

# Ecopetrol S.A.

ISIN CODE: COC04PA00016

Overall score 56/100

## Sector: Energy Emerging Market

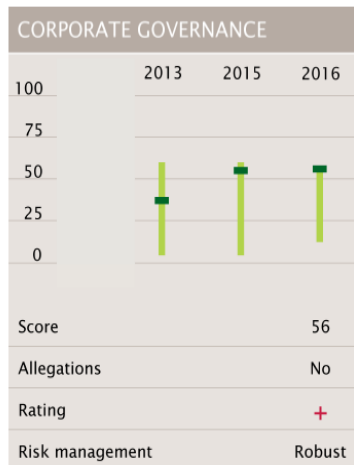
Companies in sector panel: 12

Information rate: 77% (Sector average: 58%)  
Company cooperation level: Not responsive \*

## General information

Ecopetrol S.A. is an integrated oil and gas company engaging in exploration and production activities in Colombia, where its extraction fields are located, and abroad, as well as in the transportation and marketing of crude oil, motor fuels, diesel and biofuels among others. Ecopetrol also engages in refining and processing activities to produce fuels, petrochemicals and industrial products such as paraffin waxes, lube base oils, aromatics and asphalts.

Main Economic Segment**	Turnover 2015
Exploration and production	49.0 %
Refining and petrochemicals	43.0 %
Transportation and logistics	8.0 %



■ Sector performance  
■ Company performance  
 Rating: min -- / max ++

### Key issues

Sound corporate governance is required to oversee a company's strategic direction, including the CSR strategy. Vigeo's framework has been adapted to capture the level of integration of CSR topics at Board-level, supplementing traditional signals on efficient governance practices. Directors are notably evaluated on their level of diversity and experience with operational, financial, and CSR topics. The audit and internal controls system is examined regarding the efficiency and reach of its risk management. Shareholders are expected to have fair voting rights and access to all relevant information on emerging ESG risks. Executive remuneration is assessed for transparency and alignment with balanced stakeholder interests.

### Company performance

- The Company's performance in the Corporate Governance domain remains robust in absolute terms.
- The majority of the members of the board are considered independent while the roles of the chairman and CEO are separated. Also, a sustainability committee is part of the board.
- Ecopetrol has an independent Audit Committee with a comprehensive role. Internal controls systems cover CSR risks and dedicated processes to manage these risks are in place.
- Ecopetrol respects the "one share - one vote" principle and does not seem to put any restrictions on voting rights. Yet, not all major items are put to shareholders' vote.
- Executive remuneration appears to be linked to CSR performance objectives though quantified targets are not disclosed.
- A review of stakeholder sources did not reveal any allegations against Ecopetrol during the period under review.

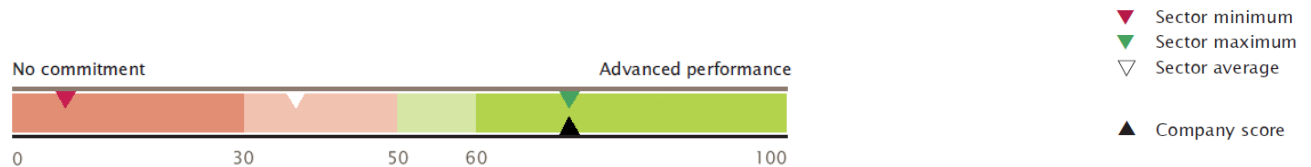
\* On a 4-level scale: proactive, responsive, partially responsive, not responsive  
 \*\* See detailed economic indicators in Selected financial data section  
 \*\*\* Based on the most recent Index at the date of publication

## Corporate Governance

Score : 56

### CGV1.1 Board of Directors

(score: 72, weight: 3)



**[LISTED COMPANIES] Existence and independence of Nomination Committee**

*Three members of the four-member Nomination Committee are considered independent.*

**Independence of the Board Chairman**

*The roles of Chairman and CEO are separated, and the Chairman is considered independent.*

**Responsibility allocated over CSR issues**

*There is a Corporate Governance and Sustainability Committee that is part of the board. One of its functions is to follow up on the Corporate Social Responsibility and recommend improvement in the CSR implementation.*

**Share of independent shareholder-elected Board members**

*Six members of the eight-member Board are considered independent.*

**Diversity of the skills and backgrounds of the Board**

*The Board of Directors diversity appears to be partial:  
- Board members with demonstrated professional experience in the company's sector of activities: The board has members with professional experience in Hydrocarbon Production and Exploration & Production Business Economics.*

