



# Sustainability Report 2009





**Sustainability  
Report  
2009**

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## Board of Directors

Fabio Echeverri Correa  
Hernán Martínez Torres  
Oscar Iván Zuluaga Escobar  
Carolina Rentería Rodríguez (until march 2009)  
Esteban Piedrahita Uribe (since may 2009)  
Ignacio Sanín Bernal  
María Elena Velásquez Restrepo  
Joaquín Moreno Uribe  
Omar Baquero Soler (until march 2009) (r.i.p)  
Germán Bernal Gutiérrez  
Mauricio Cárdenas Santamaría

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## Steering Committee

**Javier Gutiérrez Pemberthy**

Presidency

**Nelson Navarrete H.**

Exploration and Production Executive Vice Presidency

**Pedro Alfonso Rosales**

Downstream Executive Vice Presidency

**Margarita Obregón Triana**

General Secretary

**Camilo Marulanda**

Strategy and Growth Vice Presidency

**Mauricio Echeverry**

Legal Vice Presidency

**Martha Cecilia Castaño**

Human Talent Vice Presidency

**Adriana M. Echeverri**

Finance Vice Presidency

**Diego Carvajal**

Exploration Vice Presidency

**Héctor Manosalva**

Production Vice Presidency

**Federico Maya Molina**

Refining and Petrochemical Vice Presidency

**Claudia Castellanos**

Supply and Marketing Vice Presidency

**Álvaro Castañeda**

Transport Vice Presidency

**Oscar Alfredo Villadiego**

Services and Technology Vice Presidency

**Edgar Eduardo Rey**

Internal Audit Directorate

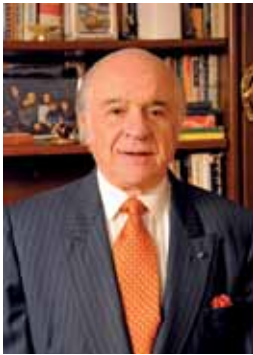
**Adriana Marcela Neira**

Disciplinary Control Office



*From left to right Marta Cecilia Castaño, Álvaro Castañeda, Diego Carvajal, Pedro Alfonso Rosales, Margarita Obregón, Nelson Navarrete, Javier Gutiérrez Pemberthy, Federico Maya, Claudia Castellanos, Oscar Villadiego, Adriana Echeverri, Camilo Marulanda, Héctor Manosalva, Mauricio Echeverry.*

# Message to Our Stakeholders



**Fabio Echeverri Correa**  
President of the Board of Directors



**Javier Gutiérrez Pemberthy**  
President of Ecopetrol

Sustainability, understood as economic development respecting the environment and people, is a top priority to Ecopetrol.

Starting in 2006, we have edited and made available to all our stakeholders the Corporate Social Responsibility Reports, which we are presenting this year using the third generation (G3) methodology of the Global Reporting Initiative (G3 – GRI), an international standard recognized as the most advanced method to account for company sustainability management, which we will call the Sustainability Report.

We would like to express our commitment to socially responsible performance that will play a role in achieving our corporate objectives.

We are working for long-term growth and, in doing so, we are working on building and strengthening trusting relationships with our stakeholders, ensuring them that this growth will go hand in hand with a precautionary approach to guarantee the reduction and mitigation of social and environmental impacts.

At Ecopetrol, we have a Corporate Social Responsibility Strategy based on listening and recognizing the needs and expectations of our stakeholders and, accordingly, adopt the best practices for mutual benefit that will play a role in the sustainability of the business.

Before preparing this Report, we diagnosed the degree of alignment with the principles, actions and expectations put forward in ISO 26000, the soon to be published Social Responsibility Standard, which constitutes a voluntary initiative breaking new ground worldwide. This enabled us to see where our greatest strengths were, and where there was room for improvement.

This Report is an exercise in transparency, meant to provide our stakeholders with the conviction that we are listening, while we are making our best efforts to measure up to their expectations as re-



gards our performance in the economic, social and environmental dimensions.

In the economic dimension, in 2009, the economic crisis affected most countries in the world. The oil industry was affected by the drop in international oil prices, in addition to the decline of the US dollar, impacting the results of different companies.

Despite the above, it was a good year for Ecopetrol, enabling us to move forward in the consolidation of our growth strategy by means of high-impact investments, such as the direct and indirect acquisition of strategic companies, including Hocol, Oleoducto Central S.A. (Ocensa, the Cartagena Refinery and Savia in Peru, formerly Petrotech S.A.

Oil has been one of the main engines of Colombian economy. The oil sector's role in the Gross Domestic Product (GDP) has managed to remain at an average of 3% over the last five years. On another note, Ecopetrol's role in the oil GDP went from 58% in 2004 to 80% in 2009, due to the upturn in the crude production coming from the fields.

Thanks to the 35% increase in our reserves and the 12% growth in production over the last 2 years, we have contributed to Colombia's self-sufficiency as regards oil going beyond 2020, when forecasts at the beginning of the decade indicated that the country would lose this capacity in 2009.

Ecopetrol's economic impact can also be dimensioned in the regional context. For instance, in

2009, Ecopetrol paid territorial authorities a total of \$115.601 billion in Industry and Commerce taxes (ICA) and \$5.874 billion in property taxes.

Another significant example is the company's impact through regional contracting, which many times is over 50% of the budget of the towns where it is operating. This is the case in Orito, for instance, where Ecopetrol carried out procurement and contracting in 2009 for a total cost equivalent to 82% of the official budget.

In the social dimension, pursuant to the methodology we have chosen, this report includes labor practices and work ethics, human rights, society and product responsibility.

As regards labor practices, in 2009, the company moved forward in its strategy to have the world class talent to support its growth plans that will make it a great company to work for.

The biggest milestone in this regard in 2009 was signing the Collective Agreement with coexisting labor unions for the five-year period from 2009 to 2014.

In 2009, Ecopetrol worked on strengthening the process of ethics and compliance by creating a Unit devoted to the assurance of the topics on the internal level, along with stakeholder relations. In order to do so, the channel of communication was reinforced with a hotline for people to file complaints, reports and claims.



In human rights, it is important to point out our embracement of the UN Global Compact and the approval of the company's Human Rights Policy. In order to secure a comprehensive outlook on the matter, Ecopetrol constituted a Human Rights Committee in December 2009, made up of the areas of the company responsible for different matters contained in the Policy.

It is also important to point out Ecopetrol's joint efforts with unions in defending human rights. The topic has been included as a chapter in the Conventional Agreement, which contemplates the existence of a National Human Rights and Peace Commission, and nine regional sub-committees, made up of workers who are members of the USO and Ecopetrol Management representatives.

In the annexes of the Collective Agreement, Adeco and Sindespetrol (unions) agreed on scenarios to work on human rights with the company.

The operation of major companies, like our own, generates impacts on society. In positive terms, in 2009 Ecopetrol made a direct social investment of \$135.638 million, focused on five lines of action: environmental; economic development and production projects; institutional and community development; health care and public utilities, and education and culture.

Furthermore, the alliances with five oil foundations that support Ecopetrol's social management in the areas of influence were strengthened by an in-

vestment of \$125.578 million, which were used for education, environment, infrastructure and basic sanitation projects, among others.

In this social sphere, we would also like to point out the work done by the company to strengthen its guidelines for local and regional contracting, and the Supplier Development Program, whose objective is to strengthen and improve their skills and abilities, striving to maximize their participation on the products and supplies market.

As part of our product responsibility, we would like to point out the results obtained on the Client Satisfaction Index based on the International Service Quality Index, which showed a satisfaction of 97%.

As regards the environmental dimension, we have improved diesel quality substantially and, consequently the quality of the air we breathe. Colombians now have cleaner diesel, with lower sulfur contents, adhering to international standards.

This is thanks to Ecopetrol's effort to reduce the sulfur content in diesel down to 50 ppm in Bogotá and all public mass transportation systems in the country in January 2010, and to 500 ppm for the rest of the country. We will continue working in this direction until we reach 50 ppm nationwide.

As a complement to these measures and in order to provide cleaner fuels, Ecopetrol and other in-





vestors have penetrated the biofuel industry with the construction of two plants, a biodiesel plant in Barrancabermeja and an ethanol plant in the Eastern Plains region.

Similarly, in 2009, Ecopetrol held the first meeting to support the development of the best projects focused on learning and protecting the biodiversity of the wetlands in Colombia.

Notwithstanding Ecopetrol's interest in carrying out all its operations within the regulatory framework and acting in accordance with the principles of environmental responsibility, we are sorry to say that there were 116 incidents in 2009 due to hydrocarbon leaks or spills, air pollution emissions and effluents beyond the permissible limit due to operating causes, corresponding to 7533.1 barrels spilled.

We know there is so much to do in this regard, as well as in economic growth and social development, but we have made solid, transparent progress.

As you can see in the Report made available to you, we have taken on the challenge of sustainability in line with our values: responsibility, integrity and respect in all our actions and in our relations with shareholders and investors; clients; partners; employees, pensioned workers and their families; the community and society; the State, contractors and their employees.

We hope the information contained herein is useful to you and helps you understand and share our commitment to sustainability, which is essential

not only to achieve the corporate strategy, but also to play a role in the sustainable development of the country.

Last but not least, we would like to acknowledge the effort and dedication of all the workers, Board members and contractors in reaching the goals set out in 2009, and reiterate our commitment in 2010 to continue working for the sustainability of the company and the country.

**Fabio Echeverri Correa**  
President of the Board of Directors

**Javier Gutiérrez Pemberthy**  
President of Ecopetrol



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# About

# Ecopetrol

## Profile

### Historical Perspective

The reversion of the De Mares Concession to the Colombian State on August 25, 1951 gave rise to the Empresa Colombiana de Petróleos (Colombian Oil Company) The new company took on the assets reverted from the Tropical Oil Company that started oil activities in Colombia in 1921 with the startup of the Cira-Infantas Field in the Middle Magdalena Valley located in the northeastern region of Bogotá.

Ecopetrol undertook activities in the oil chain as a state-owned industrial and commercial company in charge of administrating the nation's hydrocarbon resources, and grew as other concessions were reverted and became part of its operation.

In 1961, it took over the direct management of the Barrancabermeja Refinery. Thirteen years later, it purchased the Cartagena Refinery built by Intercol in 1956. In 1970, it adopted its first bylaws, which confirmed its nature as a state-owned industrial and commercial company, assigned to the Ministry of Mines and Energy, supervised by the Colombian Treasury Inspector's Office.

The company was operating as a business association devoted to the activities involved in oil industry and trade, pursuant to private law and the regulations contained in its bylaws.

The Caño Limon field, a reservoir with reserves estimated at 1.1 billion barrels, was discovered in September 1983 in association with the Occidental Petroleum Company (OXY). Thanks to this field, the Company began a new era and in the year 1986, Colombia began to export oil again.

In the 1990s, Colombia extended its oil self-sufficiency with the discovery of the Cusiana and Cupiagua fields in the Foothills of the Plains region, in association with the British Petroleum Company.

In 2003, the Colombian government restructured the Empresa Colombiana de Petróleos, in order to internationalize it and make it more competitive in the framework of the world hydrocarbon industry. Decree 1760 / June 26, 2003 modified the organic structure of the Empresa Colombiana de Petróleos and made it Ecopetrol S.A., a public stock corporation, one hundred percent state-owned, assigned the Ministry of Mines and Energy.



*Since June 2007  
the iguana  
became the new  
logo-symbol  
of Ecopetrol.*

The transformation of the Empresa Colombiana de Petróleos into the new Ecopetrol S.A., released the Company from State functions as the administrator of oil resources, and the ANH (Agencia Nacional de Hidrocarburos) [National Hydrocarbons Agency] was created to carry out the function.

In 2003, the company became a public stock company and, since then, it has more financial autonomy and competitiveness in the new organization of the hydrocarbon sector in Colombia, with the possibility to establish business alliances abroad.

This new scenario led to Ecopetrol's decision to renew its corporate image and brand in 2007: it adopted a green iguana as its new logo. The result of this change was an image responding to the new strategy, the transformation process it was going through, which is summarized in five attributes by which it intends to be identified:

- ⦿ **Reliable:** a solid company that inspires seriousness and respect, committed to fulfilling its responsibilities toward its clients, suppliers, employees, communities and shareholders.
- ⦿ **Open:** a flexible, receptive company, prepared to change and adapt to the industry's requirements; transparent in its operation.

- ⦿ **Progressive:** an innovative company reflecting dynamism in its everyday activities; 100% focused on the future.
- ⦿ **Universal:** a company prepared to perform in the great global village. Capable of understanding different cultures, accepting diversity and generating comprehensible, simple, integrative communication.
- ⦿ **Vital:** a company that is essential for life, with a comprehensive, creative, prospective outlook on the concept of energy, as a source of development.

In addition, in 2007, the most important capitalization process was carried out in Colombia, bringing in 482,941 thousand Colombians from all levels and regions of the country as shareholders.

Ecopetrol S.A. is a public stock company, of a commercial nature, organized as a Colombian corporation assigned to the Ministry of Mines and Energy pursuant to Law 1118 / 2006, governed by the Bylaws contained in Public Deed No. 5314 / December 14, 2007 issued by the Second Notary Public of the Bogotá D.C. Circle.



## Who We Are

Ecopetrol S.A. is a worldwide energy and petrochemical company specializing in oil, gas and alternative fuels. It is the largest company in the country and the top oil company in Colombia. Because of its size, Ecopetrol belongs to a group of the 30 largest petroleum companies in the world, according to Platts, and it is one of the top four petroleum companies in Latin America. In addition, it has the largest share of the transport and refining infrastructure in the country.

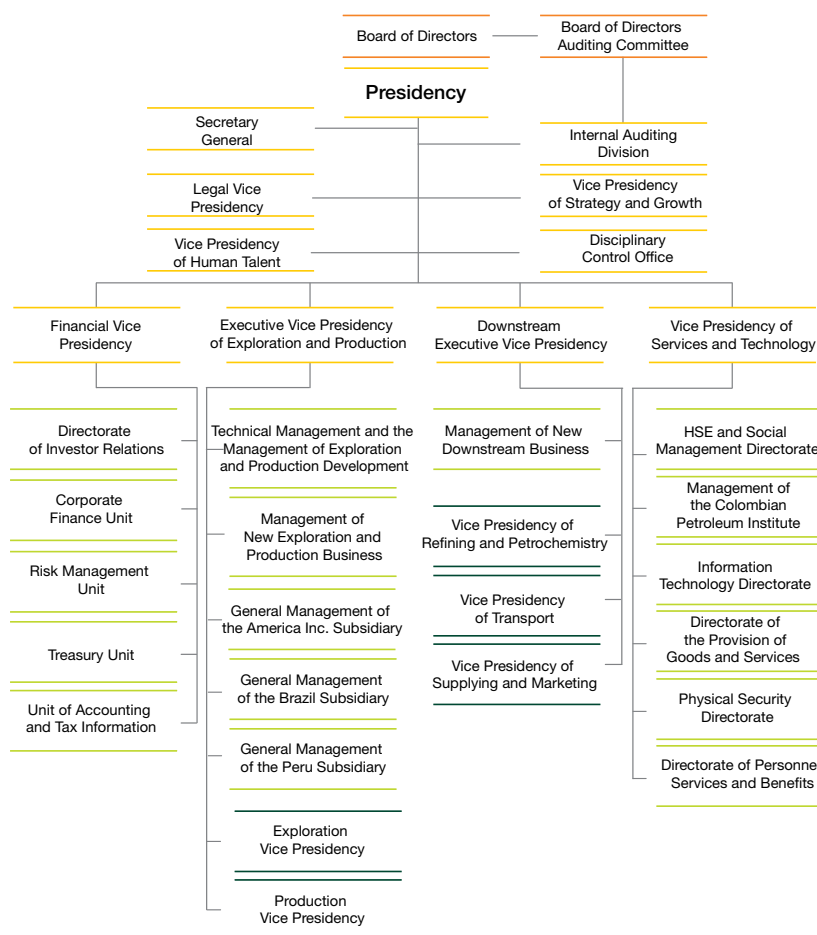
Ecopetrol participates in all the links of the hydro-carbon chain, ranging from oil and gas exploration and production, to their commercialization and transformation into fuels and products with greater value added, such as petrochemicals.

It has oil production fields in the central, southern, eastern and northern regions of Colombia, two refineries, fuel and crude import and export ports on both coasts, and a transport network made up of 8124 kilometers of oil and multipurpose pipelines throughout Colombian territory, intercommunicating production systems with major consumption centers and maritime terminals.

It also includes the Instituto Colombiano del Petroleo - ICP (Colombian Petroleum Institute, considered the most wide ranging research center and scientific laboratory of its kind in the country, holding over 100 years of geological data in the Colombian petroleum history.

Ecopetrol operates with one objective in mind: being a worldwide energy and petrochemical company specializing in oil, gas and alternative fuels, committed to the country's sustainable development.

**Illustration 1.**  
**Organizational Structure of Ecopetrol S.A.**





## Strategic framework

In order to achieve the MEGA (Major Challenging Goal) to produce one million barrels of oil equivalent per day by 2015, Ecopetrol has a strategic framework (see Illustration 2), mission, vision and several corporate MEGAS.

**Mission**

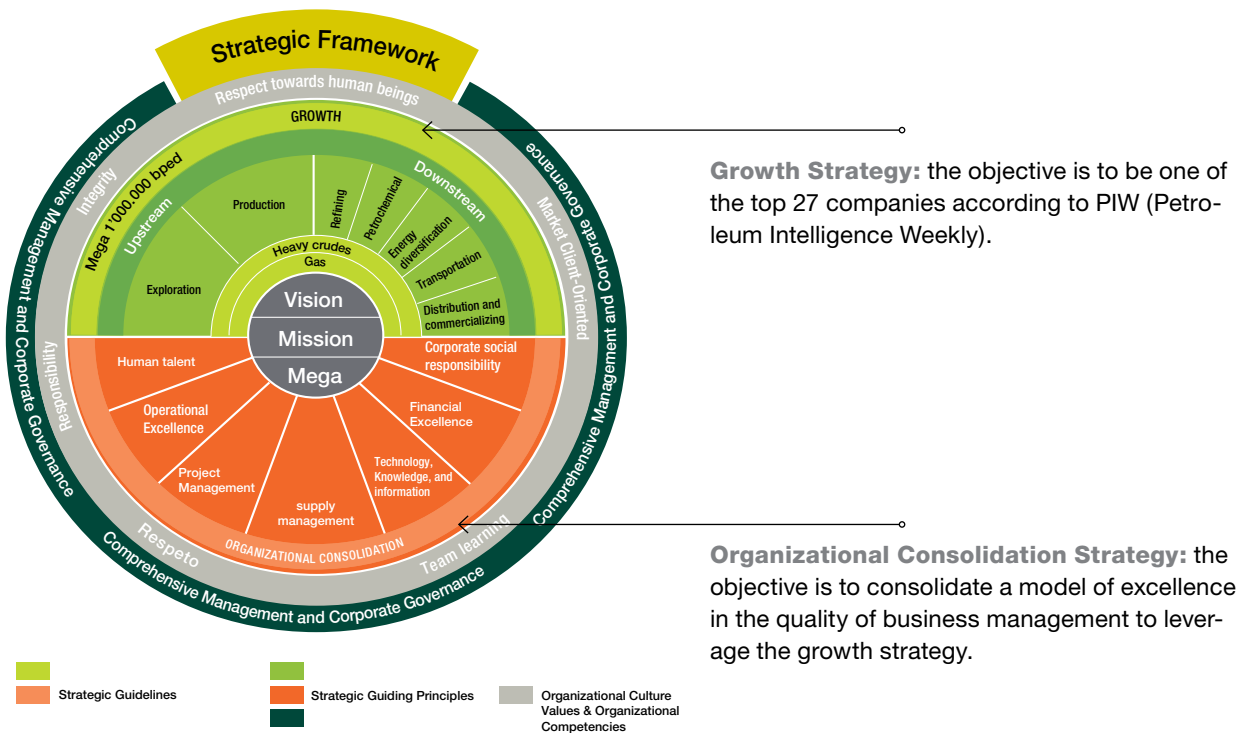
We discover and turn sources of energy into value for our clients and shareholders, guaranteeing environmental protection, the safety of the processes and the integrity of the people involved, contributing to the wellbeing of the areas where we operate, with personnel committed to excellence, comprehensive development and the construction of long-term relationships with our stakeholders.

**Vision**

Ecopetrol S.A. will be an international power and petrochemical company specializing oil, gas and alternative fuels, known for being competitive, with world class, socially responsible human talent.

The mission, vision and MEGAS will be made a reality by means of two major strategic guidelines.

**Illustration 2.**  
**Ecopetrol Strategic Framework**





## Our Corporate Values

- ⦿ **Responsibility:** the moral obligation to make our best efforts to achieve the corporate objectives in a resource-efficient manner, ensuring the sustainable development of the environment and self-care, where the common good prevails over particular interests.
- ⦿ **Integrity:** the value that combines visible behaviors and everyday actions; what consistent people display when they say, think and act coherently in the different spheres of activity in their personal, work and business lives.
- ⦿ **Respect:** the basis for the construction of interpersonal, group, corporate and community relations, arising from a person's self-esteem and the recognition of the existence of others. Every person, community and ecological environment deserves our utmost consideration and care, without exclusion or discrimination.

## Corporate Group

Due to the expansion of business and the company's positioning in the national as well as international context, in 2008, Ecopetrol's Corporate Group was created as the corporate entity to manage the new assets acquired in Colombia and abroad.

In 2009, the Corporate Group was consolidated by several operations that amounted to US \$2.854 billion:

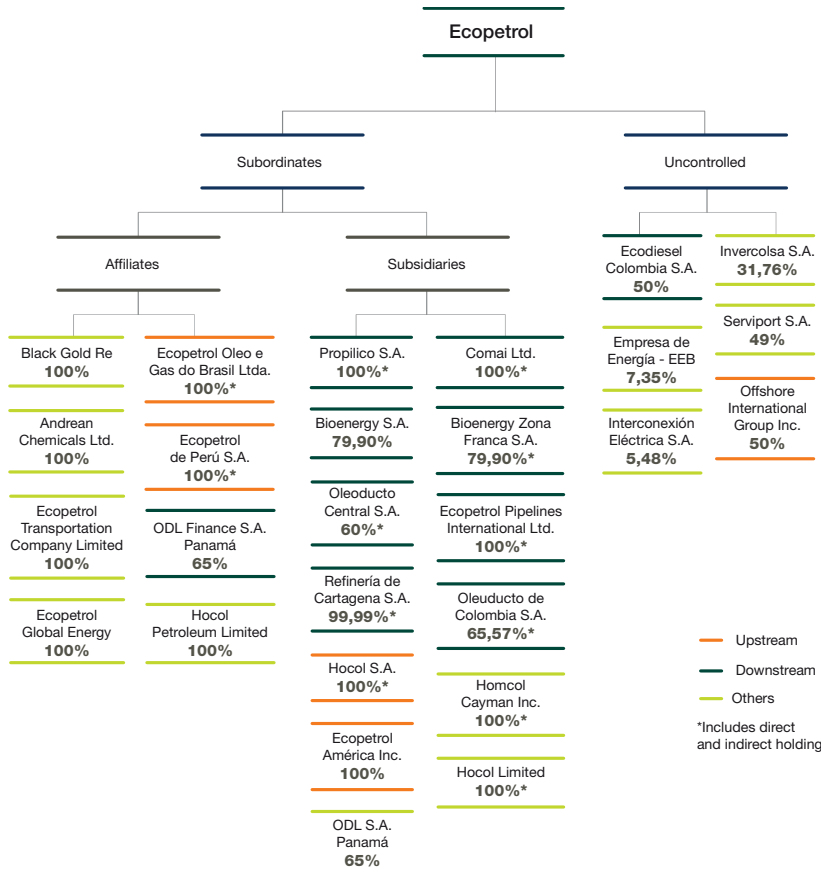
- ⦿ The first took place in January with Propilco, Colombia's principal petrochemical country.
- ⦿ One month later, the first international acquisition took place when Ecopetrol purchased 50% of Peruvian oil company Petrotech in a transaction valued at US \$900 million.
- ⦿ In March, it stepped up its interest in Ocesa, going on to hold 60% of the company, which operates the main oil pipeline in Colombia.

*In all operation areas, as this one in the Middle Magdalena, where Ecopetrol carries out exploration and production activities, corporate values are enforced rigorously by both employees and contractors.*

- ◉ In May, Ecopetrol added a new subsidiary to its Corporate Group with the acquisition of Hocol, the fifth most important private oil company in Colombia, in an operation valued at US \$580 million.
- ◉ Also in May, Ecopetrol closed the deal to reassume full majority interest in Reficar, the company operating the Cartagena Refinery, the second most important in the country.

The Corporate Group consolidated Ecopetrol's vision to be a company competing on the global energy market. Ecopetrol currently has 21 subordinate companies and is a shareholder in another 6 companies (see distribution of Ecopetrol's interest in Illustration 3).

**Illustration 3.**  
**Structure of Ecopetrol's Corporate Group**



The companies that form a part of Ecopetrol's Corporate Group are devoted to oil production and exploration activities, petrochemical production, biofuel production, hydrocarbon transport and refining, among others.

### Most Outstanding Associations and Organizations of which Ecopetrol is a Member

- ◉ Clean Caribbean and Americas
- ◉ Colombian Committee of the World Petroleum Congress
- ◉ American Productivity and Quality Center (APQC)
- ◉ Corporate Leadership Council
- ◉ Cocme – Colombian Committee of the WEC (World Energy Council)
- ◉ Arpel (Regional Association of Oil and Natural Gas Companies in Latin America and the Caribbean)
- ◉ Colombian Natural Gas Association (Naturgas)
- ◉ Colombian Center of Corporate Social Responsibility (Ccre)
- ◉ Colombian Corporate Council for Sustainable Development (Cecodes)

### Voluntary Initiatives Supported by Ecopetrol

- ◉ Mining and Energy Committee for Human Rights
- ◉ United Nations Global Compact
- ◉ Cooperation Agreements to Promote the Use of Compressed Natural Gas
- ◉ in Vehicles, one for the Atlantic Coast and another for the Western region of the country.
- ◉ Air Quality Acts with town halls and environmental authorities in Bogotá and Medellín.

### Prizes and Awards Bestowed on Ecopetrol in 2009

- ◉ For the second year in a row, Ecopetrol was distinguished by Merco (Corporate Reputation Monitor in Spanish) as the company with the best corporate reputation in Colombia.
- ◉ It came in second place in the ranking by the Transparency for Colombia Corporation, among the top 20 state-owned and public stock industrial and commercial companies.





*Ecopetrol official at Inter-Facial Phenomena and Reology Laboratory at Colombian Petroleum Institute(ICP). InN 2009, ICP obtained four national and international awards.*

- ⦿ It was awarded the world prize by *Petroleum Economist* as the Best External Communications Office.
- ⦿ It was chosen as the most admirable company in Colombia, according to a study conducted by Invamer-Gallup for Dinero magazine.
- ⦿ The *Employees of Choice* study conducted by Yanhaas determined that Colombians consider Ecopetrol the best employer in the country.
- ⦿ It obtained the second best score in the first classification process of Corporate Governance Practices, according to BRC INVESTOR SERVICES S.A.
- ⦿ It ranked 230 among the top 2000 companies in the world according to *Forbes* magazine.
- ⦿ It was graded BAA2 in the international rating of foreign debt by Moody's Investor Services.
- ⦿ It received the Latin Finance Award as "Quasi Sovereign Issuer" of the year for the bond issuance operation on the international market.
- ⦿ It was acclaimed one of the top 10 family-responsible companies in the country, according to a study conducted by the IESE Business School, applying the Family-Responsible Company Index for the first time.
- ⦿ It was recognized by Unicef for its contributions to the programs carried out by the organization with the most vulnerable boys and girls in the country in its Quality Education, Early Childhood and Environmental Sanitation Programs.
- ⦿ Due to its contributions to science and technology, the Instituto Colombiano del Petroleo – ICP (Colombian Petroleum Institute) receives national and international awards every year (see list in Table 1)

**Tabla 1. Awards Received by the ICP in 2009**

Event	Place	Award
International Multi-Conference on Engineering and Technological Innovation-IMETI 2009	Florida, United States	Best work in Applied Science session and selected to be published in the Journal of Systemics, Cybernetics and Informatics (JSCI) 2010
Annual Meeting of the American Association of Petroleum Geologists	Denver, United States	Student Poster Awards Competition
10th Bolivarian Symposium of Sub-Andean Basins	Cartagena, Colombia	Best poster presentation Best academic poster
13th Colombian Oil and Gas Conference of Acipet and the National Hydrocarbons Agency	Bogotá, Colombia	Best work in the area of exploration

## Certifications 2009

- ⊙ CIPS Certification (Organizational Certification Excellence in Procurement Policies and Procedures), in the procurement processes of the supply chain. Certification awarded by the Chartered Institute of Purchasing and Supply. Ecopetrol is the first company in Latin America to receive this award by the international organization that promotes good practices in companies' supply chain.
- ⊙ The Barrancabermeja Refinery received the certifications ISO 9001 for its output system and ISO 14001 for its environmental management, and the Cartagena Refinery received OHSAS 18001 for its occupational health and safety system. Similarly, the Colombian Security Council recertified the Provisioning Directorate in OHSAS 18001:2007.
- ⊙ The Transport vice Presidency revalidated in 2009 the ISO 9001 certification for all of its processes and ISO14001 and OSHAS 18001 for all its facilities and operations, including maritime operations.

- ⊙ Between 2008 and 2009 in the Piedemonte, Santiago de las Atalayas, Tauramena, Rio Chitamena and Recetor contracts with the British Petroleum Company, as well as certifications for project execution leaders and provisioning leaders and professionals.
- ⊙ The application of the Chemical Leasing project in the Central Operations Superintendence led to BiPRO (Beratungsgesellschaft für integrierte Problemlösungen), the verification entity of UNIDO (United Nations Industrial Development Organization), certification of Castilla and Chichimene, paretos of the Superintendence, as a successful case in the implementation of the Chemical Leasing model for having demonstrated financial savings and environmental benefits.

## Corporate Governance

The corporate governance practices were embraced voluntarily in 2004 on occasion of Ecopetrol's transformation into a public stock company. This gave the company tools to ensure the effectiveness of its shareholders' rights and respect toward its stakeholders. Therefore, on July 13, 2004, the Board of Directors approved the first version of the Code of Good Governance, thus becoming one of the first state entities to voluntarily become a part of the world trend of corporate governance.

After that, when Law 1118 / 2006 was passed, Ecopetrol's capitalization process took place and, along with it, the need to adjust the Code of Good Governance to the company's new nature (a public stock company) and the authorization for the issuance and placement of stock on the public stock market.

In addition to specifically regulating the best practices of corporate governance issued by the



International Financial Corporation (IFC), the Organization for Cooperation and Economic Development (OCDE) and the provisions of Resolution 275 / 2001, Law 964 / 2005 and the Country Code, the new Code of Good Governance was adapted to the company's business activity and it became the self-regulatory framework to guarantee a high level of transparency, objectivity and competitiveness in its corporate management for current and potential shareholders and investors.

### Purpose of the Code of Good Governance

Compile and structure the best corporate governance practices adopted and implemented by Ecopetrol, in order to:

- Promote and guarantee the transparency, fluency and integrity of information.
- Generate value and attract capital.
- Ensure the proper management and administration of the company.
- Protect the rights of minority shareholders, investors and other stakeholders.
- Promote confidence in financial markets, and
- In general, prepare the company for the processes of economic globalization that require the embracement of international standards as regards corporate governance.

### Target Audience and Principles of the Code

The Code's target audience includes the members of the Board of Directors, the President, collaborators, contractors, shareholders and investors. And its principles are: transparency, integrity and accountability for the market, shareholders, investors and stakeholders.

### Content of the Code of Good Governance

The practices of corporate governance established in the code are contained in nine chapters:

- **Rights and Equal Treatment of Shareholders:** strives for the respect of shareholders rights and equal treatment, regardless of the value of their investment or the number of shares they hold.
- **General Shareholders Assembly:** promotes the participation of shareholders in Assembly meetings.
- **Board of Directors:** Promotes the professionalization of the members of the Board and the independence of at least three of its members.
- **Chief Executive and Other Officers:** establishes clear rules to evaluate the President and other executive officers.
- **Corporate Social Responsibility:** recognizes the rights of Ecopetrol's stakeholders and establishes commitments with them.
- **Transparency, Fluency and Integrity of the Information:** recognizes the strategic value of information and defines policies for the preservation, protection, administration, provision and dissemination thereof to stakeholders and the market in general.
- **Conflicts of Interest:** establishes specific mechanisms to prevent, handle and disseminate conflicts of interest.
- **Dispute Settlement Mechanisms:** establishes mechanisms to settle disputes to promote foreign investment, commercial relations and facilitate coexistence among shareholders, stakeholders and Company management.
- **Securities Trading:** establishes an internal procedure for the purchase or sale of Company stock by its administrators, with a view to keep the transaction from being made for speculative purposes and using privileged information inappropriately.

## Board of Directors

In accordance with the provisions established in the Bylaws and the Code of Good Governance, Ecopetrol's Board of Directors is made up of nine members, without alternates, elected by the General Shareholders Assembly for one-year periods, using the electoral quotient system (see composition of the Board of Directors in Table 2).

The Board of Directors will elect its Chairman and Vice Chairman from among its members; they will have the function of presiding and directing the regular and special Board sessions, and will be elected for a one (1) year term.

**Table 2.**  
**Composition of the Board of Directors in 2009**

Members	Capacity	Age	Sex	Race
Oscar Iván Zuluaga, Minister of Finance and Public Credit	Non-Independent	50	M	Mestizo
Hernán Martínez Torres, Minister of Mines and Energy	Non-Independent	68	M	Mestizo
Esteban Piedrahita Uribe, Director of National Planning	Non-Independent	38	M	Mestizo
Fabio Echeverri Correa (Chairman of the Board)	Independent	76	M	Mestizo
Ignacio Sanín Bernal	Independent	62	M	Mestizo
María Elena Velásquez Restrepo	Independent	53	F	Mestizo
Joaquín Moreno Uribe	Independent	60	M	Mestizo
Germán Bernal Gutiérrez, representative of the departments producing hydrocarbons developed by Ecopetrol	Independent	56	M	Mestizo
Mauricio Cárdenas Santamaría, representative of minority shareholders	Independent	48	M	Mestizo

## Profiles of the Board Members

The candidates that will become members of the Board of Directors are required to meet the profiles defined in Article 24 of the Bylaws:

*“ARTICLE TWENTY FOUR: PROFILES OF BOARD MEMBERS. The members of the Board of Directors will be committed to THE*

*COMPANY’S corporate vision and as a minimum, shall meet the following requirements: (i) have an understanding of and experience with the activities that form a part of THE COMPANY’S corporate purpose and/or an understanding and experience in commercial, industrial, financial, administrative, legal or similar activities (ii) have a good name and recognition based on their professional capacities and integrity, and (iii) not belong to more than five (5) boards at the same time, including the Board of ECOPETROL S.A.”*

## Election of the Board’s Independent Members

At least three of the Board members are required to be independent pursuant to the Colombian Stock Market Law (Law 964 / 2005). According to the provisions established in paragraph two of Article 44, Law 964 / 2005, an independent member shall be understood to be the person who is not, in any event:

- ⦿ An employee or officer of ECOPETROL or any of its affiliates, subsidiaries or controlling entities, including such persons having such capacity during the year immediately prior to the designation, except in the case of an independent person being reelected.
- ⦿ Shareholders who, directly or by virtue of an agreement, direct, guide or control the majority of the voting rights of the entity or determine the majority composition of the management, direction or control bodies thereof.
- ⦿ A partner or employee of associations or companies that provide advice or consultancy services to the issuer or to the companies belonging to the same economic group thereof, when the income for said services represents for them, 20% or more of the operating expenses of Ecopetrol or of the operating income of the advisor, consultant or supplier.
- ⦿ Employee or officer of a foundation, association or company receiving significant donations from Ecopetrol. Significant donations are those representing more than 20% of the total donations received by the respective institution.



- Manager of an entity in which a legal representative of Ecopetrol is a member of the Board of Directors.
- A person receiving from Ecopetrol remuneration other than the fees for being a member of the board of directors, the auditing committee or any other committee created thereby.

The board members elected as independents will agree in writing, to accept the position and maintain their capacity as independents while carrying out their functions. If this capacity should change for any reason, they will be required to resign from their position and the Company President may summon a special session of the General Shareholders Assembly to replace them.

Pursuant to the procedure established in Decree 3923 / 2006, independent members of the Board of Directors will be elected by the General Shareholders Assembly from a list of candidates including the minimum number of independent members required by law and the company bylaws.

### Board of Directors Committees

In order to directly attend its responsibilities, the Board of Directors has the following Committees made up of Board members:

- Auditing Committee:** The maximum controlling organ in charge of supervising manage-

ment and the effectiveness of internal control. This Committee supports the Board of Directors in supervising the internal control system, compliance with the internal auditing program, compliance with the auditing process by the company auditor and/or external auditors, and making sure the internal control procedures adhere to the financial needs, objectives, goals and strategies determined by Ecopetrol.

All committee members are required to be independent and knowledgeable in issues relating to their functions; at least one of them should be an expert in financial and accounting matters.

- Compensation and Nomination Committee:** This Committee's main objective is to review and recommend to the Board of Directors, the compensation systems and selection criteria for senior executives, as well as of other key employees in the organization. At least one of the members of this Committee is required to be independent.
- Corporate Governance Committee:** A supporting body for the Board of Directors' performance regarding the good governance of Ecopetrol. The objective of this Committee is to recommend to the Board of Directors systems for the adoption, monitoring and improvement of best corporate governance practices in THE COMPANY. At least one of its members is required to be independent.

*Time at which the list of candidates proposed for election of the new Board of Directors is presented during the 2009 General Shareholders Assembly.*

- ⊙ **Business Committee:** A consultative and advisory body for the management carried to by the Board of Directors in studying and approving new businesses. At least one of its members is required to be independent.

## Governance Structure

- ⊙ **General Shareholders Assembly:** the highest decision-making body, made up of the holders and/or proxies of the shares of subscribed capital, meeting pursuant to the regulations established by Law and in the Bylaws.
- ⊙ **Board of Directors:** in the hierarchy of Corporate bodies, the Board of Directors is in second place, following the General Shareholders Assembly. It is the highest management body and acts in function of shareholders' rights and the Company's sustainability and growth.
- ⊙ **President:** the President of Ecopetrol is in charge of running and managing the Company; he is the person who performs and has others perform all the operations and activities included in the corporate purpose and is the Company's legal representative. The President is elected by the Board of Directors, along with his alternates, pursuant to the provisions established in the Company Bylaws. The Company President is elected bearing in mind criteria of suitability, knowledge, expertise and leadership, and he may be reelected or removed at any time by the Board of Directors.

## Executive Management Committees

Ecopetrol has the following Executive Management Committees made up of employees from the levels of management, integrated support and business processes:

- ⊙ **Steering Committee:** Reviews matters of institutional interest that may impact the organization; recommends and reviews corporate policies; steers the company's strategy; monitors corporate performance and the fulfillment of strategic plans.

- ⊙ **Corporate Management Committee:** Monitors and analyzes corporate performance and the planning of the company's Balanced Scorecard indicators in a comprehensive manner, in order to make recommendations to support the fulfillment of the strategic plan and the implementation of actions in the event of departures from expected results; monitors plans and programs of corporate interest, as well as the pertinence of actions for improvement being implemented in the organization to rectify irregular situations that affect the company's strategy; adjust the organization's strategy in response to situations in the environment that involve changing the direction of the strategy.
- ⊙ **Business Committee:** Analyzes, monitors and recommends the negotiation of new growth opportunities to leverage the strategy and guarantee the company's growth and development.
- ⊙ **Project Committee:** Monitors the status of the principal in the investment portfolio, analyzes their performance and generates the respective actions for the correction, prevention or improvement thereof, to guarantee the effective use of capital and the achievement of the strategy.
- ⊙ **Risk Committee:** Guarantees a comprehensive view of the company's risk management.
- ⊙ **Financial Committee:** Guarantees a comprehensive view of the company's financial, economic, cost and expense management and defines accounting, budget and cost and expense policies.
- ⊙ **Subsidiary and Shareholding Committee:** Monitors the financial management of subsidiaries and shareholding in Ecopetrol in order to determine the actions and guidelines necessary for their financial performance to remain consistent with the company's strategies, policies and procedures, guaranteeing transparency, objectivity and competitiveness in its own management and that of said companies.



