

## Report on the Functioning of the Board of Directors. March 2007 to March 2008.

### Composition

Ecopetrol's Board of Directors in 2007 was made up of seven members and their respective alternates, who were elected for a two-year period during the General Meeting of Shareholders on March 26, 2007.

Those present at that meeting unanimously elected the following slate proposed by the Ministry of Finance and Public Credit:

#### Principals

#### Alternates

Fabio Echeverri Correa	Roberto Silva Salamanca
Hernán Martínez Torres	Andrés Felipe Arias Leyva
Oscar Iván Zuluaga	Gloria Inés Cortés Arango
Cecilia María Vélez White	Gustavo Gaviria Ángel
Carolina Rentería Rodríguez	María Elena Velásquez Restrepo
Ignacio Sanín Bernal	Julio Andrés Torres García
Oscar A. Baquero Soler	William Escaf Escaf

Cecilia María Vélez resigned on April 26, and her alternate, Gustavo Gaviria Ángel, was designated as her replacement in the extraordinary meeting on May 1. At that same meeting Andrés Escobar Arango was elected as his alternate.

The resignation of Gustavo Gaviria Ángel was accepted during the extraordinary meeting on September 13, and his position is still vacant.

### Attendance

#### Members

	2007	2008
Fabio Echeverri	12/14 sessions	2/3
Hernán Martínez Torres	10/14	2/3
Oscar Iván Zuluaga	10/14	1/3
Gustavo Gaviria Ángel (from May 1 to September 13)	7/9	N/A
Carolina Rentería Rodríguez	10/14	3/3
Ignacio Sanín Bernal	11/14	3/3
Omar A. Baquero Soler	14/14	3/3

#### Alternates

Roberto Silva Salamanca	5/14	2/3
Andrés Felipe Arias Leyva	5/14	0/3
Gloria Inés Cortés A.	13/14	3/3

Andrés Escobar Arango (Appointed May 1)	8/11	3/3
Maria Elena Velásquez Restrepo	12/14	2/3
Julio Andrés Torres García	11/14	2/3
William Escaf Escaf	12/14	2/3

### **Remuneration**

Fees were paid to the members of the Board of Directors during this reporting period in the amount of \$133,650,000.00 including ordinary meetings in person or via teleconferencing, extraordinary meetings, and committee sessions.

The fees paid to each one of the members of the Ecopetrol Board of Directors for each meeting were equivalent to one day of the Company President's salary, expressed in terms of the minimum legal monthly salary in force. The same salary was paid to the Board members who participated in each one of the meetings of that directive body's internal committees.

The payment for ordinary and extraordinary meetings held in person was \$900,000 less withholding. The payment for a teleconferencing session was half of that amount. This remuneration was made as per the provisions of Resolutions No. 2128 of August 9, 2004 and 928 of April 27, 2006 by the Ministry of Finance and Public Credit.

Of the 14 board members during 2007 (seven principals and seven alternates), three waived the fees owed them.

### **Operations**

In its meeting on December 1, 2006, the Board approved the schedule for ordinary meetings for the following year. The schedule was followed, for a total of 18 meetings, 11 ordinary and 6 extraordinary (one of them via teleconferencing) all held in the company's headquarters in Bogotá, Capital District.

The meetings listed on the work schedule dated December 2006 were each confirmed by means of a fax sent two weeks before the date of the meeting. The Board Secretary sent documents related to the issues to be discussed in each meeting and any additional information requested by the Board members via e-mail a week before the meeting.

Quorum was verified for each meeting as established in the corporate bylaws (5 of the 7 Board members) and those present then approved the respective meeting agenda previously sent to the Board Members. The minutes for the prior board meeting were also approved.

The Board Meeting Minutes are kept in consecutive order in a book registered with the Bogotá Chamber of Commerce, and that book is kept in a file in the Department for Support to the Office of the President and the Board of Directors at Ecopetrol.

The average meeting time was 6 hours and the agenda was always followed relative to follow-up on commitments made in prior meetings, issues brought to the table by the Board Members and the company President, approvals, and informative reports.

Fabio Echeverri was the President of the Board of Directors as of the cut off date for this report. Since he was absent from the meeting on September 25, 2007, the body elected a President from the members in attendance to perform the functions of the President in that meeting.

### **Committees**

In addition to approving business strategy, the budget for each fiscal period, investment projects, and changes in the company's organizational structure, the Board analyzed and made decisions on the issues placed at its consideration by its internal committees.

Those committees were created in 2005 when a diagnosis of Corporate Governance was made at Ecopetrol and the Good Governance Code was written and published.

