

2018 ANNUAL MANAGEMENT REPORT

PROMIGAS

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MESSAGE FROM THE PRESIDENT TO OUR SHAREHOLDERS AND INTEREST GROUPS

I would like to take this opportunity, on behalf of the Board of Directors and our whole team, of sharing with you the good results we achieved in the year due to the efforts of our people. This encourages us to be better every day and to perform our duties in an ethical and responsible manner. We have included our initiatives and achievements in our 2018 Annual Management Report, confident in the knowledge that we have responded to the trust placed in us and that we carried out our activities in harmony with the environment, in order to improve quality of life in the regions where we operate.

Country and sector situation

We would like to share with you our principal results in 2018, a year when our country succeeded in controlling inflation and returning to the path of growth (2.8%, a hundred basic points above the previous year), which has fine-tuned the recovery which began in 2017. Domestic demand, principally by homes, together with government expenditure, reactivated the economy. The twelve-month inflation figure was kept within the Banco de la República target range of between 2% and 4%, with a falling trend. This price stability enabled Banco de la República to maintain its 4.25% interest rate from April onwards, and since this is relatively low, it has stimulated consumption, principally in homes.

The strengthening of the dollar and the hardening of worldwide financial conditions, coupled to the protectionist policy adopted in the United States, mainly affected emerging economies during the year. The US economy recorded significant growth, together with the lowest unemployment rate in the last 48 years. The year-end inflation figure was 2%, below the Federal Reserve (Fed) target, and this enabled the country to increase its target interest rate on four occasions and close the year in the range of 2.25% to 2.50%, which attracted new investments that formerly went to emerging markets.

The average international oil price was USD 65 per barrel, 28% higher than the previous year. In the last quarter, however, there was a pronounced drop in the price of crude, since it fell from USD 76 per barrel in early October to USD 45 per barrel at the year end.

Set against this international background, the Colombian peso succeeded in remaining stable for much of the year, since the high oil prices acted as a buffer against devaluation pressures resulting from the increases in the Fed rate and the stronger dollar. In the first few months, the peso maintained its value and the exchange rate reached 2,705 pesos, the lowest in the last three years. However, upward pressures led to an 8.9% devaluation and the currency closed the year at 3,250 pesos to the dollar.

We are confident that now the country has joined OECD, this will bring with it sustainable, balanced growth in a context of rigorous adherence to regulations that support the different sectors and will help consolidate the Colombian economy on international markets, in terms of trade and foreign investment.

As far as the gas sector in Colombia is concerned, UPME has estimated total gas reserves of 5.2 TPC while production reached 897 Mpcd, with a reserves/production (RP) factor, therefore, of 15.9 years. However, some of the planning unit's reports mention that if extensions to the Cartagena LNG regasification plant contract (10 further years) are taken into account and gas imports from Venezuela in quantities equivalent to those dispatched by Colombia to the neighboring country are considered, this factor could increase to 26.5 years.

When reviewing the country's supply reliability matrix, we should remember that the Sociedad Portuaria El Cayao (SPEC) terminal in Barú, which has a 400 Mpcd LNG regasification capacity, was inaugurated in late 2016 as an alternative for providing gas supplies in Colombia. UPME also issued a document in 2018 which expressed the need for a second regasification plant to be built, in Buenaventura, likewise with a 400 Mpcd capacity, and stated that this could begin operating in 2024.

As far as new conventional reserves are concerned, and in connection with offshore deposits, in 2017 the government confirmed the country's biggest gas discovery in 28 years, in the Caribbean region. Official announcements talk of significant potential for non-conventional deposits (20-40 TPC) in the lower valley of the country's mid-Magdalena region.

In view of the fact that this year marks two decades since shale gas was first extracted in the world using hydraulic fracturing, Ecopetrol and the Ministry of Mines have made pronouncements to the effect that if this practice were to be introduced in Colombia, oil reserves could last not 7 years but 15, and gas reserves 30 years rather than 11.

2018 Financial Results

As a result of the achievements made by Promigas and its companies in the commercial, operational and financial areas, the net profit for shareholders was COP 725,463 million, 12% up on the previous year, with execution being 112% of budgeted profit.

EBITDA and Growth

Promigas and its companies reported 4% growth in EBITDA, mainly due to an increase in the natural gas transportation service, construction of the Malambo - Santa Rita deviation by Promisol, and higher regasification revenue by SPEC. Additionally, at GEN Distribution, the commencement of operations by Quavii (Peru) and, principally, the application of transitory charges on regulatory tariffs led to an increase in operating income.

We retained the ratings granted by Fitch Ratings, namely AAA for issues in Colombia and BBB-internationally for IDR issues in local and foreign currency, and also the certifications for our management systems. Similarly, we hold Colombian Stock Exchange (BVC) recognition for our relations with our investors (IR) and for adopting best Corporate Governance practices.

Our affiliate Promioriente, after being granted an AA+ long-term rating by Fitch Ratings in 2017, carried out a COP 205,000 million ordinary bond issue in 2018, which was over-subscribed on the market 1.8 times.

Fitch also ratified the Gases de Occidente AAA rating for the eighth consecutive year. The company accordingly carried out a COP 300,000 million ordinary bond issue in January 2018, the funds from which were used for prepaying certain loans and aiming for a better debt portfolio in terms of both expiry term and interest rates obtained in the process.

Management of Promigas and its Companies

We would like to highlight the 99.99% transportation system continuity and reliability figure obtained by Promigas and its companies, which together transported 528 Mpcd of gas in 2018, the highest volume in the last five years. In order to guarantee our commitment to provide electricity generation backup in the country, SPEC regasified 10,353 Mpc of gas, so that it could promptly meet necessary gas requirements.

In view of the significant developments in the LNG industry worldwide and the particular context of our sector in Colombia, we envisage SPEC continuing to contribute to the country's energy needs, given the current situation we face in terms of energy generation due to delays with hydroelectric mega-projects and the decline in production at the big natural gas fields. The country could cope with these situations if it could rely on the Cartagena regasification terminal, but for this to happen, adequate regulatory signals are required that will enable this important energy market asset to continue, especially when UPME projections identify a need for gas until 2024.

As a result of our commercial management, extremely important and highly experienced industries in the petrochemical sector on the Atlantic coast were added to our customer portfolio, as well as ceramic sector industries in Antioquia, resulting in all our transportation companies contracting a total of 851 Mpcd. Similarly, in the case of the transportation system on the coast, new supplies were offered from the fields in the south, while Transmetano and Promioriente succeeded in consolidating operations by the Malena and Los Pinos compression stations, respectively.

With respect to the project to expand transportation capacity by 100 Mpcd, thus enabling new gas reserves from fields in Sucre and Córdoba provinces to be incorporated, we concentrated our efforts on completing construction work on this important infrastructure, which consists of 180 kilometers of gas pipeline, a new compression station near Cartagena, and the reconditioning of two existing compression stations. This expansion will mean that our markets will supply natural gas in the short term, in view of the decline in production by wells in La Guajira, and will also be able to make a bigger and more diversified offer, with the possibility of promoting the use of gas on new markets so that demand grows and competition is stimulated between producers. Finally, this project is but one of a series of transportation infrastructure expansions that Promigas has been carrying out in recent years that have enabled us to strengthen our transportation system and the gas supply to our customers.

Major landmarks in 2018 that we would like to highlight include the 25th anniversary of Transmetano, a company that has brought progress to Antioquia through natural gas and has connected more than 100 towns in the province, enabling distributors in the area to accumulate 1.2 million users.

Meanwhile, Surtigas commemorated 50 years of operations and, since it is one of the oldest natural gas companies in Colombia, has consolidated its position as a leader in the marketing and distribution of natural gas in Bolívar, Sucre and Córdoba. Recent user satisfaction studies by the Superintendency of Domestic Public Services (SDPS) have shown that it is one of the best public services companies in the country.

Our gas distribution companies enable us to reach over 4.3 million users and more than 861 towns in Colombia and Peru with a continuous, reliable service, and SDPS customer satisfaction surveys have resulted in their being recognized as providing the best domestic public service. We also successfully commenced operations at Quavii, the company that holds our concession for the northern part of Peru, which has already connected 21,000 residential users and signed supply contracts with 36 industries in the country.

In 2018, ANDI named Promigas, because of its Brilla non-banking financing program, as one of 20 'Inspirational Companies' out of a further 100 initiatives from all over the country that set out to meet social challenges through their business activities.

Brilla has allowed us to have a positive impact on almost three million families and has disbursed 2.9 billion pesos in loans since the program started 11 years ago. There was a 25% increase in placements last year, due, among other factors, to the strengthening of new lines and the forging of strategic alliances with allies in distant towns and municipalities, all of which benefits vulnerable households.

Regulation

As far as regulatory matters are concerned, we would like to point out that the preliminary version of the new transportation methodology for calculating tariffs will be published for observations and comments by agents in the first quarter of 2019, according to the CREG agenda, followed by the definitive version in the second quarter. The five-year validity of the tariff period and, accordingly, tariffs themselves, expired in November 2017, and this had an impact on company results.

There have been opportunities for discussion with CREG, and we have contributed to those discussions and put forward proposals that we trust will be taken into account in the new tariff calculation methodology for the next five-year period.

On the general question of distribution activity regulation, rating agencies that monitor the country credit risk profile have turned their attention to the impact that the recent regulatory measures will have. Fitch Ratings specifically mentioned the relief of transitory charges in a rating report on a company in the sector, but expressed its alarm at the gradual introduction of tariffs, since the initial positive impact will be attenuated in the medium term.

As far as natural gas distribution regulation in Colombia is concerned, distribution companies spent more than 14 years applying a charge which, according to Law 142 of 1994, would last for five years. This delay in updating the rating methodology led to investor uncertainty and instability, which in turn caused us to have recourse, on a temporary basis, to transitory charges in order to partly mitigate the impact. On January 28 this year, we informed CREG of our decision that Promigas, Surtigas and GdO would adhere to the definitive methodology, in accordance with CREG Resolutions 202 of 2013, 090 of 2018 and 132 of 2018, in order to request approval of a new charge for remunerating the natural gas distribution activity during the next rating period. Equally important for distribution companies is the updating of the marketing charge, which expired in 2003; this depends on CREG determining the remuneration methodology for this activity.

Sustainability

We are conscious of the worldwide trend toward caring for air quality, and here vehicular natural gas (VNG) is an environmentally favorable option for the transportation sector, quite apart from the fact that prices are competitive, compared to the substitutes. Our commitment is to developing the VNG vehicle market and to building the cleanest energy consumption network in the country. In the short term, we are promoting the renewal of mass public transportation fleets in cities like Bogotá, Cali, Barranquilla, Sincelejo and Montería, and fostering the introduction of more than 300 heavy duty vehicles that use VNG.

In line with our commitment to the Global Compact and the principles enshrined in its four major themes, namely human rights, environment, anti-corruption and labor standards, we continue to strengthen our environmental and social management. We support the Caring for Climate initiative by firming up our climate change strategy and guiding our activities and processes in such a way as to mitigate the impacts and effects of climate change.

Our Foundation invested around COP 6,500 million in social programs that have benefited more than 150,000 students and families in our area of influence. We thus ratify our goal of contributing to improving quality of life in the regions where we perform our activities and to ensuring dynamic development while valuing local contexts and respecting human rights.

Similarly, the Promigas commitment to ethics is a cornerstone of the principles that govern how we act. We have strict controls, which we constantly review, and this confirms our commitment to investigate any incident and to adopt whatever measures might be necessary, irrespective of the level of the person who infringes those controls. As a result, we had no incident involving corruption or breach of our Code of Conduct in 2018.

We constantly review our activities and processes and compare them against the highest sustainability standards, such as the Dow Jones Sustainability Index. This enables us to progress and to keep on growing as we improve our economic, social and environmental performance. As a result, we were included in the 2019 Sustainability Yearbook published by the firm RobecoSam, which uses a comparative evaluation, or benchmarking, process to recognize companies with the best social, environmental and corporate governance practices, and this is used as a basis for selecting the components of the Dow Jones Sustainability Index.

Innovation

Regulatory dynamics and global energy trends toward decentralization, digitalization and decarbonization encourage us to innovate in processes, services and business models that will enable us to be safer and more efficient, and to develop a range of energy services that will be competitive and sustainable in the short and long terms. This is why our efforts in the field of innovation in 2018 focused on two fronts, namely, making progress in the development of innovative solutions, and reinforcing our innovation capabilities.

Our innovation project portfolio looked at technologies for improving our design capabilities, strengthening process safety, improving energy efficiency in our operations, developing and adapting technologies for increasing the demand for natural gas, and improving the competitiveness of renewable energy solutions. These efforts allowed us to file a micro-liquefaction technologies patent application and

register two design softwares that will begin production tests in 2019. We obtained Colciencias and Barranquilla Chamber of Commerce recognition, and maintained our Level 1 Innovation System certification from the Global Innovation Management Institute.

We were also able in 2018 to redesign and reinforce our Energy and Gas Research and Innovation Center (CIIEG), which is shared by Promigas and eight companies in our investment portfolio. Thanks to the efforts of our own teams, international consultants and the managerial team, our Center will have a new, effective management model, strategic R+D focal points, an adequate balance between short-, medium- and long-term commitments, and a governance model that will speed up decision-making and promote the coordination of associated company capabilities and resources. This new CIIEG identity will be launched on February 28, 2019, and will enable us to have a state-of-the-art innovation management system in Latin America.

Prospects

Our business experience now extends back almost 45 years, and during this time we have brought progress and wellbeing to Colombia and Peru as we have gone about performing our activities in an effective and responsible manner. We are looking to consolidate new investment opportunities, principally in these countries where we today have a presence, and to this end we will take part in expansion and reliability initiatives that governments promote and market dynamics generate.

We continue to explore markets and opportunities in other countries defined as objectives in our strategic plans, in our efforts to grow and consolidate our businesses, always enshrined in principles of sustainability and with the aim of generating benefits for our interest groups.

PROMIGAS

As we pursue our goal of connecting markets to sources of energy, especially natural gas, we generate value by building long-term, mutually-beneficial relationships with interest groups.

We have brought progress and wellbeing to Colombia and Peru for more than 45 years, and this has enabled us to play an active and important role in the process of implementing the mass use of this fuel in our country¹.

In an effective and responsible manner, we develop energy markets directly and through our strategic transportation and distribution business groups (GEN), the former consisting of organizations engaged in the transportation of natural gas and liquefied natural gas (LNG), integrated solutions for industry, and energy generation, while the latter consists of natural gas distribution companies, electricity distribution and marketing companies, and the non-banking financing business.

We carry 52% of the natural gas transported in Colombia through 3,000 km of gas pipeline networks belonging to ourselves and to our transportation companies, and we provide services for hydrocarbon producers and major industries, including natural gas compression and dehydration, the construction of gas pipelines and interconnection lines, and energy solutions such as generation, cogeneration and self-generation.

¹ Promigas S.A. E.S.P. is a private company supervised by the Superintendency of Domestic Public Services and the Financial Superintendency of Colombia. Its head offices are located in Barranquilla, Colombia.

Our affiliate Sociedad Portuaria El Cayao (SPEC) operates a floating regasification terminal that is permanently anchored at a port in Cartagena bay, and it processes over 400 Mpcd. SPEC has marked Colombia's entry into the international LNG market and it provides backup for the country's thermal generating companies by meeting their natural gas requirements during periods of peak demand.

In Colombia, we distribute natural gas to around 3.6 million users, which corresponds to almost 40% of the domestic market and about 12 million beneficiaries, while in Peru we distribute to approximately 800,000 users through our share in Calidda and Quavii, through which we will reach 150,000 users in the north of the country in the next five years.

We operate and maintain almost 26,000 km of electricity distribution networks, taking this service to more than 380,000 users in 38 towns in the southern part of the country.

We hold an AAA rating for issues in Colombia and a BBB- international rating for IDR issues in local and foreign currency. We also hold ISO 9001 quality system, OHSAS 18001 occupational health and safety, and ISO 14001 environmental certifications.

We pioneered the vehicular natural gas (VNG) business and have been involved in it for over 24 years, achieving positive impacts in economic and environmental terms due to the very characteristics of this fuel, and we continue to search for new growth opportunities.

Promigas has led the natural gas revolution in Colombia, and has made a positive economic, social and environmental impact.

OUR BUSINESSES

GEN Transportation Employees: 570 Revenue: COP 1,191,077 million Assets: COP 8,997,239 million	Natural gas transportation	Promigas Promioriente Transmetano Transoccidente	Gas pipeline: 3,089 km Capacity: 1,040 Customers: 25 in different parts of Colombia
	Integrated solutions for industry and energy generation	Promisol Zonagen	22 customers 115 Mpcd of treated natural gas 44 MW of energy generated 99.64 availability 2,550 km of gas pipelines maintained
	LNG	Sociedad Portuaria El Cayao (SPEC)	Regasification capacity: 400 Mpcd Storage capacity: 170.000 m ³
GEN Distribution Employees: 2,917 Revenue: COP 5,791,382 million	Natural gas distribution	Surtigas GdO Gases del Caribe Efigas Gases de La Guajira Cálidda Quavii	Accumulated users: 4,350,827 Gas sales: 11,431 Mm ³

Assets: COP 8,421,811 million	Electricity distribution	Compañía Energética Occidente (CEO)	Customers: 382,056 Energy demand: 683 GWh Networks: 26,676
	Non-banking financing	Brilla	Loans granted: COP 2.9 billion Number of users: 2.86 million Portfolio: COP 767,123 million
	Shared services	Enlace Versa	Processes: <ul style="list-style-type: none"> • Procurement and accounts payable • Treasury • Payroll • Accountancy and taxes • Information technology

NOTE: Figures prior to eliminations; revenue includes participation method plus dividends. GEN Distribution financial figures do not include companies that do not consolidate: Gases del Caribe (Efigas and Gases de La Guajira) and Cálidda.

18 companies, 3,500 employees, Colombia, Peru

CORPORATE GOVERNANCE STRUCTURE

- * General Meeting of Shareholders
- * Board of Directors: our supreme administrative body. Acts in representation of shareholders and in favor of sustained growth of the organization.
- * Board of Directors' Committees: these are Audit; Risks and Good Corporate Governance; Compensation, Development and Nominations; Investments; and Strategy and Sustainability.

BOARD OF DIRECTORS

This was elected for the period from March 2017 and March 2019. We have four independent members.

