Project Volt

Independent Business Analysis
Energiebedrijven Suriname (EBS)

Reliance Restricted

25 May 2022 | Final

Building a better working world

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Project Volt **20 May 2022**

In accordance with our Letter of Engagement date 14 March 2022, we have performed a desk top financial, operational and organizational review of the N.V. Energiebedrijven Suriname ("EBS"). We have not examined the policies and procedures of the organization as it is expected that this desk top review would be followed by a more in-depth analysis of the company. We advise that the reader is required to read all of our Report in order to get a full understanding of our findings and conclusions.

Purpose of our Report and restrictions of its use

The purpose of our Report is to perform a financial, operational and organizational review of EBS and provide recommendations/next steps based on our findings and discussions with EBS and the Steering Committee.

This Report should not be relied upon for any other purpose. Because others may seek to use it for different purposes, this Report should not be quoted, referred to or shown to any other parties unless so required by court order or a regulatory authority, without our prior consent in writing. Ernst & Young (EY) assumes no responsibility whatsoever in respect of or arising out of or in connection with the contents of this Report other than to the Inter-American Development Bank ("IDB") and the Steering Committee. If others choose to rely in any way on the contents of this Report they do so entirely at their own risk. We advise that if such reports, letters, information or advice are obtained by or provided to a third party, we will owe no duty of care to any such third party in respect of anything obtained by or provided to them; and unless the third party agrees to appropriate terms with us, in writing, our only responsibility is that which is owed to IDB and the Steering Committee in the context of this engagement as at this Report date.

Scope of our work and limitations

The scope and nature of our work, including the basis and limitations, is summarized in our Engagement Agreement. Our work in connection with this assignment is of a different nature to that of an audit, and we extend no audit assurance on any aspect of this Report. Our Report is based on inquiries and discussions with the EBS' management (Management), consideration of the Management accounts for FY17, FY18, FY19, FY20, FY21 and year-to-date 2022, other supporting documents made available to us, as well as analysis performed on data provided and publicly available information on the economy and industry in Suriname.

Project Volt (Cont'd)

We accept no responsibility to include or report on events or information received, subsequent to the date of our field work completion.

We appreciate the opportunity to provide our services to IDB. Please do not hesitate to contact Maria Daniel at Maria.Daniel@tt.ey.com if you have any questions about this engagement or if we may be of any further assistance.

Yours sincerely,

Maria Daniel

Partner.

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Definitions and abbreviations

Definitions and Abbreviations

‘000	In Thousands
A	Actual
AP	Account payables
AR	Account receivables
b	Billion
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COE	Center of Excellence
COO	Chief Operating Officer
CTO	Chief Technical Officer
D.E.	District Electrification
EAS	Energy Authority Suriname
EBIT	Earnings before interest and taxation
EBITDA	Earnings before interest, taxation, depreciation and amortization
EBT	Earnings before taxation
EBTDA	Earnings before taxation, depreciation and amortization
EBS	N.V. Energiebedrijven Suriname
EFF	extended fund facility
ERP	Enterprise Resource Planning
EUR	Euro (€)
Ewet	Electricity Act
EY	Ernst & Young Services Limited
FY17a to FY21a	Actual results financial years ending 2017 - 2021
FY17	Yearly management accounts January 2017 – December 2017
FY18	Yearly management accounts January 2018 – December 2018
FY19	Yearly management accounts January 2019 – December 2019
FY20	Yearly management accounts January 2020 – December 2020
FY21	Yearly management accounts January 2021 – December 2021
GDP	Gross domestic product
GEF	Global Export Finance LLC
GoS	Government of Suriname
IDB	Inter-American Development Bank
KG	Kilogram
KPI	Key performance indicator
kWh	Kilowatt-hour
LPG	Liquified petroleum gas

Definitions and abbreviations

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m	Million
mWh	Megawatt-hour
PPA	Power Purchase Agreement
Report	EY Independent Business Review Report, dated [XX] May 2022
Rosebel/ IAMGOLD	Rosebel Gold Mines N.V.
SOM	Staatsolie Maatschappij Suriname N.V.
SPCS	Staatsolie Power Company Suriname N.V.
SRD	Surinamese dollars
SSC	Shared Service Center
US$	United States Dollars
YTD	Year-to-Date
YTD Jan22	1 month management accounts January 2021

Statement of limiting conditions

Limitations and disclaimers

In accordance with our Engagement Agreement dated 14 March 2022, our analysis is subject to this Statement of limiting conditions. Additionally, this Report, the conclusions contained herein, and the associated exhibits and appendices should not be read or utilized in any way without consideration of these limiting conditions.

- This Report is confidential and may be privileged. It has been prepared solely for the purpose stated and should not be used for any other purpose. It should not be provided to any third party without the prior written consent of Ernst & Young (EY). In carrying out our work, we have worked solely on the instructions of our client. Our Report may not have considered issues relevant to third parties and EY shall have no responsibility whatsoever to any third party which obtains a copy of this Report. Any use such a third party may choose to make of this Report is entirely at its own risk.
- Provision of the restructuring initiatives described herein are areas of our restructuring and turnaround practice for which we believe that we have knowledge and experience. The services provided are limited to such knowledge and experience and do not represent audit, consulting or tax-related services that may otherwise be provided by EY or another Ernst & Young member firm.
- In the course of our analysis, we were provided with written information, oral information, and/or data in electronic form (e.g., via emails), related to the organizational structure, operation, and financial performance of EBS. We have relied upon this information in our analyses and in the preparation of this Report and have not independently verified its accuracy or completeness, except were stated otherwise.
- Certain historical financial data used in our analysis were derived from unaudited management accounts and are the responsibility of EBS's Management. These management accounts may not have included disclosures required by generally accepted accounting principles. We have not independently verified the accuracy or completeness of the data provided and do not express an opinion or offer any form of assurance regarding its accuracy or completeness.
- We assume no responsibility for any financial, tax and regulatory reporting decisions, which are appropriately those of EBS's Management. It is our understanding that EBS's Management accepts the responsibility for any financial statement, regulatory and tax reporting issues with respect to our analysis, and for the ultimate use of our analysis and Report.
- We reserve the right (but will not be obligated) to revise this Report in light of any relevant information that comes to our attention after the date of issuance
- Due to the delayed receipt of information, the following documents were not fully analyzed and assessed and are therefore not reflected in this Report:
    - Dictionary billing data
    - Sales detail Dec 2021_Wilgo1
    - Investerings Projecten PE-EE April 2022
    - Vactures mei 2022
    - Afdelingsnummers (Code)
- Revised Management Accounts were provided on 17th May 2022 for FY20 to YTD22. While the figures in this report are reflective of these revised accounts, due to its late submission, a more in-depth understanding, analysis and review of supporting schedules is required for specific accounts, which were updated from the previous version of the management accounts.

Engagement overview

Introduction

- N.V. Energiebedrijven Suriname (“EBS”) is a state-owned electricity company responsible for generation, transmission, and distribution of power to end-users. EBS’s low historical tariff was insufficient to cover the company’s operational and capital costs and has since been increased by 100% in July 2021 and with further foreseen increases. EBS has been largely dependent on the Government of Suriname (“GoS”) subsidies which is a matter of government policy but measures are being examined to reduce the level of subsidies and to explore a more efficient organization. Through the Inter-American Development Bank (“IDB”) and the steering committee, EBS, the beneficiary of our services, requires a financial and operational assessment to develop and implement a restructuring plan by the end of 2023.

Currency

Throughout this Report, unless otherwise specified, amounts are expressed in Surinamese dollars (“SRD”)

Scope of work

The scope of work includes financial, operational and organizational review. More specifically our work involved reviewing and analyzing the historical and current financial, operational and organizational information of EBS in order to provide recommendations on restructuring EBS. For the purpose of our scope, the following definitions applies:

- Historical Period – Five years ended 31 December 2017 to 2021, unless specified otherwise.
- Current Period - Year-to-date (“YTD”) 2022 unless specified otherwise
- Review Period – includes Historical Period and Current Period

Scope of work (Cont’d)

We have performed historical data analysis and review using information provided by EBS as well as from any other sources or publicly available information. We have not independently audited the financial statements but we have identified during our assessment where anomalies were encountered. This assessment included the following:

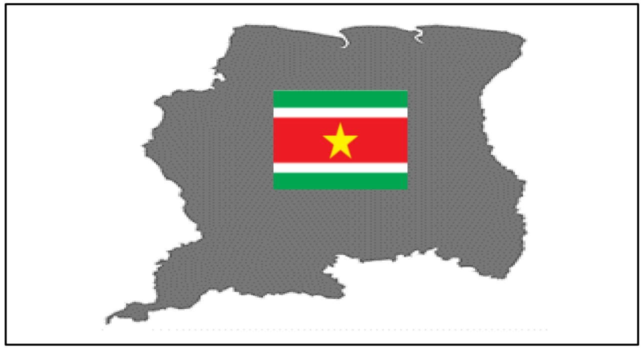
- Review of EBS Management accounts and where available Financial Statements for the last 5 years
- Gain an understanding on the financial flows between EBS, Staatsolie Power Company Suriname N.V. (“SPCS”) and the GoS, including Power Purchase Agreement (“PPA”), fuel purchase cost, subsidies and accounts receivables.
- Review of the main contracts affecting EBS’s commercial operations
- Review and provide additional value-added information on the electricity and gas supply industry in the region and benchmark KPIs
- Review and comment on the terms and conditions of the PPAs and any other significant contract

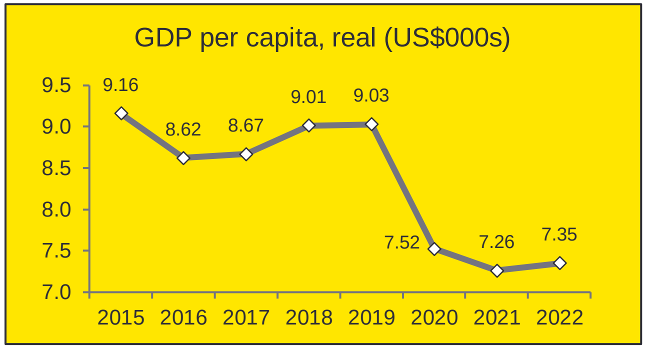
We have provided comments on EBS’s current corporate governance structure and practices in order to provide recommendations based on leading practice. This review entailed the following:

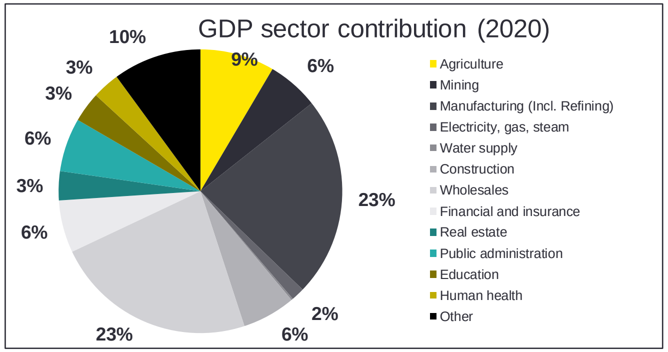
- Reviewed and commented on the establishment and composition of the Board of Directors
- Reviewed and provided comments on the existence and implementation of EBS’s policies and procedures
- Reviewed and provided comments on the established protocols and approval thresholds for cash management specifically
- Reviewed EBS’s Organizational structure and provided comments and recommendations that would assist in streamlining the structure in line with the objectives of the restructuring plan.
- Use the existing restructuring plans developed by EBS and determined the capability and effectiveness of the EBS to execute the planned tasks and actions
- Using our understanding gained from above we have reviewed and provided comments on the current debt stock EBS, split between GoS and non-GoS debt, local and foreign currency.

1 Executive Summary

Country overview





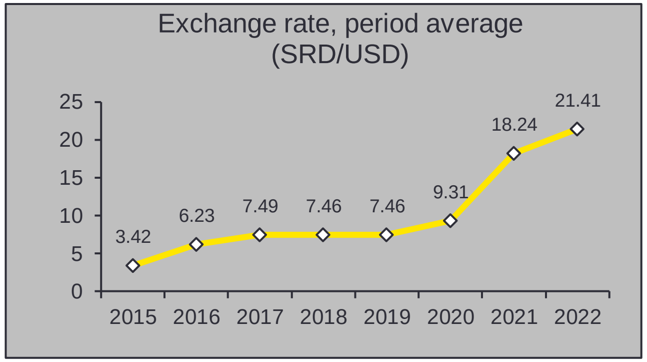


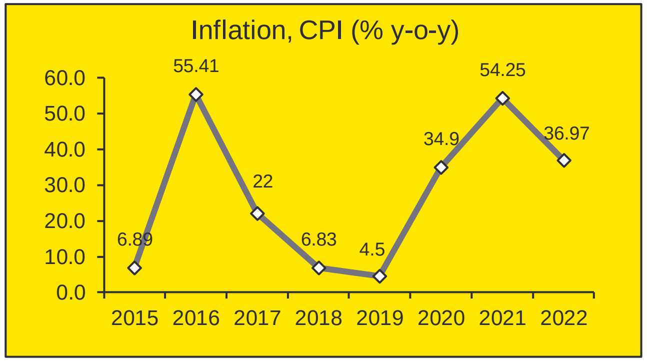
Population
610k **(2021)**

GDP (current prices)
US$ 2.845b **(2021)**

Unemployment rate
11.2% **(2021)**

External debt (% of GDP)
57.6% **(2020)**





Suriname is a small and commodity-dependent economy that has gold as its main export. A legacy of unsustainable policies and low growth has left the country in a difficult situation with high inflation, low international reserves, a large fiscal deficit, and major fiscal and financing needs. The already-serious economic situation was further exacerbated by the challenges arising from the Covid-19 pandemic.

In 2021, the GoS introduced a structural reforms under a 36-month extended fund facility ("EFF") program with the IMF, seeking to restore the macroeconomic stability of the country.

The reform program contains important steps to improve the country's institutional capacity for policymaking. Among the main conditions included in the program there is a fiscal consolidation through tax increases and reductions to subsidies (Energy) and the public-sector payroll, monetary policy reforms and a resolution for the debt default. According to IMF is expected that the economy will slowly recover keeping poverty rates elevated in the mid term.

Additionally, in 2021 the GoS introduced a floating exchange rate, with the intention to stabilize the Suriname dollar.

As reported by EIU, Suriname will become a major energy exporter after 2025 on the back of investments related to large offshore oil and gas basin shared with Guyana.

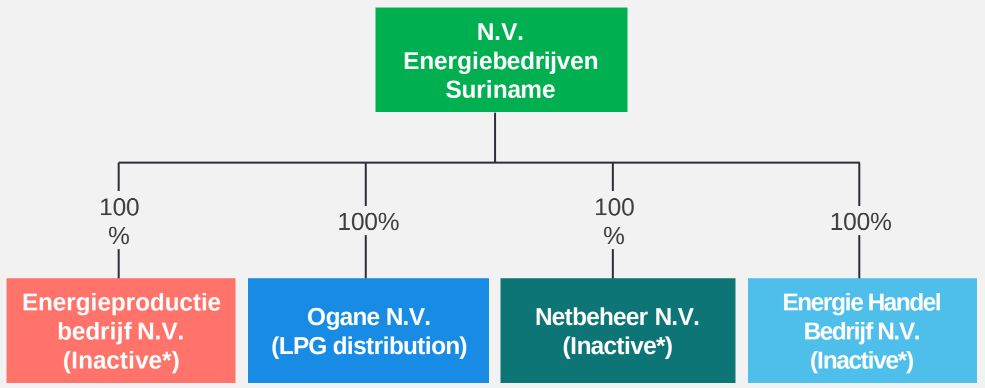
Source: General Bureau of Statistics (Algemeen Bureau voor de Statistiek (ABS)), IMF, WEO, World Bank, EIU

Company overview

EBS ▲ EnergieBedrijven Suriname

EBS is the state-owned company responsible for power generation, transmission and distribution in the Suriname. EBS was founded on 1 February 1932 by the Nederlands-Indische Gasmaatschappij (NIGM), who were active in Suriname since 1908. As of January 1968, the company started to operate under the name N.V. Energiebedrijven Suriname. The company has approx. 1200 employees and provides power to about 178k connections. Additionally, EBS distributes LPG throughout Suriname through its subsidiary Ogane N.V.

Corporate structure



*As part of the Ewet EBS is required to have a separate legal entity for Power generation, transmission and distribution. The legal entities have been incorporated but are not yet active. Refer to page 62 for further details.

Key operational metrics

178k

Power connections

1,533.56

GWh supplied to consumers in FY21

352

GWh generated from EBS powerplants in FY21
(21% of energy produced – includes transmission losses)

Key Financial Highlights

EBS Income statement						
Currency: SRD '000	**FY17A**	**FY18A**	**FY19A**	**FY20A**	**FY21A**	**YTD Jan22**
Revenue	903,594	958,899	965,692	965,287	1,459,244	168,749
Subsidies	774,350	825,078	854,189	898,867	1,015,126	66,912
Total Income	**1,677,944**	**1,783,977**	**1,819,881**	**1,864,154**	**2,474,371**	**235,661**
Direct cost	1,298,070	1,535,957	1,470,731	1,189,782	2,621,218	239,238
Gross operating profit/(loss)	**379,874**	**248,020**	**349,150**	**674,372**	**(146,848)**	**(3,577)**
Other income	**45,652**	**80,296**	**61,590**	**64,682**	**29,028**	**30,320**
Operating expenses	247,386	212,036	266,448	252,851	309,393	20,628
EBITDA	**178,140**	**116,280**	**144,292**	**486,204**	**(427,213)**	**6,116**
Depreciation	69,284	68,718	68,679	74,610	69,184	7,375
EBIT	**108,856**	**47,562**	**75,613**	**411,594**	**(496,397)**	**(1,259)**
Financial and foreign exchange losses	(128,956)	(74,909)	(80,604)	(1,368,601)	(1,853,593)	(76,479)
Net (loss)/income	**(20,100)**	**(27,347)**	**(4,992)**	**(957,007)**	**(2,349,990)**	**(77,739)**

Highlights

- During the period under review EBS incurred losses in every year. However only after the devaluation in 2020/2021 were there losses at the Gross profit line which indicates direct cost are not being met.
- In FY20 and FY21 losses further increased due to foreign exchange losses from the devaluation of the SRD.

EBS Balance sheet						
Currency: SRD '000	**FY17A**	**FY18A**	**FY19A**	**FY20A**	**FY21A**	**YTD Jan22**
Current assets	346,597	502,072	748,076	829,367	795,891	846,203
Non-Current assets	1,450,608	1,697,037	1,872,156	3,239,821	3,616,932	3,604,760
Total Assets	**1,797,205**	**2,199,109**	**2,620,231**	**4,069,188**	**4,412,823**	**4,450,963**
Government liabilities	1,183,686	1,594,212	2,082,901	3,249,427	5,097,811	5,262,740
Other liabilities	1,275,856	1,294,539	1,205,445	2,409,419	3,254,661	3,237,173
Total liabilities	**2,459,542**	**2,888,751**	**3,288,347**	**5,658,847**	**8,352,472**	**8,499,913**
Net Liabilities	**(662,337)**	**(689,642)**	**(668,115)**	**(1,589,659)**	**(3,939,649)**	**(4,048,951)**

Highlights

- EBS is technically insolvent throughout the historical period. As a result of its poor financial performance, its net liabilities position has been growing year over year.
- EBS has not been repaying any of its liabilities towards the government (effectively the government's subsidy into EBS). As at Jan22 EBS owed approx. SRD 5.26b to the GoS.

Key Financial Metrics

The table below summarizes the key financial metrics of EBS and illustrates their poor financial performance during the period under review. This further illustrates the need to restructure EBS both financially and operationally. Theoretically the company experienced a positive EBITDA margin with the exception of FY21. This indicates that the Company can be cash positive all else remaining equal. However, because the subsidies are not always funded by cash, this position is not reflected in the balance sheet as the current ratio is below 1.