The **Audit Committee** met five times during the year, one of them via teleconference. It followed-up on the following issues, among others: The Improvement Plan agreed on with the General Controller's Office, comments and recommendations from the Independent Auditor on the financial statements at December 31, 2006, and actions taken by the company after the environmental audit in 2004 of what was then called the Industrial Complex Management in Barrancabermeja (GCB for the Spanish). The committee also coordinated the installation of the system for the prevention of asset laundering and studied the results of the market analysis done to hire Ecopetrol's independent audit service for the April 2007 - April 2008 period. As of the cut off date for this report, the committee was made up of María Elena Velásquez and Julio Andrés Torres.

The **Corporate Governance Committee** met three times. It analyzed and approved the Corporate Governance Report 2006, the Corporate Social Responsibility Model (CSR) with its indicators, the updates to the Good Governance Code based on the best business practices observed in the company's sector, and the change in the legal nature of Ecopetrol and the resulting reform of its corporate bylaws. This committee also studied and recommended approval of the new evaluation system for the Board of Directors and followed-up on the performance agreement for the Company President. Ignacio Sanín and Gustavo Gaviria were the members of this committee until Gustavo Gaviria resigned, who was replaced on the committee by Gloria Inés Cortés.

The **Compensation and Nomination Committee** met five times. It analyzed and approved the new compensation policy and its implementation strategy, the variable compensation policy, the key talent retention plan, the employment situation of the temporary workers at what was then the Barrancabermeja Industrial Complex, and the change in the legal structure of the position of the company President and his remuneration, among others. The committee was made up of Roberto Silva and Hernán Martínez.

Moreover, and separate from the mentioned committees, the Board decided to appoint a **Business Committee**, which began operating during the second half of 2007, initially to study in great detail the exploration and production businesses underway that require an urgent decision. It was later formalized as a five-member committee that may take action with a minimum attendance of three members. During its first semester of work and to the date of this report the members of the committee were María Elena Velásquez, Hernán Martínez Torres, Andrés Escobar Arango, Gloria Inés Cortés, and Julio Andrés Torres García.

The regulations for these four Committees (modifications and updates for the first three, and newly issued regulations for the Business Committee) were approved in the meeting on December 7, 2007.

#### **Self-evaluation by the Board**

On February 1, 2008, the members of the Board of Directors measured their performance for the prior year, using a qualitative self-evaluation. The 13 members on the Board at that time participated.

The self-evaluation form includes 26 statements that describe desirable behavior for Board Members and the Board as a body.

On average, 91% of the Board Members stated that the desirable behavior described on the questionnaire was can be seen on the Board. In other words, 12 of 13 members on average marked 'Agree' or 'Totally Agree' next to each respective statement. Details on the results of this evaluation can be found in Attachment 1.

To optimize the performance of the Board of Directors, it was proposed that it work together with the management to improve the efficiency of the meetings and emphasize strategic issues. To that end, activities will be carried out such as the evaluation of the effectiveness of the Board Meetings. The agenda will include workshops focused on strategic review. The induction plan will be followed, and the management, synthesis, and clarity of the documents prepared for the Directors' work in each meeting will be reinforced.

## ATTACHMENT 1. RESULTS OF THE BOARD SELF-EVALUATION 2007

N°	SITUATION TO EVALUATE	Totally Agree	Agree.	Undecided	Disagree	Totally Disagree	No Response
<b>GENERAL ASPECTS</b>							
1	Is the Board committed to the company?	9	4	0	0	0	0
2	Has the Board criticized, questioned, and approved the corporate strategy for managing the company?	4	8	1	0	0	0
3	Does the Board, through the company management, ensure good operational performance?	5	8	0	0	0	0
4	Does the Board focus the President's management and leadership toward the company's strategic objectives?	6	4	2	0	0	1
5	Is the Board informed about the competitiveness indicators, including client satisfaction?	6	5	1	1	0	0
6	Are the members of the Board of Directors autonomous in their dealings with the company's affairs?	10	1	2	0	0	0
7	Is the Board self-critical of its own performance?	5	2	5	0	0	1
<b>INDIVIDUAL PARTICIPATION AS MEMBERS OF THE BOARD OF DIRECTORS</b>							
8	Do I have sufficient knowledge of ECOPETROL's businesses?	5	8	0	0	0	0
9	Do I invest the necessary time, before and after meetings, to study the information provided?	6	4	2	1	0	0
10	Am I faithful to attend the meetings?	8	4	0	1	0	0
11	Do I participate and contribute to the discussions during and outside of the Board meetings?	8	5	0	0	0	0
12	Do I have enough information to properly fulfill my functions?	8	5	0	0	0	0
13	Do I act independently of the management?	10	3	0	0	0	0
14	Do I know and apply the Good Governance Code to my actions?	9	3	1	0	0	0
<b>PERFORMANCE AND PARTICIPATION OF MANAGEMENT IN THE BOARD MEETINGS</b>							
15	Does its presence at meetings enrich the analysis and decision-making?	9	4	0	0	0	0
16	Are issues dealt with in-depth, completely, and with the required knowledge?	9	4	0	0	0	0
17	Are the issues presented clearly and concisely?	7	4	1	1	0	0
18	Do the audiovisual aids facilitate understanding of the issues?	9	3	1	0	0	0
19	Does management intervene in a relevant manner with contributions that help develop the analysis?	8	5	0	0	0	0
20	Does its participation contribute to the efficiency of the meetings?	8	5	0	0	0	0
<b>CONTRIBUTIONS BY THE BOARD</b>							
21	Does the Board stimulate a culture that promotes open communication and rigorous decision-making?	6	7	0	0	0	0
22	Do the Board members and the managers work together to promote constructive interaction and a healthy atmosphere of mutual benefit?	7	5	1	0	0	0
23	Does the Board focus on activities that will help the company maximize the shareholders' value?	8	5	0	0	0	0
24	Do the Board members study and understand the relevant information in order to use their time effectively and make well-founded decisions?	3	6	4	0	0	0
25	Does the entire Board agree and approve actions to lead areas of the company toward improvement?	8	3	2	0	0	0
26	Does the Board define action plans with specific timelines for the implementation of its recommendations and monitoring progress?	5	7	1	0	0	0