- ⦿ **Compensation Committee:** Guarantees the application of an updated, competitive Compensation Model to attract and retain the world class talent required for the strategy to ensure returns on investment.
- ⦿ **Internal Auditing Committee:** The purpose of this committee is to present the topics that the Internal Auditing Department considers of interest to Ecopetrol Management and present on a quarterly basis the status of the actions derived from the Plan for Improvement being implemented.
- ⦿ **Legal Defense and Conciliation Committee:** Analyzes and formulates policies on preventing unlawful damage and defending company interests; it makes decisions on the legal basis of conciliation or any other alternative method to settle disputes, strictly adhering to the substantive, procedural and control regulations in force.
- ⦿ **Ethics Committee:** Makes recommendations as regards actions in dealing with ethical claims in its jurisdiction, pursuant to the provisions established in ethical proceedings.
- ⦿ For candidates that are already in a leading position, the management style and micro-climate generated in their areas is evaluated, which constitutes important input for the assessment.
- ⦿ Performance evaluations over the last few years are verified, along with validations with clients regarding performance. For external candidates, this referencing is usually carried out through a headhunting firm.
- ⦿ Once candidate potential has been assessed, a selection committee meeting is held with the participation of the respective President and/or Vice President or Director, the direct supervisor and at least one representative from the Vice Presidency of Human Talent, who is in charge of presenting the candidates' results in the Committee. The committee analyzes all the factors and makes a decision on who is the most suitable person for the job.
- ⦿ For endorsement in appointments of first and second level jobs at Ecopetrol and its subordinated and non-subordinated companies in which Ecopetrol backs the process, the selected candidate is presented to the company's Compensation Committee, whose members validate the candidate's qualifications for the job based on their knowledge and experience.

## Process to Select Executive Directors

The qualifications and experience of the executive directors that guide the organization's strategy are examined in selection processes. These processes may be internal (calling on active company personnel to participate), external (through a market search), or mixed (including internal as well as external candidates).

In all selection processes:

- ⦿ Fulfillment of the job profile is verified, including training, minimum experience required and the technical qualifications necessary to take office.
- ⦿ A potential assessment is carried out by evaluating the leadership skills established by the company of this type of job.
- ⦿ Once these positions have been endorsed by the Compensation Committee, they are presented to the Company's Board of Directors.
- ⦿ Once the person has been appointed, he/she has a new assignment of result and qualification objectives associated with the new job, which will constitute the basis for his/her performance evaluation in said position.
- ⦿ The person who has been appointed begins a development plan pursuant to his/her new role, which will continue to strengthen his/her leadership skills.◦



2





# Corporate Social Responsibility

## CSR in Ecopetrol

The strategy of Corporate Social Responsibility (CSR) at Ecopetrol is defined in terms of managing relations with stakeholders in a responsible manner, based on the recognition of their needs and expectations, and the implementation of practices for mutual benefit to play a role in the long term sustainability of the business.

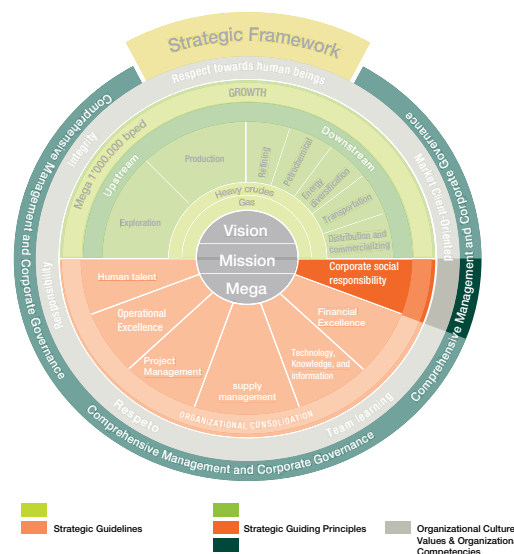
In order to do so, the following objectives have been established:

- Ensure alignment between corporate objectives and the needs and expectations of stakeholders through viable, verifiable commitments.
- Adopt the best CSR practices for the timely fulfillment of the commitments acquired with each stakeholder.
- Strengthen the company's capacities to form relationships, so as to establish trusting relationships based on transparency and coherence.
- Adopt and ensure the operation of a system to manage and report the commitments acquired with stakeholders.

- Adopt and ensure the operation of a system to validate and verify the commitments and dialog with stakeholders.

To Ecopetrol, CSR is a business strategy that is visible in its strategic framework 2008-2105 (see Illustration 6), and it is aimed focused on leveraging the company's objectives. CSR is an integral part of its vision and mission (see Illustrations 5 and 6).

**Illustration 4.**  
**Ecopetrol's Strategic Framework 2008-2015**





**Illustration 5.**

**Mission**

We discover and turn sources of energy into value for our clients and shareholders, guaranteeing environmental protection, the safety of the processes and the integrity of the people involved, contributing to the wellbeing of the areas where we operate, with personnel committed to excellence, comprehensive development and the construction of long-term relationships with our stakeholders.

**Illustration 6.**

**Vision**

Ecopetrol S.A. will be an international power and petrochemical company specializing oil, gas and alternative fuels, known for being competitive, with world class, socially responsible human talent.

**Defining the CSR Model**

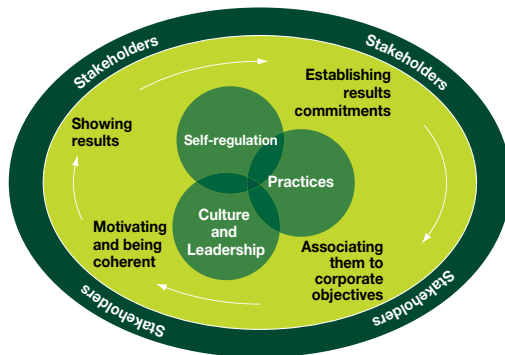
The main purpose of the CSR model at Ecopetrol is to play a role in the achievement of company objectives, improving its reputation and earning confidence in the long-term, meeting the expectations of its stakeholders.

In order to do so, Ecopetrol establishes a commitment with each stakeholder, which represents its value promise to said group. The commitment is ensured by defining strategic objectives carried out through practices, programs and initiatives by different areas of the company. The fulfillment of strategic objectives is verified by defining and monitoring result indicators (see Illustration 9).

All the above is framed in a socially responsible culture and leadership that demonstrate coherence between thinking, saying and acting. This is done based on a self-regulation system through which concrete results are demonstrated to stakeholders as regards the commitments agreed to.

On another note, in order to ensure the model's alignment and integrity, there is a framework of reference where the Code of Good Governance and company policies establish the management and steering framework, while the Code of Ethics and the Culture and Leadership model lay out the framework for the company's behavior and management style (see Illustration 10).

**Illustration 7.  
CSR Management Cycle**



**Illustration 8.  
Ecopetrol's CSR Model**



This way, CSR at Ecopetrol supports the sustainable development of stakeholders in a framework of fulfillment of corporate objectives.



## Implementing the CSR Model

The CSR Model at Ecopetrol contemplates the steps below for its implementation:

- The company's different stakeholders are reviewed, considering their regional presence, and their expectations are analyzed in order to close the gap between what Ecopetrol can offer and what the stakeholders would like.
- Accordingly, commitments are established with each of the stakeholders, generating a value promise in a win-win setting. Commitments include stakeholders' perceptions, needs and expectations, as well as the company's needs, criteria and strategic aspects. Alignment is achieved by associating the commitments with corporate objectives, making sure they are a part of the business' strategy.
- The commitment is displayed in specific objectives that already exist in the company, which will be made a reality through practices, initiatives or programs carried out by the different areas.
- This will be done by national and regional programs to guarantee expected results.
- In order to ensure the fulfillment of these commitments, result indicators are established and monitored periodically.
- Last but not least, the results of the commitments are verified with the fulfillment of the goals set for each stakeholder, validating the satisfaction of expectations through dialogs leading to continuous improvement. These results are reported to the stakeholders by different media and verified through the channels below:

- General Shareholders Assembly
- Annual management and CSR report
- Regional accountability hearings
- Dissemination of the information on the website
- Reports and dissemination on TV and regional radio stations
- Yearly, quarterly, monthly or topic-specific meetings with stakeholders
- Mechanisms of direct communication backed by the Citizen Participation Office

## CSR Mega

In order for ECOPETROL to be recognized as a company of excellence for the socially responsible management of its relations with stakeholders, the CSR Strategy has set a Corporate Reputation MEGA (Major Challenging Goal) that is expected to maintain levels of excellence. This MEGA is evaluated using instruments that involve the perceptions of its stakeholders. In order to do so, the following measurement instruments and/or reputation indices have been incorporated:

**Table 3.**  
**Benchmarking to measure Ecopetrol's Reputation**

Index/ Instrument	Goal	Results/ Performance 2009
MERCO Corporate Reputation Monitor	Top Three	First Place
National Transparency Index	Top Three	Second Place
<i>Global Reporting Initiative (GRI)</i>	Rating of A+ in 2015	Preparation of First Sustainability Report
Dow Jones Indexes	Be listed in the Index in 2011 and manage to be rated in the Bronze category in 2015.	Invitation to conduct self-diagnosis

## Diagnosis of Stakeholders' Expectations

In 2007, Ecopetrol designed its initial CSR Model based on the commitments that the company wanted to establish with its stakeholders according to its own perceptions and business strategy. Therefore, the CSR Model was defined in one direction, that is to say, without checking the perceptions of its stakeholders beforehand.

In order to validate and adjust the initial CSR strategy, Ecopetrol contracted consultancy services with the DIS Foundation in 2009 to get to know the perceptions, needs and expectations of its stakeholders. In order to do so, a set of qualitative and quantitative tools were designed and applied nationwide as follows:

- 2.951 surveys on random samples of employees, family members and pensioned workers; contractors and their employees; society and community, and shareholders.
- 71 in-depth interviews of key actors of the following stakeholders: shareholders, employees (including union leaders), contractors, clients, partners, society and community, and the State.
- 11 group sessions (focus groups) with pensioned workers and communities.

The CSR Model was adjusted as a result of this effort, particularly as regards the commitments and objectives with each of the stakeholders.

Tables 4 and 5 of this Chapter show how stakeholders' expectations were aligned with what the company can offer as value added, without straying from the business objectives and strategy.

Consequently, the indicators had to be adjusted as well to measure the fulfillment of the objectives established in the new CSR Model. The new indicators will be measured starting in 2010; therefore, they are not reflected in the performance reported in this report. The results of CSR management in 2009 will be reported herein using the indicators from before the consultancy process.

**Table 4.**  
**Evolution of Commitments with Stakeholders**

Stakeholder	Previous commitments	New commitments
Shareholders and Investors	Maximize value for shareholders in a sustained manner.	Ensure the sustainability of the business based on ethical, transparent and responsible management.
Employees, Retired Workers and their Families	Value and reward their capacities and play a role in improving their quality of living.	Create a great place to work in a framework of trusting, transparent and productive relationships.
Contractors and their employees	Transparency and clear rules in a relationship of mutual benefit.	Transparency and clear rules in a relationship of mutual benefit.
Partners	Sustain long-term business relations that generate mutual benefit .	Ensure sustainable business in a framework of transparent and reliable performance with shared leadership.
Clients	Ensure client satisfaction with excellence in service.	Ensure client satisfaction with excellence in service.
State	Ensure and promote the fulfillment of its obligations with State institutions	Play a role in the construction of a Social State based on the rule of Law by fulfilling our obligations and supporting institutional development.
Society and Community	Contribute to their sustainable development and well-being	Participate in the sustainable development of Colombia in a framework of co-responsibility and respect for human rights.



**Table 5.**  
**Evolution of Objectives with Stakeholders**

Stakeholder	Previous strategic objectives	New strategic objectives
Shareholders and investors	<ul style="list-style-type: none"> <li>• Maximize profitability for shareholders.</li> <li>• Ensure good practices of corporate responsibility.</li> <li>• Strengthen relations with the stock market and investors.</li> </ul>	<ul style="list-style-type: none"> <li>• Maximize value for shareholders in a sustained manner.</li> <li>• Ensure corporate governability and promote ethical, transparent behavior.</li> <li>• Strengthen relations with shareholders and investors.</li> </ul>
Employees, retired workers and their families	<ul style="list-style-type: none"> <li>• Support leadership and the culture to make Ecopetrol a great place to work.</li> <li>• Build trusting labor relations to leverage the strategy and workers' quality of living.</li> <li>• Provide conditions of well-being and quality of living for employees, retired workers and their families.</li> </ul>	<ul style="list-style-type: none"> <li>• Guarantee equal pay in a framework of corporate competitiveness.</li> <li>• Have the leadership to leverage employee development and the company's work environment.</li> <li>• Ensure international HSE standards for employees.</li> <li>• Operate in a setting of respect and promote labor and union rights.</li> <li>• Play a role in the quality of living of employees, pensioned workers and their families.</li> </ul>
Contractors and their employees	<ul style="list-style-type: none"> <li>• Secure competitive contractors on the supply chain to leverage business results.</li> <li>• Make sure contractors meet international standards of safety and security.</li> <li>• Strengthen relations with our contractors.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure transparency in the supply chain.</li> <li>• Ensure international HSE standards in joint operations.</li> <li>• Guarantee compliance with the contractual conditions of the parties.</li> <li>• Promote responsible practices in contractors.</li> </ul>
Partners	<ul style="list-style-type: none"> <li>• Keep the promises made with our associates.</li> </ul>	<ul style="list-style-type: none"> <li>• Offer and maintain fair business relations with clear rules for mutual benefit.</li> <li>• Ensure international HSE standards in joint ventures.</li> <li>• Contribute as a team to the viability of the business, ensuring the development of the environment.</li> </ul>
Clients	<ul style="list-style-type: none"> <li>• Maximize value of products and services for clients.</li> </ul>	<ul style="list-style-type: none"> <li>• Maximize value of products and services for clients.</li> </ul>
State	<ul style="list-style-type: none"> <li>• Guarantee and promote legal compliance.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure and promote the fulfillment of its obligations with State institutions.</li> <li>• Support the development of territorial entities in order for them to fulfill their obligations as required.</li> </ul>
Society and Community	<ul style="list-style-type: none"> <li>• Operate while conserving the environment, protecting biodiversity and ensuring clean production.</li> <li>• Support economic, social and cultural development and make the operation viable.</li> <li>• Promote the scientific and technological development of the country.</li> <li>• Respect human rights with transparency in our actions.</li> <li>• Provide timely reports and be accountable.</li> </ul>	<ul style="list-style-type: none"> <li>• Strengthen relations of co-responsibility based on dialog and participation.</li> <li>• Carry out all activities with social and environmental responsibility.</li> <li>• Promote collective processes of regional development.</li> <li>• Operate in a setting of respect and promotion of human rights.</li> </ul>

## Results of CSR Model Management in 2009

The level of fulfillment of CSR commitments in 2009 was measured by a set of 41 indicators that leverage the achievement of objectives with each of the stakeholders. The measurement was carried out on a monthly basis. Table 6 illustrates the consolidated results to December 2009, compared to those of 2008.

**Table 6.**  
**Results of CSR Model Management – 2009 Indicators**

	Indicator	Unit of Measurement	Result 2008	Result 2009	Goals 2009
Shareholders and investors	Relative value per share	Number	N.A	18.1	21.5 <i>(Price per share / Profit per share of EC) &gt;=Average Benchmark Price</i>
	EBITDA	Billions of pesos	14,759	10,438*	6,294
	Net income per share	Pesos	281	129,87*	74,17
	Achievement of Corporate Governance Milestones	%	95	92	95
	Achievement of CSR Milestones	%	94	100	95
	Timeliness in settling shareholder requirements	%	90.32	98.96	100
Clients	Client satisfaction index	%	89	97	89
	Perfect delivery to end users	%	96	97	95
Contractors and their employees	Improvement in contractor performance	%	93.7	94.9	94
	Contractor operating and labor abnormalities	Number of events	With impact 8 No impact 0	5	With impact 52
	Financial and corporate development of local suppliers	Number of Suppliers	1,013	N.A	2,200
	Local contracting	Millions of pesos	N.A	28.08	22
	Supplier satisfaction	%	95	92	95
	Successful contracting processes	%	86	97	95
	Accident frequency in contractors	Accidents / Million M-H	1.49	1.29	1.26
Partners	Competitiveness of local suppliers	Number of Suppliers	N.A	1,104	864
	Joint fulfillment project indicators with partners	%	N.A	83	90
	Partner Satisfaction	%	Levels of excellence	89.66	89



	Indicator	Unit of Measurement	Result 2008	Result 2009	Goals 2009
State	Fulfillment of plans for improvement regulating authorities (CGR)	%	N.A	98	95
	National Transparency Index	%	First Place	Second Place	Be in the top three
Empleados, Pensionados y sus Familiares	Work environment index	Points		70,7	80
	Fulfillment of the development plan	%	100	100	100
	Overall absenteeism frequency index	Events / Million man hours	N.A	161,0	199
	Company accident frequency	Accidents / Million man hours	2,84	1,05	1,26
	Client satisfaction index / Directorate of Personnel Services and Benefits	%	92	95,5	80
	Operating and labor abnormalities of direct employees	Number of events	With impact 1 No impact 1	0	With impact 5
	Fulfillment of the plan to provide key services to employees, retired workers, family members and Ecopetrol's businesses	%	N.A	95,8	90
	Fulfillment of wellbeing programs	%	118	4,6	100
	Management of complaints and claims	%	N.A	80	80
	Plan for relations with retired workers	%	N.A	100	90
	Environmental incidents	Natural Number	56	116	52
	Barrels of hydrocarbons spilled	Barrels spilled / 1 million barrels	2.482	7.533,1	2.234
	Sulfur Content in ACPM	ppm (parts per million)	Bogotá (ACEM) 2nd Half 259 Rest of the country (ACPM) 2nd half 2.575	Bogotá (ACEM) 2nd Half 132 Rest of the country (ACPM) 2nd Half 1.951	Bogotá (ACEM) 500 Rest of the country (ACPM) 2500
	Operating – social abnormalities	Number of events	With impact 1 No impact 22	2	With impact 5
Leveraging index for social investment	Natural Number	N.A	0.80	1.05	
Social Investment	Billions	125	137,008	85,775	
Scientific Formation Breeding Ground	Natural Number	378	391	390	
Number of technological proposals per research group	Natural Number	167	195	185	
Society and community	Fulfillment of the development plan	%	100	100	95
	Timely service of rights to petition	%	91	99.8	100
	Timely service of requests for information	%	97	96	95
	Systematic elements to guarantee respect for human rights	Natural Number	Human Rights Policy	1 report made	Make report (Global Compact)

## Scope of the Sustainability Report

Since 2006, Ecopetrol has published social responsibility reports on a yearly basis using its own methodology.

In its interest to adopt and ensure a system to identify, manage, notify and validate commitments and dialog with its stakeholders, Ecopetrol decided to migrate to a sustainability report pursuant to the guidelines of the Global Reporting Initiative (GRI) for being an internationally recognized standards that will provide the company with comparability with itself and with third parties.

Ecopetrol delivers its reports every year in the setting of the General Shareholders Assembly. The last Social Responsibility Report prepared with its own methodology, corresponding to the 2008 period, was delivered at the Assembly held on March 26, 2009.

Although this is the first report using the GRI standard to report on the company's performance for the period from January 1 to December 31, 2009, data and information from 2008 have been included to provide traceability and context for some of the initiatives described therein.

### Limits of the Report

Since 2008, the company has been carrying out a domestic as well as international expansion process, and its consolidation as a Corporate Group. Consequently, Ecopetrol currently has subsidiary companies in six different countries worldwide.

However, in order to be as strict as possible about the methodology prescribed by GRI, the first sustainability report only covers Ecopetrol's operation in Colombia as the parent company, rather than the activities carried out by the subordinated companies that form a part of its Corporate Group.

This report has been prepared based on the guidelines for GRI's Third Generation (G3) Sustainability Report, and also answers to the communication requirements established by the UN Global Compact, of which Ecopetrol formally became a member in April 2009.

Chapter 7 of this publication includes the matrix of indicators required by GRI and their correspondence with the ten principles of the Global Compact. It is therefore the first progress report required by the initiative.

### Process of Defining Contents

In 2009, Ecopetrol signed a consultancy agreement with VINCULAR, the Corporate Social Responsibility Center of the Pontificia Universidad Catolica de Valparaiso, Chile, to install the capacities of the internal team to ensure the preparation of the Sustainability Report making full and proper use of GRI's G3 methodology

In order to do so, a process was carried out including the following steps in chronological order:

- September 2009:
  - Diagnosis and validation as per ISO 26.000, which used two types of input: information sent to consultants by Ecopetrol and interviews by consultants with process leaders.
- October 2009:
  - Presentation to Ecopetrol's Executive Committee on the GRI methodology and sustainability reports. As a result of this presentation, the team to prepare the report was identified, particularly those who would be responsible for providing information.
  - Three workshops were carried out on how to report using GRI's G3 methodology with the attendance of 57 people identified as leaders who handle different GRI indicators and issues in the company. These training sessions were at total of 24 hours long and taught by the Vincular expert. The training session and the subsequent debate thereof resulted in the content of the Report: The





aspects of high relevance and materiality for most of the stakeholders were identified, and the background that could constitute the core aspects of the indicators was defined.

- November 2009:
  - Letters were sent out to the different areas and persons in charge of providing information for the report, requesting the information defined in the step indicated above.
- December 2009:
  - The information requested from process leaders was received.
- January 2010:
  - The information was consolidated and sent to Vincular for preliminary feedback.
- February 2010:
  - The first draft of the Report was written and sent to the Board of Directors' Corporate Governance Committee for review.
  - The first draft was sent to the Vincular Center for feedback.
  - The information was adjusted pursuant to the recommendations received from both authorities.
  - The editing, diagram and publication process was carried out.
- March 2010
  - The report will be delivered at the General Shareholders Assembly.
- April 2010
  - The company scheduled an event to disseminate and deliver the report to its different stakeholders to be held in Bogotá in the month of April 2010.

The entire process of preparing the first sustainability report was led by the Corporate Social Responsibility Unit, which depends on the Secretary General. It is the area that structures and implements the CSR management model at Ecopetrol and, as such, is required to ensure the management and achievement of impacts on stakeholders who, in turn, support the fulfillment of corporate objectives.

Accordingly, any question, inquiry or request for further information on the report is to be sent to the CSR Unit at [reportedesostenibilidad@ecopetrol.com.co](mailto:reportedesostenibilidad@ecopetrol.com.co)

Similarly, the Report is available to the general public on the website [www.ecopetrol.com.co](http://www.ecopetrol.com.co)

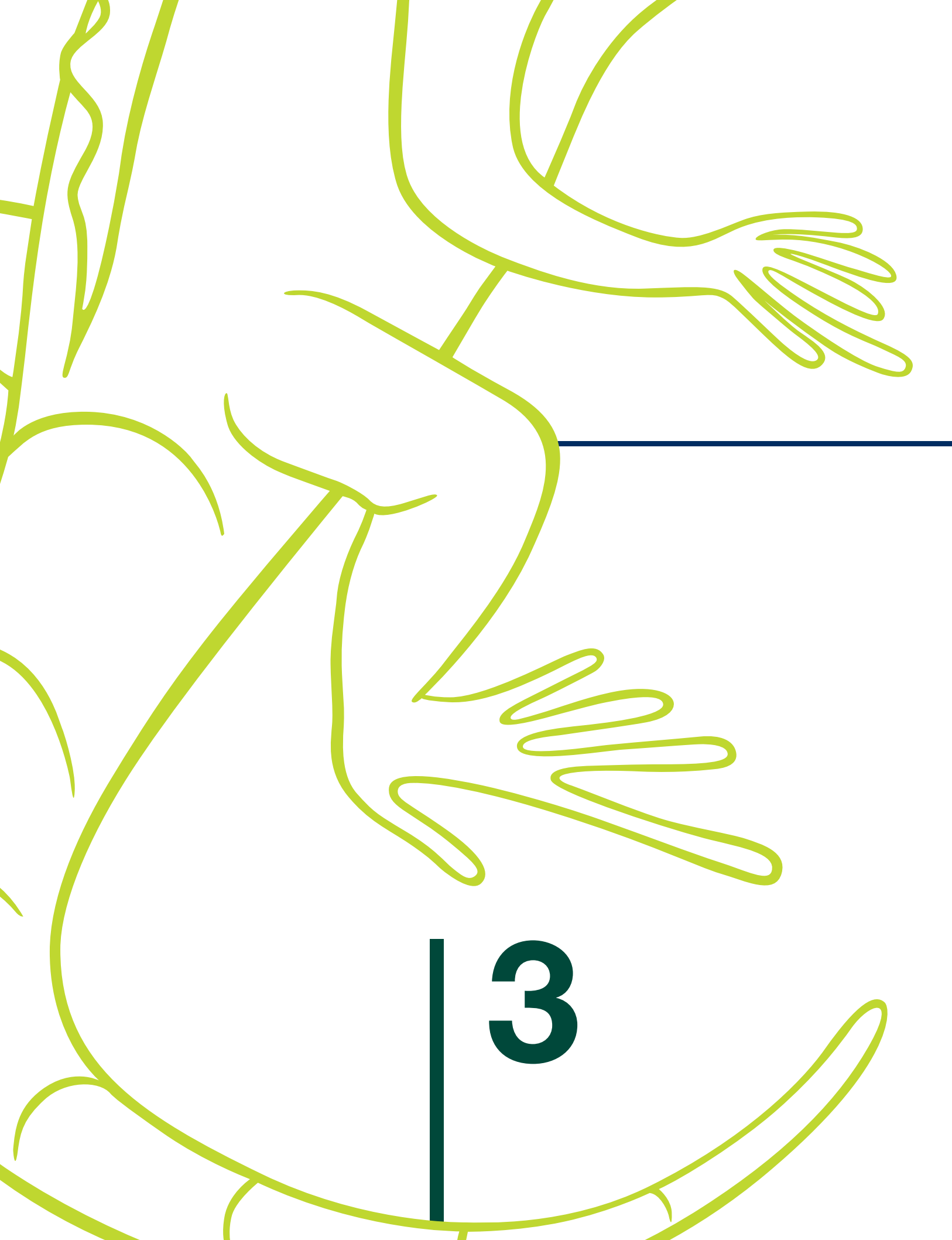
### Self-declaration of Level of Application and External Verification

GRI's G3 methodology establishes that each reporting company is required to declare its level of application in accordance with its fulfillment and, complementarily, carry out an external verification process to reveal the level achieved by the report through a third party.

The levels – A, B and C – are determined by the coverage of the number of indicators, which add up to 79.

The readers of the document will find that it includes a total of 54 indicators: 7 out of 9 in the economic dimension; 25 out of 40 in the social dimension, and 22 out of 30 in the environmental dimension.

According to these results, Ecopetrol can declare itself at level A; however, we are aware of the fact that we still have a long way to go. Therefore, on this occasion, since this is our first exercise in adhering strictly to G3-GRI, Ecopetrol has decided to declare itself at Level B.◦



3



# The Economic Dimension

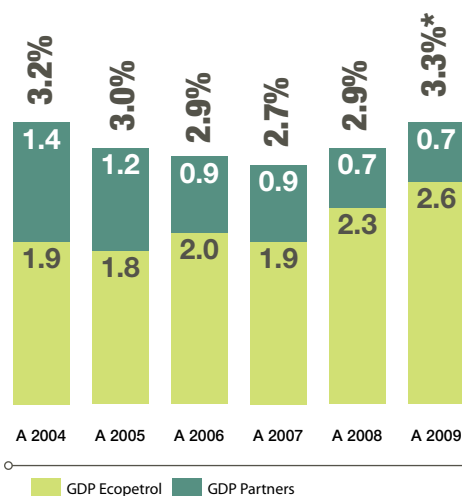
According to GRI's G3 methodology, companies are required to clearly inform their stakeholders of the main aspects leading to determine the financial health of the organization.

In order to do so, it is required to submit figures to understand upfront how the company generates and distributes wealth. Given Ecopetrol's magnitude and its implications on the national economy, this chapter has been written in the simplest, most explanatory manner possible.

Oil has been one of the main drivers of the Colombian economy, which is reflected in its role in domestic production, the generation of foreign currency in the country through export revenues and the injection of foreign capital, and the development of the country's production infrastructure.

The sector's contribution to the Gross Domestic Product (GDP) has averaged 3% in the last five years. On another note, Ecopetrol's contribution in the oil GDP went from 58% in 2004 to 80% in 2009, due to the upturn in crude production in the fields developed directly by the company (see Diagram 1).

**Diagram 1.**  
 Gross Domestic Oil Product (GDP) (% GDP)



\*Estimate

Source: DANE "GDP by economic activity at 2000 constant prices (Off-Seasonality)"

## Our Performance

The 10% reduction in operating revenues consolidated in 2009 compared to 2008 was mainly due to the drop in international oil prices. This was partially compensated by the increase in exported volumes and the role played by subordinates in total operating revenues, with a share of 22%. It is important to point out the participation of the Cartagena Refinery at 12%; Hocol Petroleum Limited, at 6% and Propilco at 3% (see Table 7).

On another note, the increase in consolidated non-operating revenues was affected by the exchange difference generated by Ocesa amounting to \$8.233 billion (versus an expense for the same item totaling \$8.266 billion, resulting in a net loss of \$33 billion). Without the effect of Ocesa's revenue, non-operating revenue dropped \$6.375 billion, which is similar to the reduction in non-consolidated revenues of Ecopetrol S.A., which amounted to \$6.472 billion (see Table 7).

## Costs in 2009

Ecopetrol's consolidated cost of sales in 2009 represented 65.5% of the operating revenue. During the same period, there was a 4% variation in comparison with the previous year, mainly due to the increase in the oil activity, as well as other items in the behavior of the international benchmark – WTI (West Texas Intermediate). The variation was also due to the incorporation of the production and sales costs of our new shareholding in companies.

Variable costs for a total of \$12.743 billion in 2009 dropped 5% compared to the previous year, mainly due to the effect of international prices, which were lower on average.

In process materials, there was a \$55.358 billion increase compared to 2008, due to increased production and maintenance, resulting in increased procurement and use of catalysts and chemicals; similarly, the items of amortization, exhaustion and abandonment of facilities increased by 36% due to increased production. Also, the depreciation of Hocol's production units was incorporated as a variable item.

Fixed costs amounting to \$7.163 billion presented a 27% increase compared to the previous year, mainly due to the increase in depreciations on account of new capitalizations and the incorporation of subsidiaries' property, plant and equipment.

**Table 7.**  
**Consolidated Revenues 2009 - Ecopetrol S.A.**

*In millions of Colombian pesos*

	2009	2008	Variation	%
Domestic Sales	14,058,534	21,597,999	(7,539,465)	-35%
Foreign sales	16,345,856	12,298,670	4,047,186	33%
<b>Operating Income</b>	<b>30,404,390</b>	<b>33,896,669</b>	<b>(3,492,279)</b>	<b>-10%</b>
Financial Revenue	15,568,920	13,341,200	2,227,720	17%
Non-financial Revenue	876,608	1,246,704	(370,096)	-30%
<b>Non-operating Income</b>	<b>16,445,528</b>	<b>14,587,904</b>	<b>1,857,624</b>	<b>13%</b>
<b>Total Revenue</b>	<b>46,849,918</b>	<b>48,484,573</b>	<b>(1,634,655)</b>	<b>-3%</b>

Source: Ecopetrol's Finance Vice Presidency



**Table 8.**  
**Consolidated cost of sales – ecopetrol 2008 - 2009**

*In millions of Colombian pesos*

	2009	2008	Variation	%
<b>Variable Costs:</b>				
Hydrocarbon Purchases - ANH	4.358.408	5.584.474	(1.226.066)	-22%
Purchases of crude oil in association and concession	4.130.116	3.193.690	936.426	29%
Amortization and depletion	1.474.918	1.087.583	387.335	36%
Imported products	2.739.681	3.470.987	(731.306)	-21%
Process materials	166.785	113.427	53.358	47%
Electricity	156.405	112.355	44.050	39%
Purchase of natural gas and other products	57.335	689.639	(632.304)	-92%
Cost for premiums - net	554	1.898	(1.344)	-71%
Depreciation production units	48.834	0	48.834	100%
Adjustments vol. other assignments	(334.658)	(590.702)	256.044	-43%
Initial less final inventory	(55.042)	(239.033)	183.991	-77%
<b>Fixed Costs:</b>				
Straight line depreciation	1.239.846	670.279	569.567	85%
Services contracted in association	1.290.177	1.188.294	101.883	9%
Labor costs	918.264	751.826	166.438	22%
Hydrocarbon transport services	637.029	581.945	55.084	9%
Amortization actuarial calculation	82.812	207.363	(124.551)	-60%
Maintenance	1.274.618	831.553	443.065	53%
Amortization of deferred charges, intangibles and insurance	94.288	73.343	20.945	29%
Contracted services	451.222	294.351	156.871	53%
Operating materials and supplies	316.218	266.134	50.084	19%
Taxes and contributions	326.767	199.175	127.592	64%
General costs	7.056	23.914	(16.858)	-70%
Non-capitalized project costs	524.440	571.941	(47.501)	-8%
	<b>19.906.073</b>	<b>19.084.436</b>	<b>821.637</b>	<b>4%</b>

Source: Ecopetrol's Finance Vice Presidency

There was an increase in the services contracted, resulting from the increased activity and maintenance in 2009, which led to further procurement of operating supplies and materials; similarly, the items of taxes and contributions also rose (see Table 8).

### Financial Indicators

According to Table 9, Ecopetrol's liquidity, debt and profitability indicators in 2009 displayed a decrease in comparison with 2008. This situation is explained mainly as follows:

- **Liquidity Indicators:** the decrease in the liquidity indicators were due to the use of the funds existing in the short-term investment portfolios for the direct and indirect acquisition of strategic companies such as Hocol, Oleoducto Central S.A. and the Cartagena Refinery, among others.
- **Debt Indicator:** the variation in the debt indicators is due to the obtainment of funds by signing loan agreements for a total of \$2.220 billion with the local bank and the placement of bonds for US \$1.5 billion to finance the company's investment plan for 2009 – 2015.

**Table 9.**  
**Unconsolidated Financial Indicators**

In millions of Colombian pesos

	2006	2007	2008	2009
<b>Liquidity Indicators</b>				
Current Ratio (Current Asset / Current Liability)	1.8	2.6	2.3	1.4
Working capital in millions of pesos (Current asset - Current liability)	3,270,012	9,429,468	8,206,999	2,824,522
Quick ratio (Current assets - Inventories) / Current liabilities	1.6	2.3	2.0	1.2
<b>Debt Indicator</b>				
Level of indebtedness (Total liabilities / Total assets)	51%	44%	28%	38%
Financial indebtedness (Financial liabilities / Total liabilities)	0%	0%	0%	27%
Concentration of Short Term Indebtedness (Current Liability / Total Liability)	0%	0%	0%	1%
<b>Profitability Indicator</b>				
Operating margin (Operating income / Revenue)	26%	40%	39%	29%
Net margin (Net income / Revenue)	18%	23%	36%	19%
Return on assets - ROA (Net income / Total assets)	8%	11%	24%	10%
Return on equity - ROE (Net income / Equity)	16%	19%	34%	16%
<b>Profitability Indicator</b>				
Income per share	199.73	168.6	287.37	129.87

Source: Ecopetrol's Finance Vice Presidency

- Profitability Indicator: the profitability indicators in 2009 decreased in comparison with the previous year, mainly due to the decrease in operating profit, which was affected by the behavior of international prices, compensated by the increase in volumes sold in Colombia and abroad.

### Labor Expenses Active Workers

In 2009, the staff amounted to 6695 workers; 560 new workers were employed. Similarly, 343 officers retired.

There was a wage increase of 4.77% starting July 1, 2009 for the Administrative Payroll. In addition, as a result of the direct settlement of the Collective Bargaining Agreement, a 6.02% wage increase was set starting on July 1, 2009, which was applied on 2784 workers from the Conventional Payroll. Similarly, the increase in the rates of the pay scale was approved pursuant to the Compensa-

tion Policy, based on the market benchmark and internal equality criteria, leading to adjustments in percentages ranging from 0.8% to 12% depending on category and level.

The variation in labor expenses between 2008 and 2009 was 18% (see Table 10).

**Table 10.**  
**Active workers labor expenses**

In millions of Colombian pesos

	Dec.2008	Dec.2009	Variation
Wages and salaries	288,591	355,615	23%
Benefits	160,931	169,463	5%
Benefits	179,680	206,597	15%
Health Care	83,597	96,152	15%
Education	50,226	50,656	1%
Parafiscal payments	40,284	57,332	42%
Others	19,954	20,539	3%
<b>Total</b>	<b>823,263</b>	<b>956,354</b>	<b>16%</b>

Fuente: Ecopetrol, Vicepresidencia Financiera



## Pension Expenses

Compared to 2008, there was a decrease in Actuarial Depreciation, because the yield from the Pension Funds covered monthly payments and the increase in pension liabilities, which have been controlled in memorandum accounts, due to the purchase of pension annuities by insurance companies to December 31, 2008. In 2009, only Health and Education was depreciated.

**Table 11.**  
**Ecopetrol Pension Expenses**

*In millions of Colombian pesos*

	Dec.2008	Dec.2009	Variation
Actuarial Amortization Pensioned Workers	1,004,420	407,083	-59%
Pensioned Worker Health Care	107,213	132,322	23%
Pensioned Worker Education	51,146	55,752	9%
<b>Total</b>	<b>1,162,779</b>	<b>595,157</b>	<b>-49%</b>

*Source: Ecopetrol's Finance Vice Presidency*

## Investment and Performance with Partners

There are four methods for Ecopetrol's exploratory activities: direct operation, association contracts, risk sharing and risk sharing in contracts operated by third parties.

At present, Ecopetrol has 30 partners in its exploratory activities, 17 of which are in Colombia and 13 are on the international level (see Tables 12 and 13).

**Table 12.**  
**Exploration Partners in Colombia**

No. of partners	Company
1	Lukoil Overseas Colombia
2	Repsol Exploración Colombia S.A
3	Hocol S.A.
4	Tepma
5	Talisman
6	Meta Petroleum

No. of partners	Company
7	Grantierra Energy Colombia Ltd.
8	Drummond Ltd.
9	Ramshorn International Limited
10	Petrobras Colombia Limited
11	Shell Exploration and Production Colombia
12	Maurel & Prom Colombia B.V
13	British Petroleum Company
14	Hess
15	ONGC Videsh
16	Lewis Energy Colombia
17	TPIC

**17** Total number of partners in exploratory assets in Colombia

*Source: Ecopetrol's Finance Vice Presidency*

**Table 13.**  
**International Partners in Exploration**

No. of partners	Companies on the international level
1	TALISMAN
2	PETROBRAS
3	PETROPERÚ
4	PETROGAL
5	VALE DO RIO DOCE
6	ANADARKO
7	HESS
8	REPSOL
9	STATOILHYDRO
10	ENI
11	BP
12	GDF SUEZ
13	MOESX

**13** Total number of partners in international exploratory assets

**30** Total number of partners in Ecopetrol exploratory assets

*Source: Ecopetrol's exploration and Production Vice Presidency*

In 2009, a total of 70 exploratory wells were drilled in Colombia by different companies, ten of which belong to Ecopetrol as the direct operator, and six were in risk sharing situations where Ecopetrol is not the operator.



*Guajira's youth, mostly part of the Wayúu community, benefit directly from education activities promoted by the Association.*

**Guajira Association**  
**Stakeholders: Partners**

## Best Practice

# An Alliance with a Guajira Rhythm

For the last 36 years, the Ecopetrol- Chevron association has guaranteed the development of the country's main gas reservoir, at the same time that it has supported hundreds of social projects to help secure a developing environment.

For decades, the indigenous Wayúu community has fished in the Caribbean Ocean on the coasts of the Manaure municipality, in the Guajira Peninsula as one of its traditional activities for subsistence. Since 2009, this activity, as autonomous as its vernacular language Waunaki, took a spin into becoming an occupation that uses the most modern international fishing techniques and provides them an additional income.

The GPS, a localization system that incorporates geographical positioning technologies, is the instrument that has allowed this millennial community to improve its fishing practices in recent years,

the benefits of which have reached the members through the Guajira Association created by Ecopetrol and Chevron.

