

TGI HUMAN RIGHTS DUE DILIGENCE MODEL

**Due diligence process to proactively identify and assess potential
impacts and risks related to respect for human rights**

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TGI HUMAN RIGHTS DUE DILIGENCE MODEL

I. HUMAN RIGHTS MANAGEMENT SYSTEM

Transportadora de Gas Internacional S.A. ESP “TGI SA ESP” has developed a Human Rights Management System (HRM) with the purpose of establishing the actions that framed the Human Rights Management (HRM) in a systematic, articulated, and traceable way, aimed at the continuous improvement of the Company’s performance in this matter.

In this regard, the Management System applies to all areas of TGI S.A ESP, in accordance with the International Bill of Human Rights, the fundamental conventions of the International Labor Organization – ILO, the United Nations Guiding Principles on Business and Human Rights, the United Nations Global Compact, and the OECD Due Diligence Guidance for Responsible Business Conduct. TGI S.A. ESP promotes among its collaborators and contractors the respect for Human Rights, as well as the implementation of good practices within the Company.

Furthermore, within the framework of its relations with other stakeholders, TGI S.A. ESP promotes the respect for Human Rights to minimize or mitigate negative impacts on human rights.

To this end, the following specific objectives of the Human Rights Management System of TGI S.A. ESP. have been established:

1. Define guidelines that direct the internal and external relationship of TGI S.A. ESP and ensure due diligence to verify, address and repair the actual and potential effects identified within the framework or respect for human rights.
2. Strengthen the internal capacities of employees, suppliers, and contractors in human right matters.

3. Identify and assess actual or potential adverse human rights impacts that the company may cause through its direct activities, or that are directly related to operations.

The components of the Human Rights Management System of TGI S.A. ESP. are the following:

1. TGI S.A. ESP Human Rights Policy
2. External Due Diligence in Human Rights: Diagnosis of Management by TGI S.A. ESP (Baseline)
3. Internal Due Diligence Procedure in Human Rights
4. Grievance and Redress Mechanisms
5. Human Rights Promotion
6. Human Rights Management with suppliers and contractors
7. Human Rights attention scheme
8. Resources and capacities for the implementation of the Human Rights Management System Manual
9. Responsible for the Human Rights Management System Manual

Considering the Human Rights Management System (HRM) developed by TGI, this “Human Rights Due Diligence Model” aims to complement and strengthen the processes and procedures to ensure adequate planning, implementation and evaluation of human rights due diligence mechanisms in TGI’s relationship with its main stakeholders, for which the following methodological reference frameworks have been taken as a basis:

- World Bank Environmental and Social Assessment (ESA) Model
- ISO 31000:2018 Risk Management
- Stakeholder relationship management

In this sense, the following is a description of these methodological references, as well as the main components of the “Human Rights Due Diligence Model”.

II. METHODOLOGICAL REFERENCES

❖ World Bank Environmental and Social Assessment (ESA) Model

The World’s Bank Environmental and Social Assessment (ESA) is an indispensable aspect of all projects financed by the Bank and always includes an analysis of risks and impacts to ensure ongoing management through prioritized measures in accordance with their nature and magnitude, and to promote the sustainability of the Project.

In relation with the expected results, the ESA always intends to establish baselines to identify the potential risks and impacts in relation to the World Bank Standards identified as relevant for each Project and that allow configuring the Management Framework, as well as the respective instruments that constitute it and those that complement it as annexes; the Management Framework establishes the measures to manage each of the risks and impacts identified, according to their nature and magnitude, and to the mitigation hierarchy set forth in Standard 1.

Some of the objectives followed with this methodology are the following:

- Describe and identify the activities that set each one of its components in project operations.
- Describe the activities in their pre-construction, construction, operation, and maintenance stages.
- Identify the national regulatory framework applicable to the issues addressed by the Project.

