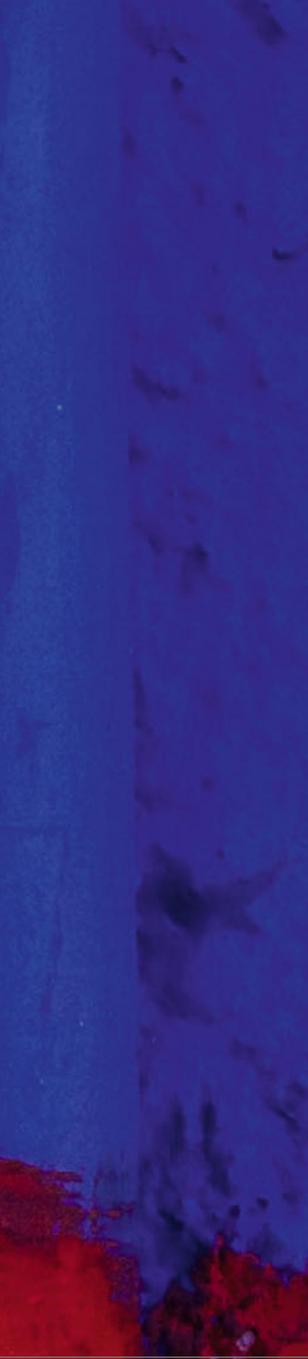
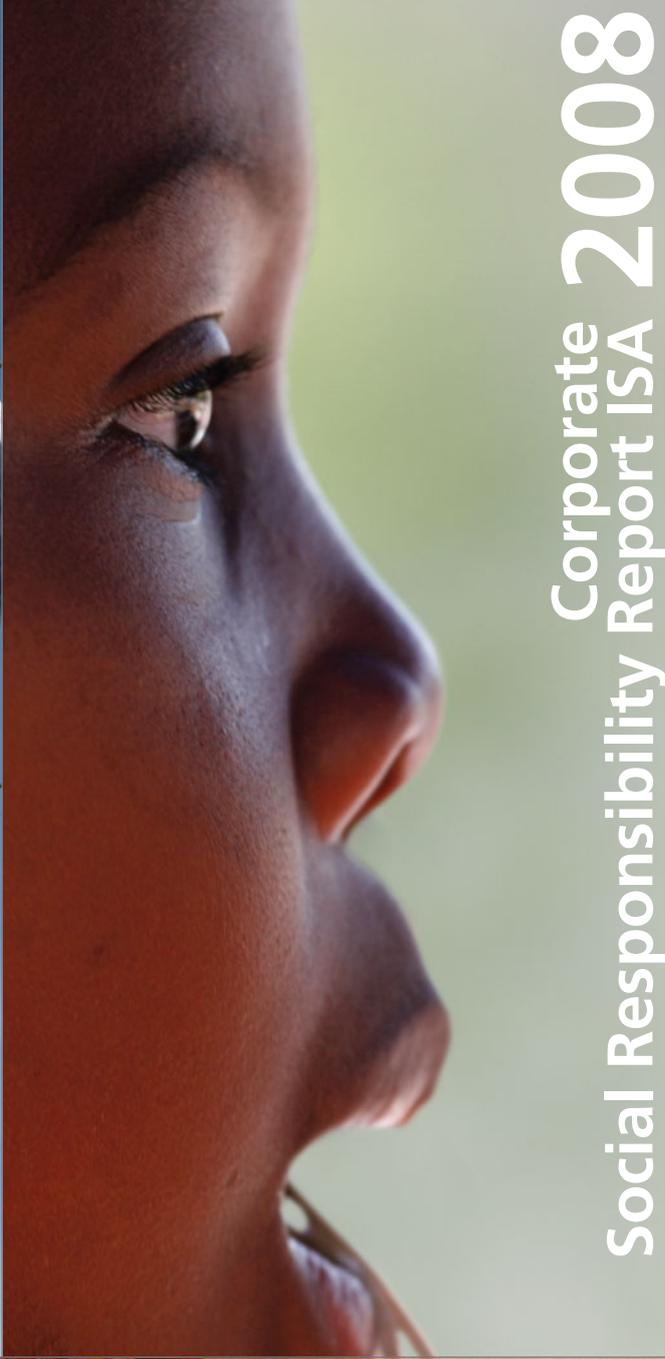




Social Responsibility Report ISA 2008





2008

Corporate Social Responsibility Report ISA

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To our stakeholders:

Interconexión Eléctrica S. A. ISA achieved excellent Corporate Social Responsibility –CSR– performance along the year 2008 by concentrating efforts on identification of new dimensions to carry out planning, management, follow-up and verification of each CSR process.

