of the goods lease was extended until December 18, 2020. On February 1, 2021, by Proceeding Order No. 27, the Arbitral Tribunal decided to order the temporary suspension of the rent payment set in the contract corresponding to the periods 2019, 2020 and 2021, for a period of six months from the notification of this proceeding order. On July 12, 2021 the Arbitration Center of the Lima Chamber of Commerce issued the final decision establishing the amount of the lease at US\$5,000 thousand per year effective from 2013, as well as the return of leases charged to Savia Peru in excess since that date (Note 24 (b)), according to the resolution of the Award. On September 28, 2021 the Company filed a Claim for Nullity of the Arbitration Decision before the Judicial Power, because Management considers that there are flaws in the arbitration process that are grounds for nullity. Likewise, the suspension of the execution of the Decision was requested and the claim was admitted at December 31, 2021 by the Judicial Power. To date, the resolution of the request for nullity is pending.

- (b) A lease contract signed in March 2014 of the assets the Pucallpa Refinery and Sales plant, Residences and Administrative Offices with Maple Gas Corporation Del Perú S.R.L. (hereinafter, MAPLE), for a period of 10 years, which expires on March 28, 2024, establishing a payment of US\$1,200 thousand per year.

During 2019, the Corporate Legal Management has informed Maple that the contract has been duly terminated for breach of contract, default in rents and failure to provide the service of Receiving, Warehousing, and Dispatch. In this regard, the Company began an Arbitration process against MAPLE in order to declare the lease resolution at August 20, 2019, the payment of the pending rent and interest, as well as compensation for lost profits and damages.

In September 2020, the sole hearing was held in which Maple's absence was recorded and the Arbitral Tribunal closed the investigation phase, setting the date for the issuance of the decision.

On October 12, 2020 the Arbitral Tribunal issued the corresponding arbitration decision stating:

1. It recognizes that the lease contract was correctly terminated by Petroperú, so the recovery of the plant was legitimate.
2. Payment of invoices already issued that exceed US\$376 thousand.
3. Payment in favor of Petroperú, a compensation of US\$7,381 thousand plus interest.
4. Maple is ordered to bear 60% of the administrative costs.

Regarding point 3, compensation amount, INDECOPi has been requested to include the Company in the list of creditors, for the recognition of definitive credit. Said request was admitted at December 31, 2021. The assets of the Pucallpa Refinery and Pucallpa Sales Plant have passed to PETROPERU's own administration.

13 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

- a) At December 31, this item includes the following amounts recognized in the statement of financial position:

	At December 31,	
	2021	2020
	US\$000	US\$000
Right-of-use asset	26,216	3,760
Lease liabilities		
Current portion	12,004	1,755
Non-current portion	14,159	1,748
	<u>26,163</u>	<u>3,503</u>

The lease liability includes the net present value of the payments of the right-of-use assets related to rental of housing, boats, barges and information technology goods.

At December 31, 2021 the Company does not have variable leases or leases with residual value guarantees. Leases of less than 12 months and low-value leases have not been recognized as expenses according to the policy stated in 2.17.

The Company excluded initial direct costs for mediation of the initial right-of-use asset.

- b) At December 31, the movement of right-of-use assets and lease liabilities are as follows:

	At December 31,	
	2021	2020
	US\$000	US\$000
Cost:		
Opening balance	33,258	28,884
Additions for new leases	<u>35,726</u>	<u>9,035</u>
Final balance	<u>68,984</u>	<u>37,919</u>
Depreciation:		
Opening balance	(29,498)	(17,356)
Operating cost	(2,275)	(2,863)
Depreciation for the year	<u>(10,995)</u>	<u>(13,940)</u>
Net cost	<u>26,216</u>	<u>3,760</u>
Lease liabilities:		
Opening balance	3,503	11,493
Additions for new leases	35,726	9,035
Lease payment	(12,760)	(16,680)
Exchange difference	(306)	(345)
Accrued interest	1,079	641
Interest paid	<u>(1,079)</u>	<u>(641)</u>
Final balance	<u>26,163</u>	<u>3,503</u>

The additions for right-of-use assets mainly comprises the renewal of barge lease contracts whose term expires in 2024.

The charge to profit or loss for the depreciation for the year of the right-of-use asset is distributed among the following cost centers:

	At December 31,	
	2021	2020
	US\$000	US\$000
Cost of sales (Note 22)	9,782	12,332
Selling and distribution expenses (Note 23)	104	129
Administrative expenses (Note 24)	<u>1,109</u>	<u>1,479</u>
	<u>10,995</u>	<u>13,940</u>

14 OTHER FINANCIAL LIABILITIES

This item comprises:

	At December 31,	
	2021	2020
	US\$000	US\$000
Current liabilities		
Unsecured loans	674,106	1,186,759
CESCE loan (ii)	144,444	-
Accrued interest	<u>5,961</u>	<u>9,889</u>
	<u>824,511</u>	<u>1,196,648</u>
Non-current liabilities		
Corporate bonds (i)	3,126,611	1,986,594
CESCE loan (ii)	<u>1,114,362</u>	<u>1,231,156</u>
	<u>4,240,973</u>	<u>3,217,750</u>

- (i) On June 12, 2017 the Company issued bonds in the international market for a total of US\$2,000,000 thousand under the U.S. Rule 144A and S Regulation, which are exceptions ("Safe-harbors") to the U.S. regulatory framework (US Securities Act - 1933 and US Securities Exchange Act -1934) by which foreign issuers are allowed to offer, place and/or resell securities without the requirement to register those securities with the relevant New York Stock Exchange agency (SEC). The funds received are allocated to the Talara Refinery Modernization Project.

The bonds issued are as follows:

- 2032 Notes, a principal of US\$1,000,000 thousand, with coupons paid semi-annually at a fixed rate of 4.750% per year, with a maturity of 15 years. Coupons are due from December 2017 and repayment of principal fall due on the bond maturity date. At December 31, 2021 transactional costs totaled US\$5,810 thousand, which are presented net of the liability.
- 2047 Notes, a principal of US\$2,000,000 thousand (US\$1,000,000 thousand received in the first issue of June 2017 and an additional US\$1,000,000 thousand resulting from the reopening of bonds in February 2021), at a fixed rate of 5.625% per year, for a term of 30 years. Coupons are due from December 2017 and repayment of principal fall due on the bond maturity date. Transactional costs totaled US\$9,088 thousand and the excess amount of the placement over the bonds at the time of reopening amounts to US\$147,180 thousand.

Under the bond issue agreement, there is no covenants that need to be met; however, it requires the provision of financial information to bondholders.

Bonds issued are not secured with specific guarantees; nevertheless, under Law No.30130 guarantees are approved to be given by the Government for up to US\$1,000 million (Note 1-a).

- ii) On January 31, 2018 a loan agreement was signed with Compañía Española de Seguros de Crédito a la Exportación (CESCE), with Deutsche Bank SAE, acting as administrative agent, for up to US\$1,300,000 thousand. At December 31, 2021 a drawdown of:

- US\$1,236,717 thousand was obtained in 2018, which was used to settle other sources of financing used in settling PMRT invoices, relating to the EPC with Técnicas Reunidas until November 2018.
- US\$40,111 thousand was obtained in 2020, which was used to settle other sources of financing used in settling PMRT invoices, relating to the EPC with Técnicas Reunidas until February 2020.
- US\$14,088 thousand was obtained in 2020, which was used to settle other sources of financing used in settling PMRT invoices, relating to the EPC with Técnicas Reunidas until November 2020.
- US\$ 9,084 thousand was obtained in 2021, which was used to settle other sources of financing used in settling PMRT invoices, relating to the EPC with Técnicas Reunidas.

At December 31, 2021 transaction costs amounted to US\$41,128 thousand. Interest will be paid on a semi-annual basis starting May 2019 with maturity in 2031 and bearing an annual fixed interest rate of 3.285%.

The CESCE loan does not have specific contractual guarantees given by the Company or by the Peruvian Government; nevertheless, it is 99% secured by the Government of Spain through the CESCE.

Under the terms of this loan agreement, the Company has to meet the following financial covenants, which are measured on a quarterly basis:

- Debt ratio
- Service coverage ratio
- Direct financing for investment in the PMRT.