As at	FY17A	FY18A	FY19A	FY20A	FY21A	YTD Jan22
EBITDA	178.1m	116.3m	114.3m	486.2m	(427.2)m	6.1m
EBITDA margin	11%	7%	8%	26%	-17%	3%
Net profit margin	-1%	-2%	0%	-51%	-95%	-33%
Current ratio	0.25	0.28	0.40	0.30	0.18	0.19
Net liabilities	(0.7)b	(0.7)b	(0.7)b	(1,6)b	(3.9)b	(4.0)b
Debt-to-Equity*	-371%	-419%	-492%	-356%	-212%	-210%

Note: All amounts presented in the table above are in SRD

Summary of Key Findings

1 **Renegotiation of PPA contracts to enable an efficient use of power generation and reduce some of the foreign currency exposure**

EBS currently uses hydro power (the most cost-effective generation source), followed by thermal power purchased from SPCS, then any excess required is provided from EBS's plants (SPCS costs 62% more than using EBS owned plants). Since EBS has already incurred the capital costs to increase their plant's capacity and the cost to increase the utilization their plants are marginal, this source should be used directly after Hydro power, rather than purchasing from SPCS. However, given that a take or pay arrangement exist between SPCS and the government (denominated in USD) exposes the company to foreign currency risk and must be used before utilizing their own plants.
EBS should seek to optimize the mix of generation sources by cost and minimize the exposure to currency risk. GoS should therefore renegotiate the PPA contracts and delegate the accountability to EBS, in line with leading practices.

2 **Financial transformation required**

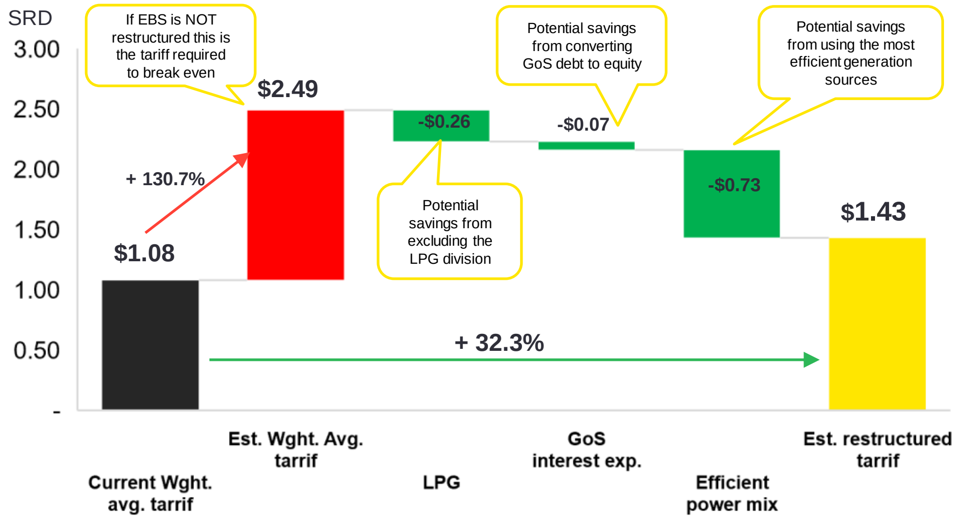
EBS's last audited financial statements is 2018. There has been a significant backlog in data processing since the change in their core Enterprise Resource Planning (ERP) system in 2018. This resulted in un-reconciled balances reported in the management accounts from FY2019 to YTD 2022.
There is a lack of polices, procedures and overall management of the "new" system, which has resulted in delays in producing reliable financial information. A Finance Transformation is needed to enable timely and accurate recording of transactions and reliable reporting of financial data. This is core requirement of any restructuring exercise.

3 **LPG distribution business unit is significantly loss making**

Due to the heavily subsidized price, and the high cost to distribute the LPG distribution has incurred significant losses. EBS and the GoS should consider the following options: (i) Divesting LPG or (ii) increase selling prices to cover current costs . Currently this affects EBS ability to break even as the electricity revenues are subsidizing the LPG business.

4 **Implement "Leading practice" Governance policies and procedures.**

EBS's current governance structure is currently not inline with leading practice. There are several instances noted in our review where proper corporate governance were not followed for instance, conflict of interest in Supervisory Board and Executive Management positions, lack of supervisory sub-committees and formal succession planning.
EBS should reassess most of its current governance policies and procedures and ensure that they setup proper risk mechanisms to ensure that these policies and procedures are strictly followed.



Estimated Tariff Increase

130.7%	32.3%
Estimated 'Breakeven' Tariff increase if EBS is NOT restructured	**Estimated 'Breakeven' Tariff increase if ES is restructured**

This is more than just the financial numbers as there are some fundamental policies that affect EBS to become sustainable. The first one being its tariff model. EBS cost are driven by cost of fuel and the exchange rate both of which can fluctuate significantly however the tariff is fixed. Unless the tariff is set high enough to cover fluctuations, there will always be (except if oil prices go down and the SRD appreciates) a mis-match between revenue and direct cost, therefore rendering it difficult to maintain a break even or profitable outcome.
It is recommended for EBS to undertake a financial transformation and operational restructuring, in order to realize the cost savings necessary to reduce the required tariff for EBS to break even. Fluctuations in direct variable costs i.e., fuel prices, will ultimately affect EBS's total direct cost. As such, GoS should consider implementing a combination tariff scheme with (i) a fixed tariff element to cover the fixed costs and (ii) a floating/ variable tariff scheme that is reviewed and revised periodically (quarterly / semi-annually) to cover the variable costs which are out of EBS"s control. In conjunction with this, GoS could design its subsidy policy .

2

Key Findings and Recommendations

Key observations and recommendations

Topic	EY Observations	Recommendation	Priority
Cost to produce energy and tariffs	► Based on our analysis thus far on the revenue and direct costs, the current tariffs are unsustainable for EBS to become a profitable entity. ► In FY21, it cost EBS an average $1.29 SRD/kWh while the weighted average tariffs results in revenue $1.08 SRD/kWh. ► The purchased thermal power is the most expensive source of power for EBS, on a direct cost basis, at an average $3.53 SRD/kWh. This is $1.35 SRD/kWh (62%) more than EBS generated power.	Currently, hydro power is the most cost-effective generation source, followed by EBS powerplants and lastly thermal power purchased from SPCS. Given that EBS has already incurred the capital costs to increase their plants' capacity and the cost to increase the utilization of their plants are marginal, the cost analysis performed was on a direct cost basis. (Refer to next page of the report for the scenario analysis and cost analysis) . EBS should seek to optimize the mix of generation sources by cost, through renegotiation of PPA contracts.	HIGH
Renegotiation of PPA contracts	**GoS and SPCS PPA contracts** ► EBS is subject to a PPA which was entered in by the GoS and SPCS to supply EBS with thermal power. This agreement is subject to a take-or-pay arrangement. ► EBS currently has sufficient capacity to service the market without purchasing thermal from SPCS. The current EBS power plants (DPP1 and DPP2) are **underutilised** due to the aforementioned take-or-pay PPA contract. ► In FY21, the purchase of thermal power accounted for 34% of direct costs, while only providing 15% of total power. **Rosebel PPA Contracts** ► Rosebel current has two (2) PPA contracts, one with GoS, referred to as PPA I and the other directly with EBS, referred to as PPA II. ► EBS currently receives the revenues from both these PPA contracts, however, only records the cost related to the PPA II contract in their accounts.	Given that EBS has already increased its generation capacity through capital expenditure, it is more cost effective for EBS to generate power out of its own power plants. The GoS, alongside EBS, should assess the possibility of renegotiating more favorable PPA terms than as-is with the SPCS thermal PPA, allowing EBS to optimize their plant utilization. Refer to page [40] for potential cost saving analysis. The cost of fuel should also be discussed as EBS should not pay above the spot price of the fuel. EBS is currently not a party to this contract, and therefore has little-to-no accountability for how EBS operates within the terms of the contract. We recommend that the PPA be renegotiated and contracted between EBS and SPCS. Rather than treating this as an indirect subsidy, the arrangement should be amended to be between Rosebel and EBS only. Since EBS is receiving the revenues, the cost associated with the PPA I contract should also be included as part of EBS's direct cost.	HIGH

Key observations and recommendations

Topic	EY Observations	Recommendation	Priority
Tariff analysis	The current weighted average tariff charged to customers is $1.08 SRD/ kWh. If EBS continues to operate "as is" with no restructuring, the weighted average tariff required to break-even is estimated to be $2.49 SRD/kWh. The following two scenarios illustrate the potential cost savings that can be realised if EBS undertakes certain commercial restructuring initiatives. At this stage we have not analysed the internal processes to gain insight on possible operational efficiencies that can be derived from automation and process re-engineering. There is therefore the ability to reduce the cost further after the possible 2nd phase of this exercise. **Key analysis assumptions applicable to both scenarios:** ► It excludes the revenue or direct costs associated with sales and distribution of LPG ► Only interest expense associated with third-party (non-government) debt is considered i.e. all interest related to GoS debt is excluded ► Current weighted average tariff for general power distribution was applied to the FY21 actual consumption to arrive at the total general power distribution revenue ► Current FY22 fuel prices are reflected in the direct cost, which was applied to the FY21 generation/purchase ► The cost and revenues related to both Rosebel PPA contracts are included **Scenario II** illustrates the additional potential saving that can be realised from using the most efficient energy generation source via negotiated PPA contracts and **Scenario I** assumes it remains as it is.	Given that the Tariff is fixed and the cost is variable from cost of fuel, cost of power from SPCS and the exchange rate, EBS is unable to be profitable or cover its cost at the current Tariff. Therefore, in a simplistic basis , it is either the Tariff is fixed with government subsidies covering the fluctuations OR government fixes the subsidies and the Tariff floats above that level. Thus, the GoS needs to determine the costs that they are willing to subsidize, and what costs would need to be passed along to the consumers. These variable costs may be passed on to consumers by restructuring the tariff charge structure to include variable/floating charges, such as costs associated with the increase in fuel beyond a particular threshold. The cashflow information made available during the assessment was insufficient to conduct a thorough scenario analysis representative of cashflow needs at the working capital level. We recommend that an in-depth operational analysis and restructuring is completed to identify the possibility of further efficiencies in operational expenses and direct costs. This should be done prior to implementing any substantial tariff increases or on the nature of a floating Tariff in the future. There are also solutions on the consumer side such as smart metering that can assist consumers to measure and understand how much energy they are consuming and the cost of it in a real time basis. This will not only assist households in managing cost but it could reduce energy emissions.	HIGH

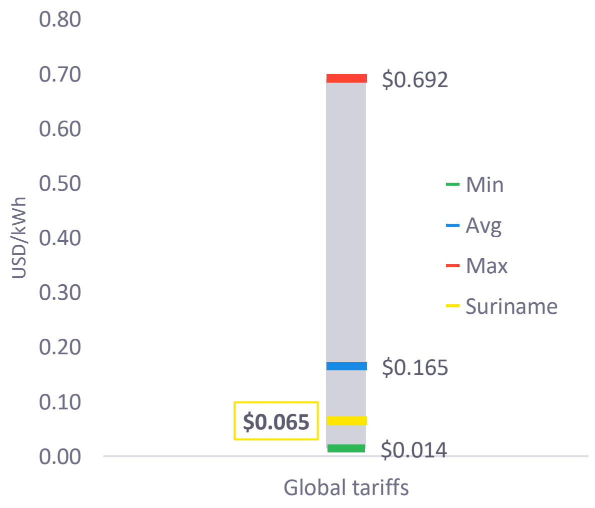
Currency: SRD'000	Scenario I	Scenario II
General power distribution revenue	1,411,781	1,411,781
Rosebel revenue (Incl PPA I GoS-Rosebel)	614,325	614,325
Total Revenue	**2,026,106**	**2,026,106**
Direct costs	(2,978,916)	(2,025,972)
Gross profit	**(952,810)**	**133**
Operating expenses	(296,333)	(296,333)
EBITDA	**(1,249,143)**	**(296,200)**
Interest expense from third-party debt	(97,632)	(97,632)
Depreciation	(61,945)	(61,945)
Net EBT	**(1,408,720)**	**(455,777)**
Required revenue from electricity sales to break-even	2,820,501	1,867,558
Increase in avg. tariffs required to breakeven	**99.8%**	**32.3%**
Estimated weighted average tariff (SRD/kWh)	**$2.16**	**$1.43**

► Note: The analysis above considers FY21 financial results, as forecast information was limited at the time of this report. Refer to page [42] of the report for further details of this analysis.

Key observations and recommendations

Topic	EY Observations	Recommendation	Priority
Currency risk	▶ Main contracts related to direct costs are tied to international prices, and hence denominated in USD. Fluctuations in SRD-USD rate within a historical period, accompanied with fixed SRD tariffs exposes EBS to significant currency risk in core operations. ▶ While the tariffs effectively increased 100% in FY21,the SRD-USD exchange rate deteriorated from $7.29 SRD/USD to $20.89 SRD/USD (~190% increase). Therefore, EBS tariffs have not effectively increased inline with their costs. This is evident from the negative EBITDA margin of 17% in FY21. ▶ Government loans are also in USD and all the revenue except for the Rosebel contract is in SRD, opening EBS to significant foreign exchange losses	EBS should seek to minimize their exposure to Currency risk through negotiation of contracts with suppliers. In order for EBS to become profitable the following will need to be considered in order to offset increased fuel and electricity costs: 1. Moving to base plus fuel component tariff structure– effectively passing along additional direct costs to consumers 2. GoS overall policy with respect to the EBS's subsidy will need to be re-assessed. The GoS will need to decide if they are willing and able to absorb the currency and oil price through a 'floating' subsidy. EBS should seek to minimize the exposure to currency risk through renegotiation of contracts with suppliers and discussions with GoS.	HIGH
'Carve out' districts outside of Paramaribo into a separate power generation unit	▶ EBS currently works with the Ministry of Natural Resources on various projects to assist with provision of power to districts outside of Paramaribo, including the interior areas in Suriname. However, power generation and distribution to these areas are more expensive.	At the moment, the funding of these costly projects are putting a strain on EBS's cash flows. We recommend that this aspect of EBS be carved out into a separate division/ unit and dealt with directly between EBS and the Ministry of Natural Resources. This would include: 1. Setting budgets and project plans specifically to service the interior 2. Obtaining sufficient funding to support and subsidize the cost related to servicing these districts on a project-by-project basis 3. Setting and implementing certain policies and procedures to govern this division 4. The reporting of this should be separated and reported by area.	HIGH
Implement "best practice" Governance policies and procedures	▶ EBS's current governance structure is currently not inline with leading practice. There are several instances where proper corporate governance was not followed. Refer to pages [56-59]for detailed observations.	EBS should reassess most of its current governance policies and procedures as part of their restructuring process. In this process EBS is advised to setup proper risk mechanisms to ensure that these policies and procedures are strictly followed. Refer to pages [74-84] for detailed recommendations.	HIGH

Key observations and recommendations

Topic	EY Observations	Recommendation	Priority
Tariff Benchmark	► Suriname has amongst the lowest electricity rates globally, ranking 38 of 230.  See page [43] for detailed benchmark information.	A detailed economic analysis should be conducted to determine the affordability of electricity in Suriname. This study will assist in optimizing tariff structure from both economic and social perspectives. Given the urgency of the tariff restructure and turnaround of EBS, as an immediate next step, we recommend that this is completed prior to in tandem with the work currently being done on tariff increases. Subsidies could be managed on a needs basis rather than for the general public.	HIGH

Key observations and recommendations

Topic	EY Observations	Key Recommendations and next steps	Priority
Improving the Quality of financial information	► EBS has **significant delays in processing their financial information** in the Enterprise Resource Planning ("ERP") system, for instance: ► Due to the change in the accounting system in 2018, the finance team has struggled to get the other departments to upload and provide information into the ERP system in a timely and accurate manner. This has resulted in many manual "estimated" entries being input by the accountant, with a significant amount of time being spent afterwards to perform reconciliations and adjustments. ► Reconciling items on the bank reconciliations have been outstanding for over two years. ► Proper accounting polices and user manuals for the new ERP system are not in place. This has resulted in the team using "old" methods to get information into the "new" system, and therefore causing inconsistences which has also resulted in the delay of timely financial accounts. ► Management provided updated Management accounts for FY20, FY21 and YTD Jan 22 on 17th May 2022. One of the main variances noted was an increase of SRD 390m in 'Other payables and accruals' ($103m in FY20 to $493m in FY21). Due to the late submission of these revised accounts, a more in-depth understanding and analysis into this account was not possible and should be done in the next phase. ► As at Report date, EBS **did not have audited financial statements** for the years FY19, FY20 and FY21. The audit for FY19 is currently ongoing. The audits for the years FY20 and FY21 is due to commence once the audit of FY 19 has been completed.	As an **immediate next step** it is recommended that EBS delegates a team specifically to clear the large backlog which has created significant delays in processing financial information in the ERP system. EBS should engage an experienced and qualified third party to work with the management team to establish proper policies, procedures and operational manuals to make the most efficient use of the ERP system. Specific EBS team members who are required to use the ERP system should then receive proper training and guidance to ensure that there is less re-work and unreconciled items. This will also assist management in future decision making as the current Management accounts and information cannot be accurately relied upon. Finalization of the audited financial statements is a critical step required in restructuring EBS, therefore EBS would need to prioritise this to avoid delaying the process. Furthermore, having audited financial statements will provide EBS's shareholder with the necessary assurance on the financial state of the company. It should be noted that even this analysis is being conducted with the Caveat that without audited financial statements, the results of this exercise is subject to change.	**HIGH**

Key observations and recommendations

Topic	EY Observations	Recommendation	Priority
Divestment of LPG distribution business unit	► The liquefied petroleum gas ("LPG") distribution business unit has incurred significant losses during the period under review. The main reasons for this are: ► LPG is being purchased at OPIS Mont Belvieu Non-LDH mid-price, plus a premium of US$0.51 per gallon of LPG **and** US$17.00 per barrel for freight charges. ► The selling price/rate per pound is significantly below the cost price of LPG. The selling price is regulated by the GoS and has not been increased since 2010. For e.g., the sales price per 20lb gas cylinder refill is approx. US$1.85 while the average cost is approximately US$8.75 per 20lb cylinder (exclusive of freight charges). Effectively, the GoS and EBS is subsidising the difference through the revenues of the electricity. ► EBS has an LPG purchase and finance agreement with Global Export Finance LLC ("GEF"). As stated above EBS purchases the LPG at a premium of US$0.51 per gallon. Additionally, a related party of GEF, Olibis N.V., financed the DPP2 capacity expansion and transmission line upgrade projects. Refer below for summary of expenses paid out to GEF/Olibis	Within the region LPG supply to its citizens are usually done through the Gas Supply Companies (both government and private owned) rather than through the Power and Electricity companies. EBS together with the GoS as its shareholder should consider implementing one of the following options: 1. Perform a financial carve-out of OGANE, and then divest the company as its not part of EBS' core business. This will also have an immediate impact on the profitability experienced by EBS. 2. EBS should consider cancelling the contract with the 3rd party contractor GEF and purchasing the LPG directly from Rubis. EBS should consider increasing the selling price/ rate structure of LPG in line with the cost / market prices 3. Agree with the GoS on an official subsidy amount that would allow OGANE to break even at minimum. 4. Combination of #2 and # 3 above i.e., rate increases and increases in GoS official subsidy to ensure financial stability of OGANE.	HIGH

EBS Olibis/GEF	
Currency: SRD '000	**FY21**
LPG Purchase	430.207
Interest expenses	69,200
Total	**499,407**
Currency: USD '000	
Estimated LPG premium (Included in LPG Purchases above)	**5,809**

Refer to page [36] for detailed analysis on the LPG distribution business unit.

