

20 21 | SUPPLY CHAIN

SUSTAINABILITY ASSESSMENT



TABLE OF CONTENTS



03

Supplier Code of Conduct

04

Critical Suppliers

05

Sustainability Risk Assessment

06

Sustainability Risk Management

07

Sustainability High Risk Suppliers

08

Risk Management Measures

09

ESG Integration in SCM Strategy

10

ESG Factors into Supplier Selection

11

Economic Reactivation due to Pandemic Crisis

12

2021 SCM Performance

SUPPLIER CODE OF CONDUCT



Ecopetrol's Code of Ethics and Conduct outlines the basic and minimum standards of conduct expected for the Suppliers 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 in order to prevent corruption, bribery, fraud, money laundering, terrorism financing, 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.



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.



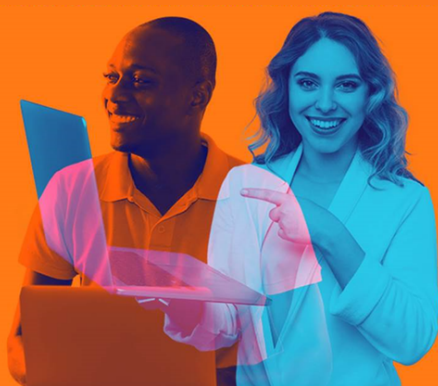
Occupational Health and Safety

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.



Environmental standards

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



USEFUL FACTS

Ecopetrol's suppliers declare to understand and comply with ethics, transparency and compliance contracting rules, such as Corporate Governance Code, Ethics and Conduct Code, anti-bribery laws, accounting regulations and internal control framework. Failure to comply with those rules may result in a serious breach of contract or a contractual termination right exercised by Ecopetrol and the Group's companies.

CRITICAL SUPPLIERS



Ecopetrol identifies its critical suppliers through an annual supplier's segmentation which considers 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 2021, Ecopetrol had **134** critical suppliers who 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 with strategy, category of goods or services and the type of supplier. This means that in the identification of the procurement needs the process consider 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:



Natural or legal entity who carries out activities on behalf of Ecopetrol's suppliers 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 2021, Ecopetrol had **190** subcontractors mainly for adaptation of facilities, specialized studies and civil works.

SUBCONTRACTOR

Natural or legal entity that performs activities on behalf of Ecopetrol's suppliers that are not an essential part of the scope and object of the contract executed for Ecopetrol. In 2021, Ecopetrol had **25.652** providers mainly supporting transport and food services.



PROVIDER

4

USEFUL FACTS

- 1** 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.
- 2** In 2021, Ecopetrol strengthen its segmentation methodology for the supplier's classification including 2 new critical aspects: Strategic potential (innovation, local impact, market, among other factors) and Performance assessment. This new process will be in force in 2022 and will bring an integral supplier overview and enable a characterized relationship focused on the real needs and aspirations.



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, assessment, quality and risk level.

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

Monitors suppliers' compliance regarding claims and complaints, incidents reported in site, contract's economic deviations, late payments, garnishments and insolvency. This system also supervises the non-compliance impact in Ecopetrol's operations (measured by concentration of contracts with Ecopetrol, estimated value of non-compliance obligations and number of workers - exclusive labor force).

INTERNAL RISK MANAGEMENT SYSTEM

Designed by AON and used by Ecopetrol to identify and control risks associated with the hiring of third parties, including policy coverage design, negotiation with the insurance market, issuance and monitoring of policies, among others.

CRITICAL CONTRACTS

Monitors the historic suppliers' non-compliance of payment obligations to third parties by the contractor.

SUPPLIER'S SEGMENTATION

Identifies 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.

5

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 with 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, 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

3.554

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 develop a procurement strategy in which those suppliers are been evaluated financially, technically and commercially, among others

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



NON TIER 1 SUPPLIERS

25.842

Ecopetrol has internal regulations for the non-tier 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: 190
2. Providers: 25.652

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

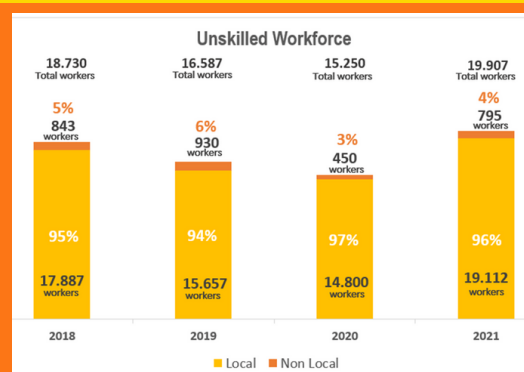
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USEFUL FACTS

Local hiring fluctuates according to the requirements of the works and projects that Ecopetrol executes. In the last 4 years, majority of unskilled workforce has been local (**above 90%**).

Note 1: Data only includes Ecopetrol's contractor's workforce and corresponds to Jan. - Dec.

Note 2: 2018 data was updated to corresponds to Jan. - Dec.