Improvement was evident during the Corporate Social Responsibility assessment carried out at each of the Group's companies, where the philosophical aspects supporting the Company's social policy and relations with its associates stand out. Henceforth, optimization of communication process with the different stakeholders stands as our number one challenge.

In its condition as a founding partner, ISA participated in the creation of the Global Compact's Regional Center for Latin America, not only to support this United Nations' initiative, but also to duly divulge it and strengthen both the work of the national networks and the exchange of expertise and learning.

Additionally, the CSR Committee was created to coordinate and articulate the management effort, and identify and follow up both the practices developed by the stakeholders and compliance with the principles of the Global Compact.

The special mention in the National Peace Award to the ISA-Región Program rose as a highly relevant fact for the Company. This recognition further commits us to the ethical framework that guides corporate behavior toward the construction of peace in the country. Peace in the country is possible inasmuch as the business sector's efforts succeed in creating economic and social conditions that support participation and development.

The associates' efforts to obtain certification under standards OHSAS-18001 and ISO-14001-2007 for the Medellín premises and the Southwest Energy Transmission Center need to be mentioned. Application of these standards will improve labor and environmental management and procedures with the suppliers, and will strengthen compliance with the principles of the Global Compact. A big challenge for 2009 is obtaining these certifications for the whole Company.

Finally, we want to point out: the Corporation's investments in the areas of social and environmental management; the market evolution of ISA's shares, despite the difficult juncture of markets; and advancements in the pilot experiences aimed at strengthening public management and promotion of the rule of law.

We want to thank in a very special manner our associates, as the promoters of corporate growth, and our suppliers, for their high level of trust.

Thank you very much,



Luis Fernando Alarcón Mantilla
Chief Executive Officer



Socially responsible management

ISA is the Latin-American group with presence in Colombia, Peru, Bolivia, Brazil, and Central America, that through its subsidiaries and affiliates works in design, construction, administration and operation of linear infrastructure systems of electricity and telecommunications connectivity that enhance continental progress. Interconexión Eléctrica S.A., the group's parent company, is the largest electric energy transporter in Colombia and the only one with national coverage. Its infrastructure includes 10,000 km of transmission circuits at voltages above 115 kV and 57 substations. Its controlling shareholder is the State with 52.94% participation.

Since 1989, aware of its role as promoter of development within an action framework in which society demands ever more responsibility both in the exercise of productive activities and in strengthening public interest, ISA has a Corporate Social Responsibility management program.

Taking into account the repercussions of its business actions, ISA identifies the stakeholders to which it distinctively relates and agrees with them commitments that once fulfilled become alternatives for development and social and environment protection.

In order to monitor its acts as business concern and to measure its compliance with commitments made, ISA has devised a corporate governance model that includes relations between the management, the Board of Directors, the shareholders and other economic agents with an interest in it.

Such CSR approach seeks corporate legitimacy starting from the recognition and acceptance by stakeholders as a result of the timely compliance with commitments made. It is a task that contributes to development while creating value, given the clear image the company enjoys as transparent in its acts, solid, profitable and with high service quality indices.

However, at ISA, social responsibility goes beyond its potential as management instrument, transcending strategic direction to become, together with ethics, innovation and excellence, a value that guides the organization in the search of its dreams.

CSR AT ISA

ISA understands Corporate Social Responsibility as the balanced framework of relations between the companies of the economic group and their stakeholders, a framework that is made up of values, practices and commitments aimed at adding value, generating trust, and contributing to sustainable development of the societies where the companies are present.

Corporate Social Responsibility Model



PRESENTATION

ISA group is present in Central America, Colombia, Peru, Bolivia, Brazil and Central America.

The infrastructure owned by its parent company, Interconexión Eléctrica S.A. E.S.P. –ISA–, consists of 10,000 km of transmission circuits above 115 kV and 57 substations; accordingly, ISA is the largest electric energy transport company in Colombia and the only one with national coverage. Its controlling shareholder is the State, with 52.94% participation.

Through its subsidiaries and affiliates, the group promotes development in the Latin American subcontinent through design, construction and administration and operation of linear infrastructure systems of energy and telecommunications connectivity.

As active participant in the development of a society that requires strengthened public interest and demands increased responsibility in the exercise of productive activities, since 1989 ISA has a Corporate Social Responsibility –CSR– program that takes into account the repercussions of the actions resulting from its business endeavors. Hence, it identifies the stakeholders with which it has relations and agrees commitments that translate into alternatives for development and preservation of the environment and the social milieu.

To monitor its corporate actions and measure the degree of compliance with commitments acquired, the Company has a corporate governance model that encompasses relations between management, board of directors, shareholders, and the other economic agents with a stake in it.