Key observations and recommendations

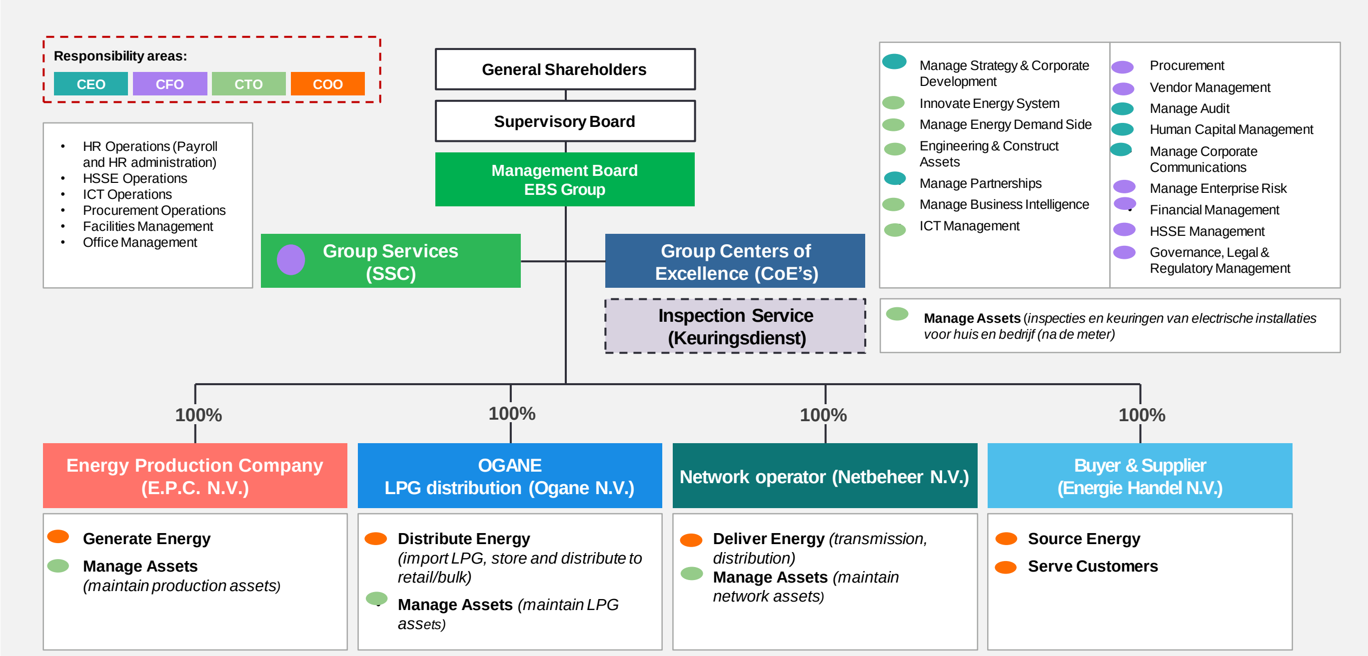
Topic	EY Observations	Recommendation	Priority
Recapitalization of Government Debt/Subsidies	► EBS is highly leveraged and had negative equity throughout the period under review. ► EBS has approx. SRD 1.9b in loans taken from the GoS and SRD 3.3b in other liabilities to the GoS, totalling approx. SRD 5.3b in total liabilities towards the GoS as at Jan22. ► In FY21, EBS recorded approx. SRD 1b in official subsidies and contributions from the GoS. However, the GoS has not been remitting certain official subsidies and contributions and in return EBS has not been repaying the GoS for certain direct costs which the GoS funded. This has resulted in an effective subsidy of SRD 2b in FY21. ► Refer to page [33] and [51] for detailed analysis.	The GoS in its capacity as shareholder of EBS should consider converting EBS' total liabilities (loans and other liabilities) to the GoS to equity (Scenario 2 below). This will lead to EBS being deleveraged and having a positive net asset position. Currently EBS cannot cover any interest payments or repayments of principal given its cash deficits, it therefore is accelerating the deterioration of the balance sheet. It should be noted that converting the loans alone will still leave EBS in a negative equity position (Scenario 1 below). GoS should consider the specific terms and conditions that should be contingent upon this recapitalization of EBS as part of the restructuring of EBS. It our understanding that some GoS receivables are netted against the GoS liabilities. Prior to the recapitalization, a reconciliation should be made to assess if all receivables have been accurately netted against the liabilities in order to assess the current amount to be recapitalized. All of this should be completed AFTER the financial transformation and clean up exercise so that there is better assurance that the numbers being capitalised are accurate. Refer to page [52] for detailed analysis.	**HIGH**

Netted in this balance is a total of SRD 4.8b in receivables from the GoS of which SRD 3.9b is related to subsidies.

EBS Balance sheet			
Currency: SRD '000	**YTD Jan22**	**Proforma Scenario 1**	**Proforma Scenario 2**
Total Assets	**4,450,963**	**4,450,963**	**4,450,963**
Liabilities and equity			
GoS liabilities			
GoS Loans	1,933,318	-	-
Other GoS liabilities	3,329,423	3,329,423	-
Total Liabilities GoS	**5,262,740**	**3,329,423**	**-**
Other liabilities	3,237,173	3,237,173	3,237,173
Total Liabilities	**8,499,913**	**6,566,596**	**3,237,173**
Equity	(4,048,951)	**(2,115,633)**	1,213,790
Total Liabilities and equity	**4,450,963**	**4,450,963**	**4,450,963**

Key governance findings and recommendations

Topic	EY Observations	Recommendation	Priority
Legal entity and operational restructuring plan	► EBS has already commenced their restructuring in order to comply with the “2016 Elektriciteitswet” laws, which requires EBS to legally separate the power generation, networking and distribution into different legal entities. ► They have already engaged a boutique consultancy firm (Reliant Corporate Finance Accountancy – RCFA) to assist them with this restructuring plan. EBS has already registered the legal entities. ► Management is still in the beginning stages of executing this plan which commenced in 2020 and carded to be completed by 2030 ► Based on our understanding to date, Management is focused mainly on the accounting aspect to allocate the specific revenues and costs to each legal entity, to improve their management reporting and gain better insights into the real costs and profitability and drivers of each business unit separately. The adjustment to the legal structure therefore will not fundamentally change the current organization structure as employees, supplier contacts and day to day operations will be managed at the parent company level. Below illustrates the new legal entity structure as guided by EBS’s restructuring plan.	In order for EBS to operate efficiently under these new business entities an operational restructuring plan should be developed and implemented to complement this new legal structure. The introduction of SSCs and COEs will have implications for the way the organization structure will operate in delivering the processes. Therefore, it is recommended that EBS conducts a thorough review of their operating business model to identify gaps in their resource allocation, process, procurement and succession planning in line with this new (legal) organization structure.	**MED**



Key governance findings and recommendations

Topic	EY Observations	Recommendation	Priority
Vacant Management leadership positions	► The poor financial position of the company can also be attributed to the fact that there are key management leadership positions that have been vacant for an extended period of time. ► The CEO position: vacant since 2018 ► The COO position: vacant since 2018 ► Article 4 of EBS' Management regulations (Directie Reglement), states that the Management Board should consist of a CEO, CFO, CTO and COO, and Article 11 paragraph 4 of the EBS' articles of incorporation states that when a position within the Board of Directors is vacant it must be filled within 6 months. ► The CEO and COO positions have been **vacant in over three (3) years, since 2018** ► It is our understanding that the GoS – as the shareholders of EBS have the ultimate authority and responsibility to appoint individuals to fill the positions.	To ensure proper functioning of the organization, appointment of qualified individuals to address the vacant positions in the Management Board should be done as soon as possible. We recommend that the approval process to appoint members of the Management board be changed to fall in line with 'best practices. Supervisory board should establish a formal and transparent procedure for the appointment which would be lead through a selection and appointment committee. The lack of a complete and capable Management Board can further expose EBS's vulnerability, increases business risks as well as hamper their intended strategic direction. This could then lead to reputational, operational and financial impacts on the Company from which it will become more difficult to recover in the long run.	**HIGH**
Financial Authorization and Procurement	► While there is a financial authorization scheme in place that guides the authority to disburse funds, it is currently concentrated at the Management Board level (currently only two persons). No other individuals have signing authority.	EBS should review its financial authorization scheme to include managerial authority levels to decentralize authorization and signatory power for disbursement of the Group's funds. EBS can therefore benefit from expanding its authorization limits to the management level with tiered approval limits. Distributing authorization rights to key management personnel will allow for more flexibility in decision making, help speed up decision making regarding procurement or financial decisions and increase accountability among management personnel. At the same time, it is important that the appropriate protocols are established – checks and balances, approval thresholds and limits – for the disbursement of funds for procurement and the Group's overall operations.	**MED**

Key governance findings and recommendations

Topic	EY Observations	Recommendation	Priority
Contract Management	► EY reviewed several key contracts involving EBS. Some of the contracts are between the GoS and third parties, meaning that EBS is not a party to these contracts, however, they are directly impacted by them. ► Key contracts are not always appropriately maintained and renewed in a timely manner and the validity of the contracts is often unclear. Furthermore, the contract currencies are primarily in USD while the main income streams are in SRD.	EBS should strengthen its contract management processes by introducing a streamlined approach to manage existing contracts and creating new ones. This should include managing the validity, execution, monitoring, evaluation and renewal of contracts to minimize risk. EY also recommends to apply and maintain the contract value in SRD's instead of USD for both new and existing contracts. Furthermore, we also recommend that contracts involving EBS be made directly between EBS and involved third parties.	**HIGH**
Supervisory Board and Chairman Independence	► While the CEO position has been vacant since 2018, in FY21 it was temporarily filled by the Chairman of the Supervisory board*. It is unclear who temporarily fulfils the CEO position at this moment. ► Article 13 paragraph 3 of the EBS' articles of incorporation states that in case of absence, the absent director shall be replaced by one of the other directors. However, at EBS, the CEO position was temporarily held by the chairman of the Supervisory Board*. According to paragraph 4 of this same article the Supervisory Board can only act as the Management Board in case all Directors are absent or indisposed. The temporary appointment of the Supervisory Board Chairman as the CEO is not in line with the provisions outlined EBS' articles of incorporation (article 11, paragraph 4). ► Based on our understanding, the temporary CEO & Chairman of the supervisory board is also the Chairman of Staatsolie. SPCS is EBS's largest supplier and is a subsidiary of Staatsolie. The EBS articles of incorporation (article 22) as well as Staatsolie's articles of incorporation discuss limits to voting concerning matters in which a board member has a personal or financial interest. This therefore raises a conflict of interest.	As an immediate next step, we recommend that EBS adhere to its articles of incorporation and avoid transitioning board members with Supervisory roles and responsibilities to management functions, in order to ensure board independence. According to leading practice provisions, the responsibilities of delegating a supervisory board member to execute a special task, may **not extend** beyond the responsibilities of the supervisory board itself and **may not include** the management of the company. Such a transition should only occur with the purpose of facilitating more intensive supervision for a specific task and advice and should only extend to more regular consultation with the management board. As such delegation should only be temporary of nature. EBS should ensure that the appropriate mechanisms are in place to evaluate board independence and avoid conflict or potential conflict of interest, particularly in situations of voting.	**HIGH**

** Source: https://dagbladdewest.com/2021/05/19/conflict-of-interest-leo-brunswijk-sinds-april-ook-directielid-ebs/*

Key governance findings and recommendations

Topic	EY Observations	Recommendation	Priority
Supervisory committees and sub committees	► According to the information provided to EY, we observed that the EBS Supervisory Board does not make use of committees or sub-committees to support supervisory decision making: ► There is no audit committee ► There is no risk committee ► There is no remuneration committee ► While there is no audit committee, the Board of Directors is responsible for the financial reporting processes in which they are being supported by their external auditor in providing advice and support in the financial reporting process.	It is leading practice for the supervisory board to appoint an audit committee, remuneration committee and a selection and appointment committee if it consists of more than four members. According to EBS articles of incorporation, the Supervisory Board should consist of a minimum of 5 members. EBS should consider establishing governance and sub-committees such as: Audit, Compensation and Risk committees. Without prejudice to the collegiate responsibility of the supervisory board, the duty of these committees is to prepare the decision-making of the supervisory board.	MED
Board Evaluation	From the documents assessed during the review, it is unclear whether there is a formal process for collective and individual board evaluations.	We recommend that EBS introduce a structured evaluation system for both the Supervisory Board and the Management Board. The evaluation system should enable board members to evaluate both their individual functioning as well as the collective functioning and adjust accordingly. It is best practice that this be done at least once per year.	MED

Key governance findings and recommendations

Topic	EY Observations	Recommendation	Priority
Management Regulations	► EY received a copy of the EBS Management Regulations policy (Directie Reglement) however this was an outdated version. This should have been updated since there have been changes within the Management Board.	Considering the changes in the Supervisory and Management Board, we recommend EBS to update the Management Regulations Policy as soon as possible. These regulations should reflect the current situation and should always be kept up to date.	**MED**
Policies and Procedures	► EY reviewed the existence and implementation of certain policies and procedures that are relevant within the company's governance practices and found that while several policies are created, it is not clear if and how the implementation of these policies are enforced.	We recommend to formalize and strengthen the mechanisms to monitor compliance with the written policies and procedures. Furthermore, a structure should be in place to periodically carry out a robust risk identification exercise. This exercise should help identify and monitor key risks associated with key processes, which must then be fed into policy requirements across the organization.	**MED**
Succession Planning	► According to our understanding, there is no formal succession plan in place for key leadership positions across the management layers.	EBS would benefit from designing and implementing a succession planning process for the Supervisory Board, Management Board and key management positions. We recommend to introduce a periodical succession and resource planning cycle to maintain contingency plan for key positions within the group's leadership hierarchy. Having a succession plan in place will allow EBS to avoid key leadership positions being vacant for extended periods in the future.	**LOW**

Key next steps and restructuring timeline

Key Areas	Key Initiatives	Key party responsible
1 Financial Initiatives	1. Financial Transformation of EBS	1. EBS and 3rd party consultant
	2. Deal with the LPG unit	2. GoS and EBS
	3. Renegotiation of PPA contracts and reduce currency exposure risk	3. GoS, SPCS, EBS
	4. Establish and agree on the criteria for the recapitalization of GoS debt	4. GoS and EBS
2 Operational Initiatives	5. Carve out districts outside of Paramaribo	5. EBS , Ministry of Natural Resources and 3rd party consultant
	6. Detailed Operational review to identify additional potential savings	6. EBS and 3rd party consultant
	7. Implementation of operational restructuring initiatives	7. EBS and 3rd party consultant
	8. Completion of the Legal entity restructuring in line with operational restructuring	8. EBS and GoS
3 Governance Initiatives	9. Resolve conflict of interest positions between supervisory board and Executive Management	9. EBS and GoS
	10. Fill key vacant positions	10. EBS and GoS
	11. Implement all other 'best practice' governance initiatives inline with the operational restructuring	11. EBS and 3rd party consultant

Note: This is an indictive timeline based on the information we have at this time. If any of the initiatives are stared on time and no significant delays are encountered. It should be noted that some initiatives are dependent on others and therefore this can impact the duration and time to complete.

3

Financial Assessment

Earnings overview

Earnings overview

EBS Income statement							
Currency: SRD ‘000		**FY17A**	**FY18A**	**FY19A**	**FY20A**	**FY21A**	**YTD Jan22**
Income							
Revenue	1	903,594	958,899	965,692	965,287	1,459,244	168,749
Subsidies	2	774,350	825,078	854,189	898,867	1,015,126	66,912
Total Income		**1,677,944**	**1,783,977**	**1,819,881**	**1,864,154**	**2,474,371**	**235,661**
Direct cost	3	**1,298,070**	**1,535,957**	**1,470,731**	**1,189,782**	**2,621,218**	**239,238**
Gross operating profit		**379,874**	**248,020**	**349,150**	**674,372**	**(146,848)**	**(3,577)**
Other income		45,652	80,296	61,590	64,682	29,028	30,320
Operating expenses	4	**247,386**	**212,036**	**266,448**	**252,851**	**309,393**	**20,628**
EBITDA		**178,140**	**116,280**	**144,292**	**486,204**	**(427,213)**	**6,116**
Depreciation		69,284	68,718	68,679	74,610	69,184	7,375
EBIT		**108,856**	**47,562**	**75,613**	**411,594**	**(496,397)**	**(1,259)**
Financial expenses		(120,737)	(81,094)	(74,297)	(95,569)	(195,664)	(19,109)
Foreign exchange (loss)/Income	5	(8,219)	6,185	(6,307)	(1,273,032)	(1,657,929)	(57,370)
Result before income tax		**(20,100)**	**(27,347)**	**(4,992)**	**(957,007)**	**(2,349,990)**	**(77,739)**
Income Tax		-	-	-	-	-	-
Net (loss)/income		**(20,100)**	**(27,347)**	**(4,992)**	**(957,007)**	**(2,349,990)**	**(77,739)**
Key Performance Indicators							
Gross profit margin		**23%**	**14%**	**19%**	**36%**	**-6%**	**-2%**
Operating efficiency ratio		**92%**	**98%**	**95%**	**77%**	**118%**	**110%**
EBITDA margin		**11%**	**7%**	**8%**	**26%**	**-17%**	**3%**

Note: (*) We understand that the financial statements audit of FY19 is currently ongoing and therefore these balances may change and are subject to the final audited financial statements.

1

Revenues

Currently electricity distribution reaches approx. 178k households and companies in Suriname. Rosebel is the single largest consumer of electricity over the historical period. Of the remaining revenue, approx. 8.6% (FY21) is earned from LPG distribution throughout Suriname. Refer to page [32] for further details.

2

Subsidies

Currently EBS is heavily subsidized with 41% (FY21) of their total revenue coming from GoS. It was noted that the GoS does not actually pay EBS for some of these subsidies and due to EBS’s cashflow constraints, the GoS directly pays for certain direct cost. Therefore, the effective subsidies differ from the official subsidies as reported. Refer to page [33] for further details.

3

Direct costs

Approx. 49.2% of Direct costs (FY21) are related to the purchase of hydro and thermal power from SPCS. The purchase of fuels and lubricants to generate electricity and expenses related to the purchase of propane gas, account for 45.7% (FY21) of total direct costs. Refer to page [34] for further details

4

Operating expenses

Operating expenses consists of the following:

- Personnel (82.4% for FY21)
- Other operating expenses

The Personnel expenses consists largely of wages and salaries, while the other operating expenses are related to housing and overheads such as office supplies and telephone expenses. Refer to page [37] for further details.

5

Foreign exchange (loss)/Income

In FY20 and FY21 the SRD was devalued to effectively 2.9 times its FY19 value, and as a result of this, EBS incurred significant foreign exchange losses.

Earnings overview - Revenue

General power distribution

Revenue contribution by each of the customer segments has been fairly constant over the period with the contribution from Rosebel (black color in chart aside) increasing due to the devaluation that occurred in FY20 and FY21 as their revenue is denominated in USD. This is the only natural hedge that the company currently has given that all of its power generation cost is denominated in USD.

In FY21 revenue from general power distribution increased by 39% (SRD 280m) which was mainly attributed to the change in electricity tariffs.

Rosebel power distribution

Rosebel has two (2) USD PPA contracts, one with GoS, referred to as PPA I and the other with EBS, referred to as PPA II. The amount recorded in EBS's revenue is the PPA II contract which represents the excess demand above the agreed levels of the PPA I contract with the GoS. In FY21 revenue from Rosebel increased by a 131% (SRD189m), this increase was mainly caused by the appreciation of the USD in FY21,.