After a training and socializing process that lasted almost four years, the oil companies that form the Association, and organizations like Fundación Ecosfera and the municipality of Manaure managed to incorporate 630 fishermen from the Wayuu community who would benefit from the Comprehensive Strengthening of Artisan Fishing.

Hundreds of projects like this one have been started up and completed with the help of the Guajira Association hoping to strengthen ties with the communities in the region, where, since the end of the 60's, Ecopetrol and Chevron have developed Chuchupa, the most important natural gas offshore field in Colombia.





This gas complex is the major supplier of this fuel in the country, mostly on the Atlantic Coast. Since the decade of the 90's, the Chuchupa reserves allowed for boosting an ambitious mass supply plan that today serves more than 4 million homes in Colombia who can enjoy the benefits of a better value energy source, with a lesser impact on the environment.

The Guajira gas field has become one of the symbols on the oil and energy map in Colombia inasmuch as it has supplied over half the country's demand for fuel over the last 35 years.

The reservoirs are developed as part of the Guajira association contract, under which in addition to all the necessary production facilities located on two gigantic marine platforms, a binational gas pipeline was built in 2007 to enable the sale and transport of gas to Venezuela.

The Association is governed by principles such as operational excellence and corporate responsibility of each one of the partner companies. Expressly under its Corporate Social Responsibility strategy, Ecopetrol has reaffirmed its value commitment with the partner, aimed at guaranteeing sustainable businesses under a framework of transparent, reliable actions, as well as shared leadership.

One of the main practices to ensure that commitments are kept is that of jointly contributing to the viability of the businesses assuring development of the environment.

In that sense, the social model implemented by the Association has designed a social project allowing for the ownership and maintenance of equipment and tools as part of the strategy to support community self-management.

With the respect due to the traditional authorities, to the communities at large, and to its institutions, the Association has undertaken projects intended to strengthen its cultural identity.

In addition, Ecopetrol took part in another nine exploratory wells in association contracts and three international exploratory drilling projects.

The total investment and the investment made by Ecopetrol with its partners in exploration in 2009 are listed in Table 14.

**Table 14.**  
**Total Investment with Partners in Exploration**

*In millions of Colombian pesos*

Type of Contract	Total investment in contract	Total investment Ecopetrol
Association contracts	20.2	0
Risk sharing contracts with Ecopetrol as the operator	27.4	13.7
Risk sharing contracts where Ecopetrol is not the operator	63.6	22.1
Exploration & Production Contract, Exploration & Production agreements and technical evaluation contracts Ecopetrol 100%	105.7	98
<b>Total investment of Ecopetrol in all the contracts</b>		<b>133.8</b>
<b>Total investment in international projects</b>		<b>247.8</b>

*Source: Ecopetrol Exploration and Production Vice Presidency*

On another note, in 2009, production activities were carried out in 100 fields of the direct operation and 170 of the associated operation, and investments with partners amounted to US \$961 million, which represented an increase of nearly 13%, compared to US \$853 million in the year 2008.

In December 2009, there were 94 different kinds of contracts in effect with 41 different companies, which in turn may be broken down into the different methods as partners of Ecopetrol in its operations in Colombia. The contracts in force are distributed according to type as illustrated in Table 15.

**Table 15.**  
**Production Contracts according to Type**

Type	Number of contracts
Association	46
Corporate cooperation	2
Incremental production	5
Sole risk	15
CDNDI*	20
Risk Sharing	3
Technical Cooperation and Services	1
Technological Alliance	1
Board of Arbitration – Cooperation Agreement	1
<b>Total</b>	<b>94</b>

Source: *Ecopetrol Exploration and Production Vice Presidency*

Each type of contract is a response to risk diversification and technology transfer opportunities, and the use of the different potentials of areas in production.

In the sole risk contracts, Ecopetrol has no share in production until the fields become commercial grade, at which time the company begins to take part in investments and expenses. Before they are declared commercial grade, investments are at the partner's expense.

In association contracts in general, Ecopetrol's share is between 30 and 60%. When it comes to risk sharing, it ranges from 55 to 65%. In CDNDI contracts, shares depend on negotiations varying between 5 and 81%.

The main course of operations with the partners with whom we have had the most impact on increases in production and hydrocarbon reserves has taken place in the heavy crude and gas development activity.

In gas, the growth of the commercial gas supply was secured by the expansion in compression capacity in Chuchupa, which supported the increase in exports to the markets of Venezuela and the central region of the country, and in Cusiana – Cupiagua, by the continuation of the projects to construct the new capacity of the gas treatment

plants to deliver natural gas of the quality required for its sale and the recovery of LPG (liquefied petroleum gas), thus increasing the domestic supply of this fuel.

In mature fields, most effort and investment is made in drilling infilling and replacement wells, as well as the optimization and implementation of new water injection projects. Therefore, the Cira Infantas wells maintained a significant level of activity with the drilling of 168 A3 wells, compared to 170 in 2008, with an investment of US \$138 million by Ecopetrol, executed by the partner. On another note, Ecopetrol is taking part in the national pipeline network as a partner or owner of the infrastructure in accordance with the composition illustrated in Table 16.

**Table 16.**  
**Ecopetrol's Share in the Pipeline Network**

System	Ecopetrol 100%	Ecopetrol with third parties	Total
Oil Pipelines	2,911	2,217	5,128
Multipurpose Pipelines	3,654		3,654
Propane Pipelines	381		381
<b>Total</b>	<b>6,947</b>	<b>2,217</b>	<b>9,164</b>

(Length data in kilometers)

Source: *Ecopetrol Downstream Executive Vice Presidency*

Geographically speaking, the national pipeline network is distributed throughout the country starting at the production centers, extending outward toward the refining or export centers and from the refining centers to the consumption or export centers. The systems are connected, except for the oil pipelines in the southern region, which evacuate crudes to the Tumaco port (see Illustration 9).

In transportation, Ecopetrol establishes long-term relationships with its partners, by virtue of the amount of the investments made and the synergies that boost its business model, as illustrated in Table 17.



*Ruben Magdaniel  
Paton,  
Cultural  
and Youth  
Director – Guajira  
Province.*

## Partner Testimony

# Gas and Culture for All

“The interactive “Gas” gallery opened to the public in August 2009 has been one of the most recent cultural and educational donations made to the Guajira Province by the Ecopetrol-Chevron association.

These galleries have been designed and managed with a museum concept. An average of 60 or 70 people come in on any given day, and during the weekends it can reach up to 100 people, including children, parents, students or foreigners interested in learning about the development of gas in the region and our country.

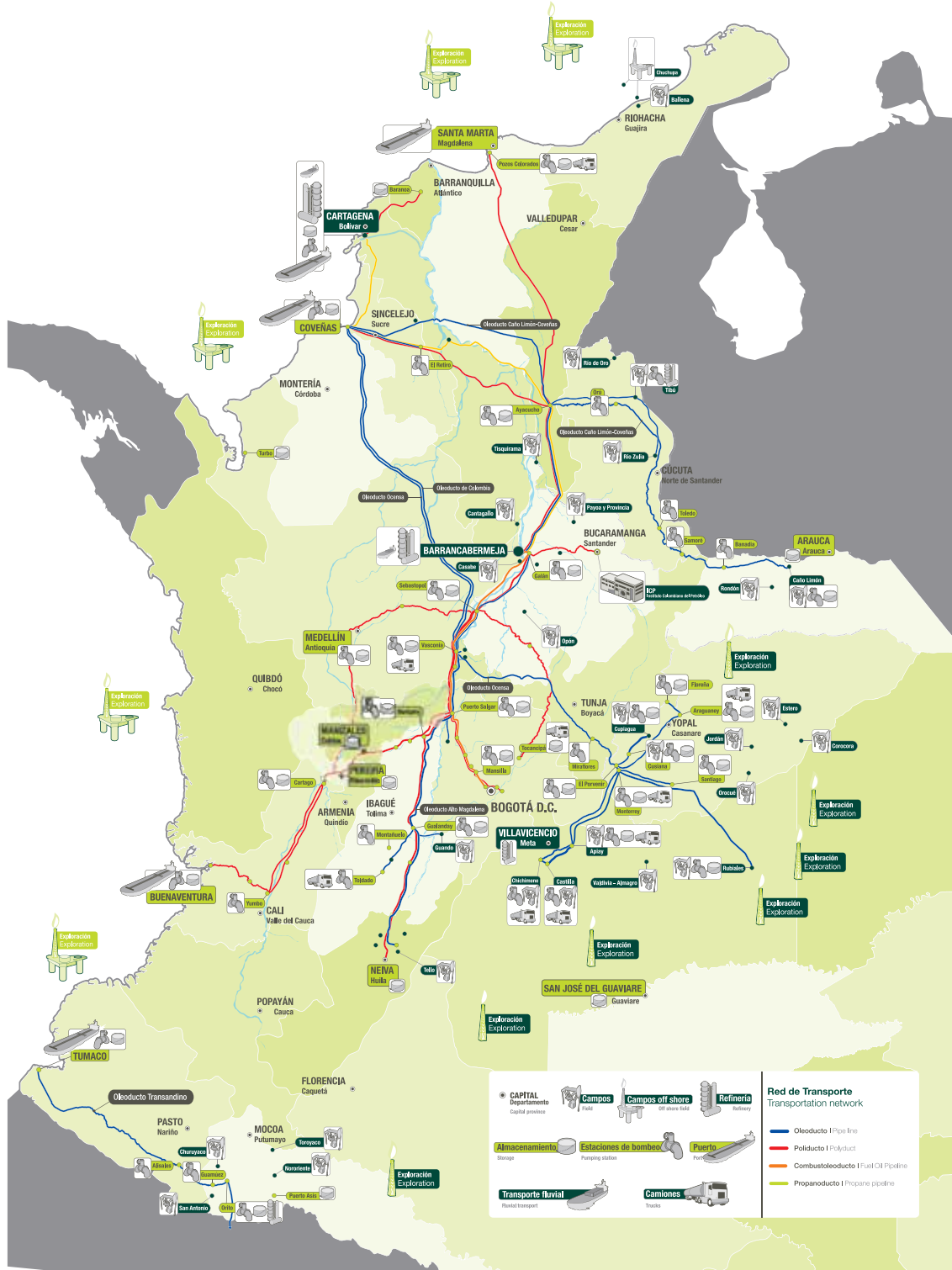
This interactive and ethnic gallery is a very important contribution in that it reaffirms both company’s, Ecopetrol and Chevron, commitment with the Guajira communities every time that visitors are invited to interact with our culture and with all that which represents our inherited identity; in one word: our idiosyncrasy.

It is not only a gallery where people of the region come and can learn about gas exploration and exploitation, but also so that tourists can have yet another attraction to visit and feel proud of the city.

This project, as well as others like it, resulting from Ecopetrol’s social responsibility policy to support cultural aspects, serves to enhance the Guajira community’s trust in the company and to example us as a big family.”



Image 9.  
 National Pipeline Network





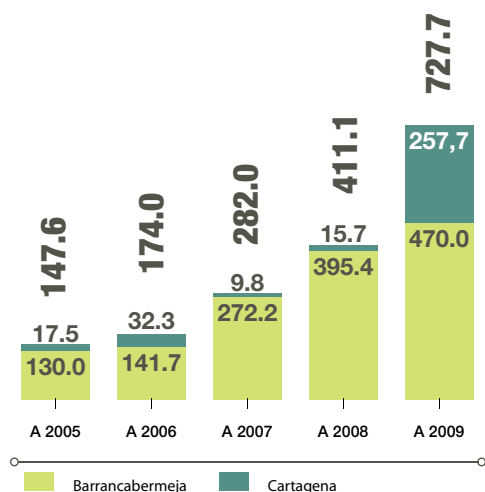
**Table 17.**  
**Characteristics of relationships with partners in hydrocarbon transport**

Description	OCENSA Oleoducto Central	ODL Oleoductos de los Llanos	ODC Oleoductos de Colombia	OAM Oleoduto del Alto Magdalena	SERVIPORT
No. of partners	3	2	6	5	5
Time with us	From 1995 to date	From 2008 to date	From 1989 to date	For 20 years	From 1984 to date
Amount of the relationship	Asset worth US \$2.5 billion	Assets worth US \$530 million	Asset worth US \$800 million	Asset worth US \$400 million	Investment of US \$3.18 million
Growth strategy with the partner	Financial leveraging to carry out the project and economic benefits from crude transport and evacuation. Corporate synergies	Leveraging for the construction of the transport project. Corporate synergies	Transport of Ecopetrol crude at low costs. Share experiences with world-class companies. Corporate synergies	Transport of Ecopetrol crude at low costs. Share experiences with world-class companies. Corporate synergies	Benefits from costs of port services by generating synergies among partners such as the reduction in maritime operation and monobuoy rates

Last but not least, investments in the two refineries (Cartagena and Barrancabermeja) in 2009 totaled US \$727 million, 77% greater than the previous year (see Diagram 2). The main investment projects being carried out at present at the refineries are listed in Table 18.

Cartagena  
 Refinery  
 Plant - Reficar.

**Diagram 2.**  
**Investments in the Refineries**



Source: Ecopetrol Downstream Executive Vice Presidency  
 \*Includes the budget used to purchase Glencore's shareholding in Reficar





Perspective of the Barrancabermeja Refinery, the largest in the country.

**Table 18.**  
**Main Investment Projects at Refineries**

Investment project	Project objective	Total budget in millions of dollars	End date
Modernization of the Barrancabermeja Refinery	Adapt the infrastructure of the Barrancabermeja Refinery to process heavy crudes.	2,829.0	2013
Industrial Service Master Plan	Optimize the Barrancabermeja Refinery's vapor, water and energy generation systems.	419.7	2013
Consolidated Operating Control	Implementation of advance control applications for eight plants, upgrading of four existing plants, and construction of a centralized control building.	63.7	2012
Growth of the Petrochemical Infrastructure	Increase share on the national and regional petrochemical market, in a profitable manner, for the maximum added value of the refinery and gas currents.	4,589*	2014
Segregation of Refinery Grade Propylene	Provide 50 kilotons per year of refinery grade propylene to Propilco with 65% purity.	23.1	2010
Increase in PGR (Refinery Grade Propylene) Storage Capacity	Increase the Barrancabermeja Refinery's storage capacity from 16,000 to 30,000 barrels.	40.1	2011
Hydrotreatment	Produce 19,000 barrels of Gasoline and 56,600 barrels of Hydrotreated Diesel at the Barrancabermeja Refinery.	905	2010
Cartagena Refinery Master Development Plan	Give the refinery more flexibility to use cost efficient crudes, produce international quality refined products, leverage petrochemical growth and increase processing capacity.	3,355**	2013

\* Does not include aromatics.

\*\* Ecopetrol will provide 40% of the investment required. The rest of the funds will be obtained through third party financing.

Source: Ecopetrol Downstream Executive Vice Presidency



## Capital Structure

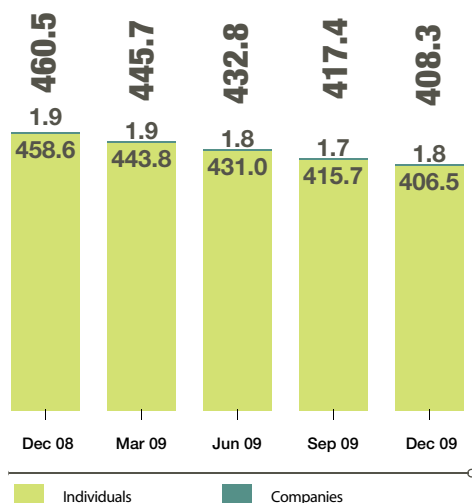
For the period ending on December 31, 2009, the number of shareholders amounted to 408 thousand, that is to say, 11.3% less (a decrease of 52 thousand shareholders) than December 31, 2008. This drop took place mainly in Individuals, with 52,100 shareholders (-11.31%) and, in a lesser

proportion, in Companies, with 111 shareholders (-0.02%). For further details regarding the capital structure, see Table 19. Similarly, the evolution of the number of shareholders in 2009 is illustrated in Diagram 3.

**Table 19.**  
**Capital structure of Ecopetrol S.A.**

Shareholders	To december 31, 2008		To december 31, 2009	
	Interest	Number of shares	Interest	Number of shares
Nation	89.90%	36,384,788,817	89.90%	36,384,788,817
Pension Funds	3.89%	1,575,286,565	4.71%	1,908,244,461
Individuals	5.17%	2,093,018,808	4.27%	1,729,901,400
Foreign Companies and Funds	0.13%	52,871,051	0.18%	73,890,381
Companies	0.81%	329,748,347	0.74%	299,866,208
Ecopetrol - ADR Program Fund	0.09%	36,799,000	0.19%	75,821,321
<b>Total</b>	<b>100.00%</b>	<b>40,472,512,588</b>	<b>100.00%</b>	<b>40,472,512,588</b>

**Diagram 3.**  
**Evolution of the Number of Shareholders**



Shares sold by individuals were acquired mainly by the pension funds, which increased their share by 0.82% (333 million shares).

60% of the shareholders are located in the five largest cities in the country, and distribution has not varied significantly. The decrease has been proportional to the number of shareholders in each city.

## Stock Behavior

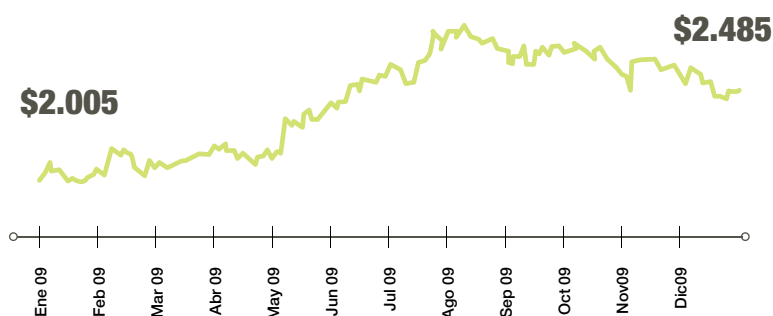
The price of Ecopetrol shares closed at year's end at \$2485 (see Diagram 4). This is equivalent to a 24% increase in value compared to 2008, mainly due to the recovery of the world economy and markets, boosting WTI to US \$80 per barrel thus favoring the oil industry, as well as the company's positive results and its progress toward achieving the objectives of the Strategic Plan.

In 2009, the valuation of Colombia's General Stock Market Index was 53%. Ecopetrol shares were the most traded stock on the Colombian Stock Exchange, with an average of 10,226,965 shares traded on a daily basis.



*The iguana arrived in New York in 2008, since the company was listed in the New York Stock Exchange.*

**Diagram 4.**  
Price per Share in 2009 on the Colombian Stock Exchange



### Relative value per share

Throughout the year 2009, the average Price / Income indicator per Ecopetrol share (average price per month / Net Income per share over the last 12 months) was 12.0, which is higher than peer oil and gas companies and majors, which was 11.5. This behavior is mainly due to the company's positive results, particularly in: sustained growth in production, 42% preliminary exploratory success and the results of the bond issuance, which improved investors' perception of the company.

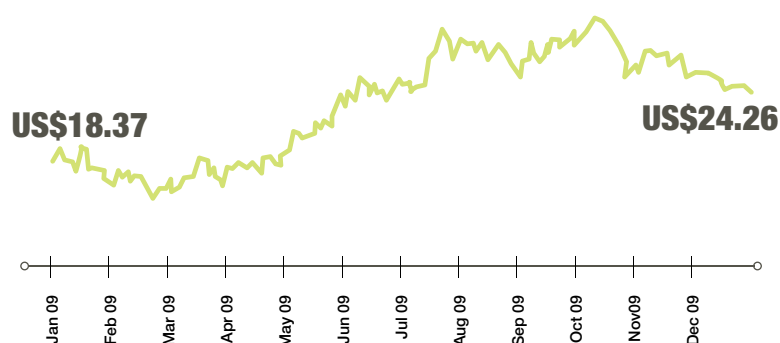
### ADR Behavior

Ecopetrol's ADR (American Deposit Received) on the New York Stock Exchange closed in 2009 at US \$24.26 (see Diagram 5). This is equivalent to a 32% increase in value, which is very positive behavior compared to the valuation of the S&P 500 Oil and Gas index, which represents the top companies in the oil industry listed on the New York Stock Exchange, which was -4% at the end of 2009 (see Diagram 6).

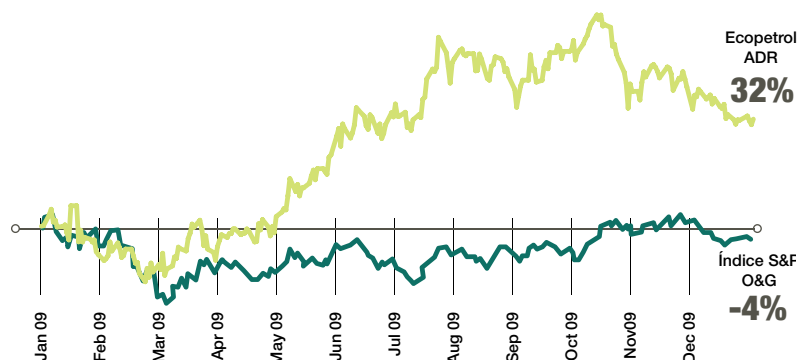




**Diagram 5.**  
 Price of Ecopetrol's ADR on the New York Stock Exchange



**Diagram 6.**  
 Increase in Value of Ecopetrol's ADR vs. the S&P Oil and Gas Index



### Listing of the ADR on the Lima Stock Exchange

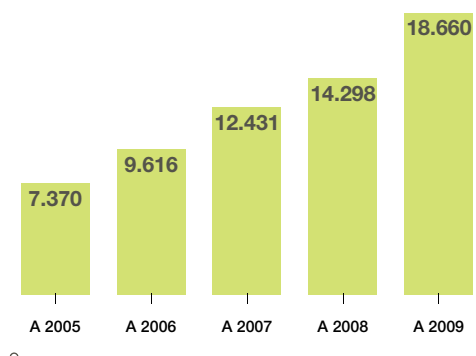
In December 2009, Ecopetrol's ADR began trading on the Lima Stock Exchange (BVL). The ADR traded in Peru is the same security listed on the New York Stock Exchange in September 2008. The listing of the ADR on the Lima Stock Exchange was not a new stock issuance, nor did it generate any additional funds for the company.

To Ecopetrol, begin listed on the Peruvian Stock Exchange, one of the most important, dynamic variable yield markets in Latin America, was a milestone in its strategy of positioning on international capital markets, as well as a booster of its position in Peru, one of the focus countries in the company's growth and internationalization strategy.

### Contribution to the State

Transfers made by Ecopetrol to the State, consisting of the purchase of hydrocarbon royalties from the National Hydrocarbons Agency (ANH in Spanish), dividends, taxes and the transport subsidy, have reported significant growth (see details in Diagram 7 and Table 20). This is the result of the positive evolution in the company's operating and financial results.

**Diagram 7. Taxes and transfers to the State**



**Table 20**  
**Taxes and transfers to the State**

*In millions of Colombian pesos*

	2005	2006	2007	2008	2009
Purchases from the ANH - Ecopetrol and third party royalties	2,895,000	3,676,000	3,912,315	5,584,474	4,358,000
Dividends on profit from previous year	1,298,000	2,000,000	3,000,000	4,184,250	8,004,653
Dividends applied on gasoline and acpm subsidy	-	-	1,475,399	-	-
Overall tax	1,143,305	1,187,000	1,091,985	1,111,940	1,123,679
Income tax and others	1,146,662	1,702,500	1,898,029	2,534,556	4,562,035
Sales Tax	847,784	1,011,500	1,014,801	843,663	573,130
Fuel transport subsidy	39,000	39,000	39,000	39,000	39,000
<b>Taxes and transfers to the State</b>	<b>7,369,751</b>	<b>9,616,000</b>	<b>12,431,529</b>	<b>14,297,883</b>	<b>18,660,497</b>

*Source: Ecopetrol Finance Vice Presidency*

**Table 21.**  
**Types of taxes paid by Ecopetrol**

Tax type	Tax
National	Income and complementary taxes VAT in the common tax system Income, VAT and Stamp Tax Withholding Agent Stamp tax paid by Ecopetrol S.A. Surcharge on ACPM Special Tax Equity tax
Territorial	Industry and trade, Publicity tax Industry and Commerce Tax Withholding Agent Street lighting Vehicles Property Taxes Gasoline Surcharge Transport Tax

*Source: Ecopetrol Finance Vice Presidency*

Ecopetrol is one of the major taxpayers in Colombia, in the national as well as departmental context. The taxes paid by Ecopetrol are broken down in Table 21.

The amount paid by Ecopetrol includes the taxes assumed by the company, such as the amounts withheld or collected from third parties and paid to the different authorities in its capacity as a withholding agent. The main payments made on account of taxes over the last two years by Ecopetrol are illustrated in Table 22.

**Table 22.**  
**Taxes paid by ecopetrol**  
**2008 – 2009 period**

*In millions of Colombian pesos*

Tax Type	2008	2009	Variation	%	Grade
Income Tax	1,807,944	3,878,357	2,070,413	115%	1
Equity tax	310,667	207,111	(103,556)	-33%	2
Overall tax	1,111,940	1,123,679	11,739	1%	3
Sales Tax	843,663	573,130	(270,533)	-32%	4
Industry and commerce tax	138,114	115,601	(22,514)	-16%	5
Property tax	5,956	5,874	(82)	-1%	6
Transport Tax	6,886	9,164	2,278	33%	7
Taxes withheld at the source on account of income tax/VAT/stamp tax	1,033,559	895,055	(138,504)	-13%	8
Domestic surcharge on diesel	22,026	35,080	13,054	59%	9
Industry and commerce tax withheld at the source	31,162	42,820	11,658	37%	8
Gasoline Surcharge	1,542	267	(1,275)	-83%	9
Vehicle Tax	765	1,476	712	93%	10
Public lighting Tax	5,526	5,629	103	2%	11
Total years 2008 and 2009	5,319,749	6,893,242	1,573,493		

Source: Ecopetrol Finance Vice Presidency

## Taxes to Territorial Authorities

In 2009, Ecopetrol paid territorial authorities\* a total of \$115.601 billion in Industry and Commerce taxes (ICA). Similarly, in 2009, the company paid the territorial entities \$5.874 billion on account of property taxes.

\* Territorial authorities are the public law companies that make up the political-administrative division of the Colombian State and have full autonomy in managing their interests. Territorial authorities are departments, towns, districts and indigenous territories and, possibly, regions and provinces.

The readers of this Sustainability Report interested in a more in-depth examination or elaboration on Ecopetrol's economic and financial information can refer to the company's Annual Report for 2009, which contains the audited financial statements along with data and figures in further detail. You can also visit the website [www.ecopetrol.com.co](http://www.ecopetrol.com.co).



14



# The Social Dimension

**According** to GRI's G3 methodology, the social dimension includes information on the management of the reporting company in aspects relating to labor practices and business ethics, human rights, society and product responsibility.

## Labor Practices

Good labor practices, understood as actions carried out by the company in relation with its own workers and, in the case of Ecopetrol, by extension to its pensioned workers and relatives, include the management of human talent, comprehensive wellbeing and occupational health management, among others.

At Ecopetrol, developing human talent is an essential objective, so since 2007, it was made explicit in the strategic framework as one of the drivers of organizational consolidation that support its growth strategy.

Three major ambitious goals (MEGAS in Spanish) have been defined to guarantee this strategy up to 2011:

- Be one of the top ten companies to work for in Colombia, using the measurement of Great Place to Work as an international benchmark.
- For 80% of the people at Ecopetrol to have 100% of the qualifications required.
- For at least 80% of the leaders to meet the profile required by the organization.

This strategy is to be completed by 2015.

## Human Talent Management

The comprehensive management of human talent starts out by identifying the needs of businesses; this information is later crossed with the corporate strategy and its goals, thus guaranteeing full alignment throughout the company.



*All employees and trainees who join Ecopetrol must receive Corporate Induction.*

This comprehensive management has evolved at Ecopetrol over the last few years, going from a function-oriented management to an approach based on four major processes: attracting and retaining human talent; learning and performance management; management of collective labor relations, management of the work environment and culture.

### **Attracting Human Talent**

Ecopetrol selects highly committed, professional human talent. Selection processes are based on the organizational values and principles, thus guaranteeing equality, transparency and strictness in carrying out the procedure.

Considering the principle of equality against ration, gender or cultural discrimination, Ecopetrol is a job source for Colombians in each of the areas of the countries where it operates; therefore, the search for candidates is focused on populations near its sites, giving priority to people from the region who meet the requirements.

In order to attract qualified human talent, the company's selection team conducts market research and attends events of the oil industry, associations and universities to guarantee the flow of candidates to fill its requirements.

As of 2008, a plan for improvement was implemented to guarantee the search, evaluation and assurance in employing external candidates, as well as an internal selection process for the company to promote its officers pursuant with organizational requirements.

Similarly, for two years now, Ecopetrol has focused part of its efforts on the international search for high level professionals to have them join the team.

This objective has included the contracting of Colombian professionals residing abroad with experience in multinational companies in the oil and gas sector, as well as the employment of foreigners for certain hard to find areas of expertise. In 2009, the company hired 29 Colombians residing abroad and seven foreign experts in the sector.

As a result of the selection process, considering all the methods described above, in 2008, 941 workers were hired, 41.8% of which were women and 58.2% were men. In 2009, 560 new workers were employed in the different zones of the country, 33.5% of which are women and 66.5% are men; during the same period, 434 practicing students were employed through apprenticeship contracts.

This makes Ecopetrol one of the top companies in generating employment and a breeding ground for learning in Colombia.



## Corporate Induction

Collaborators starting out at Ecopetrol participate in the four phases of the induction process: welcome, virtual induction, job-specific induction and industrial tour. 946 new collaborators participated in the program in 2008. In 2009, 453 new officers participated, along with 437 SENA (National Training Service) and university students on industrial training.

## Staff Behavior

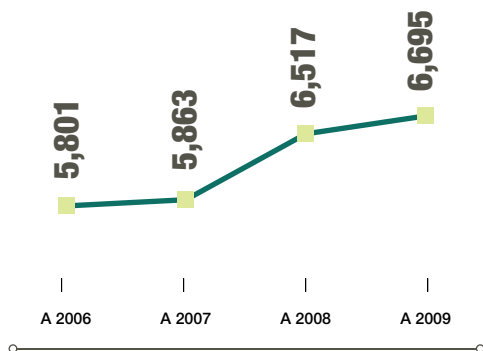
To December 31, 2009, Ecopetrol's staff consisted of 6695 officers and 253 apprentices, which means a 2.65% increase compared to the same period of the previous year (see Table 23 and Diagram 8).

**Table 23.**  
**Staff Variations (2006-2009)**

Staff type	Year 2006	Year 2007	Year 2008	Year 2009
Permanent staff	5,498	5,543	6,016	6,228
Temporary staff	303	320	501	467
<b>Total officers</b>	<b>5,801</b>	<b>5,863</b>	<b>6,517</b>	<b>6,695</b>

Source: Ecopetrol Human Talent Vice Presidency

**Diagram 8.**  
**Staff Variations (2006-2009)**



Source: Ecopetrol Human Talent Vice Presidency

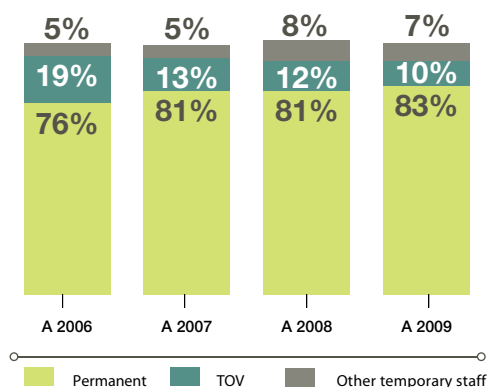
In Ecopetrol, 5541 officials have employment standard contracts. Of the remaining population, 687 have a fixed term permanent contract (holding a position in the approved organizational structure at the company) and 467 have a fixed term temporary contract (hired for projects). See details in Table 24 and Diagram 9.

**Table 24.**  
**Staff Variation and Distribution by Type of Contract**

Staff Type	Year 2006	Year 2007	Year 2008	Year 2009
Permanent	4,412	4,767	5,252	5,541
Temporaries filling vacancies (TOV in spanish)	1,086	776	764	687
Temporary staff	303	320	501	467
<b>Total officers</b>	<b>5,801</b>	<b>5,863</b>	<b>6,517</b>	<b>6,695</b>

Source: Ecopetrol Human Talent Vice Presidency

**Diagram 9.**  
**Staff Variation and Distribution Percentage**

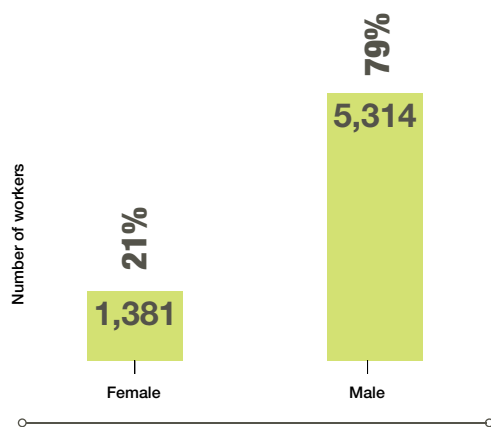


Source: Ecopetrol Human Talent Vice Presidency

## Distribution by Gender

1381 of the 6695 active officers at Ecopetrol to December 2009 were women, which is equivalent to 21% of the total staff (see Diagram 10).

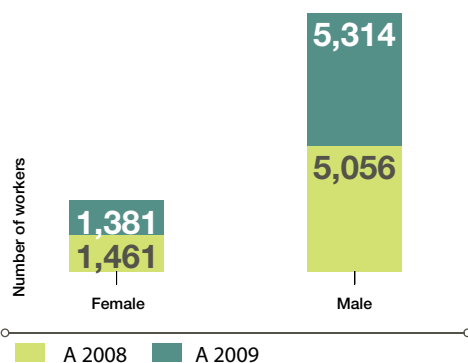
**Diagram 10.**  
**Percentage of Workers by Gender in 2009**



Source: Ecopetrol Human Talent Vice Presidency

Similarly, between 2008 and 2009, there was a 5% decrease in the female staff and a 5.10% increase in male staff (see Diagram 11).

**Diagram 11.**  
**Staff Growth by Gender**



Source: Ecopetrol Human Talent Vice Presidency

Ecopetrol has a Collective Bargaining Agreement with its union, and one of its sections includes the conventional pay scale, which consists of six levels and thirteen pay categories, each of which has a basic wage that is paid out to each and every one of the workers classified in the same category without discrimination. In the Sustainability Report for the 2010 period, Ecopetrol will provide these figures pursuant to GRI indicator LA14.

## Distribution by Age

Ecopetrol's labor population has a broad age range. In 2009, 21% were under 30 years of age, 54% were between 30 and 45 years of age, while 24% were employees over 45. This is similar to the distribution of the year 2008, in which 22% were under 30 years of age, 56% were between 30 and 45, and 23% were over 45 (see Table 25).

**Table 25.**  
**Age Range of the Worker Population**

Age range	Participation 2008	Participation 2009
Under 27	10%	9%
Between 27 and 30 years of age	12%	12%
Between 30 and 36 years of age	21%	18%
Between 36 and 45 years of age	35%	36%
Over 45	23%	24%
Total workers	6,517	6,695

Source: Ecopetrol Human Talent Vice Presidency

## Worker Composition by Region

It is important to point out that there is a high concentration of workers in the two regions where Ecopetrol operates: the Central – Southern region and the Middle Magdalena, which have over 80% of Ecopetrol's workers in their operations (see Table 26).

This is due to the fact that these two regions are where most of the company's operating activities are concentrated, given that the country's largest refinery is located there (Barrancabermeja), along with the oldest production fields with the largest number of active wells.

**Table 26.**  
**Worker Composition by Region**

Region	2008	2009
Centro Sur	42%	41%
Magdalena Medio	43%	44%
Norte	8%	8%
Oriente	7%	7%

Source: Ecopetrol Human Talent Vice Presidency





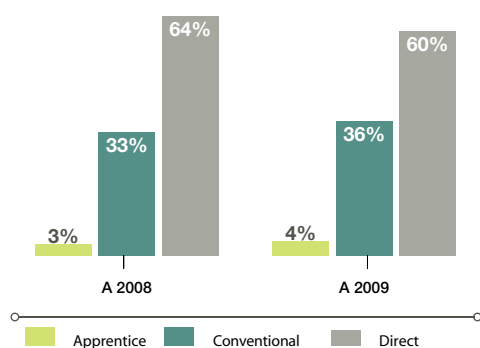
## Types of Payroll

Ecopetrol has two types of payroll, defined as follows:

- **Conventional:** includes workers holding posts as operators, included on the pay scale defined in the Collective Bargaining Agreement.
- **Administrative:** includes workers known in Colombian Labor Law as administrative personnel. They hold executive and technical positions as established in the company's organizational structure.

Although they are not a part of the staff payroll, the company employs apprentices from the SENA (National Training Service) and Apprentices from the country's different Universities, with a view to attract the country's best talent, generating a breeding ground that constitutes a source to fill vacancies of technical or professional positions. Staff composition by type of payroll and apprentices is illustrated in Diagram 12.

**Diagram 12.**  
**Staff by type of payroll and apprentices**  
 2008 - 2009



Source: Ecopetrol Human Talent Vice Presidency

## Job and Compensation Management

In order to attract and retain human talent in a timely, efficient manner, the following aspects are taken into account:

- **Labor Force Planning:** starts out by defining the organizational structure required to achieve the corporate strategy, by assigning roles and responsibilities to each of the areas in the structure, as well as the dimensioning of the optimum staff.
- **Job Management:** in July 2007, the Board of Directors approved a new organizational model, which required the revision and updating of the 100% of the job descriptions; this process had already been carried out in 2004, and this was done again using the assessment methodology used by the HAY GROUP, which takes three dimensions of the job into account: knowing, thinking and acting to provide proper payment for the job as per its impact on the organization.
- **Compensation Management:** establishes remuneration criteria under the premise of internal equality and external competitiveness with the Colombian oil sector. To this effect, Ecopetrol has a Compensation Policy that covers all company personnel. A wage benchmarking study was conducted in 2006, which resulted in a policy approved by the company's Board of Directors in 2007 for administrative personnel with fixed wages, benchmarked with the oil sector. To maintain its criteria of internal equality, Ecopetrol's conventional population was covered with the same policy in the Collective Bargaining Agreement for the 2009 – 2014 period.

Another element of the compensation system is the variable factor, which began in 2003 by paying 57 first level officers a variable compensation until 100% of the collaborators were covered in 2008.

## Promotions and Study Plans

At Ecopetrol, workers have the chance to climb up the ladder, improving their earnings as they acquire more responsibilities as follows:

- Workers on the pay scale agreed between Ecopetrol and its unions climb up the operating lad-

der as they acquire further qualifications and experience, from category 1 on the scale up to 13. These workers play operative roles in the different activities carried out by the company.

- When a vacancy opens up in a professional or technical position, the same workers have the chance to move up by participating in internal selection processes, in which aspects relating to their technical and transversal qualifications are taken into consideration, along with their education and others.
- In technical and professional jobs that can also be accessed by new professionals and technicians, people can move up as they acquire further responsibilities, from level one of the administrative pay scale up to level nine.
- People with a leadership profile and administrative skills have the chance to participate in the selection processes for positions in public administration, which go from level eight to level 15 on the administrative pay scale.

In 2008, there were 468 internal promotions, and in 2009, the figure rose to 589.

Table 27 illustrates the distribution of Ecopetrol's administrative, operator and professional or technical population based on the staff to December 2009.

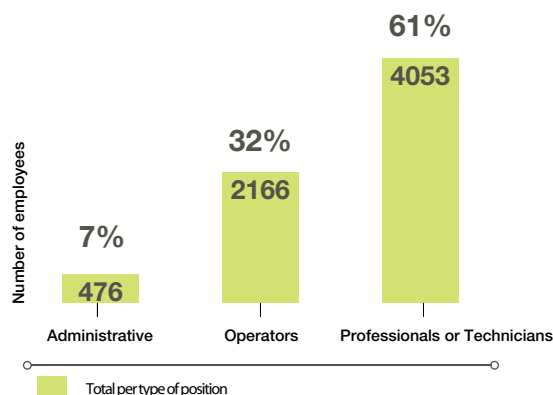
**Table 27.**  
**Employee Distribution by Job Type**

Administrative Personnel	Operators	Professionals or Technicians	Total
476	2,166	4,053	6,695

Source: Ecopetrol Human Talent Vice Presidency

61% of the jobs at Ecopetrol are concentrated in professional or technical category, which includes professionals, supervisors and operating technicians and administrative personnel (see Diagram 13).