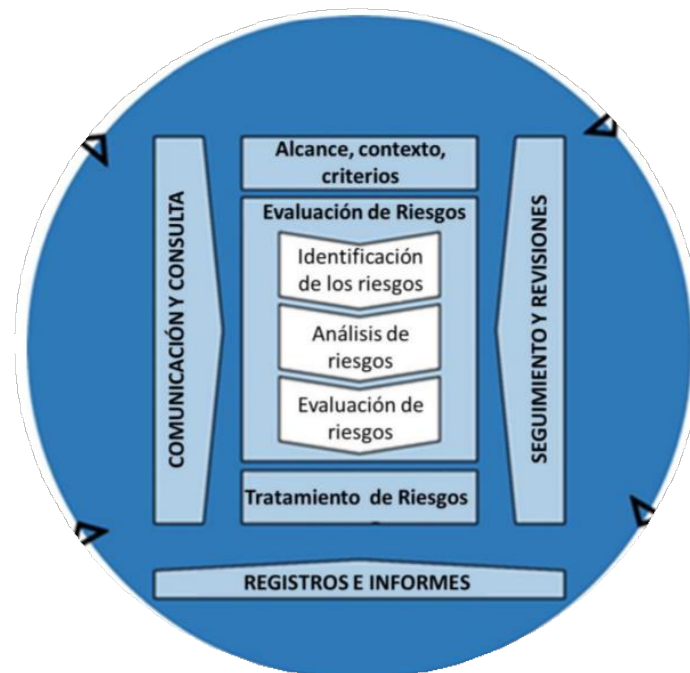
- Establish Environmental and Social Baselines based on the characterization of the environment and social contexts where the Project will be implemented.
- Identify and assess the risks and impacts that may be generated by project activities, in direct relation to each of the Bank's standards and that are relevant to the project.
- Establish risk management and mitigation measures for identified adverse impacts.

❖ ISO 31000:2018 Risk management

“In 2009, the International Organization for Standardization (ISO) developed Standard 31:000 with the aim of addressing Risk Management in a global, non-certifiable way, so that companies would voluntarily adhere to its guidelines. It is a standard that can be applied to any type of organization, regardless of its nature, activity, business scenario or type of product, among other factors. Through a series of guidelines and principles, the standard seeks that each company implements a Risk Management System to reduce the obstacles that prevent the achievement of its objectives, being compatible with each sector”¹. “The risk administration/management process involves the systematic application of policies, procedures, and practices to the activities of communication and consultation, establishment of the context and evaluation, treatment, follow-up, review, records and reporting of risks. This process is illustrated in the following figure”²:

¹ ISO 31000 Standard. The value of risk management in organizations. From: www.isotools.org.

² ISO 31000:2018 Standard. Risk Management/ Administration - Guidelines Second Edition 2018:02. P. 10.



COMMUNICATION AND CONSULTATION

MONITORING AND REVIEWS

RECORDS AND REPORTS

Scope, context, criteria

Risk assessment

Risks identification

Risks analysis

Risks assessment

Risk treatment

Source: ISO 31000:2018³.

❖ Stakeholder relationship management

The stakeholders, better known as interest groups, are “individuals or groups on whom the success or failure of corporate activities may have some kind of impact, or who may directly influence the impact on them” Bourne (2013)⁴.

According to Argandoña (2010)⁵ the concept of stakeholders arises as a counterpoint to the dominant thesis that companies exist exclusively to maximize the profits and value of the owners (“shareholder” o “stockholder”).

Kreiner y Kinicki (2004)⁶ defined the concept as: “Any group that has a stake in the organization as providers of resources, users of the organizations’ products (goods or services), producers of the organizations’ outputs, groups where cooperation is essential to the survival of the organization, or those whose lives are significantly affected by the organization”

³ Op.cit.

⁴ Bourne, L. (2013). Gestión de stakeholders. Bogotá: EAN.

⁵ Argandoña, Antonio (2010). ¿Qué quiere decir “gestión de los stakeholders”? IESE Business School. Cátedra “la Caixa” de Responsabilidad Social de la Empresa y Gobierno Corporativo.

⁶ Robert, K., & Kinicki, A. (2004). Organizational Behavior. New York: McGraw Hill (p. 647).

In addition, the ISO 26000 Standard has defined the respect for stakeholder's interests as one of the principles of social responsibility, which is that "an organization should respect, consider, and respond to the interests of individuals or groups that have an interest in any decision or activity of the organization" (ISO, 2010)⁷.

Much has been written on the subject in contemporary literature; however, and essentially, stakeholders management involves the incorporation of ethical, social responsibility and sustainability dimensions in the operation and management of organizations, understanding and taking into account the expectations and interests of the different groups involved or affected (Argandoña 2010)⁸.