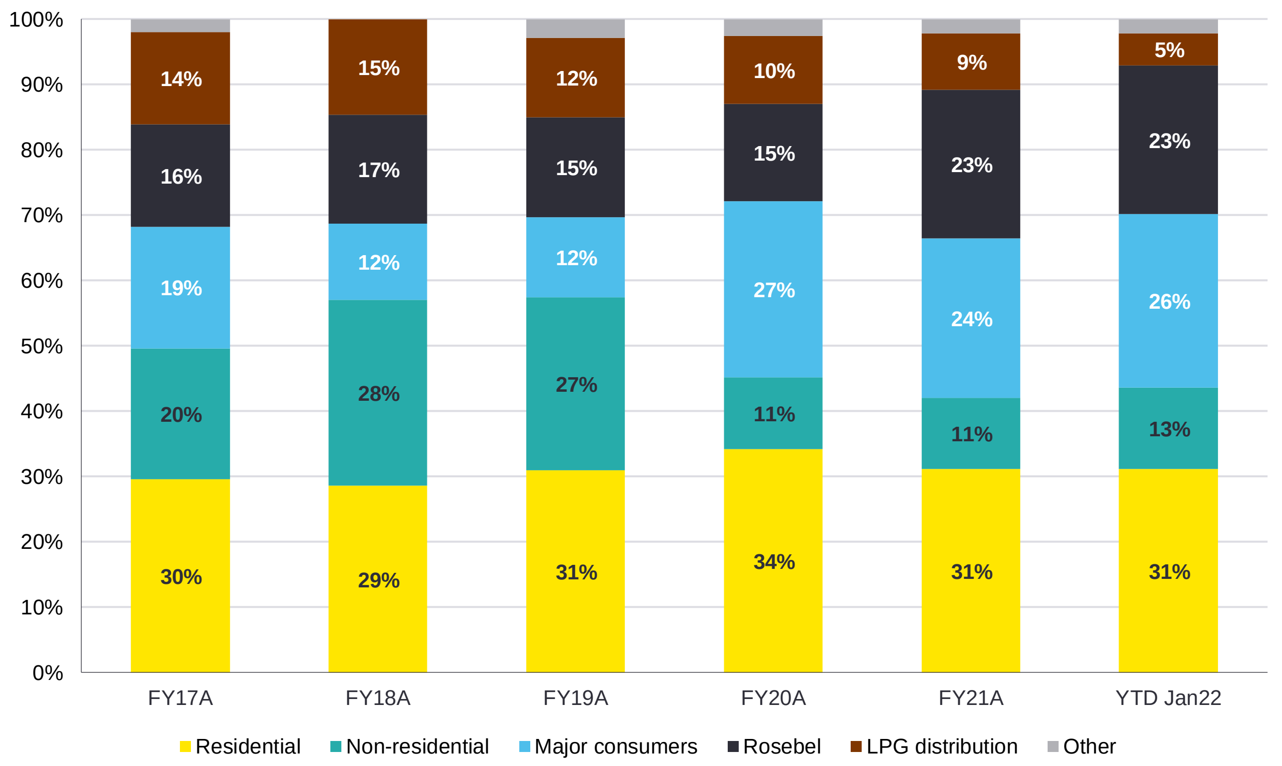
LPG distribution

Besides generation, transmission and distribution of Electricity, EBS is also responsible for distributing LPG in Suriname. Similar to power distribution, tariffs charged for LPG distribution are also determined by the GoS and as per our understanding these have not changed for many years(since 2010). Refer to page [36] for further details on the LPG business unit.

EBS Revenues

Currency: SRD '000	FY17A	FY18A	FY19A	FY20A	FY21A	YTD Jan22
Revenues						
Power distribution general	634,766	659,380	700,143	721,059	1,001,475	121,958
Power distribution Rosebel (PPA II)	141,232	159,493	148,055	143,692	332,453	38,434
LPG distribution	127,596	140,026	117,493	100,536	125,316	8,357
Total Revenues	**903,594**	**958,899**	**965,692**	**965,287**	**1,459,244**	**168,749**

Revenue contribution breakdown in %



Earnings overview – Subsidies

EBS Approved Subsidies from GoS 1

Currency: SRD '000	FY17A	FY18A	FY19A	FY20A	FY21A	YTD Jan22
Subsidies						
Thermal power subsidy	365,375	426,183	476,156	451,709	456,800	-
GoS PPA I (Rosebel)	77,385	75,928	75,803	134,012	281,871	26,456
GoS contribution D.E. companies	313,590	304,967	284,230	295,146	67,375	-
LPG distribution subsidy	18,000	18,000	18,000	18,000	18,000	1,500
GoS subsidy new tariff structure	-	-	-	-	191,080	38,956
Total Subsidies	**774,350**	**825,078**	**854,189**	**898,867**	**1,015,127**	**66,912**

Subsidy

The most significant subsidies up to Jul21 were subsidies for power purchased from SPCS and the GoS contribution for District Electrification ("D.E") Companies. With the GoS introducing a new tariff structure for electricity, EBS no longer receives this subsidy. In 2003 the GoS entered into an agreement directly with Rosebel to supply them with power (PPA I). The GoS subsequently decided, that effective 1 January 2015 all proceeds from this agreement will go directly to EBS, hence it is recoded as a subsidy from GoS. Ideally the GoS should not be sell anyone power directly, therefore it is recommended that this PPA I contract be amended to be between EBS and Rosebel. Refer to page [67] for details on the agreement.

The GoS contribution to D.E. companies are received for the purpose of providing and improving the electricity infrastructure in regions outside of Paramaribo. We were informed by management that the 2021 had an estimation error and should have been approx. SRD300m. Furthermore, Management indicated that the contribution is not actually paid out by the GoS but is settled with the current account between EBS and the GoS. Additionally, EBS is entitled to receive SRD 18m annually in subsidies to distribute LPG. Please refer to page [36] for details on the LPG distribution

GoS subsidy new tariff structure

As part of the new electricity tariff introduced in Jul21 the GoS started to subsidize a fixed amount per month for each connection for both residential (SRD 260) and non-residential customers (SRD 150).

Effective subsidy 2

Currency: SRD '000	FY17A	FY18A	FY19A	FY20A	FY21A	YTD Jan22
Subsidies						
Thermal power	365,375	426,183	476,156	451,709	917,372	91,401
Hydro power	376,560	512,032	445,159	143,128	372,252	33,930
GoS PPA I (Rosebel)	77,385	75,928	75,803	134,012	281,871	26,456
Fuel paid by GoS	108,048	202,518	254,338	300,250	384,076	25,020
Total Effective Subsidies	927,368	1,216,661	1,251,455	1,029,099	1,955,572	176,808

Key consideration

Table #1 represents all official subsidies and contributions from the GoS. However, consideration should be given to the fact that in certain instance EBS itself does not pay for certain direct cost (e.g., hydro power, fuel purchases) and that the GoS does not pay out certain subsidies and contributions (refer to items encircled in red in table #1). As at Jan22 EBS has a receivable of approx. SRD 3.8b related to subsidies which is currently being netted in the GoS related liabilities. Additionally, as of Jul21 the GoS no longer officially subsidizes the purchase of thermal power from SPCS. However, EBS has not been paying nor does it appear that they are able to pay this, therefore effectively this is still considered a form of subsidy. Table #2 provides an overview of the effective subsidy and contributions received from the GoS. The Subsidy management is untidy and should be restructured with pre-determined amounts that are backed by actual cash distributions , this will make the accounting much simpler and cash flow management more efficient as was started in July 21. This should be coupled with the restructuring of the balance sheet with any loans remaining, structured with affordable repayment terms after the tariff model is redesigned.

Earnings Overview – Direct cost

EBS Direct cost							
Currency: SRD '000	**Notes**	**FY17A**	**FY18A**	**FY19A**	**FY20A**	**FY21A**	**YTD Jan22**
Direct cost							
Power purchase (hydropower)	1	376,560	512,032	445,159	143,128	372,252	33,930
Power purchase (thermal power)	1	365,375	426,183	476,156	451,709	917,372	91,401
Fuel and lubricants purchase	2	296,896	297,950	318,164	358,711	767,856	62,309
LPG purchase	3	170,115	187,429	140,831	153,728	430,207	42,343
Maintenance costs, parts and materials	4	67,583	91,287	56,648	45,537	79,180	6,814
Services provided by third parties		8,773	6,763	15,703	20,667	26,770	894
Operating costs for service vehicles		6,360	8,533	11,869	9,696	16,150	102
Other direct costs		6,408	5,780	6,201	6,606	11,432	1,446
Total Direct cost		**1,298,070**	**1,535,957**	**1,470,731**	**1,189,782**	**2,621,218**	**239,238**

1

Power purchase (hydropower and thermal power)

EBS' Direct costs consists mainly of power purchased from SPCS. These being hydro and thermal power, both are subject to PPAs between the GoS and SPCS. It should be noted that EBS does not have a direct agreement with SPCS for power purchase. In FY21 power purchase from SPCS accounted for approx. 49% of EBS' direct costs.

In FY21 there was an increase of 117% (SRD 695m) as compared to FY20. The main reason for this increase was related to :

- Both PPA's are in USD therefore the devaluation of the SRD towards the USD led to a steep increase in power purchase expenses.
- The average rate per kWh purchased thermal power increased by 2.24 USD per kWh in FY21

2

Fuel and lubricants purchase

Fuel for the EBS owned power plants are purchased at US Spot prices plus a premium of US$ 7 per barrel from SOM. The lubricants are purchased from SOL. In FY21 an increase of 114% (SRD 409m) was noted compared to FY20, the main reasons for this was:

- Purchases from SOM are in USD therefore the devaluation of the SRD toward the USD led to a steep increase in fuel prices.

3

LPG purchase

The purchase of the LPG is subject to a purchase agreement and a finance agreement between GEF and EBS. GEF sells LPG to EBS at the OPIS Mont Belvieu Non-LDH mid quotations plus a premium of US$ 51 cents per gallon and freight charges of US$ 17.00 per barrel. In FY21 direct costs related to the LPG purchases increased by 180% (SRD 276.5m) which was due to both the devaluation of the SRD towards the USD and the increase Mont Belvieu LPG prices.

The average price per KG increased from SRD 6.57 in FY20 to SRD 19.41 in FY21 representing an increase of 195% without any change in selling prices or the subsidy from GoS.

4

Maintenance costs, parts and materials

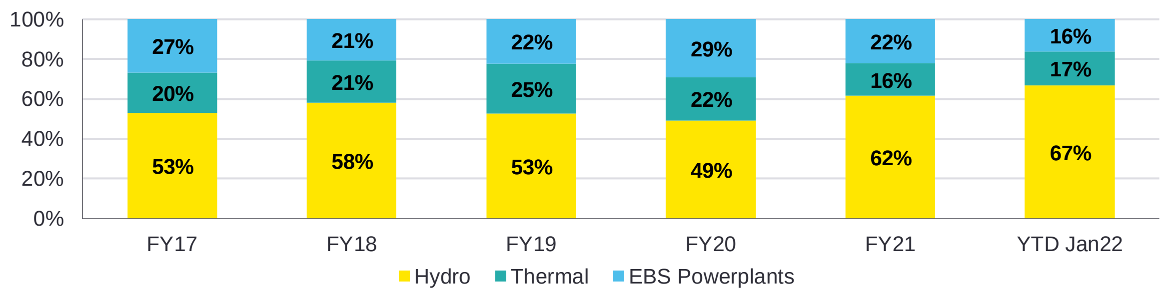
The total maintenance costs, parts and materials for FY21 was SRD 79m of which SRD 51m (72.2%) related to power transmission costs. The increase in this account from FY20 to FY21 was also due to the devaluation of the SRD towards the USD, as most parts purchased are denominated in USD.

Earnings Overview – Direct cost (Cont'd)

mHw by source of power generation						1
Units: MWh	**FY17A**	**FY18A**	**FY19A**	**FY20A**	**FY21A**	**YTD Jan22**
Source of power						
Hydro	874,101	955,835	914,586	793,238	979,738	85,275
Thermal	335,056	350,178	433,472	348,847	259,647	21,931
EBS Powerplants	444,468	342,207	386,766	470,993	352,181	20,667
Total MWh	1,653,625	1,648,220	1,734,824	1,613,078	1,591,565	127,873

SRD per kWh generated by EBS powerplants						2
Currency: SRD	**FY17A**	**FY18A**	**FY19A**	**FY20A**	**FY21A**	**YTD Jan22**
Source of power generation						
DPP 1	0.6074	0.8188	0.7471	0.6422	1.6480	2.3399
DPP 2	0.5791	0.7421	0.7175	0.7190	2.0321	2.8614
Total Paramaribo	0.5837	0.7573	0.7231	0.7011	1.9754	2.8411
D.E. Companies	0.8796	1.0703	1.0022	0.9433	2.6134	3.2642
Total Suriname	**0.6553**	**0.8573**	**0.8072**	**0.7616**	**2.1816**	**3.0242**

SRD per kWh generated						3
Currency: SRD	**FY17A**	**FY18A**	**FY19A**	**FY20A**	**FY21A**	**YTD Jan22**
Source of power						
Hydro	0.4953	0.6081	0.5560	0.1804	0.3800	0.3979
Thermal	1.0905	1.2170	1.0985	1.2949	3.5332	3.4566
EBS Powerplants	0.6553	0.8573	0.8072	0.7616	2.1816	3.0242



Hydro power

EBS' primary source of power generation is the Afobaka hydro dam owned by SOM. There is no PPA covering the purchase of hydro power from SOM. Previously this was covered under a PPA between Suralco and the GoS. However, since the transfer of ownership of the hydro dam from Suralco to SOM there has not been a new PPA. The rates are agreed on between the GoS and SOM. The most recent agreed rate was USD 0.02 per kWh. This makes hydro power the cheapest source of power generation for EBS.

Thermal power

Thermal power is provided by SPCS and is covered by a PPA between SPCS and the GoS, which is subject to a take-or-pay arrangement. Refer to page [66] for details this PPA. Thermal power is the most expensive source of power generation. For FY21 this was approx. SRD1.3516 per kWh more expensive than generating power from their own power plants.

EBS power plants

EBS' powerplants are the second cheapest form of power generation (from a direct cost perspective) in FY21 EBS expanded the capacity of the DPP2 powerplant with approx. 41.4 MW which represents approx. 48% power generation capacity increase from DPP2. It should be noted in FY20 the average utilization of this power plant was approx. 41%. Based on the data provided by EBS it was noted that since FY20 DPP2 costs more per kWh to generate power. Management indicated that due to the timing of the fuel purchases led to higher direct cost.. Furthermore, it should be noted that it's more expensive to produce power for Districts outside of Paramaribo please refer to chart #2 to the right for comparison.

Key consideration

Due to the contractual take-or-pay arrangement included in the thermal power PPA, the GoS contractually bound EBS to purchase power at a more expensive rate than what it would have cost them to produce using their own power plants.

Earning overview – LPG distribution

LPG distribution PLc						1
Currency: '000's SRD	**FY17A**	**FY18A**	**FY19A**	**FY20A**	**FY21A**	**YTD Jan22**
Income						
LPG distribution revenue	127,596	140,026	117,493	100,536	125,316	8,357
LPG distribution subsidy	18,000	18,000	18,000	18,000	18,000	1,500
Other Income	2,905	3,456	3,884	2,191	8,986	111
Total Income	**148,501**	**161,482**	**139,377**	**120,727**	**152,302**	**9,968**
Direct cost						
LPG purchase	170,115	187,429	140,831	153,728	430,207	42,343
Other direct cost	2,092	4,926	6,178	6,174	20,288	120
Total Direct cost	**172,207**	**192,355**	**147,009**	**159,903**	**450,494**	**42,463**
Gross profit	**(23,706)**	**(30,873)**	**(7,632)**	**(39,175)**	**(298,192)**	**(32,495)**
Operating expenses	23,220	15,418	13,380	16,799	17,089	1,053
Financial expenses*	12,836	3,934	31,360	47,516	27,757	-
Net result	**(59,762)**	**(50,225)**	**(52,371)**	**(103,490)**	**(343,038)**	**(33,547)**

Note: Refer for details of revenue, subsidy and LPG purchases in previous sections

LPG Distribution

Based on table #1 above we can note that the LPG distribution business unit has structurally incurred losses during the period under review. Notably the LPG distribution business unit has a negative Gross profit which is result of LPG being sold below the cost to purchase it this in turn leads to structural losses for the business unit.

Key consideration

Given that its unusual for electricity companies to be involved in LPG distribution, a divestment of the LPG distribution business unit should be considered.

Consideration should be given by the GoS to have SOM takeover the business operations of the LPG distribution or privatize the division as is the model in most countries. Furthermore, this eliminates the premiums paid to the current supplier of LPG to EBS (refer to page [34] and [68] for further details). EBS has both a purchase and a financing agreement with GEF which is legally represented by Olibis N.V. (Olibis N.V. appears to be a related party of GEF). Olibis in turn has a supply, delivery and financing agreement for the DPP2 Capacity expansion project and the transmission line upgrade. Refer below for further analysis.

In FY21 approx. SRD 499.4m was paid out to Olibis/GEF based on the LPG purchase and financing agreement and the DPP2 Capacity expansion financing agreement, this led to Olibis/GEF being the second largest creditor of EBS after SOM. Included in the SRD 430.2m in LPG purchases is approx. USD 5.8m paid out in product premium. Refer to table #2

These purchase agreements should be reconsidered to ensure that EBS procurement is facilitating the least cost option.

EBS Olibis/GEF	2
Currency: SRD '000	**FY21A**
LPG Purchase	430.207
Interest expenses	69,200
Total	499,407
Currency: USD '000	
Estimated LPG premium	5,809

Note: The figures presented in table #1 are net-off the intercompany interest expenses to the holding company

Earnings Overview – Operating expenses

EBS operating expenses

Currency: SRD '000	**FY17A**	**FY18A**	**FY19A**	**FY20A**	**FY21A**	**YTD Jan22**
Operating expenses						
Personnel	216,900	188,536	240,473	203,536	255,051	19,626
Other operating expenses	30,486	23,500	25,974	49,314	54,343	1,002
Total Operating expenses	**247,386**	**212,036**	**266,448**	**252,851**	**309,393**	**20,628**

EBS Personnel expenses

Currency: SRD '000	**FY17A**	**FY18A**	**FY19A**	**FY20A**	**FY21A**	**YTD Jan22**
Personnel expenses						
Wages and Salaries	143,413	123,356	137,066	141,599	181,887	14,889
Social security	23,890	21,651	27,168	20,452	24,955	625
Pension charges	22,964	25,936	27,254	26,185	28,461	2,318
Other personnel expenses	35,535	21,490	53,935	15,299	19,747	1,793
Gross personnel expenses	**225,802**	**192,433**	**245,424**	**203,536**	**255,051**	**19,626**
Capitalized personnel expenses	(8,902)	(3,897)	(4,950)	-	-	-
Total Personnel expenses	**216,900**	**188,536**	**240,473**	**203,536**	**255,051**	**19,626**

Personnel expenses

The most significant component of operating expenses at EBS is Personnel expenses, in FY21 this represented approx. 82.4% of operating expenses. Annually the board of Directors will appoint a negotiation team to start negotiations with the EBS Labor Union. During these negotiations, the Team and the Union discuss working conditions, hours and wages. Given the hyper inflation in recent years, the most recent negotiations have been mostly related to inflation adjustment. In FY21 and FY22 a 20% and 10% inflation adjustment has been negotiated respectively with the Unions. This led to an increase in FY21 by SRD 51.5m (25%) together with the recruitment of 88 new employees.

Scenario analysis

Historical analysis

Historically, the tariffs charged have been inadequate for the operations of EBS, thus the requirement for government subsidy. While there have been identified operational inefficiencies within EBS, we have looked at what tariff rate would have been required to breakeven over the historical period. The major fundamental issue is that there is variable cost driven by the price of oil and the exchange rate and there is fixed revenue tariff . On a long-term basis EBS even post restructuring can only be profitable if this is hedged by a floating tariff.