At December 31, 2021 and 2020 the Company has met the established covenants.

a) Debt repayment terms and timetable

The terms and conditions of the outstanding loans are as follows:

	Original currency	Nominal interest rate	Maturity	December 31, 2021		December 31, 2020	
				Nominal value	Carrying amount	Nominal value	Carrying amount
				US\$000	US\$000	US\$000	US\$000
Unsecured loans	Soles	0.74% - 1.75%	2021	-	-	80,022	80,022
Unsecured loans	Dollars	0.24% - 1.95%	2021	-	-	1,106,737	1,106,737
Unsecured loans	Soles	1.56% - 1.92%	2022	74,626	74,626	-	-
Unsecured loans	Dollars	0.29% - 0.77%	2022	599,480	599,480	-	-
CESCE loan	Dollars	3.29%	2031	1,300,000	1,258,806	1,290,916	1,231,156
Corporate bonds	Dollars	4.75%	2032	1,000,000	994,190	1,000,000	993,772
Corporate bonds	Dollars	5.63%	2047	2,000,000	2,132,421	1,000,000	992,822
Accrued interest				-	5,961	-	9,889
				<u>4,974,106</u>	<u>5,065,484</u>	<u>4,477,675</u>	<u>4,414,398</u>

The carrying amount is the amortized cost of borrowings, discounted at the effective rate.

b) Classification of loans by type of use (*)

The Company allocated or will allocate the funds obtained by financing, as follows:

	2021 US\$000	2020 US\$000
Working capital	604,105	657,759
Short-term PMRT	70,000	529,000
PMRT	<u>4,385,418</u>	<u>3,217,750</u>
	<u>5,059,523</u>	<u>4,404,509</u>

(*) Not including accrued interest payable.

c) Movement of financial liabilities

The movement of these balances was as follows:

	Bank loans without guarantee US\$000	Corporate bonds US\$000	CESCE loan US\$000	Total US\$000
Balance at January 1, 2020	1,002,982	1,990,069	1,170,688	4,163,739
New loans	2,669,968	-	54,199	2,724,167
Payments of principal	(2,483,237)	-	-	(2,483,237)
Interest and transaction cost accrued	23,647	104,265	51,817	179,729
Interest paid	(24,114)	(103,750)	(42,136)	(170,000)
Balance at December 31, 2020	<u>1,189,246</u>	<u>1,990,584</u>	<u>1,234,568</u>	<u>4,414,398</u>
Balance at January 1, 2021	1,189,246	1,990,584	1,234,568	4,414,398
New loans	1,868,315	1,000,000	9,084	2,877,399
Disbursement over par	-	147,180	-	147,180
Payments of principal	(2,380,969)	-	-	(2,380,969)
Interest and transaction cost accrued	3,401	156,056	62,264	221,721
Interest paid	(5,214)	(160,000)	(47,031)	(212,245)
Transactional cost paid	-	(2,000)	-	(2,000)
Balance at December 31, 2021	<u>674,779</u>	<u>3,131,820</u>	<u>1,258,885</u>	<u>5,065,484</u>

The Company has earmarked in 2021 a total US\$208,289 thousand of the interest paid on investing activities since they are related to the PMRT project (US\$148,161 thousand in 2020).

d) Fair value estimation

At December 31, the carrying amount and fair value of borrowings are as follows:

	Carrying amount		Fair value	
	2021	2020	2021	2020
	US\$000	US\$000	US\$000	US\$000
Unsecured loans	674,106	1,186,759	674,105	1,186,759
Bonds	3,126,611	1,986,594	3,209,706	2,388,230
CESCE loan	<u>1,258,806</u>	<u>1,231,156</u>	<u>1,258,806</u>	<u>1,231,157</u>
	<u>5,059,523</u>	<u>4,404,509</u>	<u>5,142,617</u>	<u>4,806,146</u>

At December 31, 2021 and 2020 to determine the fair value for disclosure purposes, in the case of bonds, the Company has used observable sources (Bloomberg), classified at Level 1. For unsecured loans, they were estimated by discounting future contractual cash flows at a current market interest rate that is available to the Company for similar financial instruments and the inputs of which have been classified in Level 2; while for the CESCE loan, Management has discounted the contractual cash flows at the Company's average borrowing rate at mid- and long-term plus a spread, information that is classified in level 3.

15 TRADE PAYABLES

This item comprises:

	At December 31,	
	2021	2020
	US\$000	US\$000
Foreign suppliers of crude and refined products	1,036,185	615,447
National suppliers of crude and refined products	139,772	60,882
Suppliers of goods and services	145,064	105,882
Shipping companies and terminal operators and sales plants	<u>31,810</u>	<u>25,357</u>
	<u>1,352,831</u>	<u>807,568</u>

At December 31, 2021 the main local supplier of crude is Petrotal Perú S.R.L. with a balance of US\$70,881 thousand equivalent to S/277,123 thousand (US\$14,310 thousand equivalent to S/51,199 at December 31, 2020). Major service providers are B.B. Energy USA LLC. with a balance of US\$328,264 thousand equivalent to S/1,337,989 thousand and BP Products North America INC. with a balance of US\$225,981 thousand equivalent to S/912,629 thousand (US\$49,601 thousand, equivalent to S/178,388 thousand at December 31, 2020).

At December 31, 2021 the main service suppliers are Superintendencia Nacional de Aduana with a balance of US\$22,177 thousand equivalent to S/88,719 thousand (US\$8,523 thousand equivalent to S/30,847 thousand at December 31, 2020), Técnicas Reunidas de Talara Sociedad with a balance of US\$16,737 thousand equivalent to S/66,602 miles (US\$13,064 thousand equivalent to S/47,073 thousand at December 31, 2020) and Rimac Seguros y Reaseguros with a balance of US\$14,040 thousand equivalent to S/58,063 thousand (US\$0 thousand at December 31, 2020).

This account reflects the Company's obligations related to the acquisition of crude oil and refined products, transportation and plant operators, supplies and spare parts. The invoices are issued in U.S. dollars, are of current maturity, are non-interest bearing and have no specific guarantees.

6 OTHER PAYABLES

This item comprises:

	At December 31,	
	2021	2020
	US\$000	US\$000
Advances received from customers and compensation payable (a)	31,074	15,189
Obligations for Arbitration Decision (b)	25,000	-
Taxes (c)	17,263	14,072
Remunerations	16,256	16,883
Guarantee deposits (d)	3,779	4,283
Price Stabilization Fund - Ministry of Energy and Mines (Note 1-c)	-	255
Financial instruments payable	45	12
Others	<u>2,376</u>	<u>2,535</u>
	<u>95,793</u>	<u>53,229</u>

(a) Advances received from local and foreign customers mainly comprise the amounts received for US\$10,044 thousand (equivalent to S/40,158 thousand) and US\$11,441 thousand (equivalent to S/45,740 thousand), respectively, to secure the supply of fuel that is pending delivery. In addition, it includes compensation payable for the purchase of crude oil from the supplier Petrotal Perú S.R.L. for US\$9,589 thousand.

(b) Comprising the provision for the return of leases collected from Savia Perú S.A., by virtue of the resolution of the Final Decision issued on July 12, 2021 by the Arbitration Center of the Lima Chamber of Commerce.

(c) At December 31, 2021 taxes payable mainly include tax on gasoline vehicles and Fund for the mass use of gas (FISE), Perceptions, Osinergmin Aliquot, and income tax withheld for US\$8,842 thousand, US\$2,652 thousand, US\$2,074 thousand, US \$1,124 thousand and US\$1,083 thousand, respectively. At December 31, 2020 taxes payable mainly include tax on gasoline vehicles and Fund for the mass use of gas (FISE), Perceptions, Income tax withheld, Osinergmin Aliquot and Fund for the mass use of gas (FISE) for US\$5,663 thousand, US\$1,016 thousand, US\$1,633 thousand, US\$798 thousand and US\$3,114 thousand, respectively.

(d) Comprising security deposits received by third parties to transport fuel to cover possible loss occurrences. If no such event occurs, the security deposit is returned at the end of the contract.

17 OTHER PROVISIONS

This item comprises:

	At December 31,	
	2021	2020
	US\$000	US\$000
Current -		
Provision for environmental improvements (a)	11,166	18,709
Provision for labor-related court actions (b)	2,754	2,073
Provision for civil lawsuit (c)	1,044	103
Provision for termination (d)	691	2,622
Provision for plugging of wells	482	532
Provision for retirement pensions	13	20
Other provisions	<u>132</u>	<u>145</u>
	<u>16,282</u>	<u>24,204</u>
Non-current -		
Provision for environmental improvements (a)	12,463	12,518
Provision for termination (d)	971	1,880
Provision for retirement pensions	<u>30</u>	<u>36</u>
	<u>13,464</u>	<u>14,434</u>
	<u>29,746</u>	<u>38,638</u>

The movement of other provisions is as follows:

	Provision for environmental improvements US\$000	Provision for civil lawsuits US\$000	Provision for labor-related court actions US\$000	Provision for plugging of wells US\$000	Provision for retirement pensions US\$000	Provision for termination US\$000	Other provisions US\$000	Total US\$000
Balances at December 31, 2020	39,930	512	2,075	581	87	6,269	159	49,613
Provision for the year (Note 24, 25 And 26)	793	451	491	-	-	2,136	-	3,871
Payments	(6,877)	(440)	(207)	-	(19)	(3,552)	-	(11,095)
Reversal of unused provisions	(1,384)	(412)	(107)	-	(6)	53	-	(1,856)
Exchange difference	(1,235)	(8)	(179)	(49)	(6)	(404)	(14)	(1,895)
Balances at December 31, 2020	<u>31,227</u>	<u>103</u>	<u>2,073</u>	<u>532</u>	<u>56</u>	<u>4,502</u>	<u>145</u>	<u>38,638</u>
Provision for the year (Note 24, 25 and 26)	-	998	1,249	-	-	-	-	2,247
Payments	(6,699)	-	(387)	-	(8)	-	-	(7,094)
Updating the present value	-	-	-	-	-	(37)	-	(37)
Reversal of unused provisions	-	-	(15)	-	-	(2,381)	-	(2,396)
Exchange difference	(899)	(57)	(166)	(50)	(5)	(422)	(13)	(1,612)
Balances at December 31, 2021	<u>23,629</u>	<u>1,044</u>	<u>2,754</u>	<u>482</u>	<u>43</u>	<u>1,662</u>	<u>132</u>	<u>29,746</u>

a) Provision for environmental improvements and plugging wells costs -

The Peruvian Government promotes the conservation of the environment and responsible use of natural resources in hydrocarbon activities in accordance with the Political Constitution of Peru, Law No.26221, Organic Law of Hydrocarbons in the National Territory; Law No.26821, Organic Law for the Sustainable Use of Natural Resources; Law No.27446, Law of the National System of Evaluation of the Environmental Impact; Law No.28245, Framework Law for Environmental Management; Law No. 28611, General Law of the Environment and Law No.29134, Law Regulating the Environmental Liabilities of the Hydrocarbons Sub-Sector, among others.

