

CASE STUDY

## LRN Helps Promigas Strengthen its Position as One of Latin America's Leaders and a Vanguard in the Energy Industry in Corporate Governance and Ethics

For Promigas, Shared Values and Ethical Culture are the Source of Performance, Reputation, and Differentiation

### COMPANY PROFILE



**PROMIGAS**

TYPE OF COMPANY: LISTED

TOTAL REVENUE: \$4.8 BILLION COLOMBIAN PESOS

SECTOR: ENERGY

SIZE: 3,000 EMPLOYEES

HEADQUARTERS: BARRANQUILLA, COLUMBIA

Promigas is one of the oldest companies in the natural gas sector in Latin America with 45 years of experience providing mass access to natural gas in Colombia. Promigas develops energy markets in Colombia and Latin America focusing on its transmission and distribution businesses dedicated to natural gas transmission; integrated solutions for the industry and power generation; natural gas and electrical power distribution.



## THE CHALLENGE:

### Promigas Sought a Partner to Proactively Strengthen and Measure Its Ethical Culture

Promigas has become an exemplar for ethical business in Latin America.

Whereas other organizations seek to operationalize ethics and compliance after a scandal or based on regulatory guidance, Promigas has long differentiated itself by proactively developing its ethical culture as a critical area of differentiation. Central to its approach, over the years, has been an effort to align its workforce to embrace its corporate values as the basis for how the company operates, governs, and leads.

Promigas CEO Eric Flesch describes the company's commitment this way: "The way we perform, the way we think, and the way we make decisions is not just a theory in a PowerPoint, it's part of our DNA."

Maintaining and strengthening this reputation for responsible business, therefore, is a matter of strategic importance to the organization.

In 2014, Promigas sought to deepen its investments and become even more rigorous in the management of its

ethical culture. The company realized that to further operationalize its efforts, it needed:

- An ongoing measurement system for its culture
- New data and metrics that would allow for deeper insights
- A trusted partner to help design strategies to reinforce cultural strengths, address emerging and mitigate ethics and compliance risks, and scale its cultural aspirations to every employee in every location and in relevant and impactful ways.

"Promigas' conviction and belief that business ethics is the single most source of its long-term sustainability and success," according to Promigas' Chief Risk and Compliance Officer Jimena Arango, is what drove the company to select LRN as its partner to help better measure, track, and strengthen its culture and inspire more employees to embrace its values, culture, and ways of conducting business.

*"The way we perform, the way we think, and the way we make decisions is not just a theory in a PowerPoint, it's part of our DNA."*

– Promigas CEO Eric Flesch

## THE SOLUTION:

### Promigas Becomes Even More Rigorous in the Management of Its Ethical Culture through the Partnership with LRN

In 2014, LRN began working with Promigas by helping to measure and shape their ethical culture. Since then, there have been two central tenets of the partnership:

1. The ongoing assessment and fostering of a strong, ethical corporate culture, and
2. Training colleagues to embrace Promigas' values, code of conduct, and ethical standards.

#### LRN works with Promigas to assess and foster its strong ethical culture

As the old business adage goes, you can't manage what you can't measure. LRN's work with Promigas began with the design of an ethical culture assessment that has become the benchmark for its ethical culture.

The first assessment, back in 2014, enabled the company to establish a realistic and data-driven view of what was

happening in its culture – from demonstrated levels of trust and transparency to the extent to which people behave ethically especially when under pressure, among other factors.

Unlike other assessments that track people's feelings or opinions about their cultures, LRN's Ethical Culture Assessment is a proprietary tool that gets at the root of employees' behavior at work and gauges how ethics and compliance efforts resonate across the organization.

Since, LRN and Promigas followed a similar methodology when partnering to conduct two subsequent ethical cultural assessments in 2017 and 2020, building upon lessons from the previous studies and incorporating what's most important to Promigas: the voice of the employee.

"What has been most impressive in our work with LRN is its unique in its ability to provide this level of real-world

insight on actual employee behaviors and their potential impacts in the workplace,” said Arango

Through its work with LRN, Promigas now has a powerful dataset on its culture and an ability to benchmark against industry peers.

### LRN works with Promigas to train its workforce to embrace the company values, code of conduct, and ethical standards

Promigas counts seven values as central to its operations and culture:

- 1 Respect
- 2 Integrity
- 3 Solidarity
- 4 Responsibility
- 5 Commitment
- 6 Excellence
- 7 Entrepreneurship

Generally speaking, there is a more informal business culture in Latin America. “We respect the Latino culture. We respect the natural culture of every person,” says Flesch. “But we don’t negotiate around our company culture.”