**Diagram 13.**  
**Employee Percentage by Job Type**



Source: Ecopetrol Human Talent Vice Presidency

### Personnel Rotation

On average, workers at Ecopetrol have a seniority of 10.6 years with the company. For further information on this situation, this figure has been broken down into percentages of seniority by ranges (see Table 28).

**Table 28. Seniority of the Worker Population at Ecopetrol**

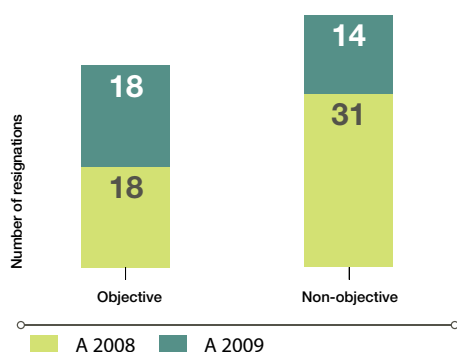
Seniority in years	Participation 2008	Participation 2009
Between 0 and 2 years	19%	21%
Between 2 and 5 years	15%	14%
Between 5 and 10 years	14%	16%
Between 10 and 15 years	17%	17%
Between 15 and 20 years	17%	17%
Between 20 and 25 years	16%	14%
Over 25 years	3%	3%
<b>Total workers</b>	<b>6,517</b>	<b>6,695</b>

Source: Ecopetrol Human Talent Vice Presidency

In addition, it is important to point out that Ecopetrol calculates the Resignation Rate of the Population to be Retained, which is affected by the resignation of officers that the company would like to retain because they have a critical understanding of the business (see Diagram 19).



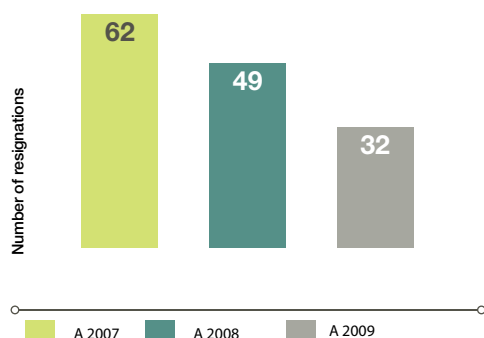
**Diagram 19.**  
Number of resignations by target population



Source: Ecopetrol Human Talent Vice Presidency

In 2009, resignations dropped 153% compared to the previous year, due to the effectiveness of the retention process, which has been applied since the year 2007 (see Diagram 20).

**Diagram 20.**  
Number of Resignations – 2007 to 2009



Source: Ecopetrol Human Talent Vice Presidency

## Performance Management

At Ecopetrol, performance management is carried out in three phases: planning, monitoring and final evaluation.

- **The planning phase** is translated in the formulation of individual performance objectives in line with the area objectives, agreed upon between supervisors and collaborators.

- **The monitoring phase** is the formal opportunity for each supervisor to provide his/her collaborators with feedback on their strengths and opportunities for improvement as regards the fulfillment of individual and organizational objectives; similarly, the adjustments to be made to the plan, leading to the effective fulfillment of the objectives, are identified by mutual agreement.
- **The evaluation phase** begins with the worker's self-evaluation of the organizational qualifications, followed by his/her assessment of the fulfillment of objectives for the respective period. Last but not least, the supervisor and collaborator get together to make a final record of the fulfillment of the performance indicators.

Table 29 illustrates the worker population covered by performance evaluations at Ecopetrol.

**Table 29.**  
Workers with performance evaluations

Year*	Total workers	Workers with performance evaluations	Percentage covered
2008	6,517	6,212	95%
2007	5,863	5,823	99%
2006	5,801	5,327	92%
2005	5,997	4,455	74%

Source: Ecopetrol Human Talent Vice Presidency

\* The performance evaluation for the year 2009 will be carried out in the month of February 2010, reason for which the figure has not been included in this report.

## Individual Development Plans

All employees are evaluated in the three types of qualifications defined for the company: organizational, leadership and technical qualifications, in order to identify gaps and define individual development plans. These individual plans are guided by the following structure: 70% training actions (rotation, internship); 20% tutoring or coaching, and 10% classroom training.



*Ecopetrol has a Corporate University located in Piedecuesta (Santander) to strengthen the required human talent skills at the company.*

## Training Programs

In 2009, the average man hours of training were 80.1 hours. This means a 30.4% increase compared to the training hours provided in 2008, which was 61.43 man hours.

Based on its commitment for the development of its people, Ecopetrol increased its budget for the execution of development plans, going from \$15.504 billion in 2008 to \$19.139 billion in 2009 (in current pesos).

To improve workers' levels of technical qualifications, development programs cover different subject matters of the production chain of oil, gas and alternative fuels, supporting processes, management and transversal processes. As regards organizational qualifications, training is provided in team spirit, passion for excellence (result-oriented) and commitment to life (HSE aspects), and there are also leadership training programs.

The company has the Universidad Corporativa de Ecopetrol – UCE (Ecopetrol's Corporate University) to strengthen the qualifications required from human talent. In 2008, 231 training programs were offered, attended by 3900 workers, which

amounted to over 100 thousand hours of training. In 2009, the University offered 238 programs, attended by 3172 workers, which amounted to 73,936 hours of training.

## Leadership Development Program

In October 2008, Ecopetrol began a measurement process to establish the gap between the leadership required by Ecopetrol and the current status. Similarly, it established a 3 year deadline for the development of leaders, who are required to be prepared by 2011: 20% by 2009; 40% by 2010 and 80% by 2011.

To December 2009, 663 leaders have been assessed as regards management styles and microclimate, and 822 leaders have been evaluated in relation to organizational and leadership skills. According to the results, 280 of the leaders have met the profile required 100%, which represents 35% of all the leaders, thus exceeding the goal established for that year.

In addition, the Leadership School is being designed for the year 2010, which successors and leaders will be required to attend in order to develop their competencies.



## Succession Management

Colombian law states that as of the month of July 2011, all the pensions produced in the country are to take place within the regulations established in the General Social Security System in pensions.

Therefore, workers who have met the requirements to apply for Ecopetrol's current pension system may benefit therefrom up to that date.

Given the above, the company established a succession plan as an objective for 2009, which involved identifying potential successors for 132 critical positions that impact the achievement of the strategy, occupied by persons who have the option to retire from the company before the deadline. The goal was set for 90% of said positions to have successors prepared and ready to take office, which was met in 2009 by 104% (124 positions with successors prepared).

## Construction of an Organizational Culture

In 2009, the following focal points were defined as regards organizational culture at Ecopetrol:

- ⦿ Achieving comprehensive short and long-term results with excellence
- ⦿ Anticipating and innovating to take advantage of opportunities
- ⦿ Organizational synergies
- ⦿ Integrative, strategic leadership committed to the company
- ⦿ Ethics and values
- ⦿ Commitment to society and life

According to the focal points that were defined, the culture required to leverage Ecopetrol's strategy is required to combine behaviors with processes, which, in turn are to be encouraged by leaders.

In 2009, the *Great Place to Work* survey included ten questions regarding values and behaviors, which led to the establishment of a baseline and the definition of an annual goal as the measurement of the incorporation of the culture in the organization to guarantee the process.

## Organizational Climate

The work climate at Ecopetrol has been measured since 2004 using different methodologies; however, the company decided to use the international methodology of the *Great Place to Work* (GPTW) Institute in 2006:

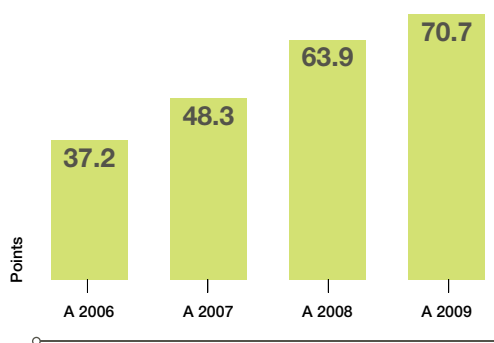
This measurement considers five dimensions: credibility, respect, integrity, camaraderie and pride.

Intervention plans on the same variables are designed on a yearly basis based on the results of the survey, which is meant to improve the conditions of the work environment and get workers to perceive the change and feel more satisfied.

Between the year 2006, when the first survey was conducted, and the year 2009, the company's results have improved by 33.5 points (see Diagram 21).

The goal for 2011 is to be one of the top ten places to work in Colombia according to the GPTW ranking.

**Diagram 21.**  
**Ecopetrol's great place to work results**



Source: *great place to work*

## Comprehensive Wellbeing

Ecopetrol understands that, for its workers to play a role in the company's strategy, it is not enough to provide aspects associated with development, but it is also important to achieve a balance between the individual being, the work being and the



family being. In order to do so, it has developed a national well-being plan, an occupational health plan, and an HSE (Health, Safety and Environment) Plan, focused on improving workers' quality of living.

The following are some of the national well-being programs:

- The Excellence Award Program:** Every year, workers have the chance to nominate their co-workers, leaders and the best projects in their areas to be given this award. Over the last three years, Ecopetrol has praised 4436 workers for the individual and collective roles they have played in the organizational values and competencies, as illustrated in Table 30.

**Table 30.**  
Excellence awards by categories

Enrollments by categories	2007	2008	2009
Group	4,248	6,047	3,060
Individual	384	324	203
Total workers enrolled	4,632	6,371	3,263
<b>Total workers awarded</b>	<b>2,223</b>	<b>1,091</b>	<b>1,122</b>

Source: Ecopetrol Human Talent Vice Presidency

- Ecopetrol Olympiads:** give workers the chance to mix with their coworkers from other areas and regions of the country around these sports competitions that promote respect as a corporate value and teamwork in an environment of fair competition. In 2006, 2211 participants attended the event; in 2007, 2762 people took part; in 2008, 2243 people participated in the local and regional phases, whose finals were held in 2009 with the participation of 638 workers.
- Drops of Experience:** This event awards employees on their 10, 20 and 30 year anniversary of continuous or discontinuous work with the

company at a ceremony led by the President. The program paid tribute to 615 workers in the year 2008 and 640 in 2009.

- Ecopetrol's Anniversary:** this activity is carried out at the same time at all the offices in the country to commemorate the company's anniversary. In 2008, there was 90% coverage of the planned population with the different cultural activities, and in 2009, we reached all locations with 100% of the coverage estimated for the year.
- Family - Company Program:** promotes collaborators' integration with their family to reinforce corporate values and an understanding of the organization they are a part of, through family visits to the company's facilities.

### Improvement in the Quality of Living of Employees, Pensioned Workers and Families

In order to offer a better quality of living for the family environment, Ecopetrol offers a series of benefits that go beyond the legal requirements, which are aimed at the 6695 employees, as well as the 10119 pensioned workers and 40382 family members (see Tables 31 and 32).

These include: housing benefits, paid leave of absence to carry out graduate studies, meal subsidies, loans, additional life and education insurance in case of worker's death, among others.

One of the most noteworthy benefits is Ecopetrol's payment of up to 90% of the educational expenses of workers' and pensioned workers' children from preschool through higher education.

On another note, to encourage saving, Ecopetrol has an incentive that consists of workers saving up to 3% of their salary in Cavipetrol (Ecopetrol's Worker and Pensioned Worker Corporation) and the company makes an equal contribution.



*Inauguration of 2009 Olympic Games at Ecopetrol's club in Bogotá.*

**Table 31.**  
**Distribution of pensioned workers 2008 - 2009**

	To december 31, 2008			To december 31, 2009		
	Women	Men	Total	Women	Men	Total
Ages	854	5,704	6,558	898	5,691	6,589
Under 64	348	2,971	3,319	388	3,142	3,530
<b>Total</b>	<b>1,202</b>	<b>8,675</b>	<b>9,877</b>	<b>1,286</b>	<b>8,833</b>	<b>10,119</b>

Source: Ecopetrol Human Talent Vice Presidency

**Table 32.**  
**Distribution of family members 2008 - 2009**

	To december 31, 2008			To december 31, 2009		
	Women	Men	Total	Women	Men	Total
	26,285	11,713	37,998	27,985	12,397	40,382

Source: Ecopetrol Human Talent Vice Presidency

To strengthen the company's relations with its pensioned workers and acknowledge their years of dedication to the organization, starting in 2009, Ecopetrol implemented the Pensioned Worker Gatherings, which were initially held in the cities of Bogotá, Bucaramanga and Cucuta, and were attended by 1500 people.

## Health Benefits

The health care plan at Ecopetrol offers more extensive coverage than the Mandatory Health Plan required by Colombian legislation. This coverage includes any disease, malformation or illness existing upon admission (no pre-existing restrictions); there is no waiting period for care; there is no limit on the cost of service; it provides care for catastrophic diseases (including cancer and AIDS), among others.

In addition, there is the Disease Prevention Program, whose purpose is to promote a culture of health for beneficiaries to acquire healthy, protective conducts such as eating right, exercising



regularly, keeping their vaccinations up to date, handling stress and controlling illnesses and risk factors.

Based on national and international recommendations, and Ecopetrol's corporate policies, health promotion and disease prevention activities are focused on:

⊙ **Specific Protective Actions:**

- Vaccines for children and adults
- Preventive care in oral health
- Labor and delivery care.
- Care for the newborn
- Family planning for men and women

⊙ **Screening:**

- Growth and development disorders
- Pregnancy disorders
- Adult disorders
- Cervix, breast, colon and prostate cancer
- Visual disorders

The Promotion and Prevention Program is run by interdisciplinary teams of professionals that carry out permanent monitoring through the Self-care Plan, where commitments are defined by the patient. This program includes the following components:

- ⊙ Cardiovascular risk factors: high blood pressure, diabetes, dislipidemia, obesity
- ⊙ Cavities and gum disease
- ⊙ Clinic for patients with good oral health
- ⊙ Health maintenance guidelines: periodic evaluations to monitor the health conditions of the beneficiary population in a systematic, permanent manner with a view to reduce the risk of illness or death due to avoidable causes and recover health levels on the individual as well as collective level.

## Occupational Health

Preventing work-related accidents and illnesses are a top priority and plays a fundamental role in

Ecopetrol's management. Having safe and sound employees is an inescapable condition to grow based on our respect for people.

In 2009, Ecopetrol regretted the death of Arnulfo Lievano, a contractor working with the technical and development management unit, due to an electrical accident. Reducing work-related accidents to zero is an imperative that we have to work on together, by giving the company all the tools it needs to prevent them from occurring and getting all employees and contractors to take the measures necessary to safeguard their physical and psychological safety.

Based on the above, Ecopetrol's Occupational Health Program has the following objectives:

- ⊙ Maintenance and promotion of workers' health and work capacity.
- ⊙ Improvement of the work environment, including health and safety.
- ⊙ Maintaining and promoting the highest degree of physical, mental and social well-being of workers in all their occupations.
- ⊙ Preventing possible injuries and illnesses due to working conditions

In order to do so, the following activities and programs are carried out:

- ⊙ **Health Risk Assessment:** The Health Risk Assessment (HRA) tool was put together, and achieved 100% coverage in all facilities in 2009. Consequently, the company now has an accurate understanding of the hazards that affect workers' health and establishes short, medium and long-term action plans for their prevention or control.
- ⊙ **Industrial Health:** refers to the activities focused on promoting workers' health and preventing, detecting and controlling work-related illnesses and consequences. The actions carried out in this aspect are: admission, retirement and re-entry medical exams; periodic





and special occupational medical exams, consequence assessments, industrial medical visits, workshops and counseling.

- ◎ **Industrial Hygiene:** activities are carried out to identify, locate, assess, prioritize and control hazards in work environments that may affect or cause work-related illnesses. This includes the identification and assessment of hazards such as noise, extreme temperatures, chemical agents, etc. in the work environment. A hygienic risk intervention and monitoring contract has been in place since the year 2007 with the Universidad Javeriana to monitor physical and chemical agents and design models of intervention to improve the health conditions of workers in their work environments.
- ◎ **Ergonomics:** ergonomic risks are identified and evaluated in the work environment to define alternatives of control. Based on the assessment of ergonomic needs, interventions took place in 2009 in the country's different facilities. Similarly, over the last two years, the active pauses program has been a success as a preventive measure of musculoskeletal disorders in workers. These pauses also play a role in improving the work climate, because it becomes an opportunity to relax and socialize with the work group.
- ◎ **Occupational Epidemiological Surveillance:** information is collected systematically to design and implement action plans to help control the main health hazards existing at Ecopetrol. At present, epidemiological surveillance is carried out in aspects such as absenteeism, work-related hypoacusis, musculoskeletal disorders, chemical agents and psychosocial risks.

Similarly, other special activities are carried out, such as:

- ◎ **Semanaso (Occupational Health Week):** has become a traditional event at Ecopetrol where all direct employees and contractors'

workers get together to talk about HSE. That week, workshops, conferences and recreational activities are carried out at each of the facilities, and participants get to reinforce their knowledge and strengthen practices such as self-care and caring for their surroundings.

- ◎ **The Blue Stain Campaign:** a campaign that goes by the motto "Take care of your health, don't stain your life" is carried out to raise workers' awareness as regards the importance of their health and the decisions they make on and off the job.



Afiche para la campaña Mancha Azul.

- ◎ **The Friend Hotline:** at Ecopetrol, there is a worker assistance hotline (Ext. 5555), whose purpose is to provide guidance for handling situations of stress for whoever would like to use it. Workers are gradually exploring this alternative of support in settling different types of conflicts (personal, family, work-related, etc.) and the Friend Hotline has been becoming more and more popular as a tool that plays a role in improving psychological health at work and the work environment of the organization.



## Occupational Health Committees

These committees are bodies created to promote and monitor compliance with Occupational Health Programs at Ecopetrol. The company has one national peer committee, 12 regional peer committees and 34 local committees, all made up of employees. Some of their main activities include:

- ⦿ Supporting occupational health management in the different areas of the company.
- ⦿ Proposing measures to maintain health in the work environments.
- ⦿ Participate in occupational health training activities.
- ⦿ Visit work sites, and investigate and document work-related accidents.
- ⦿ Study and take into consideration the suggestions made by workers as regards medicine, hygiene and safety.
- ⦿ Serve as a coordinating unit between the employer and workers in solving problems relating to occupational health.

## Worker Absenteeism

Worker absenteeism at Ecopetrol is classified according to causes as follows:

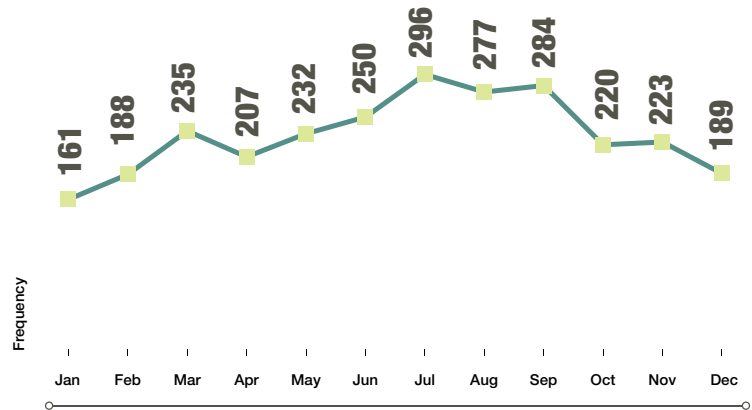
- ⦿ For health reasons: the failure to show up for work due to any type of illness, whether it is a common cold, work-related illness, surgery, accidents off the job, sports-related accidents, work-related accidents and special health permission.

The results of worker absenteeism for this reason in 2009 are illustrated in Diagrams 22 and 23.

The absenteeism Frequency Indicator (FI) is calculated as the number of events for each million man-hours worked.

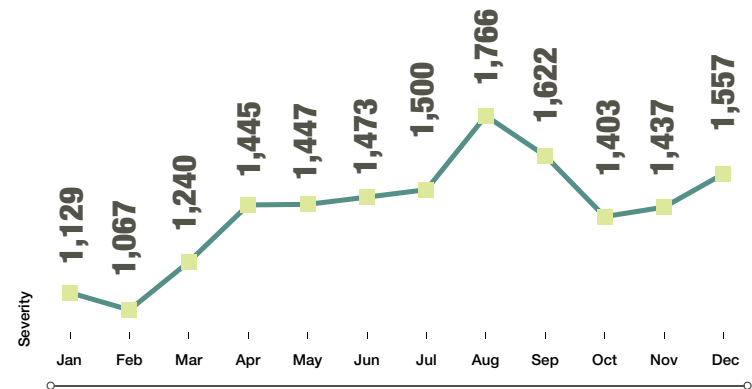
The Severity Index (SI) of general absenteeism is calculated as the number of days lost for every million man-hours worked and indicates the seriousness of the incident.

**Diagram 22.**  
Frequency of worker absenteeism for health reasons



Source: Visor-Worker Absenteeism Database

**Diagram 23.**  
Severity of worker absenteeism for health reasons



Source: Visor-Worker Absenteeism Database



- On Account of Potentially Work-related Illness (PWRI): defined as any permanent or temporary pathological state that has been diagnosed by a health professional, whose origin is suspected to be related with the type of work carried out by the worker, but has not been classified as such. The most prevalent work-related illnesses are those of the musculoskeletal system, 40% of which are the cases of lumbago reported during the period, followed by illnesses involving the nervous system. The frequency and severity of WRI in 2009 are illustrated in Diagrams 24 and 25.

In general terms, in 2009 an accumulated frequency index of Potentially Work-related Illnesses at Ecopetrol was reported to be 29, while the absenteeism for general health reasons, the index was 262. Similarly, the accumulated severity index reported for Potentially Work-related Illnesses was 203, while the severity of general health reasons was 1369 (see Diagram 25).

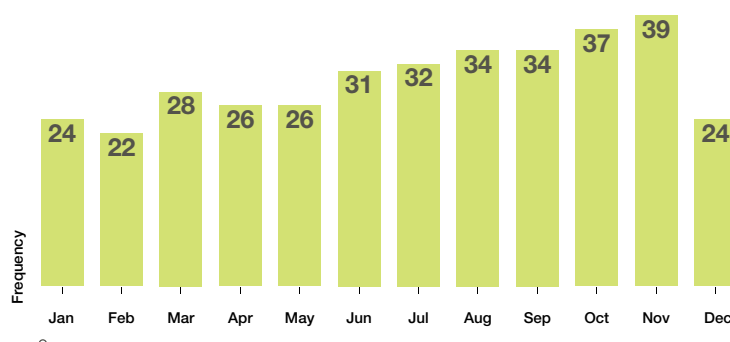
### Worker Absenteeism due to Work-related Illness

A Work-related Illness is any pathological state suffered as a forced consequence of the type of work performed by the worker or the environment in which he/she is working, determined by physical, chemical or biological agents.

In the year 2009, there were 12 cases of absenteeism on account of Work-related Illness. These cases took place in the age groups from 40 to 50 years of age (two cases) and from 51 to 60 years of age (10 cases). During the same period, there were 333 days of absenteeism due to WRI. It is important to point out that in most cases, illnesses are associated with ergonomic hazards (91.7%).

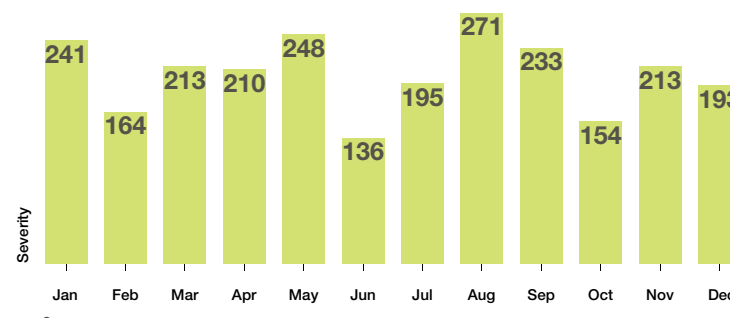
In 2009, Ecopetrol established the goal for absenteeism due to work-related illness to three events per million man hours worked; the accumulated results for the year was 0.5 events per million man hours worked. Compared to 2008, there was a decrease as illustrated in Diagram 27.

**Diagram 24.**  
Frequency of worker absenteeism on account of potentially work-related illness



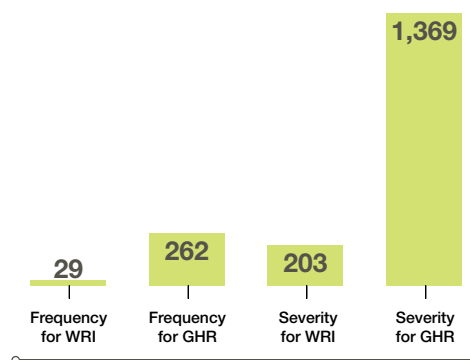
Source: Visor-Worker Absenteeism Database

**Diagram 25.**  
Severity of worker absenteeism on account of potentially work-related illness



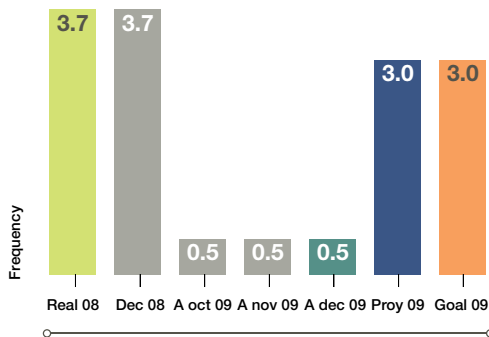
Source: Visor-Worker Absenteeism Database

**Diagram 26.**  
General indicators of worker absenteeism in 2009



Source: Visor. WRI: Potentially Work-related Illness; (GHR): General Health Reasons

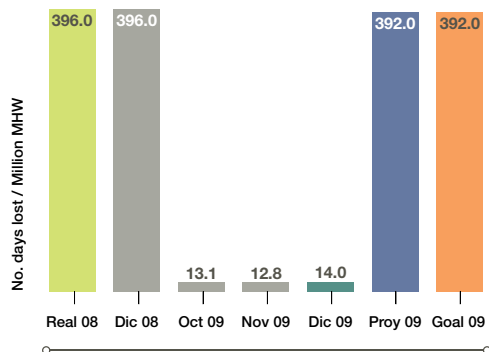
**Diagram 27.**  
**Comparison of the frequency index of worker absenteeism due to work-related illness, 2008 - 2009**



Source: WRI Report, Balanced Scorecard 2009.

As regards the Severity Index, the goal for 2009 was 392 days of absenteeism per million man hours worked, and the result was 14 days per million man hours worked, which indicates that the goal for the period was met (see Diagram 28).

**Diagram 28.**  
**Comparison of the severity index of worker absenteeism due to work-related illness, 2008 - 2009**



Source: WRI Report, Balanced Scorecard 2009

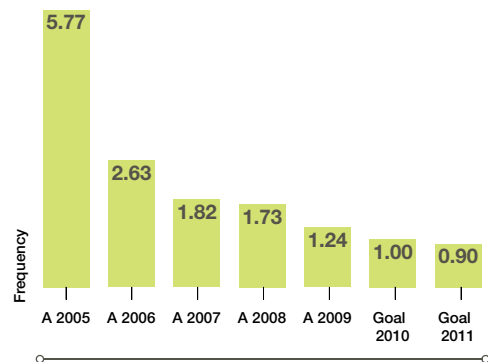
## Process Safety

The safety approach at Ecopetrol includes industrial safety as well as the safety of operat-

ing processes, thus covering the prevention of minor as well as catastrophic incidents.

In its search for operating excellence, Ecopetrol has improved its performance as regards the work-related accident rate (see Diagram 29), and it has created new indicators that help identify additional needs in its controls.

**Gráfico 29.**  
**Behavior of the occupational accident frequency index\***



\* Occupational Accident Frequency Index = # of accidents involving lost time / man hours worked x 1,000,000 hours of exposure

The criteria to determine whether or not it is a work-related accident are established by law, Ecopetrol's internal regulations and the ANSI (American National Standard Institute) Z-16.1 and A-16.2.

The work-related accident rate measures the number of accidents involving direct employees, contractors and/or subcontractors, with more than one day of lost time. The following are considered accidents:

- Those that occur at the facilities while performing functions or activities for the company.
- Those that occur outside Ecopetrol facilities while performing activities for the Company, where Ecopetrol supervises the activities of the employees involved on a daily basis.

In 2008, the Accident Frequency Index was 1.73. In comparison with 2009, the result of the indicator was 1.24, carrying on with its downward trend of the last five years, ending up below the expect-



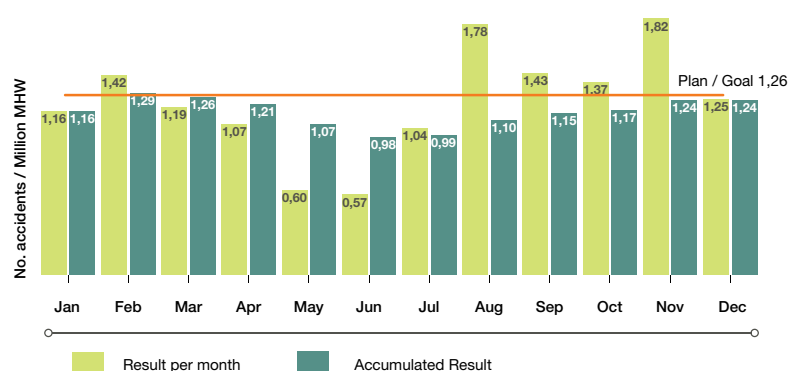
ed limit of 1.26 for that year (see Diagram 30).

In 2009, 25 accidents were reported involving direct workers, which corresponds to an accumulated Work-related Accident Frequency Index of 1.05 (see Diagram 31) and a Severity Index of 19 days lost per million man hours worked.

The Work-related Accident Severity Index dropped in 2009 as compared to the result in 2008, due to the fact that the severity of the work-related accidents of direct personnel closed at 391 days lost in 2008, compared to 18 days lost in 2009 (see Diagram 32).

The Severity Index of the Work-related Accident Rate, which lists the seriousness of injuries and the time lost, reached a combined result (direct officers and contractors) of 93 in 2009 vs. the goal of 36, corresponding to 10,698 days lost due to work-related accidents for 143 affected persons. This index includes the fatality due to electrical contact in January 2009, in which Mr. Arnulfo Lievano, an Ecopetrol contractor, died (see Diagrams 32 and 33).

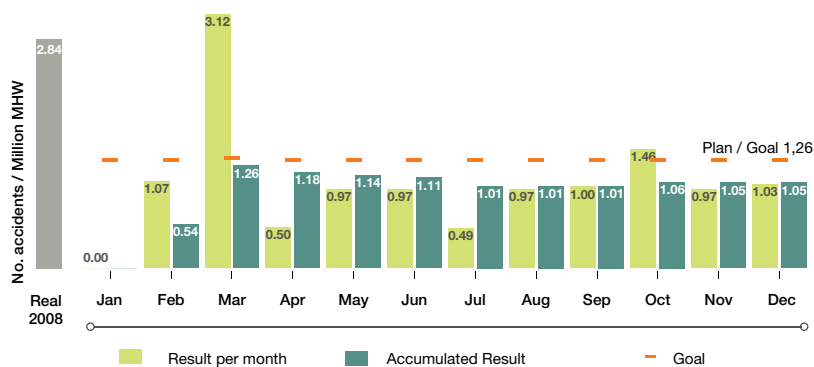
**Diagram 30.**  
**Results 2009 – work-related accident frequency index**



MHW: Man Hours Worked

Source: Ecopetrol, Vice Presidency of Services and Technology.

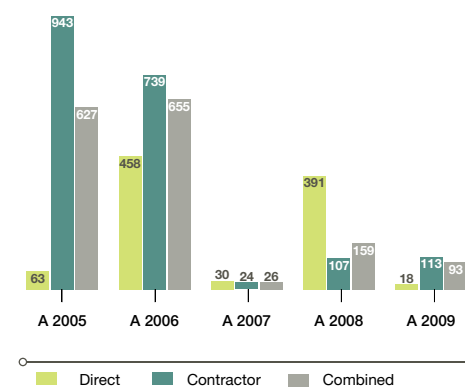
**Diagram 31.**  
**Results 2009 – accident frequency index – direct employees**



MHW: Man Hours Worked

Source: Ecopetrol, Vice Presidency of Services and Technology.

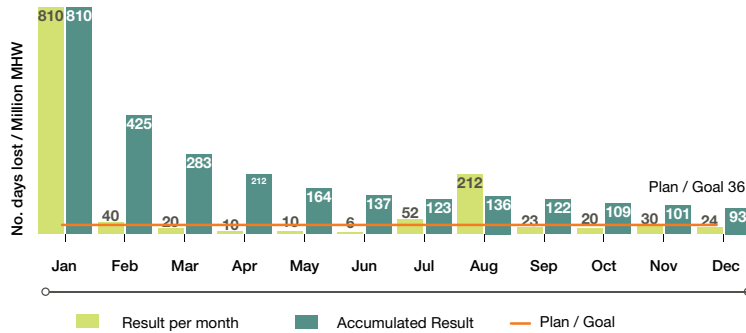
**Diagram 32.**  
**Behavior of the Severity Index of Work-related Accidents 2005 - 2009\***



Source: Ecopetrol, Vice Presidency of Services and Technology.

\*Work-related Accident Severity Index = total days lost plus those added by disabling injuries on the job / million man hours worked.

**Diagram 33.**  
**Results 2009 – Work-related Accident Severity Index**



MHW: Man Hours Worked

Source: Ecopetrol, Vice Presidency of Services and Technology.

## HUMAN RIGHTS

In 2009, two milestones marked Ecopetrol's commitment to Human Rights: its membership of the UN Global Compact and the approval of the organization's Human Rights Policy. Both events took place in the month of April.

The United Nations Global Compact is a voluntary commitment of companies to adhere to 10 principles grouped into four sets of core values: Labor Standards, Human Rights, Environment and Anti-corruption, as illustrated in Table 33.

### Human Rights Policy

Through its Human Rights Policy, Ecopetrol commits to:

- Do business pursuant to the principles contained in the Colombian Political Constitution and international laws and treaties (Universal Declaration of Human Rights, the American Convention on Human Rights, the ILO Declarations, Principles of the UN Global Compact).

- Carry out all its corporate operations within the framework of respect for and promotion of human rights.
- Promote unconditional respect for human rights, rejecting any abuse or violation thereof.
- Require its workers, contractors and other stakeholders to respect human rights.
- In its management, make every effort for the full force and effect of collective and environmental rights involving community interests and declare itself in favor of sustainable development in its activities.

Similarly, through the Policy, Ecopetrol declares that:

- It publicly condemns Human Rights violations, exhorts a full, unbiased investigation of any abuses reported, and strongly supports any actions put in place for those responsible to be put to justice and for the culture of impunity to disappear.
- It repudiates war crimes, crimes against humanity, genocide, torture, forced disappearances, kidnapping and any other violations of International Humanitarian Law (IHL).
- It acknowledges that acts of corruption and bribery entail the violation of human rights and therefore, establishes monitoring mechanisms and controls to prevent such practices.

In order to secure a comprehensive outlook on Human Rights, based on observance of the Policy, Ecopetrol constituted a Human Rights Committee in December 2009, made up of the areas of the company responsible for different matters relating to the human rights contained in the Policy.



**Tabla 33.**  
**The ten principles of the global compact**

Human rights
1. Support and respect for the protection of internationally proclaimed human rights.
2. Make sure you are not complicit in human rights abuses.
Labor standards
3. Uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Eliminate all forms of forced and compulsory labor.
5. Abolish any form of child labor.
6. Eliminate discrimination in respect of employment and occupation.
Environment
7. Support a precautionary approach to environmental challenges.
8. Promote greater environmental responsibility.
9. Encourage the development and diffusion of environmentally friendly technologies.
Anti-corruption
10. Businesses should work against corruption in all its forms, including extortion and bribery.

## Human Rights and Security

In compliance with the provisions established in the Policy in terms of human rights and security, Ecopetrol has decided to take the Voluntary Principles on Security and Human Rights as a point of reference for its actions.

These Voluntary Principles are a code of conduct for multinational companies in the oil, gas and mining sector signed in the year 2000 by major companies, the governments of the United States, the United Kingdom, Holland and Norway, and several NGOs, such as Human Rights Watch, International Alert and Amnesty International. It is important to point out that the Colombian Government was accepted as a member country at the Plenary Session in October 2009.

These principles establish specific lines of action to evaluate and manage the risks and impacts of corporate activity more systematically, in the framework of an operation that guarantees respect for human rights and fundamental freedoms.

Several companies in Colombia like Ecopetrol have also decided to adhere to this code as a reference due to its international legitimacy, its usefulness in dealing with security and human rights risks, its contribution to the well-being of local communities, its potential to mitigate possible conflicts and its effects on the consolidation of peace.

Ecopetrol has been a pioneer in applying the Voluntary Principles. Together with Occidental de Colombia, Ecopetrol carried out the first application in the world of Conflict Sensitive Business Practice (PESC in Spanish), a methodology to analyze risks in security and human rights, created by International Alert and the Ideas for Peace Foundation.

At present, the company is implementing two programs focused on observance of the Voluntary Principles:

- ⊙ **Recognize Public Forces Program:** since 2008, Ecopetrol has been carrying out this program, whose purpose is to generate a sense of belonging to the organization by institutions that form a part of the Public Forces (Army and Police), assigned to protecting the oil infrastructure. In doing so, it provides workshops on self-esteem, promoting a culture of self-care and environmental protection, among others, focused on increasing their levels of well-being and preventing risk factors. In 2009, 31 workshops were carried out with the attendance of 693 people in 19 cities and towns nationwide.
- ⊙ **Program for Raising Awareness and Training in Human Rights and International Humanitarian Law:** focused on personnel from the public forces, suppliers and contractors in private security to ensure respect for human rights and International Humanitarian Law in their everyday activities. In 2009, 24 sessions were carried out in which 550 soldiers and policemen were trained. The topics discussed were: the role of the public forces in promoting, protecting and guaranteeing human rights, as well as a presentation of the Voluntary Principles and their implications.

On another note, Ecopetrol is a member of the Mining and Energy Committee for Human Rights (CME in Spanish), a place for dialog and exchanging good practices and lessons learned, created in 2003 to understand the scope of the Voluntary Principles and promote their implementation in Colombia. The CME is made up of government entities, companies from the mining and energy sector, the Colombian Oil Association (ACP in Spanish), embassies and organizations from the civil society. By the end of 2009, the CME had 19 member organizations.

### No to Child Labor and Forced Labor

Ecopetrol requires its workers and contractors to commit to human rights and reject child labor and unconsented forced labor, through several mediums. In the first instance, by the Code of Ethics, which is a formal and institutional point of reference of personal and professional conduct. This Code contains clear stipulations on human rights, particularly as regards the rights to liberty, equality and solidarity.

All Ecopetrol contractors are required to declare their adhesion to the company's Code of Ethics. Important effects are attributed to this declaration in contracts, as the application of the Code is qualified as a contractual obligation, whose non-compliance will result in the implementation of the penal instruments agreed to (*Penalty Clause, Early Termination*).

Similarly, the workers, contractors and third parties involved in the company's operations are required to understand and commit to the Corporate Social Responsibility (CSR) guidelines and the Human Rights Policy, which establishes the following:

- **“Child Labor:** Ecopetrol rejects child labor to carry out activities involved in its corporate purpose and requires its contractors and associates to do so as well.
- **“Forced, compulsory or unconsented labor:** Ecopetrol rejects forced or compulsory

labor. Workers are hired and remunerated with a fair salary that, in relation to their capacity and skill, will ensure a suitable quality of living for themselves and their family and, in no case, will workers have to stand surety to the company for the personal service contracted.

In addition, the registration form of Ecopetrol's Supplier Classification System includes a section that refers to Corporate Social Responsibility, where the supplier responds whether or not it embraces each of the ten principles of the UN Global Compact.

Contractors are aware of all the aspects mentioned above and they are reaffirmed in each new contract and performance evaluation, where CSR (Corporate Social Responsibility) and HSE (Health, Safety and Environment) aspects are always a part of the criteria to be evaluated.