## ATTACHMENT 1. RESULTS OF THE BOARD SELF-EVALUATION 2007

N°	SITUATION TO EVALUATE	Totally Agree	Agree.	Undecided	Disagree	Totally Disagree	No Response
<b>GENERAL ASPECTS</b>							
1	Is the Board committed to the company?	69%	31%	0%	0%	0%	0%
2	Has the Board criticized, questioned, and approved the corporate strategy for managing the company?	31%	62%	8%	0%	0%	0%
3	Does the Board, through the company management, ensure good operational performance?	38%	62%	0%	0%	0%	0%
4	Does the Board focus the President's management and leadership toward the company's strategic objectives?	46%	31%	15%	0%	0%	8%
5	Is the Board informed about the competitiveness indicators, including client satisfaction?	46%	38%	8%	8%	0%	0%
6	Are the members of the Board of Directors autonomous in their dealings with the company's affairs?	77%	8%	15%	0%	0%	0%
7	Is the Board self-critical of its own performance?	38%	15%	38%	0%	0%	8%
<b>INDIVIDUAL PARTICIPATION AS MEMBERS OF THE BOARD OF DIRECTORS</b>							
8	Do I have sufficient knowledge of ECOPETROL's businesses?	38%	62%	0%	0%	0%	0%
9	Do I invest the necessary time, before and after meetings, to study the information provided?	46%	31%	15%	8%	0%	0%
10	Am I faithful to attend the meetings?	62%	31%	0%	8%	0%	0%
11	Do I participate and contribute to the discussions during and outside of the Board meetings?	62%	38%	0%	0%	0%	0%
12	Do I have enough information to properly fulfill my functions?	62%	38%	0%	0%	0%	0%
13	Do I act independently of the management?	77%	23%	0%	0%	0%	0%
14	Do I know and apply the Good Governance Code to my actions?	69%	23%	8%	0%	0%	0%
<b>PERFORMANCE AND PARTICIPATION OF MANAGEMENT IN THE BOARD MEETINGS</b>							
15	Does its presence at meetings enrich the analysis and decision-making?	69%	31%	0%	0%	0%	0%
16	Are issues dealt with in-depth, completely, and with the required knowledge?	69%	31%	0%	0%	0%	0%
17	Are the issues presented clearly and concisely?	54%	31%	8%	8%	0%	0%
18	Do the audiovisual aids facilitate understanding of the issues?	69%	23%	8%	0%	0%	0%
19	Does management intervene in a relevant manner with contributions that help develop the analysis?	62%	38%	0%	0%	0%	0%
20	Does its participation contribute to the efficiency of the meetings?	62%	38%	0%	0%	0%	0%
<b>CONTRIBUTIONS BY THE BOARD</b>							
21	Does the Board stimulate a culture that promotes open communication and rigorous decision-making?	38%	54%	0%	0%	0%	8%
22	Do the Board members and the managers work together to promote constructive interaction and a healthy atmosphere of mutual benefit?	46%	38%	8%	0%	0%	8%
23	Does the Board focus on activities that will help the company maximize the shareholders' value?	62%	31%	0%	0%	0%	8%
24	Do the Board members study and understand the relevant information in order to use their time effectively and make well-founded decisions?	15%	46%	31%	0%	0%	8%
25	Does the entire Board agree and approve actions to lead areas of the company toward improvement?	54%	23%	15%	0%	0%	8%
26	Does the Board define action plans with specific timelines for the implementation of its recommendations and monitoring progress?	31%	54%	8%	0%	0%	8%