The Ministry of Energy and Mines, by means of Supreme Decree No.039-2014-EM, published on November 12, 2014, approved the new Rules for the Environmental protection of Hydrocarbon Activities, which set forth the standards and regulations for the national territory, the Environmental Management of the activities of exploration, exploitation, refining, processing, transport, trade, warehousing and distribution of hydrocarbons, over their life cycle, as a way to prevent, control, mitigate and remediate the adverse environmental impact of such activities.

Also, within the framework of Legislative Decree No.674, “Ley de Promoción de la Inversión Privada en las Empresas del Estado”, the Company assumed contractual obligations of environmental remediation of its privatized units, guaranteed by the Peruvian Government. Therefore, as per the applicable laws and regulations, the signed contracts and management policies, at December 31, 2021, the Company continues to implement environmental remediation activities in its own operating units and privatized units.

Privatized operating units -

During 2017, no significant environmental remediation work was performed in the privatized units considering the new regulatory framework, but administrative and legal steps are taken within the framework of the Contracts for Privatized Units.

In compliance with these provisions, the Company has made provisions for the remediation of negative environment impacts caused in its privatized units for US\$80,228 thousand. This amount has been in force since 1997. At December 31, 2021 the amount implemented by the privatized units was US\$70,277 thousand.

With respect to the privatized units (La Pampilla Refinery, Lubricant Plant, Block X, Block 8, Terminales, Selling Plants, Planta de Generación Eléctrica y Gas Natural), the estimates made were based on the environmental studies ruled favorable by the general hydrocarbons agency (Dirección General de Hidrocarburos - DGH) or the general environmental office (Dirección General de Asuntos Ambientales Energéticos - DGAAE). The provision is updated annually depending on the costs of the work completed or in progress and the estimates of work remaining to be implemented corresponding to the Environmental Remediation Agreements and depending on current environmental regulations and legal procedures.

Own operating units -

Of a total 230 of projects of which the environmental management programs (“Programas de Adecuación y Manejo Ambiental - PAMA”) were implemented and met by the Company from 1995 to adapt its operations to the first regulations to protect the environment - “Reglamento para la Protección Ambiental en las Actividades de Hidrocarburos” (D.S. No.046-93-EM). At December 31, 2021 the respective supplementary environmental program (PAC) for the Talara Refinery is pending approval by a governmental agency: “Dirección General de Asuntos Ambientales y Energéticos - DGAAE”).

Own operating units correspond to Talara operations, Oil Pipeline operations, Refinería Conchán, Refinería Selva, Planta de Ventas Aeropuerto and Block 64.

In compliance with these provisions, the Company has made provisions for the remediation of negative environment impacts caused in its privatized units for US\$29,662 thousand. At December 31, 2021 the amount implemented by the own operating units was US\$17,505 thousand, respectively.

With respect to its own operating units (Talara operations, Oil Pipeline operations, Refinería Conchán, Refinería Selva, Planta de Ventas Aeropuerto and Block 64), estimates were made on the basis of the Company’s ISO 14001 Environmental Management System and available data of the costs of the privatized units; this information is also updated on an annual basis considering its own operational needs, the cost of work performed, actually performed or in the process of implementation, of market prices and estimates of work remaining to be completed based on information sourced from the own operating units.

With respect to its own operating units, there are new environmental obligations in place, specifically involving compliance of certain standards: “Normas de los Estándares de Calidad Ambiental para Suelo - ECA Suelo (D.S. No.002-2013-MINAM, D.S. No.002-2014-MINAM, R.M. No.085-2014-MINAM, R.M. No.034-2015-MINAM and D.S. No.013-2015-MINAM)” that will require other expenses to be incurred by the Company to conduct a number of different technical studies as required under said new regulations. In addition, for the year 2018 the Operational Environmental Remediation Program was executed for US\$430 thousand (equivalent to S/1,395 thousand), Conchán for US\$215 thousand (equivalent to S/698 thousand), Oleoducto for US\$263 thousand (equivalent to S/853 thousand), Selva for US\$175 thousand (equivalent to S/567 thousand), Commercial Management for US\$209 thousand (equivalent to S/677 thousand) and Explotación for US\$329 thousand (equivalent to S/1,068 thousand).

During 2017, the “Service of identification of possibly polluted places was completed (identifying sampling) that are over the environmental quality standards for soil in the operations of PETROPERÚ S.A.” for a total budgeted amount of US\$2,670 thousand (equivalent to S/9,347 thousand), representing 99.94% of the contractual amount.

At December 31, 2020 the Reports Identifying Possibly Contaminated Sites (IISC) for 21 facilities were approved. In this context, the Environmental Department Management (now the QHSSE Oil Pipeline, Transportation and Distribution Department Management), in coordination with SCCO, awarded the “Characterization Service, Health and Environmental Risk Assessment and Preparation of the Plan Directed to the Remediation of Prioritized Facilities of PETROPERÚ” in December 2019 to Empresa TEMA Litoclean S.A.C. for an amount of S/11,848 thousand (equivalent to US\$3,572 thousand), which formally began on February 3, 2020.

In March 2020, the Work Plan and preliminary documentation for entering the ONP Operations were approved as part of the Preliminary Assessment necessary for the field work. In March 2020, field visits were made for the Preliminary Assessment at the Iquitos Refinery, Iquitos Sales Plant, Stations 6, 7, 8 and 9, with the visits to Bayóvar Terminal, Talara Refinery and Conchán Refinery being suspended due to the National Emergency for the Covid-19 Pandemic.

At December 31, 2021 cabinet work has been carried out, which includes the review of the Sampling Plans and the gathering of information necessary for the Detailed Characterization stage, as well as the update of the Service Schedule until the start of field activities.

On December 31, 2021 the sampling was carried out within the Conchán Refinery, the Conchán Sales Plant and the Talara Refinery to enter the facilities. The proposed work Schedule of the Service has been executed normally and within schedule with two work teams, with 60% contractual progress.

From 2014 to December 2021 a total number of 54 oil spills (31 for criminal acts, 11 for geodynamic phenomena and 12 related to technical aspects) have occurred at ONP, of which 51 have been completely served and are waiting for approval of the relevant agency ("Organismo de Evaluación y Fiscalización Ambiental" (hereinafter, OEFA); and 3 are still in remediation process, under the oversight and monitoring of the staff of the corporate environmental management ("Gerencia Corporativa Ambiente, Salud y Seguridad Ocupacional" (GCAS), which is committed to making sure PETROPERÚ S.A. will continue operating, on a sustainable basis, and reducing the potential impact on the environment.

From 2014, 20 Environmental and Social Assessments have been performed for the significant events in the ONP, conducted in the framework of industry best practices and which have resulted in, among others, obtaining actual data on the dimension of the impact on the environment of the contingent events. It should be noted that this information is useful for the Company to defend itself against potential allegations of negligence and /or environmental and health risk; based on the results of these assessments, the environmental impacts have been determined to be temporary, restricted and reversible. In addition, risk assessments relating to health and environment are conducted; monitoring activities completed at the closure stages enable the Company to verify and support that the environmental remediation objectives in the involved areas are met. The amount implemented until December 2021 in environmental and social assessments is US\$8,686 thousand, and there is a balance of US\$1,067 thousand that remains to be used in activities expected to be executed during the first quarter of 2022.

Also, as a result of the contingencies that occurred in the ONP, the OEFA, under Director's Resolution No 012-2016-OEFA/DS, ordered the Company, among others, to submit a Project to update the IGA of ONP with the MINEM; in this context, the Company presented its proposal to the DGAAE-MINEM containing its Terms of Reference for Updating PAMA of the ONP, which were approved under Report No.022-2018-MEM-DGAAH/DEAH dated September 7, 2018. However, on February 25, 2019, the Directorate of Environmental Assessment of Hydrocarbons ("Dirección de Evaluación Ambiental de Hidrocarburos – DEAH") of the MINEM sent to PETROPERÚ S.A. the record No. 171-2019-MEM-DGAAH / DEAH containing the recommendations that should be included as content of the TDR. In this regard, the relevant coordination was carried out so that finally on August 23, 2019, under report No.588-2019-MINEM/DGAAH/DEAH, MINEM approved the final TDRs for updating the PAMA of the ONP.

The purpose is updating the Environmental Adequacy and Management Program ("Programa de Adecuación y Manejo Ambiental - PAMA") for the ONP and will involve identifying and impacting assessment, preliminary management measures, comparing, selection and justification of management alternatives; contingency plan, etc.; the estimated referential amount in 2018 was S/3,641 thousand (equivalent to US\$1,078 thousand) and US\$1,040 thousand. In December 2018, a call was made for the award process for competence of the Service for Updating PAMA of the ONP; however, the process was declared void.

At December 31, 2020 the Technical Conditions have been prepared for hiring a consulting company to prepare the Technical Conditions for the ONP PAMA award process, which will continue with the corresponding process to obtain the current Estimated Referential Amount.

During 2020, the Company reported 3 significant oil spills, US\$474 thousand were disbursed for their attention.

During 2021, the Company reported 3 significant oil spills, which are under investigation jointly with OSINERGMIN. The Company disbursed the amount of US\$143 thousand for 2 events. Likewise, it should be noted that the third event originated on December 31, 2021, so the cleaning and remediation of the area is still in the contracting process.

