



Hydrocarbon Exploration and Production Contract E&P No. XX of xx of xx of 20XX

ANNEX D.

PROGRAMS FOR THE BENEFIT OF THE COMMUNITIES - PBC

1. Item

In accordance with that provided for in clause 63 of the Contract, the Programs for the Benefit of the Communities - PBC -, must encompass a number of activities and/or projects of social investment defined by the Contractor as part of its contractual obligations, to contribute with some benefits that correspond to the needs of towns located in the Area of Interest of the PBCs, pursuant to that defined in Annex D.

These programs must be intended to contribute to the improvement of life quality and conditions of the people in the Areas of Interest and with the economic and social development of the territory and the region where the Contractor operates, in a supplementary and concurrent manner with the actions of the State and in accordance with the terms and conditions of Annex D.

Furthermore, the PBCs must be defined according to the Sustainable Development Goals - SDG -, **and the goals established by Colombia in CONPES 3918 of 15 March 2018**, the poverty measurement indicators such as the Multimodal Poverty Index - MPI - set out in Law 1785 of 2016, or other indicators, intended to promote sustainable development and strengthening of the social, cultural and economic environment of the Areas of Interest.

The PBCs must be different than the programs and projects that the Contractor is bound to undertake in compliance with the Environmental Licenses and Management Plans, or in implementing Management Measures agreed upon in Prior Consultation Procedures to prevent, correct, mitigate and/or compensate impacts derived from the performance of the Contract on ethnic groups, **or which it intends to undertake as tax payment or offsetting, royalties or on other accounts or considerations**, all of that subject to the legal framework.

2. Background and Regulatory Framework

2.1 Article 5 of Decree Law 1760 of 2003, amended by article 4 of Decree Law 4137 of 2011 and likewise by article 3 of Decree 714 of 2012, in section 7 sets forth as part of the ANH





functions the following: *"To agree, in the exploration and exploitation contracts, the terms and conditions under which the contracting companies will carry out programs for the benefit of the communities located in the areas of influence of the respective contracts."*

2.2 Through Agreement No. 5 of 23 September 2011, the Steering Council of the ANH defined the PBCs and established the parameters for performance of such Programs for the Benefit of the Communities:

- a) The companies must ensure citizen participation, in accordance with constitutional mandates, in the definition and monitoring of the PBC, in the area of direct influence, through their legitimate representatives.
- b) The definition and planning of the PBCs must consider at least the comprehensive characterization of the social, cultural and economic environment of the influence areas of the projects. It is fundamental to have coherence of the PBCs with the Environmental Impact Assessments and the respective Environmental and Social Management Plans required by the environmental authority.
- c) The PBCs must be framed by transparency criteria and respect for Human Rights, as well as the rights of ethnic minorities recognized in international law and treaties, based on clear data and effective communication aimed at providing adequate information, knowledge and participation of the beneficiary communities; this is aimed also at promoting a differential approach with positive discrimination for adequate protection of the constitutional guarantees of ethnic groups and communities out of the territories that have been legally constituted through the application of ethnical, systematic trends for the progressive development of the communities.
- d) The PBCs must be in harmony with the Local, Departmental Plans, Life and Territorial Organization Plans, and within the concept of sustainable development with respect to the use of natural resources.

3. Planning, Execution, Monitoring and Evaluation

The planning, preparation, execution, monitoring and evaluation of the Programs for the Benefit of the Communities - PBC - must keep in mind the following benchmarks:





3.1 Guiding Principles

The Programs for the Benefit of the Communities must be prepared in accordance with the following principles:

- a) **Coordination and concurrence:** this refers to the relationship with the local and territorial authorities as regards social investment during the formulation, execution, monitoring and closing stages of the PBCs, in order to advise and listen to them, so that their actions turn to be supplementary and aimed at achieving the objectives and goals set out in the Program.

It is noted that the social investment agreement will continue to be managed by the Contractor and the Community, reporting to the local or territorial authorities accordingly, as the case may be.