SUSTAINABILITY HIGH RISK SUPPLIERS



Ecopetrol has different procedures to identify and monitors high-risk suppliers. As a result, in 2021 Ecopetrol had **219** high-risk suppliers, segmented as follows:



134
**CRITICAL
SUPPLIERS**

55
**EARLY WARNING
SYSTEM**

20
**CRITICAL
CONTRACTS**

10
**INTERNAL RISK
MANAGEMENT SYSTEM**

Even though these suppliers do not represent a high participation in terms of volume (6%), it is important to mention that critical suppliers that represent the 80% in terms of annual procurement spent (134 suppliers) and the other 85 suppliers identified as high risk have the potential to perform an operational risk.

In addition, the Company has established different strategies with suppliers to develop long-standing relationships, promote innovation and maximize contract value, such as 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 only for critical suppliers (according to suppliers segmentation). 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. Also, the 100% of suppliers with corrective action plans in force during 2021 improved their performance.

7



USEFUL FACTS

From the 134 critical suppliers of 2021, **the development of a corrective action plan was only approved by Ecopetrol to 24 suppliers due to their performance assessment results in the execution of the contracts.** All of these suppliers developed a corrective action plan according to the gaps identified, covering 100% of the suppliers which required corrective action plans.

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, such as frequency, performance criteria, among others. 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

Visits are made to suppliers to ensure compliance with labor obligations and identify breaches, occupational risks and early alarms that may impact labor normality. These verifications are recorded in a standard report that allows the same findings parameters and the identification of improvement actions. In 2021, **366** 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

59 internal due diligence of suppliers and contractors were carried out in 2021 to identify and prevent violations of the Code of Ethics and Conduct related to corruption, bribery, fraud, money laundering, terrorism financing, conflicts of interest, ethics conflicts and unfair competition acts.

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.

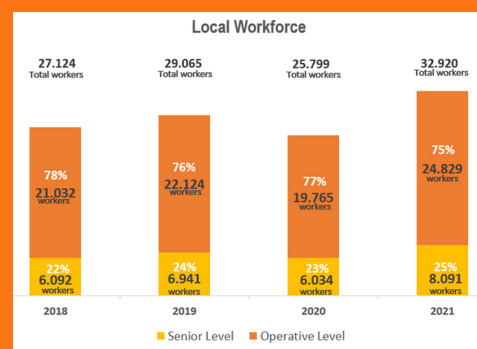


In 2021, 100% of the critical and high sustainability risk suppliers were assessed through one or more of the measures mentioned.

USEFUL FACTS

In the last three years, more than **20% of the suppliers' local workforce has occupied senior levels.**

Note: Data only includes Ecopetrol's suppliers workforce and corresponds to Jan. - Dec.



T-ESG INTEGRATION IN SCM STRATEGY



Ecopetrol's SCM 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, assessment, quality and risk level. In accordance with this model, Ecopetrol has defined the following 5 priorities of its SCM Strategy:



VALUE GENERATION

Articulate investment and supply plans in order to maximize the integral benefit of the SCM (saving, quality, opportunity cost), and the incorporation of new business models to face the Company's challenges.



EXCELLENCE AND OPERATIONAL CONTINUITY

Strengthen the supply 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

Develop and improve the local and regional capacities and incorporate the productive vocation of the regions where Ecopetrol operates in the procurement strategy of the company.



CAPACITY DEVELOPMENT

Ensure the demand for the unconventional oil production, recovery and offshore operations with optimal contracts and improves the efficiency of the supply process through the digital transformation plan.



SUPPLY CHAIN EXTENDED TO CORPORATE GROUP

Deploy 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 the supply chain function as a Group.

KEY T-ESG OBJECTIVES 2021

1

Guarantee a healthy, clean and safety operation (HSE)

Measure safety performance indicators such as TRIF and implement campaigns to strengthen the HSE culture in the Company.

3

Energy Transition

Develop an agenda which aims to promote environmental practices in the suppliers and ensure a sustainable SCM.

Capture benefits from the Digital Supply Management Project.

2

Adaptability of the supply chain management

Increase local contracting of workforce, goods and services.

Develop and implement the T-ESG strategy.

USEFUL FACTS

1

This model does not apply to raw materials and products marketing, energy, management, logistics solutions, financial operations, new businesses, sponsorships 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.

4

Since 2017, the supply chain management has achieved savings for more than \$8.3 billion COP.












Note: Data only includes Ecopetrol's contractor's workforce



T-ESG FACTORS INTO SUPPLIER SELECTION



During the Supplier's registration, selection and assessment performance processes, Ecopetrol considers the following T-ESG factors:

- 1 Management systems, HSE and technical certifications:**  
Suppliers must be registered at Ecopetrol's Supplier System Information (SIPROE), meeting 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 Environmental Criteria:**  
An environmental criteria is included in the suppliers' selection process. Ecopetrol also established a "green clause" for the correct execution of contracts in terms of environmental responsibility.
Average weight: determined according to the procurement strategy
- 5 Diversity and Inclusion - Workforce:**  
Promotes local hiring of people classified into one or more of the following groups: women, people with disabilities, first job, ethnic groups and victims of armed conflict.
Average weight: determined according to the procurement strategy
- 6 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

10

USEFUL FACTS

Colombian government dictated the Law 2046 of 2020 in which all the public entities and private entities that manage public resources in the national territory are obliged to acquire locally food purchased from small local agricultural producers in a minimum percentage of **30%** of the total value of the budget allocated to the purchase of food.