**Training and expertise provided to board members**

*The company states that board members attend training and update sessions scheduled by management in matters that reportedly enrich and strengthen their role as Directors. There is no information on the regularity of these trainings.*

**Regular election of Board members**

*Board members are elected at the annual shareholders' meeting for a one-year term, and may be reelected.*

**Evaluation of Board's functioning and performance**

*Ecopetrol stated that its Board of Directors are assessed every two years by a third party. The company disclosed the results of the evaluation in 2014.*

**Review of CSR issues at Board meeting**

*Only few of the relevant CSR issues appear to be discussed at Board level:  
- Corruption prevention: Matters relating to the ethics and compliance process were discussed at Board level.*

**Regularity of and attendance at Board meetings**

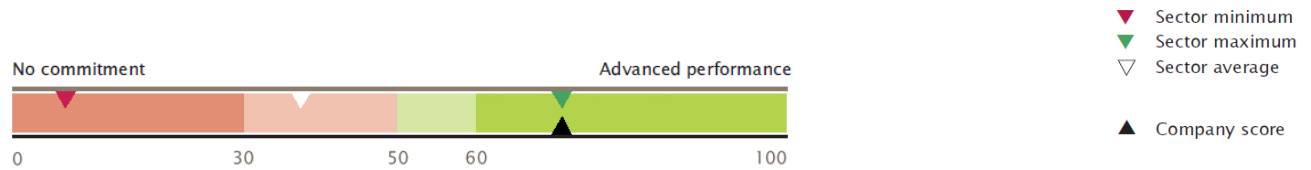
*16 Board Meetings were held in 2015 and the attendance rate was 92.1%*

Name of Board member	Role	Executive	Non executive	Employee representative	Nomination	Audit	Remuneration	Former executive	> 9 years on Board	Stock options	Paid > 1/2 executive salary	Represent > 3% company's shares	Other	Independence
Mauricio Cárdenas					X		X					X	Minister of Finance and Public Credit Considered as non-independent by the company	
Simón Gaviria												X	Director of the National Planning Department Considered as non-independent by the company	
Carlos A. Cure Cure	President Board		X		X		X							X
Jorge Pinzon Snachez			X			X								X
Joaquin Moreno			X		X		X							X
Jaime Ardilla Gomez	Chair, AC		X			X								X

Name of Board member	Role	Executive	Non executive	Employee representative	Nomination	Audit	Remuneration	Former executive	> 9 years on Board	Stock options	Paid > 1/2 executive salary	Represent > 3% company's shares	Other	Independence
Horacio F. Rueda			X			X								X
Roberto Steiner	Chair, RC NC		X		X		X							X

## CGV2.1 Audit & Internal Controls

(score: 71, weight: 2)



### [LISTED COMPANIES] Existence and independence of Audit Committee

All four members are independent non-executive directors.

### Skills and backgrounds of Audit Committee members

Members appear to have financial experience and relevant operational experience.

### Operational and CSR risks covered by the company's internal controls system

The internal control system covers the standard issues related to financial, operational, and legal risks. In addition, the system covers some of the CSR risks inherent to the company's business operations:

- Corruption prevention: The company covers risks associated with failure in ethics and compliance
- Pollution prevention: The company covers risks associated with incidents due to operational causes or natural events.

### Role of the Audit Committee in overseeing internal and external controls

The Audit Committee has a comprehensive role that includes:

- Oversee internal audit and internal controls
- Review accounting policies and be responsible for updates
- Nominate the statutory auditor
- Oversee the work of the external auditor
- Approve the type of audit and non-audit services provided and fees paid to the external auditor

### Management of the CSR risks

Relevant processes dedicated to management of CSR risks are in place:

- Monitoring of key risk indicators: Ecopetrol reported in its 2015 Sustainability Report that it monitors key risk indicators and its materialisation.
- Reporting system to the Board: Ecopetrol stated the materialised risks are presented to the steering committee and the Risk committee of the board.
- Risk mapping/materiality assessment: In 2015, Ecopetrol implemented a risk map that contained two CSR risks out of the 11 risks that were identified.