SRD' 000	FY17	FY18	FY19	FY20	FY21
General power distribution revenue	634,766	818,873	848,198	864,751	1,333,928
Rosebel revenue (Incl PPA I GoS-Rosebel)	218,617	235,421	223,858	277,704	614,325
Total Revenue	853,383	1,054,294	1,072,057	1,142,454	1,948,253
Direct costs	(1,125,863)	(1,363,750)	(1,298,524)	(1,017,575)	(2,449,011)
Gross profit	(272,480)	(309,456)	(226,468)	124,880	(500,758)
Operating expenses	(224,166)	(196,618)	(253,068)	(236,051)	(292,304)
EBITDA	(496,646)	(506,074)	(479,536)	(111,172)	(793,063)
Interest expense from third-party debt	(75,973)	(37,118)	(31,304)	(40,843)	(101,660)
Depreciation	(66,977)	(66,172)	(65,521)	(71,500)	(65,974)
Net EBT	(639,596)	(609,364)	(576,360)	(223,515)	(960,697)
Required revenue from electricity sales	1,274,362	1,428,237	1,424,558	1,088,266	2,294,625
Increase in weighted avg. tariffs required to breakeven	**100.8%**	**74.4%**	**68.0%**	**25.8%**	**72.0%**

Over the historical period, we see that if there were no subsidies, the tariffs would have to increase substantially to allow for net-zero EBT.

Assumptions and Limitations

Revenue, direct costs and operational expenses associated with the sales and distribution of LPG and the interest expenses from GoS related loans have been excluded as the focus is on the core business operations of EBS.

Government subsidies have not been included in this analysis, save and except for the revenue associated with government collection from Rosebel for the PPA I contract.

Current

Weighted-average tariff

SRD 1.08 per kWh

EBT breakeven in FY21

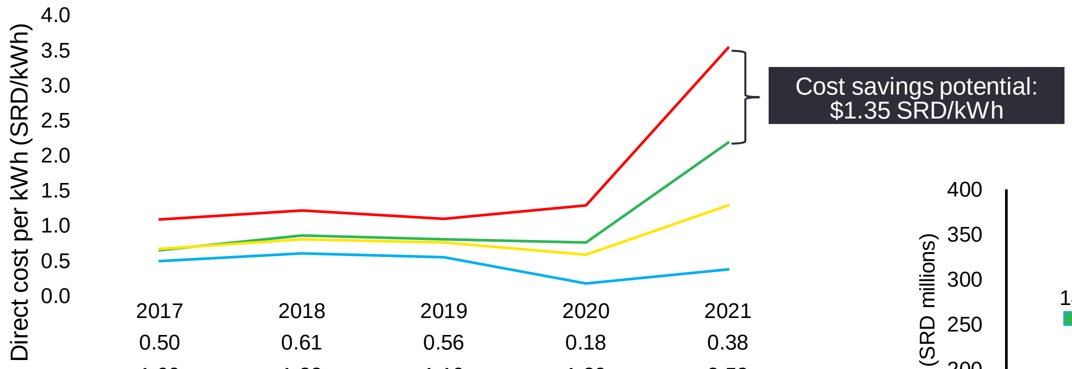
Weighted-average tariff

SRD 1.86 per kWh

Source: EY Omzetten en afzetten vraag 1.xlsx, Final Draft data Request IMF Electra.xlsx

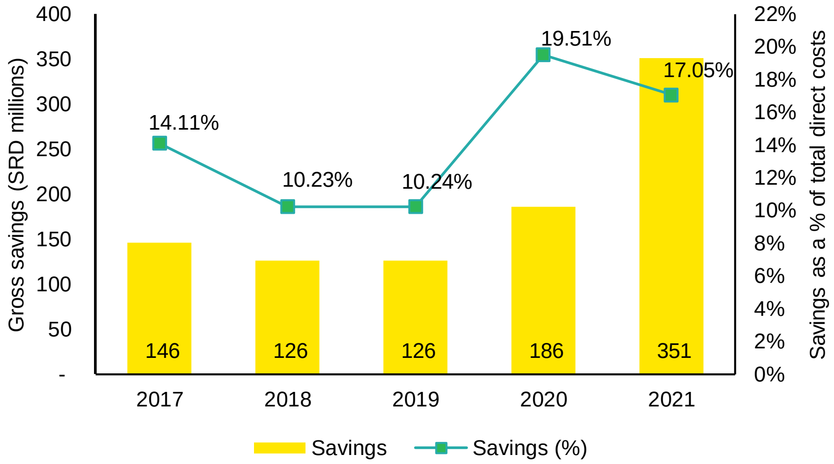
Production cost savings analysis

As mentioned on page [34], thermal purchased from SPCS is the most expensive source from a direct cost perspective. This analysis highlights the potential savings which could have been recognized if the mix of generation sources is optimized.



	2017	2018	2019	2020	2021
Hydro	0.50	0.61	0.56	0.18	0.38
Thermal	1.09	1.22	1.10	1.29	3.53
EBS generated	0.66	0.86	0.81	0.76	2.18
Weighted average	0.67	0.80	0.76	0.59	1.29

Hydro Thermal EBS generated Weighted average



Limitations of analysis

This analysis does not consider:

1. the ideal utilization and limitations thereof for each generating plant of EBS. It assumes that the current ratio of utilization within EBS is increased proportionally to be used in place of thermal purchased from SPCS.
2. Additional costs associated with increasing EBS energy production, as Management has indicated they would incur little to no additional cost.

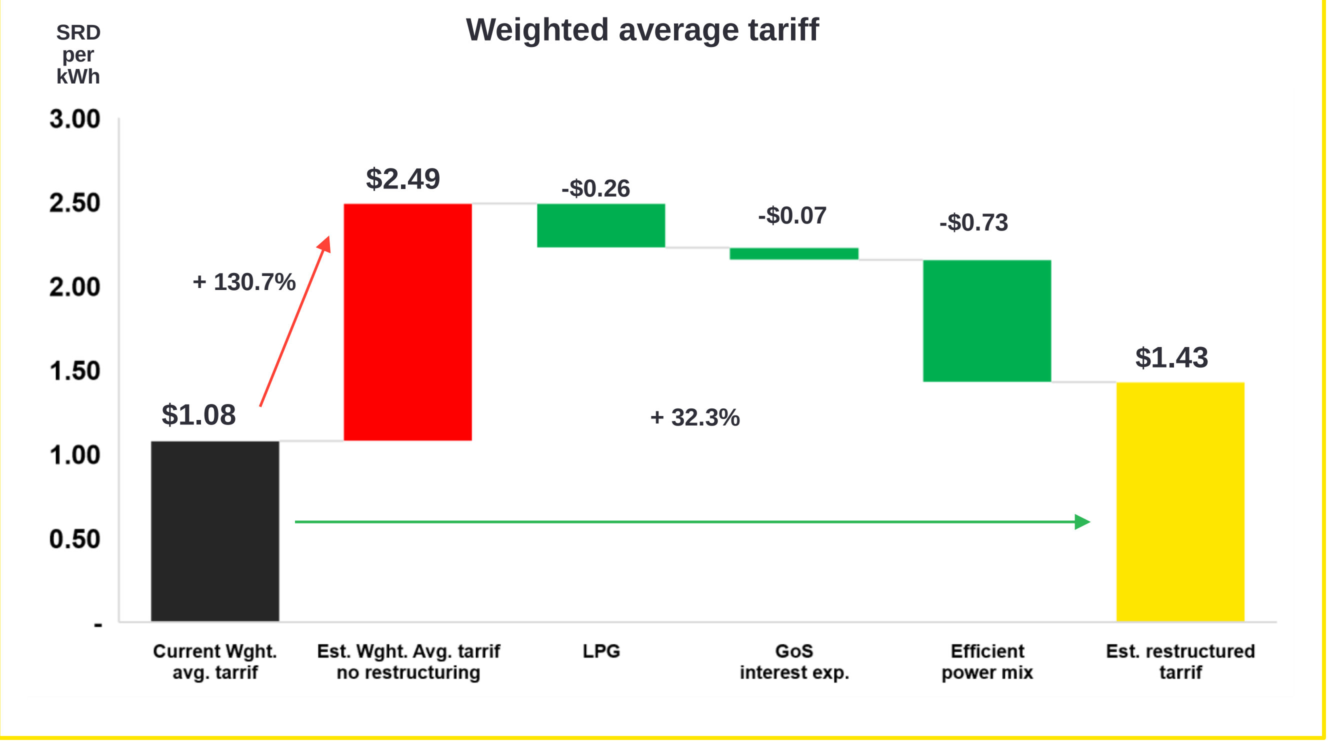
These factors should be considered prior to any renegotiation of terms.

Total potential savings FY21: ~ $351m

Key consideration

The current EBS powerplants (DPP1 and DPP2) are underutilized as a result of the take-or-pay arrangement embedded in PPA with SPCS. The potential savings from renegotiation are substantial at over 17% of total direct costs.

Estimated weighted average tariff structure



Note: Given the limitations in the quality and timing of information received, this analysis is performed at a high-level and broad assumptions were made to derive the true cost of providing power.
The scenarios provided illustrate the major issues related to the core commercial operations and the need for significant financial and operational restructuring of EBS.

Currently EBS' tariffs are SRD 1.08 / kWh, which is insufficient for EBS to break-even. For EBS to breakeven "as is" without GoS subsidies and with the current oil prices it is estimated that EBS would need to increase the tariffs by at least **130.7% to SRD 2.49.** However, should EBS undergo the restructuring initiatives recommended, there are potential savings that can be realized thereby resulting in an estimated increase of 32.3% in the tariff to break-even.

LPG business unit:

LPG business unit contributed to approx. SRD 343m in losses to EBS in FY21, refer to page [36]. By either divesting the business unit, or through increasing the Income (through increase in prices or subsidy) in combination with a renegotiated LPG purchase agreement, EBS has a total cost saving potential of the SRD 343m. This translates into a decrease of the required tariff increase with SRD 0.26 per kWh

Debt-to-equity conversion

In FY21 EBS incurred interest expenses related to GoS loans of approx. SRD 93.6m. A debt-to-equity conversion of the GoS debt will translate into cost saving on the interest expenses on these loans. In FY21 this was approx. SRD 93.6m , which translates into approx. SRD 0.07 savings per kWh

Efficient mix of power generation source

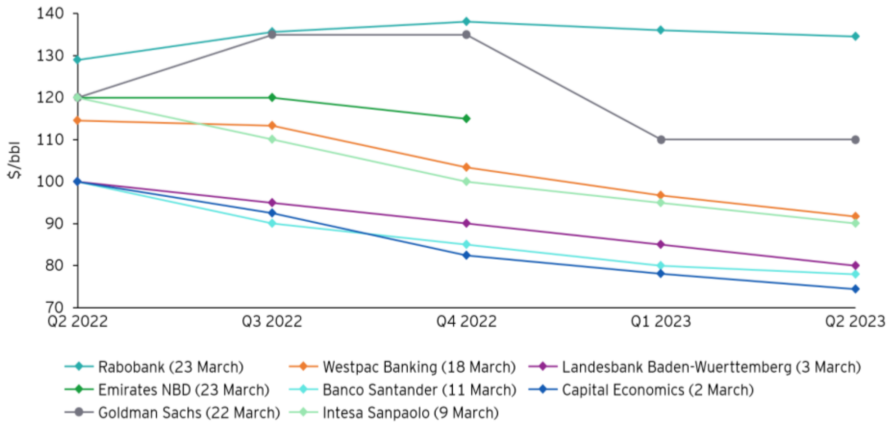
The largest cost savings is anticipated to come from optimizing the source of power generation. With the rising oil prices in FY22 direct cost are anticipated to increase further. The anticipated savings on optimizing the power generation source is roughly estimated at approx. SRD 953m. This translates into **saving of approx**. **SRD 0.73 per kWh.**

Scenarios I-II: FY22 Scenario Analysis

At the end of FY21, the Brent price forecasts for 2022 were expected to range between US$65 and US$85.

However, subsequent to the publishing of the Price Point report linked here, the Russia-Ukraine crisis resulted in dramatic rises of Crude oil prices as traders expect significant supply shortages due to sanctions placed on Russia.

Forecasted prices during March 2022 are shown below (denoted in USD/bbl).



Source:

EY Price Point: global oil and gas market outlook Q1 | January 2022
EY | Oil market hits rough waters again

Key consideration

Rising oil prices further exacerbate the problem identified previously where the tariffs do not have variable components to offset the price fluctuations in the direct costs. Tariffs would have to increase by **99.8%** to offset this increase. Furthermore, even if EBS optimizes its mix of power generation source an estimated **32.3%** increase in the weighted average tariffs are required to break even.

Key analysis assumptions applicable to both scenarios below are as follows:

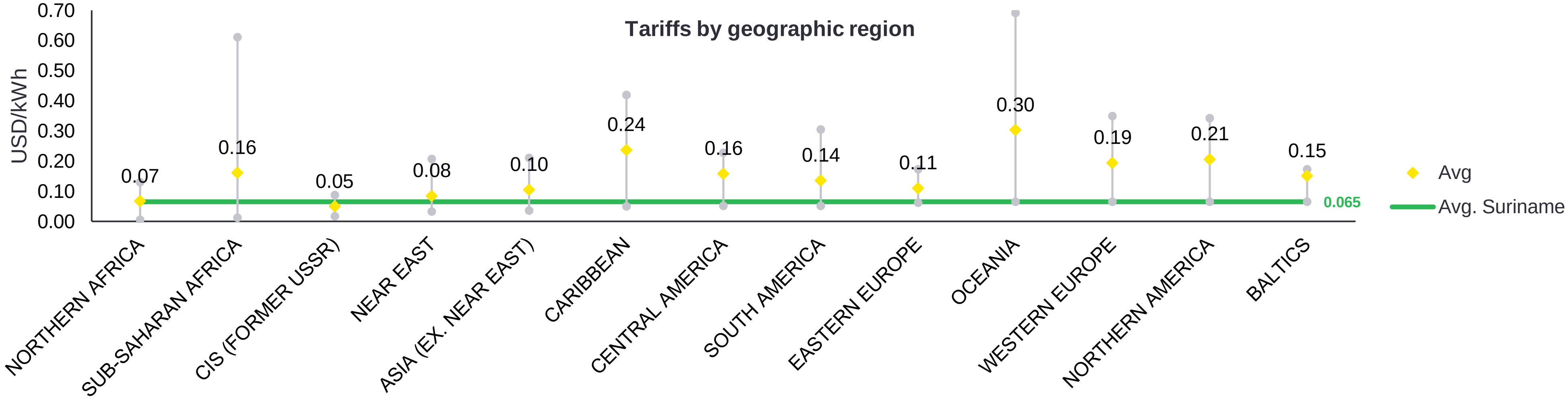
- It excludes the revenue or direct costs associated with sales and distribution of LPG.
- Only interest expense associated with third-party (non-government) debt is considered i.e. all interest related to GoS debt is excluded.
- Current weighted average tariff for general power distribution was applied to the FY21 actual consumption to arrive at the total general power distribution revenue.
- The analysis was performed at a high-level to isolate the impact of the rising oil prices on EBS (from US$70/bbl to US$105/bbl). The percentage increase in oil prices was applied to FY21 generation/ purchases
- The cost and revenues related to both Rosebel PPA contracts are included.
- All costs not directly related to the increase in fuel prices have been held constant at FY21 figures. An assumed SRD-USD exchange rate of $21 was considered.

Scenario II illustrates the additional potential saving that can be realised from using the most efficient energy generation source via negotiated PPA contracts.

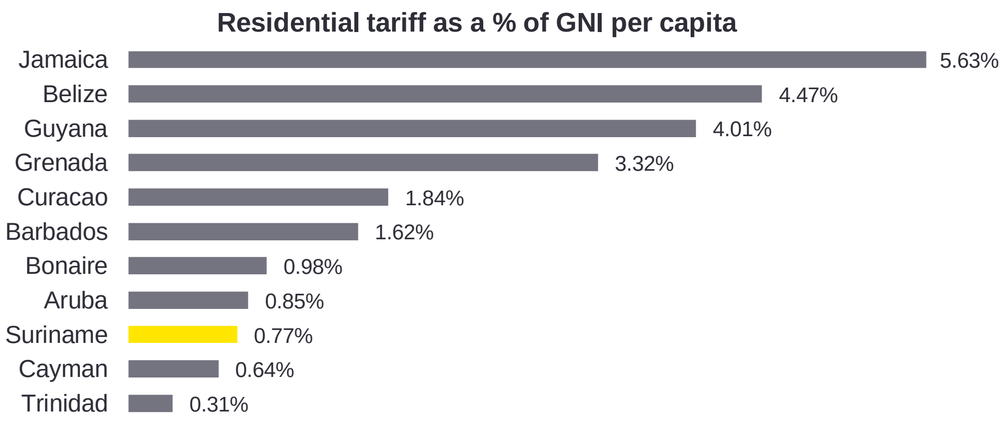
Currency: SRD'000	Scenario I	Scenario II
General power distribution revenue	1,411,781	1,411,781
Rosebel revenue (Incl PPA I GoS-Rosebel)	614,325	614,325
Total Revenue	**2,026,106**	**2,026,106**
Direct costs	(2,978,916)	(2,025,972)
Gross profit	**(952,810)**	**133**
Operating expenses	(296,333)	(296,333)
EBITDA	**(1,249,143)**	**(296,200)**
Interest expense from third-party debt	(97,632)	(97,632)
Depreciation	(61,945)	(61,945)
Net EBT	**(1,408,720)**	**(455,777)**
Required revenue from electricity sales	2,820,501	1,867,558
Increase in weighted avg. tariffs required to breakeven	**99.8%**	**32.3%**
Estimated weighted average tariff (SRD/kWh)	**2.16**	**1.43**

Note: Given the limitations in the quality and timing of information received, this analysis is performed at a high-level and broad assumptions were made to derive the true cost of providing power.
The analysis provided illustrate the major issues related to the core commercial operations and the need for significant financial and operational restructuring of EBS.

Global tariff benchmark



Source: [Worldwide Electricity Pricing | Energy Cost Per kWh in 230 Countries (cable.co.uk)]



Source: [Island Energy Snapshots | Department of Energy]

Tariff benchmark

Suriname has amongst the lowest electricity tariffs globally.

When considering the Caribbean region, Suriname has the third lowest residential tariff (USD/MWh) as a % of GNI per capita, only surpassed by Cayman islands and Trinidad & Tobago.

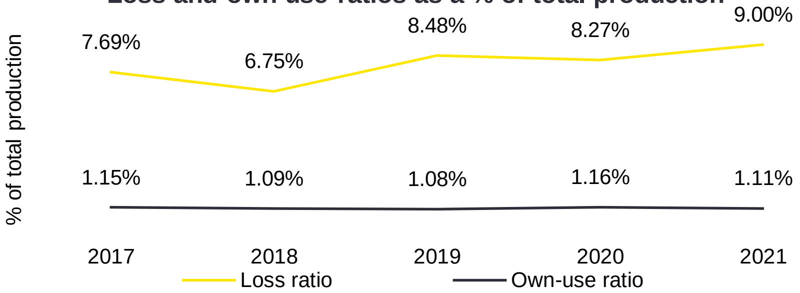
The GNI per capita of Trinidad & Tobago (US$15,950) and Cayman islands (US$47,140) are significantly higher than Suriname (US$5,210)

Power generation and consumption

Power generation by source FY18-FY21					
Unit: MWh	2017	2018	2019	2020	2021
Purchased hydro	760,221	841,955	800,706	793,238	979,738
Purchased thermal	335,056	350,178	433,472	348,847	259,647
EBS generated	444,468	342,207	386,766	470,993	352,181
Total	1,539,745	1,534,340	1,620,944	1,613,078	1,591,565

Sources:
EY Stoominkoop Hydro.xlsx, EY Stoominkoop Thermo.xlsx, EY Efficiency ratio's 2017-2022 VRAAG 1.xlsx

Loss and own-use ratios as a % of total production

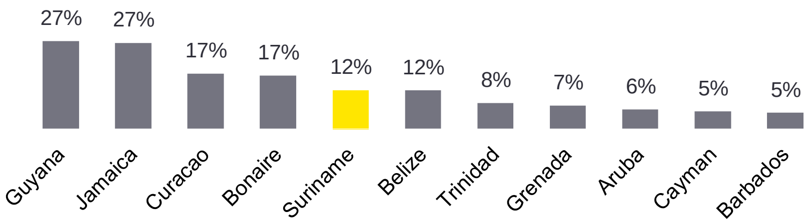


Source: Verliezen (transm & distr &overage).xlsx

MWh by source of consumption					
Category	2017	2018	2019	2020	2021
Supplied to general	1,287,996	1,254,399	1,326,751	1,348,982	1,307,986
Supplied to Resebel	134,641	130,965	126,892	101,620	111,694
T&D Losses	109,070	137,797	148,992	142,807	152,252
Own Use	8,021	10,619	18,681	20,085	20,222
Total	1,539,727	1,533,779	1,621,316	1,613,494	1,592,154

Sources
EY Omzetten en afzetten vraag 1.xlsx, Final Draft data Request IMF Electra.xlsx, Verliezen (transm & distr &overage).xlsx

T&D Loss ratios as a % of total production



Source: Island Energy Snapshots | Department of Energy

Quality of information

The total power produced (generated and purchased) should be equal to the sum of total energy supplied to consumers, own-use and T&D losses.

