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**SUPPLY CHAIN
SUSTAINABILITY ASSESSMENT**

SUPPLY CHAIN MANAGEMENT
(SCM)

DE TODOS, PARA TODOS

ecoPETROL

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SUPPLIER CODE OF CONDUCT

Ecopetrol's Code of Ethics and Conduct outlines the basic and minimum standards of conduct expected for the Suppliers and Contractors working on behalf of the Company or any of its subsidiaries. The Code establishes highest standards of integrity to be upheld in all business interactions with Suppliers and Contractors in order to prevent corruption, bribery, fraud, money laundering, terrorism financing, and violations of the FCPA, conflicts of interest, ethics conflicts and unfair competition.

The Code of Ethics and Conduct also states that the commitment to life is one of the principles that must rule the behavior of all the recipients of the Code. According to this principle, self-care actions inside and outside the work and hygiene, safety and environment rules set out by Ecopetrol are a mechanism for the defense of life, health and the environment.

In addition, the principles of respect and commitment to life constrains the company to guarantee the defense and promotion of human rights, to prevent discrimination and to comply with the HSE regulations. Furthermore, the Code of Ethics and Conduct requires compliance with the law, which means that the recipients of the Code are committed to comply with regulations regarding fair labor practices and human rights, including prohibition of forced or child labor.



Fundamental Human Rights
Child labor, Fundamental human rights and Remuneration: Ecopetrol's internal document "Labor Aspects and Conditions" establishes the policy for these topics. This regulation is accepted and followed by all the suppliers.



Environmental standards
Environmental standards for the suppliers' processes, products or services: It is mandatory that new and existing suppliers have to fulfil this environmental standards according to its procurement category (economic activity).



Sustainable procurement policy
Ecopetrol's internal document "Local contracting of goods and services for the supply chain", establishes the frame and conditions for local contracting in which are included the Environment Management (plans, requirements, relationship and promotion of local offer) that suppliers and their own suppliers must accomplish. This regulation is optional according to each procurement strategy.



Occupational Health and Safety
Occupational Health and Safety: Ecopetrol's internal document "Promotion of a secure, clean and healthy labor" establishes the HSE policy, this regulation is accepted and followed by all the suppliers.

USEFUL FACTS

All Ecopetrol's contractors declares to understand and comply with the obligations of ethics, transparency and compliance in contracting, which are an essential part of the contract details and include, among others: Code of Good Governance, Code of Ethics and Conduct, anti-bribery laws, accounting regulations and implementation of internal control mechanisms. Failure of contractors, their workers, subcontractors, suppliers, agents and their respective workers to comply with ethical, transparency and compliance obligations, results in the termination of their contract with Ecopetrol and the companies of Ecopetrol's Group.

CRITICAL SUPPLIERS

Ecopetrol identifies its critical suppliers through an annual supplier's segmentation which takes into account the suppliers' annual procurement spent and its respective operational risk/impact. In the identification of critical suppliers, Ecopetrol considers the following elements:

- 1 CRITICAL COMPONENT SUPPLIERS OR SIMILAR**
- 2 NON-SUBSTITUTABLE SUPPLIERS OR SIMILAR**
- 3 ANNUAL PROCUREMENT SPENT**

In 2019, Ecopetrol had **112** critical suppliers which represented the **80%** of the annual procurement spent.

Even though Ecopetrol does not have a segmentation of critical non tier 1 suppliers, the supply chain process allows a comprehensive segmentation in accordance to strategy, category of goods or services and the type of supplier. This means that in the identification of the procurement needs the process take into account those factors and determines the critical activities that must be directly contracted and executed by its tier 1 suppliers and the non-critical activities that could be subcontracted or provided by third parties (non tier 1 suppliers).

It is important to mention that Ecopetrol defines two types of non tier 1 suppliers:



SUBCONTRACTOR

Natural or legal person who carries out activities or supplies in favor of Ecopetrol's Contractor that are an essential part of the object and scope of the contract executed for Ecopetrol. All the subcontracts must be authorized and approved by Ecopetrol. In 2019 Ecopetrol had 408 subcontractors.