Name	Post or role	Member since	Attendance
María Lorena Gutiérrez Botero	Main - President. Equity member	September 2018	3
Carlos Caballero Argáez	Main - Independent member	February 2011	12
Luis Ernesto Mejía Castro	Main - Independent member	April 2013	8
Leonardo Garnica Eljaiek	Main - Equity member	April 2016	10
Claudia Betancourt Azcárate	Main - Equity member	April 2009	10
Gustavo Ramírez Galindo	Alternate – Equity	February 2011	8
Bernardo Noreña Ocampo	Alternate - Independent member	May 2016	12
Carlos Arcesio Paz Bautista	Alternate - Independent member	April 2009	9
Rafael Navarro Crane	Alternate - Equity member	April 2017	12
Camilo De Francisco Valenzuela	Alternate - Equity member	April 2012	12

NOTE: See further information about seniority, other significant commitments and experience at www.promigas.com/inversores

Make-up of Board of Directors by gender - 2017*	Number	%
Male	8	80
Female	2	20

* Not belonging to minority group

MANAGEMENT

- * **Eric Flesch:** President
- * **Alejandro Villalba:** Vice-President, Operations
- * **Aquiles Mercado:** Financial and Administrative Vice-President
- * **Natalia Abello:** Vice-President, Corporate Affairs
- * **Ricardo Fernández:** Vice-President, Transportation Business
- * **Wilson Chinchilla:** Vice-President, Distribution

OUR PEOPLE

Promigas		Transmetano		Promioriente		Transoccidente		Promisol		Zonagen		Surtigas		GdO		CEO		SPEC		Quavii	
M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
253	141	19	10	24	12	2	1	42	8	23	4	253	182	282	234	149	141	22	12	67	36

PROMIGAS STAFF DETAILS

Staff by type of contract	2018	
	Number	%
Indefinite term	381	97 %
Fixed term	13	3 %
Hired labor	0	0 %
TOTAL	394	100 %

Number of staff by organization level and gender	2018	
	Male	Female
Managerial	19	10
Non-managerial	234	131
TOTAL	253	141

Number of staff by geographical location	2018	
	Male	Female
Atlantic coast	252	140
Bogotá	1	1
TOTAL	253	141

Number of staff by age range	2018
18 to 30	84
31 to 50	221
Over 50	89
TOTAL	394
Average age (years)	40.7
Average seniority (years)	12.6

Staff by benefit groups	2018	
	Number	%
Collective pact	270	69 %
Comprehensive salary	106	27 %
Collective convention	18	5 %
TOTAL	394	100 %

OUR SUPPLIERS

	2017		2018	
	Number	Value of purchases in millions of pesos	Number	Value of purchases in millions of pesos
Suppliers of goods				
TOTAL	234	COP 81,919	207	COP 81,801
Foreign	11	COP 63,251	9	COP 22,204
Colombian	223	COP 18,668	198	COP 59,596
Suppliers of services				
TOTAL	1,080	COP 84,616	487	COP 355,894
Foreign	129	COP 4,938	87	COP 5,625
Colombian	951	COP 79,678	400	COP 350,269

NOTE: Consolidated information for Promigas, Promisol, Transmetano and Promioriente

Suppliers by geographical location (consolidated)	2018		
	Number	Value of purchases (millions of pesos)	%
Foreign	96	27,829	8 %
Colombian	598	409,865	92 %

Colombians (92% of total)			
Interior	287	74,601	17 %
Caribbean region	311	335,264	75 %

From Caribbean region (74.1% of total)			
Barranquilla	421	301,072	70 %
Rest of Caribbean region	148	34,192	5 %

92% of purchases were made from Colombian suppliers. 75% of them were from suppliers in the Caribbean region, and 70% of these from suppliers in Barranquilla.

Company	Number of suppliers	Value of purchase (millions of pesos)
Transmetano	289	9,690
Promioriente	412	21,641
Transoccidente	95	2,156
Promisol	293	155,444
Surtigas	793	322,464
GdO	993	185,024
CEO	202	148,636
SPEC	210	12,917
Quavii	152	398,652

ASSOCIATIONS TO WHICH WE BELONG

Promigas and its affiliates play an active part in associations and initiatives that help them to achieve their goals and contribute to the social and economic development of regions where they operate. Promigas, Gases de Occidente, Surtigas and Compañía Energética de Occidente (CEO) are accordingly signatories of

the Global Compact, and Promigas has also joined the Caring for Climate initiative promoted by this latter organization.

We also hold active membership of renowned international institutions in the gas sector, such as the Gas Control committees of the American Gas Association (AGA) and the National Association of Corrosion Engineering (NACE), and important institutions at national level, including Naturgas, Andesco, World Energy Council (WEC), Colombian Corrosion Engineers Association, National Gas Operation Council (CNO Gas), Colombian Safety Council, Colombian Industrial and Personal Relations Association (ACRIP), Grupo Apell, Concentra, Icontec, National Accreditation Organization (ONAC), ANDI, Fenalco, and the Internal Auditors Association.

We are conscious of the value of institutional synergies in matters of local, regional and national interest for enriching public policies, and several of our companies therefore continue to play an active role in organizations like Empresarios por la Educación, Business Foundations Association (AFE) and the Interamerican Network of Foundations and Business Actions for Base Development (RedEAmérica).

COMPREHENSIVE MANAGEMENT WITH A SUSTAINABLE APPROACH

We at Promigas approach sustainability from a transverse angle as we seek to generate lasting economic, social and environmental value between interested parties, centered around the human being as the fundamental focal point of all our actions. We foster sustainable development based on ethics and transparency, and we treat opportunities and risks deriving from our management in a responsible and effective manner.

We constantly review our activities and we compare ourselves against the highest sustainability standards, such as the Dow Jones Sustainability Index, which enables us to work on any gaps that might be identified in our efforts to improve the performance of our organization.

We are also committed to the Global Compact and its principles, and to the United Nations Sustainable Development Goals (SDG), which enable us to identify future growth opportunities, improve the value of business sustainability, use our resources in a more efficient way, strengthen relations with interested parties, and participate in a common language and with a common goal.

We have determined that the following SDG are a priority for Promigas.

- * **Goal 4. To ensure equitable and inclusive quality education and promote lifelong learning opportunities for all.** Promigas and its Foundation work actively to develop skills and knowledge, and to carry out educational programs focused on training managers, teaching staff and families.
- * **Goal 7. To ensure access to affordable, sustainable, reliable and modern clean energy for all.** Promigas is working to develop more efficient energy markets, with a view to increasing the share these have in the national energy basket.
- * **Goal 13. To adopt urgent measures to combat climate change and its impacts.** We are committed to implementing measures to mitigate risks associated with climate change. We have undertaken a plan to reduce our carbon footprint, to which end we are measuring greenhouse gas emissions, and we have guaranteed a 10% reduction by 2025.

- * **Goal 15. To protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biological diversity loss.** We establish measures to minimize areas to be worked on, and to restore biodiversity by means of reforestation actions.

MATERIALITY, SCOPE AND COVERAGE

Our management model is centered around four fundamental focal points which guide our actions, and when these are coordinated with strategy, we display relevant matters on which our management, measurement and communication at corporate level are focused.

This is how we make our accountability viable and communicate progress made in our management with a sustainable approach in terms of the contribution to business (growth, productivity, risk mitigation, profitability) and compliance with interest groups.

Our material issues are corporate; in other words, they extend to the companies that make up our portfolio. Internally, they relate to our employees, while externally they relate to the target publics detailed in each one.

[circulo exterior, en la dirección de las manecillas del reloj]

SHAREHOLDERS / BOARD OF DIRECTORS / GOVERNMENT / REGULATORY BODIES
 REGULATORY BODIES / CUSTOMERS
 CUSTOMERS / REGULATORY BODIES / SHAREHOLDERS
 COMMUNITY / SUPPLIERS AND CONTRACTORS
 COMMUNITY
 SUPPLIERS AND CONTRACTORS / REGULATORY BODIES / COMMUNITY
 GOVERNMENT / COMMUNITY / SUPPLIERS AND CONTRACTORS
 COMMUNITY

[segundo círculo, en la dirección de las manecillas del reloj]

Economic performance / Development of new business / Legal and regulatory management
 Development of competitive solutions / Quality of services to customer
 Service integrity and continuity
 Sustainable supplier management
 Contribution to quality of education / Promotion of local development
 Caring for biodiversity / Climate change / Management of resources and waste
 Safety in all processes
 Strengthening the organizational climate / Knowledge management / Comprehensive development

[tercer círculo, en la dirección de las manecillas del reloj]

To grow in a profitable and sustainable manner
 To reinforce the value proposal for our customers
 To optimize productivity and guide the organization toward levels of operational excellence
 To reinforce management with suppliers and contractors
 To reinforce relations with the community
 To ensure an environmentally responsible operation
 To guarantee a safe operation
 To strengthen the overall development of our staff and the corporate culture

[circulo interior, en la dirección de las manecillas del reloj]

CORPORATE GOVERNANCE
 RISK MANAGEMENT
 RELATIONS WITH INTEREST GROUPS

HUMAN RIGHTS

CORPORATE POLICY

OUR FUNDAMENTAL FOCAL POINTS

Ethics

The organization works to make its staff at all levels aware of ethical dilemmas they could face while doing their respective jobs and how to respond assertively by making use of the tools, policies and procedures that the organization has provided for such purpose.

* 0 corruption incidents at Promigas and its companies.

Promigas and its affiliates have a 'Compliance' program which applies to their staff and third parties and contains a number of processes, policies and procedures for ensuring adherence to our Code of Conduct and applicable local and international regulations, thus enabling us to generate and maintain a strong ethical culture which, in turn, leads to a mitigation of anti-bribery, anticorruption, asset laundering and financing of terrorism risks.

The compliance program helps us get closer and allows us to better understand who we are and who we want to become, by acting in a decent manner and showing respect in any commercial, social and work situation.

Principles and values

Promigas and all members of its staff are guided by the principles and values that make up our identity and which enable us to build a company and business environment that helps the organization to achieve its goals in a safe and reliable manner.

Identity	3 principles	7 values
BE	Decency	Respect Integrity Solidarity
DO	Passion	Responsibility Commitment
KNOW	Innovation	Excellence Entrepreneurship

'Compliance' program

Based on the commitment made by top management, we have drawn up a program that sets out to guarantee ethical behavior by everyone.

An analysis of risks relating to bribery, corruption, asset laundering and the financing of terrorism resulted in our taking control and monitoring actions aimed at mitigating them, and we made these known to our

staff and third parties, thanks to which we have built up an ethical and compliance culture that adds value to the chain. To this end, we have a Code of Conduct and policies and procedures that deal specifically with aspects of our code, of anti-bribery and anticorruption regulations and of the system for preventing asset laundering and the financing of terrorism, and these procedures guide our staff and third parties, with a view to ensuring that they apply the highest ethical standards; they include the 'Policy for Preventing Asset Laundering and the Financing of Terrorism' and the 'Anti-bribery and Anticorruption Policy'. This latter is complemented by other policies and a series of good practices that enable these risks to be mitigated.

- * Donations Policy
- * Sponsorship Policy
- * Social Management Policy
- * Gifts and Attentions Policy
- * Conflicts of Interest Policy
- * Joint Venture and Acquisitions Policy
- * FCPA Policy - Foreign Corrupt Practices Agreement
- * Transaction Approval Policy (PAT)
- * Transactions with Parties Related to Management Policy

Reliable reporting mechanisms

Creating trust is of vital importance for an efficient compliance program. To this end, Promigas has various reporting channels, so that both staff and third parties can file reports of alleged acts of corruption, bribery or asset laundering, or breaches of our Code of Conduct, at any time of day on any day of the week, in as confidential and anonymous way as possible.

These channels are:

- * 018009120577 (transportation companies)
- * 018009120534 (distribution companies)
- * www.reportesconfidencialespromigas.com www.reportesconfidencialesdistribuidoras.com

All calls are answered by a third party not connected in any way with Promigas, thus guaranteeing total anonymity, and lead to the opening of an investigation to determine the accuracy of the facts reported, the parties implicated, and recommendations to be adopted in each case, while guaranteeing people's integrity and their rights.

Communication and training

Every year, Corporate Risk and Compliance Management carries out a training plan for all staff and third parties, so as to ensure that they understand and manage the policies and procedures relating to 'Compliance' program controls and can internalize and apply them efficiently, and even provide feedback from each area that will allow us to keep policies and procedures up-to-date.

Training sessions are general, such as in the Code of Conduct, a course that staff take every year and third parties every two years, or for focal groups that warrant special attention because of their exposure to a given risk.

Staff training in asset laundering was given at Promigas in 2018. Meanwhile, staff at Promigas and its associated companies, as well as third parties, received Code of Conduct training online.

ETHICAL CULTURE DISSEMINATION AND TRAINING	No. of hours	Percentage
The total number and percentage of members of the governance body that have been informed of the organization's anticorruption policies and procedures*.	5	100
The total number and percentage of employees that have been informed of the organization's anticorruption policies and procedures*.	1,920	100

* Promigas Top Management, Audit Committee, Board of Directors and commercial and administrative areas received five hours of ABAC training.

Monitoring program controls

Prior to implementing our 'Three Lines of Defense' program, Corporate Risk and Compliance Management (GCRC) was formed, the main purpose of which is to advise the first line of defense on the prevention of risks and to assist management in identifying changes in the field of risks.

SOX: Transparency. Financial reports.

Risks: To prevent unwanted impacts on the business.

Corporate Risk and Compliance Management

Information security

Compliance: Ethics. ABAC. SARLAFT

* The 'Social Management Policy' was drawn up and implemented.

* The 'Critical Post Matrix' was presented, in accordance with the 'Critical Posts Policy'.

The 'Three Lines of Defense' is a scheme that has been implemented with a view to achieving greater efficiency in **managing the corruption and bribery risk** that the company could be exposed to, thanks to the existence of levels or filters for identifying, controlling and monitoring it. The first line consists of the owners of the processes; the second is those who supervise the implementation of effective practices and who also guide, assist and advise the first line; and the third line guarantees the effectiveness of corporate governance, risk management, and internal controls.

CONFIRMED CASES OF CORRUPTION AND ACTION TAKEN	2017 (number)	2018 (number)
Total number and nature of confirmed incidents of corruption.	13	0
Total number of confirmed incidents where employees were dismissed or penalized for corruption.	13	0
Total number of confirmed cases where contracts with business partners were terminated or not renewed due to infringements related to corruption.	4	0
Report on public judicial cases related to corruption filed against the organization or employees thereof during the period, and the results of such cases.	0	0

DECLARATION OF HUMAN RIGHTS

The human being is the focal point of everything we do. We therefore have to respect his rights and promote them, and also remedy any negative consequences, should the need arise. We value diversity and recognize that rights are non-negotiable and inherent in all persons, who should always receive equal treatment.

- * 0 complaints relating to human rights at Promigas and its affiliates.
- * 0 reports filed with the Labor Harmony Committee relating to discrimination, harassment at work, or similar.

Our due diligence

We have conducted a due diligence process, with a view to establishing a baseline that will enable us to improve our performance in this area.

To achieve this goal, we carried out a diagnosis that has allowed us to identify our current situation in terms of human rights, and as part of this we gathered relevant information for the process and for understanding human rights in the Promigas context.

Based on this, we designed a tool in line with the United Nations Guiding Principles on companies and human rights, which include process, threat, principal human right, related human right, related party involved, and control activity.

By applying this, we were able to determine the most vulnerable human rights categories and risks, and establish related corporate practices, which include:

- * recommendations for the prevention, administration and strengthening of risk management;
- * alignment with key initiatives: risk model and auditing, SDG, and Global Compact;
- * alignment of internal processes and persons responsible.

As a result of this due diligence, we were able to determine that violation risks at Promigas are medium and low.

We will be applying the tool in our operations during 2019, and the results will provide feedback for a report that will set out difficulties, successes, lessons learned, and recommendations.

Risk Management

‘Comprehensive Risk Management’ simplifies the decision-making process for achieving the organization’s goals by enabling Top Management to have a full view of the risks to which it is exposed.

Promigas and its companies have a corporate ‘Comprehensive Risk Management’ policy, which sets out guidelines for guaranteeing effective management of risks that could affect the normal course of our operations and cause deviations from the achievement of strategic objectives and the carrying-out of processes.

The comprehensive risk management model for Promigas and its companies is based on the requirements established in the ‘Risk Evaluation’ component of COSO 2013, in NTC ISO 31000 Risk Management, in ISO 27001 Information Security, and on other specific requirements requested by shareholders.

The ‘Comprehensive Risk Management’ methodology consists of evaluation mechanisms relating to risk identification, analysis and appraisal, and also follow-up on, and treatment and review of, strategic risks and processes and projects that have the biggest impact on the organization.

The 'Comprehensive Risk Management' model was reinforced during 2018 by means of the following activities and initiatives.

- * Establishment of a Corporate Risk and Compliance Management, which reports directly to the Presidency, in order to strengthen the organization's second line of defense.
- * Implementation of a corporate anti-bribery and anticorruption risk management methodology in Promigas and its companies, enabling a list of risks and controls in the principal operation processes to be drawn up.
- * Addition of changes to the corporate comprehensive risk management methodology, including adjustments to risk levels, rating the effectiveness of mitigation actions and risk response, to bring these into line with corporate shareholder practices.
- * Reinforcement of project risk management, starting from implementation of a new, PMI methodology-based project policy.
- * Evaluation of the Promigas information security management model on the basis of the ISO 27001 approach, with assistance from an outside consultant, in order to draw up the necessary improvement plans for guaranteeing reliability, availability and integrity.
- * Formalization of the 'Risk Representative' program, in order to strengthen process leader self-management and self-control within their teams.
- * Implementation and delivery of the risk guide board, to make it easier for process leaders to carry out periodic follow-up on risks and report any events that might have occurred.
- * A first risk exercise was carried out in the supply chain, based on gaps detected as a result of the voluntary evaluation that was carried out as proposed in the Dow Jones Global Sustainability Index.
- * Introduction of informative bulletins to reinforce the risk management and compliance culture in the organization.
- * Emerging risks, namely those that could materialize in the long term, were monitored, with the respective mitigation actions:
 - * Risks associated with climate change, due to rising sea levels in critical areas for our natural gas infrastructure: monitoring and follow-up by means of shore topography and bathymetry.
 - * Changes in consumer behavior patterns throughout the value chain (electrification of gas appliances and mass use of electric cars, major consumers migrating to a mixed energy portfolio or one where electricity has a greater share): technological supervision and feasibility studies to check technologies and their potential impact on our business units).
- * In 2018, we carried out 1,643 strategic risk appraisals: processes, SOX financial, anti-bribery and anticorruption.

Indicators

Compliance with risk mitigation action plans (%)

Company	Percentage
Promigas	92 %
Promioriente	91 %
Transmetano	97 %
SPEC	88 %
Transoccidente	100 %
Promisol	88 %

GdO	97 %
Surtigas	95 %
CEO	98 %

RELATIONS WITH INTEREST GROUPS

We constantly foster scenarios for interaction, with a view to understanding the perceptions and expectations of our interest groups and thus cultivate long-term, mutually-beneficial relations, bearing in mind that this is one of our fundamental focal points. Each process has its mechanisms and procedures for incorporating this information into the continual improvement cycles, and also for receiving and dealing with petitions, complaints, claims and reports.

- * **Shareholders.** We have an office where they can be attended to directly, and every quarter we disseminate our results by teleconference. Two assemblies were held during the year, and these were transmitted online. As part of our commitment, we remain a Colombian Stock Exchange (BVC) IR issuer.
- * **Board of Directors.** We hold monthly meetings. Currently there are four independent members and six equity ones.
- * **Staff.** We are in constant communication with them through our internal channels and primary group meetings. We measure their satisfaction every two years via our organizational climate studies.
- * **Community.** They are our neighbors in areas of influence of our operations. We are in constant communication with them through our attention lines and community education programs and visits. When we have new projects, we share these with them and conduct prior consultations where applicable, as established by law.
- * **Customers.** For us, service value is a fundamental part of our culture, and we are therefore committed to their loyalty and entire satisfaction. Consequently, Commercial Management and Operations Management professionals maintain close relations and communicate constantly and directly. We measure their satisfaction every year and improve our services on the basis of the feedback we receive.
- * **Suppliers and contractors.** We create opportunities for relating and communication, and we periodically carry out activities aimed at keeping them updated on matters relating to safety, health and environment. We have measured their loyalty since 2014, and we improve our processes on the basis of these results.
- * **Government and regulatory bodies.** As we are a regulated business, this interest group is of vital importance to us. We always meet requirements promptly and keep our communication channels up to date.

OUR GOALS

1. TO GROW IN A PROFITABLE AND SUSTAINABLE MANNER, IN LINE WITH THE EXPECTATIONS OF OUR SHAREHOLDERS

We reiterate our commitment to reward our shareholders and interest groups adequately by carrying out actions that lead to our adhering to the corporate vision of consolidating our position in Colombia and Latin America.

We want to continue engaging in new business that will help the organization grow in a sustainable manner, and to go on contributing to improving people's quality of life, principally in the areas of influence where we perform our activities.

Our approach is centered on generating value from our current business portfolio and on developing new businesses that will enable us to grow in a profitable and sustainable manner, so that we are more competitive every day and a benchmark for innovation in the energy business.

Principal economic results

	Gen Transportation	Gen Distribution
Revenue	1,191,077	5,791,382
EBITDA	707,418	1,283,954
Net Profit	901,750	602,482

Economic environment

The world economy continued to grow in 2018, driven by better performance by the developed economies, specifically the United States, and offset by less positive activity in emerging countries.