### Human Rights and Ethnic Communities

Pursuant to its Human Rights Policy, Ecopetrol respects the rights of ethnic minorities and communities in its areas of influence.

The company maintains constant dialog with its stakeholders and civil society organizations in order to exchange, discuss and understand the different perspectives and concerns in relation to human rights.

In addition, it has established a prior consultation process, whose purpose is to respect ethnic minorities' fundamental right to participate, with a view to guarantee their survival as culturally differentiated peoples.

At Ecopetrol, prior consultation is understood as an intercultural process of dialog and consensus that endeavors to guarantee the real, timely and legitimate participation of ethnic groups when the company wants to carry out its projects, work or activities on the territory of these communities.





Ecopetrol carries out all its processes of prior consultation strictly adhering to the phases below:

- ⦿ **Initial approach and diagnosis:** seeking mutual awareness and the construction of confidence between the company and ethnic communities.
- ⦿ **Official verification of presence of indigenous communities and legally constituted territories:** the competent government authorities (Ministry of Justice and the Interior and the Colombian Institute for Rural Development) are in charge of this stage.
- ⦿ **Setup of prior consultation – information and training:** is a formal procedure in which the Government, in charge of coordinating prior consultations, formally declares the process open and provides the respective training for the ethnic communities as regards the formal issues of the consultation, as well as the technical, environmental and social aspects of the project, work or activity to be carried out.
- ⦿ **Identification, analysis and consensus of management and control measures and impacts:** based on the phases and activities of the particular project, the impacts and the respective management and control measures are identified and agreed upon in a participative, instructive manner.
- ⦿ **Internal Reflection Meeting:** an opportunity provided for ethnic communities to reflect on the project, its impacts and the management and control measures identified, in an autonomous manner, free from external interference.
- ⦿ **Pre-agreement Meeting:** during this stage, agreements are reached between the ethnic community consulted and the company in order to carry out the project on their territory.
- ⦿ **Notarization Meeting:** the formal act in which a record of the final agreements reached between the company and the ethnic community consulted are formalized.
- ⦿ **Monitoring and Assessment of the Execution of the Agreements:** stage during which the competent authority, the Ministry of Justice and the Interior, or the Ministry of the Environment, Housing and Territorial Development in the case of projects that require an environmental license, verify the fulfillment of the agreements established in the record of the prior consultation. Monitoring usually takes place during the execution of the technical project.
- ⦿ **Closing of the Consultation Process:** this is done once the execution of the technical project has concluded and all the agreements established in the record of the prior consultation have been fulfilled. In a record, the parties declare each other free from any responsibility, that is to say, that all the commitments were met to the satisfaction of both parties.

From the beginning of the prior consultation until it is closed, the process is accompanied by State surveillance and control agencies. In 2008 and 2009, no incidents were reported against Ecopetrol as regards violating the rights of indigenous people.

### Freedom of Association and Collective Bargaining

Ecopetrol respects all workers' freedom of association and guarantees their right to create worker unions or associations, their right to decide freely whether they want to be a member of a union or association, and their right to participate in the collective bargaining process.

Similarly, the company respects the rights of workers who are members of a union and union leaders, preventing them from being harassed or discriminated, and looks out for the unconditional respect for their right of association for trade union. At Ecopetrol, there are three union organizations, as listed in Table 34.

## Best practices

# A historic agreement

The collective bargain agreement subscribed to between Ecopetrol and work force representatives constituted a milestone in the relationship the company maintains with the interest group comprised by the employees, the pensioners and their families.

With a great round of applause from the negotiating team and a hardy handshake from the highest administrative managers and the delegates of the principal union organization, the collective bargaining was officially settled on August 22, 2009, one of the speediest and most peaceful negotiations ever registered in Ecopetrol's recent history.

Less than two months passed since the first formal collective bargaining negotiation, based on the premise that dialogue was the only mechanism whereby agreements could be reached. Unlike previous negotiations, the 2009 convention was carried out in a most agreeable relaxed environment, and without any labor or operational traumas.

In July 2009, union representatives and Ecopetrol's administration delegates sat at a negotiating table comprised of suitable negotiating teams, all with high professional profiles and well versed in business and company matters, to discuss and reach solutions on common interest issues such as education services, housing, transportation, food, rights and union guarantees, and salary raises.

“During the negotiation, the will to give credit to the arguments, the studies and the previous analyses performed prevailed, which translated into sufficient justifications to both party's positions. The key to our success was establishing the company's interest as a base line for the conversations: the understanding that if Ecopetrol does well, so do we. This allowed us to discuss profound topics and to settle them” said German Osman Mantilla, president of the Workers Union, USO, Ecopetrol's principal union.

The media, civic society actors, as well as stock market analysts, commended the negotiations being held, and underscored the fact that the agreement was signed for a five-year term, thus guaranteeing labor satisfaction in Ecopetrol, and thereby contributing to the fulfillment of the main goals proposed for the company for the year 2015.

A good part of the success of the collective bargain stemmed from the commitments that had been previously agreed on by the administration and the union. On April 24th, three months before

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*During the negotiating process, a continuous effort was made to hold the discussions to a purposeful dialogue, respecting each others turn to speak, knowing that these attributes constitute the best alternative in building confidence relationships.*

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*The President of Ecopetrol, Javier Genaro Gutierrez and the President of the Workers Union, Germán Osman Mantilla, during the announcement of the agreement that gives free way to a new Collective Bargaining Agreement.*

the negotiations of the collective bargaining, the parties had entered into an agreement on how to manage relations, differences and contradictions based on confidence guidelines, mutual respect, and the best intentions for the common good of the workers and the company.

This commitment recognized constructive and productive dialogue as the priority alternative for conflict resolution within Ecopetrol. With this line of thought, the parties agreed to establish follow up mechanisms and controls to guarantee mutual compliance with obligations, not only with the company and contractors but with the workers, thereby preventing possible conflicts, their impact on operations, or non compliance with labor obligations. The spokespersons of both the company and the union made an explicit commitment not to use foul language or public accusations that could risk the reputation, honor and safety of the persons involved.

“We will continue to manage our relations with responsibility, integrity, respect and confidence, as we are aware that these are the values that help build a sound community, for the benefit of the common good”, final statement of the commitment agreement.

**Table 34.**  
**Union Organizations at Ecopetrol**

Name	Number of members 2008	Number of members 2009
USO (Workers' Trade Union)	1,250	1,452
Adeco (Association of Professional Executives and Technicians of Oil Companies in Colombia)	94	111
Sindispetrol (National Trade Union of Workers of Petroleum, Petrochemical and Related Contractors, Services Subcontractors and Activities)	5	3

Fuente: Ecopetrol, Vicepresidencia de Talento Humano

2009 was a historic year for Ecopetrol in terms of collective bargaining with its three unions. On August 22, the new Collective Bargaining Agreement was signed along with a comprehensive agreement on aspects that guarantee the corporate objectives, amidst an environment of dialog and mutual respect, which included the 40 days of the bargaining process in the direct settlement stage.

This historic achievement is the result of a process that was carried out based on an agreement of confidence signed on April 24, where transparency and open communication were the fundamental basis.

The force of this Collective Agreement was set at five years, from July 1, 2009 to June 30, 2014. The following is a description of several points agreed upon:

- ⦿ Economic adjustment of entries apart from wage adjustments.
- ⦿ Direct provision of health care service for the family members of temporary workers.
- ⦿ The possibility to outsource the services required by Ecopetrol for its operation and growth.
- ⦿ Home loans standardized with the company's general policy.
- ⦿ “Field” bonuses and meal subsidies are standardized.



*Germán Alfredo  
Osman Mantilla,  
President  
of the Workers  
Union (USO).*

## Employee testimony

# A space for all

“The union has always played an important role in the history of Ecopetrol by representing the workers interests. Since 2009 a major change in the culture of the company was proposed in order to break the paradigm that anything the union said had to be denied by the administration or vice versa. We believe in the good will of the President of Ecopetrol.

As a union we have always played an important role as part of the stakeholders that can contribute to development and the results of the company’s social responsibility. We can feel this directive.

We are part of the human resource, the most valuable asset of any entity. We agree with the policy that has been in place whereby the employee stakeholders are taken into account as a group that can contribute, and is heard and can participate in some way in the decisions that the Ecopetrol administration may take. It is a big step in the relations among company, workers, and pensioners.

One of the work scenarios that will help establish the stakeholder issue is what we are talking about with the administration regarding development, productivity and workers well being. There, both parties are contributing their ideas, designing joint strategies to make that product function so that people can see that this is the outcome of working together.

What we perceive from the company’s President’s is that we are being persistent in the idea of privileging a dialogue, facilitating scenarios that enable discussion of the various issues, and that we are reaching agreements with better interaction.

“To the extent that the company grows and that means growth for the workers as well, there will be shared sustainable advances, growth in a climate where we all are pulling towards a common benefit.”



- ⦿ Adjustment of wage rates on the pay scale in accordance with the wage policy as per market studies (from 0.8% to 12%).
- ⦿ General raise in pay of 6.02% as of July 1, 2009.
- ⦿ Other adjustments to benefit workers in aspects such as education, transportation, union guarantees and rights, among others.

Finally, it is important to point out Ecopetrol's joint efforts with unions in defending human rights and peace, a topic that has been included as a chapter in the Collective Agreement. It contemplates aspects relating to handling workers that may be in a situation of risk and contains prerogatives to assist, such as paid leaves of absence, financial aid and transfers to other cities, among others.

The Conventional Agreement contemplates the National Human Rights and Peace Committee, made up of workers who are members of the USO and Ecopetrol Management representatives. The Committee meets systematically every month and discusses topics of human rights, threats or incidents and leads training programs for direct workers and communities in human rights and International Humanitarian Law (IHL).

In the year 2009, 35 of Ecopetrol's direct workers carried out a Diploma Course with the Universidad Nacional de Colombia. Similarly, 15 workshops were provided nationwide in topics of human rights and peace for 628 people, including direct workers and communities.

In addition to the National Human Rights and Peace Committee, the company has made agreements with the Union on the operation of nine regional sub-committees that meet on a monthly basis or hold special meetings in the event of circumstances or threats involving human rights.

It is important to point out that the company and the union have joined efforts to promote and encourage coexistence and the peaceful settlement of conflicts, thus playing a role in eliminating the violence affecting the social environment in which Ecopetrol is operating.

## Society And Community

According to the provisions established in the Corporate Social Responsibility (CSR) Model, Ecopetrol has acquired a commitment with its stakeholder society and community, defined as: participate in the sustainable development of Colombia in a framework of co-responsibility and respect for human rights. This commitment is backed by four strategic objectives:

- ⦿ **Carry out all activities with social and environmental responsibility.** The following criteria are applied in fulfilling this objective:
  - Guarantee a precautionary approach in the management of social and environmental impacts.
  - Evaluate social and environmental implications in investment analyses and the planning of all projects, operations and new business.
  - Ensure the quality and timeliness of environmental impact studies and Environmental Management Plans (EMP).
  - Create synergies in the management of social and environmental impacts.
- ⦿ **Promote collective processes of territorial development.** One of Ecopetrol's commitments is to promote social and institutional platforms for regions to carry on with their development processes, without the resources and dynamics derived from the oil sector once the useful life of the company's activities has concluded. The following criteria are applied in fulfilling this objective:
  - Employ a comprehensive understanding of development.
  - Participate in the creation of public policies and development planning.
  - Prioritize long-term social processes rather than provide support for specific projects.
  - Take part in and/or promote social and institutional networks and alliances.
  - Promote the creation of synergies, knowledge production and transfer, and the formation of capacities among the actors of regional development.



- Manage funds with other entities to maximize impacts.
- Identify and assess situations and events that require the presence of Ecopetrol with actions of solidarity.
- ⊙ Strengthen Relations of Co-responsibility Based on Dialog and Participation Recognizing the existence of different interests and expectations, and the construction of agreements through open, honest and transparent dialog, constitute fundamental practices for legitimate, sustainable corporate social management. The following criteria are applied in fulfilling this objective:
  - Become systematically familiar with the territory.
  - Acknowledge and respect the different actors, promoting civic culture.
  - Inform, communicate and be accountable for the corporate activities of public interest.
  - Provide opportunities for participation and consensus with the community.
  - Do not accept de factor proceedings and take on conflicts in an institution, peaceful and concerted manner.
- ⊙ Guarantee respect for and the promotion of human rights. In fulfilling this objective, Ecopetrol complies with its Human Rights Policy, particularly the criteria below as regards communities:
  - Recognize, value and promote ethnic and cultural diversity.
  - Respect the collective rights of ethnic groups when carrying out projects.
  - Establish relations of equality, regardless of people's social, political and/or economic situation.

## Impact on Communities

The operation of major companies, particularly those of the oil, gas and mining sector, causes positive as well as negative impacts. In positive terms, Ecopetrol has meant the following to its communities:

- ⊙ Increase in departmental and municipal budgets with the taxes and royalties generated by the operation.
- ⊙ Development of the road infrastructure.
- ⊙ Creation of new jobs.
- ⊙ Knowledge transfer to the groups it works with, such as Regional Environmental Agencies, Territorial Entities, Community Action Boards and community leaders, among others.
- ⊙ Social investment, mainly in education, culture, production projects, institutional and community strengthening, health care and public utilities.

On another note, as part of its social responsibility with the communities, the company is required to take measures as regards its negative impacts. This is done through the Environmental Impact Studies and Environmental Management Plans required during the licensing process. Table 35 illustrates some of the main negative impacts and the respective actions to deal therewith.

**Table 35.**  
**Handling negative impacts on the community**

Impact	Measures
Generating expectations	<ul style="list-style-type: none"> <li>• Program to meet and inform the community of the company's activities.</li> <li>• Contracting people in the regions where the company carries out operations.</li> <li>• Line of investment in "Economic Development and Production Projects) to promote development processes that will create more job opportunities for people in the region, in the economic vocations typically carried out there.</li> </ul>
Social and cultural changes	<ul style="list-style-type: none"> <li>• Applying manuals of networking with the communities for contractors and members of the public forces who protect the oil infrastructure.</li> <li>• Program of archaeological prospecting, archaeological rescue and/or monitoring.</li> <li>• Line of investment in "Education and Culture" to strengthen levels of education and people's sense of cultural belonging toward their regions.</li> </ul>
Deterioration of physical infrastructure	<ul style="list-style-type: none"> <li>• Repair and improvement of the roads and bridges used by the operation.</li> </ul>
Relocation of homes	<ul style="list-style-type: none"> <li>• Resettlement program.</li> </ul>

Source: Ecopetrol Services and Technology Vice Presidency

Children benefiting from the "New School" program supported by Ecopetrol in the province of Putumayo.



## Social Investment

In 2008, Ecopetrol executed a total social investment of \$125.803 billion, and \$135.638 billion in 2009.

These amounts include the Science and Technology funds executed by the Instituto Colombiano del Petroleo (Colombian Petroleum Institute), the Supplier Development Program, the Pimpineros Social – Labor Reconversion Program and the social investments made on the regional level and in new projects.

At Ecopetrol, the total social investment is distributed in five lines of regional development as illustrated in table 36. It is important to point out the

growth of the line of Economic Development and Production Projects, mainly due to the first contribution made by the company in 2009 for a total of \$25.953 billion, for the Magdalena – Puente Guillermo Gaviria Correa highway mega-project to be carried out over the next few years.

In addition, 74% of the social investment made in 2009 was defined and developed regionally (see Ecopetrol regions in Illustration 10), while the remaining 26% was executed in projects on the national level. Most of the investment was concentrated in the Middle Magdalena regional unit, followed by the Central and Caribbean regional units as illustrated in Table 37.

**Table 36.**  
**Evolution of Social Investment at Ecopetrol**

Figures in millions

Line of investment	2005	2006	2007	2008	2009
Economic development and production projects	9,128	6,624	16,054	14,681	53,255
Institutional and community strengthening	3,362	6,450	14,011	39,108	23,775
Health care and public utilities	13,370	15,234	17,824	28,928	20,451
Education and culture	4,397	9,385	18,361	23,326	24,087
Environmental	4,135	2,768	6,899	19,760	14,070
Total	34,392	40,461	73,149	125,803	135,638

Source: Ecopetrol Services and Technology Vice Presidency



Illustration 10

Regional map of Ecopetrol

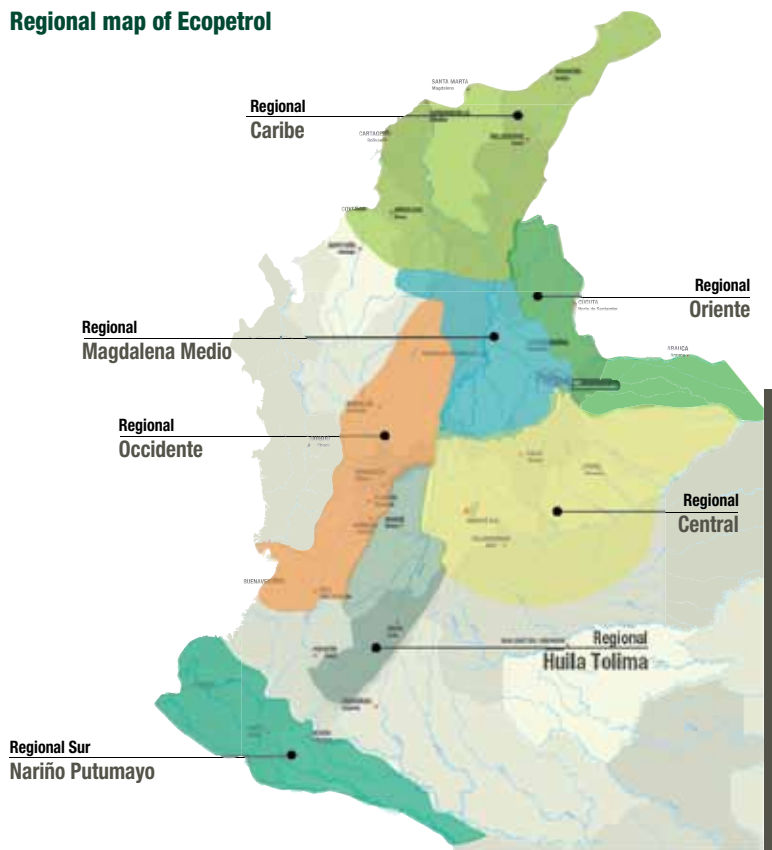


Table 37. Social investment by regions

Figures in millions

Region	2009	%
National programs	35,358	26.1%
Middle Magdalena	59,702	44%
Central	16,865	12.4%
Caribbean	12,326	9.1%
Eastern	4,697	3.5%
Huila - Tolima	2,929	2.2%
Western	2,060	1.5%
South	1,701	1.3%
<b>Total</b>	<b>135,638</b>	<b>100%</b>

Source: Ecopetrol Services and Technology Vice Presidency

Projects with the Most Impact by Region

In 2009, different projects were carried out, selected by consensus with communities and considering the characteristics of each region. Similarly, Ecopetrol promoted projects on the national level, mainly focused on the lines of education, culture, productive projects and institutional strengthening. Table 38 lists some of the main regional projects carried out this year.

Projects with National Impact

Since 2005, the company has become involved in the programs below in order to make the most impact possible, economies of scale and play a role in achieving the country's goals:

- ⦿ **Closing the technological gap:** consists of supporting the Ministries of Education and Communications as well as town halls and governor's offices in increasing the use of computers connected to the Internet in public schools. Since it began four years ago, 111,100 students, 227 schools and 66 towns have benefited from the program. This program complements Ecopetrol's support for the National Ministry of Education's "Computers to Educate" Program.
- ⦿ **Support for the National Plan of Culture and Libraries:** consists of supporting the Ministry of Culture in its effort to provide all the towns in the country with a municipal public library. Ecopetrol's participation will benefit 15 towns between 2008 and 2010.
- ⦿ **Expansion of coverage of the Escuela Nueva (New School) project:** in association with the Fundación Escuela Nueva, Ecopetrol has managed to improve the quality of education and keep students in school in the Departments of Putumayo, Nariño and Santander, benefiting 80,000 rural students.





**Table 38.**  
**Main social projects by region**

Region	Description
<b>Middle Magdalena</b>  Santander, Southern Bolívar and Eastern Antioquia	Support in carrying out 15 production initiatives in the towns of Cantagallo, Puerto Wilches and Yondó to benefit 5000 families. Partners in the project: Fundesmag, Fundación Panamericana para el Desarrollo – FUPAD (Pan-American Foundation for Development), SENA (National Training Service), the town of Yondó and Agricultural Companies from Yondó.  Participation in the second phase of the Middle Magdalena Digital Multimedia Corridor project, to implement a technological model to promote the creative use of new technologies for social inclusion and socio-cultural development. Partners in the project: Ministry of New Technologies and Communications, the town halls of Sabana de Torres, Barrancabermeja, Puerto Wilches and Cantagallo, and the company Fruto Social de la Palma.
<b>Central</b>  Meta and Casanare	Training School for Democracy and Institutional Development for youth in the Foothills of the Plains Region in Villavicencio, Cumaral, Restrepo and Acacias. Partner in the project: Cordepaz.  Design and implementation of a training and awareness process to transform human and environmental values as regards the sustainable use of natural resources, carried out with a group of 5450 children who are defenders of water in 98 towns in Cundinamarca, 3 in Boyaca and 5 rural localities in Bogotá. Partners in the project: Corporación Autónoma Regional – CAR (Regional Environmental Authority) and Universidad Abierta y a Distancia (UNAD).
<b>South</b>  Putumayo and Nariño	Construction of the 8th stage of the main road in the county seat of Orito, benefiting 48,000 inhabitants in the town. Partner in the project: Town of Orito.  Construction of classrooms in the administrative area of the Awa Bilingual Agro-environmental Institute of Technology in the town of Barcaboas, Department of Nariño, benefiting 1298 Awa indigenous people. Partner in the project: Indigenous Unit of the Awá People (UNIPA).
<b>Eastern</b>  Norte de Santander, Eastern Boyacá and Northern Arauca	Establishment of 120 hectares of cloned cacao for small-scale producers organized through the associations Asocamar and Asocasar, which belong to the towns of Tibu, Sardinata, Cucuta and El Zulia. Beneficiaries: 240 farmers. Partners: Fundescat-Midas, farmers from the region.  Project to strengthen the educational sector in 16 schools in the town of Tibu, providing didactic material, furniture and training for parents, teachers and students at the schools. Beneficiaries: 700 people including students, teachers and parents. Partners: Tibu Town Hall and Fundescat.
<b>Caribbean</b>  Córdoba, Magdalena, Bolívar, Atlántico, Sucre, Guajira and Cesar	Promoting the formation of artificial reefs as a strategy to recover marine ecosystems and favor small-scale fishing and underwater ecotourism. Assistance was provided for the organized communities of small-scale fishermen through training programs on how to care for the ecosystem in their fishing activities. Partners in the project: government and private entities from the region of Golfo de Morrosquillo.  Job training and training on the creation and development of business units for the towns in the vicinity of the industrial sector of Mamonal, based on the requirements, needs and qualifications of the companies in the sector and a culture of entrepreneurialism. The program has created 15 companies, developed 55 others, and trained 8000 people. Partners in the project: Actuar Bolívar, SENA (National Training Service).
<b>Huila - Tolima</b>  Huila y Tolima	Providing electricity for the Pinal Sector in the village of Fortalecillas, town of Neiva, benefiting 180 people living in 60 homes. Partner in the project: town of Neiva.  Providing computers for the educational institutions Vergel and Olaya Herrera in the town of Ortega, Tolima, benefiting 500 students. Partner in the project: town of Ortega.
<b>Western</b>  Caldas, Risaralda and Quindío, Antioquia . and Valle del Cauca	Training and active participation in improving the quality of living of communities by reducing, preventing and mitigating the conditions of risk existing on their territory. Participating Departments: Antioquia, Caldas, Risaralda, Tolima and Valle del Cauca. Partners in the project: Local Committee for Disaster Prevention and Relief (CLOPAD) of each town, Regional Environmental Authorities, the Colombian Red Cross and Corporiesgos (Corporation for Risk Management).  Water for Life in Valle del Cauca is an initiative that promotes the improvement and conservation of the current state of the natural resources existing in the sub-basin of the San Marcos River and the basin of the Tuluá River, through sustainable production, conservation and environmental education activities carried out with community participation. Partners in the project: Ascocaña, Vallenpaz, The Nature Conservancy (TNC) and Amaime, Nima, Bolo, Guabas, Desbaratado, Frayle and Tuluá-Morales River users' organizations.

## Best Practices

# Brilliant minds

By giving recognition to 70 students around the country on a yearly basis, the High School Graduates for Colombia program continues to be an icon of Ecopetrol's involvement in the development of society and its communities.

During six years, every day of her life, young Petra Julissa Orozco had to walk more than 3 kilometers through the dusty roads of Pivijay, her birthplace, to arrive at her high school. Despite the financial difficulties, and with only 15 years of age, she graduated with honors and obtained such good grades that she was awarded as the best high school student of the Magdalena Province in 2008. Taking into account her academic excellence and her precarious financial situation, she was selected as the star of Ecopetrol's High School Students for Colombia Program.

In the year 2009 the program reached its 23rd version, which takes place once every year. With the benefits provided to 578 youth of all regions of the country, it has consolidated as one of the main and most emblematic initiatives that Ecopetrol has conducted in the area of social responsibility favoring the stakeholder group formed by our society and communities.

During its 58 years in business, Ecopetrol has propitiated good relations with the surrounding communities where it operates. Based on the "good neighbor policy" implemented in the 80's up until a social responsibility model was introduced in recent years, the communities have been a core focal point of the company's social strategy.

Under the premise of "participating in the country's sustainable development within a framework of co-responsibility and respect for human rights", the Social Responsibility model assigns a preferential role to all those communities and territories where Ecopetrol develops its activities.



*Lucía Catalina Silva Cala, the best high school graduate in the department of Santander obtained the best State exam grades in Colombia in the year 2008.*

Currently 350 Colombian municipalities have a direct relationship with the social management of the company, either because some kind of oil related operations are carried out in their jurisdictions, or due to the passing through of pipelines.

Through alliances with social foundations, non-government organizations, agreements with local mayor and governor offices, or agencies representing the community - such as community associations and leaders - Ecopetrol interacts and offers support to productive projects and programs with an evident social content.

One of Ecopetrol's strategic specialty lines in social action is that related to education, either through co-financing educational infrastructures, or direct support of cultural training and awareness programs.

As part of that line of action, in 1986 Ecopetrol created the High School Program for Colombia "Mario Galán Gómez", through which special recognition is given to the best students from all around the country.



“Education is the foundation for developing societies. Education assures able minded citizens to be owners of their destiny, with the ability to change the world “, said Ecopetrol’s president, Javier Genaro Gutierrez when justifying the support given to this initiative.

In its 23rd versions, Ecopetrol has provided financial assistance in terms of scholarships to talented students, most of whom today are professionals in careers such as Medicine and Economics, as well as Electrical and Systems Engineering.

Average support provided by student amounts to 36 million pesos, which means that the program has represented a total investment of 18,312 million pesos. Many of the high school graduates occupy prominent positions in private companies or in the public sector.

In 2009, the company modified its bylaws and duplicated the number of beneficiaries, going from 35 students to 70, with the aim of increasing opportunities in formation and growth for Colombian youths.

Besides awarding academic excellence measured by the results in statewide Icfes exams, Ecopetrol also acknowledged the socio-economic component when awarding these recognitions.

In this way, 70 high school graduates, two from each province, two from the capital, two representing indigenous communities, and two from afro-Colombian communities, can count on a full scholarship in the University of their Choice.

“This is a huge incentive for the graduates, it is a commitment and a distinction that, without any doubt, motivates the students to progress and to become better every day. In addition to being a financial help, the scholarship is important for self confidence of these young people, who are the future of Colombia”, says Luz Lidia Cala, Lucia Catalina’s mother, the best high school student of the province of Santander in 2008.

- ⊙ **Expansion of coverage of the Batuta Orquestal Program:** 1.300 children have consolidated their interest in music by learning how to play an orchestral instrument, thanks to the support provided by the company for the Batuta Foundation.
- ⊙ **Development of local job opportunities:** in an alliance with the SENA (National Training Service), 3887 people participated in training processes in 2009 to improve their job qualifications in different areas required by the oil industry, 2654 of which were certified by the SENA.
- ⊙ **Socio-labor Reconversion Program:** the purpose of this program is to provide legal job alternatives for the population devoted to the illegal trade of fuel in the Departments of Guajira, Norte de Santander, Arauca, Guainia and Vichada. In 2009, this program served 1872 people, representing 32% of the total target audience, 1404 of which are committed to give up the activity, that is to say 17.8%. Between 2006 and 2009, \$13.018 billion have been allocated, mostly by Ecopetrol, in the framework of alliances with regional actors such as Chambers of Commerce, the SENA (National Training Service) and territorial authorities.
- ⊙ **Participation in the national network of development and peace programs:** in its capacity as the supporting entity of Redprodepaz, Ecopetrol allocated funds for a total of \$1.591 billion in 2009 for the construction of a regional environment that would favor the company’s viability and sustainability in the long term, by strengthening the Development and Peace Programs. This support includes strategic, institutional, technical, organizational, productive, environmental and commercialization aspects, among others.
- ⊙ **Participatory Rural Innovation:** in an agreement with the PBA Corporation for a total of \$280 million, Ecopetrol has been supporting the participation of 33 leaders from five communities involved in the Regional Development and Peace Programs (Montes de Maria, Dique,

Bajo Magdalena, Sierra Nevada and Magdalena Medio) through a process of training in production systems and peasant experience exchanges, in order to generate social integration, transfer good practices and expand the initiative.

The company is also participating in a Municipal Development Program in an agreement with the World Bank through its International Finance Corporation (IFC) and the Departamento Nacional de Planeación - DNP (National Planning Department). This program is worth \$2.192 billion, 50% of which were contributed by Ecopetrol. The following results were obtained in 2009:

- ⦿ Improvement of royalty investment in five towns: Aipe in Huila; Yopal and Maní in Casanare; Purificación in Tolima, and Acacias in Meta. As a result, there was true coverage of the basic needs of these regions by means of investments in aqueducts and education.
- ⦿ Strengthening of the Citizen Committees for the Monitoring of Royalty Investment (CESIR) in the Departments of Huila, Arauca, Sucre and Cordoba. In 2010, the company is facing the challenge of opening two new chapters in the Departments of Meta and Santander.

In addition, Ecopetrol is carrying out projects in indigenous and afro-Colombian populations. Table 39 describes some of these projects.

**Table 39.**  
**Projects with indigenous and afro-colombian populations**

Name	Description	Value in Pesos
Puente Cubará	Construction of the Hamaca – Vereda Fatima Bridge.	610,000,000
Memoria Ancestral Arauca (Ancestral Memory)	Recovery of the collective ancestral memory of the indigenous peoples of the Department of Arauca.	425,000,000
Rapprochement with the U'wa People	Plan for the social rapprochement with the communities of the U'wa people in the Catleya 2D seismic program's area of influence.	155,916,879
Home gardens with the afro-Colombian population of Cartago and Obando in Valle del Cauca	Training in agricultural and cattle-raising techniques to grow 160 home gardens and raise cattle with community participation and associative labor.	127,170,550
Environmental conservation in populations in the vicinity of the Medellín Plant	Environmental promotion and conservation program with 53 families from the Embera Chami indigenous community in the town of Valparaiso and other neighboring communities.	81,566,500
Sports complex for the indigenous community in Toledo	Construction of the sports complex for La Laguna School.	40,964,730
Training for indigenous leaders from the Suratena – Marsella Reservation in Risaralda	Training for 200 leaders and indigenous governors from the Suratena Reservation in indigenous legislation, constitutional regulations and international treaties to strengthen their community.	10,000,000

Source: Ecopetrol Services and Technology Vice Presidency



*Nicol Pérez Baldión,  
best high school  
graduate from  
Tolima in 2008.*

Medellin to continue my university studies and finish a career in Business Administration because my dream is to have my own company, an international restaurant franchise.

Nonetheless, for me to study there would mean a huge financial effort for my family, so obtaining a scholarship had become my goal.

One day, at the beginning of the year 2009, I received a call from Ecopetrol informing me that I was one of three women nominees for the scholarships granted by the High School for Colombia Program. I couldn't believe it!

I set out to gather all the documents I needed and submitted them in both cities (Ibague and Medellín) until one day I received the email confirming I had been selected as the beneficiary of the program.

My family's happiness was overwhelming and I understood what it means to reach a great goal. A door opened to new opportunities and I had no sufficient words to thank God and Ecopetrol for this opportunity.

To be able to count on such a significant financial aid as this represents a huge relief for me, to be able to take the weight off my parents so they can now save that money to support my brother.

This opportunity also implies a big responsibility to return what our region has provided us with, even if it is a grain of sand; the important thing is that it's a step ahead to reach a future full of opportunities and prosperity.

I give infinite thanks to this program, not only for giving me the opportunity to study, but for their great contribution to the country. There is no better investment than education in a country that needs new input and today's young people's ideas for a better tomorrow.

"It makes me proud to know that the country's best company is interested in the future of many youngsters who before had no opportunities for higher education. It is the best way to contribute to the development of the country".

## Community testimony Model student

"In 2009 I was one of the beneficiaries of the High School for Colombia program, so when I heard my name called out in public and I went up to receive my award from Ecopetrol, that was one of the moments in which I felt most proud in my 17 years of life."

I finished my high school studies at the Eucharist School "Maria del Refugio" in the city of Ibague, and I graduated in 2008 with the highest grades thanks to the unconditional support my family provided and the holistic formation I was given.

My parents and I agreed I would to go to live in



*Paula Moreno, Minister of Culture, along with authorities and Aipe community and Ecopetrol representatives during the inauguration of a Library, financed with social investment resources of Ecopetrol and oil related royalties.*

**Municipal Strengthening Program**  
**Stakeholder: State**

## Best Practice

# Investment on strengths

Ecopetrol promotes greater citizen participation in the control of social management of the municipalities that receive royalties by reinforcing the committees that follow up the investment of these funds.

As part of the social commitment with the State, on one hand, and in supporting institutional strengthening of the municipalities and provinces where oil activities are carried out on the other, Ecopetrol decided to initiate a series of programs and actions directed at training and supporting local authorities to thus guarantee a better investment of royalty funds.

To such end, the company spearheaded an agreement with other oil companies, along with the National Planning Department, and the World Bank's International Finance Corporation (IFC), with the aim of re-enforcing the institutional performance of the Committees for Follow up and Assessment of Royalty Investment (CSIR in Spanish).

These overseeing committees are made up of citizen groups that representing community, unions, universities, chambers of commerce, and community overseers.

These committees were created between 2005 and 2006 in most of the provinces that receive royalties, but bear the burden of problems associated with management of information by territorial agencies.

Consequently, the agreement was principally directed at strengthening the committees, offering them the methodological tools that enable performance of technical and objective follow up on how royalties are planned budgeted and invested.

In its initial phase, the agreement encompassed five municipalities: Aipe, Purificación, Yopal, Maní and Acacías. The work guidelines were concentrated on two action fronts:

- Improving the local government's performance in addressing the efficient management of royalties.
- Community participation in defining social controls, and follow ups on investment of resources derived from royalties.



The country's constitution provides for the right of all citizens to participate in these processes through various mechanisms such as citizen oversight committees, rights of petition, the right to access public information and accountabilitys, among others.

These mechanisms are intended to prevent or correct cases of inefficiency or corruption associated with State management. In order to ensure that communities would empower themselves with these rights, the CSIRs were reinforced. Ecopetrol played a major role in that exercise as part of its corporate social responsibility and the State as one of its stakeholders.

Thanks to the work accomplished during 2008 and 2009, these committees have become the transmitters of information between the territorial entities and the community, thereby motivating the active participation of the population in defining investment projects. In turn, local governments have been prompted to become more responsible and transparent in their territorial management.

"There is a better climate and the relations between authorities and the population breathe better air. There is more openness from the authorities to work with the royalty committees as they are now aware that these are made up of representatives from the communities and the civil society, who are there to help them improve management, disseminate the good things being done, and identify errors being made", says Amparo Garcia, Head of Royalties of the National Planning Department.

Social control is the main function of the CSIRs, which implies helping the local authorities to propitiate spaces for assembly so the people can understand how the funds are being spent, how much is received, and what projects are being financed, how contracting is being handled, what is the progress status of projects undertaken and finally what is the impact from these investments.

In particular we have worked on restructuring 18 public investment projects in health, education and potable water for an approximate sum of 90 billion pesos, allowing for a more efficient investment of royalties, with the coverage concerns already visible.

"In the last two years we went from having a nil rate of potable water to a coverage rate, by the end of 2009, of over 70% of the population; this to a large extent was due to the work Ecopetrol and other entities have advanced in strengthening the royalty investment committees", says Javier Montoya Salcedo, mayor of the Municipality of Mani, in the province of Casanare.

## Role in Infrastructure

Ecopetrol plays a significant role in the country in terms of infrastructure. Table 40 describes the main projects carried out directly by the company or in association with third parties in 2009.

**Table 40.**  
**Infrastructure projects with the participation of Ecopetrol**

Projects	Description
Magdalena – Puente Guillermo Gaviria Correa highway mega-project	Association between Ecopetrol, Invias, the Santander Governor's Office and the Barrancabermeja Mayor's Office for the construction of a 30-kilometer two-lane road with a median strip, as well as four road junctions located on the Magdalena highway on the road from Barrancabermeja to Bucaramanga, the road from Barrancabermeja to Puerto Wilches and near the bridge. The project will cost a total of \$259.532 billion and it will be carried out over three year's time. In 2009, Ecopetrol made a first payment of \$25,953 billion.
Environmental Water Sanitation	Structuring of the project to design and execute the first module of stage I, phase II of the San Silvestre Wastewater Treatment Plant (PTAR in Spanish) in carrying out the Water Sanitation Plan of the town of Barrancabermeja in the Department of Santander. Outlay by Ecopetrol in 2009: \$10 billion.
Road to Facatativa	Improvement of Calle 15 between Carrera 17 and the Vereda Mansilla School in the town of Facatativa. The pavement structure was replaced altogether to support the vehicular traffic for the useful life of the design and construction of sidewalks and bike route. Outlay by Ecopetrol in 2009: \$5.164 billion.
Barrancabermeja Hospital	Improvement of the conditions to provide comprehensive health care of the Middle Magdalena Regional Hospital in Magdalena by adapting and remodeling its facilities. Outlay by Ecopetrol in 2009: \$2 billion.
Expansion and adaptation of the aqueduct network	Optimization and expansion of the aqueduct network system of the neighborhoods La Granja and La Paz in the county seat of Santa Cruz de Mompo. Outlay by Ecopetrol in 2009: \$1.15 billion.

Source: Ecopetrol Services and Technology Vice Presidency



*Duval Zambrano,  
Colombia  
representative at  
the International  
Finance  
Corporation.*

## State Testimony

# Royalties to a good cause

“The World Bank Group’s principal mission is to contribute to the reduction of poverty in developing countries. In this line, through the International Financial Corporation (CFI), the Bank has been working in Latin America to improve and optimize the impact the royalties from the oil and mining industries have on local communities.

With regard to Colombia, we are working with Ecopetrol to support institutional strengthening in oil producing municipalities that receive significant royalties. In 2009 we completed a pilot project that benefited the municipalities of Acacías (Meta), Maní and Yopal (Casanare), Purificación (Tolima) and Aipe (Huila).

The project consisted in working with the authorities of these municipalities on improving public investment cycles, issues related to development plans, formulating annual investment plans, the budget, the system for contracting and audits. This work assures that royalty funds received by the municipalities are directed towards the most urgent needs of the population, but principally aimed at impacting the quality of life: health coverage, education and providing many more people with access to potable water and sanitation. The final goal is for people to improve their standard of living and to be able to recognize the private sectors contribution to their development.

“As a mixed economy enterprise, Ecopetrol has a double role: a private role in offering resources and products to domestic and international markets and also a public role when implementing social responsibility actions in the areas where it operates. In the latter case, work focuses on improving public involvement in municipalities and governments that receive royalties, as many companies have a more traditional outlook and only offer community work or philanthropy, ignoring that the oil sector returns abundant funds received by territorial entities that merit actions to generate a more positive impact”.





## Oil Company Foundations

Oil company foundations are private, non-profit entities with technical, operating and financial autonomy. They came about in the mid 1980s and are currently part of the corporate purpose to promote collective processes of regional development.