As part of its contingency plan, the Company contracted specialized companies to halt and contain the oil spills and begin the environmental remediation of the affected areas. The movement of the provision for environmental remediation is as follows:

	Balances at January 1 US\$000	Payments US\$000	Provision and update US\$000	Balances at December 31 US\$000
Year 2021				
Block 8	2,126	-	-	2,126
Block X	2,021 (	59)	-	1,962
Pampilla	1,781 (	79)	-	1,702
Lubricants	118	-	-	118
Northern terminals	341	-	-	341
Southern terminals	104 (	19)	-	85
Mid-country terminals	1,762 (	38)	-	1,724
Natural Gas Electric system	20	-	-	20
Total privatized units	<u>8,273</u>	<u>(195)</u>	<u>-</u>	<u>8,078</u>
Operations in Talara	4,879 (	2,173)	-	2,706
Operations in Conchán	911	-	-	911
Operations in Oleoducto	13,764 (	4,327)	-	9,437
Operations in Iquitos Refinery	1,400 (	4)	-	1,396
Commercial operations	603	-	-	603
Management Exploration and Exploitation	<u>959</u>	<u>-</u>	<u>-</u>	<u>959</u>
Total own units	<u>22,516</u>	<u>(6,504)</u>	<u>-</u>	<u>16,012</u>
Total	<u>30,709</u>	<u>(6,699)</u>	<u>-</u>	<u>24,090</u>
Exchange difference	<u>438</u>			<u>(461)</u>
	<u>31,227</u>			<u>23,629</u>
Year 2020				
Block 8	2,126	-	-	2,126
Block X	2,105 (	84)	-	2,021
Pampilla	1,882 (	101)	-	1,781
Lubricants	118	-	-	118
Northern terminals	263 (	22)	100	341
Southern terminals	205 (	1)	(100)	104
Mid-country terminals	1,763 (	1)	-	1,762
Natural Gas Electric system	20	-	-	20
Total privatized units	<u>8,482</u>	<u>(209)</u>	<u>-</u>	<u>8,273</u>
Operations in Talara	4,879	-	-	4,879
Operations in Conchán	911	-	-	911
Operations in Oleoducto	21,023 (	6,668)	(591)	13,764
Operations in Iquitos Refinery	1,400	-	-	1,400
Commercial operations	603	-	-	603
Management Exploration and Exploitation	<u>959</u>	<u>-</u>	<u>-</u>	<u>959</u>
Total own units	<u>29,775</u>	<u>(6,668)</u>	<u>(591)</u>	<u>22,516</u>
Total	<u>38,257</u>	<u>(6,877)</u>	<u>(591)</u>	<u>30,789</u>
Exchange difference	<u>1,673</u>			<u>438</u>
Total	<u>39,930</u>			<u>31,227</u>

Disbursements required in the environmental remediation activities conducted by the Company in the privatized units are recorded with a charge to profit or loss. As stated in Article 6 of Law No. 28840, "Ley de Fortalecimiento y Modernización de la Empresa de Petróleos del Perú - PETROPERÚ S.A.", the government treasury agency "Dirección General del Tesoro Público" shall transfer the Company the total resources needed to cover the expenses to be incurred in environmental remediation activities of the respective privatized units, which was re-confirmed by another piece of legislation ("Vigésima Sexta Disposición Complementaria Final de la Ley No. 30114, Ley de Presupuesto del Sector Público") for fiscal 2014, which authorizes the Ministry of Energy and Mines to transfer financial resources to the Company so that it can complete environmental remediation activities in the privatized units that belonged to it.

The mandate under Article 6 of Law No.28840 by which the Peruvian Government shall compensate the Company for the environmental remediation work to be performed in its privatized units was re-confirmed by another piece of legislation (“Vigésima Sexta Disposición Complementaria Final de la Ley No. 30114, Ley de Presupuesto del Sector Público”) for fiscal 2014, which authorizes the Ministry of Energy and Mines to transfer financial resources to the Company so that it can complete environmental remediation activities in the privatized units that belonged to it. At December 31, 2021 a total of US\$11,000 thousand remained to be transferred for future expenditures, which was recognized by the MINEM in 2014.

Continuing with the procedures begun in 2006, the Company presented to the Ministry of Energy and Mines invoices and similar documentation supporting the expenses incurred in environmental remediation for the period from January 2007 to October 2014. Based on this process, a total US\$1,377 thousand (equivalent to S/4,116 thousand).

The Company has sent communications to MINEM requesting financial remittances intended for environmental remediation, which resulted in contributions of US\$20,900 thousand (equivalent to S/62,600 thousand), during 2015; these resources covered the total expenses incurred by the Company at December 31, 2017 in environmental remediation of its privatized units. At December 31, 2021 the Company is taking the necessary steps to transfer the outstanding S/34,000 thousand (equivalent to US\$9,382 thousand) to cover the environmental remediation liabilities which the Company has to fulfill.

Article No.3 of Supreme Decree No.002-2006-EM, the supplementary environmental plan (“Disposiciones para la presentación del Plan Ambiental Complementario - PAC”) enacted on January 5, 2006 establishes that the energy and mining regulator (*Organismo Supervisor de la Inversión en Energía y Minas - OSINERGMIN*) (competence transferred to the “Organismo de Evaluación y Fiscalización Ambiental - OEFA” under Board Resolution No. 001-2011-OEFA/CD dated March 2, 2011) will communicate to the Company the list of activities not complied in the respective PAMA requirements so as to coordinate with the *Dirección General de Asuntos Ambientales Energéticos* of the Ministry of Energy and Mines, the PAC execution schedule over a period not exceeding four (4) years.

The Supplementary Environmental Plan (PAC) for Operations in Talara is currently undergoing the approval process with DGAAE; once approval is obtained, of the term of execution will be four (4) years and it will be become a medium-term project.

b) Provision for labor-related court actions -

Comprising contingent labor-related processes for which the Company considers that it will be probable to make future disbursements.

c) Provision for civil claims -

At December 31, 2021 the Company has estimated a provision of US\$1,044 thousand (equivalent to S/4,175 thousand), of which: US\$950 thousand (equivalent to S/3,800 thousand) correspond to Covise S.A., US\$49 thousand (equivalent to S/195 thousand) correspond to an administrative proceeding contingency with the energy and mining regulator “Organismo Superior de la Inversión en Energía y Minería - OSINERGMIN”, AFP’s for US\$25 thousand (equivalent to S/98 thousand), Comercial Import. Ferretera del Amazonas S.A.C. for US\$20 thousand (equivalent to S/80 thousand).

At December 31, 2020 the Company estimated a provision of US\$ 103 thousand equivalent to S/374 thousand, of which: US\$54 thousand equivalent to S/196 thousand correspond to an administrative proceeding contingency with the energy and mining regulator “Organismo Superior de la Inversión en Energía y Minería - OSINERGMIN”, AFP’s for US\$27 thousand equivalent to S/98 thousand, Comercial Import. Ferretera del Amazonas S.A.C. for US\$22 thousand equivalent to S/80 thousand.

d) Provision for termination -

Comprising the voluntary separation program by mutual agreement for indefinite-term personnel of the Company started in 2020. The Company has made an estimate considering the benefits granted to certain workers for the termination of the employment contract held with the Company.

18 DEFERRED INCOME TAX LIABILITIES

(a) This item comprises:

	At December 31,	
	2021	2020
	US\$000	US\$000
Deferred income tax assets:		
Reversal expected within the next 12 months	11,792	39,144
Reversal expected after 12 months	149,326	77,124
	<u>161,118</u>	<u>116,268</u>
Deferred income tax liabilities:		
Reversal expected within the next 12 months	(7,734)	(1,110)
Reversal expected after 12 months	(359,984)	(216,597)
	<u>(367,718)</u>	<u>(217,707)</u>
	<u>(206,600)</u>	<u>(101,439)</u>

(b) The movement on the deferred income tax for the years ended December 31, 2021 and 2020 is as follows:

	Balances at January 1, 2020 US\$000	Credit (charge) to profit and loss (Note 28-b) US\$000	Balances at December 31, 2020 US\$000	Credit (charge) to profit and loss (Note 28-b) US\$000	Balance at December 31, 2021 US\$000
Deferred assets:					
Provision for retirement pension	26	(9)	17	(4)	13
Provision for environmental remediation	11,759	(2,567)	9,192	(2,241)	6,951
Carry-over loss tax benefit	-	78,799	78,799	40,012	118,811
Lease liability	3,390	(2,357)	1,033	6,685	7,718
Other provisions	5,091	1,059	6,150	398	6,548
Provision for impairment works in progress PMR	-	21,077	21,077	-	21,077
Unpaid labor liabilities	1,467	(1,467)	-	-	-
	<u>21,733</u>	<u>94,535</u>	<u>116,268</u>	<u>44,850</u>	<u>161,118</u>
Deferred liabilities:					
Attributed cost of property, plant and equipment and intangible assets	(94,511)	(11,306)	(105,817)	(15,892)	(121,709)
Discount Art. 57 accrued	(181)	181	-	-	-
Right-of-use asset	(3,401)	2,291	(1,110)	(6,624)	(7,734)
Translation effect of non-monetary items (a)	872	(111,652)	(110,780)	(127,495)	(238,275)
	<u>(97,221)</u>	<u>(120,486)</u>	<u>(217,707)</u>	<u>(150,011)</u>	<u>(367,718)</u>
Net deferred liabilities	<u>(75,488)</u>	<u>(25,951)</u>	<u>(101,439)</u>	<u>(105,161)</u>	<u>(206,600)</u>

(c) Comprising the deferred income tax arising from the exchange rate affecting non-monetary items (mainly fixed assets) given the fact the Company is levied with income tax in a currency (Peruvian Soles) other than its functional currency (US\$). During 2021, the U.S. dollar weakened in relation with the Peruvian sol giving rise to deferred income tax asset of US\$127,495 thousand, as in 2020, which generated a deferred income tax expense of US\$111,652 thousand.