**Independence of the firm's external auditors**

*Non-audit fees represented 6.9% of total fees paid to PricewaterhouseCoopers Ltda in 2015.*

**Inclusion of CSR issues in the company's reporting**

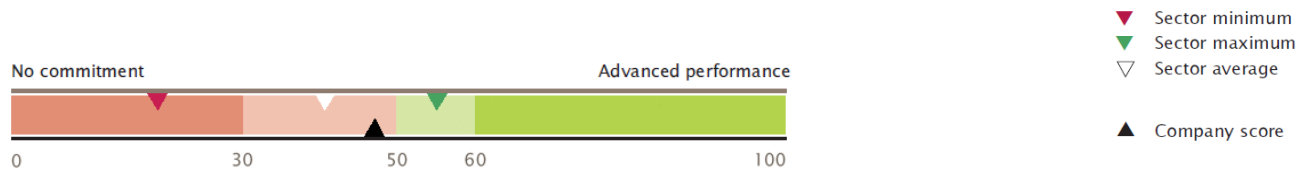
*The company publishes significant CSR reporting on key material issues, with an independent third party assessment of the reliability of key performance indicators in accordance with the AA1000AS standards, with moderate level of the assurance.*

**Stakeholders' feedback**

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral

**CGV3.1 Shareholders**

(score: 47, weight: 2)



**Nonexistence of voting rights restrictions**

The company respects the "one share - one vote" principle.

**Safeguards on transactions with major shareholder(s)**

More than half of the board is independent. However, there are no additional safeguards in place to monitor transactions between the company and its major shareholder(s).

**Ability to add items to the agenda of the AGM and to convene an EGM**

No major restrictions have been identified.

**Access to voting at General Meetings**

There are no major restrictions on shareholders' ability to vote, however there is no possibility of voting through online services.

**Ability to vote on relevant issues in separate resolutions at AGM**

*The following items are not put to a vote at the AGM:*  
 - Board fees  
 - Executive remuneration  
 - Changes in capital (increase, buy-backs)

**Presentation of CSR strategy to shareholders and investors**

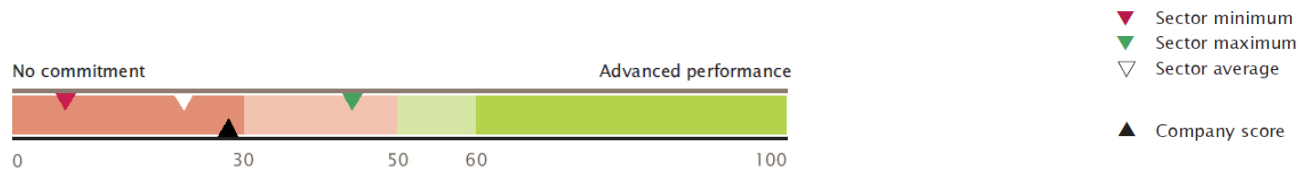
*Information disclosed from the entity and public sources regarding the presentation of CSR strategy to shareholders and investors is insufficient.*

**Stakeholders' feedback**

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral

**CGV4.1 Executive Remuneration**

(score: 28, weight: 2)



**[LISTED COMPANIES] Existence and independence of Remuneration Committee**

Three members of the four-member Remuneration Committee are considered independent.

**Disclosure of senior executives' individual remuneration**

Disclosure of individual executive remuneration data for senior executives is insufficient.  
*Ecopetrol only disclosed the minimum and maximum base integrated salary of the senior executives.*

**Link between Short Term Incentive Plans and the performance of the company**

Bonuses are linked to predetermined and disclosed economic and operational performance indicators:  
- return on investment  
- profit  
- addition of reserves  
- indicators on environmental impact  
- accident rates  
*However the actual quantified targets are not disclosed.*

**Link between the main Long Term Incentive Plan and the performance of the company**

Information on the rules and performance conditions guiding the allocation of long-term incentives to senior executives is insufficient.

**Link between variable remuneration and CSR performance of the company**

CSR performance objectives are considered in the determination of variable remuneration of senior executives:  
- Health and safety  
- Pollution prevention  
*but information on performance targets are not disclosed.*

**Severance pay for senior executives**

Information obtained from the company and public sources regarding severance pay for senior executives is insufficient.

**Evolution of CEO-to-employee compensation ratio**

The ratio of CEO compensation vs average employee salary has increased between the two year period of 2014-2015. This information available in the public is not sufficient to determine a trend.

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**Stakeholders' feedback**

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral

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## Contacts

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