The main driving force behind the US economy, which achieved significant growth this year, was household consumption. The country also reported the lowest unemployment rate in the last 48 years and ended the year with an inflation figure of 2%, within the target range set by the Federal Reserve (Fed). Against this economic background, the Fed raised its target interest rate on four occasions during the year, and it ended within the range of 2.25% to 2.50%, which attracted new investments that had hitherto gone to emerging markets.

The stronger dollar, the hardening of financial conditions worldwide, and the protectionist policy adopted by the United States all affected emerging economies to some extent during the year.

Because of this, a number of countries with vulnerable or politically unstable economies, such as Argentina, Turkey and South Africa, suffered severe currency devaluations and significant increases in their risk premiums.

The average international WTI price was USD 65 per barrel, 28% up on the previous year. However, the price of crude fell considerably in the last quarter, since in early October it stood at USD 76 barrel but ended the year at USD 45 per barrel.

In this tense international context, the Colombian currency managed to remain stable for much of the period, because the high oil prices acted as a buffer against devaluation pressures resulting from the increases in the Fed rate and the stronger dollar. During the first six months, the Colombian peso maintained its value and the exchange rate reached COP 2,705 per dollar, a three-year minimum. However, upward pressures led to a devaluation of 8.9%, and the currency ended the year at COP 3,250 to the dollar. In view of this, if the oil price fails to recover, the Colombian economy will once again be exposed to external shocks. Nevertheless, it has succeeded in remaining afloat and continuing its recovery, which began in 2017 after the 2014 fall in oil prices. Domestic demand, principally household consumption, coupled to central government expenditure, reactivated the economy, while net exports

had a negative effect on growth, which closed the year at 2.8%,² one hundred basic points higher than the previous year, and this has fine-tuned the acceleration in the economy.

The twelve-month inflation figure in 2018 remained within the Banco de la República target range of 2% to 4%, and there was a falling trend, because it started at 3.68% and ended at 3.18%. This was mainly due to the dispersion of shocks caused by the late-2016 tax reform. With this price stability, Banco de la República kept its interest rate at 4.2% from April onwards; this relatively low rate allows for a slightly expansive economy, which encourages household consumption.

On the fiscal front, the Financing Law was signed in late 2018 and came into force on January 1, 2019. It is envisaged under this law that COP 7.5 billion will be collected, which will help the country keep to the fiscal deficit target for 2019. Despite the fact that this law was controversial and unpopular, it was vitally important that the government demonstrate a commitment to complying with the fiscal rule, since it is an important factor in Colombia's credit rating.

Natural gas consumption in Colombia

The average natural gas consumption figure in Colombia in 2018 was 907 Mpcd, 5% higher than the previous year.

The sectors where consumption was highest were non-regulated industry, with a 27% share, followed by the thermoelectric (24%) and regulated (15%) sectors. There was a considerable increase of 22% in the thermoelectric sector, since this year there were more instances of electricity transmission infrastructure non-availability and, consequently, more thermoelectric gas dispatches, especially from plants on the coast.

This year, the service was taken to 453,891 new natural gas users in Colombia, resulting in a total of 9,186,040 families being served and roughly 69% of the country's population having access to the service. 76% of these users are in the interior, 20% on the coast, and the remaining 3% in isolated areas. 98% of total regulated users are residential, 85% of them in income brackets 1, 2 and 3.

NOTE. Source: '2018 Mines and Energy Statistics Bulletin - UPME'. The national coverage figure is an internal Promigas estimate.

Relevant corporate facts

- * Eric Flesch took over as Promigas President. He is a prominent Barranquilla executive and a civil engineering graduate of Universidad del Norte who holds a master's degree in Administration and Finance (MBA) from West Coast University. Flesch has more than 35 years' corporate experience, and for 12 years he was President of Cementos Argos in the United States, where he was instrumental in the company's international expansion.
- * Other management changes included the appointments of Natalia Bello as Vice-President, Corporate Affairs, and Wilson Chinchilla as Promigas Vice-President, Distribution.
- * Promigas and the United Kingdom signed a research agreement. The Royal Academy of Engineering in the United Kingdom will allocate GBP 300,000 from the Newton-Caldas Fund over a period of two years. Promigas, which will contribute COP 726 million, is the only Colombian

² Estimated figure.

partner during this period of the agreement. These funds will be used for research and training internships through the Center for Energy and Gas Research and Innovation (CIIEG), which was formed by Promigas in 2017. This is the first cooperation agreement for science and innovation technology between Promigas and a foreign government.

- * Recognition for Promigas and its Foundation for their good sustainable development practices in Colombia. In the context of the '8th Global Compact Congress, Red Colombia', Promigas was recognized for its project entitled 'Successful experience in the rescue, transfer and survival of epiphyte plants; lessons learned in caring for biodiversity'. This project was nominated under SDG (Sustainable Development Goal) No. 15, as part of the San Mateo - Mamonal Loop gas pipeline. The Promigas Foundation won an award for its contribution to SDG No. 4, 'To ensure equitable and inclusive quality education and promote lifelong learning opportunities for all', for its 'Schools that Learn' initiative, the aim of which is to assist Education Secretariat technical teams, teaching managers, teachers and parents in strengthening their capabilities, so that they can offer primary school children more and better learning opportunities.
- * Because of its 'Brilla Non-Banking Financing Program', Promigas was included, in the context of the 'National Industrialists Association (ANDI) Colombian Business Congress', on a list of twenty companies committed to resolving the country's social challenges as an integral part of their business model.
- * FSG, a company formed by business expert Michael Porter and his partner Mark Kramer, who are global exponents of the shared value strategy and application of the business model for solving social problems, have been doing this very exercise since 2015 for Fortune magazine, under the title 'Change the World'.
- * This same organization, together with the ANDI Foundation, replicated the model in Colombia in 2017 under the title 'Inspirational Companies List', with a view to highlighting entrepreneurs who succeed in generating major social transformations.
- * This recognition is in addition to various international awards received by Brilla: from the World Bank in 2011, the G20 in 2012 and British daily newspaper Financial Times in 2014, in addition to a notable participation in the 2012 World Gas Conference, in Kuala Lumpur (Malaysia).
- * After being granted a long-term AA+ rating by Fitch Ratings in 2017, Promioriente carried out a COP 205,000 million ordinary bond issue in January 2018, which was over-subscribed on the market 1.8 times. The issue enabled it to improve its debt profile in terms of expiry term and rates, resulting in material savings in financial expenses.
- * Surtigas commemorated its fiftieth anniversary. It is one of the oldest natural gas companies in Colombia, and as it completes half a century of activities it has consolidated its position as market leader in the sale and distribution of natural gas in Bolívar, Sucre and Córdoba. In the latest user satisfaction studies carried out by the Superintendency of Domestic Public Services, it has been one of the best companies of its kind in the country. Today it boasts 762,375 residential users, 9,113 commercial users and 310 industrial ones, and has thus helped improve quality of life for people living in Colombia's Caribbean region during the last six years, resulting in it occupying first place in the 'Cartagena cómo Vamos' User Satisfaction Survey.
- * Transmetano celebrated 25 years of taking natural gas and progress to Antioquia, a province where it has accumulated more than 1.2 million users in over a hundred connected municipalities during that period.
- * Participation in the 2018 World Gas Congress (WGC). With three research documents on progress in the industry in Colombia, Promigas was on the agenda of the twenty-seventh version of this event which has been held every three years since 1931. It was the only Colombian company in attendance with its papers, which were chosen from more than a thousand submitted.

- * New energy self-generation system. In a context of sustainability, and taking advantage of the knowledge and experience of its affiliate company, Compañía Energética de Occidente (CEO), Promigas introduced a photovoltaic solar energy system that enables self-generation of 23,014 kWh/month of electricity. This project, which has an installed capacity of 180 kWp, consists of 574 solar panels, each of 315 watts, and three inverters in line with the system, which covers an area of 1,360 m² on the company's roof. We thus contribute to sustainable development and to a reduction in our carbon footprint.

Strategic transportation business group

Promigas

- * 92% of capacity contracted.
- * In 2018, we added new gas supplies from minor fields in Sucre and Córdoba to our markets, which offsets the decline in gas from fields in La Guajira.
- * Higher volumes transported and use of the Cartagena regasification plant due to increased thermal generator requirements because of the non-availability of coast-interior interconnection lines and maintenance work on production fields.

	Promigas	Transmetano	Promioriente	Transoccidente	Promisol	SPEC
Operating revenue (millions of pesos)	596,390	60,961	161,799	6,089	119,772	246,066
EBITDA (millions of pesos)	391,362	43,119	133,209	3,660	44,491	91,577
Net profit (millions of pesos)	725,409	28,979	69,445	2,345	28,355	47,217
Effective Promigas share (%)		99.7%	73.3%	79%	100%	51%

Operating indicators

Gas transportation	Promigas	Transmetano	Promioriente	Transoccidente
Gas pipeline length (km)	2,556	189	333	11
Volume transported (Mpcd)	365.7	50	34	48
Maximum capacity (Mpcd)	838	78	50	74
Capacity contracted (Mpcd)	770	57	30	74

Transportation	2018
Volume transported (MPCD)	502
Capacity contracted (MPCD)	846
Maximum capacity (MPCD)	1,040
% Volume transported/Max. capacity	59%
% Capacity contracted/Max. capacity	81%
LNG	2018
Volume regasified (MPC)	10,353
Days of regasification	232
Average regasification (MPCD)	45
Treatment	2018
Availability, Canacol	100%
Availability, Hocol	100%
Generation	2018
Energy generated (MWh/year)	36
Number of Zonagen customers	15

Number of Promisol Cgna. customers.	3
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Promioriente maintained operational stability and was not affected significantly by external events, with the result that it provided a continuous service and generated revenue in accordance with its budget. Its results were better than the budgeted net profit, thanks to extraordinary income due to a gas imbalance with Ecopetrol, insurance indemnifications received, savings on financial expenses and lower taxes, because of the effects of the Financing Law.

Transmetano commemorated 25 years of service in Antioquia and one year since its Malena Compression Station began operating. This has guaranteed service reliability in terms of gas availability at exit points from the transportation system, irrespective of low receipt pressures at the Sebastopol transfer point. Capacity increases were achieved in contracts with EPM, Alcanos and Gas Natural, and new customers were obtained, such as Eurocerámica, Senco and Rotoplast.

Transoccidente increased its volume transported by 8%, principally due to greater consumption by industrial customers like Argos. As far as contracted capacity is concerned, this remained constant through the contract with Gases de Occidente, its main remitter, with a couple of 100-0 charges.

Promisol operated the Jobo, Bonga and Mamey hydrocarbon treatment plants successfully, which exceeded the expectations of customers Canacol and Hocol under the operational availability agreements. In December 2018, Canacol took up its option to purchase the treatment plant, in accordance with the early transfer contractual price conditions.

The Malambo-Santa Rita Deviation, change of coating in La Guajira, and earth movements at Paiva Compression Station projects were completed successfully during the year.

As far as energy services were concerned, at the 2018 year-end, Zonagen had 15 customers connected, 98% of its installed capacity sold, and a 2% growth in energy sales. Meanwhile, the Mexichem and Essentia operation and maintenance contracts in Cartagena were renewed, with the customer portfolio maintained.

SPEC regasified 10,353 Mpcd of gas over a period of 232 days, and this was injected into the Atlantic Coast National Gas Transportation System as fundamental backup for the National Electricity System, enabling thermal requirements to be met and coverage to be provided for scheduled maintenance of and emergencies in electricity infrastructure lines. Seven LNG ships were received, carrying a total of 553,706 m³.

Financing targets were met in 2018, with the debt refinanced through a USD 103 MM project finance.

Strategic distribution business group

Related companies in Colombia connected 151,178 new users during 2018, resulting in a total of 3.6 million users. They managed to serve 55 new towns, for an accumulated total of 793 in the country, as a result of which they have a 38% share of the beneficiaries of this accessible, continuous and reliable service.

With respect to distributors in Peru, Cálidda enjoyed its most active year in terms of number of connections since it began operations in 2004, in line with the determination to provide mass service

availability. Quavii, meanwhile, obtained a continuous supply from April 2018. The two companies together have an accumulated total of 782,732 users.

	GdO	Surtigas	GasCaribe	Efigas	Guajira	Cálidda	Quavii
Towns served	265	178	226	60	64	23	7
Users in period	45,739	31,806	39,560	28,631	5,442	184,403	21,466
Accumulated users	1,139,319	771,798	978,628	564,126	114,224	761,215	21,517
Effective coverage	89%	95%	89%	82%	86%	79%	28%
Natural gas sale (MM3)	976	844	1,285	243	27	8.049	7

Financial	GdO	Surtigas	GasCaribe	Efigas	Guajira	Cálidda	Quavii
Gross profit	268,171	232,943	481,703	169,482	35,087	216,472	4,992
EBITDA	150,667	115,930	357,663	119,254	20,935	146,630	(4,725)
Net profit	84,228	57,559	251,218	70,322	12,712	68,702	(4,387)

Natural gas	2018
Users, period	357,047
Accumulated users	4,350,827
Natural gas sales (MM3)	11,432
Brilla placement (\$MM)	542,898
Total portfolio (\$MM)	1,696,240

Electricity	2018
Users, period	14,798
Accumulated users	382,056
Electricity sales (GWh)	598
Brilla placement (\$MM)	5,563
Total portfolio (\$MM)	94,148

Natural gas distribution

Gases de Occidente served 19 more towns than it did the year before, giving it a total of 265 in its area of influence, namely Valle del Cauca province and the northern part of Cauca province. At December 2018, it had an accumulated total of 1,139,319 users, meaning it maintained its position as the company with the third highest number of users in the country.

Gases de Occidente results in its principal line of business increased, due to the updating of the distribution charge.

For the ninth consecutive year, Fitch ratified the company's AAA rating, thus reflecting its sound financial position for meeting its obligations.

Surtigas commemorated 50 years of providing a natural gas service for people living on the Caribbean coast, and achieved a total of 178 towns served. Fitch ratified its AAA rating from 2013 to 2018, based on the company's commitment to maintain its responsibility toward its creditors.

Gases del Caribe, which continues to enable more customers to enjoy a gas service, had benefited a total of 978,628 people at the 2018 year-end. It served 16 further towns, making a total of 226, and increased the volume of gas it sold from 1,195 MM m³ in 2017 to 1,285 MM m³ in 2018 (8%) as a result of better secondary market management.

Cálidda (Peru) reported a historical record in terms of connections, because it achieved more than 20,000 in one month. It was an intensive year for connections, in order to exploit FISE resources in its area of influence. The company failed to get the expected rate approval, but the effectiveness of its other business units exceeded the envisaged results.

With **Quavii (Peru)**, despite the start of commercial operation being reported in December 2017, it was April before continuous supply effectively commenced. This, together with maintenance work beginning on the liquefaction plant, led to a delay in residential users being connected and meant that high-consumption customers could not be taken on board until the final months of the year.

Electricity distribution and marketing

Operations	CEO
Towns served	38
Users, period	14,798
Accumulated users	382,056
Network, km	26,676
Energy demand (Gwh)	683
Energy sales (Gwh)	598
Energy losses (Gwh)	103
Total losses (%)	19%
Average rate N 1 (\$/Kwh)	564
Cost (G+T+R) (\$/Kwh)	241
Share by sector	
Residential	94.8%
Commercial	3.6%
Industrial	0.5%
Other	1.1%

Compañía Energética de Occidente (CEO) intensified its activities in developing markets in Cauca and ended the year with a commercial losses indicator that was within the parameters established in the management contract. These events have been reflected in sounder and more stable financial results.

Non-banking financing

Brilla

- * Placement (COP MM): 548,458
- * Transactions (users): 498,118
- * Portfolio (COP MM): 767,123
- * Overdue portfolio > 90 days: 2.79%

Brilla achieved 25% growth in 2018 and reached a figure of COP 2.9 billion in loans disbursed to more than 2.86 million families, in the six associated distribution companies. The business represented 15.7% of distribution company EBITDA in 2018.

Notable in commercial terms is the strengthening of the hardware store line via the launch of strategic alliances in order to develop new, integrated partner channels in distant towns and villages. On the operating front, a new process was launched in late 2018 that enables users with an approved Brilla quota based on their payment capacity to be assigned higher credit limits on motorbikes. The new digital brand strategy was also developed, with a view to reinforcing relations with, and closeness to, users. The focal

point of the strategy will be the Brilla website, which will have self-management credit tools for customer comfort and ease of use.

Because of its Brilla program, in August 2018 ANDI recognized Promigas as one of twenty 'Inspirational Companies' out of a hundred initiatives studied nationwide that set out to resolve social challenges through their businesses.

Corporate Economic and Financial Management

Financial Statements

The financial results at December 31, 2018 are presented below, compared with those presented at December 31, 2017.

General Balance Sheet

General Balance Sheet			
(Figures in millions of pesos)			
ASSETS	Dec. 2017	Dec. 2018	%
Current Assets	316,910	339,110	7.0
Net Fixed Assets	84,189	68,674	-18.4
Assets under Concession	1,095,199	1,369,995	25.1
Financial Assets	1,798,689	1,976,041	9.9
Other Assets	2,636,548	2,602,020	-1.3
TOTAL ASSETS	5,931,535	6,355,841	7.2
LIABILITIES			
Current Liabilities	317,646	562,018	76.9
Non-Current Liabilities	2,651,444	2,580,948	-2.7
TOTAL LIABILITIES	2,969,089	3,142,966	5.9
TOTAL EQUITY	2,962,446	3,212,875	8.5
LIABILITIES + EQUITY	5,931,535	6,355,841	7.2

Company assets grew by 7.0%, principally due to the behavior of assets under concession as a result of progress made on construction work and the increase in financial assets arising from the annual adjustment of macroeconomic and operating variables.

The variation in current assets arose mainly because of higher bank disbursements by Promigas and funds received from the sale of equipment to Promigas under the contract with Canacol. This was offset by lower accounts receivable due to extraordinary dividends being received by associated companies.

Fixed assets fell due to the reclassification of buildings to assets under concession, in accordance with IFRIC Standard 12. Additionally, the increase in assets under concession occurred because of progress made on constructing the Canacol 100 Mpcd projects (Jobo-Majaguas gas pipeline, Mamonal-Paiva and Paiva-Caracolí, Paiva compression station) and the Malambo-Santa Rita Deviation, among other reasons.

There was a variation in financial assets, which are generated by virtue of the IFRIC 12 accounting standard which governs the transportation concession, due to the periodic update of operating and

macroeconomic figures. Furthermore, the weighted average capital cost (WACC), which is used to disconnect the market value of the gas pipeline at the end of the concession, was adjusted.

Other assets fell due to lower long-term accounts receivable, because of the prepayment of loans with associated companies by Gases de Occidente, Promioriente, Transmetano and Promisol.

The 76.9% variation in short-term liabilities relates to the transfer of the current portion of two bond issues in 2009 totaling COP 255,000 MM, and the COP 81,243 MM syndicated loan. However, this is offset by a reduction in long-term liabilities caused by the difference on exchange on the foreign currency loan (USD 125 MM) and the reversion of the deferred income tax provision due to the fall in rates arising from the passing of the Financing Law.

Profit and Loss Statement

Summary Profit and Loss Statement			
(Figures in millions of pesos)			
	Dec. 2017	Dec. 2018	%
Operating Revenue	592,796	594,932	0.4
Construction Revenue	62,482	153,601	145.8
Participation Method	367,172	444,822	21.1
Costs and Expenses	184,544	218,860	18.6
Construction Costs	62,482	153,601	145.8
EBITDA	775,424	820,894	5.9
Depreciation, Amortization and Provisions	90,818	88,984	-2.0
Operating Profit	684,606	731,910	6.9
Financial Asset Revenue	168,696	171,348	1.6
Other Revenue	78,965	89,621	13.5
Other Expenditure	204,598	216,567	5.9
Pre-tax Profit	727,669	776,312	6.7
Income Tax	78,811	50,903	-35.4
Net Profit	648,858	725,409	11.8

Operating revenue increased due to higher volumes being transported as a result of attacks on the National Transmission System (NTS) and maintenance work on coast-interior interconnection lines.