19 EQUITY**a) Share capital -**

At December 31, 2021 and 2020 the authorized, subscribed and paid-in share capital comprises 5,368,412,525 common shares, at S/1 par value each. At December 31, 2021 the share capital structure of the Company is as follows:

<u>Class</u>	<u>Number of shares</u>	<u>Percentage</u> %
A	4,294,730,020	80
B	<u>1,073,682,505</u>	<u>20</u>
	<u>5,368,412,525</u>	<u>100</u>

Class- "A" shares have voting rights but are indivisible, non-transferable and non-seizable shares and cannot be pledged, loaned or affected in any way.

Class- "B" shares have voting right and are transferable via centralized trading mechanisms in the securities market.

The movements of the share capital in 2021 and 2020 were as follows:

At the General Shareholders' Meeting held on July 31, 2020 an increase in capital of US\$153,857 thousand (equivalent to S/517,517 thousand) was approved; this increase in share capital was made through an additional capital contribution. On November 18, 2020 registration with the Lima Public Records was reported.

In 2020, a loss of US\$67,280 thousand (equivalent to S/178,383 thousand) was obtained. Therefore, there was no increase in share capital through the capitalization of distributable profits, during 2021.

b) Legal reserve -

In accordance with Peruvian Corporate Law in Article No.229, a legal reserve must be formed by the transfer of 10% of the annual net profits until it reaches a 20% of the paid-in capital. In the absence of non-distributed profits or freely available reserves, the legal reserve may be applied to offset losses, and must be replenished with profit from subsequent periods.

In the context of this regulation, the legal reserve recorded at December 31, 2020 totaled US\$69,210 thousand (equivalent to S/232,222 thousand); the legal reserve constituted in 2020 totaled US\$17,095 thousand (equivalent to S/57,502 thousand); which corresponds to 10% of the distributable profits for 2019.

At the General Shareholders' Meeting held on July 19, 2021, the audited Financial Statements of the Company were approved, corresponding to the fiscal year 2020, where a loss of US\$67,280 thousand (equivalent to S/178,383 thousand) was obtained and its application to the legal reserve.

c) Retained earnings -

The General Shareholders' Meeting approved the dividends policy, which states that: "The distributable profits and after the deduction of workers' profit sharing, the Legal taxes and legal reserve that may be applicable, will be destined to the investment projects for the modernization or expansion of the activities of the Company, in compliance with its approved annual and five-year objectives, in conformity with the provisions of Article 4 of Law No.28840- Law for the Strengthening and Modernization of the Company Petróleos del Perú - PETROPERÚ S.A.", which is concordant with Article Twenty Nine subsection F) of the current Corporate by-laws.

20 REVENUE FROM ORDINARY ACTIVITIES

This item comprises:

	<u>2021</u> <u>US\$000</u>	<u>2020</u> <u>US\$000</u>
Local sales	3,772,839	2,848,499
Price Stabilization Fund (*) (Note 8)	25,299	(34,907)
Revenue from ordinary activities	<u>2,725</u>	<u>3,998</u>
	3,800,863	2,817,590
Foreign sales	<u>355,551</u>	<u>227,712</u>
	<u>4,156,414</u>	<u>3,045,302</u>

(*) At the beginning of 2020, the Fuel Price Stabilization Fund (FEPC, for its acronym in Spanish) applied to the following fuels: GLP-E, Diesel B5, Diesel B5 S-50 and industrial oil 6. In April 2020, with Supreme Decree No. 007- 2020-EM, GLP-E, Diesel B5 and Diesel S-50 were excluded as products subject to the FEPC. Between March and November 2021, with Supreme Decrees No.006-2021-EM, No.015-2021-EM and No.025-2021-EM, Diesel for vehicular use was included as a product subject to the FEPC. Likewise, in September 2021, through Supreme Decree No.023-2021-EM, GLP-E was incorporated as a product subject to the FEPC.

Revenues from ordinary activities are recognized according to what is defined by IFRS 15, at one point in time.

In 2021 and 2020, sales are broken down as follows:

	<u>At December 31,</u>	
	<u>2021</u> <u>US\$000</u>	<u>2020</u> <u>US\$000</u>
Local sales:		
Diesel - others	1,882,315	1,545,467
Gasoline	1,033,914	726,379
ONO crude	521,526	287,697
GLP	171,789	89,627
Turbo A1	32,924	30,052
Industrial oil	74,317	92,400
Solvent	12,164	10,627
Primary Naphtha and others	<u>14,146</u>	<u>6,882</u>
Total local sales	<u>3,800,863</u>	<u>2,817,590</u>

	At December 31,	
	2021	2020
	US\$000	US\$000
Foreign sales:		
ONO crude	107,676	92,198
Industrial oil	20,939	41,769
Diesel - others	85,257	45,945
Turbo a1	34,560	26,100
Primary residual/crude	-	6,813
Gasoline	34,364	8,984
Asphalt	3,805	1,299
Nafta Craqueada ADQ. (Exp)	1,325	-
Chaza Crude	-	4,604
Gran Tierra Crude Block 95	67,625	-
Total foreign sales	<u>355,551</u>	<u>227,712</u>
Total revenue from ordinary activities	<u>4,156,414</u>	<u>3,045,302</u>

21 OTHER OPERATING INCOME

This item comprises:

	At December 31,	
	2021	2020
	US\$000	US\$000
Income recognized at a point in time:		
Terminal operating fees (a)	19,300	16,474
Operating services for Terminals (b)	12,923	11,858
Recoverable freight (c)	7,684	7,656
PNP supply operations	5,310	6,031
Revenue from cost of use of hydrocarbons (d)	233	11,719
Income recognized over time:		
Crude transport via oil pipeline (e)	9,096	10,056
Savia Perú S.A. lease (Note 12(a))	5,000	10,000
Leases	1,300	1,272
Other service revenue	<u>1,184</u>	<u>1,391</u>
	<u>62,030</u>	<u>76,457</u>

- (a) Comprising revenue from operating agreements of the terminals of the Company signed with Terminales del Perú for the terminals and northern and central plants.
- (b) At November 2019 the Company took the operation of the South Terminals, due to the termination of the concession contract with Consorcio Terminales for the terminals and plants in southern Peru.
- (c) Comprising revenue from billing of transportation expenses incurred by customers. The Company considers a handling margin when billing this type of expenses.
- (d) Comprising revenue from the immediate use of crude oil that is transported through the North Peruvian Oil Pipeline, as well as compensation for volatility in the international price of oil.
- (e) Comprising the revenue obtained from the transport of crude through the oil pipeline (ONP).

22 COST OF SALES

This item comprises:

	2021	2020
	US\$000	US\$000
Opening inventory of goods	360,902	589,236
Purchase of crude oil, refined products and supplies	3,724,959	2,380,040
Operating expenses of production (a)	258,125	254,036
Closing inventory of goods	<u>(579,580)</u>	<u>(360,902)</u>
	<u>3,764,406</u>	<u>2,862,410</u>

(a) The composition of operating expenses of production is as follows:

	2021	2020
	US\$000	US\$000
Third-party services (*)	157,247	144,249
Personnel charges (Note 25)	33,425	42,948
Depreciation (Note 11 and 12)	38,574	36,222
Insurance	17,026	15,267
Depreciation of right-of-use asset (Note 13)	9,782	12,332
Other materials and production supplies	-	1,325
Other management charges	225	73
Amortization	7	-
Others	<u>1,840</u>	<u>1,620</u>
	<u>258,125</u>	<u>254,036</u>

(*) Includes the following:

	2021	2020
	US\$000	US\$000
Ground transport freight and expenses	68,089	54,936
Maintenance and repair services	20,131	18,230
Other freights	14,787	14,640
Product storage	13,318	15,209
Dispatch of products	10,917	11,045
Energy and water	10,576	6,619
Storage and dispatch (PNP - Petrored)	4,700	4,867
Food and lodging	3,619	3,094
Industrial protection and safety	3,516	3,582
Advertising	2,209	3,468
Maritime transport freight and expenses	-	2,087
Others	<u>5,385</u>	<u>6,472</u>
	<u>157,247</u>	<u>144,249</u>

23 SELLING AND DISTRIBUTION EXPENSES

This item comprises:

	<u>2021</u> <u>US\$000</u>	<u>2020</u> <u>US\$000</u>
Personnel charges (Note 25)	18,670	22,658
Taxes (a)	15,647	13,376
Depreciation (Note 11)	10,662	6,278
Third-party services (b)	8,620	7,314
Insurance	4,290	3,842
Materials and supplies	3,168	2,381
Other management charges	520	478
Depreciation of right-of-use asset (Note 13)	104	129
Expected loss of receivables (Note 8)	-	7,815
	<u>61,681</u>	<u>64,271</u>

(a) Includes the following:

	<u>2021</u> <u>US\$000</u>	<u>2020</u> <u>US\$000</u>
Alicuota Osinergmin	12,207	10,402
Aporte OEFA	3,111	2,614
Others	329	360
	<u>15,647</u>	<u>13,376</u>

(b) Includes the following:

	<u>2021</u> <u>US\$000</u>	<u>2020</u> <u>US\$000</u>
Maintenance and repair services	3,017	2,472
Other third-party services	2,352	2,076
Industrial protection and safety	2,316	1,731
Rentals	325	469
Energy and water	286	277
Food and accommodation	219	147
Travel and transfer expenses	72	106
Freight and other expenses	33	36
	<u>8,620</u>	<u>7,314</u>