In this regard, during the PBC definition and formulation stage, according the coordination and concurrence principles, it is necessary to guarantee that the local and regional authorities (if applicable) will be informed about the process and that the defined projects will be in harmony with some current planning document (Community Development Plans PDCC, Development Programs with a Territorial Approach - PDET, PDN, POT, PND, Life Plan, National Action Plan on Human Rights and Business, and other territorial planning instruments).

Similarly, the PBC definition process, if necessary, can be accompanied by the ANH, if it deems it necessary or if required by the Contractor, the communities or other social stakeholders.

- b) **Pertinence:** The PBC must be consistent with the priorities and needs of the communities in the Area of Interest and the development plans with which it integrates.
- c) **Feasibility:** this refers to the actual capacity of executing the proposed PBC.
- d) **Efficiency:** adequate use of resources for the achievement of the objectives set.
- e) **Efficacy:** capability for achieving the objectives set out during the formulation and execution of the PBC within the established timing.
- f) **Positive impact:** promote improvement of life quality among the target population.
- g) **Sustainability:** promote the sustainability of projects that are part of the PBC, in coordination with government agencies and the communities.





- h) **Community participation:** it is the obligation of the community to participate in every stage of the PBC, that is, since it is proposed by providing space and information required by the Contractor to identify the needs and opportunities for development and to prioritize the projects; in the execution of the projects by honoring the commitments acquired; and in the closing of the PBC to know its outcome, receive the projects, accept its role for their sustainability, and contributing lessons learned.

3.2 State Policy

In accordance with the needs identified in the participation exercises developed with the local communities and authorities, the PBCs must consider the public policies applicable to each of the investment lines defined in this Annex.

A reference of public policy to overcome extreme poverty will be Law 1785 of 2016, which is intended to promote the structuring and implementation of projects aimed at social innovation, with participation of the public and private sectors, including civil society organizations, to supplement the State social services for the benefit of the population in extreme poverty conditions, and designing escalation routes at various levels to overcome it.

3.3 Nature of the Obligation

The duties and commitments of the Contractor regarding the PBCs are obligations of means rather than of results, to the extent that their success depends in part on external factors that are beyond the control of the Contractor. This circumstance must be considered when assessing its compliance. Anyhow, the Contractor is bound to act with due diligence in the process of planning, defining, executing, monitoring and measuring the effect or impact of the respective investment. Furthermore, even though it is the obligation of the Contractor to monitor and measure it during contract performance, the PBC is considered satisfactorily fulfilled once the activities have been completed and the ANH has issued a statement in this regard.

3.4 Tools for preparation of the PBC

For preparation of the PBCs, the Contractor must keep in mind the guidelines prepared and provided by the ANH for such purpose, as well as the formats defined to standardize the presentation and content of the deliverables, subject to the requisites and terms of this Annex.

Hence, for the formulation, definition and execution of the PBCs, the Contractor may consult the following guidelines:





- a) "Methodological Guide for Management of Programs for the Benefit of the Communities, PBC, focused on Human Development and Reduction of Extreme Poverty in Colombia", issued under Cooperation Agreement No. 302 of 2012 between the United Nations Development Program (UNDP) and the ANH, which in this Annex is referred to as Guide.
- b) Technical Guide of Good Social Practices - GTC 250: ICONTEC technical standard.

3.5 Definition of the PBCs

3.5.1 Base Line

The PBCs must be defined from a base line considering the following criteria:

- a) Analysis of diagnoses corresponding to the PBC Areas of Interest defined by the Contractor, which may be consulted in the National Planning Department and the Social Prosperity Department, such as the "Multidimensional Poverty Index, MPI, the "Sustainable Development Goals - SDG", or others that are available at local, regional and national level.
- b) In addition to considering the available diagnostic information on Areas of Interest, the Contractor must carry out the characterization of the setting where the PBCs will be conducted, guaranteeing citizen participation.
- c) Based on the base line analyses, the Contractor must identify indicators corresponding to the needs of populations located in the Area of Interest of the PBC to then assess the effect or impact of its social investment.