Natural or legal person that performs activities or supplies in favor of Ecopetrol's Contractor that are not an essential part of the scope and object of the contract executed for Ecopetrol. In 2019 Ecopetrol had 19.826 providers.



PROVIDER

USEFUL FACTS

Ecopetrol segments its suppliers according to their procurement cost and the risks and impacts in the development of the business strategy (Strategic, Core, Lever and Routine suppliers) and for the non-tier 1 suppliers' management, Ecopetrol has internal regulations, that includes subcontracting guidelines, relationship with those suppliers and other commercial and labor aspects.

SUSTAINABILITY RISK ASSESSMENT

Ecopetrol's Supply Chain Process is carried out through a strategic model which aims an effective, responsible and a sustainable long-term supply of goods and services, based on a segmented operation in terms of cost, opportunity, quality and risk level.

In order to achieve harmony in operations and reduce sustainability risks, Ecopetrol makes an advance management and assessment of the environment to identify and mitigate social and economic conflicts. For this purpose, Ecopetrol develops and monitors different assessments procedures which allows the identification and classification of suppliers with a high risk potential:

EARLY WARNING SYSTEM

Consists in a periodic monitoring of the suppliers' compliance through variables associated to claims and complaints, events reported in site, contract's economic deviations, late payments, garnishments and insolvency. Likewise, this system also monitors the impact that non-compliance may have in Ecopetrol's operations, this impact is assessed by 3 components: 1. Concentration of contracts with Ecopetrol, 2. Estimated value of non-compliance of obligations with suppliers and 3. Number of Workers (Exclusive labor force).

INTERNAL RISK MANAGEMENT SYSTEM

Internal Risk Management System for Contracting is a system designed by AON and used by ECOPETROL to guarantee the management of risks associated with the hiring of third parties, from the design of policy coverage, negotiation with the insurance market, issuance and monitoring of policies, among others.

CRITICAL CONTRACTS

Critical contracts identification: monitors the historic suppliers' non-compliance of payment obligations to third parties by the contractor.

SUPPLIER'S SEGMENTATION

Ecopetrol identifies its critical suppliers based on the operational impact/risk and the annual procurement spent. The impact/risk classification is a result of the risk/impact matrix in which each category (economic activity) is assessed by its procurement risk and operational impact.

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USEFUL FACTS

Suppliers must be registered at Ecopetrol's Supplier System Information (SIPROE) in which the main criteria analyzed during the verification stage includes legal standing, commercial experience, financial capacity, HSE conditions, performance, compliance with previous contracts and commitment to ethics and transparency.

SUSTAINABILITY RISK MANAGEMENT

Ecopetrol defines risk as any event of uncertain occurrence that, if materialized, generates a positive or negative impact for the achievement of the organizational objectives at any level of the Company. In accordance to this definition, Ecopetrol's supply chain process defines as a Sustainability High Risk any event or action with negative impacts in economic growth and social wellness. As mentioned before, in order to achieve harmony in operations and reduce sustainability risks, Ecopetrol makes an advance management and assessment of the environment to identify and mitigate social and economic conflicts with the procedures previously defined.

Ecopetrol performs sustainability risk assessments for its tier 1 and critical non-tier 1 suppliers as shown as follows:



TIER 1 SUPPLIERS
3.926

Ecopetrol evaluates its current suppliers in 5 different topics: 1. Operating efficiency, 2. Accomplishment of Deadlines, 3. Administrative Aspects, 4. HSE and 5. Environment Management to assure the Excellence and Operational Continuity. For potential suppliers Ecopetrol develops a procurement strategy in which those suppliers are evaluated financially, technically and commercially, among others.

 **100% ASSESSED**
IN THE LAST 3 YEARS



NON TIER 1 SUPPLIERS
20.234

Ecopetrol has internal regulations for the non-tier 1 suppliers' management that includes subcontracting guidelines, relationship with those suppliers and other commercial and labor aspects.