There are some minor variances throughout the historical review period. Responses to these variances remain outstanding from EBS management.

Transmission & Distribution loss benchmark

Transmission & Distribution (T&D) losses in FY21 are [9.00]%. Representing a marginal increase from [7.69]% in FY17. In 2014, World Bank indicated Suriname had a T&D loss ratio of approximately 8.72%, with a regional (LATAM+C) average of 14%. During the period 2016 to 2020, The U.S. Energy Information Administration (EIA) estimated electricity T&D losses in the US to be approximately 5%, a marginal decrease from the 6% reported by the World Bank in 2014.

Source: Electric power transmission and distribution losses (% of output) | Data (worldbank.org)

Assets & Liabilities overview

Assets & Liabilities overview

EBS Balance sheet							
Currency: SRD '000		**FY17A**	**FY18A**	**FY19A**	**FY20A**	**FY21A**	**YTD Jan22**
Assets							
Current assets							
Cash and cash equivalents	1	82,267	175,471	328,373	176,531	134,968	140,647
Receivables	2	126,235	167,162	243,846	296,953	346,539	389,864
Inventory	3	138,095	159,439	175,857	355,883	314,384	315,692
Total Current assets		**346,597**	**502,072**	**748,076**	**829,367**	**795,891**	**846,203**
Non-Current assets	4	**1,450,608**	**1,697,037**	**1,872,156**	**3,239,821**	**3,616,932**	**3,604,760**
Total Assets		**1,797,205**	**2,199,109**	**2,620,231**	**4,069,188**	**4,412,823**	**4,450,963**
Liabilities and equity							
Equity		**(662,337)**	**(689,642)**	**(668,115)**	**(1,589,659)**	**(3,939,649)**	**(4,048,951)**
Liabilities							
Current liabilities		1,383,735	1,792,134	1,857,266	2,765,982	4,437,987	4,511,334
Provisions		185,356	190,892	219,872	278,521	421,813	483,215
Non-Current Liabilities		890,451	905,725	1,211,209	2,614,344	3,492,672	3,505,365
Total Liabilities	5	**2,459,542**	**2,888,751**	**3,288,347**	**5,658,847**	**8,352,472**	**8,499,913**
Total Liabilities and equity		**1,797,205**	**2,199,109**	**2,620,231**	**4,069,188**	**4,412,823**	**4,450,963**

1 Cash and cash equivalent

As at Jan22 EBS reported that 74% of Cash and cash equivalent are in SRD and 22% in foreign currencies (USD and EUR). EBS currently has approx. 32 bank accounts. Based on discussions with Management, there is a significant backlog in the processing of reconciling items and performance of bank reconciliations. A cash management plan needs to be implemented in the restructuring including possibly reducing the number of bank accounts. This will only be assessed when a more detailed review is completed.

2 Receivables

Receivables consists mostly of Accounts receivables ('AR') from power distribution (94%). Based on the ageing analysis received, only SRD 68.8m (22%) of the AR is due from residential customers.

Receivables over 120 days are primarily from GoS, State owned enterprises and other corporate customers (95%).

Refer to page [47] for the AR analysis and the Top 10 power distribution customers, which account for 49% of the total power and distribution receivables.

4 Non-current assets

EBS's Non-current assets consists mostly of Tangible fixed assets, with the most significant asset being Machines. The intangible fixed assets are primarily capitalized cost related to the ERP system used by the company. The financial fixed assets is mainly related to Treasury Bill from the GoS. Refer to page [49] for further details.

5 Liabilities

As Jan22 the largest creditor of EBS is the GoS, with approx. SRD 5.3b in liabilities toward the GoS consisting of both loans and other payables to the GoS. Further to the GoS loans, the Non-current liabilities consists of loans taken from other parties and Investment Grants received from the GoS.

Provisions consists mostly of personnel related provision such as pensions, medical cost, work anniversary etc. Refer to page [48] for further details on the current liabilities and page [51] for further details on the Non-current liabilities.

3 Inventory

EBS' inventory consists of :

- Technical materials
- Prepaid inventory
- Fuels and lubricants
- LPG

The increase of the inventory balance in FY20 was due an increase of SRD 178m (732%) in Fuels and lubricants as at Dec20. Management indicated that this was due to timing of purchases.

Assets & Liabilities overview – Receivables

EBS Assets	
Currency: SRD '000	**YTD Jan22**
Assets	
Current assets	
Cash and cash equivalents	140,647
Receivables	389,864
Inventory	315,692
Total Current assets	**846,203**
Non-Current assets	**3,604,760**
Total Assets	**4,450,963**

EBS Receivables	
Currency: SRD '000	**YTD Jan22**
Receivables	
Accounts receivables	335,003
Provision for doubtful accounts	(22,590)
Net Accounts receivables	**312,413**
Other receivables	
Receivables from the GoS	63,619
Receivables PPA I	12,412
Other receivables and accruals	1,420
Total Other receivables	**77,451**
Total receivables	**389,864**

EBS AR Subledger	
Currency: SRD '000	**YTD Jan22**
Accounts receivables power distribution	314,474
Accounts Receivables LPG distribution	20,529
Total Accounts receivables	**335,003**

Receivables

Receivables consists out of AR from power distribution, LPG distribution and receivables from the GoS and other receivables.

Top 10 AR (Power distribution) as at Jan22						
Currency: SRD '000	**0-30 Days**	**31-60 Days**	**61-90 Days**	**91-120 Days**	**121+ Days**	**Total**
Surinaamsche Waterleiding Maatschappij	2,611	2,553	2,595	2,441	55,153	65,353
Straatverlichting	3,597	3,407	3,521	6,928	3,521	20,974
Academische Ziekenhuis	251	238	267	255	19,737	20,749
SAIL NV	818	-	462	434	12,527	14,242
Staatsolie Maatschappij Suriname	4,260	4,101	2,468	523	(2)	11,350
Surinaamsche Luchtvaart Maatschappij	337	339	350	350	4,786	6,162
Surinaamsche Stichting Diakonesse Arbeid	178	182	200	196	3,957	4,714
R.K.Ziekenhuis Stichting Sint Vincent	183	193	214	203	3,793	4,587
Telesur	1,491	1,485	626	69	102	3,773
E-GoS	605	605	605	1,220	579	3,613
Total	14,329	13,103	11,309	12,620	104,154	155,515

Power distribution AR

The top ten receivables account for approx. 49% of the total Power distribution AR as at Jan22. Approx. SRD 104m of these AR were older then 121 days, and this represents 33% of the total power distribution AR of which all are related to GoS, State-owned enterprises or hospitals. This in turn places significant strain on EBS cashflows. No specific provisions were made for any of these AR. However, EBS is currently reassessing there provisioning policy and additional provisions are expected to be taken.

Top 2 AR (LPG distribution) as at Jan22						
Currency: SRD '000	**0-30 Days**	**31-60 Days**	**61-90 Days**	**91-120 Days**	**121+ Days**	**Total**
Staatsolie Maatschappij Suriname	2,681	8,543	4,869	-	-	16,093
Rosebel	245	278	243	285	1,787	2,839
Total	2,926	8,821	5,112	285	1,787	18,931

LPG distribution AR

These are the two largest LPG receivables which account for approx. 92% of the total LPG AR. They are usually paid within a 90-day period and EBS indicated they don't have collection issues with these two accounts.

Assets & Liabilities overview – Current Liabilities

EBS Current liabilities							
Currency: SRD '000	**Notes**	**FY17A**	**FY18A**	**FY19A**	**FY20A**	**FY21A**	**YTD Jan22**
Current Liabilities							
GoS related liabilities	1	637,550	1,091,381	1,370,462	1,929,757	3,184,864	3,329,423
Current account with EBS Pension fund	2	293,763	285,769	263,367	249,400	265,544	259,012
Short-term portion of other loans		136,626	65,813	15,029	7,580	19,088	47,185
Trade payables		180,349	192,263	110,867	265,273	193,772	222,668
Other liabilities	3	135,447	156,908	97,540	313,972	774,719	653,046
Total Current liabilities		**1,383,735**	**1,792,134**	**1,857,266**	**2,765,982**	**4,437,987**	**4,511,334**

EBS Other liabilities						
Currency: SRD '000	**FY17A**	**FY18A**	**FY19A**	**FY20A**	**FY21A**	**YTD Jan22**
Other liabilities						
Prepaid connection fees	120,870	138,449	169,688	211,107	281,877	294,208
Other payables and accruals	14,577	18,459	7,046	102,864	492,842	358,838
Total Other liabilities	**135,447**	**156,908**	**176,733**	**313,972**	**774,719**	**653,046**

GoS related liabilities 1

EBS GoS liabilities	
Currency: SRD '000	**YTD Jan22**
GoS gross liabilities	8,148,282
GoS receivables	(4,818,859)
Net liabilities	3,329,422

The gross liability due to GoS is approx. SRD 8.1b, which is mostly related to the purchase of hydro power from SPCS. As noted on page [34], EBS purchases hydro power from SPCS. However, EBS has not been paying the GoS for these purchases, which results in the settlement by SOM reducing their dividend payout to the GoS.

Netted in the GoS related liabilities are receivables of SRD 4.8b as at Jan22 due from GoS. Of this, SRD 3.9b are related to subsidies as noted on page [33].

Current account with EBS Pension fund 2

The current account with the EBS Pension fund as at Jan22 of SRD 259m, relates to pension premium deducted from employees' salaries that is **yet to be paid** to the EBS pension fund.

Other liabilities 3

Other liabilities consists of prepaid connection fees. Up to Dec19 this balance was relatively low ($97m) and consisted mainly of other payables and accruals. Management provided updated Management accounts for FY20, FY21 and YTD Jan 22 on 17th May 2022. One of the main variances noted was an increase of $390m in 'Other payables and accruals' (SRD 103m in FY20 to SRD 493m in FY21). Due to the late submission of these revised accounts, a more in-depth understanding, analysis and review of supporting schedules are required.

Assets & Liabilities overview – Tangible fixed assets

EBS Balance sheet						
Currency: SRD '000	**FY17A**	**FY18A**	**FY19A**	**FY20A**	**FY21A**	**YTD Jan22**
Assets						
Fixed assets						
Tangible fixed assets	1,395,530	1,636,342	1,793,691	3,125,806	3,488,172	3,475,911
Intangible assets	41,853	47,802	65,850	74,569	89,315	89,404
Financial fixed assets	13,225	12,893	12,615	25,202	25,203	25,203
Right of use fixed assets	-	-	-	14,243	14,243	14,243
Total Non-Current assets	**1,450,608**	**1,697,037**	**1,872,156**	**3,239,821**	**3,616,933**	**3,604,760**

EBS Tangible fixed assets						
Currency: SRD '000	**FY17A**	**FY18A**	**FY19A**	**FY20A**	**FY21A**	**YTD Jan22**
Tangible fixed assets						
Company buildings and land	270,940	278,988	282,159	273,481	399,443	245,393
Machinery	1,006,784	1,009,753	1,203,409	973,599	1,961,627	1,071,578
Other fixed assets	12,676	20,779	62,488	46,010	42,005	1,055,496
Machinery under assembly	105,130	326,822	245,635	1,832,715	1,085,097	1,103,443
Total Tangible fixed assets	**1,395,530**	**1,636,342**	**1,793,691**	**3,125,806**	**3,488,172**	**3,475,911**

Key consideration

Consideration should be given to appraise the current Building and land owned by EBS. Given that this did not occur since 1994, an uplift in value is most probable. This in turn will improve EBS's current financial position

Tangible Fixed assets

The tangible fixed assets are mostly machinery. While EBS does have building and land, the EBS Headquarters is leased from the Surinamese Pension Fund. Note worthy is that the real estate properties owned by EBS have not been appraised since 1994 and are presented at Historical cost less accumulated depreciation.

During FY20 management made investment on the DPP2 power plant, to upgrade its power generation capacity. The assembly of these Machinery were completed and utilized during FY21.

Debt analysis

Non – Current Liabilities

Debt analysis – Overview

EBS Non-current liabilities						
Currency: SRD '000	**FY17A**	**FY18A**	**FY19**	**FY20A**	**FY21A**	**YTD Jan22**
Non-Current Liabilities						
Loans						
GoS loans	546,136	502,831	712,440	1,319,671	1,912,947	1,933,318
Other loans	67,006	49,198	56,000	806,762	952,158	943,085
Total Loans	**613,142**	**552,029**	**768,440**	**2,126,433**	**2,865,105**	**2,876,403**
Investment Grant liabilities	**254,296**	**331,561**	**419,067**	**442,288**	**585,555**	**587,037**
Other Non-current liabilities	**23,013**	**22,135**	**23,702**	**45,624**	**42,013**	**41,925**
Total Non-current liabilities	**890,451**	**905,725**	**1,211,209**	**2,614,344**	**3,492,672**	**3,505,365**

Debt to Equity as at Jan22

-210%

GoS loans

EBS is highly leveraged with a debt to equity of -210% as at Jan22. As at Jan22, 67% of EBS's loans are with the GoS totaling 1.9b. Given the cash constraints of EBS, they have not been current with payments on any of the GoS loans, however in FY21 a lumpsum of USD 5m was paid to the GoS. It should be noted that the majority of the GoS loans are denominated in USD, hence the reason for the increase year on year as the SRD is devalued against the USD. (Refer to page [71] for details on the GoS loans).

As part of the restructuring plan the GoS should consider converting these outstanding debt to equity in order to deleverage EBS. Refer to page [52] for the impact of the debt-to-equity conversion.

Other loans

EBS has approx. SRD943m in 3rd party loans. Approx. 83% of this amount is related to the DPP 2 capacity expansion project which EBS through the same supplier of the machinery(Refer to page [72] for details on other loans). While EBS deteriorated its financial position by taking on this loan with Olibis to undergo the DPP2 capacity expansion project, once the PPA contracts with SPCS are re-negotiated, they will have the opportunity to realize savings by fully utilizing the capacity of their owned plants.

Investment Grant liabilities

Since 2013 the GoS has provided EBS with Grants to invest in fixed assets to improve the generation and distribution of power in Suriname. The increase in the Investment Grant liabilities in both FY20 and FY21 are related to disbursements made by IDB and CDB for investment projects.

Debt analysis – Proforma Balance Sheets

EBS Balance sheet			
Currency: SRD '000	**YTD Jan22**	**Proforma scenario 1**	**Proforma scenario 2**
Assets			
Current assets			
Cash and cash equivalents	140,647	140,647	140,647
Receivables	389,864	389,864	389,864
Inventory	315,692	315,692	315,692
Total Current assets	**846,203**	**846,203**	**846,203**
Non-Current assets	**3,604,760**	**3,604,760**	**3,604,760**
Total Assets	**4,450,963**	**4,450,963**	**4,450,963**
Liabilities and equity			
Equity	**(4,048,951)**	**(2,115,633)**	**1,213,789**
Liabilities			
Current liabilities	4,511,334	4,511,334	1,181,911
Provisions	483,215	483,215	483,215
Non-Current Liabilities	3,505,365	1,572,047	1,572,047
Total Liabilities	**8,499,913**	**6,566,596**	**3,237,173**
Total Liabilities and equity	**4,450,963**	**4,450,963**	**4,450,963**
Key performance indicator			
Debt-to-equity	**-210%**	**-310%**	**267%**

Key consideration

Based on the scenario analysis it appear that only scenario 2 will lead to a more desirable outcome. Although this initiative on its own will not lead EBS to its ideal financial position, it will provide EBS with a sounder base to start in combination with all the other restructuring initiatives.

Scenario analysis

Table #1 illustrates the EBS balance sheet in a restructured state after a debt-to-equity conversion based on the following scenario's:

Scenario 1: Debt-to-equity conversion of all GoS loans.

Scenario 2: Debt-to-equity conversion of both GoS loans and other liabilities to the GoS.

4 Governance & Organizational review

Summary Governance Review

In addition to assessing EBS' compliance against their own rules and regulations EY conducted a benchmark against the provisions of the Dutch Corporate Governance Code and EY's insights into governance best practices. Based on this assessment EY identified several priority areas that form the basis of the recommendations. The table below provides an overview of the degree of priority for each governance area based on the gap between EBS' current practices and the best practices.

Governance Topics	Principle / Best Practice	Priority
Effective management and supervision	The management board should have the right composition to carry out its responsibilities while the supervisory board should be adequately composed to monitor the management board in executing their responsibilities.	**High**
Board Independence	The composition of the supervisory board is such that the members can operate independently and critically vis-à-vis one another, the management board, and any interests involved.	**High**
Delegated Supervisory Board members	A supervisory board member who temporarily takes on the management of the company, where the management board members are absent or unable to fulfil their duties, must resign from the supervisory board.	**High**
Misconduct and irregularities	Adequate measures should be taken to prevent any form of conflict of interest between the company and the members of its management board or supervisory board.	**High**
Executive Committees	When the supervisory board consists of more than 4 members, it should appoint from among its members certain committees to assist in preparing the supervisory board decision-making.	**Medium**
Board Evaluation	The functioning of the management board and the supervisory board as a collective and the functioning of individual members should be evaluated on a regular basis.	**Medium**
Decision-making and functioning	The management board and the supervisory board must ensure that decisions are made in an effective manner, and that, in performing their duties, they have the information required for effective decision-making.	**Medium**
Risk Management	The management board should render account of the effectiveness of the design and the operation of the internal risk management and control systems.	**Medium**
Appointment and succession of the board	A formal and transparent procedure must be in place for the appointment, reappointment and succession of management board and supervisory board members.	**Low**
Remuneration	The remuneration of supervisory board members should promote an adequate performance of their role and should not be dependent on the results of the company.	**Low**
General Meeting of Shareholders	Good corporate governance requires the fully-fledged participation of shareholders in the decision-making in the general meeting.	**Low**

Low = An area of concern that should be addressed in the in the longer term when other higher priority items have been but in place
Medium = An area of concern that compromises appropriate functioning of the governance structure and should be implemented in the near future.
High = An urgent governance problem that hinders the appropriate functioning of the organization until the issue is resolved

Governance review

EBS Governance Structure

The EBS governance structure comprises of a Supervisory Board, a Management Board, and a management layer. The following table illustrates the general roles and responsibilities of the different governance bodies across EBS' corporate structure. This is based on the companies' internal policies (e.g. by-laws, articles of incorporation, management regulations policy).

