

November 11, 2016

Ms. Karen Keenan
Director, Above Ground
280 Albert Street, Suite 100
Ottawa, Ontario
Canada
K1P 5G8

Dear Ms. Keenan,

Following EDC's initial response of October 11, 2016 and various e-mail exchanges with our Corporate Social Responsibility (CSR) group, I am pleased to follow up with a more detailed response to your letter dated September 21, 2016 regarding companies operating in the oil and gas sector in Colombia as it relates to Fédération International des Droit Humain's (FIDH) report *The Human Cost of Oil*.

EDC's President and CEO, Benoit Daignault, has referred your correspondence to me given my responsibilities as Senior Vice-President of Corporate Affairs, through which I am responsible for EDC's CSR function. As I am relatively new to this role, I welcome this opportunity to reach out to Above Ground and to engage directly with you.

In responding to Above Ground's letter, we have sought clarification from Pacific Exploration & Production (Pacific E&P) about the concerns that you have raised. Specifically, EDC asked Pacific E&P to expand upon its policies and procedures, and more importantly, its environmental and human rights practices. In addition, EDC has sought, where applicable or available, third-party insight for a broader look at the socio-economic trends in Colombia and how they may connect with the extractive sector.

I would also like to clarify that EDC has not financed specific operations in the municipality of Puerto Gaitan. Instead, our financings for Ecopetrol and for Pacific E&P were for general corporate facilities. Regardless, prior to entering into a financing agreement, EDC does review social and environmental risks, and we take these into consideration in our decision to provide financing.

Above Ground's letter outlines four questions for EDC, which are specific to the operations of Pacific E&P and Ecopetrol. As I believe our CSR team has advised Above Ground over the years, EDC is legally bound to maintain the confidentiality of our customer information.

We appreciate you raising the questions and issues that you have. And, we recognize an opportunity to be as transparent as possible, while still respecting our legal obligations. In this regard, it can be challenging for us to directly answer your questions – given that the information you are seeking relates to customer information. In fact, one of the most effective solutions to this challenge is for Above Ground to engage with Pacific E&P directly on the issues raised by FIDH.

I appreciate that it has been a number of weeks since we first received your letter. The reason for our delay in replying is due to our desire to be as transparent as possible in our reply to your concerns. Specifically, we have taken the past few weeks to review your concerns in detail with Pacific E&P. We have also confirmed with them that they would welcome the opportunity to meet with both Above Ground and FIDH. If such a meeting were to be of interest to your organization, it would provide an opportunity for your questions to be answered in a much more direct way.

In the interim, and with the consent of our customer, we have taken the additional step of attaching a document from Pacific E&P that provides a point-by-point response to the concerns raised in your letter.

On the EDC end, while we are unable to answer your questions directly in respect of EDC's loans to Ecopetrol and Pacific Rubiales (given the constraints referenced above), we are able to provide insight into the process that EDC follows for all of our general corporate financing transactions.

- 1. Was EDC aware of these risks when it approved financing for Ecopetrol and Pacific Rubiales? How did EDC evaluate Ecopetrol and Pacific Rubiales' due diligence procedures to prevent, mitigate and remedy past, actual and/or potential negative human rights and environmental impacts linked to oil extraction in the Quifa and Rubiales oil field?**

Prior to providing general corporate financing for any company, EDC undertakes a thorough review of the borrower's organizational CSR practices. EDC will only agree to provide financing where it finds that the company has well-designed CSR policies and practices and is committed to them.

Companies that work in regions with heightened CSR risks are also asked to demonstrate to EDC that they have the policies, practices, and systems necessary to manage situations specific to their sector in that country.

EDC also seeks a deeper understanding of the company's implementation plans as a measure of how a company will handle potential situations that could arise. In this regard, EDC is looking for indicators like adopting the Voluntary Principles for Security and Human Rights (VPSHR) and the UN Guiding Principles on Business and Human Rights, and how a company puts those commitments into practice.

2. What if any assurances were made to EDC by Ecopetrol and Pacific Rubiales regarding prevention, mitigation and remediation of human rights abuse and environmental harm?

Again, EDC will only support companies if it is confident they have systems in place to help prevent, mitigate, and remediate potential harm. EDC also looks for evidence of third-party monitoring or certification of practice, such as compliance with ISO standards and auditing against the VPSHRs.