24 ADMINISTRATIVE EXPENSES

This item comprises:

	<u>2021</u> <u>US\$000</u>	<u>2020</u> <u>US\$000</u>
Personnel charges (Note 25)	61,604	72,020
Third-party services (a)	46,514	33,483
Other management charges (b)	56,902	10,479
Depreciation (Note 11)	3,950	4,636
Taxes	3,598	3,169
Amortization	2,476	2,208
Administrative civil and labor contingencies (Note 17)	2,247	942
Depreciation of right-of-use asset	1,109	1,479
Materials and supplies	846	549
Insurance	803	776
	<u>180,049</u>	<u>129,741</u>

(a) Includes the following:

	<u>2021</u> <u>US\$000</u>	<u>2020</u> <u>US\$000</u>
Advisory, appraisal and audits (*)	17,652	6,452
Maintenance and repair services	7,454	6,745
IBM outsourcing services	7,148	6,623
Industrial protection and safety	3,277	3,731
Temporary services	2,941	2,121
Freight and other freight	1,908	1,778
Bank expenses	1,410	854
Medical services	599	559
Advertising	514	933
Travel and transfer expenses	308	288
Others	3,303	3,399
	<u>46,514</u>	<u>33,483</u>

(*) The increase in advisory, expert and audit expenses is mainly due to advisory services related to PMRT process management. The main services are technical assistance for the implementation of the operational management system of the new Talara Refinery, provided by the contractor Consorcio ODI for US\$9,586 thousand and the process engineering management system requirements development service provided by Consorcio Facex - Lamor for US\$1,219 thousand.

(b) In 2021, this item mainly includes the provision for the return of leases charged in excess to Savia Perú S.A., by virtue of the resolution of the Final Decision issued on July 12, 2021 by the Arbitration Center of the Lima Chamber of Commerce for US\$25,000 thousand. In addition, it includes a Coercive Collection Resolution for S/53,110 thousand (equivalent to US\$13,307 thousand), which corresponds to Fines and Value added tax (IGV in Peru) linked to Collection liquidations, under the argument of ignorance of the customs benefit applied by the company (Replacement of Merchandise Regime in Franchise) for the 2014 period, paid in February 2022, and the payment of US\$4,251 thousand as a result of the 2015 Income Tax audit.

In 2020, it mainly includes administrative penalties for US\$7,876 thousand corresponding to income tax for 2007 and payments for omitted taxes.

25 PERSONNEL CHARGES

This item comprises:

	<u>2021</u> <u>US\$000</u>	<u>2020</u> <u>US\$000</u>
Wages and salaries	49,086	51,927
Bonuses	20,645	36,291
Social contributions	17,183	17,165
Statutory bonuses	9,921	11,086
Employees' severance indemnities	6,391	7,395
Vacations leave	3,923	4,317
Feeding	2,751	3,003
Overtime	663	718
Remote Work Compensation	346	-
Transportation	393	484
Other expenses - Voluntary termination (Note 26)	-	2,136
Others	<u>2,397</u>	<u>5,240</u>
	<u>113,699</u>	<u>139,762</u>
Number of employees at the end of the year	<u>2,810</u>	<u>2,679</u>

Personnel charges and workers' profit-sharing expenses were recorded with charges to profit and loss of the year as follows:

	<u>2021</u> <u>US\$000</u>	<u>2020</u> <u>US\$000</u>
Cost of sales (Note 22)	33,425	42,948
Selling expenses and distribution (Note 23)	18,670	22,658
Administrative expenses (Note 24)	61,604	72,020
Other expenses - Voluntary termination (Note 26)	-	2,136
	<u>113,699</u>	<u>139,762</u>

26 OTHER INCOME AND EXPENSES

This item comprises:

	<u>2021</u> <u>US\$000</u>	<u>2020</u> <u>US\$000</u>
Other income		
Claims and/or compensation (insurance / default)	14,778	5,769
Transfer of assets from Block 64 (Note 11)	10,552	-
Return of land in Terminal Callao (Note 11)	6,261	-
Maritime operations services	3,810	3,413
Recovery of provision of the voluntary severance program	2,418	-
Supplier refund for credit balance in product purchase	2,096	-
Return of assets of Consorcio Terminales	1,690	-
Recovery of the fee for use of the loading port in Pucallpa	667	766
Doubtful trade accounts provision recovery	49	-
Labor provision recovery	15	107
Recovery of losses in oil pipeline	-	1,384
Recovery of provision for civil claim	-	412
Application of bond letters	3,115	772
Others	<u>2,963</u>	<u>1,253</u>
	<u>48,414</u>	<u>13,876</u>

	<u>2021</u> <u>US\$000</u>	<u>2020</u> <u>US\$000</u>
Net cost of disposal of other assets	(398)	(668)
Impairment of supplies	-	(3,938)
Voluntary termination program (Note 25)	-	(2,136)
Provision for losses in oil pipeline	-	(793)
	<u>(398)</u>	<u>(7,535)</u>

27 FINANCIAL INCOME AND EXPENSES

Financial income and expenses comprise:

	<u>2021</u> <u>US\$000</u>	<u>2020</u> <u>US\$000</u>
Gains from derivative financial instruments	13,199	12,510
Interest on bank deposits	891	1,440
Interest on receivables	<u>190</u>	<u>3,808</u>
	<u>14,280</u>	<u>17,758</u>
Loss on derivative financial instruments (a)	(32,415)	(8,345)
Interest on working capital loans (b)	(2,273)	(21,405)
Interest on leases	(1,079)	(641)
Others	(16)	(448)
Premiums for crude oil hedging options	-	(2,439)
	<u>(35,783)</u>	<u>(33,278)</u>

(a) The increase in the loss from derivative financial instruments comprises the compensations made to the supplier Petrotal Perú S.R.L. for US\$28,667 thousand by virtue of the premiums for hedging options for the cost of crude established in the purchase contract signed with this supplier.

(b) The decrease in interest in 2021 is due to the fact that the Company reduced its working capital bank loans and financed its purchases directly with suppliers.

28 TAX SITUATION

a) Tax rates -

In accordance with current legislation, the Company is individually subject to applicable taxes. Management considers that it has determined taxable income in accordance with the Peruvian income tax general regime, by adding to and deducting from the results shown in the financial statements, those items that are considered as taxable and non-taxable, respectively. The applicable Income tax rate has been 29.5% since 2017 onwards, by means of Legislative Decree No. 1261 published on December 10, 2016.

At December 31, 2021 the Company has tax losses of S/1,519,726 equivalent to US\$402,750 (S/968,024 equivalent to US\$267,115 at December 31, 2020). The Company uses the system "B" to carry forward tax losses, which consists of offsetting said losses until its amount is exhausted, against 50% of the net income obtained in the years immediately following its generation. System option "B" is exercised with the opportunity of filing the annual income tax return for the fiscal year in which the losses were generated. Once the option is exercised, it is not possible to modify the system. In accordance with Management's projections, the Company will offset accumulated tax losses with future tax gains.

It should be noted that under current Peruvian laws, non-domiciled parties are only subject to income tax on their Peruvian-source income. In general, income obtained by non-domiciled parties that provide services in Peru will be subject to a 30% income tax rate on gross income; this is as long as no double taxation agreement (CDI) is applicable. In respect of technical assistance services or digital services rendered by non-domiciled parties to legally resident taxpayers; the place where the services are rendered will not be relevant; in all cases, will be subject to income tax of 15% and 30%, respectively on a gross basis. The income tax rate on technical assistance services is 15% as long as the qualifying requirements under the Peruvian income tax law are met.

b) Income tax determination -

The income tax expense shown in the statement of comprehensive income comprises:

	<u>2021</u> <u>US\$000</u>	<u>2020</u> <u>US\$000</u>
Deferred (Note 18)	(105,161)	(25,951)

Reconciliation between the effective income tax rate to the tax rate is as follows:

	<u>2021</u> <u>US\$000</u>	<u>%</u>	<u>2020</u> <u>US\$000</u>	<u>%</u>
Pre-tax profit	173,098	100.00	(41,329)	100.00
(Tax benefit) theoretical income tax 29.5%	51,064	29.50	(12,192)	-
Permanent non-deductible expenses	19,258	11.13	5,585	(13.51)
Permanent non-taxable income	(1,074)	(0.62)	(437)	1.06
Effect of exchange difference on tax fixed assets (*)	130,647	75.48	127,402	239.54
Effect of (lower) higher current tax resulting from exchange difference (**)	(97,410)	(56.27)	(93,029)	(270.15)
Others	2,676	1.55	(1,378)	(19.72)
Current and deferred income tax	<u>105,161</u>	<u>60.75</u>	<u>25,951</u>	<u>(62.79)</u>

(*) Comprising changes in deferred income tax resulting from the exchange rate fluctuations that affect the tax base of non-monetary assets.

(**) Comprising the lower current income tax resulting from the exchange rate fluctuation that affects its determination in Peruvian soles but not the financial statement whose functional currency is the U.S. dollar.

The Peruvian tax authorities have the right to review and, if necessary, amend the income tax determined by the Company in the last four years from January 1 of the year following the date of filing of the corresponding tax return (years subject to examination). Years 2018 to 2021 are subject to examination. Since discrepancies may arise over the interpretation of the tax laws applicable to the Company by tax authorities, it is not possible at present to anticipate whether any additional liabilities will arise as a result of eventual tax examinations. Any additional tax, penalties and interest, if arising, will be recognized in the results of the period when such differences of opinion with the Tax Authority are resolved. The Company considers that no significant liabilities will arise as a result of these eventual tax examinations. At December 31, 2021, the years 2016 and 2017 are in the audit process.