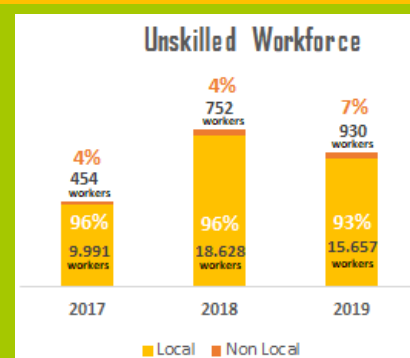
Ecopetrol defines two types of non tier 1 suppliers:

1. Subcontractors: 408
2. Providers: 19.826

 **100% ASSESSED**
IN THE LAST 3 YEARS

USEFUL FACTS

Local hiring fluctuates according to the requirements of the works and projects that Ecopetrol executes. In the last three years, majority of unskilled workforce has been local (above 90%).



SUSTAINABILITY

HIGH RISK SUPPLIERS

Ecopetrol has different procedures to identify and monitors high-risk suppliers. As a result, in 2019 Ecopetrol had **177** high-risk suppliers, segmented as follows:

112
CRITICAL SUPPLIERS

33
INTERNAL RISK MANAGEMENT SYSTEM

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EARLY WARNING SYSTEM

12
CRITICAL CONTRACTS



Even though these suppliers do not represent a high participation in terms of volume, it is important to mention that critical suppliers represent the 80% in terms of annual procurement spent (112 suppliers) and the other 68 suppliers identified as high risk have the potential to perform an operational risk.

In addition, the Company has established different strategies to build strong and valuable relationships with suppliers and to develop new joint initiatives, such as Innovation and Performance Review Meetings (PRM).

CORRECTIVE ACTION PLANS FOR SUPPLIERS

In accordance with the results of the Performance and Audit Assessments to the suppliers, both parties may agree in the development of a corrective action to improve the gaps identified. It is important to mention that the corrective plans are applied to every type of supplier and not only for the ones considered as critical or high risk, because its application depends on the supplier's performance and the mutual agreement between the two parties.

Suppliers make a proposal of their own corrective performance plans, prior to Ecopetrol's approval, according to the impact of the deviation and the contract's execution term. Ecopetrol monitors periodically the compliance of these corrective performance plans.

USEFUL FACTS

- 1 7 of the 112 critical suppliers have a corrective performance plan approved by Ecopetrol.
- 2 Ecopetrol establishes Performance Review Meetings (PRM's) for strategic suppliers that represents 40% of the annual procurement spent.

RISK MANAGEMENT MEASURES

Ecopetrol defines a Performance Assessment Process which indicates that the existing suppliers must be assessed by 5 indicators: 1. Operating efficiency, 2. Accomplishment of Deadlines, 3. Administrative Aspects, 4. HSE and 5. Environment Management.

In this process, the Company gives a guideline about the assessments that have to be done during a contractual relationship, including frequency, aspects to be evaluated and other criteria. This process also indicates that for contracts whose execution term exceeds six (6) months and are classified as Medium (M), High (H) or Very High (VH) HSE Risk, it is mandatory to complement the Performance Assessment with at least one annual audit in the place where the contract is executed, preferably to be carried out during the first three (3) months of execution of the contract.

In addition to performance assessments, Ecopetrol develops different risk management measures:



LABOR VERIFICATIONS

In order to ensure compliance with labor obligations, visits are made to suppliers to identify breaches, occupational risks and early alarms to mitigate situations that can impact labor normality. This verifications are recorded in a standard report that allows the parameterization of findings and the inclusion of improvement actions. In 2019, 112 verifications were carried out.



INTERNAL RISK MANAGEMENT

As mentioned before, this system designed by AON is used by Ecopetrol to guarantee the management of risks associated with the hiring of third parties.



DUE DILIGENCE

In 2019 Ecopetrol carried out an internal due diligence of 10 suppliers and contractors in order to identify and mitigate possible risks of violations of the Code of Ethics and Conduct related to corruption, bribery, fraud, money laundering, terrorism financing, violations of the FCPA, conflicts of interest, ethics conflicts and unfair competition.



SUPPLIER VERIFICATION

As part of the supplier registration and verification process, Ecopetrol consults suppliers on national and international restrictive lists, such as OFAC Sanctions, the United Nations Security Council list and Police, Attorney General, General Prosecutor and General Comptroller National Database. If any supplier presents a finding in any of these lists, it is immediately blocked and cannot be invited to contracting processes or contracted by Ecopetrol.