Construction revenue and cost, which are recorded at the same value under current accounting regulations, are a consequence of the activation of construction work in progress and are up on 2017 due to greater progress being made on the Canacol 100 Mpcd projects (Jobo-Majaguas gas pipeline, Mamonal-Paiva and Paiva-Caracolí), Paiva compression station and the Malambo-Santa Rita Deviation, among other reasons.

Participation method revenue rose in 2018 in the following companies: Gases del Caribe, increased revenue from gas marketing and participation method; Gases de Occidente, higher dividends and participations received, and reversion of deferred tax; Cálidda, bigger gas business and facilities margin and lower depreciation and amortization expenses as a result of the change in the amortization accounting methodology; Promisol, bigger profit from sale of gas treatment equipment due to early

finalization of the Canacol contract, higher construction revenue, and operation of the Malambo-Santa Rita Deviation commencing.

The 18.6% increase in costs and expenses was mainly due to the purchase of fuel gas for compression and corrective and preventive maintenance work at compression stations.

EBITDA and operating profit were up on the previous year, mainly due to higher transportation service revenue and better results by affiliates reflected in the participation method.

Financial asset revenue grew in line with the periodic adjustment based on the regulatory procedure for calculating it, which involves variables for determining the weighted average capital cost (WACC) and future cash flows relating to the operation.

Other income increased due to the difference on exchange generated by the Cálidda account receivable for dividends decreed in dollars. This is offset by lower financial interest received, due to the prepayment of loans to associated companies by Promioriente, Gases de Occidente and Transmetano, and in addition to this, an Equity Tax refund was recorded in 2017. Meanwhile, other expenses increased due to higher financial expenses, which were the result of the higher debt balance in December 2018.

Income tax was less, due to the effect of the 40% legal stability contract tax benefit that was applicable to the acquisition of productive, real fixed assets and the reversion of the deferred tax expense for lower applicable rates after the Financing Law was passed.

Consolidated Financial Statements

The consolidated financial results at December 31, 2018 are presented below, compared with those presented at December 31, 2017.

Consolidated General Balance Sheet

Consolidated General Balance Sheet			
(Figures in millions of pesos)			
ASSETS	Dec. 2017	Dec. 2018	%
Current Assets	1,450,849	1,611,591	11.1
Net Fixed Assets	1,135,752	1,139,381	0.3
Assets under Concession	2,187,289	2,534,795	15.9
Financial Assets	2,295,682	2,502,015	9.0
Other Assets	2,565,086	2,637,690	2.8
TOTAL ASSETS	9,634,659	10,425,471	8.2
LIABILITIES			
Current Liabilities	1,046,422	1,285,442	22.8
Long Term	5,409,359	5,706,206	5.5
TOTAL LIABILITIES	6,455,781	6,991,649	8.3
TOTAL EQUITY	3,178,877	3,433,822	8.0
LIABILITIES + EQUITY	9,634,659	10,425,471	8.2

Current assets increased by 11.1%, due to higher bank disbursements to Promigas and associated companies. Additionally, higher accounts receivable were recorded, due to a higher sales tax credit balance by Quavii, because of the investments made.

The increase in assets under concession arose because of progress made on constructing Promigas projects: Canacol 100 Mpcd (Jobo-Majaguas gas pipeline, Mamonal-Paiva and Paiva-Caracolí), Paiva compression station and the Malambo-Santa Rita Deviation. Similarly, progress was made on investments, with Quavii commencing commercial operation.

There was a variation in financial assets, which are generated by virtue of the IFRIC 12 accounting standard which governs the transportation concession, due to the periodic update of operating and macroeconomic figures. Furthermore, the weighted average capital cost (WACC), which is used to disconnect the market value of the gas pipeline at the end of the concession, was adjusted.

The increase in short-term liabilities relates mainly to the transfer of the current portion of two bond issues in 2009 totaling COP 255,000 MM, which will start being amortized in 2019. Meanwhile, long-term liabilities increased due to the COP 205,000 MM Promioriente bond issue and the COP 300,000 MM Gases de Occidente one, offset by a lower deferred tax balance because of lower rates being applicable after the Financing Law was passed.

Consolidated Profit and Loss Statement

Consolidated Profit and Loss Statement			
(Figures in millions of pesos)			
	Dec. 2017	Dec. 2018	%
Operating Revenue	3,256,748	3,181,282	3.8
Construction Revenue	200,639	346,176	72.5
Participation Method	141,970	172,629	21.7
Costs and Expenses	2,341,959	2,297,824	-1.9
Construction Costs	200,639	346,176	72.5
EBITDA	1,223,491	1,256,087	2.66
Depreciation, Amortization and Provisions	166,732	175,080	5.0
Operating Profit	1,056,759	1,081,007	2.3
Financial Asset Revenue	209,936	206,200	-1.8
Other Revenue	84,010	116,725	38.9
Other Expenditure	419,570	438,703	4.6
Pre-tax Profit	931,136	965,229	3.7
Income Tax	242,980	189,711	-21.9
Minority Interest	42,909	50,055	16.7
Net Profit	645,247	725,463	12.43

The increase in operating revenue occurred, principally, for the following reasons.

- * Promigas: higher volumes transported as a result of attacks on the National Transmission System (NTS) and maintenance work on coast-interior interconnection lines.

- * Promisol: sale of gas treatment equipment on early finalization of the Canacol contract, recoating works on pipelines in Guajira and Sucre, and commencement of operations on the Malambo-Santa Rita Deviation.
- * Distribution: Surtigas, introduction of new tariff in 2018; Quavii, increase in distribution and connections revenue after operation commenced; Gases de Occidente, higher sales to non-regulated industries and higher returns on technical services rendered to third parties.

Construction revenue and costs, which are recorded at the same value under current accounting regulations, are mainly a consequence of Quavii commencing operations and activation of other construction work in progress.

Participation method revenue rose in 2018 in the following companies: Cálidda, bigger gas business and facilities margin and lower depreciation and amortization expenses as a result of the change in the amortization accounting methodology; Gases del Caribe, higher marketing and margin and connection fees.

Financial asset revenue declined at Surtigas, Gases de Occidente and Transmetano, due to the annual adjustment to macroeconomic and operating variables.

The increase in other revenue is mainly due to the fact that the bigger difference on exchange at Promisol generated financial assets in dollars.

On the other hand, other expenses increased due to the difference on exchange on liabilities in dollars. This was offset by a lower debt rate (DTF and CPI).

Income tax was lower, due to the effect of the 40% legal stability contract tax benefit that was applicable to the acquisition of productive, real fixed assets and the reversion of the deferred tax expense for lower applicable rates after the Financing Law was passed.

Systems for revealing and controlling financial information

We have implemented internal controls and procedures at Promigas for managing business risks, preserving operational effectiveness and efficiency, and guaranteeing the reliability and promptness of information we present to our interest groups.

We verify and evaluate the performance and effectiveness of internal controls over financial reports at all times; these evaluations include analyzing the design and effectiveness of controls that mitigate risks associated with the generation of financial information, and are also aimed at guaranteeing the integrity of this information.

The monitoring mechanisms we have established in our internal control system allow us to reasonably guarantee that there were no deficiencies in those controls in the course of 2018 that might have hindered the recording, processing, summarizing and correct presenting of financial information. Similarly, we have not become aware of any fraud, willful errors or manipulations that could have affected the quality of this information.

Legal and regulatory management

No fines or sanctions were imposed on Promigas in 2018 for legal or regulatory default. Likewise, the saving on judicial verdicts in our favor was COP 2,374,806,055.

In total, with respect to both Promigas and the affiliated companies for which it provides back office administrative services, eleven such cases ended in 2018, nine of which culminated in favorable verdicts, representing a saving of COP 2,955,330,658, while the other two resulted in unfavorable verdicts, which involved the company in making payments totaling COP 787,881,530.

On August 16, 2018, a final verdict was reached in a case in which Promigas was defeated under a suit filed by Mr. Óscar Leonidas Serpa Pérez and others, relating to the recovery and restoration of the Caño Viejo channel in Soledad (Atlántico).

In this case, the award imposed an obligation on Promigas to conduct a study and proceed with the necessary technical, administrative and budgetary activities for carrying out recovery work on the Caño Viejo channel and its surroundings, with the deadline for these works to be completed being no more than six months from the date on which the said verdict came into force and effect.

The study and technical proposal for recovering the channel were presented to Atlántico Regional Autonomous Corporation (CRA) for approval; however, since this authority recently carried out dredging work in the said channel, it became impossible for the award to be executed, since the environmental damage that allegedly occurred ceased to exist.

Regulation

Natural gas transportation

Remuneration for assets that have come to the end of their regulatory life. The following assets are currently at the stage where experts are being designated or expert inspections are being carried out.

- * Promigas, useful life 2016: Mami-Bureche loop and two branch gas pipelines.
- * Promigas, useful life 2017: 13 branch gas pipelines.
- * Promigas, useful life 2018: Dibulla-Palomino loop, Palomino compressor, Termoflores gas pipeline, and 15 branch gas pipelines.
- * Transoccidente, useful life 2016: Yumbo-Cali gas pipeline.
- * Promioriente, useful life 2017: Bucaramanga-Payoa 8" gas pipeline.
- * Transmetano, useful life 2017: Sebastopol-Medellín gas pipeline.

‘Transitory Natural Gas Supply Plan’. By means of Resolution 40006 of 2017, the Ministry of Mines and Energy adopted the ‘Transitory Natural Gas Supply Plan’, and in August 2018 it issued draft Resolution 060818, whereby it amended the date for the Pacific Regasification Plant to begin operating to September 2023.

With respect to the Pacific infrastructure, CREG published the requirements for participants in the selection process and UPME issued preliminary bid documents for comment. UPME is therefore expected to publish the definitive bid documents, while it is envisaged that CREG will determine the marketing scheme for the infrastructure.

Finally, with respect to the 'Barranquilla-Ballena Bidirectionality' in the Promigas system, it is envisaged that CREG will issue the respective Resolution defining the efficient value of the investments for executing the project.

Transportation tariff methodology. In August 2016, the Energy and Gas Regulation Commission (CREG) issued draft CREG Resolution 090 containing a proposed methodology for calculating the natural gas transportation tariff. Steps were taken with CREG in 2017 and 2018 to strengthen a suitable regulatory framework for the transportation activity. According to the agenda for 2019, CREG is expected to issue a new Resolution for comment by agents in the first quarter of the year, with the definitive Resolution being issued in the third quarter.

Marketing the wholesale natural gas market. It is envisaged that CREG will publish a new Resolution in the second half of 2019 that makes adjustments to gas supply marketing regulations and focuses on promoting competition between parties that take part in the supply market by designing mechanisms that aim for greater flexibility, transparency and liquidity and creating new products that can meet specific demand requirements.

Natural gas distribution

In 2018, CREG made significant changes to natural gas distribution service remuneration. After 14 years during which distributors applied the charge established in CREG Resolution 011 of 2013, the Commission granted its approval for them to make transitory distribution charges, and these were introduced in the first quarter of the year.

In August it issued CREG Resolution 090, which complements the methodology set out in definitive CREG Resolution 202 of 2013 but contains serious calculation errors. The errors in the definitive methodology were corrected in CREG Resolution 132. Publication is awaited of a circular stating dates for registering tariff files and definitive charge expectations in 2020.

Cálida: In Resolution 098-2018-OS/CD, Osinergmin approved the new Mean Distribution Charge that will apply for the 2018-2022 rate period. The new mean tariff that was established was USD 22.6/thousand m³, a figure below that budgeted (USD 24.5/thousand m³), and it came into force in May.

Electricity distribution

In February 2018, CREG published Resolution 015, containing the new energy distribution methodology, after four prior publications for consultation. This definitive methodology retains the 'depreciated net scheme and recognition of the 'Losses Plan', with a ten-year horizon, and considers a WACC of 11.8%. It is envisaged that the Commission will publish Resolutions detailing the charges of each network operator in the course of 2019.

Corporate indicators

Contracted capacity

Company	(%)
Promigas	92
Transmetano	64

Promioriente	73
Transoccidente	100

Natural gas sales

Company	Mm ³
Surtigas	844
GdO	976
Quavii	7

Regulatory compliance

In 2018, no significant fines or sanctions were imposed on Promigas and its affiliates relating to the rendering of their services or to economic, environmental or social factors.

Economic Value Created and Distributed

ECONOMIC VALUE CREATED AND DISTRIBUTED	(millions of pesos)
Direct economic value created (EVC)	
Total consolidated revenue	4,224,287
Operating revenue	4,107,563
Other non-operating revenue	116,725
Economic value distributed (EVD)	
Total staff salaries and social benefits	243,142
Operating costs	2,508,983
Investments in the community	14.79
Payments to governments	54,142
Payments to capital providers (dividends credited to all types of shareholders)	498,717
Total economic value distributed	3,319,073
Economic value retained (EVR) (EVC minus EVD)	905,215

2. TO STRENGTHEN THE VALUE PROPOSAL FOR OUR CUSTOMERS

We generate competitive solutions for our customers and, therefore, added value for the organization. We strengthen close relations with different company members and do all we can to understand their sphere of business and identify their needs, so that we can design proposals accordingly. We constantly disseminate our commercial policies, designed on a premise of neutrality and fairness and taking into account that we are a regulated business.

- * 92% of capacity contracted
- * 502 Mpcd of natural gas transported by our companies, the highest figure in the last five years.

Gas transportation operations

In 2018, the gas pipeline system reached a length of 2,561 km, with a year-end maximum transportation capacity of 365.7 Mpcd, 9.5% up on the previous year. It is relevant to point out that an extra 31 Mpcd of gas was incorporated, 15 Mpcd of this total from the Bullerengue field and the other 16 Mpcd from the Jobo fields.

Due to a more competitive gas supply being offered to such sectors as cement, there was a slight increase in demand for the fuel from the industrial sector, compared to 2017. There was a significant increase in the thermoelectric sector, due to higher thermal dispatches being required because of national and regional transmission lines being unavailable.

Volume transported by sector	2017 (MPCD)	2018 (MPCD)	Variation (%)
Thermoelectric	140.2	166.9	19.1 %
Industrial	136.4	141.0	3.4 %
Domestic	45.9	46.7	1.7 %
GNCV	11.7	11.1	-4.7 %
Total	334.1	365.7	9.5 %

Promigas

- * The new gas supply from minor fields in Sucre and Córdoba was incorporated into our markets and has offset the decline in supplies from fields in La Guajira.
- * Higher volumes transported and use of the Cartagena regasification plant due to increased requirements by thermoelectric generators because of non-availability of coast-interior interconnection lines and maintenance work at production fields.

Promioriente

- * Volume transported higher than capacity contracted.
- * First year that Los Pinos Compression Station was available.

Transmetano

- * Delivery time compliance: 100%
- * Technical feasibility compliance: 100%
- * Access to national transportation system: 100%

Primary transportation capacity requests	Quantity	Compliance (%)
Promigas	17	94 %
Transmetano	3	100 %
Promioriente	29	100 %
Transoccidente	0	-

Technical feasibility of connection	Quantity	Compliance (%)
Promigas	4	75 %
Transmetano	0	-
Promioriente	2	100 %
Transoccidente	0	-

National Transportation System / Entrance or exit points quotation requests	Quantity	Compliance (%)
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Promigas	4	90 %
Transmetano	1	100 %
Promioriente	2	100 %
Transoccidente	0	-

Development of competitive solutions through innovation

Innovation is the medium we use to reinforce the value proposal to our current customers and to diversify and enrich our portfolio of products and services on the energy market, in order to contribute to the economic growth, sustainability and overall development of our customers and our surroundings.

We view innovation as a human process where our ability to understand and anticipate needs and trends converges with our strategy, resources and market position to create and construct new value and to capture it in order to make it available to our interest groups.

With our portfolio of research, development and innovation (R+D+I) projects, which includes potential responses to current needs, problems and opportunities, technologies, processes, products and services are constructed that enable us to have a lasting presence on a digital, distributed and decarbonized energy market.

Our efforts in the field of innovation are noted for promoting contributions by our staff, managing our own and external resources to support our initiatives, designing transverse teams to execute strategic projects, promoting the adoption of new solutions, and disseminating the processes and results of our innovations.

Architecture of our Innovation Management System

With assistance from United States firm IXL Center, in 2018 we completed the design of our new Innovation Management System, which brings together the human, technical and financial capabilities of Promigas and associated companies in its portfolio. This stronger version of our innovation system, which will be announced in February 2019, includes the following.

- * A strategic innovation plan that defines innovation approaches with short-, medium- and long-term horizons.
- * A new R+D+I project management model.
- * The new identity and governance model for our Energy and Gas Research and Innovation Center (CIIEG).

Fostering innovation

We held our corporate innovation tournament, the purpose of which was to make our technical and administrative management processes more efficient. 254 staff from ten companies in our portfolio took part, and these enrolled 55 teams to draw up proposals for 20 of the 22 prioritized management challenges. Twelve proposals were shortlisted in the first phase, and then, after the advice and reinforcement stage, four winning proposals were chosen, plus two with a merit diploma. The winning proposals are integrated into our innovation project portfolio.

Additionally, and to strengthen internal capabilities relating to the formulation of ideas, the training was completed in 2018 of 15 innovation coaches. These are professionals who are distributed throughout the

organization (Promigas, Promisol, SPEC, Transmetano, Surtigas and CEO) and who will boost our abilities to develop innovative solutions to the challenges we face and new growth opportunities in their respective areas and companies.

R+D+I project portfolio

At the 2018 year-end, our R+D+I project portfolio had eight projects that were being executed and three that were in the preparatory phase, involving Promigas, Promioriente, Promisol and CEO. Eight of these projects are aimed at improving efficiency and safety in operations, two at solutions that will increase natural gas usage, and one at making our photovoltaic solar energy supply more competitive.

Four of the eight projects being executed, which represent 74% of our investment in R+D+I, were presented to, and rated positively by, the National Tax Benefit Council (CNBT). This has enabled Promigas to have a tax benefit quota of around COP 550 million.

Monetization of innovation results

One of the most important regulatory documents in the sphere of innovation is the intellectual property policy. This year, as a result of joint work by Innovation Management and the Legal Affairs Division and with support from law firm OlarteMoure, drawing up of the corporate intellectual property policy was completed, and this is at the final review stage before a start is made on disseminating it.

Furthermore, two software registrations were made in 2018 relating to natural gas transportation system design and size management, a patent application was filed in Colombia for a natural gas cooling and liquefaction system, and PCT was asked for an extension to the patent application for an active pipework reinforcement system.

Finally, two of the innovation projects delivered technologies that will move on in 2019 to testing in production environments, namely:

- * software for natural gas transportation system design and size management; and
- * an early fault detection system for natural gas transportation systems.

Dissemination and external relations

The results of new knowledge deriving from R+D+I projects were successfully presented at the following events: 'World Gas Conference', 'Power and Energy Conference', and 'International Mechanical Engineering Congress and Exposition'. As a result of our active participation in the 'World Gas Conference', our innovation manager was invited to be a member of the International Gas Union's R&D and Innovation Committee, the first meeting of which was organized by TokyoGas and held in Japan.

We have adopted Open Innovation practices and this year sponsored an innovation challenge at the 'Innovation Olympics', organized by the Global Innovation Management Institute. Our challenge was based on the subject of 'Biomass to Methane', and the following teams took part: University of Toronto - Rotman, University of Calgary, Hult International Business School, University of Texas - Dallas, and University of Pennsylvania.

On the domestic front, Colciencias recognized our project entitled 'Vortex Tube Industrial Applications' as a national success and, together with the Barranquilla Chamber of Commerce, we were one of three

companies in the province awarded the title of 'Advanced Innovator'. These recognitions and awards resulted in our company being invited onto the advisory committee for the joint Atlántico Provincial Government and Barranquilla City Hall initiative to set up an innovation district.