There are five foundations in which Ecopetrol holds different levels of interest, as illustrated in Table 41.

**Table 41.**  
Ecopetrol's interest in oil company foundations

Foundation name	Ecopetrol's interest
Fundación Ecopetrol para el Desarrollo del Catatumbo – Fundescat (Ecopetrol Foundation for the Development of Catatumbo)	100%
Fundación Ecopetrol para el Desarrollo del Magdalena Medio – Fundesmag (Ecopetrol Foundation for the Development of the Middle Magdalena)	100%
Fundación Alto Magdalena – FAM (Upper Magdalena Foundation)	100%
Fundación Amanecer (Amanecer Foundation)	50%
Fundación Oleoductos de Colombia – ODC (Pipelines of Colombia Foundation)	100%

Source: Ecopetrol Services and Technology Vice Presidency

In 2009, the foundations executed a total of \$125.578 billion in projects for education, the environment, infrastructure and basic sanitation, among others. The investment made by Fundesmag represents 64% of the total investment made by the oil company foundations, as illustrated in Table 42.

**Table 42.**  
Investment by oil company foundations in 2009

Foundation	Investment 2009 (in millions)	%
Fundación para el Desarrollo del Magdalena Medio – Fundesmag (Foundation for the Development of the Middle Magdalena)	80,803	64.3%
Fundación Alto Magdalena – FAM (Upper Magdalena Foundation)	17,784	14.2%

Foundation	Investment 2009 (in millions)	%
Fundación Amanecer (Amanecer Foundation)	16,180	12.9%
Fundación Ecopetrol para el Desarrollo del Catatumbo – Fundescat (Ecopetrol Foundation for the Development of Catatumbo)	9,087	7.2%
Fundación Oleoductos de Colombia – ODC (Pipelines of Colombia Foundation)	1,724	1.4%
<b>Total</b>	<b>125,578</b>	<b>100%</b>

Source: Ecopetrol Services and Technology Vice Presidency

## Citizen Participation Offices

As part of its CSR model, Ecopetrol has established a mechanism of dialog with all its stakeholders to deal with questions, requirements and requests from all its communities through five Citizen Participation Offices (OPC in Spanish) located in Bogotá, Barrancabermeja, Yopal, Neiva and Apiay. In 2010, two new offices will be opened in Cartagena and Cucuta. In order to cover the regions of the country where there are no direct offices, Ecopetrol has the Tele-iguana system (toll free numbers) and carries out mobile brigades to towns such as Orito, Ortega, Tumaco, Monterrey, Castilla, Acacias and Guamal.

Ecopetrol is responsible for making sure all citizens' questions, requirements and requests are dealt with within the periods established to do so and they are satisfied with the response. In addition to this personalized attention, citizens can write, call (234 5000 – toll-free 018000918418), visit the website ([www.ecopetrol.com.co](http://www.ecopetrol.com.co)) and send e-mail ([participacion.ciudadana@ecopetrol.com.co](mailto:participacion.ciudadana@ecopetrol.com.co)).

In 2008, over 13,000 citizen requests were received, including rights to petition, simple petitions, complaints and claims. Only 3% of the requests and 9% of the rights to petition were dealt with outside the period established to do so. In 2009, 12,742 citizen requests were received, including rights to petition, simple petitions, complaints and claims. 96% of the requests and 99.8% of the rights to petition were dealt with within the periods established to do so.



*Public hearing held by Ecopetrol in Cartagena in December 2009, attended by 1400 people.*

In 2009, the Stakeholder Monitoring process was established, which uses all the requests received through the Citizen Participation Offices as input. The purpose of the process is to improve the company's performance on a continuous basis and establish with all its areas actions for improvement and the mitigation of impacts as regards stakeholder relations.

Similarly, the OPC coordinated three Public Accountability Hearings in 2009 in the Departments of Putumayo, Norte de Santander and Bolivar. An average of one thousand people attended each hearing. Over 800 questions on different topics were received in the three events, among which the most common had to do with local contracting and social investment. 100% of the questions were answered, either directly during the hearings, or through the company's website.

These opportunities are very important to Ecopetrol because, in addition to answering citizens' questions, the community has the chance to learn about the progress of Ecopetrol's main operating

and financial indicators, as well as the investment projects to be carried out in their regions and the company's socio-environmental management.

Finally, in 2009, the OPC formalized a corporate Complaint, Report and Claim system as part of Ecopetrol's commitment to transparency and process improvement. In the first place, the system enables the participation of all the stakeholders in the company, and secondly, it is a centralized mechanism for all the areas of the company to provide timely responses to complaints with effective solutions.

### **Instituto Colombiano del Petróleo (Colombian Petroleum Institute)**

The Colombian Petroleum Institute (ICP in Spanish) is a research and development center for the oil industry. It was created in 1985 as a result of a national policy that considered technological development an essential element in increasing productivity in the different processes related to the search for hydrocarbons, production, transport



and refining. Its infrastructure is known for being one of the most modern and complete facilities in Latin America: 20 highly specialized laboratories and 29 pilot plants, where processes that are developed in the laboratories are simulated on a higher scale.

Ecopetrol plays a significant role in the country's scientific and technological development through the ICP. In 2009, the ICP had a total of 41 signed agreements, 35 domestic and 6 international, as well as 14 memberships in international universities. Through agreements with universities and research centers, the ICP conducts studies, develops methodologies, etc. in order to come up with technological solutions to problems and needs existing in Ecopetrol's operation and development and those of associated companies and businesses.

The ICP's investment in 2009 amounted to \$4.554 billion in domestic agreements; \$2.529 billion in agreements with foreign institutions, and \$1.404 billion in memberships, totaling \$8.487 billion in contributions.

The activities carried out by the ICP include its support for the Colciencias Waves Program, which works to promote the creativity and innovation of research groups in primary and secondary schools, as well as in university students. Within the scope of this initiative, for the second year in a row, the Ecopetrol Innovation Award ceremony was held in 2009, giving out ten grants for a total of \$5 million each in recognition of research groups in schools and universities in the Eastern region of Colombia.

The ICP also has two publications: The Ciencia, Tecnología y Futuro – CT&F (Science, Technology and Future) journal, which published issue No. 15 in December 2009, and the Ecopetrol&nova, which published its second issue that same year.

In order to envisage relevant market forces for the industry and identify new business opportunities to improve its sustainability and competitiveness, Ecopetrol holds technological forums on topics of interest on a yearly basis for its strategic planning. The ICP held five forums in 2009 on the following topics: operating process security, the environment in the oil industry, biofuels, Offshore and petrochemistry.

The ICP's intellectual capital is preserved by intellectual property protection procedures such as the consolidation of trade secrets, patents, copyrights and the publication of articles in specialized journals. The ICP's scientific production in 2009 included: 28 patent requests submitted and 17 technological products with applications in the different areas of the business.

## Regional Contracting

Ecopetrol's impact on the locations where it operates, compared to the budget of a town vs. the company's procurement and contracting in one year using suppliers from the same location, is significant. In Orito (Department of Putumayo), for instance, Ecopetrol carried out procurement and contracting in 2009 for a total of over 82% of the town's official budget (see Tables 43 and 44).



Cover page of the Ecopetrol&NOVA magazine, December 2009.

**Table 43. Municipal Budgets vs. Local Contracting – 2008\***

Figures in million of Colombian pesos

Town	Municipal budget (In millions)	Local contracting (In millions)	Percentage
Orito	30,687	48,281	157%
Neiva	230,819	203,209	88%
Tibú	16,418	7,388	45%
Barrancabermeja	426,067	133,630	31%
Villavicencio	208,017	26,493	13%
Cartagena	423,455	51,360	12%

Source: Ecopetrol Services and Technology Vice Presidency.

\*These figures correspond only to contracting at the municipality, without its area of influence.

**Table 44.**  
**Municipal Budgets vs.**  
**Local Contracting – 2009\***

Figures in million of Colombian pesos

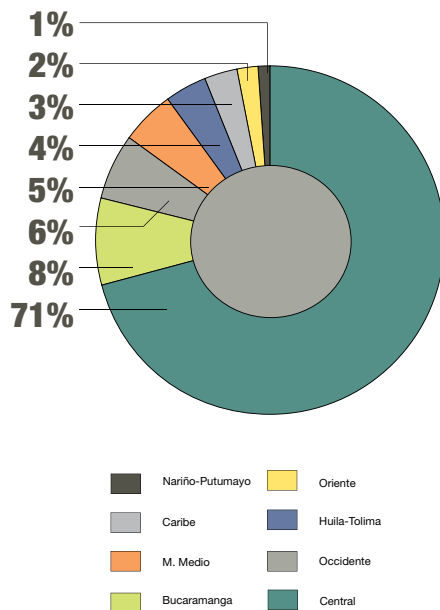
Town	Municipal Budget (in millions)	Local Contracting (in millions)	Percentage
Orito	44,125	36,380	82%
Tibú	18,596	9,725	52%
Neiva	259,488	134,964	52%
Barrancabermeja	426,067	213,947	50%
Villavicencio	329,129	73,178	22%
Cartagena	523,455	115,140	22%

Source: Ecopetrol Services and Technology Vice Presidency.

\*These figures correspond only to contracting at the municipality, without its area of influence.

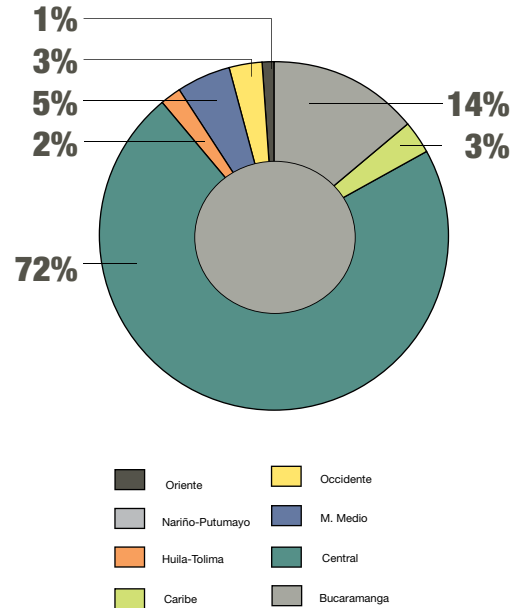
In 2008 Ecopetrol contracted 5499 regional suppliers and its local contracting amounted to \$7,965,258,659,046. In 2009, the company contracted 4834 regional suppliers and local contracting amounted to \$7,805,434,438,215. It is important to point out that both in 2008 and 2009, the highest percentage of contracting took place in the Central region. The distribution of contracting by regions is illustrated in Diagrams 34 and 35.

**Diagram 34.**  
**Distribution of Local Contracting in 2008**



Source: Ecopetrol Services and Technology Vice Presidency

**Diagram 35.**  
**Distribution of Local Contracting in 2009**



Source: Ecopetrol Services and Technology Vice Presidency

Ecopetrol has established parameters and guidelines to guarantee local and regional contracting. Therefore, the provisioning of goods and services in each zone starts out with the analysis of the company's Annual Procurement and Contracting Plan in order to establish the contracts and purchases that are susceptible to local contracting.

Once the categories for the lines of local contracting have been identified, the Supplier Classification System is searched along with other commercial vehicles (market intelligence studies and pre-qualifications through posting on local bulletin boards). The region where the contracts are going to be carried out is filtered using the parameters of experience. If there is no local supply, a second study is conducted in the area of influence and, after that, another is conducted nationwide.

A communication plan has been established in order for suppliers to acquire the qualifications necessary. This is done through dissemination and training in topics of special interest, such as: Ecopetrol's regulations and the presentation of bids, among others.



## Wages for Contractors' Workers

In 2009, there were approximately 28,140 workers of contractors at Ecopetrol (this is an average figure, as it varies depending on the stage of contracting). Ecopetrol establishes a wage regulation for contractors' workers, depending on whether the activity to be contracted is related to the oil industry or not. These policies are extensible to the workers of subcontractors approved by Ecopetrol.

Activities related to the oil industry are framed according to the provisions established in Decree 3164 / 2003 issued by the Colombian Ministry of Mines and Energy. When contracts are signed to carry out industry-related activities, Ecopetrol makes the provisions established in the Collective Bargaining Agreement extensive to contractors' workers. This agreement is the result of bargaining between the company and the unions, which establishes wages, benefits and bonuses, and any other benefits agreed upon.

When the activities contracted are not related to the oil industry, Ecopetrol has issued several wage provisions since the year 2006 to establish wages in accordance with the conditions of the job market.

Therefore, on November 1, 2009, new wage regulations were issued for activities not related to the oil industry, in which a wage scale was created to establish fair, reasonable remuneration for workers according to the positions they hold exclusively for the contract for which they were employed.

The Wage Scale for activities not related to the oil industry establishes the description of the levels and categories in function of the job profile, which takes into consideration aspects such as experience, qualifications and expertise of the personnel to fill the vacancy.

In addition to these wage policies and combined with the certification of technical job skills, Ecopetrol has decided to adhere to the government's job brokerage strategy of the Public Employment Service, which enables it to cross information as

regards job supply and demand through the SENA (National Training Agency) on one hand, and on the other, close gaps as regards worker training and skills in order to guarantee labor quality.

Ecopetrol ensures and verifies that contractors fulfill the labor obligations acquired with their workers, by checking the documents relating to payments agreed on the deadlines established.

## Supplier Development

Since 2005, Ecopetrol has a team in charge of generating spaces for networking with local providers in order to develop and improve their qualifications and skills, striving to maximize their participation on the goods and services market surrounding them.

The program came about with the objective to develop regional and local suppliers in Ecopetrol's areas of influence by improving their technical, administrative and business qualifications. In order to do so, Ecopetrol signed agreements with competent entities, such as the SENA (National Training Service), the Corporación CYGA (Corporation to Promote Quality, Productivity and Environmental Management), ICONTEC (Colombian Institute of Technical Standards and Certification) and the Chambers of Commerce.

In addition, in 2006, Ecopetrol signed an agreement with *Emprender*, an organization with experience in micro-loans to small and medium businesses, for a three-year period and an initial investment of \$1.14 billion. This investment has grown on a yearly basis as illustrated in Table 45. The purpose of the agreement is to financially strengthen the small companies in the regions where Ecopetrol is operating and prepare them for banking and a culture of payment.

**Table 45.**  
**Investment in Micro-loans – 2007 - 2009**

Year	Number of Micro-loans	Total in Millions of Pesos
2007	617	1,139,000,000
2008	1,085	2,633,979,898
2009	1,221	3,538,000,000

Source: *Ecopetrol Services and Technology Vice Presidency*



**Development of Local Providers**  
**Stakeholders: Contractors**

## Best Practices

# The small giants

The contractors and their employees have become strategic allies for Ecopetrol. More and more stories of family companies becoming important providers in their regions are being heard.

Across time and along with Ecopetrol's growth, the contractors have become the principal allies of the company's supply chain in the different regions. Their role has been so important, that in 2009 Ecopetrol had 25 thousand active contractors in the different areas of operation throughout the country; the highest number in its history.

Local providers have acquired a special relevance within this stakeholder group. There are 1,719 small and medium companies, many of them family businesses, which provide many kinds of services and goods required in the areas where Ecopetrol conducts its exploration activities, production, transportation, refining and commercialization of crude and derivatives.

*More than 30 employees are in the payroll of Seridme, a company that has been a key player of the Local Provider Development program of Ecopetrol.*

Since 2007, by way of the Supply of Goods and Services Management, Ecopetrol has implemented the Program for Development of Local Providers, which is aimed at strengthening and positioning small contractors in the regions and supporting their growth in an open and transparent environment with clear rules of the game, competitiveness, and corporate social responsibility.

One of the hundreds of outstanding cases in the Program is that of Servicios Industriales y Metalmeccánicos (Seridme), a company located very close to the industrial area of Mamonal, in Cartagena.

Seridme has experienced an entrepreneurial metamorphosis. From being a modest workshop with two lathes and three operators providing mechanical services during the nineties, today Seridme is a company employing 35 workers and using the most advanced industrial equipment to assist the big metallurgic repairs required by the Cartagena refinery and the most important companies in the energy, shipping and industrial sectors of the Bolivar province.

"Ecopetrol has been hugely supportive as it has provided us with training and has given us the confidence to carry out high precision jobs such as the heat exchangers, which are pieces that were brought into the country previously and now are being produced by us", says Camilo Tabares, a young Antioquia resident who is only 24 years old and is the coordinator of the Seridme Engineering department.

The company and its people have received training in Ecopetrol in ISO 9001 certifications, in improvement in the productive processes and in environmental management plans, among others.

The Provider Development Program defines three big themes where the contractors play a protagonist role: clusters or associative initiatives, management systems, and social responsibility.

These themes are worked over for 39 categories of purchases and contracting, which in turn reflect the local and regional supply lines in four segments:

- The category of administrative services, where we find food, conditioning and maintenance of green areas, personnel transport, rental of



office equipment and photo copying service, fumigation of facilities, and general cleaning, among others.

- Operational maintenance, which includes cleaning of equipment and wells, welding services, electrical works, maintenance and piping construction, among others.
- Civil works.
- Procurement.

With that frame of action, the supply development model is principally focused on seven different areas of interest: Apiay, Middle Magdalena (includes Barrancabermeja), Cartagena, Neiva, Orito, Tibú and stations such as Tumaco, Coveñas and Yumbo. In each area, Ecopetrol has a task group made up of professional and supply coordinators who are in charge of generating an environment for local suppliers in which they are able to improve their competences and skills and to participate in the market place for goods and services.

The provider training activities are organized through agreements with institutions such as Empeñer, Sena, Icontec, and various Ecopetrol foundations and local Chambers of Commerce. Also, through strategic alliances with social foundations and recognized regional cooperatives, more than 2800 micro credits amounting to over \$7 billion pesos were granted between 2007 and 2009.

Additionally, Ecopetrol makes sure that its contractors comply with the Social Responsibility Policies of the company and the business practices contained in Ecopetrol's Governance Codes. For this purpose, RSE contracting and subcontracting guidelines were issued. The aim is the assurance of contractors' relationships with their stakeholders, insofar as they become a branch of operations that are carried out directly.

In all their activities, the contractors must try to minimize the economic, environmental and social risk factors, thus contributing to a better quality of life for the regions.

## Meetings with Suppliers

Pursuant to its commitment to guarantee transparency and clear rules in a relationship of mutual benefit, Ecopetrol has held national and regional meetings with its suppliers and contractors since 2006.

In the framework of these meetings, thematic roundtables are planned to go over the scope of Ecopetrol's new projects, the contracting strategies, expansion of the outlook on new business based on the strategic framework, and contracting for the rest of each year, in accordance with the lines of business.

Similarly, there are question and answer sessions at information points relating to topics such as invoicing, payment, ethics, social responsibility, provisioning methodology and performance evaluation, among others.

Over the last two years, Ecopetrol has given out the Strategic Partner of Excellence award at these events, which is to recognize companies with excellent results on performance evaluations.

## Shareholder Relations

Through the company's capitalization process in 2007, 482 thousand Colombians became shareholders in Ecopetrol. In other words, the new shareholders represent the society in general, because they come from all socio-economic levels and regions of the country.

In order to strengthen relations with its shareholders and investors by means of ethical, transparent and responsible management, Ecopetrol designed and executed a Loyalty Plan in 2009. The program includes different events and activities, whose purpose is to inform, educate and pay attention to this stakeholder.

Throughout the year, it was carried out in 35 cities and towns in Colombia, where a total of 17,606 shareholders were served. The main events carried out were:

- ⊙ **Shareholder Fairsa:** three fairs were held in the cities of Barranquilla, Medellin and Cali, with the participation of the main authorities of the Colombian Stock Market, such as the Bolsa de Valores de Colombia – BVC (A Colombia-based Stock Exchange), the Autorregulador del Mercado de Valores – AMV (A self-regulatory organization in Colombia) and the Deposito Centralizado de Valores – Deceval (Centralized Securities Depository). The purpose of the fairs was to educate and serve as a guide in the stock market, deal with requires and requirements in a personalized manner and provide general information on the company.
- ⊙ **Expo-investment Fair 2009:** the company participated in this event with a stand where it provided general information on Ecopetrol and provided personalized service for the requests and requirements made by shareholders.
- ⊙ **The Shareholder Bus:** the company provided a specialized bus, equipped with seven service points, technology and trained personnel to answer questions and deal with requirements in general. In 2009, the bus toured through 35 cities in the country, serving 13,306 shareholders.
- ⊙ **Shareholder Bulletins:** in order to keep its shareholders up to date, two bulletins were published in 2009 containing information regarding the payment of dividends, stock performance and other relevant news on the company.

On another note, a total of 33,547 requests were received in 2009 through the different channels made available for shareholder attention, such as the Call Center, the Shareholder Service Office, the shareholder e-mail, the bus and shareholder fairs. 99.9% of the requests were dealt with and settled satisfactorily; the other 0.1% was not due to the lack of documentation that had to be provided by the shareholder to carry out the respective procedure.

In comparison with 2008, requests dropped 80% from 164,826 in 2008 to 33,547 in 2009. This decrease is the result of the Company's constant ef-

forts to keep its shareholders informed and educated as regards the stock market, as well as its continuous improvement in its processes.

Similarly, in 2009, the number of rights to petition dropped by 35% as compared to 2008, and requests in writing increased 42%. The main cause of this increase was the process of Enforceability of Bonds, which was mostly carried out in 2009 and generated a significant number of requests for payment that were not applied. Enforceability of Bonds is understood as the process by means of which financial (dividends) and social (say and vote) rights are suspended on shares that have not been paid for. The above is governed by Article 397 of the Business Code.

100% of the rights to petition were answered to in 2009 within the periods established by law (15 business days). 15% of all requests in writing were dealt with by phone as they were about general information. Table 46 lists the main causes of the rights to petition and written requests.

**Table 46.**  
**Typology of the rights to petition and written requests**

Typology	Rights to Petition	Request
Enforceability of Bonds	25%	7%
Payment of Dividends	17%	9%
Refund not provided	15%	5%
Payment not applied	13%	15%
Stock transfer	7%	1%
Award	4%	1%
Change in primary data	3%	8%
Stock Trading	3%	2%
Payment reported to a different shareholder	2%	1%
Shares awarded	2%	2%
Change in the form of payment of dividends	2%	1%
Account status	1%	5%
Ecopetrol in General	1%	2%
Others	5%	41%

Source: Ecopetrol Services and Technology Vice Presidency



Contractor testimony

## With a vocation for exporting

“When I arrived to the company I was only 12 years old. I began as a messenger and I noticed that we were a small neighborhood workshop. With time, my father Oscar, the founder of Seridme, continued giving me responsibilities, and I began learning how to run the machines and now I am the company’s Engineering Coordinator. I am responsible for almost all the machinery and, particularly, I assist in the manufacturing of heat exchangers for Ecopetrol.

As time went by, we kept growing until we turned into the metallurgy company we are today, where we provide support to various big companies in the industrial area of Mamonal.

Ecopetrol has always been very supportive in that we have been able to count on the advantage of having their confidence for performing high precision jobs, like the heat exchangers, which are pieces that were previously imported, and now we produce them.

Ecopetrol grades the providers internally and we have been given good grades, so when bidding for jobs at other companies we have a very good presentation card.

There are times when Ecopetrol runs into emergencies and we go there or they come to us and we begin to work directly on the equipment. The work



*Camilo Tabares,  
Engineering  
Coordinator of  
Seridme.*

has been constructive and proof of our growth is that we have already been making pieces and negotiating international sales. That could not have been possible without Ecopetrol’s support.

In general terms, the growth of our company is due to a large extent to the Development of Local Providers Program, which Ecopetrol sponsors.

From the Management of Providers of Goods and Services we have received the tools and necessary training to improve our administrative issues”.

## Best Practices

# Stockholders on board

In 2009 Ecopetrol implemented different ways to get closer to its stockholders. The stockholder bus, which covered the country's four cardinal points, was one of the most effective actions.

Martha Castrillon, teacher born in Bogotá, gallery owner Hector Montero, and university student Julie Paoline Suarez all live in different parts of the country but share something in common: they are stockholders of Ecopetrol. This condition, shared with 408,300 other Colombians from around the entire country, place them as one of the most recent stakeholders group of the company, that of stockholders and investors.

All three of them became minor stockholders by the end of 2007, when they accepted Ecopetrol's invitation to participate in the largest process of democratization of property ever undertaken by any company in Colombia's history.

Much like the large majority of those who bought Ecopetrol shares, these three middle class Colombians ventured investing for the first time in the Colombian stock market, a market that for most who participated, as shown by surveys conducted and doubts expressed, was partially or totally unknown to them.

Concepts such as dividends for profits, operations in the secondary market, and even the role of stockbrokers were unclear for most of them.

To solve such deficit of information and, fulfilling its role in social responsibility, Ecopetrol has implemented a number of communication strategies for that stakeholder group, keeping in mind the great geographical dispersion of its stockholders.

One of such mechanisms was the so called stockholder bus, a mobile unit decorated with Ecopetrol's distinctive brand colors, which was dedicated to tour the country during four months starting on

July 6, 2009. The bus was equipped with service modules, computers, a stockholder database, and obviously, managed by specialized consultants who were there to answer any doubts that the stockholders may have had.

The first stop the bus made was in Bogotá and from there it headed to different municipalities of Cundinamarca, then to Tolima, Huila, Coffee Growing Zone, Santander, Middle Magdalena, the Atlantic Coast and the southern part of the country.

On October 8th, the bus parked in the most recently finished shopping mall in Popayan. A young woman stepped out from the stairs and said to the eight people standing there: "Good morning, welcome to Ecopetrol".

Throughout the morning, one by one, over 40 visitors showed up. After updating their data, most of them asked about their dividends: How much are they, and when would they be paid, was the recurrent question asked everywhere.

One of them, Don Julio, a 45-year construction worker in Popayan, got on and took out of his pocket a letter notifying him that a stockbroker would shortly be appointed to administer his stocks. The consultant also explained to him the difference between profit dividends and share valuation.

Julio's case is not unique. In general, the public's participation in the purchase and sale of stocks is relatively young in this country. Until very recently, only institutional investors traded in the stock market. Today, nevertheless, one of the missions of Colombia's stock exchange is to become an option for Colombian investors.



*12,844 citizens from 35 municipalities and cities throughout the country accepted Ecopetrol's invitation on its mobile unit or stockholder bus.*

Once the consulting bus arrived in Popayan, we assisted 347 stockholders of the 2,386 that live in that city.

Between July 6 and October 12, the last day of the tour ending in Pasto, 12,844 stockholders of the 290,398 who live in the 35 cities visited had been assisted.

The biggest surprise came out in Sogamoso, where 1,265 of the 7,230 stockholders in that city were assisted.

The stockholder bus was not the only initiative that Ecopetrol undertook to get closer to its owners around the country: in Medellin, Barranquilla and Cali, Stockholder Fairs were held, and in Bogotá, Ecopetrol participated at the Expo-Investment Fair with an entire pavilion.

“For the stockholders of the Wayuu indigenous community in the Guajira, as well as for the people of Buenaventura, Chia o Cucuta, watching the Ecopetrol bus arrive was very exciting. In fact, the people took photos after they had their questions answered and others would spread the word so that people they knew would also come to see us”, said Lorena Rodriguez from Ecopetrol's Stockholder Service Coordination Department.

Unprecedented in Colombia, the bus successfully returned from its novel excursion full of color with all the company stockholders information up to date.

## Responsibility toward Clients and Products

In order to ensure client satisfaction with excellent service, Ecopetrol has a methodology on which relations with this stakeholder are based: CRM (Customer Relationship Management), an internationally renowned practice.

The objective is to use this methodology to manage all the moments of truth with clients in order to get to know them better and generate offers to ensure their satisfaction and loyalty. Another important factor in the CRM strategy is personalized client service, a key factor in Business to Business, like Ecopetrol's business today.

In this contract, adding value to Ecopetrol or third party hydrocarbons, with a clear client and market orientation, is the starting point that focuses relationship management on clients.

There are two policies that govern relationships with clients:

- **The Quality Policy**, which establishes that “... at Ecopetrol S.A., we guarantee the delivery of products and services that satisfy and meet the requirements agreed upon with clients, by means of the continuous improvement of processes and the qualifications of our people, focusing management on client satisfaction”.
- **The Client Service Policy, which states that:** “...client service at Ecopetrol S.A. is governed by business and quality policies, adhering to the corporate principles of responsibility, integrity and respect”.

Ecopetrol offers a variety of channels of communication with clients, including: The Citizen Participation Offices, the website [www.ecopetrol.com.co](http://www.ecopetrol.com.co), the Call Center (phone number 234-5000), the client service e-mail ([servicioalcliente@ecopetrol.com.co](mailto:servicioalcliente@ecopetrol.com.co)).

Clients also have the product catalog located on



*Hernán Amado,  
Juanita, Sebastián  
and Alix Rosana  
Quintero.*

Hernán, the father, is a lawyer who keeps a close watch on the news about Ecopetrol and feels proud to have motivated his brothers and wife to buy shares.

Alix Rosana, the mother, has been advised by several stockbrokers about the capital market and is aware of the Stockholders Assembly and the events held by Ecopetrol to participate.

The Amado family all have the same percentages of Ecopetrol shares and for the young ones to understand what it means to be partners of the company the parents explain in a storytelling manner: “the shares we have make us tiny owners; we are like little flees in a huge giant”.

In the same way as all other stockholders in the country, Hernan and Alix Rosana have in two years seen their investment increase in value by 77%, when each share went from \$1,400 pesos in December, 2007 to \$2,485 pesos in December, 2009.

“As the children grow up we are telling them about Ecopetrol and how important it is to count on that money as a long term saving”, says Alix Rosana.

“This is the opportunity we have foreseen to secure their future college education. We hope that the stock will be enough in seven years to pay for their university education”, Hernán comments.

As it turned out for the majority of minority stockholders, Ecopetrol’s shares have been helpful in learning about the Colombian market capital and understanding about factors that influence the valuation of stock.

## Stockholders Testimony

# The Ecopetrol Family

Juanita, is only four years old and does not yet know what Ecopetrol means, nor does she know anything about the oil world. She does know, however, that one of her favorite toys is her green felt Iguana, which is Ecopetrol’s institutional image since 2007.

Sebastian, eight years old, has already told his classmates that he is a small owner of Ecopetrol, because his father bought him a few shares and thanks to that he has the money secured for his university studies when “he grows up”.



the company's website, which also contains the CRM tool on the SAP platform that facilitates the management and continuous improvement of complaints and claims.

The company provides technical assistance through its account executives devoted to dealing with each of its clients in a personalized manner, through scheduled meetings or telephone contacts.

In the specific case of Natural Gas sale, clients have access to the website of the CCGNET page at <http://ccgnet.Ecopetrol.com.co/> for the effects of nominating their daily natural gas needs.

## Client Description

Ecopetrol has two types of clients:

- Domestic Clients: these clients are structured according to Ecopetrol's product portfolio as follows:
  - Refined product clients: are wholesale distributors, including major multinational companies that buy gasoline for different uses including automotive, maritime, aviation and industry and propane gas. The latter is for domestic use in rural areas. There is a total of 50 clients in this segment.
  - Petrochemical and industrial clients: are mostly transformers and, in a smaller proportion, intermediary vendors. They buy solvents, bases, paraffin, polyethylene, asphalt, sulfur and propylene, among others, which are raw materials to generate products for the final user, such as glue, paint, plastic, candles, etc. There are approximately 100 clients considered the most important in this segment; they are the agents of medium and large industries in Colombia, although there are nearly 700 clients registered in this segment.
  - Natural gas clients: this segment consists of major industries, thermoelectric power generators and gas distributors in the different regions of the country for domestic and vehicular use. There is a total of 50 clients in this segment.

Table 47

### Refined Oil

PRODUCTS	USES
Gasoline Engine	Fuel for internal combustion engines of automotive vehicles
Premium Gasoline	Fuel for internal combustion engines of automotive vehicles
ACPM or Diesel	Fuel for diesel engines, commonly used in trucks and buses, by electric power generating plants and maritime vessels
Premium Diesel or ACPM	Also known as Extra Diesel, fuel oil for low sulphur engines.
Diesel Marine	Fuel for diesel engines for marine or fluvial vessels type. Its use is not recommended for automotive vehicles due to the negative environmental impact because of harmful emissions.
Jet A-1 Turbofuel	Fuel for jet type airplanes
Avigas	Fuel for piston engine airplanes

Table 48

### Petrochemicals and Industrials

PRODUCTS	USES
Polyethylene	For plastic packing and containers for industrial and commercial use
Propylene	Used as fuel. If polymerized it produces a plastic called polypropylene
Heavy Aromatics	Used in oil production fields.
Cycle-hexane	Raw material used to produce Caprolactam and adipic acid for nylon manufacturing
Mixed Xylenes	Paint manufacture, key product for the insecticides industry
Toluleno	Dissolvent used in paint manufacture, also in resins, thinner and inks
Orthoxylene	Raw Material for the production of phthalic anhydride (additive used in the preparation of paints and pigments)
Aliphatic Dissolvents	Manufacture of paints, adhesive resins, tire industry, waxes, bitumen, vegetable oil extraction
Asphalt	Road pavement
Lubricant Bases	Lube oil manufacture for automotive and industrial use
Paraffins	Candle manufacture
Sulphur	Sulphuric acid production and its derivatives. Fungicides and water treatment production.
Arotar	Carbon black manufacture used in tire production.

- International clients: the countries targeted by Ecopetrol's products on the international market are Venezuela, the Caribbean, the United States, India, China and Africa. Ecopetrol exports natural gas, diesel, naphtha, heavy crude, fuel oil and asphalt (to Africa). Most international clients are refiners that use the products as raw materials to turn them into fuels for different uses. Similarly, although in a smaller proportion, there are clients who are traders, who play the role of agents to access new clients and/or new markets. There is a total of 60 international clients.

Ecopetrol's product portfolio is illustrated in Tables 47, 48, 49 and 50.

Table 49

**Industrial and residential**

PRODUCTS	USES
Benzene	Used as raw material to manufacture aliphatic dissolvent and as fuel in domestic stoves
Combustoleo or Fuel-oil	Heavy fuel for ovens, dryers, boilers, heaters and electric power generation
Kerosene	Used in domestic stoves, oven burners and industrial dryers
Liquefied Gas from Oil-GLP	Used in domestic stoves, oven burners, Dryers and industrial boilers and electric power generation
Light Cycle Oil ALG	Thinner for crudes in production of IFOs

Table 50

**Crude Oil**

PRODUCTS	USES
Castilla Blend	Used in refining to obtain fuels such as gasoline, diesel, jet, fuel oil, etc. Generally intended for export
Vasconia	Used in refining. Also exported
South Blend	Used in refining. Also exported
Cusiana	Used in refining, mainly in Barrancabermeja and Cartagena refineries
Caño Limón	Used in refining, mainly in Barrancabermeja and Cartagena refineries

**Gas**

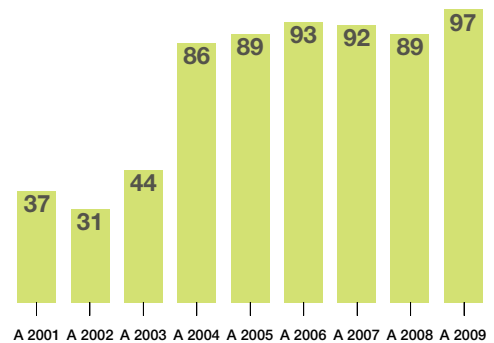
Gas	Natural gas used as raw material or fuel by industrial, petrochemical, thermoelectric, domestic, commercial and land transport sectors
-----	--

International client service is provided through the International Trading Room. This Trading Room consists of a communication infrastructure that obtains simultaneous information from different clients using different channels of communication, on the evolution of the international market of crudes and products targeted by Ecopetrol, proposing the changes required in the import and export programs to satisfy client needs.

**Client Satisfaction**

Based on the International Service Quality Index, recommended by the external firm Datexco Company, which establishes that excellence in client service is achieved by sustained results over 78% satisfaction in Top Two Boxes parameters, that is to say, considering only ratings between excellent and very good, the results obtained from 2001 through 2009 are illustrated in Diagram 36.

Diagram 36.  
Results of the Client Satisfaction Index 2001-2009

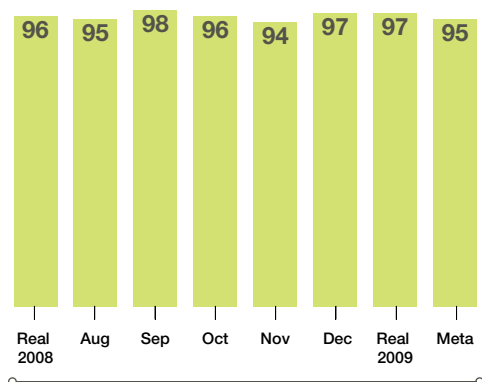


Source: Centro Nacional de Consultoria (National Consultancy Center)

Another way to measure client satisfaction at Ecopetrol is the Perfect Delivery to End Users indicator. Since January 2009, this indicator has been over the established goal of 95%, maintaining an accumulated average of 97%. These results are higher than those of 2008, the year in which the accumulated average was 96% (see Diagram 37).



**Diagram 37.**  
**Results of the Perfect Delivery to End Users Index**



Fuente: Vicepresidencia Ejecutiva del Downstream

As an integral part of the Corporate Client Service Plan, in 2009 the Third Ecopetrol Client Convention was held; the event was aimed at clients in all the segments. 400 people attended the event, including international clients from China, India, the United States, Costa Rica and the Dominican Republic.

In 2009, the company has received no complaints or claims regarding issues such as respect for privacy or the disclosure of clients' personal data. This is due to its compliance with the Code of Ethics, for which training and information have been provided; the existing controls in the client registration systems contemplated in the Sarbanes Oxley Act, and training on the Disciplinary Control System, which contemplates the penalties that can be applied on employees in the event of disclosure of information on Ecopetrol's business management.

### Responsibility in Product Management

In its efforts to minimize the risks and impacts associated with the manufacturing, use and disposal of products, and their effects on people and the environment, Ecopetrol has specific processes and procedures, meets national regulations and applies the best practices of international oil companies. An example of this is Ecopetrol's applica-

tion of NFPA (National Fire Protection Association) Regulation 321 in handling liquid fuels, which establishes standards for the design of storage tanks and filling pipes, among others, as well as the regulations issued by the Colombian Ministry of Mines and Energy. As regards fire protection, it applies NFPA regulations, API (American Petroleum Institute) Standards, and the regulations issued by government authorities with national, regional and local jurisdiction.

In the case of petrochemical and industrial products, Ecopetrol is particularly cautious with volatile products that can cause explosions at certain pressures and temperatures; therefore they are stored, handled and disposed of pursuant to the product's technical data sheet and the national regulations on the handling and use of hazardous waste.

As for the design, construction and operation of facilities for hydrocarbon transport and management, Ecopetrol applies API, ANSI, ASME, NFPA, DOT and ICONTEC standards, as well as the regulations issued by the Ministry of Mines and Energy, the Ministry of the Environment and other competent authorities. Special attention and surveillance is given to the valves, connections and accessories of the tanks, containers and cylinders used to store these products, given the magnitude of the consequences that may be caused by the materialization of these risks.

Each of the company's products is identified by a safety data sheet that contains relevant information such as: composition, risk identification, first aid measures, measures to control and extinguish fires, handling and storage measures, measures in the case of leaks or seepage of the product, explosion controls and personal protection, physical and chemical properties, toxicological and ecological information, waste considerations, information on transport and regulatory information and contact data in case of emergency.

It is important to point out that Ecopetrol's facilities and operations have contingency plans in order to react, control and mitigate the consequences of the materialization of potential risks.



*In September, 2009, Ecopetrol held the Third Annual Customer Convention.*

**Customer Satisfaction Survey**  
**Stakeholder: Customers**

## Best Practices

# Satisfied customers

The survey Ecopetrol conducts amongst its customers has become a key instrument in developing administrative processes and advancing plans that allow for optimizing the value of its products and services.

To accomplish its commercial activities and administrative responsibilities, Ecopetrol permanently interacts with one of its most important stakeholders: its customers. As part of the company's Social Responsibility policy, Ecopetrol is committed to assure satisfaction to its customers through service excellence.

One of the pivotal points of this policy is the survey conducted by recognized market study companies for Ecopetrol since 2001. The survey questions an average of 500, including national and international clients, which allows for a statistical and rigorous measure of their opinions regarding different processes, products and perceptions of the company.