Governance Bodies	Roles and Responsibilities
Supervisory Board	► The Supervisory Board is responsible for supervising the management and the administration of the company. The Supervisory Board is also responsible for providing information and advice to the Management Board and the General Meeting of Shareholders, without prejudice to the other powers and duties assigned to the Supervisory Board by the articles of incorporation.
Management Board	► The EBS Holding Management Board is in charge of the day-to-day management of the EBS Group and bears ultimate responsibility for the performance of the Group and the companies within it: ► Setting the aspiration, objectives and strategy of the EBS Group ► Establishing and monitoring policies in the areas of staff, finance, commerce, sustainability, investment and digitization ► Responsible for an optimal allocation of financial resources ► Responsible for the result (financial, social and environmental performance: people, profit, planet) of the entire EBS Group ► Representing the EBS Group
Manager (Daily Management)	The daily management of the subsidiaries and/or divisions, including the support units (SSC and CoE's), is done by managers who are responsible for: ► The implementation of policy determined by EBS holding ► The strategic and tactical management of the relevant business unit ► Creating the right working environment in which people, assets, resources, portfolio and partnerships perform optimally ► The performance of the business unit in question, with justification of the contribution to the overall EBS group results ► Facilitating policy preparation for the EBS group (CoE's)

Board Composition

Current Board Composition

Role	Member
Chairman Supervisory Board	Leo Brunswijk
Vice-Chairman Supervisory Board	Clifton Lienga
Supervisory Board member	Udairay Panchoe
Supervisory Board member	Ruth Deira
Secretary	Kenneth Profijt

Management Board Role	Member
Chief Executive Officer (CEO)	Vacant
Chief Financial Officer (CFO)	Ismanto Adna
Chief Technical Officer (CTO)	Marcel Eyndhoven
Chief Operations Officer (COO)	Vacant

EY Findings and Observations

- According to EBS' articles of incorporation (article 16, paragraph 1), the supervisory board shall consist of at least five and not more than seven members. If the number of members of the Supervisory Board falls below the minimum stipulated in paragraph 1, the Board shall convene a general meeting of shareholders within thirty days after this has occurred in order to provide for the additional members.
- EBS's supervisory board currently consists of 5 members.

Management Board

- The CEO and the COO positions are currently vacant. EBS' articles of incorporation indicate that a vacancy in the Management Board should be filled as soon as possible by the General Meeting of Shareholders, but no later than 6 months after said vacancy has arisen.
- It has been 4 years (2018) since the CEO and COO position have been vacant. Both functions are yet to be properly filled.
- The CEO position must be filled immediately for EBS to be able to function accordingly. In the current situation, the Management team faces a risk of lacking strategic direction to drive the company.

The Supervisory and Management Board composition should take in account the nature and activities of the company. Each supervisory board member and each management board member should have the specific expertise required to fulfill his duties. EY requested but did not receive the respective CVs of the supervisory board members to assess the board composition in terms of demographics, skills and experience. Therefore, EY could not pass judgement on the profiles and the expertise of the Supervisory Board members. This would also prove helpful to identify development needs. We recommend that both the supervisory and the management board periodically review their performance, as well as the performance of individual board members. Performance appraisal may include external review and may also identify development needs. This is to ensure that it possesses the necessary skills and experience to meet present and future business needs.

Financial authorization levels and control mechanisms

Financial authorization levels and control mechanisms

- It is our understanding that, as a collective, the Management Board has control over the use of EBS funds. While the Management Board members are the main signatory and point of authorization for disbursement of funds, all disbursements above 100,000 USD require the approval of the Supervisory Board

EY Commentary

- While there is financial authorization scheme in place that guides the authority to disburse funds, EY was unable to determine whether the current thresholds are appropriate considering the type and nature of financial transactions conducted by the company (energy company). Further review of the thresholds and signatories are required.
- The authorization scheme does not include the management layer below the Management Board (Managers and Department Heads). EBS can benefit from a further dispersion of the procurement authorities to speed up decision making and alleviate the Supervisory Board.
- It is noteworthy that in the current draft of the Procurement Authority Scheme the director authority (B) is delineated in SRD while all the other levels are delineated in USD. For consistency and comparison purposes it is best to adhere to one currency throughout the scheme.
- The amounts indicated in the current Procurement Authority Scheme were based on the original structure scenario. The impact of the restructuring on direct and indirect costs should be assessed to determine whether the current amounts remain applicable in the future state organization.

Category	Function of the powers of attorney
A	Supervisory Board and Management Board
B	Directors (Members of the Management Board)

EBS Procurement Authority Scheme	
A	► The Management Board is independently authorized to bind EBS to a maximum amount of USD 100.000, or the equivalent thereof in Surinamese Dollars at the exchange rate of the Central Bank of Suriname on the day on which the act or decision is to be performed ► The Management Board, together with the other holder of powers of attorney A, shall, subject to the provisions of the articles of incorporation, the management regulations and the powers of attorney scheme of EBS, have unrestricted power to bind EBS.
B	► Each director is authorized to bind EBS independently up to a maximum amount of SRD 50,000 (fifty thousand Surinamese dollars), taking into account the provisions of the articles of incorporation, the executive board regulations and the procuration scheme. This requires the initiation of the Financial Director. ► The CEO and the CFO together are authorized to bind EBS up to a maximum amount of USD 100.000, or the equivalent thereof in Surinamese Dollars at the exchange rate of the Central Bank of Suriname on the day on which the act or decision is to be carried out.

Policies and Procedures

EY reviewed the existence and implementation of certain policies and procedures that are relevant within the company's governance practices. Set out below are the findings, best practices and EY's commentary along with suggested improvement items.

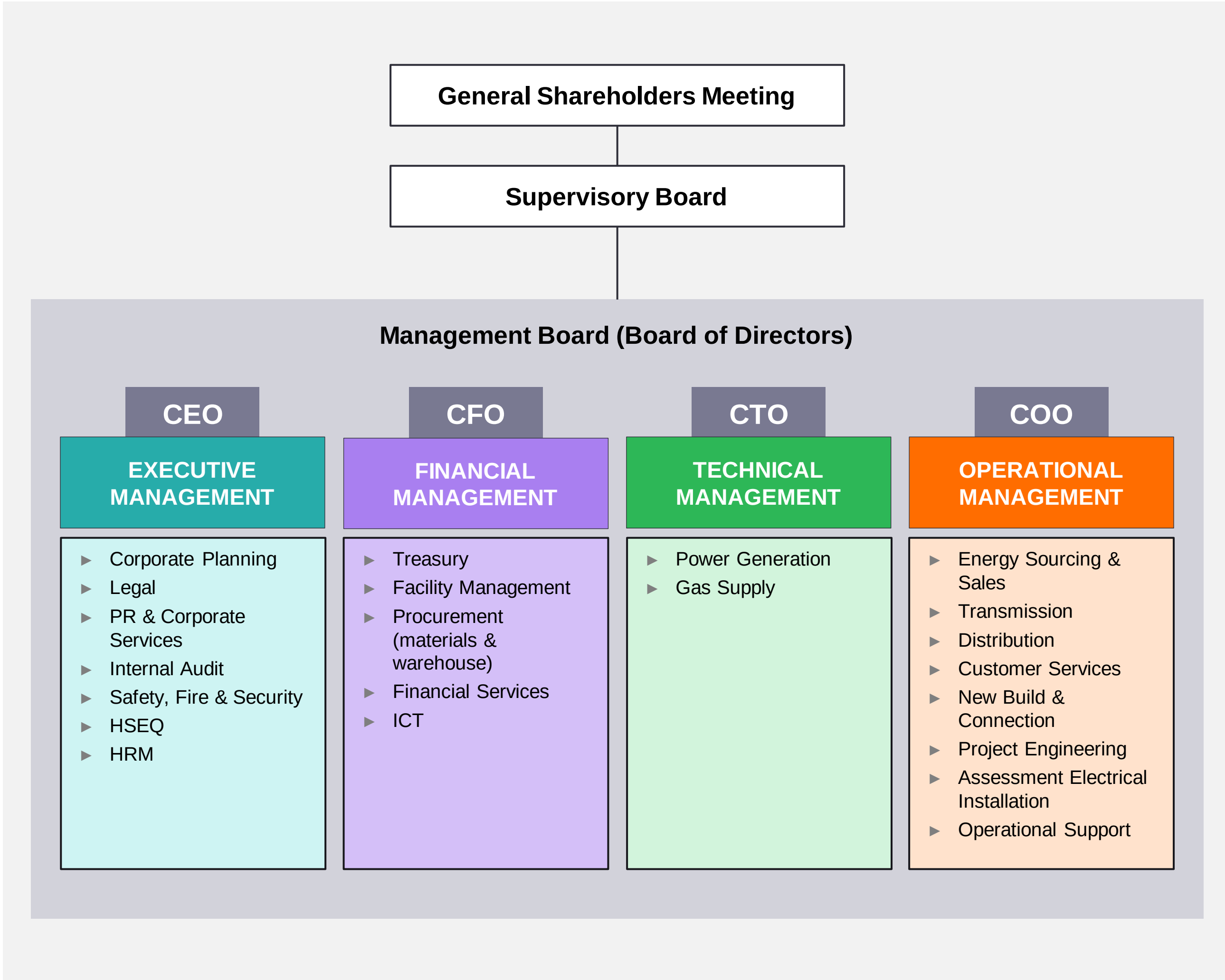
EY Findings	EY Commentary
► EY received a copy of the EBS Management Regulations policy (Directie Reglement). The management regulations document details the relationship between the management board and the supervisory board. This policy discusses the individual and collective tasks, responsibilities and authorities of the board members. ► The Management Regulations policy should be updated in the event of changes in the number of board members as well as in the event of changes in the management board according to article 4, paragraph 4 of the management Regulations policy. This has not been the case with the current Management Regulations policy, therefor we can conclude that the current version is outdated. ► According to the received documentation, there is a general code of business conduct policy that outlines items such as General employee behavior, Conflict management, privacy matters, and more. It is unclear when this policy has been developed. EY is not aware of any specific revision dates or version control mechanisms assigned to these policies. ► EY also received the collective bargaining agreement (CBA). The CBA includes the expected topics such as salary structures, working hours, and other terms and conditions of employment. ► EY also took note of a separate power of attorney arrangement policy. This is however still a draft version, and it is unclear whether it has been approved by the board. ► For some of the policies it is not clear when and to what extent the implementation of these policies are enforced.	► Considering the changes in the Supervisory and Management Board, the Management Regulations Policy should be updated accordingly. ► There should be a consistent revision date, version control and signoff register across all policies ► Introduce periodical compliance monitoring and reporting mechanisms ► A structure should be in place to periodically carry out a robust risk identification exercise. This exercise should help identify and monitor key risks associated with key processes, which must then be fed into policy requirements across the business

Organizational review

EBS Current Structure

Current Legal Structure

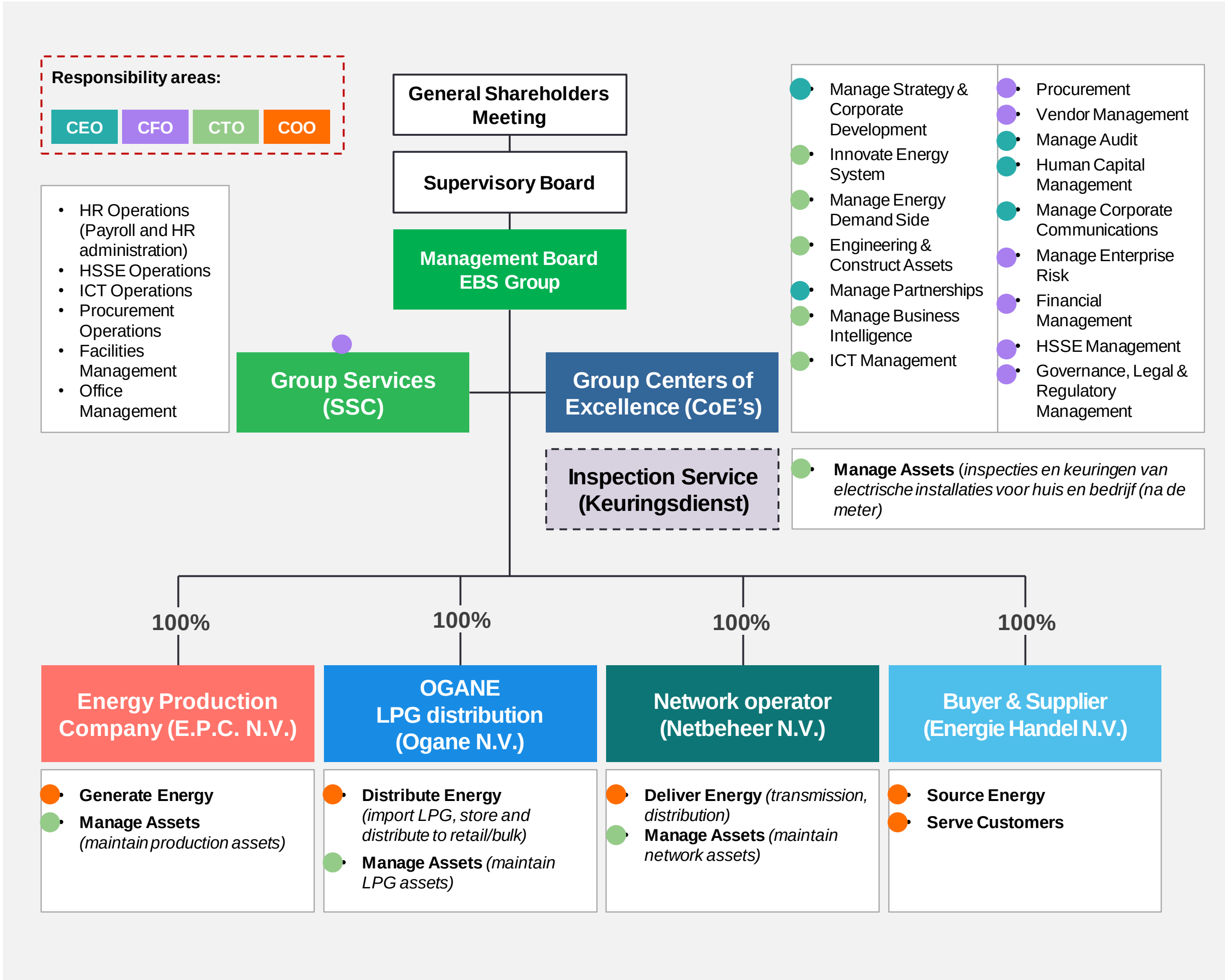
- EBS has a governance structure which comprises of a Supervisory Board, a Management Board, and a management layer spanning the different business units
- The GoS is 100% shareholder of EBS, and the Ministry of Natural Resources is responsible for the supervision of EBS
- In the current structure, the EBS Management Board consists of four members: the Chief Executive Officer (CEO), the Chief Technical Officer (CTO), the Chief Financial Officer (CFO) and the Chief Operational Officer (COO)
- The primary functional areas are clustered under the four (4) directors. Each Management Board member is responsible for one of the four functional areas and has a defined area of responsibilities as illustrated in the figure to the right.
- EBS is adjusting its legal structure for accounting and management information purposes and to comply with legal requirements



EBS Future Group Structure

New Legal Structure

- The shift to the new legal structure is purely intended for accounting purposes and does not directly impact the operational structure of the organization. This entails the cost of the EBS employees will allocated over four different organizations (entities) however they will operationally still sit at the parent company level.
- A group structure with N.V. EBS as the holding company and sole shareholder of the 4 subsidiaries. In this structure, all activities of the group are carried out through a separate entity (subsidiary).
- In the new legal structure, the GoS will remain 100 % shareholder of EBS with the Ministry of Natural Resources responsible for the supervision of the company
- The EBS Management Board will be tasked with the daily management of the holding and is responsible for the performance of the group and the underlying entities
- The legal entities Netbeheer N.V. and Energiehandel N.V. are set up and equipped with the assets and legal concessions it takes over from N.V. EBS
- In the new structure an inspection service will be introduced, supporting operational processes will be centralized in SSCs, and specialist processes will be centralized in COEs.
- In the new structure, the division of responsibilities between the management board members will be divided across the units as illustrated in the simplified structure of the Group depicted on the right



Transition and changes to the structure

The transition to the new legal structure represents a fundamental change that will have an impact on the overall governance structure of the organization across many dimensions.

	Current (From..)	Future (To..)	Impact
1	**Function-oriented structure**	**Combination of Functional structure & Shared Services delivery model**	While the original structure is based on the responsibilities of each management board directorate, the new structure revolves around the primary and secondary processes leading to: ► a functional structure (except for LPG: product-oriented) for the **primary processes**, in combination with ► a new shared services delivery model for **secondary processes** (administrative and facilitative processes)
2	**Devolved back office**	**Centralized support services**	EBS will move towards form of Shared Services Model concept by centralizing administrative processes to professionalize the internal service provision. The aim is to add value by improving: ► Efficiency (economies of scale and knowledge pooling through concentration, standardization and automation) ► Effectiveness (quality of service provision, improved reporting and control, specialization by bundling and developing expertise and knowledge)
3	**Divisional responsibilities**	**Distributed responsibilities**	The new structure entails a fundamental change in the management model. In the original structure each Management Director was responsible for a functional area that was organized around that director's defined set of responsibilities. While the responsibilities of each director remain largely unchanged in the new structure, these responsibilities are distributed across the subsidiaries and the group COE's. The group SSC fall under the responsibility of the CFO.

Transition considerations

EBS has chosen a functional structure as its To-be structure. This is one of the most common types of organizational structures for larger companies where employees are structured based on specialized departments/primary services. Although the big advantage of this type of structure is the operational efficiencies due to the clarity and specialization within the different departments and employee groups, the big disadvantage is that it can lead to 'organizational silos'. The context of the company's broader goals can easily be lost. Therefore, it is important that an effective change strategy is in place.
An effective change management approach is based upon creating the conditions for success within an organization to enable it to realize the benefits of the transition taking place and keep these sustainable. This will involve leveraging the strength that already exists within EBS in order to transform the organization and drive the improvement. Below we provide our general recommendations based on the proposed transition and the required adjustments in the structure:

Vacancies (key positions)

To successfully transition and operate in the new structure it is imperative that critical positions be appropriately filled. Moving forward with vacancies in critical functions will hamper operation within the future structure.

Working with silo’s

The shift to a functional/shared service delivery structure is reflected in the creation of separate entities. EBS should ensure that the Group’s collective interest remains the priority and avoid a siloed way of working.

Managerial spans of control

The transition will impact the the size and scope of managerial positions. EBS should review the span of control across management layers within the new structure and aim to minimize unnecessary or redundant management layers.

Avoid transition inefficiencies

EBS should recognize and minimize the risk of moving inefficient activities to other parts of the business or moving resources to a new position without effectively handing over out of scope tasks.

Knowledge management

The COE and SSC units must have sufficient knowledge and the right skills to support the entire organization across each product unit across the group. Having the right people in the right roles and the provision of targeted training and support to develop capability.

Shifting role scope

The transition will likely impact the scope and range of responsibilities for different functions across the organization. Adjustments in the scope of responsibilities must be accompanied by the right skills development and resource planning.

Optimize economies of scale

By moving towards SSCs and COEs, EBS will realize productivity dividends through using a small number of centralized resources for high volume lower value tasks. However, this is a new way of working that also implies a certain degree of complexity.

Change management

The operational organization must be supported to realize the required shift to deal with the inherent complexities of the new structure in terms of scope and division of responsibilities, and enable new ways of working,.

Key Contract Review

Key Contract review

Power Purchase Agreement (SPCS)

Parties

SPCS (SELLER) – GOS (BUYER)
Role EBS: Transport through dispatch (grid)

Product

Electricity generated from SPCS' Tout Lui Faut facility

- GOS shall purchase from SPCS an amount of Energy output equal or higher than 443.480* per year
- SPCS shall assure an average annual Energy output during any 4-year period of at least 443.480*

*Corresponding period /based on last amendments

Tariffs:

(A + C) x Minimum Energy output/12 + B x Energy Output + Lubricant cost

Duration

Starting 1 March 2013 with a duration of 15 years with the option of extension for 1 year

Additional Details

- Amendment 1 (15 October 2014): Several amendments including late payments, definitions, schedule minimum energy output, fuel tariff
- Amendment 2 (1 January 2016): This is a proposed from which the document has not been signed
- Amendment 3: Starting from 1 January 2020 for 7 years (until 2028). This amendment included 12 amendments and 3 replaced articles such as late payments, metering, extension of indemnity clause, etc.)

Contract Currency:

SRD

Validity: Active (Runs until 2028)

Transfer agreement Afobaka (STAATSOLIE)

Parties

STAATSOLIE (BUYER) – Suriname (SELLER)

Product

Transfer agreement Afobaka Hydro-electric Power Facility. This agreement concerns the takeover of full economic ownership of the hydroelectric power station Afobaka

Contract date

1 January 2020

Validity: Active

Key Contract review (Cont'd)

Power Purchase Agreement (IAMGOLD)

Parties

GOS (SELLER) EBS with a facilitating role - Rosebel (BUYER).