Key indicators (KPI)

Our innovation process indicators are taken from those required by the Dow Jones Sustainability Index (DJSI) for companies in the oil and gas sector, as follows:

- * Expense and Investment in R+D+I with respect to gross sales: **0.88%** (target: between 0.6% and 1%);
- * Personnel % (full time equivalent - FTE) devoted to R+D+I: **4.09%** (target: between 4% and 6%);
- * R+D+I action diversity: **4** (target: three or more different relationship modes).

Customer service quality

We guarantee our customers a reliable, safe and prompt service, and we make quality and customer service a fundamental part of our organization's culture. We conduct an annual satisfaction survey, with a view to implementing, jointly with customers, action plans that will remedy areas where room for improvement is detected. We deal with requests and with petitions, complaints and claims, and handle the negotiation and management of contracts or offers and analyze current and potential markets.

Our affiliates

Transmetano had a positive impact on provision of the transportation service by guaranteeing prompt attention on commencement of operation at the Malena Compression Station, which is a strategic component of the Sebastopol-Medellín gas pipeline infrastructure.

Surtigas, which boasts an 88% satisfaction rate, continues to offer domestic natural gas via a public service with the best rating by the inhabitants of Cartagena, 96% of whom also gave it a favorability and knowledge vote. A measurement was made in 2018 of the level of user satisfaction with the Call Center, which resulted in a 77% favorability score.

GdO conducted surveys during the year with potential bioenergy and solar power business customers. It also continued to foster the use of natural gas for mass transportation. Thus, the first natural gas mass transportation model (Tupal) has been a notable feature since 2015, and it currently has a total of 51 buses that run on natural gas as they carry approximately 5,000 passengers every day.

CEO has been a leader in the development of new business lines, notable among which has been energy self-generation by means of photovoltaic solar systems. It has invested over COP 1,300 million through various initiatives, and has generated more than 258 MWh on projects throughout the country. These efforts have enabled it to strengthen relations with customers and communities not only by promoting local development but also by helping to care for the environment.

There are currently eight projects, with a further four under construction, belonging to the country's industrial and health sectors, in addition to more than 6.9 MWp in 24 projects that are at the engineering stage in ten provinces. The aim of these proposals is for users to replace part of their electricity consumption with solar energy.

As part of the plan to improve user satisfaction, overall attention by the Call Center was introduced, and this has allowed users to have integrated channels for meeting their needs. The use of text messages has also been implemented, to provide information about scheduled maintenance work on the province's electricity network.

One major landmark achieved in 2018 was the standardization of all subnormal sectors, resulting in the standardization and contracting of these users, the foreseeing of accident and fire risks, and the invoicing of COP 2,137,291,672 and collection of COP 1,989,047,638 for energy consumed.

Indicators

Results of external customer satisfaction study. GEN Transportation - 2017	Promigas	Transmetano	Promioriente	Transoccidente	Promisol	Zonagen
Loyalty index*	89 %	71 %	88 %	100 %	88 %	64 %
General quality of services	78 %	38 %	79 %	100 %	77 %	71 %

NOTE: The results of the 2018 loyalty and satisfaction studies for GEN Transportation companies are still being processed and are expected to be ready in late March 2019. We therefore publish the information relating to 2017.

	Promigas	Transmetano
Number of complaints and claims	16	3
Number of complaints and claims resolved	16	3
Average time for resolving complaints and claims (days)	15	15

GEN Distribution

Results of external customer satisfaction study. GEN Distribution – 2018	Surtigas	GdO	CEO	Quavii
Loyalty index*	84 %	84 %	71,3%	No
General quality of services	84 %	80 %	59,3%	no

	Requests received	Requests resolved	Average time for resolving (days)	Complaints and claims received (per 10,000 users)	Complaints and claims received	Complaints and claims resolved	Average time for resolving (days)
Surtigas	1,231,786	1,222,587	4.41	13.72	60,974	58,085	33.59
GdO	1,062,165	1,059,039	3	45	59,701	59,274	4
CEO	444,481	444,340	1	8	196,340	196,292	4
Quavii	27,164	24,435	5		2,037	1,552	60

3. TO OPTIMIZE PRODUCTIVITY AND GUIDE THE ORGANIZATION TOWARD OPERATIONAL EXCELLENCE

Aiming for operational efficiency and excellence is one of our goals, and is a goal that inspires us to work every day to maintain the integrity of our infrastructure and high operating standards that enable us to offer our customers and those who live in our area of influence a safe, reliable service.

- * Service continuity and reliability levels: 99%
- * NTGas Móvil 2.1 application for nominations enters production

Service integrity and continuity

We provide reliable, quality services by applying high national and international standards. For Promigas, safety is its highest priority. In addition to complying with integrity appraisal and infrastructure adaptation plans, with a view to rendering a safe and continuous service, we work constantly on strengthening infrastructure integrity management as a cornerstone of process safety.

In 2018, we implemented the SIOGAS (Integrated Gas Operating System) integrity model, a software that was developed in-house, and this has enabled us to optimize the semi-quantitative and quantitative appraisal of integrity risks in natural gas transmission systems, based on improved methodologies. Using these tools, and because of the implementation of good safety practices and initiatives, action plans have been developed for mitigating risks and preventing damage by third parties in the most critical segments of the system.

Additionally, tests and patent application procedures have continued for the invention entitled 'Active system and repair method for pipework defects', which is the product of a Colciencias-approved technological development project. This repair method and system will offer a superior option for restoring the structural integrity of pipework, since instead of acting as a mechanical backup in case of faults, as systems currently available on the market do, this system permanently relieves stresses in the area with defects and eliminates the possibility of faults.

Business continuity model

Promigas, Transmetano, Promioriente, Transoccidente, GdO, Surtigas and CEO currently have updated, proven continuity plans, which is a major corporate achievement from the Business Continuity Management perspective. In 2018, Promisol, Enlace and SPEC designed their 'BCP Continuity Plan'.

Implementation of the continuity plans is an effort to ensure that the companies are prepared and ready, should an incident occur that endangers the continuity of our operations, to preserve, in the first instance, human lives and the environment.

'Qualification of operations personnel involved in process safety' program

The purpose of this program is to administer personnel skills in order to guarantee the safe operation of infrastructure and the safety of our processes. Our operators are qualified to undertake critical tasks, in accordance with the provisions established in standard ASME B31Q.

We have been working since 2016 on a novel evaluation methodology for personnel who supervise or control the operation of our infrastructure. It consists of evaluating practical cases that enable Abnormal Operating Conditions (AOC) to be identified and dealt with. The fault scenario is proposed, and responses by personnel are appraised with respect to each of the protection layers available (design, process control,

alarms and operator intervention, instrumented safety, physical protection, mitigation, external protection, local emergency, and community emergency) for preventing an escalation of the AOC to critical condition. Existing gaps are this recognized, and a work plan is drawn up that seeks to eliminate them. We have called this activity a 'Training Week' because, over the course of a week, personnel evaluations are carried out at each station and at the Main Control Center. 37 skills evaluations were carried out in 2018 using the protection layer technique, which was a major challenge for both operators and evaluators, due to the high levels of demand involved.

We also carried out training for the seven engineers in our Main Control Center, using GEI Trainer software, which enables real operating circumstances in the gas pipeline to be replicated virtually. Operation supervision and control are carried out through a Human-Machine Interface (HMI) which has the following functionalities: remote operation of assets, visualization of trends, visualization of alarms, visualization of asset states, and reading of operational variables, among others. The simulator can replicate these functionalities, but one of its principal advantages is that it is possible to configure disturbances in the system and in system operating conditions, which simplifies the evaluation of responses by engineers in the Main Control Room when dealing with this type of event.

Finally, we developed an in-house software in 2018 that we have called 'Interactive Procedural Training Software (SIEP)' for the purpose of measuring the extent to which our personnel internalize our operating procedures. In the case of station operators and operators in the Main Control Center, the aim is to focus the evaluation on executing procedures for configuring infrequent operating scenarios, which will enable personnel to be trained in the steps that have to be followed for correctly applying the sequences of activities, without the need to make the real configuration in the infrastructure. Additionally, the use of SIEP means it is possible to identify where room for improvement exists, in terms of personnel who operate the infrastructure correctly following up on standardized procedures. A further advantage of this software is that, because of the way it has been structured, it can be used even for procedures or tasks in administrative areas of the company.

Achievements

- * Better results obtained for the different groups evaluated, which illustrates greater knowledge of the operating infrastructure, from the process safety viewpoint. In the case of the Main Control Center engineers, this increased from the 73.5% to 77.5% range in 2017 to between 80.5% and 92.3% in 2018. As far as station operator technicians were concerned, the 2017 results were between 77.7% and 79.5%, whereas in 2018 they were between 86.1% and 92%.
- * Testing the knowledge that personnel evaluated have of infrastructure, their analysis skills, technical justification for making decisions, operating priorities, and follow-up on the logical sequence for dealing with conditions, and also the experience the operator has in putting the infrastructure evaluated in safety mode. The high demand levels of the evaluations were fundamental to this.
- * Identifying areas where there was room for improvement in the supporting documentation for operating the infrastructure (procedures, plans, contingency plans, etc.) and even in processes (settings, alarms, etc.).
- * Fostering a change in the traditional operator vision by committing him as a key element in ensuring the integrity of the process.

Affiliates

Transmetano developed an electronic equipment prototype for monitoring the functioning of core equipment in the gas pipeline pipework corrosion control system in a more effective and efficient manner, and production of this will begin in 2019, after a trial period and adjustments have been made to the internal components.

A start was made on restoring the gas pipeline geotechnic protection works, which are sensitive for preserving the integrity of the transportation system, as part of the investments identified as being required due to expiry of the regulatory useful life of the gas pipeline, and to guarantee that it can operate for a further twenty years.

The high operational availability and reliability indices for the transportation infrastructure were highlighted in the operation and maintenance management area: 100% availability for the trunk gas pipeline service and 99% at the year end for execution of the maintenance plan.

SPEC constructed a theoretical model that enables the theoretical quantities of boil-off gas (BOG) that should be generated for various operating conditions to be determined. This permits daily follow-up to be carried out on the behavior of the variable, and the efficiency of operating strategies for controlling and reducing the BOG generated in the storage of LNG to be established.

An accumulated operation continuity indicator of 99.92% was achieved in 2018, which was higher than the target set.

The behavior of **Promisol** operating indicators in 2018 continued to be better than the targets set for each process. The company therefore exceeded the contractual volume delivery target with its customers and optimized its operation so as to contribute to increasing production while keeping to gas delivery quality parameters and without affecting operational safety. It also successfully conducted modified isochronous tests on wells, which enabled its customers to optimize their well operating management with a view to preserving integrity and prolonging useful life.

Zonagen perfected the network synchronism system and achieved greater efficiency and an increase in volumes sold of around 30%, as well as increased energy reliability and availability at its customer's plant.

Surtigas implemented the Oracle Field Service TOA tool for managing user requests, in a first phase relating to emergency processes, invoicing, and suspensions and reconnections, and this, in addition to becoming a benefit for the operation, has enabled it to be in line with best international practices.

It also automated the regulation system for the three City Gates in the Cartagena steel network, with a view to having a safe and optimum operation. After implementing this, the operator can establish operating pressures in the line from the control center and also have a pressure that is constant or by the hour, irrespective of the flow in the network.

GdO managed to deal with 99.9% of uncontrolled emergencies in less than one hour, and 100% of controlled ones in less than two hours. Five regulation and measurement stations were fitted out, with a view to mitigating the risks associated with working at heights and in confined spaces, with the result that a reduction was achieved in the time spent performing maintenance activities.

CEO kept its interruptions frequency and duration indices below the national average, despite climatic difficulties. This company occupied first place for service quality at city level in 2018.

NTGas Móvil

The purpose of this is to provide our remitters with a digital solution for making gas transportation nominations and to facilitate access to the necessary information for controlling their imbalances.

After the first version was launched, we realized that there was room for improvement in this tool if we were to establish an experience that was in line with user needs and expectations. Our remitters currently use NTGas 2.0 web software for making all their requests, which are the principal input for invoicing our services, and it is therefore important for our customers to have alternative ways of accessing it.

Having a mobile application will enable them to access the gas transportation service wherever they might be, something that is very useful when it is remembered that this is a tool for everyday use and an essential work implement.

During the NTGas Móvil usability study, trials were carried out with final users, who were extremely enthusiastic at the possibility of having this tool and unanimously agreed that its availability would have a positive impact on the quality of our services.

This new application, which it will be possible to download for iOS and Android, will be available in early 2019.

INDICATORS

GEN Transportation Operations – 2018	Promigas
Service continuity index (%)	99.99
Service reliability index (%)	99.99
Gas losses (%)	0.3435
Gas leaks (leaks/km-year)	0.0056
Number of service interruptions (attributable to the company)	1
Number of service interruptions (attributable to third parties)	4

Promigas historical	2014	2015	2016	2017	2018
Number of service interruptions (attributable to Promigas)	1*	0	2**	2***	1****
Number of service interruptions (attributable to third parties)	1	4	1	5	4

* The Arroyo de Piedra ERM was affected.

** The Mamonal Regional Transportation System was affected.

*** The Mingueo and Sampués ERMs were affected.

****The El Carmen de Bolívar ERM was affected.

Affiliates

GEN Transportation Operations, 2018	Transmetano	Promioriente	Transoccidente	SPEC
Service continuity index (%)	100	100	99.97	99.6
Service reliability index (%)	100	98.99	99.98	99.2
Gas losses (%)	0.07898%	0	0.71	0.10*
Gas leaks (leaks/km-year)	0.002	2	0	N/A
Number of service interruptions (attributable to the company)	2	0	1	7
Number of service interruptions (attributable to third parties)	2	4	0	0

*Boil-off gas.

Promisol

Electricity generation Total OTs 2018		2018 Mtmt. Activities	2018 Availability		
		Indicator (Target 90%)	Indicator (Target 95%)		
Zonagen		921	96%	98%	
Cartagena Operation	1,902	94%	97%		
Gas Treatment Total OTs 2018		2018 Mtmt. Activities	2018 Availability	2018 Reliability	
		Indicator (Target 95%)	Indicator (Target 97.3%)	Indicator (Target 97.3%)	
Sincelejo Operation	3,211	99%	99.6%	100%	
				2018 Gas Quality	
				Indicator (Target 94%)	
				99.9%	
PROMISOL	6,034	96%	98.2%	100%	
					100%

GEN Distribution operating indicators

GEN Distribution Operations, 2018	Surtigas	GdO	Quavii	CEO
Service availability index (%)	99.6 %	99.9 %	100 %	99.5%
Gas losses (%)	2.88 %	6 Mm ³	N/A	N/A
Gas leaks (leaks/km-year)	3,706	0.213	N/A	N/A
Number of service interruptions (attributable to the company)	8	5	4	4,473
Number of service interruptions (attributable to third parties)	124	1	1	10,183

	GdO	Surtigas	Quavii
DES (duration equivalent to service interruption in hours)	8.55	36.15	5
TSRI - Technical services response index (%)	100	99.88	N/A

CEO	2018
SAIDI (hours). Duration of each energy service interruption	41.38
SAIFI (number of times). Number of energy service interruptions	35.32

4. TO STRENGTHEN SUPPLIER AND CONTRACTOR MANAGEMENT

We administer our purchases in accordance with company requirements and within a context of ethics, transparency and fairness, in our interest to do business under fair, mutually-beneficial and long-term conditions.

* 90.6% average supplier rating

Sustainable supplier management

We have suppliers and contractors who offer the goods and services that are necessary for the operations of Promigas and its affiliates in a context of good environmental and social practices.

With a view to having sustainable suppliers, we work together in our efforts to strengthen their performance in the fields of safety, health and environment.

We have a supplier and contractor base, which is classified according to the type of goods or service offered: critical goods or services; ones that could impact the company's operation; significant services; ones that involve activities with risks that could affect environmental or occupational health and safety performance, such as excavations, handling dangerous residues or substances, working at heights, etc. These suppliers/contractors should be registered in the Colombian Safety Council's (CSC) Sole Register of Contractors with a minimum global evaluation score of 70%, or hold management system certification in accordance with OHSAS 18001 or ISO 14001 standards.

Furthermore, in order to make the process visible, before we select a supplier we check that no relationship exists between the supplier and any interested party of Promigas management, and that the supplier does not appear on any lists relating to the offences of asset laundering and the financing of terrorism (OFAC).

In the course of 2018, 68 suppliers of goods and services were visited by the third party specializing in managing and monitoring our critical suppliers in order to check their facilities, in accordance with information registered in the system and in compliance with environmental, social and good governance policies, including postures on human rights. This figure of 68 corresponds to approximately 18% of our critical suppliers.

Equally, we continue to employ the self-evaluation exercise on matters relating to sustainability with 46 critical suppliers of goods, who were awarded 618 orders worth COP 23,715 million during the period. Personal visits were made by a specialist third party, some directly on-site and others in the form of interviews either on- or off-site. The principal conclusions we drew are as follows.

- * 69% of participants have persons who are responsible for the environment.
- * 52% of participants have persons who are responsible for social or compliance matters.
- * 24% of participants have some type of ISO 14001 certification.

- * 16% of participants have some type of human rights compliance indicator, audit their suppliers, or apply State of California legislation on supply chain matters.
- * None of them participates in programs aimed at reducing CO₂ emissions.

Based on these results, we will be able to expand the initiative in 2019, cover more suppliers, and contribute to their development plans in order to guarantee that they also adhere to the best sustainability practices in the medium term. In parallel with this, we have encouraged various suppliers to draw up anticorruption policies, and four of the twelve we contacted initially on this matter have agreed.

As established in our corporate policy, we have created opportunities to relate and communicate with suppliers (gatherings and surveys) and to further those communications (training workshops and online training). We have also gradually brought our policies, procedures and manuals into line and trained those involved in the different stages of the supply chain.

With a view to sharing relevant information for improving relations and opening up opportunities to listen and discuss matters of interest to the parties, the '5th annual gathering of suppliers of goods and services to Promigas and back-office companies' was held, with an attendance figure of 60%. This year, three services suppliers (ECC, Constructores del Sarare and Sonda de Colombia) and three suppliers of goods (Corpac Steel de Colombia, Ingemarc and Elastómeros PVM) were given special recognition for their commitment to offer goods and services needed by Promigas and its affiliates in a context of good environmental, social and good governance practices.

Similarly, the 'First annual gathering of suppliers of distribution company goods and services' (Enlace, Surtigas, Gases de Occidente and CEO) was held in Cartagena, an event that was attended by 40% of suppliers invited.

Toward the end of the year, two 'co-creation' workshops were held with suppliers of goods and services to Promigas, Promisol, Transmetano and Promioriente (88 persons), one in Barranquilla for suppliers from the Caribbean region (four sessions) and the other in Bogotá, for suppliers in the interior (two sessions). These used the focal groups technique and enabled us to appreciate the following strengths and areas where there was room for improvement.

- * The most important fact about Promigas that was highlighted was its recognition as a leading company in the sector, thus stressing the company reputation question.
- * One of the areas where there was most room for improvement was the implementation of technological tools to make company processes faster and simpler, and up-to-date.
- * The transparency of the operation was recognized in the different processes with Promigas suppliers.
- * One of the most important suggestions related to management time and invoicing.
- * Contract administrators, Promigas communications, receipt and acceptance of products and services, and invoicing were described as processes where there was most room for improvement of those evaluated.

Work is proceeding on implementing virtual training modules for purchasing goods and services, so that contract administrators can have access to up-to-date information at all times and therefore meet their responsibilities more effectively.

Similarly, the design of the 'Virtual supplier induction program' was budgeted for 2019, for permanent dissemination.

Affiliates

Surtigas evaluated 100% of its critical suppliers on HSE matters in 2018 and, in conjunction with the Cartagena Chamber of Commerce (Competitive Maintenance Cluster), conducted a search for local suppliers of services and held a relationship round table with them, which encouraged them to register as Surtigas suppliers.

GdO forged public-private alliances with entities such as SENA, aimed at promoting the employment of highly-qualified labor, to work on technical skills for managing and maintaining gas networks. Field officials were thus appointed in 2018 for basic gas technical certification, which improves their skills and the scope of their role in the organization,

Similarly, the company proceeded with the plan to strengthen contractor firms in managerial skills, aimed at second-tier management, supervisors and coordinators.