3. What measures has EDC taken, or will it take, in light of the information contained in the attached report?

Since receiving Above Ground's letter and the FIDH report, EDC has undertaken a thorough analysis to examine the information provided, including:

- seeking clarification and more information from Pacific E&P about the specific information and how they responded
- reviewing these responses against CSR commitments made by Pacific E&P, and
- reviewing a number of third party opinions such as Colombian court decisions and ILO investigation results on some of the labour complaints identified in FIDH's report.

4. What measures has EDC taken, or will it take, in light of information regarding recent death threats against community leaders who are critical of EDC's clients' operations?

We strongly recommend to Above Ground or FIDH that any information they may have regarding death threats be provided to the proper authorities in Colombia, as well as to the Canadian Embassy in Bogota.

We appreciate that your organization may have a different perspective on FIDH's report. I would like to reiterate that Pacific E&P has advised us that they would be willing to meet with both Above Ground and FIDH, over and above the numerous meetings that the company has already had with FIDH. In addition, I understand that our CSR group has also extended an invitation to Above Ground to meet in person. This may provide a more meaningful opportunity for you to expand upon your concerns and discuss some of the issues raised in FIDH's report.

On a personal note, I would appreciate the opportunity to learn more about Above Ground and its mission, with a view to perhaps finding areas of common ground where we might work together in promoting good CSR practices within the Canadian business community, and particularly as Canadian businesses engage in international opportunities.

Sincerely,

A handwritten signature in blue ink, appearing to read "Catherine Decarie".

Catherine Decarie
Senior Vice-President
Corporate Affairs
Export Development Canada

c.c. Antoine Bernard, FIDH
Jomary Liz Ortegón Osorio, CCAJAR
Neil Martin, PASO International
Benoit Daignault, EDC
Alejandro Jimenez Ramirez, Pacific E&P

APPENDIX

The following responses were provided by Pacific E&P (sometimes referred to as the company or the Company) about their policies and systems and how they were used in its operations in Colombia, and specifically as they appear in Above Ground's letter.

Above Ground statements about indigenous rights:

- *On 16 December 2015, the Colombian Constitutional Court ordered that Pacific E&P immediately suspend activities in part of the Quifa block. The court found that the Sikuani indigenous people, whose territory is affected by the company's operations, were not adequately consulted about the company's activity and its potential impact, in violation of their fundamental rights.*
- *In addition, the investigation found that other consultations involving affected indigenous communities did not include the participation of the Ombudsman's Office or the Inspector General's Office, in contravention of legal requirements.*

Pacific E&P responses:

- Following the court's ruling to suspend operations until prior consultation was conducted, Pacific E&P suspended until a prior consultation process was conducted with the indigenous community.
- Pacific E&P further noted that the pre-requisite to prior consultation in Colombia is the certification of the presence of indigenous communities by the Ministry of Interior within the area to be licensed. At the time the license was issued, this condition was not met as the Sikuani people were significantly removed from the area covered by the license.
- Additionally, Pacific E&P notes the Court's decision to compensate activities within a 2 km buffer outside of indigenous territory was unprecedented and so could not have been anticipated by Pacific E&P.
- In compliance to the Court's mandate, the Pacific E&P carried out the consultation process with the Vencedor Piriri community during March-April 2016 accompanied by governmental institutions. After reaching an agreement to compensate the activities described in the ruling, the Company notified the Court of its compliance and operations were reestablished.
- Towards the end of June 2016, Pacific E&P conducted a series of meetings with Vencedor Piriri to define compensation projects through the scope of the community's life plan. To date, it has executed one third of the agreed compensation in a cattle productive project that will further advance the regional agricultural vocation and improve the social and economic situation of these indigenous communities. Pacific E&P notes that these agreements and its overall activities are subject to recurrent revisions by authorities.
- Pacific E&P undertakes its Free Prior Informed Consent (FPIC) process in the following manner:
 - The Company carries out a series of stages through which it aims to achieve FPIC. These are: preconsultation, opening, analysis and determination of impacts, formulation of agreements, protocolization, follow up agreements and closure of the process. In the preconsultation process the company receives a "green light" from the community to intervene. If so, the next stages

take place.