The expectation at Promigas is that employees don’t just talk the talk of those seven values, but that they embed them meaningfully in the work they do, day-in and day-out, at the company.

This begins with ensuring every employee doesn’t just understand, but is guided by those seven values in how they think, behave, and make decisions on the job.

“One of the main focuses of our approach to corporate governance is to ensure this values-alignment and a culture that supports and reinforces our behavioral expectations,” said Flesch.

This also extends to how Promigas’ leaders, themselves, lead and model how to perform at the company. The leadership embraces a self-imposed mandate to focus on its values in every decision, in evaluating performance, and in every company-wide conversation.

Working with LRN, Promigas sought not only to train its people on its values as a discrete program. They wished to invite questions and encourage dialogue so that expectations for workplace conduct are not viewed as top-down mandates, but the natural manifestation of their employees having a deep connection to the organization and each other.

Promigas uses LRN’s Catalyst learning management system to design and deliver effective and targeted education against the company’s behavioral expectations and risk profile. This has provided Promigas with access to LRN’s award-winning ethics and compliance training modules, designed to touch people’s hearts and minds and consider the impact of their behavior in new ways. It has given Promigas the scale needed to reach their entire workforce, which includes 20 subsidiary businesses and third-party partners.

Critical to Promigas’ education efforts have been working with LRN on implementing new Code of Conduct training. This work with LRN enabled Promigas to create visionary training, grounded in company values, reflective of real employee experiences and concerns, scalable to the entire organization, and relatable to every employee. Promigas worked with LRN to design, implement, and manage every aspect so that it was topical, relevant, and relatable to all learners. LRN also recommended the training to include third parties – a best practice promoted by LRN, critical to ensuring compliance with local and international laws and to mitigate the risk of corruption and bribery, which are issues that are particularly prevalent in Latin America.

*“Culture is built gradually, step by step, but the journey to strengthening culture never ends. Working with LRN has allowed us to stay focused on our long-term goals while also ensuring clear and effective short-term strategies to accelerate our success.”*

– Promigas’ Chief Risk and Compliance Officer Jimena Arango

LRN understands leadership support, commitment, and oversight are critical to fostering ethical culture. Promigas CEO Eric Flesch reinforces its corporate values as central to workplace behavior in its Code of Conduct online training produced in partnership with LRN.

“Leadership means the leaders of the company – myself included – have to be models and examples for how to perform in the company. We like to be very close to each one of our employees. We like to listen to our employees. We are very open. That’s the kind of management we employ every day,” said Flesch.



**THE IMPACT:**

**Promigas Experiences Year-over-Year Improvements in their Ethical Culture; Powerful New Data Set Illustrates Their Leadership in Latin America and Globally**

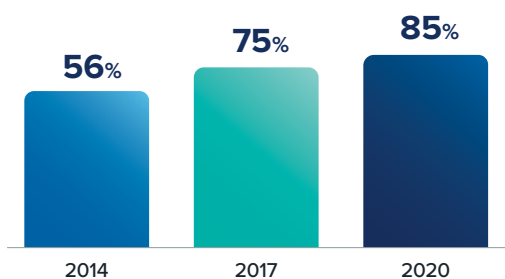
“We differentiate ourselves by the way we act, the way we make decisions, the way we behave. Investing in our ethical culture is a key aspect of our corporate governance. We are a publicly-traded company and issue bonds internationally. Our company enjoys a very high corporate reputation and is an example for other companies in the region,” said Flesch.

Promigas’ ethical culture has become the basis upon which the company is highly valued and favored in local and international markets. It is also the source by which its people are inspired and engaged on the job.

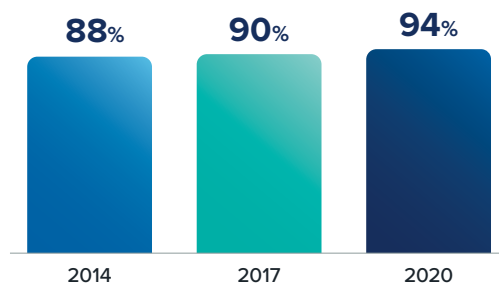
“In the last seven years, we have completed three ethical culture assessments with LRN, and our results keep getting better and better. This is very encouraging for us. With LRN, we have made sure that our people have a strong understanding of ethics, how to behave in the company, and how to understand our corporate culture. We’ve seen this payoff, and with LRN, we are able to keep track of our improvement measures,” said Flesch.