Indicators

Progress on significant contractor management systems (%)

Promigas	Transmetano	Promioriente	Transoccidente	SPEC	Promisol	Surtigas	GdO	CEO
85	N/A	100	100	N/A	96	68	86	80

Significant suppliers who received health and safety training (%)

Promigas	Transmetano	Promioriente	Transoccidente	SPEC	Promisol	Surtigas	GdO	CEO
100	100	85	100	80	N/A	100	100	100

100% of contracts with contractors include clauses stipulating compliance with legal health and safety obligations.

Supplier performance evaluation

Supplier performance evaluation	2017 (i)	2018 (ii)
Percentage of suppliers whose performance was evaluated (of total target population)	78 %	83 %
Average supplier score (out of 100)	89	90.6

(i) The data corresponds to the evaluation carried out in 2017 for the 2016 period.

(ii) The data corresponds to the evaluation carried out in 2018 for the 2017 period.

NOTE: All suppliers of goods and services to the companies Promigas, Promisol, Transmetano and Promioriente (integrated in SAP) were evaluated. The evaluation criteria (quality, compliance and service) included sub-criteria of an environmental nature (HSE audits, environmental NC, and incidents).

Transoccidente	Surtigas	GdO	CEO
100	77	83	85.5

Supplier loyalty

71%. Study carried out in 2016.

5. TO STRENGTHEN RELATIONS WITH THE COMMUNITY

Principal 2018 results

- * We have a presence in:
 - 100% of communities in the area of influence with community education;
 - 75% with social investment;
 - 80% of the area of influence of construction and maintenance projects.

Matters dealt with:

- * 29 petitions / complaints / claims by communities
- * In communities in our area of direct influence, we hired 100% of unqualified manpower and between 30% and 70% of qualified manpower for our new projects locally.
- * We invested COP 6,700 million in voluntary social work and COP 14,300 million in conjunction with our affiliated companies, and we benefited more than 150,000 students each year.

Promoting local development

Through our social management practices, we help to improve quality of life in the regions where the company engages in its operations.

Through our actions, which seek to build skills in the regions and to develop social actors in communities, we foster dynamic local development, guided by our corporate policies, respecting human rights, and valuing local contexts and realities at all times.

Relations with the community

We consider that our activities and new projects make local development dynamic in the following ways.

- * Job creation, because we hire at least 80% of unqualified manpower and 30% of qualified manpower locally.
- * Contracting goods and services locally, insofar as these are available in the conditions required.
- * Investment in social projects that benefit the community.

Meanwhile, the Promigas Foundation generates knowledge and mobilizes individual and collective skills in its efforts to reduce social inequality and combat poverty in the country, especially in Colombia's Caribbean region. As part of this goal, it focuses its practices on strengthening initial education and formal education by promoting and supporting improvements to education quality, developing skills in the regions, promoting social prosperity and the common good, generating knowledge with a high added value for social and educational development in the country, and promoting and supporting non-profit organizations that contribute to social wellbeing and quality of life.

Relations with communities in 2018 were noted for activities related to new projects, such as prior consultations with ethnic communities and the socialization of project studies.

Furthermore, we created opportunities to relate with 100% of prioritized communities. These activities involved fostering trust between company and community and establishing an open, bilateral dialogue that enabled community needs to be known and appraised, so that they could be worked on, and this also helped and facilitated normal company operations.

One notable feature was the differentiated approach to relations with indigenous communities, not only the Wayúu and Zenú indigenous groups but also the Afro-descendant communities that Promigas carried out more than 25 prior consultations with during 2018, quite apart from presenting voluntary social programs that contributed to their development while respecting their customs and habits.

Gas pipeline maintenance activities brought with them voluntary social investment projects and relationship processes, mainly the paving of access roads to communities and repairing drainage.

When new gas pipeline construction projects were being carried out, personnel from the area of influence were hired, thus favoring their development and winning their trust. Furthermore, social investment plans in areas of influence of new projects, such as repairs to health centers, community meeting rooms and education establishments, were carried out in 12 of 15 communities in the area of influence of projects currently being executed (80%). The target for next year is to reach 100% of these settlements with voluntary social investment programs.

Work was done in conjunction with the Ministry of the Interior to ensure that all ethnic communities effectively located in areas of direct influence of new projects were taken into account for prior consultation purposes, thereby minimizing the impact of popular actions by ethnic communities and potential conflicts arising from the high economic expectations in these.

Work with employees and contractors has been key to guaranteeing the chance to relate and to taking advantage of interaction opportunities to build sustainable relations. Efforts in 2018 focused on aligning the discourse and actions of contractors and other parties engaged in activities in areas of influence of company operations, in order to enrich organizational practices aimed at building relations in both voluntary and compulsory contexts.

Unqualified manpower hired on projects

Priority has been given to hiring local unqualified manpower, and we have succeeded in ensuring that 100% of such manpower is from the area of influence of projects. In the case of qualified manpower, despite there being no commitment and the fact that the company and builders are fully autonomous, hiring local manpower has been taken into account.

PROJECTS	Unqualified manpower	Qualified manpower
Mamonal-Paiva	151 (100 %)	311 (70 %)
San Mateo Mamonal Cruce loop	11 (100 %)	30 (38 %)
Compression stations	59 (100 %)	72 (62 %)

Hiring goods and services in communities

Local contracts have been entered into for services such as surveillance, equipment rental and river transportation in connection with construction projects, thus benefiting communities in the respective

areas of influence. In the case of the latter of these services, the building contractor has assisted the group of boat operators in the process of legalizing their activity, in accordance with the requirements stipulated by the respective regulatory bodies.

Petitions, complaints and claims

29 petitions, complaints and claims by communities were filed and dealt with during 2018. A considerable fall was noted in the number of requests in La Guajira province, although there was an increase in Sucre, due in part to a start being made on building the Jobo-Majaguas gas pipeline.

Education and community dissemination.

Preventive education activities were intensified during 2018 and direct dissemination was carried out for 100% of homes located within ten meters of trunk gas pipelines. 57% of Risk and Disaster Management committees in towns in the Promigas area of influence received training activities. In total, we covered 12,181 homes and held 257 workshops with assistance organizations, leaders and communities.

A risk management perception study that was conducted in 539 homes in 26 communities in six towns in the Promigas area of influence indicated that 64% of homes surveyed rated the Promigas presence in their areas positively, and an increase can be seen, in comparison with previous years, in the number of homes that know “*Augusto, el gasoducto*” (Augusto, the gas pipeline), the guide to safety and living in harmony with the pipework.

Meanwhile, the most recurring need expressed by communities continues to be training relating to risk management and responding to emergencies, a matter that Promigas is highly committed to.

Indicator

100% coverage in the area of influence of trunk, regional and branch gas pipelines. Activities that are part of the company’s ‘Contingency Plan Dissemination’ program were carried out with communities and authorities, such as Risk Management and Dealing with Emergencies training for community leaders in the six provinces.

Achievements

- * The suspension of the environmental license for building the San Mateo-Mamonal Loop was lifted when the judicially-ordered prior consultations in Flamenco, Níspero and Pasacaballos were completed.
- * 35 prior consultations were closed, and more than 70% of the compensation agreements with these communities have been complied with.
- * The ‘Primary Health Care’ project, which has been carried out successfully in Manaure, La Guajira, since 2014, was introduced in three settlements in Chinú, Córdoba. The mayoress of this latter town succeeded in forming a Primary Health Care Committee. 125 families (576 persons) took part in these initiatives. 104 leaders were trained during the period, and the first health session was held, involving 105 people.
- * Craftsmen from seven *rancherías* (settlements) in the town of Manaure took part in the cultural exhibition organized by La Guajira provincial government. These craftsmen were part of a ‘weaving quality training and improvement’ program that was carried out in 2018 and in which over two hundred people from the El Pájaro communities in the town of Manaure took part. In

addition to facilitating the training, Promigas donated handicraft materials such as thread, looms and needles.

Contribution to education quality

Working hand in hand with strategic partners and allies committed to quality education for life as a driving force for the development of man and society.

Through our Promigas Foundation we create opportunities for significant, contextualized changes, with a view to improving quality of life for communities, especially vulnerable ones.

- * The Promigas Foundation has a direct presence in **11** of the country's provinces, **7** of which are in the Caribbean region and **4** in other parts of Colombia.
- * A total of **95** initiatives were carried out during 2018.
 - 59 from previous years and 36 new ones.
- * Beneficiaries of our initiatives:

Direct:

323 education institutions
1,785 teachers and managers trained
2,329 parents
727 communities and citizens
806 small businesses
619 others

Indirect:

141,520 students
4,884 teachers

Voluntary Social Investment Programs

(Map) [illegible]

Achievements

- * The Promigas Foundation's '*Tü Wanüikukat*' ('Our Word') initiative, carried out in four indigenous communities in Manaure (Casiskat1, Mariwaki, Polooshi and Waiwatamana) to reinforce the initial education of Wayúu youths and adults, obtained significant results, because progress was made on different levels: 88% of students in mathematics, every one of them in language.
- * Bogotá Chamber of Commerce and the Global Compact - Colombia Network, entities that stress Good Sustainable Development Practices in civil society companies and organizations, granted Promigas Foundation **SDG Recognition** for 'Good Sustainable Development Practices in Colombia' (inclusive, quality education).
- * The 'New Ten-Year Education Plan: in Barranquilla, Education Comes First (PDDE 2018-2028)', was approved by the City Council by means of Agreement 021 dated August 29, 2018, thus making it public policy. This achievement was possible due to an alliance between Promigas Foundation, Fundación Empresarios por la Educación (Entrepreneurs for Education Foundation), Barranquilla City Hall and its Education Secretariat, and Universidad del Norte, through the Institution for Education Studies and the Colombian Caribbean Education Observatory.

- * **'Guajira360° Thought Center for Development'**, after the launch of its first economic study, entitled 'Analysis of the relevance of the royalty expense in La Guajira and production towns', received an award from Riohacha District Council for considering, among many other things, that 'the Thought Center has been proposing actions aimed at change for La Guajira that will add value to the public and private sectors'.
 - Guajira 360° is an initiative by Promigas and El Cerrejón, through their respective foundations, with support from Fundesarrollo and the La Guajira Chamber of Commerce.
- * Promigas Foundation director **Julio Antonio Martín Gallego** was given an 'OECC 15 Years Education Leadership' honorable mention for his valuable contributions to improving the quality of education in Colombia's Caribbean region. His work at the head of the Foundation was praised by the Institute for Education Studies through the Universidad del Norte Education Observatory in the context of his 15 years of service.

Affiliates

Two projects supported and assisted from the start by **Transmetano** won the '*Antóiate de Antioquia*' process, an initiative by the Antioquia Provincial Government: Community Integration Center - Toldas, Guarne, and Chocolates de Buenos Aires - Buenos Aires, Puerto Berrío. This illustrates sound, organized projects that can be recognized at regional and provincial levels.

In the context of the **ARN-Transmetano** agreement, the goal of which is to include youngsters in the education process, the process was completed of training four youths who, after their reinsertion, accepted the challenge of studying welding with SENA. This process was assisted by professionals of both organizations and economic support, which enabled these youths to graduate at the end of their studies. Today, two of them have the initiative of a production project while the other two the expectation of joining a company that will give them the chance to continue gaining experience. Because of the big impact this process has had, it has been possible to start a new one, with other youngsters who want to set out on a new path.

Promioriente contributes to education quality in areas of direct influence of the gas pipeline system by developing two lines of investment, namely Education and Institutional Alliances, that include social programs whose emphasis lies in improving teacher training, reducing school desertion, and providing children with study tools that will enable them to access and remain in the education system. To this end, in 2018 it did the following.

- * It handed 5,512 school kits over to children at schools near the gas pipelines and improved six education environments in its area of influence.
- * In the Barrancabermeja area of influence, it carried out the 'Healthy Readers' program, which seeks to prevent the taking of psychoactive substances at education institutions in Bucaramanga, and also the 'Safe Schools' program in seven education institutions around the Bucaramanga-Payoa-Barrancabermeja gas pipeline.

SPEC, in its second year of operations, continues to attend to the social impacts of its operation in the area of influence, guided by Corporación Financiera Internacional Performance Standards, the Ecuador Principles, the Environmental Management Plan, and its Prior Consultation agreements with communities in its area.

Notable features include the session for exchanging experiences with leaders of fishermen's associations in its direct area of influence and community council members, when practices and achievements were shared and opportunities were identified to carry out prior consultation projects.

Representatives of the International Organization for Migration (IOM), SENA and UMATA were in attendance, and they advertised the portfolio of services they have available for creating opportunities to strengthen the fishing activity.

52 people from the community worked at the regasification terminal in 2018, and suppliers from the community who met the requirements stipulated by the company continued to be hired.

Promisol has fully met the commitment to hire 100% of its unqualified manpower locally, and has also hired qualified manpower existing in the local area for its projects and operations, with the result that 408 people were hired locally in 2018.

Surtigas won the Latin American edition of the 'Best RSE Practices, 2018' award made by the Mexican Center for Philanthropy (CEMEFI) in the 'Inter-Sector Alliances' or 'Alliances between Companies' category. The initiative that won the award was 'Peace with Youth Caribbean Agenda', which was carried out as part of the alliance between the company and the Surtigas Foundation, among other important organizations. 16 projects were carried out in 2018, in 47 towns in Bolívar, Sucre and Córdoba provinces, with over 2,200 beneficiaries participating.

The impact evaluation of the 'Youngsters with Productive Values' program identified the fact that it is a socially profitable initiative: the social benefit generated by the program during the ten years it has been in existence is 5% greater than the investment made by the Foundation.

Surtigas has benefited in its education projects from technological sponsorship from the scientific community and specialist technical entities, who have contributed their expertise for technically and technologically improving the creative ideas and experiences of the young participants. As a result, four initiatives have been implemented, eight youths have received scholarships, and more than 3,000 students have benefited. 23 juvenile initiatives participated in the 'Pazcienciando' strategy, which promotes science and technology in the service of peace.

GdO ran a diploma course in governability, policy management and public administration in northern Cauca. This goal of this initiative, which was promoted by the GdO Foundation in conjunction with ICESI University, Latin American Development Bank, CAF, and the Association of Community Councils (ACON), is to generate skills in public officials, technical teams and civil society leaders associated with government, management and local participation processes, and to equip them with tools so that they can do their work in a more transparent and specialized way. More than 150 people applied in 2018, 60 of whom were chosen to take the diploma course. This initiative boasts 60 graduated leaders, a women's network for northern Cauca, and one hundred women who have been trained in matters relating to political participation with a gender approach.

Given the commitment to vulnerable people, 'Catering for All' was chosen as part of the 'Social Business Incubation Colombia, 2018-2019' program, headed by Yunus Foundation Colombia, Grameen Creative Lab and Impact Hub Bogotá. The program will last for five months and, mentored by experts, will reinforce catering in financial, administrative and commercial terms. The Muhammad Yunus philosophy ensures

that profits are reinvested in the training program, in order to maximize the social impact in sensitive environments like eastern Cali.

CEO has headed the development of new lines of business, notable among which is energy self-generation from photovoltaic solar systems, and together with this, a big commitment to take this type of technology to the most vulnerable education institutions in Cauca as part of its business social responsibility strategy and its commitment to social progress in the province.

The main projects that can be highlighted include two in Cartagena, one in Barranquilla, and eight in Cauca province. In this region are six education institutions in which the company has invested around COP 440 million.

Children in four rural schools have benefited from the social investment projects supported by CEO, as these today have solar panels that guarantee a constant supply of environment-friendly energy.

Similarly, by supporting production projects headed by victims of violence and former guerrillas who have laid down their weapons, a contribution is made not only to improving their quality of life and that of their families but also to consolidating reconciliation processes in the context of the post-conflict.

CEO carried out four social investment projects established for 2019 in ten of the eleven towns classified as developing markets, representing a coverage of over 90%. The activities carried out focused on strengthening community radio stations, installing children's parks, fitting solar panels in education institutions, and measuring quality of life in five towns in northern Cauca.

Quavii, meanwhile, signed agreements with prestigious education institutions to train youths from its concession zone as natural gas installation technicians. To date, it has trained 180 youths, and 157 vacancies are available.

Social investment

Figures in millions of pesos

Development of education communities	2,343
Territorial development	1,004
Learning Center	1,242
Strengthening of civil society institutions	1,522
Strategic projects in communities	608
Volunteer initiatives	63
Total investment in 2018 (millions of pesos)	6,782

Petitions, complaints and claims

Transmetano	Promioriente	Transoccidente	Promisol	SPEC	GdO	Surtigas	CEO
29	129	1	69	5	50	1,171,199	3

	Total social investment (millions of pesos)	Investment in education (millions of pesos)
Transmetano	504	216

Promioriente	1,089	614
Surtigas	1,711	229
GdO	2,888	2,583
CEO	877	642
SPEC	530	-
TOTAL	7,599	3,706

Over 21,000 direct beneficiaries

6. TO GUARANTEE AN ENVIRONMENTALLY RESPONSIBLE OPERATION

Guided by the organization's sustainability approach, we follow the principles set out in our Corporate and Environmental Policy as we engage in our activities, while also adhering to our country's environmental legislation.

Principal results in 2018

- * 10% reduction in carbon footprint scope 2.
- * 16% reduction in water consumption.
- * 510 Gj generated using renewable sources.
- * Internal carbon price defined for Promigas and associated companies.
- * Installation of a 23,014 kWh photovoltaic solar generation system for self-generating electricity at administrative headquarters 1.
- * 85% epiphyte species survival rate three years after transfer to the Nature Reserve on the Coraza range and the Montes de María, above the 82% target set by the environmental authority.

Management of resources and waste

We minimize our consumption of natural resources, correctly dispose of and exploit waste generated in our activities, keep control over energy and water consumption associated with our processes, and foster the use of renewable energies at the administrative headquarters and in the communications system of the gas transportation system.

In 2018, we continued to make our staff aware of matters relating to waste reduction and classification, water and electricity consumption, and greenhouse gas emissions.

A photovoltaic solar system for the self-generation of 23,014 kWh of electricity began operating at our administrative headquarters 1, an initiative that aims to replace 12.8% of our current energy demand. The system consists of 574 solar panels each of 375 watts, with three inverters in line with the installation. This project seeks to promote caring for the environment and to comply with Global Compact commitments, to achieve sustainable and supportable development, and to foster the use of renewable energies in our staff and in the general community.

Energy consumption by source³

³ Calorific value and volume of gas consumed in equipment are used for energy calculations by fuel use; in the case of energy by solar source, the average power of the equipment is used, while for electricity consumption, public utilities company bills are used.

Although a 5% reduction in electricity consumption can be seen, due to solar energy being used, the increase in consumption of this latter is because of the expansion of administrative offices and a higher number of people engaged on projects, such as temporary workers on our premises.

	2017 GJ	2018 GJ
Energy from non-renewable sources, natural gas**	5,594,399.87	11,206,012.52*
Energy from renewable sources, solar	12.09	570.25**
Electricity at administrative headquarters***	7.766	8.013****
Electricity at stations and in networks	3,393*****	2,698

* Energy consumption by fuel use for mobile sources not included. Nor is gas consumption for domestic use at headquarters 1.

** The increase in energy consumption from renewable sources increased because of the installation of the photovoltaic solar system at headquarters 1.

*** Energy consumption from renewable sources increase by 98% because of the installation of the photovoltaic solar system at headquarters 1.

**** Electricity consumption at headquarters rose by 3%. This is due to the expansion of the administrative offices and to a higher number of people engaged on projects, such as temporary workers on our premises.

***** The data was corrected with the HC 2017 verification (GRI-XXX).

Total water consumption by source⁴

Total water catchment by source	2017 (m³)	2018 (m³)	Registration and control method
Deep well*	1,654.4	2,051**	Daily measurements and control when pumping
Municipal water supply***	42,257	34,591	Permanent measurement and use of saving items

* Catchment with metering authorized by environmental authorities. Applies to Sahagún and Palomino stations and to administrative headquarters 1.