Indicators are understood as the data that reflects the conditions of a particular situation or aspect at a given time and location, which can be expressed as percentage, rate, etc. Such data can be used to show changes and progress obtained through the execution of social investment projects. Example: Potable water coverage.

3.5.2 Projects and Activities

Social investment must be intended for "Socially Sustainable" projects or activities. In this regard, each investment initiative can have one or more activities and/or projects that contribute to social, economic, environmental and/or cultural development related to:





- a) Productive inclusion and income generation, incorporating employment, entrepreneurship, productive, agro-environmental, agro-industrial and training projects, aimed at achieving or strengthening diversification of the local economy.
- b) Social infrastructure, which includes improving housing, potable water, public utilities and basic sanitation, education, health and connectivity infrastructure (roads, IT technology and communications), culture, sports and recreation.
- c) Institutional and human capital strengthening, which includes knowledge management, information teaching, coexistence and others proposed by the stakeholders.
- d) Any other that is contained in municipal, departmental and national development plans, living or territorial planning, or community and community development plans, all of them within the notion of sustainable development and including sectors such as health, education, and the environment.

The Contractor shall define actions aimed at guaranteeing the sustainability of the investment projects defined within the framework of the PBC.

The Contractor is empowered to propose entering into agreements or covenants intended for planning, proposing, executing and verifying joint PBCs, as well as to jointly carry out social investment related thereto, pursuant to the respective legal business.

In this context, the Contractor can identify strategic partners such as national, regional and/or local entities, private sector, non-profit organizations and other hydrocarbon companies, social or community organizations that have planned or ongoing projects to meet the needs identified in the characterization conducted by the stakeholders, which lead to optimizing the amounts, outcomes and sustainability of projects prioritized in the PBC.

3.6 Minimum Investment in Programs for the Benefit of the Communities - PBC.

3.6.1 General Considerations

- a) Resource investment in the development of the PBC must correspond to a sum equivalent to one percent (1%) of the Total Value of the Exploration Program, including Minimum and Additional of each Phase of the **Exploration Period** and the eventual Subsequent and Evaluation Exploration Programs, as well as one per cent (1%) of the amount of the Annual Operations Program of all Commercial Fields of the Area or Areas in Production during the corresponding Period.

When the Contractor decides to invest more than 1%, in the presentation of the Program to the ANH it shall state if such additional investment will be part of the PBC or voluntary social investment.





- b) The effective investment in each of the PBCs for this Contract equivalent to 1% must not include personnel, logistic, administrative, infrastructure project auditing costs, nor other indirect costs and expenses incurred by the Contractor for the full execution of the respective PBC. An exception is the administration, contingent and profit cost (AIU for its Spanish acronym) in infrastructure projects, **which** cannot exceed 20%.
- c) The Final Execution Report for each PBC must be accompanied by a certification of the investment effectively carried out, signed by the Statutory Auditor, the External Auditor, the Internal Auditor or "Controller" and, in their absence, by the Public Accountant responsible for the accounting records of the Contractor Operations, or the competent party of the entity or company with which the latter has entered into an agreement or covenant for its joint execution.

3.6.2 External Audit

The Contractor must hire an external audit responsible for certifying the formulation (definition) and execution of the PBC in accordance with the terms and conditions set out in in this Annex.

The certification of the definition process of the PBC, attached to the audit report, must be provided to the ANH along with the PBC to be assessed for the respective stage of the Contract. In this certification, the auditor must emphasize on the review of compliance with the PBC guiding principles for the definition stage. This means that the scope of the external audit in the definition stage is to audit and certify that the PBC in fact meets the principles and conditions set out in the PBC Annex.

The PBC execution certification, along with the audit report, must be part of its Final Report, highlighting compliance with the guiding principles of the PBC for this stage, including PBC monitoring and closing activities, and identifying the outcome, goals and objectives achieved.

The external audit, if not having specific auditing experience, must have certified background and experience related to corporate social responsibility programs and activities.