Under current legislation, for purposes of determining Income Tax and VAT (IGV in Perú), transfer prices agreed between related parties and/or tax havens must have documentation and information supporting the valuation methods and criteria applied in their determination. Tax Authorities are authorized to request this information from the taxpayer. Based on an analysis of the Company's business, Management and its legal advisers consider that no significant contingencies will arise as a result of this legislation for the Company at December 31, 2021.

c) Temporary Tax on Net Assets -

The Company is subject to the Temporary Tax on Net Assets (ITAN, from its Spanish acronym). The taxable base is the prior period adjusted net asset value less depreciation, amortization admitted by the Income Tax Law, as shown in the respective standard (Law 28424 and its Regulation). The ITAN rate is 0.4% for 2021 and 2020 applied to the amount of net assets that exceed S/1,000,000. It may be paid in cash or in nine consecutive monthly installments. The amount paid may be used as a credit against payments of the general income tax regime for taxable periods from March to December of the fiscal period for which the tax was paid until maturity date of each of the payments on account and against the regularization of income tax payments for the related fiscal year.

d) Tax on financial transactions -

For fiscal 2021 and 2020, the rate of the Tax on Financial Transactions was set at 0.005% and is applicable to bank debits and credits or cash movements through the formal financial system, unless the transaction is exempt. This tax is accounted for as tax expenses within administrative expenses.

e) Tax Regime of Value Added Tax -

The VAT rate (including Wholesale Price Index) currently in force is 18%.

The Company opted to take advantage of the VAT anticipated recovery regime ("Régimen de Recuperación Anticipada del Impuesto General a las Ventas - IGV") by which it will be able to obtain a refund of the VAT levied on imports and local purchases of new goods or inputs, as well as construction services and contracts, carried out in the pre-operating phase to be used in implementing the PMRT project.

On October 21, 2016 the Company filed with PROINVERSION an application for anticipated recovery of VAT (IGV). As part of the paperwork, the application was sent by PROINVERSION to the Ministry of Energy and Mines (MEM) and the Ministry of Economy and Finance (MEF). In this respect, Technical Report No. 0125-2017-MEM-DGH-DPTC-DNH was issued, by which the Ministry of Energy and Mines approved the investment schedule presented by the Company for a total of US\$2,958,000 thousand.

Said report was sent to MEF on December 29, 2017, which issued Report No.117-2018-EF/61.01 stating a favorable opinion on the listing of goods, services and construction contracts relating to the PMRT project subject to the benefit of anticipated recovery of VAT ("Régimen de Recuperación Anticipada del IGV").

By means of Ministry Resolution No.212-2019-MEM/DM published in the Peruvian gazette "El Peruano" dated June 8, 2019, the MEM authorized the Company to apply for the anticipated recovery of VAT (IGV) and approved respective listing of goods, services and construction contracts relating to the PMRT project subject to the benefit of anticipated recovery of VAT (IGV).

On December 23, 2019 the Company applied for a refund of the VAT (IGV) paid from April 2019 to September 2019 on the purchases related to the PMRT Project for a total US\$23,529 thousand (equivalent to S/81,198 thousand. By means of Resolution No.012-180-0021030 dated January 3, 2020 SUNAT approved and refunded a balance of US\$23,529 thousand (equivalent to S/81,198 thousand).

Subsequently, on July 23, 2020 the Company apply for a refund of the VAT paid from October 2019 to March 2020 on the purchases related to the PMRT Project. By means of Resolution No. 012-180-0022534 dated July 29, 2020 SUNAT approved and refunded a balance of US\$32,870 thousand (equivalent to S/115,997 thousand).

Finally, on September 21, 2021 the Company applied for a refund of the VAT (IGV) paid from April to September 2020 on the purchases related to the PMRT Project. By means of Resolution No. 012-180-0026068 dated September 28, 2021 SUNAT approved and refunded a balance of US\$12,007 thousand (equivalent to S/49,554 thousand). Subsequently, on December 9, 2021 the Company applied for a refund of the VAT (IGV) paid from October to December 2020 on the purchases related to the PMRT Project. By means of Resolution No.012-180-0026678 dated December 16, 2021 SUNAT approved and refunded a balance of US\$4,385 thousand (equivalent to S/17,759 thousand).

f) Amendments to the Law on Income Tax -

In 2021, Law No. 31380 was published, which delegates to the Executive Branch the power to legislate on tax, fiscal, financial and economic reactivation matters; effective until March 27, 2022. The most significant powers granted in terms of Income Tax are detailed below:

- Regulate the treatment of the Income Tax applicable to **Joint Venture Agreement**.
- Modify the provisions on support to require reliable and/or dated documents to confirm that there is no unjustified increase in assets.
- Establish a new valuation method that reasonably approximates the market value in the transfer of securities.
- Standardize the cost for access to stability provided for in the Legal Stability Agreements regulated by Legislative Decrees 662 and 757; among other.

In addition, Supreme Decree No.402-2021-EF was published, which entered into force on December 31, 2021. A brief summary is detailed below:

- Deductibility of interest expenses: At December 31, 2021 new rules must be followed to calculate the limit for deducting interest. These rules absolve the doubt as to whether the EBITDA can be negative, stating that it is not possible. In cases in which the taxpayer does not obtain net income or has obtained the amount of losses from previous years that can be offset with the former, the EBITDA will be equal to the sum of net interest, depreciation and amortization deducted in said year.

At the end of 2021, relevant regulations were published, such as Legislative Decree No.1516. This standard is intended to standardize the cost for access to legal stability provided for in the Legal Stability Agreements regulated by Legislative Decrees No.662 and 757.

Legislative Decree No. 1516 was published, which modifies the presumed net income from Peruvian sources received by non-domiciled taxpayers. The purpose of this standard is to modify the presumed net income received by non-domiciled taxpayers and branches, agencies or any other permanent establishment in the country of sole proprietorships, companies and entities of any nature incorporated abroad to include the extraction and sale of hydrobiological resources.

It is worth highlighting the following control points to be considered by taxpayers:

- Permanent Establishment: The Peruvian Tax Administration has concluded that a permanent establishment is not established in Peru when a company incorporated in the country changes its corporate domicile abroad, provided that certain aspects are met. (Report No. 040-2021-SUNAT/7T0000).
- Final Beneficiary: The members of the board of directors or the general manager of a legal entity will be considered as its final beneficiaries, to the extent that said body or area heads the functional or management structure of the legal entity. (Report No. 130-2020-SUNAT/7T0000).
- Electronic Books and Records: The taxpayer who is in temporary suspension of activities is not required to generate, during the time of suspension, the electronic books and records that he/she is required to keep within the corresponding due dates. (Report No. 052-2021-SUNAT/7T0000).

g) Examination by the tax authorities -

With respect to income tax review by the tax authorities from January to December 2015, SUNAT issued Tax Determination Resolutions No.012-003-0122358, which was the subject of a Claim Appeal filed on December 23, 2021. At December 31, 2021 this appeal is pending resolution by SUNAT (File No. 0150340018762).

With respect to income tax review by the tax authorities from January to December 2014, SUNAT issued Tax Determination Resolutions No.012-0030116931 to 012-003-0116935; however, an appeal against said resolutions was presented within the term set by law. This claim was resolved by SUNAT through Tax Determination Resolution No. 0150140016192, which declared the claim filed unfounded. This resolution is subject to an Appeal by the Company. At December 31, 2020 this appeal is pending resolution by the Tax Court.

With respect to income tax review by the tax authorities from January to December 2013, SUNAT issued Tax Determination Resolutions No.012-003-0108813 to 012-003-0108818; however, an appeal against said resolutions was presented within the term set by law. On August 3, 2020 a notice was served to the Company with the Resolution No.0150140015507 that declared the claim unfounded, and an appeal had been filed in due course. At December 31, 2020 the appeal remains to be resolved in Chamber 9 of the Tax Tribunal, signed with Case File No.5940-2020.

With respect to income tax review by the tax authorities from January to December 2012 dated January 11, 2020, SUNAT issued Tax Determination Resolutions No.012-003-0101487 to 012-003-0101498 and 012-003-0101500 to 012-0030101504; however, an appeal against said resolutions was presented within the term set by law, On September 30, 2020 a notice was served to the Company with the Resolution No.0150140015102 that declared the claim unfounded, and an appeal had been filed in due course. This appeal was resolved in favor of the Company by the Tax Court in its Resolution No.11104-1-2021 dated December 17, 2021 (File No.135042019).

On the other hand, as a result of the income tax review by the tax authorities for fiscal 2011, the Company paid a total of US\$2,940 thousand (equivalent to S/9,540 thousand) in respect of unpaid taxes, interest and tax penalties. However, given the difference between the tax loss determined by SUNAT and the tax loss filed by the Company for fiscal 2008, under Resolution No.0150140009896 dated July 27, 2011, SUNAT issued a Tax Determination Resolution No.012-003-0090872 for the amount of US\$2,667 thousand (equivalent to S/8,653 thousand) An appeal against said resolution was presented by the Corporate and Legal Management ("Gerencia Corporativa Legal, Sub Gerencia Tributaria, Cumplimiento Regulatorio y ambiental") within the term set by law with an outcome adverse for the Company as per Resolution No.0150150014244 dated July 16, 2019. The Company has filed an appeal against that Resolution, which was resolved by the Tax Tribunal under Resolution No.08286-9-2020 dated September 16, 2020. The Tax Court ordered SUNAT to re-settle the 2011 tax loss based on the determination of the 2008 tax loss.