** Water consumption from a deep well at Sahagún station increased because of damage to the compression unit cooling systems and the refrigeration circuits and to leaks in the gas cooling pipework, which meant that a higher volume of water had to be used in order to guarantee temperature conditions at the NTS gas intake, and on the different works that were undertaken to guarantee optimum operating conditions.

*** Relates to consumption at administrative headquarters 1 and 2 in Barranquilla and Arenosa Station.

Total weight of waste generated, by type and disposal method

Type	Description	Place	2016 T	2017 t	2018 t	How administered
Ordinary waste	Office waste, glasses, food, napkins, bathrooms	Administrative headquarters and construction projects	140.4	148.90*	354.08**	This is collected by the public utilities company for disposal.
Waste water	Sanitation water from portable bathrooms	Construction projects and facilities	1,569.03	14.5	1.31	This is collected by companies responsible for the maintenance of portable bathrooms for subsequent disposal in public drains or in third party treatment systems.
Recyclable waste	Newspaper, cardboard and scrap	Office activities and construction projects	22.89	27.47	4.79	This is collected by recycling collectives in Barranquilla, Riohacha and other towns for reuse.
Rubble	Leftovers from excavations or demolition work	Construction activities	6.10	34.3	92.47	This is disposed of and reused on works or at authorized sites.

⁴ Water consumption calculations are based on volume meters at the different supply or catchment sources.

Solid dangerous waste (Respel)	Electronic waste, oils and solids contaminated with hydrocarbons, or chemical, hospital and similar substances.	Transportation system operation and maintenance activities, and offices.	84.24	19.61**	39.94	This is handled using an overall management system, with separation at source and avoiding spills or leaks. Electronic waste goes to companies authorized to recycle it or destroy it. Remaining Respel is collected for treatment or incineration, with ashes disposed of in security cells.
Liquid dangerous waste (Respel)	Oils and oily water.	Transportation system operation and maintenance activities, and offices.	190	36.68**	9.72	This is handled using an overall management system, with separation at source and avoiding spills or leaks. Oily liquid waste is treated by third parties for subsequent use as a source of fuel.

* The figure was updated after publication of the 2017 Management Report.

** This increased due to civil works involved in adapting Arenosa Station, the construction of new offices and the increase in personnel at administrative headquarters 1, and civil works involved in repair work on parking lots and gardens at Promigas headquarters 2.

Climate change

We are conscious of the relationship between the Promigas business and matters relating to climate change, and also the risks and opportunities deriving from this, and Promigas has therefore worked on drawing up a plan of action for implementing its 'Climate Strategy', which commits the whole organization and focuses efforts on mitigation, adaptation, sustainable growth and communication actions in order to better understand our commitment to climate change.

Mitigating and offsetting the carbon footprint: we are committed to reducing and offsetting the corporation's carbon footprint, we control energy consumption, and wherever possible we implement operations using renewable sources of energy. We have studied available methodologies that will enable us to conduct an analysis of climate change scenarios in the next two years.

Similarly, we have revised our targets for reducing CO₂ emissions and adjusted them so that they are set by emission source, in view of the fact that a general target is not viable, due to our expanding business limits, and this could impact the growth of emissions. However, a new tool has been introduced to detect possible faults in the transportation system and hence to prevent or control leaks more effectively.

Achievements

- * We included the commitment to climate change, with specific targets, in our Environmental Policy.
- * We designed and defined the internal carbon price (ICP) model display mechanism, with a view to ensuring that decision-makers are aware of the vulnerability of new investments to climate regulations.
- * As part of the Climate Strategy, we made progress on standardizing a protocol for our associated companies to gather information and calculate the carbon footprint by specific activity.

Emissions⁵

Greenhouse gas emissions (Scope 1)	2016	2017	2018
Equivalent CO ₂ Tonnes	32,073.52	36,058.42*	62,054.45**

* Figure updated with ICONTEC verification, August 2018.

** The increase in Scope 1 is due to greater fuel use for fixed turbo-compression equipment sources. The volume transported this year was 9% up on the previous year.

Indirect emissions from electricity consumption

Greenhouse gas emissions (Scope 2)	2016	2017	2018
Equivalent CO ₂ Tonnes	687.15	616.83*	603.86**

* Figure updated with ICONTEC verification, August 2018, due to figure taken from consolidated energy by Terpel and EDS.

** A reduction can be seen due to action taken by the company in the form of installation of the photovoltaic system at headquarters 1.

Other indirect emissions from electricity consumption

Greenhouse gas emissions (Scope 3)	2016	2017	2018
Equivalent CO ₂ Tonnes	6,609.62	641.45	963.87*

* Data relating to domestic and international flights is included, and also to the mobile sources of Maintenance and General Services contractors who provided services in 2018.

Biodiversity

As we engage in our activities, we respect flora and fauna in areas where we operate, especially on sites in protected zones. We reduce work on vegetation to a minimum, and we compensate whenever such work has to be done.

We completed the epiphyte plant rescue and relocation project, which was part of the San Mateo Mamonal Loop project, after three years of maintaining the species in the Nature Reserve on the Coraza range and the Montes de María, the result being the guaranteed survival of 85% of the species, above the 82% figure established by the environmental authority.

We established new epiphyte rescue, relocation and survival commitments relating to the Mamonal-Paiva gas pipeline construction project, which commenced in 2018. To date, 304 epiphyte plants have been transferred to a temporary nursery, pending a permanent move to the Loma Fresca property in the hamlet of Tabacal, Santa Rosa, Bolívar, as stated and authorized by the Ministry of Environment and Sustainable Development.

In the context of the 'Biodiversity and Development' initiative, headed by the National Industrialists Association (ANDI), we contribute to strategic ecosystem connectivity in Colombia's Caribbean region

⁵ The tool produced by CAEM for administering information and calculating the greenhouse gas inventory was used for calculating these, and CO₂, CH₄, N₂O, HFC, SF₆ and NF₃ gas emissions are considered in Scope 1. Emission factor data has been taken from the CAEM document entitled "Emission factors considered in the tool for calculating the corporate carbon footprint", and the potential global warming rates used are those reported by IPCC in the "Fifth evaluation report by the inter-governmental group of experts about climate change". For determining direct methane emissions from blow-off or leaks in the gas transportation system, a figure of 5% of total system losses is estimated.

through plans to offset biodiversity loss and soil use changes. The challenges involved in implementing the compensations manual for linear projects, coupled to the case of the San Mateo Mamonal Loop, were an opportunity for the environmental authorities to improve the compensations manual.

Promigas and SPEC contributions, in the context of the El Dique Canal and Montes de María basin connectivity alliance, consisted of the following.

- * Support for consolidating protected areas by forming civil society nature reserves covering an area of approximately 400 hectares, with dry tropical forest conservation and restoration actions involving around 40 families.
- * Implementation of conservation agreements with communities in dry tropical forest ecosystem areas covering an area of 328 hectares.
- * Support for remedying problems at the Los Colorados Flora and Fauna Sanctuary by acquiring 148 hectares from the SPEC project.

Achievements

- * As a result of the project to rescue, transfer and relocate epiphytes, we were awarded SDG 15 recognition for Good Sustainable Development Practices, at national and Latin America levels, by the Global Compact Colombia Network and the Bogotá Chamber of Commerce.
- * For minor single forestry exploitation permits, 1,096 trees were felled, offset by 18,838 trees planted. This is a ratio of approximately 1:17; in other words, each tree felled is compensated by 17 more being planted.
- * In the case of gas transportation infrastructure expansion projects, we offset every hectare worked on with 1.8 natural and semi-natural ecosystems, which means that there has been a net biodiversity gain.

Indicators

- * Number of hectares offset / number of hectares worked on = 1:1.8. Every hectare worked on is offset by 1.8 hectares.

Own, rented or administered operations centers located within or next to protected areas or zones of great biodiversity value outside protected areas.

	Location with respect to protected area	Gas pipeline section (km ²)	Type of area and biodiversity value*
Bolívar province	Interior	0.014	Los Corales del Rosario y San Bernardo National Park. Land and marine ecosystems. Category II UICN, Decree 2372 of 2010, Colombia.
Atlántico province	Interior	0.016	Los Rosales Regional Park. Land and freshwater ecosystems. National Protected Areas System. Decree 2372 of 2010, Colombia.
Magdalena province	Interior	0.090	Sierra Nevada de Santa Marta National Park. Land ecosystems. Category II UICN, Decree 2372 of 2010, Colombia.
Magdalena province	Interior	0.00003	Tayrona National Park. Land and marine ecosystems.
Magdalena province	Adjacent	0.158	Tayrona National Park buffer zone. **Land ecosystems
Magdalena province	Interior	0.478	Island of Salamanca National Park road. Land and marine ecosystems. Category II UICN, Decree 2372 of 2010, Colombia.
La Guajira Province	Interior	0.022	Los Flamencos Flora and Fauna Sanctuary. Land and marine ecosystems. Category II UICN, Decree 2372 of 2010, Colombia.

Santander province	DDV crosses the area	0.626	Reserve Zone, Law 2 of 1959. Forestry Reserve Zone. Land ecosystem. National Protected Areas System. Decree 2372 of 2010, Colombia.
Santander province	DDV crosses the area	0.322	Berlin Integrated Management District. Protected areas of a regional nature. Land ecosystem. National Protected Areas System. Decree 2372 of 2010, Colombia.
Santander province	DDV crosses the area	0.42	Bucaramanga Integrated Management District. Land ecosystem. National Protected Areas System. Decree 2372 of 2010, Colombia.
Córdoba province, Sucre	The gas pipeline runs along the hard shoulder of the road, which is inside the park.	3 km	East of the settlement of Barú, bordering the Los Corales del Rosario y de San Bernardo National Park protected area on Colombia's Caribbean coast.

Protected or restored habitats

- * Since the start of construction work on the Mamonal-Paiva gas pipeline project, work has progressed on the environmental management measures proposed by the company and authorized in Environmental License 401 of March 2018 for the soil and vegetation removal stage, with a view to facilitating recovery and restoration of the organic layer and the growth of minor vegetation on the gas pipeline right of way.
- * We completed the epiphyte rescue and relocation project, which was part of the San Mateo Mamonal Loop project, after three years of maintaining the species in the Nature Reserve on the Coraza range and the Montes de María, the result being the guaranteed survival of 85% of the species, above the 82% figure established by the environmental authority.
- * The National Environmental Licenses Authority (ANLA) approved the 'Compensation Plan for Loss of Diversity', which authorized support for the registration of Civil Society Nature Reserves and the drawing-up of the respective management plans.
- * With respect to other infrastructure maintenance activities in 2018, we planted a total of 7,252 trees and maintenance work was done on 26,972 others in Córdoba, Sucre, Bolívar and La Guajira provinces.

Protected or restored habitat areas

Project	Measure	Action	Size	Location	Approval	State
San Mateo Mamonal Loop	Conservation Protection	Formation of Civil Society Nature Reserves	435.1 ha	San Juan Nepomuceno (Bolívar)	PNN	Currently being formed

Habitat areas with restoration or protection measures

Project	Entities	Object	Measure	Habitats	State	Area 2018
San Mateo Mamonal Loop	Promigas-Herencia Ambiental	Support for registering Civil Society Nature Reserves (RNSC) and drawing-up of respective management plans. Compensation for Loss of Biodiversity Plan.	Conservation Protection	Tropical dry forest	Execution of 'Activities Plan'	435.1

Number of flora species listed in the red book of endangered species in Colombia

Category	Quantity
CR: Critically endangered	9
EN: Endangered	88
LC: Minor concern	16
VU: Vulnerable	28

- * As part of our operations, a start was made on construction of the Mamonal-Paiva gas pipeline in Bolívar province, and all management measures established for the project were taken into account, in conjunction with the environmental authority as far as the flora and fauna components were concerned. Additionally, the coating on the Ballena-Palomino gas pipeline in La Guajira province was changed.
- * The route of our gas transportation system crosses certain protected areas, where the land belongs either to the State or to private individuals. When maintenance activities and the general operation are being carried out in these areas, special measures and directives established by the environmental authorities are taken into account.

Nature of direct and indirect significant impacts on biodiversity

Removal of soil and vegetation	2018
Length of areas worked on (construction, maintenance and other) with removal of soil and vegetation (km)	38.2
Total areas worked on with removal of soil and vegetation (areas of considerable significance) (km ²)	0.587

Transformation of habitats

Projects	*Hectares where biodiversity has been worked on
San Mateo Mamonal Loop	33.47
Ballenas-Palomino and Ballenas-Dibulla gas pipelines	1.41
Malambo-Santa Rita gas pipeline	15.53
Mamonal-Paiva gas pipeline	37.0
TOTAL	87.4

* Natural and semi-natural ecosystems taken (woodland and secondary vegetation)

Affiliates

Promioriente has a 'Trees and Life' program in conjunction with CDMB and CORPONOR, which are entities responsible for generating vegetable matter, and the program is devoted to social activities or activities that respond to a request from the community in its area of influence.

SPEC, pursuant to its environmental management plan and monitoring plan, carries out follow-up on air, noise, water and emissions, and it is also performing preliminary activities prior to implementing its 'Compensation for Loss of Biodiversity and Lifting of Prohibition Plan' relating to surveying work and the valuation of property.

In 2018, it was the subject of environmental due diligence by Environmental Resources Management (ERM) and a follow-up visit by the National Infrastructure Agency (ANI) to check that it was meeting environmental requirements, and it received satisfactory results and comments.

Surtigas offset each tree felled with 17.2 new ones, equivalent to 1.3 for each hectare worked on. Surtigas felled no trees for constructing gas infrastructure in 2018 and it avoided affecting wildlife when carrying out maintenance activities, because it actively chased off reptiles, who fled to safe areas.

Conserving water and land ecosystems was another big challenge, because a total of two hundred linear meters were installed under a river, using drilling machines that avoided disturbing the river bed and conserved banks and adjacent vegetation. This prevented any social risk arising from access to water by the community being affected.

When 95,334 linear meters of pipework were laid in 2018 for distributing natural gas, best construction practices were followed and all trees present along the route were conserved; wildlife was chased away, and in most cases no stripping of the terrain was involved.

GdO was recognized by the Ministry of Environment and UNDP for its correct PCB management, in the context of its accountability to this ministry. It was also recognized by the Cauca Autonomous Regional Corporation's 'Golden Hummingbird' program for its 'Environmental Management for Sustainable Development - Business Category', with the assistance and support project being implemented in eleven education institutions in Cauca province as part of environmental projects such as preserving forested areas, reforestation, and environmental education.

Finally, it ran an HSE diploma course with contractors, aimed at aligning methodologies relating to impact evaluation, environmental programs and controls, and HSE coordinators from 17 companies took part.

One notable event in the self-generation field was the commissioning of the solar project in the Promigas headquarters in Barranquilla. This project, which was first envisaged in 2016, was a commitment by the organization to contribute to environmental protection and sustainability, because photovoltaic energy will enable Promigas to reduce its CO₂ emissions by 870 tonnes in the first fifteen years of the contract.

	Transmetano	Promi- oriente	Transoccidente	Promisol	Surtigas	GdO	CEO	SPEC
Total energy, GJ	1,189.56	495.88	62.28		5,216.49	4,790.9	348,436	110,186.53
Water consumption (m ³)	1,029.8	288	77	2,247.8	6,167	5,081	2,908	4,972
Ordinary waste (t)	1.2907	1.8	0.012	16,447	76.8	8.6	6,900	68,657
Recyclable waste (t)	0.757	0.3	0.097	2,486	6.5	0.6	232,277.7	276.9
Dangerous waste (t)	9,587	1.07	5.4	115,053	0.81	12.4	2.5	4,505
Emissions (Scope 1); Tonnes of CO ₂	4547.73	744.62	5.48	2,129.45	40,530.6	7,446.6	108.87	101,676
Emissions (Scope 2); Tonnes of CO ₂	65.76	27.41	N/A	N/A	420.8	270.5	78.85	NA
Scope 3	16.23	N/A	N/A	N/A	96.1	717.8	NA	NA

7. TO GUARANTEE A SAFE OPERATION

To guarantee operational safety by providing correct conditions and reinforcing a prevention culture and safe, sound behavior.

- * **ILI Target: 0.097**
- Staff: 0.097
 - Contractors: 0.054

Safety in all our processes

As a responsible company that is interested in sustainability and caring for its staff and interested parties, we work to reinforce our safety management system in order to reduce the probability of accidents at work and catastrophic accidents occurring, such as those that have affected companies in the chemicals and hydrocarbons sector throughout their history.

In 2018, the company devised the 'To reinforce the process safety philosophy' tag as one of its strategic challenges, and to this end, it decided to implement the four cornerstones of the CCPS' (Center for Chemical Process Safety) 'Risk-based Process Safety Guides'.

These cornerstones are a commitment to process safety, understanding dangers and risks, risk management, and learning from experience, and the aim was to bring our safety management system into line with process safety elements.

Cornerstone 1: Commitment to process safety <ul style="list-style-type: none"> Process safety culture Compliance with standards Process safety skills Labor participation Dissemination to interest groups 	Cornerstone 2: Understanding dangers and risks <ul style="list-style-type: none"> Knowledge management Identifying dangers and risk analysis 	Pillar 3: Risk management <ul style="list-style-type: none"> Operating procedure Safe work practices Asset integrity and reliability Contractor management Training and performance Change management Operational availability Conduct in operations Managing emergencies 	Cornerstone 4: Learning from experience <ul style="list-style-type: none"> Accident investigation Measurements and metrics Auditing Managerial review and continual improvement
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Safety in our supply chain

In order to guarantee safety in our operations when these are performed by our contractors, a framework industrial safety contract was entered into with a firm with wide experience in the subject, with a view to reinforcing the assistance we provide for our contractors in the field and hence guarantee that safety standards are met. In the second half of the year, we identified 117 safety findings, 86% of which are being managed.

Our goal, and that of all our associated companies, is to reduce staff and contractor accident rates by 100%. In order to strengthen links with our contractors, we held an 'HSE Technical Day', during which the new guidelines for the supplier HSE manual were disseminated, together with the role they play in the new process safety strategy, and lessons learned from companies in the sector. 47 persons from 36 companies participated.

Achievements

Cornerstone 1: Commitment to process safety

Process safety diagnosis: result, 60%, with a maturity level of 3 out of 5. Features highlighted were infrastructure integrity, people's knowledge of the process, and the commitment by top management.

Cornerstone 2: Understanding dangers and risks

93% execution of the 'Safety Training Plan'.

Cornerstone 3: Risk management

135 scenarios were identified in the '0 Contact' strategy, which sets out to intervene in the dangerous energies risk. Twenty technical control sheets were designed in 2018 for critical equipment associated with the natural gas transportation system, with a view to standardizing them for tasks that could lead to accidents because of contact with this type of energy.

Cornerstone 4: Learning from experience

Execution of an improvement plan to prevent infrastructure accidents, designed on the basis of findings from technical process safety audits.

Affiliates

Surtigas has a long-term goal of continually improving the management system in line with ISO 45001 and meeting 100% of the requirements. Notable features of 2018 include the following.

- * There were zero deaths in connection with natural gas distribution, zero fines for failing to comply with safety laws, and zero damage to its image and reputation resulting from issues relating to health and safety.
- * The number of days lost due to accidents at work fell from 91 in 2017 to 17 in 2018, due to action taken in connection with training and prevention.
- * Its strategic road safety plan was approved by the Superintendency of Ports and Transportation, with a score of 85% where the minimum required for approval is 75%.
- * The number of days of disability due to accidents at work fell by 82% with respect to staff and 42% for contractors.

Quavii implemented an education program aimed at providing all interested parties with information about the benefits and characteristics of natural gas, safe management of the distribution system, prevention practices, and what to do in the event of an emergency.