Since working with LRN, Promigas has seen year-over-year improvements in its ethical culture and with some factors – such as alliance to ethical expectations and compliance mandates – being distinguished as significant growth areas for the company:

Motivation and Employee Accountability



Ethics and Compliance Program Resonance



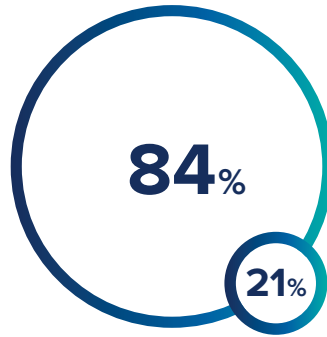
This data shows the most significant of year-over-year improvements (2014, 2017, 2020) captured in LRN’s Ethical Culture Assessment.



LRN has also provided Promigas insights into growth areas critical to make smart and effective investment decisions about its ethical culture:

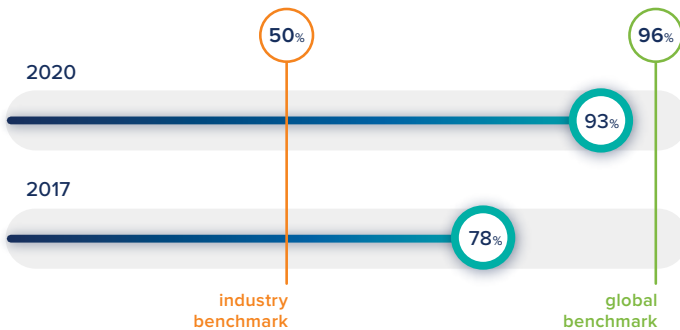
In the company, officials do not evade their responsibility by blaming to others.

This data shows 2017-2020 a 21% increase in leaders' willingness to accept personal responsible for mistakes.

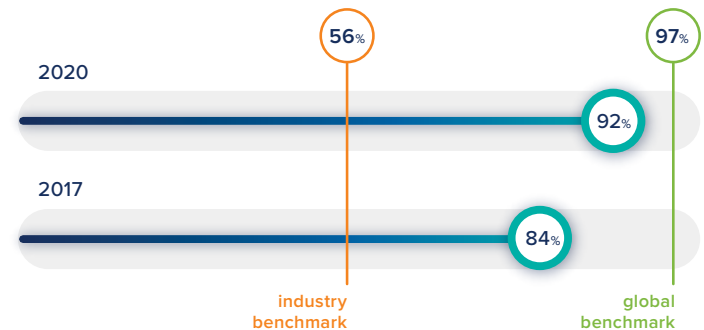


With LRN, Promigas also now has critical benchmark data previously unavailable to the company. The LRN data proves Promigas has seen year-over-year improvements in its ethical culture and stands shoulders above its peers in the global energy marketplace:

At Promigas, people never pass the buck



People at Promigas are self-motivated and driven; they do not expect others to motivate them.



This data is a snapshot comparison against energy industry benchmarks and the world's leading companies.

The impact of training and communication efforts has also increased substantially and meaningfully since working with LRN. LRN has provided the training and education system to scale Promigas' cultural aspiration to the company. It has also allowed Promigas to establish new channels to communicate its behavioral expectations and methods of incorporating employee feedback. Among the results, they have experienced improved oversight of conflicts of interest and other ethical risk areas based upon LRN's education. Working with LRN has helped Promigas bring new levels of transparency to managing ethical risk and oversight of employees' fidelity to the company's ethical guidelines.

One of the largest gains Promigas has made is the extent to which employees are inspired and take responsibility for ethics. The company believes those results come from operationalizing ethics into a new recruiting process, consistent and compelling training and communication, and proper oversight to ensure there is alignment between what Promigas says and what Promigas does.

As Arango says, "The assessments and recommendations made by LRN enable us to focus our efforts and initiatives and close gaps the assessments revealed. We will continue to work with LRN to enhance and strengthen our ethics and compliance program. Culture is built gradually, step by step, but the journey to strengthening culture never ends. Working with LRN has allowed us to stay focused on our long-term goals while also ensuring clear and effective short-term strategies to accelerate our success."

In 2020, Promigas outperformed energy industry benchmark by 43% for Employee Accountability, 36% for Motivation, and aligns closely with the world's leading values-based companies by reaching 93% for Employee Accountability, and 92% for Motivation.

These scores also represent substantial increases over their own scores in 2017.

Benchmark source: LRN's benchmark from the Ethical Culture Assessments and the HOW Report