With respect to the tax loss for fiscal 2008, the Tax Tribunal, under Resolution No.08272-9-2019, dated September 16, 2019, revoked the Resolution No. 0150140009896, and ordered that SUNAT issue a new pronouncement. On February 5, 2020 the Company filed an appeal against Resolution No.0150150002300, issued in compliance with the aforementioned Resolution No.08272-9-2019. The Tax Court ruled on the Appeal by Resolution No.07109-9-2020 dated November 23, 2020 and confirmed the origin of the Resolution No.0150150002300 and, therefore, the amount of the tax loss for 2008 determined by SUNAT.

With respect to fiscal 2006, under Resolution No.7238-4-2019 dated August 13, 2019, the Tax Tribunal resolved in favor of the Company an appeal filed involving prepaid Income Tax and annual regularization of said tax. On January 14, 2020 the Company canceled the tax debt of Tax Determination Resolutions No.012-003-0024895, 012-003-0024896, 012-003-0024897, 012-003-0024898 and Fine Resolutions No.012- 002-0018354, 012-002-0018355, 012-002-0018356 and 012-002-0018357 that were confirmed by the Tax Tribunal Resolution No.7238-4-2019.

In August 2018, a notice was served to the Company with the Tax Tribunal Resolution No.06573-1-2018 containing a pronouncement that was favorable to the Company revoking the VAT tax assessments for the period from January to December 2006.

With respect to fiscal 2005, dated April 25, 2019, the Tax Tribunal issued the Resolution No.3921-4-2019 which resolved an appeal filed involving tax assessments determined by SUNAT on the Income Tax (Case File No.164-2011). This Resolution has been favorable to the Company by revoking the Resolution No. 0150140009330 issued by SUNAT.

29 CONTINGENCIES

The Company has the following labor-related court actions, civil lawsuits, tax and customs claims pending resolution. Management and its legal advisors consider that these contingencies have been considered as possible and, consequently, they have not been recognized in the financial statements:

	<u>2021</u> <u>US\$000</u>	<u>2020</u> <u>US\$000</u>
Civil	34,950	24,780
Tax and customs claims	47,737	33,757
Labor-related	<u>14,237</u>	<u>15,615</u>
	<u>96,924</u>	<u>74,152</u>

The movement of contingencies is detailed below:

	<u>Balance at</u> <u>January 1</u> <u>US\$000</u>	<u>Additions</u> <u>US\$000</u>	<u>Deductions</u> <u>US\$000</u>	<u>Balance at</u> <u>December 31</u> <u>US\$000</u>
Year 2021				
Civil (a)	24,780	24,925 (	14,755)	34,950
Tax and customs claims (b)	33,757	15,601 (	1,621)	47,737
Labor-related (c)	<u>15,615</u>	<u>112</u> (	<u>1,490</u>)	<u>14,237</u>
	<u>74,152</u>	<u>40,638</u> (	<u>17,866</u>)	<u>96,924</u>
Year 2020				
Civil	22,858	6,017 (	4,095)	24,780
Tax and customs claims	49,324	32,169 (	47,736)	33,757
Labor-related	<u>2,589</u>	<u>13,256</u> (	<u>230</u>)	<u>15,615</u>
	<u>74,771</u>	<u>51,442</u> (	<u>52,061</u>)	<u>74,152</u>

(a) At December 31, 2021 the main Civil proceedings include the following: Lambayeque for US\$6,687 thousand (equivalent to S/20,000 thousand), Consorcio Cobra for US\$10,000 thousand (equivalent to S/38,000 thousand), SIMA for US\$5,403 thousand (equivalent to S/21,933 thousand), DEMEM for US\$2,917 thousand (equivalent to S/11,840 thousand), Cousa Coest for US\$1,783 thousand (equivalent to S/6,790 thousand) and others for US\$6,497 thousand (equivalent to S/ 25,992 thousand).

Likewise, in 2021, the processes maintained with Geopark for US\$3,213 thousand (equivalent to S/12,720 thousand), J.A.Garrigues for US\$3,234 thousand (equivalent to S/12,929 thousand), Hazco for US\$2,049 thousand (equivalent to S/8,192 thousand) and C.Tesla for US\$2,033 thousand (equivalent to S/8,128 thousand).

(b) At December 31, 2021 the main processes correspond to those maintained with the Peruvian Tax Administration (SUNAT) for US\$46,065 thousand (equivalent to S/178,351 thousand), of which one of them is related to file No.04315-2020-0-1801-JR-CA-21 for US\$14,007 thousand (equivalent to S/56,000 thousand) and two others are related to files 06305-2019-01801 for US\$17,086 thousand (equivalent to S/61,664 thousand) and file 06304-2019-01801 for US\$14,972 thousand (equivalent to S/54,033 thousand).

(c) At December 31, 2021 it mainly includes the process maintained with the Administrative Workers Union for US\$12,006 thousand (equivalent to S/8,000 thousand).

30 BASIC AND DILUTED EARNINGS PER SHARE

The calculation at December 31, 2021 and 2020 of earnings per basic and diluted share shows the same value as there are no shares with dilutive effect is as follows:

	<u>(Loss)</u> <u>Profit</u> <u>US\$000</u>	<u>Weighted</u> <u>average</u> <u>number of</u> <u>shares used</u>	<u>(Losses)</u> <u>Earnings</u> <u>per share</u>
2021:			
Basic and diluted earnings per share	67,937	5,368,412	0.013
2020:			
Basic and diluted losses per share	(67,280)	4,911,863	(0.014)

31 GUARANTEES

At December 31, 2021 the Company has given performance bonds backed by local financial institutions to suppliers for a total US\$22,638 thousand (equivalent to S/90,508 thousand) and US\$6,831 thousand.

Guarantees related to borrowings are disclosed in Note 14.

32 RELATED PARTIES

The Peruvian Government owns the Company's share capital and it is represented by each member of the General Shareholders' Meeting. As per the twenty-third article of the Bylaws of the Company, the General Shareholders' Meeting consists of five members representing the class "A" and "B" shares owned by the Peruvian Government: The Ministry of Energy and Mines, which chairs the Meetings and four members on behalf of the Peruvian Government, appointed by Supreme Decree. Transactions between the Company and the Peruvian Government and the Ministry of Energy and Mines are shareholder transactions.

The compensation of the Company's key management was as follows:

	<u>2021</u> <u>US\$000</u>	<u>2020</u> <u>US\$000</u>
Short-term employee benefits:		
Key management salaries (excluding director's compensation)	4,548	5,050
Directors' compensation (all non-executives)	177	197

There were no post-employment benefits, long-term benefits, termination benefits, and share-based payments in 2021 and 2020.

33 SUBSEQUENT EVENTS

1. Changes in the organizational structure -

On April 1, 2022 the General Shareholders' Meeting met in Universal Session and the total change of the Company's Board of Directors was approved as of April 2, 2022.

With Board Agreement No.041-2022-PP dated April 3, 2022, it was approved to assign, at April 4, 2022, Mrs. Beatriz Cristina Fung Quiñones, the position of General Manager of Petróleos del Perú, a Qualified position of Management and Trust.

With Board Agreement No.042-2022-PP dated April 3, 2022, the change of the Basic Structure Management (Corporate Management) was approved, as a commission, at April 4, 2022.

2. Financing -

On March 15, 2022 S&P Global Ratings downgraded Petroperú's global foreign currency credit risk rating to 'BB+' from 'BBB-' and placed it on its CreditWatch listing with negative implications.

In May 2022, Emergency Decree No. 010-2022 was issued, which establishes extraordinary measures in economic and financial matters aimed at securing the local fuel market, for which the Ministry of Economy and Finance (MEF) granted a loan of US\$750,000 thousand and the issuance of cancellation documents for up to S/500,000 thousand, which has allowed the Company to maintain the continuity of the payment chain and ensure the commercialization of hydrocarbons nationwide.

As of June 30, 2022, the Company maintains the investment grade given by the credit rating agency Fitch Ratings ("BBB-" on the foreign currency long-term debt); however, it is maintained the classification given by the credit rating agency S&P Global Ratings on April 27, 2022, that is, it lowered its global scale foreign currency rating on Petroperu to 'BB' from 'BB+' on long-term debt and maintained the Credit Watch with Negative Implications. The "AA-(pe)" rating issued by the local agency Apoyo & Asociados Internacionales S.A.C. is also maintained. On July 6, 2022 the rating firm S&P Global Ratings assigned the condition of "stable" to the perspective of Petroperú S.A., eliminating its assignment of Credit Watch with Negative Implications and ratified the Company's rating of "BB" as a long-term debt issuer.

At August 31, 2022 the Company maintains revolving lines of credit (uncommitted and unsecured) for US\$2,852,000 thousand, of which US\$1,189,000 thousand will be reviewed for renewal by the Credit and Risk areas of the respective banks with the issuance of the financial statements at December 31, 2021.

On September 6, 2022 Fitch Ratings downgraded the long-term local and foreign currency issuer default ratings (IDRs) to 'BB+' from 'BBB-'. It also reviewed the Individual Credit Profile to ccc- from ccc. In addition, it maintained the Rating Watch Negative (RWN).

3. Block 192 -

On July 25, 2022 Supreme Decree No. 009-2022-EM was published in the Peruvian Gazette "El Peruano", in which the License Agreement for the Exploitation of Hydrocarbons in Block 192 was approved. Perupetro S.A. was authorized to sign said contract with the Company, in accordance with the current legal framework.

At December 31, 2021 and the date of approval of the financial statements, no other events have occurred, in addition to those previously mentioned, that require adjusting the items of the 2021 financial statements or being disclosed in their notes.



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