Indicators

Staff, 2018

Safe behavior percentage	92 %
Percentage compliance with HSE conditions	96 %
Target	90 %

GRI 403-2

Total accidents	M	F
Caribbean coast	11	6
Bogotá	0	0
Total	17	

Disabling accidents	M	F
Caribbean coast	8	3
Bogotá	0	0

Total	11
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Total number of days lost in the year due to disability	M	F
Caribbean coast	100	22
Bogotá	0	0
Total	122	

Accident rate (number of accidents / total number of staff) x 100	M	F
Caribbean coast	2.26	1.23
Bogotá	0	0
Total	3.49	

Accidents at work	M	F
Accident rate (number of accidents / total number HHT) x 1,000,000	9.5	5.18
Disabling injury index (DII) (severity index x frequency index / 1,000)	0.0344	0.0028

DII total 0.057

Contractors, 2018

Safe behavior percentage	89 %
Target	90 %

Accidents at work, suppliers	M	F
Absenteeism		1.56
Total accidents	38	2
Disabling accidents	21	2
Total number of days lost in the year due to disability	114	6
Accident rate (number of accidents / total number of staff) x 100	4,2	0.20
Accident rate (number of accidents / total number HHT) x 1,000,000	20.06	1.56
Disabling injury index (DII) (severity index x frequency index / 1,000)	0.038	0.00019

DII TOTAL: 0.044

Affiliates

	Promisol	Promioriente	Transmetano	Transoccidente
Safe behavior percentage (%)	100	100 %	90,19	91,6
Percentage compliance with HSE conditions (%)	99	99 %	91,18	100
Target (%)	90	90 %	90	100

	Surtigas	GdO*	CEO	Quavii
Safe behavior percentage (%)	81	N/A	100	
Percentage compliance with HSE conditions (%)	76	N/A	85	
Target (%)	70	N/A	N/A	

*Program being implemented.

Staff, Affiliates, 2018

Transmetano		Promioriente		Promisol		Surtigas		GdO		CEO		SPEC		Transoccidente	
M	F	M	F	M	F	M	F	M	F	M	F	M	F	M	F
Total accidents															
0	1	0	0	1	8	6	14	15	4	0	0	1	0		
Disabling accidents															
0	1	0	0	5	1	11	13	4	0	0	1	0			
Days lost in the year due to disability															
0	85	17	0	0	22	2.76	2.96	6,043	0	6004	0				
Accident rate (number of accidents / total number of staff) x 100															
0	2.94	0	0	2	3.08	3.11	2.76	2.96	1.3	0	52.2	0			
Accident rate (number of accidents / total number HHT) x 1,000,000															
0	13	0	11.44	26.94	7.85	21.65	5.7	0	289.4	0					
Disabling injuries index (DII) (severity index x frequency index / 1,000)															
0	0.0104	0	0.015	0.001	0.242	2.85	0	7243.8	0						

Contractors	Transmetano	Promioriente	Transoccidente	Promisol	Surtigas	GdO	CEO	SPEC
Absenteeism	0.019	0.4	3234.78	0.57	0	0.03	3.4	0.001
Accidents with disabling injuries, contractors	1	2	1	7	359	180	70	1
Days lost in the year due to disability	3	5	5	25	0	1,120	12,642	2
Accident rate (number of accidents / total number HHT) x 1,000,000	1.9	7.7	325.1	0.011	5.53	50.95	34.2	2.1
(DII) (severity index x frequency index / 1,000)	0.0234	0.0086	30.43	0.008	0.005	0.87	11.5	0.001

8. TO STRENGTHEN THE OVERALL DEVELOPMENT OF OUR STAFF AND THE CORPORATE CULTURE

Human Management

Our goal is to guarantee that the organization has a competent human team for achieving its objectives by promoting their health and overall development and an organizational climate and culture that are in line with corporate strategy.

- * Organizational climate on the 'very good' scale.
- * We evaluate the skills of 100% of our target population.
- * Job illnesses classified or under study: 0
- * Absenteeism: 1.38, which exceeds the target of keeping the index under 2.2.
- * Turnover: 4.57%, which exceeds the target of keeping the index under 5%.

Organizational climate

Our aim is to maintain a positive, stimulating work climate where there are opportunities for all staff to improve their competitiveness and reinforce their commitment to the organization, so that we can successfully achieve our strategic corporate objectives.

Organizational climate measurement in 2018 included two indicators that enabled us to know what workers think about Promigas and the work they do, since these help us to respond to how people feel and behave in the organization. Those indicators are the following.

- * Job commitment (JC). This refers to the personal link that workers forge with the organization, which can develop and be maintained for various reasons. The results showed a 55% employee JC, which is on the medium high scale.
- * Engagement. People forge a link not only with the organization but also with the work they do. When that link is positive and affectionate, it is referred to as 'engagement'. The person feels totally involved in his work and enthused by it, and the link goes beyond the demands that are required.

Because of this, and through team coaching, the results of which are clear to see in the dynamic interaction between members, the work environment of five groups of Promigas workers was improved. Likewise, work continued on developing and reinforcing leadership skills through individual coaching aimed at new heads and workers where room for improvement had been identified. 19 staff members, who attended a total of 139 sessions, were brought into line with this style of leadership during the year.

With five work groups, a start was made on the methodology reinduction process for primary groups. 2019 will be a year for boosting this corporate initiative among the different work groups.

Values

For the second consecutive year, the 'Inter-Company Values Contest' was held, the goal of which is to promote reflection, via a creative and enjoyable activity, on the organization's principles and values, with emphasis on respect.

Thirteen companies in the Promigas portfolio took part. Workers from the different companies participated in choosing the winners of this second version of the Values contest, and their 1,275 votes represented 30% of the total score.

A contest entitled 'Values: Acting with Respect' was arranged in 2018 among all companies in the Promigas portfolio, the goal of which was to illustrate values in action via an enjoyable, creative activity that promoted integration and effective teamwork and also represented a challenge to participants' creativity. The winning entry in the national contest, which was held in Barranquilla, was the one presented by personnel from SPEC.

GdO was one of five companies in the country that received the 'Inclusive Company Seal', awarded by the ANDI Foundation, in the 'Inclusive Employment' category. This award is made to companies that develop processes or projects for including vulnerable people in their value chain in the employment, purchases, production chains, and distribution of products and services categories.

Indicator

The organizational climate in Promigas and the companies in its portfolio was measured by the company Cincel, with 90.8% of the target population involved. The general Promigas organizational climate indicator was 66.9, a result in excess of the established target of 60, according to the following scale.

Concept evaluated: Organizational Climate

Outstanding - Excellent - Very good - Good - Acceptable - Unfavorable - Poor - Very poor

Attracting and retaining talent

Promigas believes that having the best talent and encouraging it to remain with the company makes staff appreciate the strategic value of their good performance and their opportunities for internal growth, thus enabling the company to pursue its business objectives in an efficient and prompt manner, and, moreover, it creates a 'win-win' situation for the parties.

We start by carefully selecting good potential candidates and having clearly-defined needs and job profiles. We also offer each member of our staff benefits focused on their wellbeing and their individual and family development; we contribute to their training, and we provide them with a positive work environment, competitive remuneration, opportunities for professional growth, and activities aimed at reconciling family life with their job.

The 'Talent Development' program has identified the leadership potential of staff who have taken part in evaluations conducted by Promigas and companies in its portfolio, and also the most suitable areas, based on their strengths. Self-development guides have been designed for participants, especially heads, in order to provide them with tools to facilitate the development of their staff.

- * Talent Management evaluated 100% of the target population.
- * Ten staff were promoted during the year and three were transferred, meaning that 20% of vacancies were filled with staff from within the company.
- * Backed by our staff retention programs, the turnover rate was achieved, since it was below the expected target.
- * The 'Time for You' program contributed to the staff work-life balance. This consists of four free half-day sessions so that all company staff can spend more time with their families.

Indicators

Turnover by age range

	Rate for persons who left their job in 2018, by age range and gender		New staff contracting rate in 2018, by age range and gender	
	Men	Women	Men	Women
18 to 30	0.00 % (0)	0.51 % (2)	1.52 % (6)	1.52 %
31 to 50	0.51 % (4)	1.02 % (2)	1.52 % (1)	0.25 %
Over 50	1.52 % (4)	1.02 % (6)	0.25 % (2)	0.51 %
TOTAL	2.03 % (10)	2.54 % (8)	3.30 % (9)	2.28 % (13)

Turnover by location

	Rate for persons who left their job in 2018, by geographical location		New staff contracting rate in 2018, by geographical location	
	Men	Women	Men	Women
Barranquilla	2.03 % (8)	2.54 % (10)	1.78 % (7)	2.54 % (10)
Bucaramanga			0.25 % (1)	0.25 % (1)
Cartagena			0.25 % (1)	
Ocaña			0.25 % (1)	
Santa Marta				0.25 % (1)
TOTAL	2.03 %	2.54 %	2.54 % (10)	3.05 % (12)

Promotions

	Persons promoted in 2018, by age range and gender	
	Men	Women
18 to 30	2	2
31 to 50	4	2
Over 50		
TOTAL	6	4

	Persons promoted in 2018, by geographical location	
	Men	Women
Barranquilla	2	4
Sincelejo	1	
Riohacha	3	
TOTAL	6	4

(Promotions + transfers) / total vacancies filled
2018

20 %

Turnover by type of retirement/withdrawal

	Turnover, involuntary retirement / withdrawal		Turnover, voluntary retirement / withdrawal	
	Men	Women	Men	Women
18 to 30	0.00 %	0.00 %	0.51 %	0.00 %
31 to 50	0.51 %	0.25 %	0.51 %	0.25 %
Over 50	0.00 %	1.02 %	1.02 %	0.51 %
TOTAL	0.51 %	1.27 %	2.03 %	0.76 %

Turnover index

Turnover index	2018
	4.57 %

Investment in education

Concept	Investment	Beneficiaries
Scholarships for undergraduate studies	COP 108,453,400	22
Scholarships for postgraduate studies	COP 170,316,150	11
Scholarships for workers' children	COP 1,068,204,537	172

Investment in overall health

Concept	Investment	Beneficiaries
Employee health policy	COP 936,745,740	394
Health policy for family members	COP 1,808,084,319	744
Dentistry services	COP 129,325,586	168
Allowances for glasses and frames	COP 58,263,370	171

Knowledge management

Continual monitoring of skill levels in the organization and identifying and scheduling comprehensive development actions to the high standard required at individual and corporate level are essential if our strategic objectives are to be achieved.

During the year, we measured corporate and technical skills following the 90° scheme, and the 'Risk Management' skill was included for all posts.

The first phase was completed of implementing the 'Employee Central in SuccessFactors' module, a structure that will form the basis for future introduction of the 'Succession and Development' module, where it will be possible to administer and manage the talent management program.

The 'SuccessFactors Learning' module began operation for programming online courses in transverse subjects and for contributing to the development of skills for the portfolio, such as corporate induction, contract management, business continuity, and preventing osteo-muscular injuries, among others.

Indicator

Skills evaluation, 2018

Level	Men	Women
Managerial	5	7
Non-managerial	211	105
TOTAL	216	112

328 people were evaluated in total, **86% of them women and 95% men**. 92% of staff were evaluated, on average; this exceeded the target set.

Mean number of hours' training per employee in the year, 2018

Level	Men	Women
Managerial	876	548
Non-managerial	14,742	4,541
TOTAL	15,618	5,089

- * Total: 20,707 hours, including SENA students
- * Total persons trained: 415.
- * Average hours per person: 49.8

Health at work

We promote health at work and caring for our staff and their family nucleus by carrying out programs that focus on improving their lifestyles, reducing risks by changing habits and behavior, preventing illnesses at work and of common origin, and family integration.

With a view to making progress on preventing possible work-related osteo-muscular injuries, the approach to the program objectives was changed and the ergonomic risks that staff are exposed to were redefined. This enabled us to identify tasks undertaken by the Maintenance area where the risk level is high, and four operating procedures associated with these standard health risks were accordingly included, so as to allow the activities to be performed safely.

The ergonomic component was also included from the gas infrastructure design stage to when the specific operation and maintenance tasks are carried out. This enables us to have a better man-machine interaction and prevents the appearance of future work-related illnesses.

98% compliance with the 'Prevention of osteo-muscular illnesses' program was reported, against a target figure of 90%.

In late 2018, psycho-social factors were measured, with 320 staff participating, 85% of the target population. The results obtained are notable, given that they show that over 60% of staff have a low intra-job risk or no risk at all. The results and intervention plans will be published in 2019.

94% of occupational medical tests were carried out, 6% up on the previous year.

A work reintegration program was designed, with a view to guaranteeing a correct and safe reinstatement to their posts for people who suffer accidents or illnesses of whatever origin.

COPASST: HEALTH AND SAFETY AT WORK PARITY COMMITTEE

- * Number of worker representatives: 4 (two main members, two alternates)
- * Number of meetings called: 12
- * Number of meetings held: 11
- * Average number of members in attendance per meeting: 5
- * Cases received: 19
- * Cases closed: 31 (12 from the previous year)

CCL: LABOR HARMONY COMMITTEE

- * Number of worker representatives: 4 (two main members, two alternates)
- * Number of meetings called: 4
- * Number of meetings held: 3
- * Average number of members in attendance per meeting: 3
- * Cases received: 0
- * Cases closed: 0

Indicators

- * Absenteeism rate: 1.38 (target 2.2)
- $\text{Time lost, working hours} / \text{total workable or calendar hours} * 100$
- * Qualified sicknesses at work: 0

Working hours lost due to disability in 2018

Working hours lost by geographical area	M	W
Caribbean coast	5,922	4,509
Bogotá	0	27
Total absenteeism rate*	10,458	

*Time lost / time workable*100

Total number of days lost in the year due to disability by geographical area	M	F
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Caribbean coast	658	501
Bogotá	0	3
Total	1,162	

Staff	Transmetano		Promioriente		Promisol		Surtigas		GdO		CEO		SPEC	
	M	F	M	F	M	F	M	F	M	F	M	F	M	
Absenteeism (%)	0.8	0.2	0.90	0.18	0.90	0.34	0.105	0.112	0.10	0.090	0.07	0.15	0	
Investment in health (millions of pesos)	58	81	169		101		1,952		2,694		581		72	
Investment in education (millions of pesos)	104		403		52		237		237		375		199	
Staff trained	29	29	24	12	43	8	252	182	508		152	137	21	
Hours of training	2,987.6		1,793	594	1352	497	14,558		7,151	3,844	5,243	3,617	2,054	
Average HH	103		17		36.3		35.8	30.3	1.7		26.4	16	97	
Turnover rate	0		0	0	2		7 %	9 %	9.69		19.5	13.5	0	
Promotions	0		0	0	0		8	4	4		5	6	0	
Total staff	19	10	24	12	42	8	253	182	282	234	149	141	22	

Organizational climate

Promigas	Transmetano	Promioriente	Transoccidente	Promisol	Surtigas	SPEC	GdO	CEO	Quavii
66.9	64.4	70	72.6	58.8	58.2	49.6	54.4	49.6	23

PROSPECTS

The international panorama is full of uncertainty, especially in view of the tax and commercial measures adopted by the United States. The strong growth in the US economy in 2018, above its potential capacity, could lead to imbalances in the coming years. President Trump's expansive fiscal policy accelerated the economy in a manner which, for many economists, was not necessary at the time and will harm the country's fiscal prospects in the medium term. Moreover, the protectionist measures started by Trump, which impose new tariffs on various countries or increase existing ones and change commercial treaties, could slow down world trade. The Chinese government has already responded with similar tariffs, and this has triggered a commercial war between the two biggest economies in the world.

As a result of these worldwide commercial tensions and the strengthening of the dollar due to the rise in Fed rates, which are expected to rise twice more during 2019, volatilities are envisaged in some emerging markets. In the case of Colombia, the oil price will continue to play a key role in how the exchange rate and the economy as a whole will behave. Oil prices are expected to be very similar to those in 2018, although if they remain low, as they were at the end of the year, this could lead to a bigger devaluation of the currency and the Colombian economy would be more vulnerable to external shocks. The Colombian economy is therefore projected to continue its recovery and to grow by 3.2%, slightly more than in 2018, and an average exchange rate of around COP 3,100 is projected, with some periods of volatility.

As far as inflation is concerned, a slight increase is envisaged as a consequence of an eventual El Niño phenomenon, currency devaluation, and the effects of the Financing Law on family breadbasket prices. An inflation figure of 3.5% is projected, and although this is slightly higher than the 2018 figure, it is within

the Banco de la República target range. With this inflation, Banco de la República could maintain its 4.25% interest rate for the greater part of the year and could perhaps increase it by 0.25% on one or two occasions, if bigger shocks than those currently envisaged are foreseen.

Finally, on the fiscal front, with the Financing Law coming into force, rating agencies are not expected to lower Colombia's rating to below investment grade, since this law would help the country to comply with Fiscal Rule terms in the short term. Nevertheless, some parameters of the Fiscal Rule could possibly be adjusted in 2019 and, hence, adhering to it in the medium and long terms could be more flexible.

Regulatory activity

Natural gas transportation

Administrative actions relating to assets belonging to Promigas, Transoccidente, Transmetano and Promioriente whose useful life expired in 2016, 2017 and 2018 are expected to be resolved in 2019.

According to the regulatory agenda, in the first quarter of 2019 CREG will once again issue the transportation activity remuneration methodology for consultation by agents, and in the second quarter it will issue the definitive Resolution.

Similarly, with respect to 'Natural Gas Supply' plan projects, UPME is expected to publish the definitive bid documents in 2019 for the Pacific Regasification Plant, and in the final quarter of the year it is envisaged that CREG will issue the Resolution which defines the efficient value of investments for executing the Promigas 'Barranquilla-Ballena Gas Pipeline Bidirectionality' project, for which the company is carrying out the planning and structuring phase.

Natural gas distribution

2019 augurs well for important structural and rating changes relating to natural gas distribution. After transitory charges were approved, CREG issued Resolutions 090 and 132 of 2018, which complemented the definitive distribution methodology. In 2019, natural gas distribution companies will have to choose whether to maintain the transitory charges or transfer to the definitive methodology. After this pronouncement, the Commission will establish dates for filing rating files.

Changes to the gas marketing methodology are expected to be issued for consultation in the first quarter, with final changes to be established in the second quarter. Furthermore, changes to the tariff formula methodology (CU) are expected in the first quarter.

As far as regulation of the wholesale gas supply marketing activity is concerned, the process of selecting the market agent, a function performed until now by the Bolsa Mercantil de Colombia, will take place in 2019. Adjustments will be made to wholesale marketing, in view of the focus on the process and the marketing schedule.

Electricity distribution

It is envisaged that resolutions will be published in 2019 relating to energy distribution for each network operator. The current charges were last approved approximately ten years ago.

This year, the Commission should define other remuneration methodologies that are of vital importance to the sector, such as for marketing and transmission, as well as the tariff formula (CU), as a result of the consultation that took place in 2015.

Finally, the agenda proposed by CREG includes such strategic subjects as binding dispatch and intra-daily market, reliability and long-term charge auctions, the implementation of smart metering and all matters relating to restrictions, and the use of batteries in the transmission system, among others.

ACKNOWLEDGEMENTS

We would like to express our especial thanks to our shareholders for their trust, and to our people for their commitment and their constant efforts, key factors without which we would not have achieved the results we present today.

To our customers, for preferring us and for supporting our initiatives aimed at improving the services we offer them more and more, which encourages us to be better every year.

To our suppliers, for their efforts and professionalism as they have gone about their activities, and to our communities and other interest groups, for allowing us to carry out our activities and to continue to generate progress and development.

To all of you, our sincere thanks.

INTELLECTUAL PROPERTY, COPYRIGHT, AND OTHER MATTERS

The company has ensured that it uses duly licensed software in all its processes, and it complies with all current provisions relating to copyright.

In accordance with the provisions stipulated in Article 87 of Law 1676 of 2013, it places on record that it has not hindered the free circulation of invoices issued by sellers or suppliers.

María Lorena Gutiérrez
Chair of the Board of Directors

Eric Flesch
President, Promigas

NOTE: This report was read and unanimously approved by all directors at a meeting of the Board of Directors held on February 14, 2019, as accredited in Minute No. 485.

Natalia Abello
Secretary