This CSR focus aims at corporate legitimacy as the result of timely compliance with commitments. This work both contributes to development and generates value, if the Company's outlook is to be taken into account, namely, transparent in its acts, solid, profitable, and with high-quality service delivery indexes.

The Company's Corporate Social Responsibility transcends its power as a management instrument, and together with ethics, innovation, and excellence, it leads the Organization toward the achievement of its goals.

Our values: What we believe in

Ethics, social responsibility, innovation and excellence are the values set as standards to reach the MEGA proposed by the business group.

Ethics: Moral character of our acts, as long as they aim at individual or collective well-being; ethical thinking generates transparent actions.

Social responsibility: Commitment to contributing to the improvement of the standards of living of the employees and their families, the environment, and society in general.

Innovation: Introduction of new issues, both into the Organization and service provided, that will help the achievement of objectives.

Excellence: Compliance with the quality standards of service delivery that set us apart from our competitors.

Our behavior

ISA's Corporate Governance model encompasses relations between management, board of directors, shareholders, and the other economic agents with a stake in it. To implement it, the Company bases its actions on the Good Governance Code and the Global Compact principles promoted by the United Nations.

In order to balance relations between the group's companies and the stakeholders, ISA adopted a common social responsibility notion for the entire group, characterized by the set of values, practices and commitments to add value, generate trust, and

help sustainable development of the societies where ISA has a presence.

Along the year, the fact that the Company's efforts focused on finding and keeping coherence between its practices and its commitments shows in this accountability report, and also in the indicators that reflect the stakeholders' perception.

Code of Ethics

It serves as behavior guidelines for the Company and its associates. The purposes of this ethical framework are: contributing to the construction of peace in the country; seeing to it that people's lives, freedom, and human rights are respected; and giving preponderance to the general interest.

To tackle the transformation of its business milieu, the Company adapts its Code of Ethics according to the new business perspectives and the multiculturalism resulting from its presence in several countries in the region.

Good Governance Code

ISA understands Good Governance practices to be the commitments and measures adopted by the Company as to its governance, conduct, and handling of information. For this reason, the actions of the shareholders, managers, and workers guarantee integral corporate ethics, adequate handling of its affairs, respect for those who invest in it, deliverance on the commitments to its interest groups, and public disclosure of its endeavors.

To follow up these actions log on to www.isa.com.co



Communicating with the stakeholders

As part of its Corporate Social Responsibility, and in order to offer efficient and timely information, ISA has established internal and external communication channels:

Stakeholders	Informative media	Participative media
Associates	<ul style="list-style-type: none"> Internoticias Newsletter Environment Newsletter On-line Newsletter IT Newsletters ISANET News E-mails Annual reports (CSR report and Annual report) 	<ul style="list-style-type: none"> ISANET Organizational climate survey Biannual reputation surveys Primary groups Performance evaluation
Suppliers	<ul style="list-style-type: none"> Web page "Services to the Supplier" Annual reports (CSR report and Annual report) 	<ul style="list-style-type: none"> Four meetings per year with suppliers Contact e-mailboxes (contratacion@isa.com.co and provedores@isa.com.co) Biannual reputation surveys Measure of perception of general quality and satisfaction Performance evaluation
Society	<ul style="list-style-type: none"> Web page Multimedia Letters to authorities and communities Press releases Community radio Brochures Posters Billboards 	<ul style="list-style-type: none"> Request and inquiry letters Formative and information workshops Information and awareness meetings ISA friendly line 018000941341 E-mailboxes (isa@isa.com.co and eloisa@isa.com.co) Web page

	Mural newspapers Annual reports (CSR report and Annual report)	
State	Reports to regulatory organisms Quarterly results Annual shareholders' meeting Press releases Web page Annual reports (CSR report and Annual report)	Biannual reputation surveys Request and inquiry letters Workshops with state entities Boards of directors
Customers	Customers Newsletter Management indicators report "Negocios ISA" Web page Customer service directory Promise of service Publicity and marketing Annual reports (CSR report and Annual report)	Customer service center –CAC– Customer's satisfaction evaluation Biannual reputation surveys Meetings with customers Visits to customers Web page
Shareholders and investors	Shareholders' Meeting Newsletter, tax certificate and account statement News reports, relevant facts and quarterly results Annual reports (CSR report and Annual report) Face-to-face meetings with institutional investors, brokerage firms, and stock market analysts Web page (on-line stock price, stock market indicators, financial results, ADR's, news, events, bonds programs and others)	Shareholders service offices Shareholders' Meeting Meetings with investors Mail-handling centers in the country's main cities E-mailbox (accionesa@isa.com.co) Toll-Free line for shareholder service: 01 8000 11 5000 Medellín local line: 360 24 72 Fax lines in Medellín: 268 68 80 and 317 08 58 Web page

Challenges for 2009

The Company faces the challenge of establishing binding dialog with the stakeholders, starting with the commitments established to correctly identify practices. Different interaction levels are configured depending on the group's composition and the definition of the commitment. For example, the necessity was established to implement better practices with the suppliers (extensive to the CSR) and to strengthen follow-up in services-hiring areas throughout the Company for the benefit of day-to-day management.