With exception of the year 2008, the results show how the client satisfaction level reflected a systematic improvement: while in 2001 the satisfaction rate was 37%, in 2009, the rate rose to 97%, thus reaching its highest level.

The satisfaction survey is performed among different business areas, thus making it possible to become familiarized with customer perceptions towards procedures, attitudes and eventual claims and complaints that arise in commercial relationships.

In the surveys, the customers can express their points of view as regards service quality, company image, level of attention received, as well as the channels in place to communicate with the company.

The content of the survey is continually improved: although during the initial years the mechanism for inquiry was limited to customer thoughts regarding the business operations only, it now focuses on their concerns relative to other issues that go beyond those that are strictly commercial, for example concerning the reputation and degree of esteem for Ecopetrol.

Thanks to its statistical rigor, the survey has become an influential and systematic input, aimed at securing fulfillment of the value promise that Ecopetrol has subscribed to with its customers.





“The improvements Ecopetrol has implemented are internally and externally visible as its processes have changed, the service level agreements have improved, and now the strategy is focused on the customer and on improving their loyalty towards the company”, says Monica Lemoine, Survey Manager of the National Consultancy Center, which has conducted seven of the nine satisfaction surveys in Ecopetrol between 2000 and 2009.

Further to the results, the survey has helped to diagnose the areas of the company with a need for improvements to be implemented. The measuring factors have yielded answers to close the gaps that existed in the customer service model prepared by Ecopetrol.

In this regard, the detailed results establish which of the measured attributes come in below average. Hence, the final report provides Ecopetrol with some warnings that suggest focusing on certain specific areas.

A key aspect of the evaluations is the possibility to establish points of reference as to how Ecopetrol perceives itself vis-à-vis other oil companies or the industrial and productive sector.

The survey is conducted as per international guidelines for customer assessments, and in the case of the National Consultancy Center, the methodology applied is in line with the Walker Information Global Network, which is the largest market investigation network in the world, specialized on stakeholders.

Being an ideal benchmark, survey results have allowed for implementing actions aimed at improvement of areas such as claims and complaints, optimizing the customer relations model and increasing loyalty levels.

Another significant aspect of the survey is its effectiveness in providing necessary elements for validating the work scheme implemented in areas such as management system, reputation, transparency and image.

## Regulatory Compliance

As regards the fines imposed on Ecopetrol as a result of its failure to comply with regulations as regards the supply and use of products:

- The Superintendence of Domestic Public Utilities, pursuant to Resolution 20082400045695 / November 2008, imposed a fine on Ecopetrol for a total of \$149,987,500 because the company allegedly failed to publish the remaining proven reserves and the production capacity for the year 2005 in a nationally circulated newspaper, pursuant to the guidelines contained in Article 7 of CREG Resolution 023 / 2000. Ecopetrol appealed the resolution, which was ruled against it, reason for which it paid the fine. However, it is currently carrying out the pertinent legal procedures for the effects of seeking the invalidity of the administrative act.
- The Superintendence of Domestic Public Utilities, pursuant to Resolution SSDP-20092400013815 / June 2009, imposed a fine of \$400,004,500 on Ecopetrol for allegedly incurring in violations of the standards regulating the natural gas sector. The company filed an appeal against this Resolution, which is currently underway before the corresponding instances for confirmation or repeal.

In 2009, there were no lawsuits due to issues related to monopoly practices or practices against free competition.

## Customer testimony

# A model to imitate

“The National Consultancy Study Center has been contracted to conduct a customer satisfaction survey seven times since 2000, participating in open bidding processes.

The survey we conduct refers to Ecopetrol’s loyalty and the relationships with their nearly 500 direct customers. That is the National Consultancy Center’s specialty. We look at the interaction with each one of the company’s customers, in any given moment when any one of the stakeholders interacts with the company. These surveys have permitted us to understand the process of a customer relationship not only the satisfaction with which an order is delivered.

It has been a pleasure to work with Ecopetrol. I have been able to fine tune a customer relationship model and watch how that model evolves in time. It has assured me that my work is valuable to others and that in my career I make an important contribution to Ecopetrol and to the country.

For those of us involved in research and surveys, the key difference Ecopetrol has with respect to other companies is the people who are in charge its in-house procedures. These personnel take the evaluation survey, analyze each customer response, and on that basis, they organize a team to ensure that actions are taken.

Ecopetrol has pioneered in understanding, qualifying and properly placing each one of the customer groups not only their pareto customers. For this reason, each year, new areas of the company are incorporated in the reputation study. In Ecopetrol, personnel that have client relationships see the value added in providing special care to their customers. Hence, internal satisfaction and loyalty measurements are taken in relation to health services and human resources, which has helped to provide better service.

Ecopetrol introduced this model in Colombia: a model to understand that system of analysis between a customer company and a company that provides services”.



*Mónica Lemoine,  
Director of  
the National  
Consultancy Study  
Center.*



## Transparency and Anti-corruption

Colombia has international judicial tools to fight corruption, given that the country is part of international treaties and agreements. The Inter-American Convention against Corruption (IACC) was the first treaty signed in the world on the matter and it was passed in Colombia by Law 412 / 1997. Similarly, the UN Convention against Corruption (UNCAC) is an international achievement in the world commitment to fight this problem, and in Colombia, it was passed by Law 970 / 2005.

Similarly, in its capacity as the issuer of stock listed in the United States, Ecopetrol is required to abide by the country's rules, such as the case of the Foreign Corrupt Practices Act – FCPA. The FCPA was issued in 1997 in the United States and is made up of two parts: the first discusses bribing officers that are not from the US, and the second is about the requirements of keeping internal records and controls.

As a result of the above and pursuant to its corporate principles and values, Ecopetrol issued an Anti-corruption Policy by the end of 2009. This policy establishes that no payments, gifts or promises can be made under any circumstances to officers or employees of government entities in order for their decisions, actions or omissions to benefit Ecopetrol or its subordinates or employees.

This prohibition is extensive to payments to consultants, agents or any other intermediary or representative when the person making the payment knows or suspects, with reasonable motive, that part of the payment will be used to bribe or otherwise influence the public officer.

This policy is directed toward all administrators, representatives, officers, employees, contractors and, in general, personnel associated with Ecopetrol.

In 2008, Ecopetrol implemented an ethics hotline, run by an independent firm, through which employees aware of any possible or real violation or acts of corruption can report them at [codigodeetica@ecopetrol.com.co](mailto:codigodeetica@ecopetrol.com.co) or call 2345000, option 6 in Bogotá, or the national toll-free number 018000918418.

In addition, Ecopetrol issued a Sponsorship and Promotional Material Policy in 2008 to define the guidelines to regulate the type of company sponsorships, in accordance with specific criteria, as well as the production of internal and external promotional materials. This policy prohibits the sponsorship of events that have anything to do with politics. All requests for sponsorship and advertising received by the company are channeled through the Sponsorship, Promotional Material and Advertising Committee.

In 2009, the company reported no violations, sanctions or complaints related to marketing, advertising or other promotional and sponsorship activities. Similarly, there were no reports of corporate corruption understood as the possibility of an Ecopetrol officer bribing a government officer for benefit on the personal level or for Ecopetrol, pursuant to the FCPA (Foreign Corrupt Practices Act).

### Dissemination and Training

In 2009, the company's Board of Directors and the Executive Committee were trained in topics of Fraud Prevention and Anti-corruption; the latter topic was focused on the FCPA. The training strategy to cover the worker population in general was virtual using the Interactive Learning Module (a web-based application). This tool was launched the last week of December.

This dissemination and training strategy will carry on in 2010 and it will be reinforced with specialized lectures aimed at the critical population: employees in charge of processes exposed to the risk of fraud or corruption. In general, an extensive campaign will be carried out in 2010 on ethics, including topics of fraud prevention and anti-corruption.



*In its capacity as issuer of stock registered in the United States, Ecopetrol must abide by the laws of that country, such as the Foreign Corrupt Practices Act.*

## The Sarbanes - Oxley Act (SOX)

As a company listed on the Stock Markets of Colombia (BVC), New York (NYSE) and Lima, Peru (BVL), Ecopetrol is required to comply with the specific regulations of each market; therefore, in 2009, it adopted practices to strengthen its internal control system following the guidelines and recommendations of the COSO (Committee of the Sponsoring Organization of the Treadway Commission) model. In carrying out this program, the company design and implemented controls to mitigate and monitor the relevant risks of its financial processes.

The COSO Model evaluates, monitors and improves internal control, achieving a level of confidence on meeting the objectives, protecting resources and the reliability of information for the company's stakeholders.

In 2009, progress was made in defining the minimum elements required in the internal controls of a world-class company:

- ⦿ The Ethical Process, the Governance Model and the Control Policy that form the basis for Internal Control Management in the organization were defined.
- ⦿ Controls in the Planning and Management, Exploration, Commercialization and Provisioning processes were made more effective.
- ⦿ The self-control culture for the entire organization was characterized as a key part of the system's maintenance.

In 2010, we will continue working on identifying and testing the controls in all the company's processes by implementing the COSO practices and internalizing self-control in people so this exercise becomes a part of their everyday life and shows in all their activities.

## Revealing Relevant Information

In 2009, 128 statements of Relevant Information were published at the Colombian Financial Superintendence (see Table 51). Given the obligation to report information simultaneously on the markets in which the company has listed stock, 76 press releases were published in the United States, along with 40 documents using Form 6-K as re-



quired by the Securities and Exchange Commission (SEC). All the statements were released in a timely manner and are available on the Comprehensive Stock Market Information System (SIMEV in Spanish), as well as the Company's website [www.ecopetrol.com.co](http://www.ecopetrol.com.co)

**Table 51.**  
**Statements of relevant information published by Ecopetrol**

Notices published by the Company	54
News in stock issuer media	14
Signing, modification or termination of contracts	6
Financial standing of the Issuer	5
New activities or business	5
Fines or penalties imposed by government authorities	7
Security Rating	3
Acquisition and/or sale of securities	3
Issuer Rating	3
Issuance of securities	3
Others	25
<b>Total</b>	<b>128</b>

Source: Ecopetrol Financial Vice Presidency

One of Ecopetrol's most important obligations as a securities issuer consists of revealing the Company's operating and financial results on a quarterly basis. In 2009, quarterly releases were made, substantially improving the timeliness and content of the reports provided.

Similarly, a major effort was made to improve the channels to deliver the company's information, reason for which the design and content of the shareholder section was restructured in Spanish and English on the company's website.

### Transparent, Ethical Culture

In 2008, with an eye on the company's internationalization, the first version of the Code of Ethics was updated in order to meet the standards

required, respecting the collective construction of the initial document written in 2006. 350 workers from different areas of the company participated in the effort, including production fields, transport plans, refineries and supporting areas. Once the document was revised, it was published on the corporate intranet, where 260 workers added to the latest version.

A comprehensive strategy was designed with the final document to generate ethical behaviors based on corporate values: respect, integrity and responsibility through three core practices: dissemination, internalization and administration of the Code of Ethics.

In addition, in 2008, the topic was included as a permanent module in the Corporate Induction Program, thus reaching 153 new workers with the matter. Similarly, a plan was developed to disseminate the consequences of failing to comply with the Code for 538 workers and 504 suppliers and contractors.

As for the internalization strategy, workshops on respect were carried out, covering 3160 people (2294 direct and 866 indirect workers) to December 2008. Once the first phase of disseminating the Code of Ethics ended, the population's level of understanding of this document was measured in 2009. The results of the measurement are illustrated in Table 52.

**Table 52.**  
**Coverage Dissemination of the Code of Ethics**

Medio/ Empleado	Mail	Virtual	Física	Total
Contratistas	276	194	940	1,410
Trabajadores	0	1,682	639	2,321
<b>Total</b>				<b>3,731</b>

Source: Ecopetrol Financial Vice Presidency

Considering the results of the measurement exercise, action plans are being generated since September 2009 to ensure the internalization, publishing and dissemination of lessons learned on ethics through the corporate intranet, which reflects on actual cases due to their frequency and impact.



All Ecopetrol  
stakeholders can  
find its Code of Ethics  
on the web page  
[www.ecopetrol.com.co](http://www.ecopetrol.com.co)

In 2009, the process to deal with cases or situations involving ethics was approved in the Board of Director's Auditing Committee, and the creation of the Ethics Committee was formalized.

The Ethics and Transparency Line (2345000, option 6) was created to administrate the Code of Ethics along with the toll free number 018000918418, fax number 2344111, e-mail: [codigodeetica@ecopetrol.com.co](mailto:codigodeetica@ecopetrol.com.co) and website [www.ecopetrol.com.co](http://www.ecopetrol.com.co).

## Relations with Congress

In its capacity as a Public Stock Company, Ecopetrol belongs to the decentralized service sector and, by constitutional mandate, it is expressly forbidden to make donations or contributions to political parties, movements or candidates (Articles 110 and 355 of the Colombian Political Constitution). To the same effect, it cannot carry out lobbying activities, understood as actions with a view to influence decisions on public policy through deciding authorities.



Accordingly, Ecopetrol cannot directly present any bills before Congress; however, it does keep an eye on the initiatives and topics discussed in Congress that are of interest to the company for being related to the core of the business. When the company determines that one of the issues may affect its operation, Ecopetrol provides its observations as regards the bill and formalizes them in writing addressed to whom it may concern in order to put across its point of view.

Ecopetrol can only present bills through the Ministry of Mines and Energy, occasionally by other Ministries, pursuant to the provisions established in the Colombian Political Constitution. If an area of the company is interested in presenting an initiative, it will present the text proposal of the bill, including the articles and explaining its motives, to the Ministry of Mines and energy, who will decide on its viability and may modify its content in consensus with Ecopetrol. After it has been disseminated, the initiative will be registered in Congress for legislative proceedings.

On another note, the company has established a process for its relations with Congress, aimed to deal with and provide timely responses for the different requests for information and citations made by the country's highest legislative authority. Within the scope of its powers and political control, Congress requests information from Ecopetrol using two mechanisms: requests for information and questionnaires for citations.

Similarly, in view of Congress' function of political control, the President of Ecopetrol is called on to answer to topics of interest, usually before the Fifth Committees of the Chamber and Senate, which are in charge of mining, energy and environmental issues.

Both the President and executive management of Ecopetrol devote time to discuss the Congress' topics of interest, which generally have to do with questions made by members of parliament as regards regional issues, social projects and the company's strategy. That is why Ecopetrol sometimes holds informative meetings with the members of Congress on advances in the company's strategy.◦



**5**





# Environmental Dimension

According to GRI's G3 methodology, the environmental dimension includes information regarding the performance of the reporting company as regards the consumption of materials, energy, water, care for biodiversity, emissions, effluents and waste, products and services, transport, compliance with regulations and environmental investments.

## Environmental Management Strategy

Starting with its mission and vision, Ecopetrol expresses its commitment to environmental protection.

### Mission

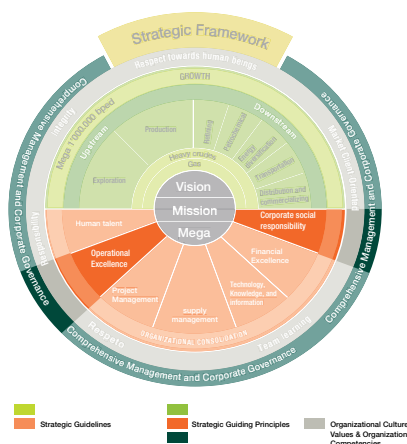
We discover and turn sources of energy into value for our clients and shareholders, guaranteeing environmental protection, the safety of the processes and the integrity of the people involved, contributing to the wellbeing of the areas where we operate, with personnel committed to excellence, comprehensive development and the construction of long-term relationships with our stakeholders.

### Vision

Ecopetrol S.A. will be an international power and petrochemical company specializing oil, gas and alternative fuels, known for being competitive, with world class, socially responsible human talent.

Environmental responsibility is reflected in the company's strategy, particularly in the strategic drivers of operational excellence and corporate responsibility (see Diagram 38).

**Diagram 38.**  
 Strategic Drivers for Environmental Aspects





The management objectives of the current strategic environmental framework establish that Ecopetrol is committed to the environment and has a preventive approach as regards environmental challenges worldwide. The objectives are:

- ⦿ Minimization of environmental impacts.
- ⦿ Reduction of greenhouse gases and adaptation to deal with the impacts of climate change.
- ⦿ Protection of biodiversity.
- ⦿ Implementation of eco-efficiency programs.
- ⦿ Development of cleaner products.

In Q4 2009, Ecopetrol began a process to reconsider its environmental strategy, resulting in a proposal to focus its operation on three drivers: eco-efficiency, climate change and biodiversity.

On another note, Ecopetrol has put across its commitment as regards the environmental issue in its Comprehensive Responsibility Policy as follows:

*“At Ecopetrol, we are acting within the framework of **responsibility, integrity and respect for people, institutions and the environment**, , promoting **continuous improvement** to generate conditions of **sustainable development and value for our stakeholders**. Our preferred instrument is **prevention**. **Human life and environmental protection take precedence over any company activity**. As regards the Environment, Safety and Occupational Health, we are responsible, respectful and conscientious when: we guarantee a healthy, clean and safe work environment; we work on preventing risks that may result in injuries and damages to workers’ health; we prevent the negative environmental impacts of our activities; we boost the positive impacts of our activities and prepare to respond quickly and effectively to any emergency situations that may arise from the company’s operations ...”.*

The following programs are in place in order to fulfill the current environmental objectives:

- ⦿ **Environmental Legal Management:** establishes clear guidelines and management tools to make sure the environmental regulations, standards or requirements are understood,

analyzed, disseminated and complied with at all the levels of the company.

- ⦿ **Contingency Planning:** guarantees a preventive approach of the operational areas when dealing with unexpected events, such as hydrocarbon spills, through updated, disseminated and implemented contingency plans.
- ⦿ **Eco-efficiency:** focuses efforts on minimizing the environmental impacts generated by dumping, emissions and solid waste, and maximizing or implementing opportunities for environmental improvement.
- ⦿ **Biodiversity:** supports projects for the assessment and preservation of species in strategic areas of operation. This includes projects that contemplate endangered and species of interest to the communities in these areas, either because they are linked to their traditional economic activities or they have a cultural or eco-tourist value.
- ⦿ **Environmental Culture:** leads initiatives to raise the environmental awareness of company employees and contractors and their training in environmental topics.
- ⦿ **Air Quality:** works on the prevention, mitigation and control of air pollution with environmental authorities, the academic world and other agents involved in the matter. The biggest challenge in this program is to improve the quality of fuels produced.
- ⦿ **Inter-institutional Coordination:** guarantees coordination between national and regional entities to carry out joint activities and disseminate the efforts made by the company in different environmental aspects.

In 2009, Ecopetrol invested \$611.775 billion in environmental programs distributed as follows:

- ⦿ \$87.688 billion for environmental expenses referring to the execution of environmental studies, diagnoses, legal procedures, inspections,



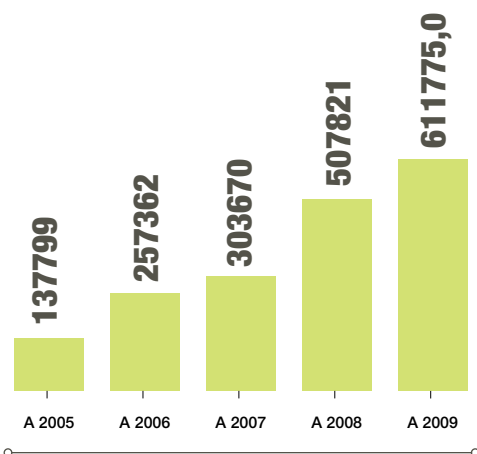
operation and maintenance of monitoring networks and equipment, and other expenses associated with environmental management.

- \$200.188 billion for operational investments made by the areas, including the investment for solid waste and wastewater management, and the design and execution of environmental plans for the company's investment projects.
- \$299.773 billion for programs to recover and protect renewable natural resources, water, air and soil represented by the optimization of wastewater treatment, the acquisition of technologies to reduce atmospheric emissions, industrial solid waste management and geo-technical protection programs.
- \$24.126 billion for environmental investment in the flora and fauna in the company's operating areas, including investments in biodiversity agreements.

This investment represents a 20% increase compared to the year 2008. Compared to previous years, Ecopetrol has made higher investments in environmental programs (see Diagram 39).

**Diagram 39.**  
**Environmental expense and investment in Ecopetrol 2005-2009**

*Figures in Million Colombian Pesos*



Source: Ecopetrol Services and Technology Vice Presidency

The above information was reported by the company's operating areas, considering the environmental expense and investment forms requested by the Colombian Treasury Inspector's Office.

## Climate change

For two years now, Ecopetrol has been planning a series of activities to prepare itself in mitigation aspects to deal with climate change, a fundamental issue in a world class energy company in terms of reducing Greenhouse Gas Emissions (GHG).

In 2008, Ecopetrol signed a Cooperation Agreement with the World Development Bank's Sustainable Energy and Climate Change Initiative, in order to structure the portfolio of potential projects for GHG reduction.

The opportunities for reduction included in this first project portfolio may be applicable to the flexibilization mechanisms in the Kyoto Protocol, such as the Clean Development Mechanism (CDM) or voluntary markets. These potentials are focused basically on four types of initiatives to reduce emissions:

- Gas use projects.
- Fuel substitution projects.
- Projects to generate energy using technologies or fuels that are less intensive in GHG emissions.
- Energy efficiency projects.

To this effect, in 2009, the Company began to prepare the project "Improvement of energy efficiency by implementing the most efficient technology today at the new Gibraltar gas plant". In carrying out this initiative, the Project Design Document (PDD) was written and the phase of comments by the interested parties was covered.

This is a major step in the Clean Development Mechanism project cycle for Ecopetrol to be able to have its first project validated and registered before the Executive Board of the Clean Development Mechanism of the UN (UNFCCC).

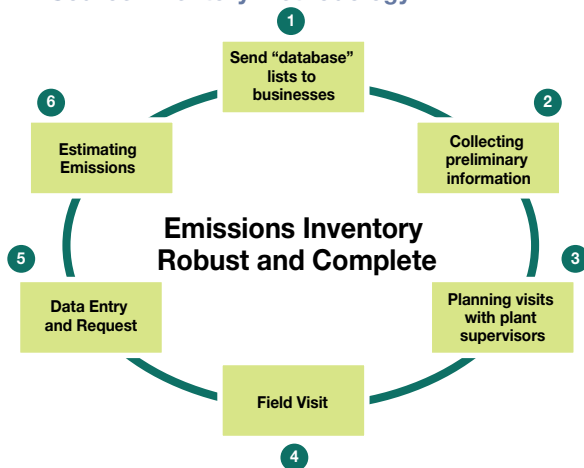
## Atmospheric Emission Management System

In 2009, the Atmospheric Emission Management System (SIGEA in Spanish) project began, whose objective is to structure and implement Ecopetrol's Comprehensive Atmospheric Emission Management System, for Greenhouse Gases – GHG (Carbon Dioxide CO<sub>2</sub>, Methane – CH<sub>4</sub> and Nitrous Dioxide N<sub>2</sub>O), as well as Criteria Pollutants (CP) (Carbon Monoxide, Volatile Organic Compounds, Particulate Matter, Nitrogen Oxides and Sulfur Oxides). This is done in order to generate and promote the organization's technical and strategic solutions aiming to inventory, monitor, report and mitigate the impact caused by atmospheric emissions.

In carrying out this project, in 2009 the company's first emission's inventory was taken for the 2006 - 2008 period based on taking the source inventory at Ecopetrol stations and plants, following the same methodology for all business areas.

The methodology suggested collecting the information required for the source inventory and the calculation of the emissions of GHG and criteria pollutants in Ecopetrol's different businesses is illustrated in Illustration 11.

**Illustration 11.**  
**Source Inventory Methodology**



Source: Presentation on Progress of the Atmospheric Emission Management System.  
Sp. Emerson Martínez Beltrán - ICP

In order to develop the emissions inventory in each area:

- ⦿ The types of existing sources were listed.
- ⦿ The types of pollutants emitted were determined.
- ⦿ Emission factors for each of the sources were reviewed in the literature available.
- ⦿ The emissions of each source were estimated based on an activity value (consumption rate, flow rate, volume and energy, among others).

## GHG Emissions by Type of Business

According to the inventory results, the company's direct GHG emissions due to the use of fossil fuels rose from 2006 to 2009. This was due to the increase in the use of natural gas at refineries as a result of the company's increase in production over the last five years and the increase in the daily production of fossil fuels to satisfy domestic and international demand. In order to counteract the above, the company has made significant efforts to reduce its energy use by means of technological changes and improvements in the operating efficiency of the stationary sources of both refineries.

In general terms, Ecopetrol's net GHG emissions totaled 5.179 billion tons of CO<sub>2</sub>e (carbon dioxide equivalent) for the years 2007 and 2008, and 6.889 billion tons of CO<sub>2</sub>e by the end of 2009 (See Table 53). The highest sources of direct GHG emissions were the combustion sources, followed by the venting and process sources, according to the discrimination used by the best practices of the American Petroleum Institute (API) to quantify emissions. The sources of vehicles owned by Ecopetrol were the lowest in terms of emissions, given that the company has a small number of its own vehicles and there is either little or no information available thereon.



**Table 53.**  
**Annual emissions (kilotons) of ghg at Ecopetrol**

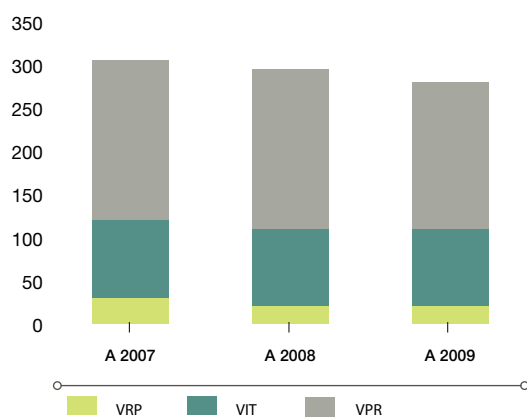
Source type	CO2e emissions for each year of study (kilotons)			
	2006	2007	2008	2009 (Forecasted)*
Direct/ Scope 1	4,647	4,885	4,890	6,761
Indirect/ Scope 2	310	294	289	128
<b>Total</b>	<b>4,957</b>	<b>5,179</b>	<b>5,179</b>	<b>6,889</b>

\* GHG emissions using a "top-down" approach (used to obtain a quick, simple, overall estimate of the emissions without a detailed level of data).  
 Source: Ecopetrol Services and Technology Vice Presidency.

In terms of business within Ecopetrol, the refining business contributed the most total direct GHG emissions, with nearly 70% of the company's total emissions, followed by Production at 26%. This is due to the high consumption of natural gas at the two refineries managed by Ecopetrol in Colombia.

On the other hand, in terms of indirect emissions, the production business contributed the most, with 67% of the company's total emissions in 2008, due to the amount of electrical equipment used in the operations (see Diagram 40).

**Diagram 40.**  
**Indirect Annual Emissions (kilotons) of GHG at Ecopetrol**



Source: Ecopetrol Services and Technology Vice Presidency

## GHG Emissions by Type of Contaminant

The three significant Greenhouse Gases (GHG) emitted by Ecopetrol's operations are carbon dioxide, methane and nitrous oxide. Based on CO2e, Carbon dioxide (CO2) is the most significant greenhouse gas, followed by methane (CH4) and nitrous oxide (N2O). Tables 54 to 56 illustrate the emission levels of these three gases for the three years studied, and include the indirect emissions caused by the use of electricity.

**Table 54.**  
**Evolution of Direct Emissions (kilotons) of CO2 at Ecopetrol**

Source type	CO2e Emissions for Each Year of Study (kilotons)		
	2006	2007	2008
Direct/ Scope 1	4,525	4,764	4,761
Indirect/ Scope 2	183	166	162

Source: Ecopetrol Services and Technology Vice Presidency.

**Table 55.**  
**Evolution of Direct Emissions (kilotons) of CH4 at Ecopetrol**

Source type	CH4 Emissions for Each Year of Study (kilotons)		
	2006	2007	2008
Direct/ Scope 1	5	5	5
Indirect/ Scope 2	1	1	1

Source: Ecopetrol Services and Technology Vice Presidency.

**Table 56.**  
**Evolution of Direct Emissions (kilotons) of N2O at Ecopetrol**

Source type	N2O Emissions for Each Year of Study (kilotons)		
	2006	2007	2008
Direct/ Scope 1	0.04	0.04	0.05
Indirect/ Scope 2	0.32	0.32	0.32

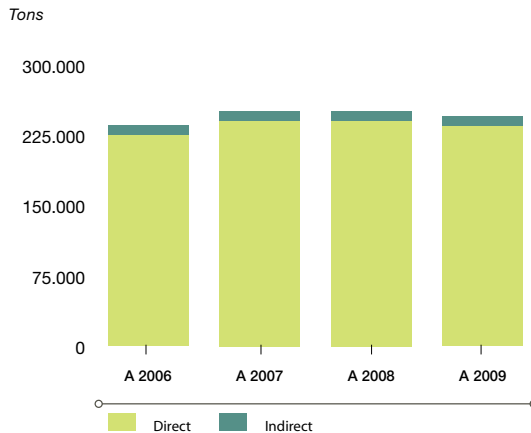
Source: Ecopetrol Services and Technology Vice Presidency.

## Criteria Pollutant (CP) Emissions Criterio (CC)

Criteria Pollutants (CP) are regulated by Colombian norms and they have been identified as being hazardous to human health and wellbeing.

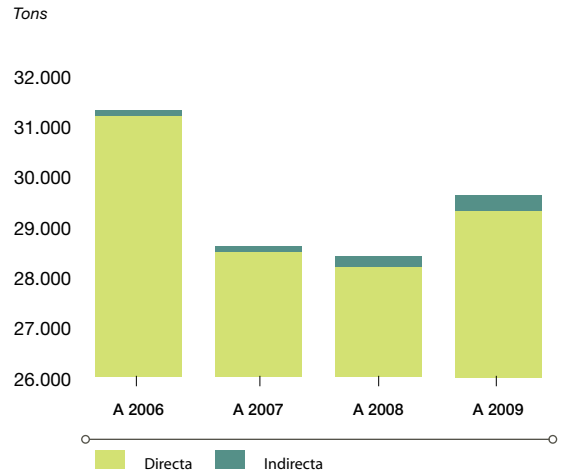
The total direct emissions of these pollutants for all of Ecopetrol were 310,000 tons/year on average for the years studied. The CP playing the largest role in these total emissions were: carbon monoxide (CO), contributing 77% of the total direct emissions; nitrogen oxides (NOx), at 9%; sulfur oxides (such as SO<sub>2</sub>), at 7%; and Particulate Matter (PM), at 1.5% of the total direct emissions of criteria pollutants. Diagrams 41, 42 and 43 illustrate the Criteria Pollutant emissions in the 2006 - 2008 period, estimated in Ecopetrol's emissions inventory, and the emissions forecasted for 2009 using the engineering judgment approach (estimating emissions based on detailed knowledge of the process - technical criteria).

**Diagrams 41.**  
**Evolution of CO emissions at Ecopetrol**



Source: Ecopetrol Supply and Marketing Vice Presidency

**Diagrams 42.**  
**Evolution of NOx emissions at Ecopetrol**



Source: Ecopetrol Supply and Marketing Vice Presidency

**Diagrams 43.**  
**Evolution of MP emissions at Ecopetrol**



Source: Ecopetrol Supply and Marketing Vice Presidency

## Initiatives to Improve and Reduce Atmospheric Emissions

Initiatives to reduce GHG emissions include the Plan to Reconvert to Clean Technologies to reduce emissions at the Barrancabermeja Refinery's cracking units, which is focused on the critical aspects of particulate matter emissions outside regulatory standards, and improvements in the reduction of other criteria pollutants that are susceptible to improvement, although they are within permissible limits.



*Transmilenio bus used during the clean diesel campaign.*

On another note, in order to continue the continuous monitoring of emissions at the cracking units, which are the most significant sources of emissions, a program has been carried out to estimate emissions on line to install them in control rooms, to have data available to make operating adjustments and thus, reduce emissions. This program is being developed at the pilot level for the four units and it is expected to be ready in 2011.

In addition, there is the 2008 startup of the Dina and Tello power generation centers. Furthermore, the sale of gas to the town of Cucuta through Gas Movil was established in the Sardinata Field in 2009, minimizing the burning of two million cubic feet of gas per day; the construction of a gas plant to sell two million additional cubic feet per day has been planned for 2010.

Similarly, the construction of the natural gas processing and treatment plant began in 2009 in order to produce water free combustible or commercial grade gas, CO<sub>2</sub> and hydrocarbon components over C3.

Finally, an agreement was established with the Corporacion Autonoma Regional del Alto Magdalena – CAM (Regional Environmental Agency), Fundecoop and Hocol in 2008 in order to establish the air quality evaluation and monitoring network – RESCA in Spanish – to determine the amounts of particulate matter in the urban area of the town of Neiva.

As regards the efforts to reduce GHG in operations with partners, it is important to point out that, together with Chevron, our partner of contracts in La Guajira, we have been using a methodology created by the company, backed by software called SANGEA, to calculate emissions. In the particular case of Colombia, it is important to point out that emissions have been within permissible levels.

Similarly, the IPP (Independent Power Producer) project of the Rubiales - Piriri contracts has met the requirements to be registered as a clean energy project. Similarly, studies have been initiated with partners from the Caracara contract to replace generation using diesel fuels by connecting to the main supply, which will not only optimize costs, but also reduce GHG emissions. We have begun to implement procedures together with Petrobras in the Boqueron contracts focused on complying with clean operations in order to minimize CO<sub>2</sub> emissions by operating equipment either by connection to the national interconnected grid or by self-generation using gas turbines.

### **Air Quality**

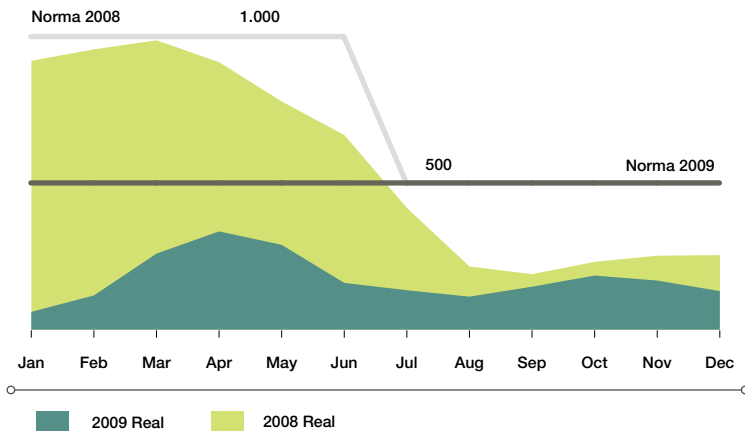
In 2009, Ecopetrol continued to fulfill its commitment to improve the quality of the fuel distributed in Colombia by delivering diesel with lower sulfur content. During this period, the sulfur content in diesel in Bogotá was under 500 parts per million (ppm), which is known as Low Sulfur Diesel (LSD). In the rest of



the country, it was reduced again, going from 3000 ppm to less than 2500 ppm. Similarly, in compliance with the Air Quality Agreement signed with the Metropolitan Area of Valle de Aburra and the Medellín Mayor's Office, in 2009, the diesel fuel distributed in the Capital of Antioquia had sulfur contents under 2500 ppm.

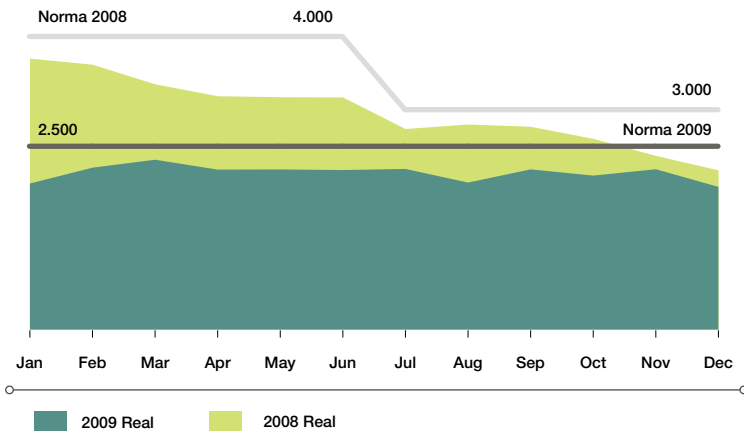
Diagrams 44 and 45 illustrate the report on the diesel quality provided in Bogotá and the rest of the country. These results show the measurements of the product delivered to wholesale distributors, which were certified by CTP Ltda., a firm specialized in this type of measurements.

**Diagram 44.**  
Sulfur content of Diesel in Bogota (ppm)



Source: Ecopetrol Downstream Executive Vice Presidency

**Diagram 45.**  
Sulfur content of Diesel in the rest of the country (ppm)



Source: Ecopetrol Downstream Executive Vice Presidency

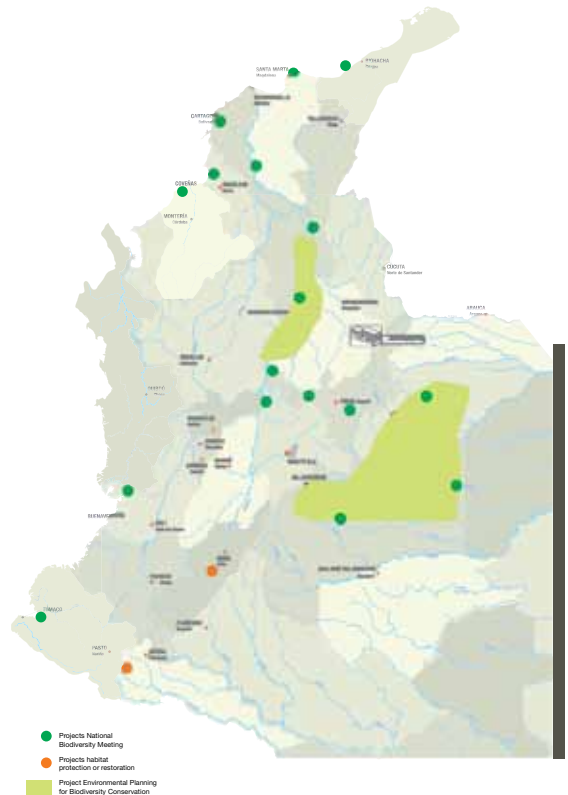
## Biodiversity

Biological diversity is defined as the variability of live organisms in any source, including ground, water and marine ecosystems, and the ecological complexes thereof, including the diversity of human populations and cultures.

Colombia is the second richest country in the world as regards species, following Brazil, which has more species in an area seven times as large. On average, one out of every ten flora and fauna species in the world, lives in Colombia.

Considering the above and pursuant to Ecopetrol's Comprehensive Responsibility Policy, it was defined that the Corporate Biodiversity Program is one of the top priority strategic lines in the environmental management framework (see Illustration 12).

**Illustration 12**  
Ecopetrol's Biodiversity Map







*Launching of National Biodiversity Summons held at the Jardín Botánico de Bogotá in June 2009.*

In 2009, two fundamental initiatives were developed for the preservation, conservation, management and rational use of biodiversity at the company:

● **National Biodiversity Meeting**

On June 11, 2009, Ecopetrol’s President and the Vice Minister of the Environment launched the National Biodiversity Meeting, whose objective is to support the execution of biodiversity projects focused on the research, conservation, understanding and proper management of the Upper Andean, Orinoco and Middle Magdalena wetlands, and the ecosystems in Ecopetrol’s areas of influence, in the following fields of action:

- Biodiversity inventories.
- Research in biodiversity.
- Conservation and preservation of flora and fauna species.
- Conservation and preservation of strategic environmental areas

As a result of this process, a total of 83 proposals were received from entities as follows:

- 41 from NGOs
- 32 from Universities
- 6 from Regional Environmental Agencies
- 2 from Research Institutes assigned or associated with the Ministry of the Environment
- 2 Research Centers

A joint evaluation committee between the Ministry and Ecopetrol selected the ten highest scoring projects (See Table 57).