In this regard, Van Riel (2012)⁹ points out: "Large corporations have numerous interest groups, many more, in fact, than were recognized just a couple of decades ago. But today, this list also includes self-appointed groups that advocate for certain causes (advocacy groups) attentive to corporate missteps, business partners and contractors; the general media, which nowadays gather an incessant torrent of news; and, of course, the collective power of individuals who communicate through social networks, which can make a small criticism of a company go viral and spread like wildfire. While the company owns its brand promise, we now know that it is the internal and external stakeholders who own a company's most valuable asset: its reputation".

In this way, stakeholders generate a positive or negative influence that impacts not only on the company's operations and decisions, but also on one of its main assets, its reputation.

⁷ International Organization for Standardization ISO (2010). ISO 2600:2010 Standard, Social Responsibility Guidance Standard (official translation). Ginebra.

⁸ Idem Argandoña (2010).

⁹ Van Riel, Cess B.M. (2012). Alinear para ganar. Lid Editorial (p. 21).

Thanks to the rise of social network and the greater level of participation of different population groups in the performance of organizations, the failure to fulfill a promise of value can trigger a viral message about the brand or the reputation of an organization that directly impacts its sustainability and social responsibility strategy.

According to Díaz and Castaño (2015)¹⁰: “Each organization carries out its own identification and characterization of its stakeholders, according to the level of influence and relationship that each stakeholder has with the organization itself. It is common to see that among the main stakeholders are not only shareholders, but also collaborators, costumers and even suppliers of key processes or services for the organization”.

Therefore, stakeholder relationship management has acquired greater importance for sustainability of organizations, and one of the purposes of this consulting process is to establish a communication and information system aimed at stakeholders, mainly external ones.

Thus, stakeholder management is directly related to communication management, the latter being understood as: “the mechanism that allows directing and aligning the organization’s strategy, as well as generating its own cultural identity that allows it to strengthen the human component and consolidate its relationships to achieve business success” Díaz and Castaño (2015)¹¹.

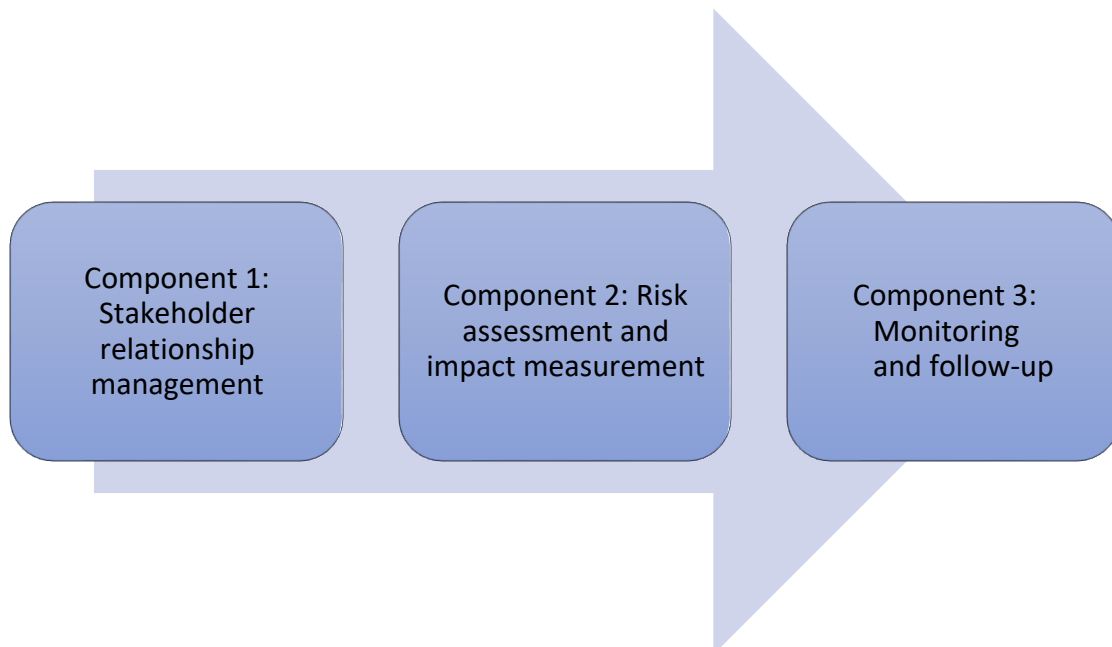
¹⁰ Díaz Cáceres, Nelson & Castaño Quintero, Carlos Andrés. Stakeholders: A Corporate Sustainability Framework. Magazine: Daena: International Journal of Good Conscience. 10(2)94-108. August 2015 (p. 97).