3.6.3 US Dollar Market Representative Rate, MRR.

For planning purposes of the Community Benefit Program and its overseeing by the ANH, the amount of the respective Social Investment must be translated into Colombian Pesos (COP) applying the US Market Representative Rate, MRR, as follows:





Market Representative Rate (MRR)		
Exploration	PEV (Evaluation Program)	Production
PBC Exploration Program and Subsequent Exploration Program - PEP: MRR of the starting date of each of the phases developed.	MRR on the starting date of the PEV (presentation to the ANH) for each Area in Evaluation.	First PBC: MRR on the date of Declaration of Commerciality. Subsequent PBCs: MRR of 1 January every year.

In regard to PBCs approved by the ANH but which have not started their execution for reasons not attributable to the Contractor after two (2) years or more since their approval and that must be updated, the Contractor must so advise the ANH in writing, and this submittal date will be considered for the new MRR of the PBC that is to be updated. It is considered necessary to update the PBC in the following events:

- a) Change of the area of interest.
- b) Change of the investment line or investment projects.
- c) Scope adjustment aimed at better coordination with current planning instruments.

3.6.4 Activity Transfer

3.6.4.1 Transfers from the original Agreement

When the ANH approves a Transfer of Exploration Activities or Investments not executed, corresponding to commitments agreed on in the Minimum, Additional or Subsequent Exploration Programs, where the execution of activities related to the PBC in the original Agreement have not been started, the Contractor shall request separately from the ANH the authorization to adjust the PBC terms and conditions approved in the original Agreement, in order to make adjustments to the amount equivalent to 1% of the value of investments not transferred from the respective exploration period phase, including the design and execution of the PBC closing, not affecting either the integrity of the project or the engagement with the stakeholders.

In the event that the execution of the PBC has not started in the original Agreement, the full amount of the PBC will be part of the activity transfer, maintaining the terms and conditions of the PBC in the initial Agreement and making adjustments for the new Area of Interest.

3.6.4.2 Transfer to the receiving Agreement

When the ANH approves a Transfer of Exploration Activities or Investments not executed that correspond to the agreements made under the Minimum, Additional or Subsequent Exploration





Programs of this Agreement, the Contractor shall submit for approval of the ANH the change to the PBC that is being performed, or a new PBC, for an additional amount equivalent to 1% of the transferred value. Such amendment or new PBC must be defined and executed as per the terms and conditions set out in this Annex.

The request for amendment of the PBC both in the original Agreement and the receiving Agreement, or the submittal of a new PBC in the receiving Agreement must be registered with the ANH in a term not to exceed ninety (90) Business Days as of the date in which the ANH notifies to the Contractor the authorization for the transfer of the exploration activities and/or non executed investments.

3.7 Follow up and Monitoring

During the execution of the PBCs, the Contractor must carry out periodical follow up and continuously monitor their development.

The ANH is, in turn, responsible for overseeing and monitoring their execution.

4. Area of Interest of the Programs for the Benefit of the Communities

This refers to the delimitation or territorial scope of the geographical area that will benefit from the PBC projects and/or activities.

The delimitation of the Area of Interest will be defined by the Contractor for which purpose it must take into account some of the following criteria:

4.1 Areas where there are or will be Contractor constructions, facilities, locations and camps; the surfaces where easements exist or are planned; the secondary or tertiary roads for permanent use as per the requirements of the Operations, as well as ancillary areas for unloading, discharges, water intakes and loan sites, where there is or will be intervention by the Contractor, **locating and identifying the respective territorial unit: village, town, rural district, district sector, neighborhood or other units recognized in the political, administrative or social division or by the Ministry of Interior (in cases in which ethnic communities are established in those areas).**

4.2 Areas adjacent to the projects where an impact is caused on the living conditions of the people such as in rural or urban zones (rural district, **district sector**, small town, village, neighborhood, municipal seat **or other territorial unit where the Contract deems it pertinent to extend this Social Investment benefit to promote equal development**) that are identified by the Contractor in his territorial engagement plans, provided that these are located within





the municipality or department where the hydrocarbon exploration, **evaluation** and production activities are performed.

- 4.3 The area of influence of the exploration, evaluation or development project to be performed.
- 4.4 The Contractor may coordinate with municipal or regional projects that are underway; in such event, the areas of interest will be defined by the prioritized project(s).