- Thereby the Company's primary evidence of FPIC is actually having moved from the preconsultation stage forward and in the case of T-764 towards the follow up of agreements reached in the protocolization stage. Had the Company failed to reach an agreement to enter the territory, it would have returned the block as it did in the case of block 137 in Peru.
- The minutes of the meetings are available upon request at the Ministry Interior which is the entity in charge of managing the public register regarding the latter.
- The Company also carries out a voluntary social investment plan with Vencedor Piriri, this year it focused mainly on expanding agricultural practices and helping the community with food packages to help insure nutritional security.
- All of the aforementioned is without prejudice of the constant and direct stakeholder engagement which we carry out with this community alongside our specialized on field team. The relationship with the Vencedor Piriri community has been very positive regardless of the constitutional injunction.
- Pacific E&P reports that prior consultation meetings are scheduled by the Ministry of Interior with enough time to allow institutions to arrange their agendas and assist. Amongst the organizations invited were the Inspector General, the Ombudsman, the People's Defender, and the Secretary of Indigenous Affairs (municipal). On several occasions, these organizations either declined participation or failed to answer. Pacific E&P reports that Colombian law requires that these parties be invited to participate, but that their presence is not a requirement. Having said that, Pacific E&P reports that the Secretary of Indigenous Affairs of the Puerto Gaitan municipality did attend meetings. Additionally, in follow up consultation meetings, the Company reports that the Regional government of the Meta Department sent a representative, as did the People's defense.

Above Ground statements about the environment

- *Data collected in 2015 reveals that the volume of wastewater discharged by Pacific E&P into the Rubiales creek was 47% in excess of that authorized in the company's environmental licenses.*
- *Between April 2013 and May 2016, the National Seismological Network and the Colombia Geological Service recorded 976 earthquakes in the area. This unprecedented seismic activity coincides with an increase in oil production and water reinjection in the Quifa and Rubiales fields. Neither the state nor the companies involved assessed the risk of increased seismic activity related to water reinjection prior to beginning oil operations.*
- *People who reside within the Rubiales and Quifa fields report a decrease in available ground water, which they link to wastewater reinjection. Eighty percent of the 238 residents surveyed also report that local sources of water became polluted after oil extraction began. Almost 50% of interviewees indicated that water pollution has affected their daily water consumption.*

Pacific E&P responses:

- Pacific E&P reports that wastewater measurement related to the extractive sector is monitored by the ANLA, Colombia's environmental authority. Accordingly, the ANLA carries out a

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minimum of two random audits per year and visits to the company's operations verifying the compliance of the license requirements. These monitoring processes are performed by a certified third party and its results are communicated to the ANLA in the Informe de Cumplimiento Ambiental (ICA), biannually, in addition to the Company's regular data recollection. The last visit was in April 2016. In all audits, the company met all compliance requirements.

- Pacific E&P reports that they have followed the seismic activity very closely. In 2013, Pacific E&P invested in the installation of seismographs operated by an independent third party in the Rubiales field currently operated by Ecopetrol to gather data and shared the same with the Colombian Geological Service. The company confirms that the activity was micro-seismic in nature, never exceeding level 3 on the Richter scale, which would have little or no effects above ground. More recently, the seismic monitoring found a significant reduction in activity since 2015. The Company continues to monitor the activity and remains committed to reporting the information to the Colombian authorities. However, Pacific E&P is no longer the operator of the Rubiales field as of June 30, 2016. Pacific E&P notes that Colectivo Alvear and FIDH have filed a lawsuit against the Company regarding this issue, representing an appropriate mechanism for assessing the allegation.
- On page 53 and 54 of our 2015 Sustainability Report, we discuss water stress (scarcity) in all of our blocks in line with IDEAM standards (Hydrology, meteorology, and environmental studies agency). As the map shows, both Rubiales and Quifa have low water stress and company monitoring shows no contamination of existing sources. In line with GRI reporting standards, in this same report on page 53, we include all our water usage by source. Between 2014 and 2015, superficial water usage was reduced in 11% from 322 K cubic meters to 283K. Underground water source usage went from over one million cubic meters to 738K, reducing in over 26 % in just one year. We monitor its quality very closely.