¹¹ Ibidem (pg. 106).

III. HUMAN RIGHTS DUE DILIGENCE MODEL

Considering the Human Rights Management System that the company is implementing, as well as the main methodological references, the following “Human Rights Due Diligence Model” is proposed for TGI S.A. ESP. with the objective of establishing a due diligence process to proactively identify and evaluate the potential impacts and risks related to the respect of Human Rights:

Illustration 1. Human Rights and Due Diligence Model

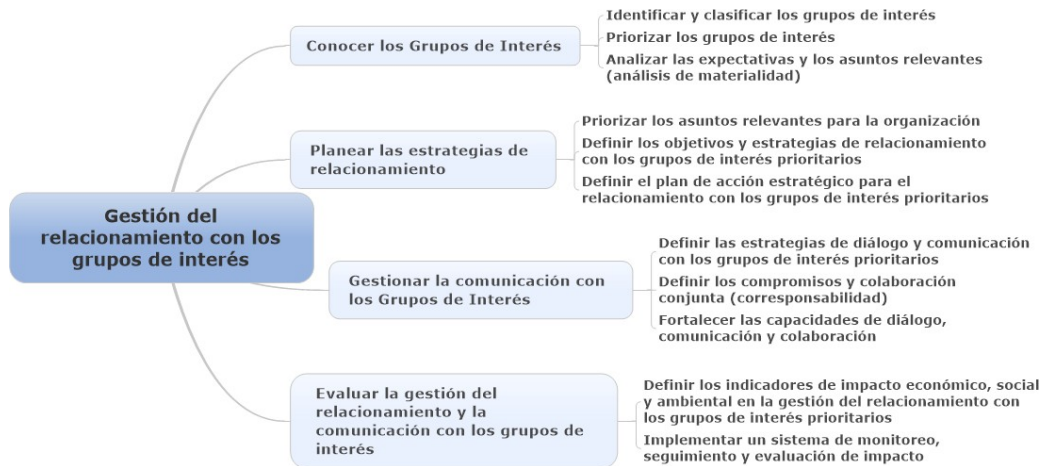


Source: Prepared by the authors.

❖ Component 1: Stakeholder relationship management

In order to carry out an adequate stakeholder relationship management, the consulting team recommends the following process:

Illustration 2. Stakeholder relationship management



Stakeholder relationship management

- Knowing the Stakeholders
 - o Identify and classify stakeholders.
 - o Prioritize stakeholders.
 - o Analyze expectations and relevant issues (materiality analysis).
- Plan relationship strategies
 - o Prioritize relevant issues for the organization.
 - o Define the objectives and strategies for relations with priority stakeholders.
 - o Define the strategic action plan for the relationship with priority stakeholders.
- Manage communication with Stakeholders
 - o Define the strategies for dialogue and communication with stakeholders and priority groups.
 - o Define commitments and collaboration (co-responsibility).
 - o Strengthen dialogue, communication, and collaboration capabilities.
- Evaluate the management of stakeholder relations and communication
 - o Define indicators of economic, social, and environmental impact in the management of relations with priority stakeholders.
 - o Implement a system for monitoring, follow-up, and impact evaluation.

Source: Prepared by the authors based on Castaño et al (2013)¹².

Based on this basic theoretical framework on stakeholder relationship management, the following review of the “Materiality Analysis” process carried out by TGI during this year was performed:

First of all, it is important to mention that such process counted with the development of Code

nine (9) “steps” which are pointed out below:

Illustration 3. Materiality Analysis.

Proceso general



1 Introductory definitions

Objective

Scope

2 Reference frameworks

GRI

SASB

Dow Jones

3 Topic identification

International frameworks

Industry frameworks

Internal documents

Referents

4 Stakeholders identification

Identification

Weighting

5 Dialogues

Workshops

Interviews

Survey

6 Prioritization

Case rating

Matrix development

Relevance cut-off decision

7 Validation

Transformation, Sustainable Development and Communication Teams

TGI Sustainable Development Committee

Presidency Committee

Governance, Sustainability and Compensation Committee

9 Relationship guideline

AA1000

Source: Materiality Analysis TGI 2021. Prepared by with TREEbute.