5. Execution, Stages and Deliverables

The obligations inherent in the formulation, design, execution and monitoring of the PBCs start on the Effective Date, as of commencement of the First Phase (Phase 1) of the Exploration Period. These may coincide with the Evaluation Program or Programs and with the Area or Areas in Production, as shown in the following table:

Programs for the Benefit of the Communities - PBC		
Exploration Period	Evaluation Program	Production Period
One PBC for each Phase of the Exploration Period and one for the Subsequent Exploration Period, as the case may be.	One PBC for each Evaluation Program developed by the Contractor.	Annual PBC for each Commercial Field.

5.1 Procedure for the approval and monitoring of the PBC by the ANH:

No.	Execution of PBC	Description/Deliverable	Delivery Term
1.	Characterization	<p>Description:</p> <p>Defined by the Contractor of the Area of Interest for development of the PBC, it requires the economic, social and cultural characterization of the population, with details on indicators and measurement tools on the effects of the Social Investment to be performed.</p> <p>Deliverable:</p> <ul style="list-style-type: none"> ▪ Document containing the Characterization ▪ Analysis matrix to define the investment lines and measurement indicators selected. <p>Note: During the Evaluation Program, the Contractor is not required to present a new characterization,</p>	<p>Exploration Period:</p> <p>PBC First Phase (Phase 1): Within the Year following the Effective Date of the Agreement, with the PBC Project.</p> <p>PBC Second Phase (Phase II) and the eventual Subsequent Exploration Program. Update of the Characterization* with the respective PBC.</p> <p>*The update must be carried out every five (5) years.</p> <p>Evaluation Program - PEV:</p>





		<p>except if 5 years have elapsed since the presentation made for the PBC of the exploration phase that is the source of the Evaluation Program and its commencement.</p>	<p>Within three (3) Months following the date of presentation of the PEV to the ANH, if it meets the exception set out in the note of the "Description/Deliverable" column.</p> <p><u>Production Period:</u></p> <p>Within four (4) Months following the date of the Declaration of Commerciality of each Commercial Field.</p> <p>The Characterization must be updated every five (5) Years.</p>
2.	<p>Presentation of the PBC Project to the ANH.</p>	<p>Description: PBC project that the Contractor must submit for approval of the ANH, with its annexes.</p> <p>Deliverable:</p> <p>General PBC proposal containing:</p> <ul style="list-style-type: none"> • Name of the Program. • Purpose. • Justification. • Description of the Methodology for defining the PBC. • Projects and/or Activities that make up the PBC with its respective description and components. • Geographical location of each. • Qualitative description and quantification of the beneficiary population. • Goals and Indicators of Measurement of results from each Project or Activity. • Total term for execution and for each Project or Activity, with their respective Schedules. • Total budget, broken down by Project or Activity, with the details on eventual participants in the case of joint Programs. • Communication Plan with the respective strategy to address Petitions, Grievances and Claims (PQR for its acronym in Spanish). 	<p><u>Exploration Period:</u></p> <p>PBC First Phase (Phase 1) Within the Year following the Effective Date.</p> <p>PBC Second Phase (Phase II) and the eventual Subsequent Exploration Program:</p> <p>Within six (6) Months following the date of commencement of the Phase or Program.</p> <p><u>Evaluation Program - PEV:</u></p> <p>Within three (3) Months following the date of presentation of the PEV to the ANH.</p> <p><u>Production Period:</u></p> <p>First PBC: Within four (4) Months following the date of the Declaration of Commerciality of each Commercial Field.</p> <p>Subsequent PBCs:</p>