ECONOMIC REACTIVATION DUE TO PANDEMIC CRISIS



EARLY PAYMENT FOR LOCAL SUPPLIERS

The initiative was born with the aim of strengthening the financial situation of local suppliers and leveraging the cash flow of local entrepreneurs under the social, economic and pandemic crisis due to COVID-19 health emergency.

This mechanism was structured to preserve the goods and services provided by local suppliers with high impact to the operational sustainability and was articulated with the measures promoted by the National Government to mitigate the effects related to the pandemic.

The Early Payment Measure was in force from april 2020 to october 2021, benefiting 1,332 suppliers (45% of total Ecopetrol's suppliers) with a total disbursement of \$ 1.2 Billion, Due to its positive impact, the Company decided to extend the measure for 2022.

SOCIOECONOMIC REACTIVATION STRATEGY

In commitment to the recovery and socioeconomic reactivation of communities, the SCM designed and deploy a Socioeconomic Reactivation Strategy based in 3 main pillars: i) generation of diverse and inclusive jobs, ii) local contracting of goods and services and iii) participation of entrepreneurial businesses in the supply chain. The strategy was successfully implemented in 2021, achieving the following results:



GENERATION OF DIVERSE AND INCLUSIVE JOBS

Hiring of **16.622** diverse and inclusive workers:

- 14.296 women
- 1.145 first jobs
- 863 ethnic groups
- 198 victims of armed conflict
- 120 people with disabilities



LOCAL CONTRACTING OF GOODS AND SERVICES

70% of goods and services were contracted locally by Ecopetrol and its suppliers.



PARTICIPATION OF ENTREPRENEURIAL BUSINESSES IN THE SUPPLY CHAIN

388 entrepreneurial businesses contracted for an approximate value of \$21.398 millions COP.

11

USEFUL FACTS



In 2021, Ecopetrol's Corporate Group hired
10.203
diverse and inclusive workers:

- 4.760 women
- 5.125 first jobs
- 213 ethnic groups
- 94 victims of armed conflict
- 11 people with disabilities



2021 SCM PERFORMANCE



WHAT HAVE WE ACHIEVED?



**STAKEHOLDERS
RECOGNITION**



**INVESTORS
RELIABILITY AND ATTRACTION**



**SUSTAINABLE
WORLD STANDARD**

DOW JONES SUSTAINABILITY INDEXES (DJSI) REVIEW RESULTS



- Our supply chain was recognized as a World Industry Leader, the highest distinction awarded by the DJSI in the O&G sector. These results were obtained due to T-ESG management, corporate leadership and teamwork in order to build shareholders and stakeholders value.

CRITERION	ECOPETROL	INDUSTRY*
Supplier Code of Conduct	100	32
Critical Supplier Identification	100	22
Risk Exposure	100	22
Risk Management Measures	89	17
ESG integration in SCM Strategy	100	28
Transparency & Reporting	72	25

*DJSI average score for SCM in O&G industry



1st PLACE

-WORLD INDUSTRY LEADER-



Score: 92/100

+3 VS 2020

- EXCEPTIONAL PERFORMANCE** in 4/6 analyzed criterion, showing an improvement in operational costs efficiency and in high standards of health, safety and environmental measures.
- TO IMPROVE PERFORMANCE** we will strengthen: risk management measures, focused on improvement plans for contractors and the reporting of historical information on savings and local labor.

GLOBAL CHEMICAL LEASING AWARD



At the Chemical Leasing Award 2021 ceremony, organized by United Nations Industrial Development Organization (UNIDO), Ecopetrol was recognized as a Leading company in the performance-based business model of Chemical Leasing towards Circular Economy strategies in hydro process catalysts and chemical treatments.

MESSAGE FROM OUR LEADERS



"Congratulations for the results, we have a committed team with sustainability practices. We will continue working in achieving the best practices in our Supply Chain"



"Thanks to our operational discipline and resilience, we have achieved these results, showing that we have a strong SCM with high transparency and sustainability standards that generates efficiencies, shared value and economic reactivation"



"With these results our SCM leads in top sustainability world benchmarks, acquiring sustainable goods and services required by our operations and improving territories and people's well-being"

SUPPLY CHAIN SUSTAINABILITY ASSESSMENT 2021



USAMOS NUESTRA ENERGÍA PARA
CONSTRUIR UNA EMPRESA Y UN PAÍS
DE TODOS, PARA TODOS


ecopETROL
ENERGÍA PARA EL FUTURO