Product

Power Purchase agreement for 70.080 MWh per year initially (2003). Total Power available for Rosebel following 3rd amendment:

- 113.880 MWh (year with 365 days)
- 114.192 MWh (year with 366 days)

Duration

Starting from 1 October 2002 (and signed 13th March of 2003) with a duration of 7 years

Additional Details

- Amendment 1 (Starting from 1 April 2009): Price adjustment
- Amendment 2 (Starting from 31 August 2009): Additional MWh per year
- Amendment 3 (Starting from 20 June 2013): Additional 5 MWh per year and price adjustment

Price (Based on Amendment 3)

Depending on the price of gold:

Energy price US$/kWh	*Gold US$*
0,09	<1550
0,11	$1550 - $ 1650
0,12	$1650 - $ 1750
0,13	$1750 - $ 1850
0,14	+$ 1850

Contract Currency:

USD

Validity: Unknown

Energy Purchase Contract (SURALCO)

Parties

SURALCO (SELLER) – Suriname (BUYER)

Product

Energy Purchase contract for the purchase of 620.900.000 kWh per year.

Duration

Starting from 1 July 1999 up until the Brokopondo contract (1958) between Suriname and Suralco has been terminated. The Brokopondo contract was terminated when the Afobaka facility was added in 2020.

Price

Price = Component A + Component B

Component A:

- US$ 0.0390 per kWh for the first 219.000.000 kWh
- US$ 0.0115 per kWh for the following 175.200.000 kWh
- US$ 0.0040 per kWh for the following 226.600.000 kWh

Component B:

- Management fee US$ 0.002 per kWh + adjusted according to the price of heating oil at US$ 13.28 per barrel (variety of 15% up or down) + depending on the published Caribbean prices for heavy oil

Validity: Inactive

Key Contract review (Cont'd)

Gas purchase agreement (Global Export Finance)

Parties
Global Export Finance (SELLER) – EBS (BUYER)

Product
Purchase of 60.000 metric tons propane plus or minus 15% (GEFLLC-EBSSUR 2014-07 PRGAS/CL-A)

Duration
26 September 2014 – 1 October 2017 (3 years) ; extension: tacitly for one year

Additional details
Agreement to amend – 12 January 2016 (Price amendment)

Price
Price details per year (3 years in the contract)

- *Year 1*: Price published by OPIS – 3 days average around Bill of Lading date + $ 0,65 per gallon (product premium) + $ 21 per barrel * Fixed fee for freight when buying < 10.000 barrels (800 MT): $ 210.000
- *Year 2:* Price published by OPIS – 3 days average around Bill of Lading date + $ 0,72 per gallon (product premium) + $ 22 per barrel * Fixed fee for freight when buying < 10.000 barrels (800 MT): $ 210.000
- *Year 3:* Price published by OPIS – 3 days average around Bill of Lading date + $ 0,75 per gallon (product premium) + $ 22 per barrel * Fixed fee for freight when buying < 10.000 barrels (800 MT): $ 220.000

Amended price
Price published by OPIS – 3 days average around Bill of Lading date + $ 0,51 per gallon (product premium) + $ 17.00 per barrel * Fixed fee for freight when buying < 10.000 barrels (800 MT): $ 170.000

- Port charges at load, including agency fees shall be for Seller's account
- At discharge port, port charges including agency fees up to $3,500 shall be for Seller's account. Excess charge (>$3500) shall be for Buyers account
- Demurrage charges are fixed at $10,000 per day

Contract Currency:
USD

Validity: Active

Gas finance contract (Global Export Finance)

Parties
Global Export Finance (SELLER) – EBS (BUYER)

Product
Gas Finance contract (GEFLLC-EBSSUR 2014-07 PRGAS/CL-B). This contract is the financing contract under the main contract for purchasing gas

Date
10 January 2014 – 30 September 2017 (3 years)

Billing and payments
- Payments in USD for the actual delivered energy
- Late payment interest of 1% per month over the outstanding amount (if 60 days late)

Validity: Active (Tacitly extended)

5 Appendix

Appendix A: Loan details

Debt analysis – Detailed break down

Currency: SRD '000	Start	Original Principal	Amount outstanding	Repayment period	Interest rate	Collateral	Currency	Purpose	Current/ default
2004 gensets (USD 13.7 million)	2004	US$ 13.7m	296,113	3 years	9.5%	None	USD	Purchase of 2 diesel generators	Default
2005 161kV transmission line (USD 12.9 million)	2005	US$ 12.9m	279,608	15 years	6M Libor +0.5%	None	USD	Transmission Line Paranam - Paramaribo	Default
2007 distribution materials (EUR 4.8 million)	2007	EUR 6.0m	115,406	15 Years	0%	None	EUR	Purchase of various Materials from Brinkmann & Niemeijer Motoren BV	Default
2008 distribution materials (EUR 7.5 million)	2008	EUR 7.5m	180,810	15 Years	0%	None	EUR	Purchase of various Materials from Brinkmann & Niemeijer Motoren BV	Default
2012 power plant (USD 46.4 million)	2012	US$ 46.4m	1,002,135	12 years (Incl 2-year grace period)	6.0%	None	USD	BEM Power Plant	Default
2013 gensets and power plant (SRD 64.6 million)	2013	SRD 64.6m	59,245	17 Years (Incl 2-year grace period)	6.0%	None	SRD	63MW Power generation project + Engineering and Civil Works	Default
Total GoS Loans			**1,933,318**						

Debt analysis – Other loans

Currency: SRD ‘000	Start	Original Principal	Amount outstanding	Repayment period	Interest rate	Collateral	Currency	Purpose	Current/ default
DSB Bank N.V. e.a. (USD 0.016 million)	2015 (refinanced)	US$ 6.3m	359	5 years	8.5%	Receivables from Staatsolie	USD	Repayment of courant account facility	Current
State Oil Company Suriname N.V. (USD 1.1 million)			24,000	**There’s no loan agreement between EBS and SOM**				To construct a substation at Tout Lui Faut	Repayment term TBD
DSB Bank N.V. OGANE (USD 4.7 million)	2015 (refinanced)	US$ 4.7m	61,714	10 years	9.0%	Receivables from Staatsolie	USD	Finance construction of LPG tanks	Current
Loan Finabank-2A	2019	SRD 3.1m	1,871	5 years	10.5%	Vehicles acquired, receivables from insurance proceeds	SRD	Purchase of vehicles	Current
Loan Finabank-03	2020	SRD 4.1m	3,104	5 years	10.5%	Vehicles acquired	SRD	Purchase of vehicles	Current
Finabank-02B (SRD)	2019	SRD 940k	590	5 years	10.5%	Vehicles acquired, receivables from insurance proceeds	SRD	Purchase of vehicles	Current
Loan Finabank-04	2020	SRD 540k	424	5 years	10.5%	Vehicles acquired		Purchase of vehicles	Current
Loan Olibis Bemplant DPP2	2020	US$ 50.2	781,992	6 years	8.75%	Receivables from the Rosebel PPA and other receivables, Property of EBS DPP2 power plant, Diesel generators installed at the DPP2 powerplant station	USD	Power generation capacity expansion	Current
Loan Olibis 33KV System upgrade	2020	US$ 11.7	69,032	3 years	8.75%	none	USD	Paramaribo 33Kv power transmission system upgrade	Current
Total Other Loans			**943,085**						

Appendix B: Corporate governance best practices

Best Practices: Effective Management and Supervision

Dimension	Topic	Best Practice
Effective management and supervision	Board composition information	The following information about each supervisory board member should be included in the report of the supervisory board: i. gender; ii. age; iii. nationality; iv. principal position; v. other positions, in so far as they are relevant to the performance of the duties of the supervisory board member; vi. date of initial appointment; and vii. current term of office
	Expertise	Each supervisory board member and each management board member should have the specific expertise required for the fulfilment of his duties. Each supervisory board member should be capable of assessing the broad outline of the overall management.
	Involvement of the Supervisory Board	The management board should engage the supervisory board early on in formulating the strategy for realizing long-term value creation. The management board renders account to the supervisory board of the strategy and the explanatory notes to that strategy.
	Role of the Supervisory Board	The supervisory board should supervise the manner in which the management board implements the long-term value creation strategy. The supervisory board should regularly discuss the strategy, the implementation of the strategy and the principal risks associated with it. In the report drawn up by the supervisory board, an account is given of its involvement in the establishment of the strategy, and the way in which it monitors its implementation.

Best Practices: Executive Committees

Dimension	Topic	Best Practice
Executive Committees	Establishment of committees	If the supervisory board consists of more than four members, it should appoint from among its members an audit committee, a remuneration committee and a selection and appointment committee. Without prejudice to the collegiate responsibility of the supervisory board, the duty of these committees is to prepare the decision-making of the supervisory board. If the supervisory board decides not to establish an audit committee, a remuneration committee or a selection and appointment committee, the best practice provisions applicable to such committee(s) should apply to the entire supervisory board.
	Duties and responsibilities of the audit committee	The audit committee undertakes preparatory work for the supervisory board's decision-making regarding the supervision of the integrity and quality of the company's financial reporting and the effectiveness of the company's internal risk management and control systems. Among other things, it focuses on monitoring the management board with regard to: i. relations with, and compliance with recommendations and following up of comments by, the internal and external auditors; ii. the funding of the company; iii. the application of information and communication technology by the company, including risks relating to cybersecurity; and iv. the company's tax policy.

Best Practices: Board Independence

Dimension	Topic	Best Practice
Board Independence	Independence of the supervisory board members	A supervisory board member is not independent if they or their spouse, registered partner or life companion, foster child or relative by blood or marriage up to the second degree: i. has been an employee or member of the management board of the company (including associated companies) in the five years prior to the appointment; ii. receives personal financial compensation from the company, or a company associated with it, other than the compensation received for the work performed as a supervisory board member and in so far as this is not in keeping with the normal course of business; iii. has had an important business relationship with the company or a company associated with it in the year prior to the appointment. This includes in any event the case where the supervisory board member, or the firm of which he is a shareholder, partner, associate or adviser, has acted as adviser to the company (consultant, external auditor, civil notary or lawyer) and the case where the supervisory board member is a management board member or an employee of a bank with which the company has a lasting and significant relationship; iv. is a member of the management board of a company in which a member of the management board of the company which he supervises is a supervisory board member; v. has temporarily performed management duties during the previous twelve months in the absence or incapacity of management board members; vi. has a shareholding in the company of at least ten percent, taking into account the shareholding of natural persons or legal entities cooperating with him or her on the basis of an express or tacit, verbal or written agreement; vii. is a member of the management board or supervisory board – or is a representative in some other way – of a legal entity which holds at least ten percent of the shares in the company, unless the entity is a group company.
	Independence of the supervisory board	The composition of the supervisory board is such that the members are able to operate independently and critically vis-à-vis one another, the management board, and any particular interests involved.
	Independence of the chairman of the supervisory board	The chairman of the supervisory board should not be a former member of the management board of the company and should be independent within the meaning of best practice provision

Best Practices: Appointment and succession of the board

Dimension	Topic	Best Practice
Appointment and succession of the board	Appointment and reappointment Management Board	A management board member is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time, which reappointment should be prepared in a timely fashion. The diversity objectives from best practice should be considered in the preparation of the appointment or reappointment (e.g. nationality, age, gender, and education and work background)
	Appointment and reappointment Supervisory Board	A supervisory board member is appointed for a period of four years and may then be reappointed once for another four-year period. The supervisory board member may then subsequently be reappointed again for a period of two years, which appointment may be extended by at most two years. In the event of a reappointment after an eight-year period, reasons should be given in the report of the supervisory board.
	Succession planning	The supervisory board should ensure that the company has a sound plan in place for the succession of management board and supervisory board members that is aimed at retaining the balance in the requisite expertise, experience and diversity. The supervisory board should also draw up a retirement schedule in order to avoid, as much as possible, supervisory board members retiring simultaneously. The retirement schedule should be published on the company’s website.

Best Practices: Board evaluation

Dimension	Topic	Best Practice
Board evaluation	Evaluation by the supervisory board	At least once per year, outside the presence of the management board, the supervisory board should evaluate its own functioning, the functioning of the various committees of the supervisory board and that of the individual supervisory board members and should discuss the conclusions that are attached to the evaluation. In doing so, attention should be paid to: i. substantive aspects, the mutual interaction and the interaction with the management board; ii. events that occurred in practice from which lessons may be learned; and iii. the desired profile, composition, competencies and expertise of the supervisory board.
	Evaluation of the management board	At least once per year, outside the presence of the management board, the supervisory board should evaluate both the functioning of the management board as a whole and that of the individual management board members, and should discuss the conclusions that must be attached to the evaluation, such also in light of the succession of management board members. At least once annually, the management board, too, should evaluate its own functioning as a whole and that of the individual management board members.

Best Practices: Supervisory Board members

Dimension	Topic	Best Practice
Supervisory Board members	Chairman of the supervisory board	The chairman of the supervisory board should in any case ensure that: i. the supervisory board has proper contact with the management board, the employee participation body (if any) and the general meeting; ii. the supervisory board elects a vice-chairman; iii. there is sufficient time for deliberation and decision-making by the supervisory board; iv. the supervisory board members receive all information that is necessary for the proper performance of their duties in a timely fashion; v. the supervisory board and its committees function properly; vi. the functioning of individual management board members and supervisory board members is assessed at least annually; vii. the supervisory board members and management board members follow their induction program; viii. the supervisory board members and management board members follow their education or training program; ix. the management board performs activities in respect of culture; x. the supervisory board recognizes signs from the enterprise affiliated with the company and ensures that any (suspicion of) material misconduct and irregularities are reported to the supervisory board without delay; xi. the general meeting proceeds in an orderly and efficient manner; xii. effective communication with shareholders is assured; and xiii. the supervisory board is involved closely, and at an early stage, in any merger or takeover processes. The chairman of the supervisory board should consult regularly with the chairman of the management board.
	Delegated supervisory board member	A delegated supervisory board member is a supervisory board member who has a special task. The delegation may not extend beyond the responsibilities of the supervisory board itself and may not include the management of the company. Its purpose is more intensive supervision and advice and more regular consultation with the management board. The delegation should be of a temporary nature only. The delegation may not detract from the duties and powers of the supervisory board. The delegated supervisory board member continues to be a member of the supervisory board and should report regularly on the execution of his special duty to the plenary supervisory board. A supervisory board member who temporarily takes on the management of the company, where the management board members are absent or unable to fulfil their duties, should resign from the supervisory board.

Best Practices: Decision Making and Functioning

Dimension	Topic	Best Practice
Decision Making and Functioning	Reporting of other positions	Management board members and supervisory board members should report any other positions they may have to the supervisory board in advance and, at least annually, the other positions should be discussed at the supervisory board meeting. The acceptance of membership of a supervisory board by a management board member requires the approval of the supervisory board.
	Point of contact for the functioning of supervisory board and management board members	The chairman of the supervisory board should act on behalf of the supervisory board as the main contact for the management board, supervisory board members and shareholders regarding the functioning of management board members and supervisory board members. The vice-chairman should act as contact for individual supervisory board members and management board members regarding the functioning of the chairman.
	Attendance at supervisory board meetings	Supervisory board members should attend supervisory board meetings and the meetings of the committees of which they are a part. If supervisory board members are frequently absent from these meetings, they should be held to account on this. The report of the supervisory board should state the absenteeism rate from supervisory board and committee meetings of each supervisory board member.

Best Practices: Misconduct and irregularities

Dimension	Topic	Best Practice
Misconduct and irregularities	Code of Conduct	The management board should draw up a code of conduct and monitor its effectiveness and compliance with this code, both on the part of itself and of the employees of the company. The management board should inform the supervisory board of its findings and observations relating to the effectiveness of, and compliance with, the code. The code of conduct will be published on the company's website.
	Informing the chairman of the supervisory board	The management board should inform the chairman of the supervisory board without delay of any signs of actual or suspected material misconduct or irregularities within the company and its affiliated enterprise. If the actual or suspected misconduct or irregularity pertains to the functioning of a management board member, employees can report this directly to the chairman of the supervisory board.

Best Practices: Risk Management

Dimension	Topic	Best Practice
Risk Management	Risk management	The company should have adequate internal risk management and control systems in place. The management board is responsible for identifying and managing the risks associated with the company's strategy and activities. The management board should render account of the effectiveness of the design and the operation of the internal risk management and control systems.
	Internal audit function	The duty of the internal audit function is to assess the design and the operation of the internal risk management and control systems. The management board is responsible for the internal audit function. The supervisory board oversees the internal audit function and maintains regular contact with the person fulfilling this function. If there is no separate department for the internal audit function, the supervisory board will assess annually whether adequate alternative measures have been taken, partly on the basis of a recommendation issued by the audit committee, and will consider whether it is necessary to establish an internal audit department. The supervisory board should include the conclusions, along with any resulting recommendations and alternative measures, in the report of the supervisory board.
	Supervision of the policies	The supervisory board should supervise the policies carried out by the management board and the general affairs of the company and its affiliated enterprise. In so doing, the supervisory board should also focus on the effectiveness of the company's internal risk management and control systems and the integrity and quality of the financial reporting.
	Policy creation	It is best practice to carry out a robust risk identification exercise to identify all key risks. These are to be used as a basis for the creation of policies and procedures to mitigate risks.
	Policy management	A central repository should be available to all employees and should outline policies and procedures relating to the specific risks to which the company is exposed as a tool for risk management and oversight by management and the board. Other typical characteristics of a company that is in full compliance and exhibiting best practice includes: ▶ An officer managing/coordinating policies across the policy lifecycle; ▶ Best practice followed (revision dates, sign-off etc.) across each policy ▶ Centrally planned and coordinated policies covering all areas of the business; and ▶ Compliance with policies and procedures, and regulatory requirements are actively monitored across all parts of the business.

Best Practices: Remuneration

Dimension	Topic	Best Practice
Remuneration	Remuneration – supervisory board	The supervisory board should submit a clear and understandable proposal for its own appropriate remuneration to the general meeting. The remuneration of supervisory board members should promote an adequate performance of their role and should not be dependent on the results of the company.
	Time spent and responsibility	The remuneration of the supervisory board members should reflect the time spent and the responsibilities of their role.
	Remuneration Reporting	The remuneration committee should prepare the remuneration report. This report should in any event describe, in a transparent manner, in addition to the matters required by law: i. how the remuneration policy has been implemented in the past financial year; ii. how the implementation of the remuneration policy contributes to long-term value creation; iii. that scenario analyses have been taken into consideration; iv. the pay ratios within the company and its affiliated enterprise and, if applicable, any changes in these ratios in comparison with the previous financial year; v. in the event that a management board member receives variable remuneration, how this remuneration contributes to long-term value creation, the measurable performance criteria determined in advance upon which the variable remuneration depends, and the relationship between the remuneration and performance; and vi. in the event that a current or former management board member receives a severance payment, the reason for this payment.

Best Practices: General Meeting

Dimension	Topic	Best Practice
General Meeting	Agenda	The agenda of the general meeting should list which items are up for discussion and which items are to be voted on. The following items should be dealt with as separate agenda items: i. material changes to the articles of incorporation; ii. proposals relating to the appointment of management board and supervisory board members; iii. the policy of the company on additions to reserves and on dividends (the level and purpose of the addition to reserves, the amount of the dividend and the type of dividend); iv. any proposal to pay out dividend; v. resolutions to approve the management conducted by the management board (discharge of management board members from liability); vi. resolutions to approve the supervision exercised by the supervisory board (discharge of supervisory board members from liability); vii. each substantial change in the corporate governance structure viii. of the company and in the compliance with this Code; and the appointment of the external auditor.
	Casting votes (principle)	Participation of as many shareholders as possible in the general meeting's decision-making is in the interest of the company's checks and balances. The company should, in so far as possible, give shareholders the opportunity to vote by proxy and to communicate with all other shareholders.

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