		<ul style="list-style-type: none"> Measures foreseen for sustainability of each Project or Activity and their components over time. Auditing in the event of Infrastructure Projects. Strategy for measuring the effects or impacts of the PBC. <u>Annexes:</u> Management Document or Map of the risks that could affect the execution of the Program. Supports of the Participation Process carried out with community representatives and local Mayor's offices with jurisdiction in the Area of Interest, including summons, attendance lists, minutes, reports of works and audiovisual records, as the case may be. Report and certification of external audit on the PBC definition stage. <p>Note 1: during the definition of the PBC, the ANH may accompany or monitor as pertinent.</p> <p>Note 2: If during the Evaluation Program the Contractor continues with an approved PBC, it must advise the ANH stating at least:</p> <ul style="list-style-type: none"> Value of investment. Project(s) activity that will be financed with those resources. Update or adjustment of goals and indicators. Term for execution of the updated schedule. Supports evidencing that said decision was agreed on with the community and reported to the local authority. Does not require external audit certification. 	<p>With each Annual Operations Program, the Contractor is to submit updates of the PBC, in accordance with execution progress, including initial forecasts, budget adjustments, and updates of participative and characterization processes (when applicable).</p>
<p>3.</p>	<p>Evaluation and Statement of the ANH</p>	<p>Requirements for Adjustments or Approval.</p>	<p>Within three (3) Months following the submittal of the PBC, the ANH is to assess the Project and reply to the Contractor, either approving it or requiring the</p>





			<p>adjustments to be made.</p> <p><u>Note:</u> should the ANH fail to respond within the term set out in the Annex, the PBC is considered approved in the conditions presented by the Contractor.</p> <p>If dealing with requests for changes to the already approved PBCs, the ANH must make a statement thereon within two (2) Months following the date of presentation of the document that contains the change proposal.</p> <p><u>Note:</u> should the ANH fail to respond within the term set out in the Annex, the PBC is considered approved in the conditions presented by the Contractor.</p>
<p>4.</p>	<p>Execution Monitoring</p>	<p>Presentation of Half-Yearly and Annual Reports containing the execution progress of each Project or Activity, including the economic one, with the respective supports and the Report and supports of activities related to the Communication Plan being developed.</p> <p>Follow-up by the ANH during the execution and/or closing for in-situ verification of progress or fulfillment of the PBCs.</p> <p><u>Note.</u> Any change to the PBC must be submitted for approval by the ANH.</p>	<p>Report of the first Semester of each Calendar year: by 30 August at the latest.</p> <p>Annual Report: by 28 February of the next Year at the latest.</p>





<p>5.</p>	<p>Final Report and Assessment</p>	<p>Final report of execution of the PBC, including economics, with their respective attachments.</p> <p>Certification of investments effectively made, signed by the Statutory Auditor, External Auditor, Internal Auditor or "<i>Controller</i>", and, in their absence, by the Public Accountant responsible for the Contractor Operations or the entity with which it has entered into an agreement or covenant to jointly execute the respective Program for the Benefit of the Communities.</p> <p>Report and certification of external audit on the PBC execution stage.</p> <p>Report on the Assessment of results of the respective Program, according to the indicators set out in the Characterization.</p>	<p>Within three (3) Months following the completion of the respective Community Benefit Program.</p> <p>The ANH must issue a statement regarding the fulfillment of the PBC performed within three (3) Months following the presentation of the Final Report.</p> <p>Note: Should the ANH fail to make a statement within the term set out in the Annex, the execution of the PBC will be considered approved as well as the fulfillment of the obligations for the respective phase, program or stage.</p>
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5.2 Term for execution of the PBCs

The term for execution of the PBCs must be equal to the term for each phase of the Exploration Period, or the term for eventual Subsequent and Evaluation Exploration Programs.

With regard to the Production Period, the execution term shall not exceed the term set out in the schedule (with its updates) approved by the ANH for each PBC.

The Contractor can eventually request the ANH for authorization to extend the term of execution of the PBC, provided that the reasons for not having executed the PBC during the respective phase or period are not attributable to it and it has acted in a diligent manner throughout the definition, approval and execution process of the respective PBC. The extension of the term for executing a PBC shall not constitute an extension of the term for the corresponding phase.

In the event of occurrence of force majeure or third party events that affect the schedule of the PBC and, consequently, its execution term, which were not considered in the risk management document or map of the PBC, the Contractor must update said document or map and submit it to the ANH. This information will be taken into account if it is necessary to extend the term for execution of the PBC.