**Table 57.**  
**Projects Selected in the National Biodiversity Meeting 2009**

Project name	Entity
Ecological study of the hydro-biological communities in wetlands on the Eastern Mountain Range in Colombia.	Universidad Pedagógica y Tecnológica de Colombia
Conservation of services in wetlands, an approach with a view to assisted restoration.	Universidad de los Andes
Participatory ecological restoration of the biodiversity in four complexes of the Middle Magdalena wetlands.	Fundación Alma
Program on conservation genetics for the Bocachico (fish) in the middle and lower watershed of the Magdalena River.	Universidad del Magdalena
Evaluation of marine bio-invasions in coastal wetlands and their relationship with maritime traffic in the three major port zones of the Colombian Caribbean: Cartagena, Santa Marta and Coveñas.	Universidad Jorge Tadeo Lozano
Preparation of the Plan to Manage and Monitor the Madre Vieja Charco de Oro Wetlands in the town of Andalucía, Valle del Cauca.	Fundación Yoluka



Project name	Entity
Identification of priority wetlands for the protection of the early stages of life of shallow water shrimp in Colombia from an eco-genetic perspective.	INVEMAR
Biodiversity of aviary hemoparasites and their possible vectors in the Laguna de Otún.	Universidad Nacional
Upper Andean wetlands facing global warming, vulnerability assessment and strategy to adapt in a complex of wetlands on the Eastern Mountain Range in Colombia.	Fundación Humedales
The effect of environmental variation on the diversification of amphibians and the prevalence of their mortal pathogen: a transect through the wetlands from the Middle Magdalena to the Orinoco region.	Universidad de los Andes

The support provided by Ecopetrol for the ten selected proposals amounted to \$2,425,528,670. In addition, \$3,499,889,035 in funds was provided by the successful entities for a total of \$5,925,417,705. Ecopetrol signed agreements with each of the selected entities for the execution of these projects, which will be carried out during the 2010 - 2011 period.

⦿ **Environmental Planning for Biodiversity Conservation**

A pilot biodiversity project was planned and structured for the Middle Magdalena and Eastern Plains regions with the Alexander von Humboldt Biological Resource Research Institute, which is in charge of the scientific and applied research of the Nation's biotic resources.

Therefore, in mid July 2009, an agreement was signed with the Institute to identify priority ecosystems in Ecopetrol's operating areas located in the Middle Magdalena and Eastern Plains regions and define the guidelines for their conservation. The project will have a length of 18 months and is meant to generate the guidelines for the company's rational use and management of the biodiversity in these two regions.

**Protected Natural Areas, Areas with High Biodiversity and Endangered Species**

In order to carry out its operations, Ecopetrol has plants and pipelines located in protected natural areas or unprotected areas with high biodiversity; inhabited in some cases by endangered species. The following is a list of some of these areas:

- ⦿ The Tumaco Terminal, located on the Colombian Pacific coast is surrounded by a mangrove swamp. Spill monitoring is carried out on a monthly basis to determine whether the mangrove is being affected or not.
- ⦿ The Oleoducto Transandino - OTA (Trans-Andean Pipeline) is located in the southern region of the country, in the Departments of Nariño and Putumayo. It has been laid across 13 life zones where there are different types of vegetation. A total of 264 animal species were reported, 47 of which are theriofauna, 165 are avifauna and 52 are herpetofauna; 20 of these species are endangered or in CITES (Convention on International Trade in Endangered Species) reports on species of commercial value.
- ⦿ The Instituto Colombiano del Petroleo – ICP (Colombian Petroleum Institute), located in the town of Piedecuesta, Department of Santander, is an a reserve area that is a secondary forest, where most of the species are common and typical of intervened ecosystems. It was determined that the area is a refuge for migrating birds, as well as endemic species of Santander, meeting two of the five criteria necessary to propose the zone as an Important Bird Area – IBA (AICA in Spanish). In addition, two endemic reptile species from Santander were found, an endangered salamander and a new report of a frog that is not found at these altitudes.
- ⦿ At the Superintendence of Operations in the Department of Huila, the existence of 44 endangered species was determined, according to the categories established in the Convention on International Trade in Endangered Species (CITES).



- ⦿ In the Department of Tolima, it was detected that the fauna species *Podocnemis lewyana* (Hicotea), and in the Department of Santander, *Geochelone carbonaria* (Turtle) and *Cedrela odorata* (Cedar) are all endangered. Similarly, the seismic exploration program underway in the Department of Santander has found that the species *Ateles hybridus hybridus* (Spider Monkey) and *Geochelone carbonaria* (Turtle) are at critical risk of extinction, and *Cedrela odorata* (Cedar) and *Clathrotropis brunnea* (Sapan) are endangered.
- ⦿ On another note, in the area of influence of the Oleoducto Trasandino –OTA (Trans-Andean Pipeline), mammals have been reported with the highest number of endangered species (16), while for birds, only two are in categories at risk and one is in the CITES (Convention on International Trade in Endangered Species) category of species of commercial value. On the other hand, amphibians only have one species at risk. Therefore, 32% of the mammals in the OTA'S area of influence are threatened with extinction (see Table 58).

**Table 58.**  
**List of Threatened Species Reported in the OTA'S Direct Area of Influence**

Order	Family	Species	Common name	Threat category	Cites
<b>Mammals</b>					
Cingulata	<i>Dasypodidae</i>	<i>Priodontes maximus</i>	Giant armadillo	EN	
Artiodactyla	<i>Cervidae</i>	<i>Odocoileus virginianus</i>	White-tailed deer	CR	
Perissodactyla	<i>Tapiridae</i>	<i>Tapirus terrestres</i>	Tapir	CR	
	<i>Tapiridae</i>	<i>Tapirus pinchaque</i>	Mountain tapir	CR	
Pilosa	<i>Myrmecophagidae</i>	<i>Myrmecophaga tridáctila</i>	Giant anteater	VU	
	<i>Megalonychidae</i>	<i>Choloepus hoffmannii</i>	Two-toed sloth	VU	
Primates	<i>Cebidae</i>	<i>Cebus albifrons</i>	White-fronted capuchin	NT	
	<i>Cebidae</i>	<i>Aotus lemurinus</i>	Lemurine night monkey	VU	
	<i>Cebidae</i>	<i>Ateles belzebuth</i>	White-bellied spider monkey	VU	
	<i>Cebidae</i>	<i>Lagothrix lagotricha</i>	Woolly monkey	VU	
Carnívora	<i>Mustelidae</i>	<i>Pteronura brasiliensis</i>	Giant otter	EN	
	<i>Ursidae</i>	<i>Tremarctos ornatos</i>	Spectacled bear	EN	
	<i>Felidae</i>	<i>Leopardus tigrinus</i>	Little spotted cat	VU	
	<i>Felidae</i>	<i>Pantera onca</i>	Jaguar	VU	
	<i>Procyonidae</i>	<i>Potos flavus</i>	Kinkajou	VU	
Rodentia	<i>Agoutidae</i>	<i>Dynomis branickii</i>	Pacarana	VU	
<b>Birds</b>					
Galbuliformes	<i>Galbulidae</i>	<i>Galbula pastazae</i>	Coppery-chested jacamar	VU	-
Galliformes	<i>Cracidae</i>	<i>Aburria aburri</i>	Wattled guan	NT	-
Passeriformes	<i>Cotingidae</i>	<i>Rupicola peruvianus</i>	Andean-cock-of-the-rock	-	Appendix II
<b>Anfibios y reptiles</b>					
Anura	<i>Strabomantidae</i>	<i>Hypodactylus brunneus</i>	Carchi Andes frog	EN	

IUCN CATEGORY: EX = Extinct; EW = Extinct in the Wild; CR = Critically Endangered; EN = Endangered; VU = Vulnerable; NT = Near Threatened; LC = Least Concern; DD = Data Deficient; NE = Not Evaluated.

**Appendix II:** includes all species that, although they are not necessarily endangered at present, could become endangered unless the trade of said species is subject to strict regulation in order to avoid use incompatible with their survival



*Chiguiros in the production area of Ecopetrol's Central Management.*

### Protected or Restored Habitats

In the scope of its environmental responsibility, Ecopetrol supports and carries out projects focused on protecting or restoring habitats in its operations' areas of influence. Below is a description of some of these initiatives:

- In the area of influence of the Huila Superintendence of Operations, there is a property with an area of approximately 200 hectares known as the Parque Oso Hormiguero (Ant-eater Park). The vegetation in the area consists of pioneer species (first phase of the forest) and shrub species, such as ambuco, trupillo, raspayuco, chaparro and arrayan, among others, and tree species including acacias, igua, saman, yarumo, ocobo, chicala, cambulo, caracoli and gualanday, among others. In order to preserve, conserve, maintain and enrich these habitats and species, the property has been isolated, promoting natural regeneration and the establishment of new plants of the representative species, thus enriching the wooded areas. A total of 1100 species has been planted in this area.

- The Santuario de Fauna y Flora, Plantas Medicinales Orito INGI ANDE (Orito Ingi Ande Medicinal Flora Sanctuary) was recently created in the Department of Putumayo in an area protected by Colombian Natural Parks. It is located five kilometers from the industrial estate of the Northeastern area of the Putumayo Superintendence of Operations. Although Ecopetrol does not operate directly in the area, the company manages the preservation of the biodiversity located there.

### Most Significant Impacts on Biodiversity

In several specific fuel transport zones, such as the Trans-Andean Pipeline in the southern region, Mansoya-Orito (OMO), San Miguel-Orito (OSO), Churuyaco-Orito (OCHO), in the Departments of Putumayo and Nariño; the Salgar Plant located in the Middle Magdalena, and the Guaduro Plant in the Department of Cundinamarca, the activity of different illegal armed groups and delinquency not only intercepts the passage of the pipelines by attacking them, but also promotes the installation of illegal valves on the conduits to extract crude oil or refined petroleum products therefrom.

This affects bodies of water and flora (tall and low-lying stubble, as well as native shrubs and typical crops of the region). Measures have been taken in the different areas to mitigate and prevent this activity, such as the installation of control points and mechanical and artificial barriers. Similarly, decontamination and bioremediation is carried out in situ.

In some impacts where the soil has been soaked with hydrocarbons, soil and water monitoring is carried out to determine the possible movement of contaminants and determine the urgency of intervention. Sampling is performed under the water level, and the best alternative is evaluated to dispose of asphalt residues and add Ecobiol and Emulgrosson products, which are technologies developed by the Instituto Colombiano del Petróleo - ICP (Colombian Petroleum Institute).

### Managing Impacts on Biodiversity

Ecopetrol is currently carrying out the following projects in an agreement with Corpoica (Colombian Corporation for Farming Research) to manage impacts on biodiversity:



- ⦿ Monitoring the impact of industrial wastewater treated by Ecopetrol on the cattle-raising production system in the villages of Castilla La Nueva and Apiay, in the Department of Meta.
- ⦿ Environmental services for the water quality and quantity in two micro-watersheds in the towns of Villavicencio, Castilla la Nueva and Guamal.
- ⦿ Reforestation agreements.

Similarly, the Mansilla, Alban, Guaduro and Salgar Plants in the Central region have launched campaigns to plant native trees.

Exploratory drilling and seismic activities apply environmental management measures involving:

- ⦿ Training in environmental education
- ⦿ Revegetation
- ⦿ Contamination control
- ⦿ Distribution and management of natural drains and wastewater and rainwater systems
- ⦿ Systems to treat and dispose of solid and liquid waste
- ⦿ Compensation for impacts on vegetation
- ⦿ Control and verification of conditioning in vegetation management
- ⦿ Control and verification of the ban on hunting and fauna trade
- ⦿ Monitoring water quality and hydrobiological resources
- ⦿ Monitoring noise and atmospheric emissions
- ⦿ Setting up and stabilizing slopes

## Biofuels

In its capacity as an energy company, Ecopetrol is aware of the exhaustion of non-renewable energies and has identified new opportunities in biofuels to promote the development of the country, environmental sustainability and company growth. As a result, the development of alternative energies was defined as a strategic driver and, in this case, the goal of achieving a production capacity of 450,000 tons of biofuel by 2015 has been planned.

Therefore, in 2007, Ecopetrol began to walk this path, setting up the first biofuel project, Ecodiesel, which will begin operating in 2010.

On another note, in 2008, Ecopetrol became the majority stockholder of the Bioenergy fuel ethanol project, which is being carried out in the town of Puerto Lopez, in the Department of Meta.

The following is a description of the main advances of these projects in 2009:

- ⦿ **Ecodiesel.** The setup of the Refining and Biodiesel plants continued, presenting major advances in civil works Testing (pre-commissioning and commissioning) began in the month of December and will begin commercial operations in the first half of 2010. Also, a wharf was built to receive crude palm oil, which is the raw material for the process. In addition, the protocol required to transport the diesel – biodiesel mix through the multi-purpose pipeline network was designed.
- ⦿ **Bioenergy.** the property needed for the first phase of agricultural development was identified and acquired, the land was conditioned and prepared for best performance. The development of the basic seedbed (100 hectares) was completed in order to plant the commercial nursery in the year 2010. In addition, the varieties with the best output were selected in accordance with the agronomic conditions of the zone. At the same time, progress was made in the EPC (Engineering, Procurement & Construction) process, which was the model selected to build the plant (mill and distillery) and in defining the most suitable technology. On another note, it was declared a Free Trade Zone, which will provide significant tax benefits, as well as environmental permits for the operation of the Ethanol production plant.

### Biofuel Sustainability

Ecopetrol's Biofuel Department has generated initiatives to leverage biofuel sustainability based on three approaches:



*Ecopetrol has evidenced new opportunities related to biofuels to promote environmental sustainability.*

- ◉ Obtaining cost-efficient raw materials that are not affected by market speculation such as in the case of foods.
- ◉ Finding new uses for the process' by-products, minimizing environmental risks and maximizing project profitability.
- ◉ Making use of under-utilized or depleted soils, generating employment and rural development.

As far as the first approach, cooperation agreements for 375 million have been carried out with government and private entities since 2008 to research and develop the technological package of the *Jatropha curcas* plant, which is one of the most promising raw materials in producing oil for biodiesel. In 2009, the first results were obtained and research continued through the “Colciencias – Ecopetrol Call for Proposals in Biofuel Research”, in force until 2011.

As regards the second approach, in 2008 the Instituto Colombiano del Petróleo - ICP (Colombian Petroleum Institute) conducted assessments and analyses in the field of oleochemistry for the use of raw glycerine, the main by-product of biodie-

sel production, and in 2009, through the Colciencias-Ecopetrol call for proposals, approximately \$1.0 billion pesos were awarded for research on the use of this by-product as a supplement in bird and pig feed. The result of this action will benefit all the biodiesel plants in the country that may have a larger supply of buyers for this by-product. In addition, yellow corn imports, which are the main source of bird and pig feed in Colombia, are expected to be substituted.

Among other initiatives for the use of by-products, there is the creation of a group of researchers from the ICP focused on finding alternative uses for dreg wine, the main by-product of the ethanol industry, which may have enormous potential as a fertilizer in soils such as those of the plateau where the company's ethanol project is located.

With reference to the third approach, in September 2008, Ecopetrol signed an agreement with Corpoica (Colombian Corporation for Farming Research) and Incoder (Colombian Institute for Rural Development) to research the viability of a sweet sorghum or sugarcane-based Ethanol project on the plateau corresponding to Incoder's Carimagua property in the Department of Meta. At present, experiments with six varieties of sugarcane and six varieties of sweet sorghum have been implemented, and the results will be ready by September 2010. We expect promising results on the agronomic level that will demythologize the use of these lands with high limiting factors regarding fertility.

Finally, the Biofuel Department and the Instituto Colombiano del Petróleo – ICP (Colombian Petroleum Institute) have assisted the Colombian Corporation for Farming Research (Corpoica) in the calibration and fine-tuning of the ethanol and biodiesel plants built to benefit the rural communities in Barbosa (Santander), Frontino (Antioquia) and Zulia (Norte de Santander).

The agreement signed in 2008, in force until 2010, has played a role in the production of biofuel in these regions with the proper quality, guaranteeing market entry of the fuels and allowing the economic benefit of the communities involved in the production project.



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## Eco-efficiency

Ecopetrol focuses its Eco-efficiency Program on minimizing the environmental impacts generated by effluents, emissions and solid waste, and maximizing or implementing opportunities for environmental improvement.

### Energy Management

At the beginning of 2008, the Energy Resource Management Department (PGR) was created to work on energy-related issues that were growing in the organization but were being carried out in an isolated manner. Similarly, the increase in the energy demand to achieve the corporate MEGA of one million barrels of production per day, makes it essential to guarantee the efficient, rational use of the resource in the organization's production processes.

Therefore, the Department took on the responsibility to guide and manage Ecopetrol's energy projects based on four pillars: optimization, efficiency, reliability and diversification of the company's energy sources.

### Energy Efficiency

In 2009, consumption for Ecopetrol's processes was monitored, identifying three major primary sources: natural gas, electricity and liquid fuels, where the first was used the most.

On the other hand, the usage factor of the self-generated installed power of Ecopetrol and its associates is 70%. At present, projects are being carried out for a growth of 40% with efficiencies between 36% and 42% (currently ranging from 22% to 38%), decreasing operating costs, increasing reliability and monetizing by-products.

In addition, the company has different projects focused on developing energy efficiency to help reduce operating costs, back the operation, op-

imize power indices and reduce dependency on conventional sources of energy, for instance:

- Geothermal energy: use of generation potential with hot water (low enthalpy). The study is currently being conducted for the town of Apiay, focused on generating 5 MW.
- Coal seam gas: a pilot plan is being developed through the ICP to drill prospects and make use of 4 MPCD.
- Installation of a weather station to measure wind regime for wind generation of 3 MW at the Coveñas Station.
- Studies and market intelligence to learn the possibilities of development and technology for generation using solar cells.

### Decrease in Energy Use at the Offices

The changes in the electrical infrastructure being made at Ecopetrol have resulting in saving energy. Some of the changes at the corporate offices in Bogotá are: the installation of more efficient equipment, automatic lighting controls, and power systems and networks with less losses, among others. As a result, there have been total savings of 5317 kilowatts per week, which is the equivalent of three days worth of lighting of an entire building.

### Green Contracting

In 2009, Ecopetrol put together the Green Contracting project, which consists of prioritization in the procurement or contracting of goods and services with a lower impact on the environment and human health.



*Ecopetrol has undertaken conditioning works on the electricity infrastructure at its corporate offices to generate energy savings. This photo is the Teusaca Building in Bogotá.*

In 2009, pilot projects were carried out to determine the viability of the initiative by generating positive financial as well as environmental results. In 2009, the project will be carried out in at least five baselines, which will subsequently be replicated in the entire supply chain between 2011 and 2012.

One of the pilot initiatives carried out in 2009 was the Chemical Leasing project, which was developed together with UNIDO (United Nations Industrial Development Organization) through the CNPML (National Center for Cleaner Production). This project is based on the commitments acquired by Agenda 21 of the Rio World Summit on the sound management of chemicals throughout their life cycle and the respective hazardous waste, as well as the international commitments of getting all chemicals used and produced in ways that lead to the minimization of significant adverse effects on human health and the environment by 2020.

Similarly, in 2009, plastic cups were substituted by polyboard cups, which are recyclable and bio-

degradable. This initiative was accompanied by a solid waste management campaign in the Bogotá offices and will be extended nationwide in 2010. In order to make the substitution, a life cycle analysis was conducted on different alternatives, taking the 14.040 standard as a functional unit, at a weekly consumption of 141,000 polystyrene cups, whose final disposal was sanitary landfill.

Furthermore, in August 2009, a market intelligence study was conducted to identify companies with the capacity to supply promotional eco-friendly products for Ecopetrol.

### **Water Catchment**

The total volume of water collected at Ecopetrol in 2009 for use in operating and administrative activities was 85.19 million m<sup>3</sup>; surface water was the main source of catchment in the company's operating areas, at 86.4% of the total catchment; groundwater represented 8.3% and water from the aqueduct amounted to 5.21% of the total catchment (see Table 59).





**Table 59.**  
**Water Catchment Volume in 2009 (in m3)**

Water catchment sources	Surface water	Groundwater	Aqueduct	Other	Total
Total	73,609,302.2	7,129,578.0	4,444,072.0	1,079.0	85,194,031.2

The volume collected comes from 167 sources, 70 of which are surface bodies of water, 72 are underground water sources, 23 are supplied directly from aqueducts and 2 are from other sources (production water tanks). There have been no reports of surface or underground bodies of water significantly affected by direct catchment.

Some of Ecopetrol's operating areas carry out water recycling and/or reuse processes, such as the case of the Barrancabermeja Refinery, where water reuse and recycling activities were carried out, including: backwashing activated carbon filters fire-hydrant water; backwashing zeolites; backwashing sand-anthracite filters; stripped sour water for desalting; recycling condensates for desalting in each of the five distillation units; recycling of sour water from the high pressure system to gas washing.

In this order of ideas, the percentage and volume of water that is recycled or reused in the industrial processes of the operating areas is illustrated in Table 60.

**Table 60.**  
**Percentage and total volume of recycled and reused water**

Operating area	% Of water reused	% Of water recirculated	Reduction %
Refining and petrochemistry	31.2	2.5	-
Exploration and production	53.3	27.09	-
Transport	85	49	39
<b>Total</b>	<b>56.5</b>	<b>26.2</b>	<b>39.0</b>

## Discharged

The following is the volume of wastewater discharged in the year 2009 by type:

- Domestic wastewater: 0.39 million m<sup>3</sup>
- Industrial wastewater: 87.89 million m<sup>3</sup>

More water is discharged than collected because in some fields, production water is not reused and it is discharged along with industrial wastewater. There are plans to begin projects to re-inject water in peripheral fields in 2010. In general, the main use of the effluents in the different operating areas are surface sources (see Table 61).

**Table 61.**  
**Number of effluents by use**

Surface	Sewage	Other	Total
310	12	59	381

As regards the volume discharged, in 2009 there was a reduction of 49,387.6 m<sup>3</sup> in industrial wastewater as compared to 2008.

## Initiatives for the Efficient Use and Saving of Water

The Barrancabermeja Refinery has a Program for efficient use and saving of water that consists of the installation of micro-meters and water saving devices for the potable water distribution system at the Refinery; similarly, the program is disseminated through environmental culture lectures given in the control rooms of the processing units, whose main objective is to encourage the proper use of resources and environmental conservation in workers.

## Initiatives to Improve Wastewater Management and Treatment

In order to decrease the effluents in the production fields of the Central and Middle Magdalena regions, water collection, treatment, transfer and re-injection systems were optimized focusing on reaching zero effluents by the end of 2010.

To the same effect, the management of the industrial wastewater reused in the Huila Norte and Tello fields consists of a Water Injection Plant (WIP) where it is treated until it meets the conditions to be re-injected. In the injection process, 6,879,885 m<sup>3</sup>/year were reused in 2008 and 6,490,430 in 2009, corresponding to 84% and 82% of the water, respectively. At present, similar plants are being built in other production fields.

In addition, several fields consider the reduction of collection stations, aiming to minimize effluents and re-inject formation water extracted from the wells as a secondary recovery system to increase hydrocarbon production. Similarly, programs are being implemented to recirculate the water coming out of the formation as a practice to avoid effluence to bodies of surface water.

### Solid Waste

Ecopetrol has Comprehensive Waste Management Plans (MIRS) in all its operating areas, contemplating the management of hazardous and non-hazardous waste that frames and guides waste management pursuant with the requirements of Decree 4741 / 2005. Each management unit has a management system established to handle waste, placing emphasis on the stages of separation at the source, collection, transport, storage and disposal.

Waste generation in 2009 amounted to 192,317.6 tons, between hazardous and non-hazardous waste (see Table 62).

**Table 62.**  
Generation of solid waste (tons)

Non-hazardous waste	Hazardous waste	Total
108,464,383	83,853,251	192,317.6

99.13% of the hazardous waste is taken to treatment either by incineration, co-processing in cement furnaces or bioremediation. Disposal in safety fills is used in less than 1% of the cases.

The company's initiatives to reduce waste generation led to the reduction of 38,861 tons of waste in 2009 as compared to 2008. 3% of the non-hazardous waste is handled by utilization (recycling, regeneration or reuse), 3% is treated and 93.5% is taken to a sanitary landfill or dump.

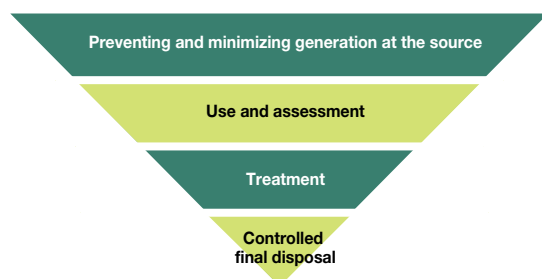
## Comprehensive Management of Hazardous Waste

Ecopetrol identified the need to design, develop and ensure strategies for the disposal and sale of surplus and waste to mitigate environmental risks, thus generating value for the company. Therefore, the requirements being met are those corresponding to the surplus of fixed assets (obsolete assets, excess inventory, useless assets), other obsolete surplus on inventory and industrial waste that requires strategies for disposal or sale.

The strategy established by Ecopetrol to deal with the requirements was represented in an inverted pyramid, which is in line with the environmental policy for the comprehensive management of waste or hazardous waste of the Ministry of the Environment, Housing and Territorial Development (see Illustration 13), focusing major efforts on minimizing waste, identifying opportunities for improvement, selecting treatment alternatives and controlling final disposal.



**Illustration 13.**  
**Hierarchical strategy for the comprehensive management of hazardous waste**



Based on this strategy, Ecopetrol identified the need to design, develop and guarantee performance to optimize costs in contractual processes to dispose of non-hazardous industrial waste, such as iron scrap, in hazardous waste export contracts such as radioactive cells and waste with contents over 50 ppm of polychlorated biphenyls (PCB), as well as contracts for the internal disposal of hazardous and non-hazardous industrial waste.

In addition, the company has started out in the topic of waste recovery, as is the case of hydrocarbon recovery based on oily residues and the sale of surplus and waste to mitigate environmental risks, thus generating value for the company. By doing so, benefits and revenues were generated for a total of \$5.311 billion in 2007 and \$6.542 billion in 2008 (see Table 63).

**Table 63.**  
**Revenues from the sale of waste**

Description	2007 Millions of pesos	2008 Millions of pesos
Savings aggregation radioactive cells	184.0	
Savings aggregation PCBD transformers	312.0	
Savings aggregation hydrocarbon soaked	11.0	
Savings management chemical analysis	10.0	
Savings management radioactive cells	240.0	
Savings management chlorine cylinder disposal	5.0	
Savings management unidentified chemical	1.6	
Savings management chemical analysis	9.0	
Sale of unclassified metal scrap	3,960.0	5,437.0
Sale of oily mud	57.0	76.0
Sale of surplus	522.0	-
Sale of electronic scrap		12.0
Sale of transformers with oil without PCBs		39.0
Savings on taxes due to vehicle sale		13.0
Direct sale of furniture and chattels		28.0
Sale of copper and steel scrap		275.0
Sale of used lubricant oils		38.0
Sale of vehicles		624.0
<b>Total</b>	<b>5,311.6</b>	<b>6,542.0</b>

In 2009, Ecopetrol made several agreements and received revenue on account of waste sales resulting in benefits for the company (see details in Table 64).

**Table 64.**  
**Waste management in 2009**

Description	Accumulated 2009
Revenues from the sale of surplus and industrial waste	\$2,269,947,105 to December 2009
Electric and electronic scrap dispatched for metal recovery	16,427 kg \$9,034,850 January - September 2009
Metal scrap dispatches to DIACO for melting in iron and steel works	9,293,563 Kg December 2008 - November 2009
Acid PB batteries collected for lead recovery	173 units January - December 2009
Gallons of oily waste dispatched to CI Invercom in 2009	21,878 gallons
Units and weight (Kg) of pipe and rod protectors delivered in 2009 for recycling as plastic wood	50,314 units of pipe and rod protectors with an approximate weight of 92,952 kg
Used lubricant oils (Esapetrol)	2,295 gallons December 2009
Used lubricant oils and asphalt residues (Unigras)	Spent oils: 8,250 gallons asphalt residues: 3,600 kg. \$6,511,200
Martillo Banco Popular (sales operator)	13 auctions January - December 2009
Sales agreements and orders	44 agreements January - December 2009

At present, efforts are being made for the proper management of light bulbs and fluorescent lamps nationwide, including the safe packing and crushing, labeling that meets Colombian regulations for transporting hazardous substances, temporary storage, crushing, encapsulation and certified final disposal in a safety landfill; in 2009, 1249 kg of fluorescent bulbs were disposed of.

### Initiatives to Improve and Reduce Solid Waste

Considering that most hazardous waste is generated in production fields, the following initiatives are being carried out to reduce it:

- **In the Tibu field:** closing of tanks and recovery of localized contaminated areas; treatment of mud and soil waste containing hydrocarbon extracted from tanks; with ecological points to facilitate the separation of waste at the source; warehouse to store industrial solid waste temporarily, which will be modified to provide easier access for vehicles and increase storage capacity.
- **At the Middle Magdalena Management Unit:** inventory and updated database of industrial waste existing before 2008 to date; evaluating of the different types of treatment, use and disposal available for each type of waste; agreements to collect pipe protectors; creation of agreements to dispose of Pb batteries – compressed gas cylinders stored in the areas of the management unit.
- **At the Barrancabermeja Refinery:** construction of a warehouse to store approximately 5800 drums of industrial waste.

All operating areas consolidated the industrial solid waste manual, which includes the inventory of industrial solid waste, data sheets and instructions on management, treatment and final disposal. The technical specifications were also created for the storage areas, along with internal and external audits of contractor waste management.

### Environmental Incidents and Prevention Programs

In 2009, the company reported 116 environmental incidents due to operating causes, compared to the 56 that took place in 2008, which represented 7533 barrels spilled, compared to 2482 in the year 2008. This increase was due to the higher level of reporting generated in the operating areas (see Tables 65 and 66).



**Table 65.**  
**Total environmental incidents**

Number of environmental incidents						
Year	2004	2005	2006	2007	2008	2009
Total	170	112	88	59	56	116

\*Barrels spilled: the barrels entered in the BSC due to operating causes.

**Table 66.**  
**Volume of most significant accidental spills**

Number of barrels spilled		
Year	2008	2009
Total	2.482	7.533

\* Barrels entered in the BSC due to operating causes.

The causes that were identified of the environmental incidents for the year 2009 are: corrosion, operating failures (including plant leaks, inadequate operating conditions and equipment failure), overflowing of oily water systems, valve failure and tank truck traffic accidents.

The actions that have been planned to reduce environmental incidents are:

- ⦿ Compliance with the equipment and pipeline integrity program at each business unit.
- ⦿ Plan to separate rainwater from oily water at facilities (review designs - construct elements).
- ⦿ Assurance of operating procedures in:
  - Runs and routes of vacuum trucks to cellars, traps.
  - Level control alarm systems.
  - Reduction of mud carry to treatment systems and control over increases in volume.
  - Structured rounds – changing shifts.
- ⦿ Implementation of anti-pollution systems at production wellheads with mechanical pumping.
- ⦿ Road safety for tank trucks (audits at critical points of roads).

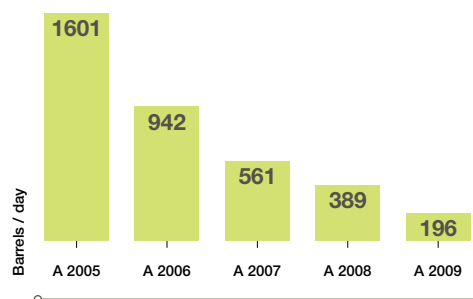
## Losses Due to Theft and Attacks

Environmental incidents may also be caused by third parties, when there are losses due to theft of refined products and crude oil, and attacks against the transport infrastructure. In order to manage loss control, Ecopetrol has a strategy based on six pillars:

- ⦿ Social Management
- ⦿ Control of the supply chain
- ⦿ Tougher punishment
- ⦿ Support from the Public Forces
- ⦿ Indictment Systems
- ⦿ Strategies to make fuel theft more difficult.

Theft of refined products decreased 50% in 2009 compared to 2008, dropping from 389 barrels/calendar day to 196 barrels/calendar day (see Diagram 46).

**Diagram 46.**  
**Theft of refined products**

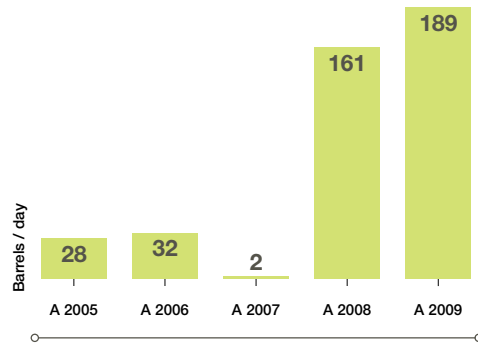


Source: Ecopetrol Downstream Executive Vice Presidency

Theft is concentrated mainly in the Middle Magdalena region, in the Galan - Salgar and Galan - Bucaramanga Systems, with 44.11% of the total, and the Galan – Pozos System, where 9.82% of the losses due to the theft of refined products.

Theft in the crude oil systems went from 160 barrels/calendar day in 2008 to 189 barrels/calendar day in 2009 (see Diagram 47) mainly due to social factors in the Systems of the southern region.

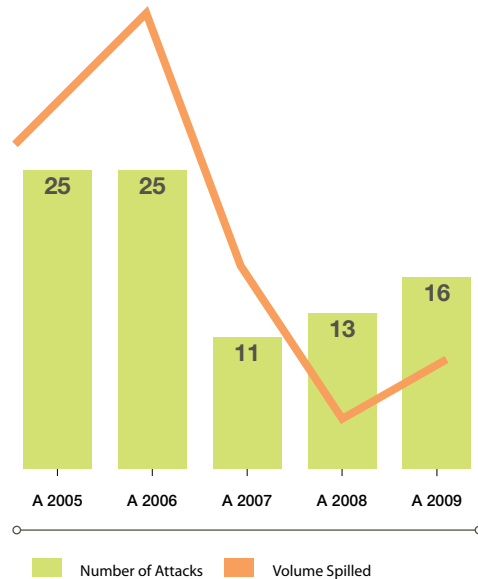
**Diagram 47.**  
**Theft of crude oil**



Source: Ecopetrol Downstream Executive Vice Presidency

On another note, in 2009, the number of attacks on the Caño Limon Coveñas Pipeline increased 23% compared to 2008, rising from 13 to 16; however, operating management efforts decreased deferred production by 100% (see Diagram 48).

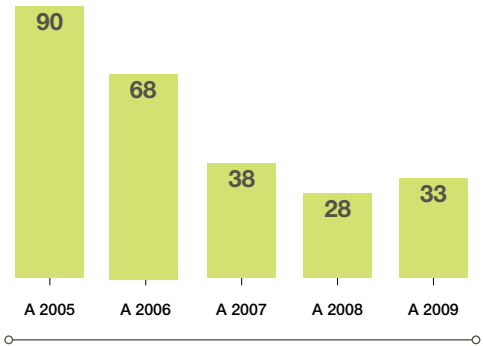
**Diagram 48.**  
**Number of attacks vs. Volume spilled**



Source: Ecopetrol Downstream Executive Vice Presidency

In the Systems in the South, like the increase in theft, attacks increased by 18% rising from 28 in 2008 to 33 in 2009 (see Diagram 49).

**Diagram 49.**  
**Number of Attacks in the Systems in the South**



Source: Ecopetrol Downstream Executive Vice Presidency

## Spill Prevention

Ecopetrol has a contingency planning program by means of which the company guarantees a preventive approach of the operating areas when dealing with unexpected events, such as hydrocarbon spills. Work is being done based on the following preventive programs:

- Preventive and reactive maintenance on facilities
- Facility integrity
- Theft and leak control
- SCADA (Supervisory Control and Data Acquisition)
- History of leaks and events
- Risk analysis update
- Response strategy update
- Adjustment of contingency plans

## Dealing with Spills

In order to deal with events involving spills, Ecopetrol has specific response plans for its facilities, designed based on risk analyses that identify: critical areas, environmentally sensitive zones, zones of commercial or tourist value, inlet pipes, vulnerable communities, in order to prevent or minimize consequences on people, the environment, property, infrastructure and the company's image.



Ecopetrol has the following technological infrastructure to deal with spills:

- Equipment for emergency control of hydrocarbon spills, which were updated in 2009 thanks to an investment of US \$5 million.
- Standardized procedures to deal with emergencies in the industry.
- Computer Assisted Tools for Contingency Plans. A unified data model proposed as a nationwide standard (PNC – national contingency plan) to store and inquire information associated with Contingency Plans of oil facilities.
- Availability of direct and contracted personnel to deal with emergencies.

### Initiatives Developed in Contingency Planning

The following contingency planning actions were carried out for the development of Ecopetrol's exploration and production business:

- Investigation of environmental events to define the action plans that were implemented during operations in projects, guaranteeing fulfillment of the actions in the established plans.
- Dissemination of the contingency plans in Ecopetrol facilities and projects to employees and the community.
- Updating of procedures for medical care in emergencies.
- Meetings with Local and Regional Disaster Prevention and Attention Committees of the

*Ecopetrol's work is based on a preventative approach of undesired events such as hydrocarbon spills. The photo depicts the Eastern Plains Pipeline (Oleoducto de los Llanos) in the department of Meta.*



*In 2009, operational managements undertook environmental culture campaigns aimed at protecting the operations milieu. The photo shows herons at the Barrancabermeja Refinery.*

towns in the area of influence to reinforce their response capacity.

- ◉ Training and instruction activities for the personnel of emergency brigades and contracting firms in charge of dealing with the events.
- ◉ Fire drills and practicing of environmental emergency procedures, evacuations, updating operating manuals and the directory of communities in the area of influence, disaster attention organizations and internal directory for notification in case of emergency.
- ◉ Installation of the Anti Pollution Stuffing Box Adapter (APA) System in three production management units, which prevents possible contamination due to production flows that may take place during the mechanical pumping of a well.
- ◉ Hydrocarbon spill drill at the Apiay Station on the Quenane River.

- ◉ Civil works to separate rainwater from oily water, assurance of structured rounds by operators and supervisors, and increase in hydrocarbon collection frequency in cellars, in order to minimize the occurrence of spills at facilities.
- ◉ Static asset integrity activities in order to replace lines.

## Environmental Culture

Playing a role in raising environmental awareness in workers and contractors is essential for the company's environmental programs to be carried out with high quality standards and improve on a continuous basis. Consequently, in 2009 the operating management units launched organizational culture campaigns and training programs focused





on sharing the lessons learned regarding environmental incidents and environmental awareness.

In all the areas of the company, Occupational Health Week (Semanaso in Spanish) is held in the month of October, and covers environmental topics by carrying out academic events and recreational activities such as planting trees, environmental emergency drills, promoting the 3 R culture: Reduce, Reuse and Recycle, house-keeping campaigns, care for natural resources and preventing environmental impacts. This is done with the active participation of direct and contractor personnel.

A campaign called Don't Stain Life was designed to promote the environmental culture in operating areas and prevent possible spills that cause the contamination of soil and bodies of water, and affect the community.

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## Compliance

Ecopetrol has permits, authorizations and concessions for its different operating activities, which have to be applied for through environmental authorities in order to guarantee the operation of its facilities, plants, fields and refineries.

Similarly, from the legal standpoint, the company has environmental licenses granted by the Ministry of the Environment, Housing and Territorial Development or environmental management plans for its projects or facilities that regulate the management of the company's different activities.

These management plans are designed based on the corporate guidelines issued in 1998, later updated in 2008, which establishes that all of the company's facilities or projects are required to have a plan to be used as a management tool focused on preventing, mitigating, rectifying or compensating any environmental impacts and effects caused by carrying out a project, construction or activity.

Notwithstanding Ecopetrol's interest in carrying out all its operations within the regulatory framework and acting in accordance with the principles of environmental responsibility, the company has incurred in environmental sanctions and fines that have caused fines in 2008 due to three incidents of water, soil and flora contamination for a total of \$16,191,300, although the six most significant punishments in 2009 amounted to a total of \$700,184,000.

Two fines imposed by the Ministry of the Environment, Housing and Territorial Development in 2009 mount to \$596,280,000, in one case due to the replacement of flow lines on the Apiay-Arari Block in the Suria Sur Field, and the second case, due to a hydrocarbon spill at the Tumaco Terminal, which took place on March 25, 2004.

This is our first exercise of Sustainability Reporting using GRI's G3 methodology and it has enabled us to organize our environmental information and thus, establish our baseline to continue moving forward in impact prevention and mitigation, as well as in the quality of the information required by our stakeholders on which to base their decisions.◦

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