¹² Castaño, Díaz & Lozano. Manual para la gestión del relacionamiento con los grupos de interés. EAN University. Colección en Gerencia e Innovación Organizacional. Investigation file. 2013.

This process shows that the first phase of identification and prioritization of stakeholders has been addressed, as well as the analysis of priority issues through “dialogue” with the prioritized stakeholders. In this regard, the following prioritized stakeholders are highlighted:

1. Government and control authorities
2. Customers (senders)
3. Collaborators
4. Board of directors
5. Communities and local participants
6. Contractors and suppliers
7. Investors
8. Partners and strategic allies
9. Financial institutions and risk rating agencies
10. Shareholders
11. Guilds and associations
12. Final consumers
13. Media and opinion leaders

It should also be noted that the main “dialogue” strategy was the completion of 251 surveys, along with 11 interviews and 2 workshops.

In this way, taking into account the broad dimension of the stakeholders prioritized for the company, it is recommended to deepen in the specific identification and detailed classification of these large groups, so that relationship strategies can be designed according to the main expectations and relevant issues (materiality) for each group in particular, as well as to expand the strategies and mechanisms of communication and dialogue with these prioritized stakeholders.

Additionally, it is important to highlight that, according to the methodology used for the materiality analysis, the Human Rights issue was catalogued in the area of “Efficient management issues”, which corresponds to the issues that are still considered relevant but that reduced their level of priority in relation to the analysis carried out in previous years.

Regarding this, it is recommended to perform a more specific analysis of the prioritized stakeholders that identified the Human Rights issue as highly important in their relationship with TGI, in order to design, plan, and execute relationship and communication strategies that allow strengthening the dialogue and collaboration capacities with these stakeholders, generate a greater shared value and implement a monitoring, follow-up and evaluation system of TGI's economic, social and environmental impacts.

❖ **Component 2: Risk assessment and impact measurement**

The evaluation of social risks and impacts is performed as one of the most relevant activities of the Human Rights Due Diligence process in TGI.

The evaluation has the purpose of favoring the adequate management of risks and impacts in TGI's operation in the follow-up of business practices, in the evaluation of its results and even in the closing of some projects developed with its stakeholders. In this way, the main purpose of the social risks and impact assessment is to guarantee an effective management of the impacts that may be unfavorable to people and communities, according to their nature and magnitude, and following the hierarchy of risk mitigation in human rights established by TGI.

The objectives of the risk and impacts assessment are:

- Identify risks and potential unfavorable impacts that may be generated in TGI's operation areas,
- Identify unfavorable impacts that alter the good management practices and prevent the adequate development of operations.

In the analysis it is important to estimate whether the impacts are: direct: caused by TGI's operation and arise contemporaneously at the site; indirect: arise later or at a greater distance than the direct impact; or cumulative: added to the impacts of other past, present, and reasonably foreseeable events, as well as unplanned but predictable activities at the operation and could occur later or at a different location. The probability of occurrence of risks and impacts that cannot be measured by relative frequency, i.e., are qualitative, is estimated from the recognition, analysis, and

interpretation of general patterns of social behavior associated with the practices of individuals, communities, and institutions.

Risk-impact is presented as a hypothesis that makes it possible to infer what must be done to prevent, minimize, mitigate, or compensate for an adverse impact, and thus identify management measures in accordance with the nature and magnitude of the adverse impact.

Therefore, it should always be kept in mind that risk is a combination of the probability of occurrence of certain hazards and the severity of the resulting impacts and classifies them into four categories: high, considerable, moderate, and low. Additionally, it is stated that impacts refer to any potential or actual change in: i) the physical, natural or cultural environment, and ii) the surrounding community and workers, as a result of project activity.

Thus, an adverse impact is the alteration of the way in which communities organize themselves to meet their individual and collective needs, or the way they live, work, and relate to each other; it also involves everything that may violate their rights and affect their environmental, social, economic, and cultural contexts. The impact of the beliefs and values that govern and organize the life of the communities is a major impact that is impossible to mitigate or compensate, so that any project activity that could cause this level of impact cannot be carried out. Therefore, adequate impact management will always be the result of the analysis of the context of each territory of intervention and of inclusive and meaningful participation processes that provide information and provide scenarios for consensual decision making.