Above Ground statements about labor rights:

- *Interviews and documentary research confirm the use of illegal outsourcing. Over seventy percent of workers surveyed (92% of whom were subcontracted) undertook operations that the authors of the report qualify as "core permanent activities," applying criteria established in Colombian legislation and jurisprudence, and employed by the International Labour Organization.*
- *Roughly 80% of personnel surveyed reported that their employers discourage free and voluntary union membership, and expressed fear of retaliation were they to join the USO union.*
- *Analysis by the ESN (Escuela Sindical Nacional) reveals that contracts between Pacific E&P, subcontracting firms and the UTEN union contravene national and 4 international standards with regard to freedom of association and the right to collective bargaining.*

Pacific E&P responses:

- The Company reports that it is compliant with ILO requirements in this case, noting the important distinction between subcontracted workers and temporary companies. The former pertains to those that work for contractors hired by the company to carry out specific a service. The latter are used by the company to carry out temporary activities related to the core

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Exploration and Production activities. The company notes that both are also legal under Colombian legislation. Having reviewed the base of current contractors, the Company reports that it has less than 60 temporarily affiliated workers to date, most of which are addressing catering and transportation needs, or supporting specific activities necessary for a phase of the business that is not recurrent.

- Pacific E&P noted that it only hires legally constituted companies whose management, economic and technical activities are independent and autonomous.
- Pacific E&P works to guarantee these rights by regularly carrying out meetings with contractors and employees where policies and procedures, including the right to freely associate and bargain collectively, are reviewed. The Company reports that the majority of its employees are affiliated to UTEN and that while it has not been able to reach an agreement with the minority of employees that belong to USO, it is currently leveraging the arbitration process with the Ministry of Labor to resolve their disagreements.
- In addition, the Company requires that contractors sign a labor annex in which they agree to comply with all our labor standards, including freedom of association.
- Referring specifically to the UTEN-Meta Petroleum monitoring contract, the Company reports that it monitors working conditions and provides anonymous mechanisms through which complaints regarding any violations of the union agreements can be brought to the Company's attention. It is a mechanism for the company to guarantee compliance, and is designed to support local or international legislation.

Above Ground statements about human rights:

- *Allegations involving the victimization of Pacific E&P and its subsidiaries are efficiently investigated by public law enforcement authorities. Those related to allegations of murder and physical aggression against demonstrators by public security forces languish.*
- *Illegal intelligence-gathering activity, including surveillance, by private security companies and Pacific E&P intimidated union leaders and hindered the free movement of trade unionists, community leaders and local residents.*
- *Opaque cooperation agreements exist between oil companies (Pacific E&P and Ecopetrol) and the public prosecutor's office, the national police and various units of the public security forces. One such agreement formalizes collaboration between Ecopetrol and the public prosecutor's office in the investigation of criminal offences linked to the oil industry. In addition, Pacific E&P provided US\$58 million to Colombian national security forces between 2009 and 2015.*

Pacific E&P responses:

- Pacific E&P, along with 28 other companies from around the world, is a signatory to the Voluntary Principles on Security and Human Rights (VPSHR). This commitment involves annual audits and monitoring to ensure compliance to the requirement involving security operations and the expectations of respecting and promoting human rights.

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- The Company also reports that its VPSHR commitments have been recognized as effective by the Mining and Energy Committee (Comite Minero Energetico) and Guías Colombia. The Company has also made publicly available its Declaration of Human Rights. The company reports that it has a number of grievance mechanisms to ensure that if a right is infringed upon, there are mechanisms in place to report them confidentially.
- In addition, the Company reports that it has cooperated in any and all matters pertaining to its actions and has publicly denounced that certain unions or activists engage in intimidating behavior in pursuance of their agendas. When union members are within the company's installations, it provides safe spaces to discuss their agendas.

The Company reports that complaints to the restriction on the free locomotion or organization and mobilization of workers have been formally received in courts of law and ruled upon. The Company reports that these rulings did not support the complainant's positions, nor did those of the Ministry of Labor and ILO judgments. The Company further reports that the only restriction the company imposes to enter the field is to comply with measures of health and safety. Having said that, the Company reports that Campo Rubiales and Quifa field are areas of 55.000 hectares and has 171,000 hectares, respectively, which are mostly open fields with free movement of personnel and people.

- The Company reports that the issue of union persecution has been reviewed by the Ministry of Labor, the resolutions of which did not support the credibility of the accusations.
- The areas in which the Company operates were traditional guerilla or paramilitary group controlled territories. The Company reports that when the Government provides a license to operate in these areas, it encourages state protection in order to enter and exit the areas safely. However, on many occasions the state lacks capacity to carry out these activities at the pace the company requires them, which is why working agreements are created. These agreements are focused upon covering the Government's costs for the movement and shelter of public forces to these remote areas. The Company reports that these working agreements are publically available by request through the Ministry of Defense and Ecopetrol.