USEFUL FACTS

In 2019, 100% of the critical and high sustainability risk suppliers were assessed through one or more of the measures mentioned.

ESG INTEGRATION IN SCM STRATEGY

Ecopetrol's Supply Chain Process is carried out through a strategic model which aims an effective, responsible and a sustainable long-term supply of goods and services, based on a segmented operation in terms of cost, opportunity, quality and risk level. In accordance with this model, Ecopetrol has defined the following 5 priorities of its Supply Chain Management Strategy:



VALUE GENERATION

Looks for the articulation between the investment and supply plans in order to maximize the integral benefit of the Supply Chain (saving, quality, opportunity cost), and the incorporation of new business models to face the Company's challenges.



EXCELLENCE AND OPERATIONAL CONTINUITY

Strengthen the supply chain process (end to end) optimization, guaranteeing an optimal inventory level and building alliances with main suppliers for the execution of innovation and efficiency initiatives.



RELATIONSHIP WITH THE ENVIRONMENT

Develops and improves the local and regional capacities and considers the incorporation of the productive vocation of the regions where Ecopetrol operates in the procurement strategy of the company.



CAPACITY DEVELOPMENT

Ensures the demand for the unconventional oil production, recovery and offshore operations with optimal contracts and improves the efficiency of the Supply Chain through the digital transformation plan.



SUPPLY CHAIN EXTENDED TO CORPORATE GROUP

Extends Ecopetrol's operational model to the Corporate Group in order to engage optimizations, standardize the process and establish a Corporate Governance Model that allows the assessment of supply chain function as a Group.

KEY ESG OBJECTIVES

1 Maximizes the integrated supply chain value with a sustainability vision

→ One of the main aspects of this objective is to increase local contracting of goods and services and the Inclusion of environmental sustainability criteria in supplier selection.

2 Guarantees a healthy, clean and safety operation (HSE)








→ This objective aims to measure safety performance indicators such as TRIF and implement campaigns to strengthen the HSE culture in the Company.

USEFUL FACTS

- 1** The supply of goods and services at Ecopetrol is carried out through a transversal procurement strategic model aligned by the company's Contracting Manual. This model does not apply to raw materials and products, financial operations, new businesses, sponsorships, energy supply and non-procurement agreements, since these topics have their own specific processes in place.
- 2** Ecopetrol does not sign contracts with the Government for the supply of goods and services required for the operation of the Company.
- 3** Contract minutes executed by Ecopetrol are published in the Electronic System for Public Procurement (SECOP) for stakeholders and public consultation.

ESG FACTORS INTO SUPPLIER SELECTION

During the Supplier's registration, selection and assessment performance processes, Ecopetrol considers the following ESG factors:

- 1 Management systems, HSE and technical certifications:**  
Suppliers must be registered at Ecopetrol's Supplier System Information (SIPROE), complying different requirements such as: management systems certifications, HSE and technical certifications, among others according to their procurement category (economic activity).
Weight: 100%
- 2 Promotion of the national industry:**  
National Government Legislation (Law 816 of 2003) aims to support the national industry through public procurement. During the selection process this is a mandatory evaluation factor.
Weight: 10%
- 3 Local Offer - Goods and Services:**  
Ecopetrol has in place a "Local contracting of goods and services for the supply chain policy" that promotes local contracting in the procurement strategies. This factor is optional and in accordance with each procurement strategy.
Average weight: determined according to the procurement strategy
- 4 Performance Assessment:** 
Suppliers are evaluated by 5 indicators: 1. Operating efficiency, 2. Accomplishment of Deadlines, 3. Administrative Aspects, 4. HSE and 5.Environment Management.
Average weight: each factor has an individual weight of 100%

 Required for new suppliers

 Required for existing suppliers

09

USEFUL FACTS

In 2019, the main strategies considered the following selection factors:

- 1.Promotion of the national industry (10%)
- 2.Local Offer (10%)
- 3.Environment strategy (11.5%)
- 4.Diversity and inclusion (10%)