Aspects of the social risk and impact assessment method:

In order to identify the TGI's risks and impacts on human rights, the analysis of the social contexts, the documents received, and the field work were used as a starting point, additionally, several TGI's managers were consulted about their knowledge, and opinions about the possible risks and impacts that TGI's operations may generate by TGI's operation. The identification of risks and impacts is done by combining the opinion of the consultants and the stakeholders identified at the time of this analysis.

Following the risk classification proposed by the consulting team, the expected impact is defined, as shown in the following table.

Code

Table 1: Impact assessment criteria by level of impact

RISK	IMPACT
High	Significant adverse impacts are generated that are difficult to prevent, minimize or mitigate; consequently, they will only be compensable
Significant or Substantial	The level of complexity is lower and the likelihood of avoiding, minimizing, or mitigating adverse impacts is greater
Moderate	The potential for adverse impacts exists, but they are not significant and can be avoided and minimized
Low	The chances for adverse impacts are minimal, therefore, they can be avoided.

The Probability is the greater or lesser likelihood of a given event occurring. The Probability of Occurrence is defined in four levels as revealed in the following table:

Table 2. Definition of probability of occurrence levels

PROBABILIDAD	DEFINICIÓN
HP	Highly probable
VP	Very probable
L	Likely
U	Unlikely

The combination of the risk classification and probability of occurrence matrices contributes to the impact assessment and guides the priority to be given to the management of each risk/impact.

Table 3. Diagram of probability of occurrence

RISK CLASSIFICATION	RISK PROBABILITY			
	HP	VP	L	U
High				
Significant or substantial				
Moderate				
Low				

Table 4. Matrix of risks and impacts on Human Rights

TITLE						
ACTIVITIES	RISKS	IMPACT	PROBABILITY			
			HP	VP	L	U

❖ Component 3: Monitoring and follow-up

This component describes the follow-up and monitoring system for human rights in relation to the measures proposed from the risk and impact analysis. The Follow-up and Monitoring System is divided into two dimensions. Firstly, monitoring, which implies the observation and collection of information on each activity. Secondly, follow up, the systematic analysis of all the activities for the development of a project, with the purpose of verifying if the planned is being followed. In this way, monitoring guarantees the result, and follow-up evaluates it by highlighting the means used and the intermediate results to validate their congruence with the result expected to be obtained.

Monitoring involves all stakeholders and not only TGI's staff, but it also allows reporting successful practices so that those that are successful can be replicated and those that are wrong can be reviewed. Monitoring as a permanent action in the development of projects, favors the periodic review of the work as a whole.

In this way, the follow-up and monitoring system aims to measure the progress and results of the execution of all TGI's activities in a specific period of time, based on previously determined indicators, in order to verify the extent to which the proposed goals are met in terms of efficiency and effectiveness.

The objectives of the follow-up and monitoring system are:

- Establish the parameters for measuring measures to mitigate risks and impacts on human rights.
- Institute the methods, frequency of measurements and threshold for corrective actions, if applicable.
- Establish follow-up procedures to ensure early detection of conditions that require particular mitigation measures.
- Establish the dynamics of reporting.

The Follow-up and Monitoring System should be configured as a process to which sufficient human, institutional, and economic resources should be allocated for its operation; as a process, it should be expressed in a dynamic working document and should be reviewed periodically to determine whether all the indicators are still relevant, whether the measurement method are still appropriate, and whether new issues have arisen that need to be incorporated. Stakeholder involvement is vital to its successful implementation and legitimacy in the eyes of stakeholders. Although it is an adaptive management process, follow-up and monitoring are based on an understanding of the context in which the company's operations are being implemented. Therefore, strategies must be developed to engage stakeholders and governance must be carefully scrutinized.

On the other hand, a follow-up and monitoring matrix adjusted to the management of social risks and impacts should include the following components for a results-based evaluation.

Illustration 4. Follow-up and monitoring matrix components



Consequently, it is recommended the use of the following format to make the follow-up and monitoring system operational in order to evaluate the results of HR management, formulate, and apply corrective actions, and make available the lessons learned for the proper development of TGI's operations.

Table 5. Follow-up and monitoring matrix

Relevant Standard		
Component		
Subcomponent		
Activities	Activity 1	Activity 2
Risks		
Impact		
Prevention or minimization measures		
Indicator		

Qualitative progress		
Limitations encountered		
Corrective actions adopted		
Report frequency		
Lessons learned		