To strategically respond to the communities' needs, ISA set the goal to reorganize the social management model and its communication processes by restructuring a communication-culture-society program leading in three different directions: i) improve relations with the communities neighboring the infrastructure by means of timely information; ii) strengthen institutional presence by participating in events and in local and regional media with issues related to human rights, sustainable development, and Corporate Social Responsibility; iii) promote the culture of CSR.

On the other hand, consolidation of the processes derived from the certification under OHSAS-18001 and ISO-14001 standards, and certification for the other energy transmission centers, are expected shortly.

Global Compact

The third Global Compact report underscored the coherence of ISA's practices with the environment and the relevance of the business, so contributing to the construction of a better country.

Worth highlighting are the Company's efforts, joined by other companies, to create as founding partners the Global Compact's Regional Center for Latin America, paying heed to suggestions

by the United Nations, to help divulge it, support the work of national networks established for that purpose, and favor the exchange of experiences and learning.

Likewise, actions were developed to comply with the ten principles proposed by the Global Compact, while strengthening respect for human rights and freedom of association, as well as abolishing child labor and forced labor. Work developed in the framework of sustainable environmental development resulted in ISA's certification under ISO-14001 and OHSAS-18001 standards; action was also taken toward the generation of mechanisms to fight corruption.

Stakeholders ASSOCIATES



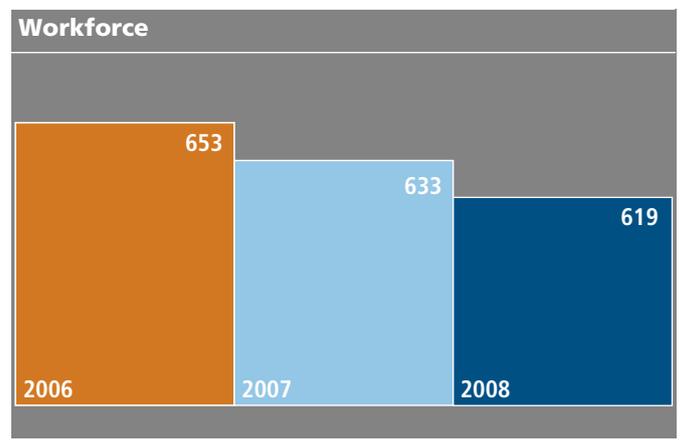
Commitment:

To promote the integral development of the associates, and value their contribution to the Organization.

1.1 CHARACTERISTICS

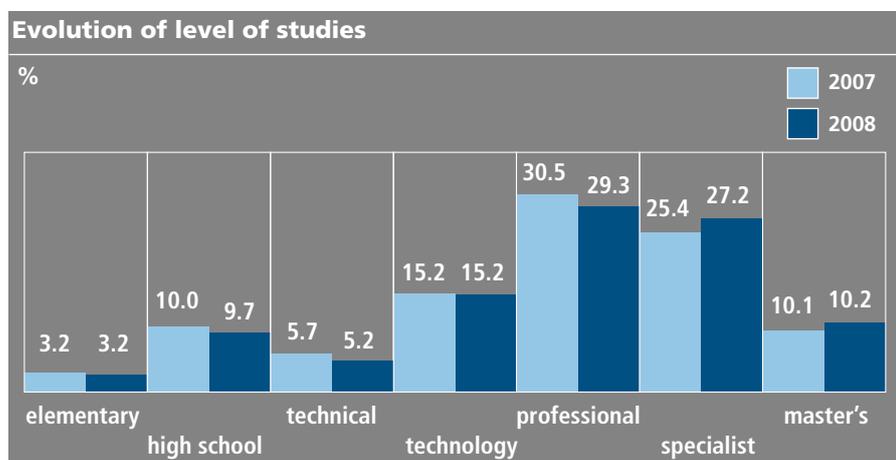
At ISA, human talent is recognized as the greatest asset to achieve corporate goals. For this reason, associates are offered: i) a milieu that favors their integral personal, professional and social development on the basis of socially responsible work that guarantees business' success and translates into promotion of continuous learning, appreciation of personal involvement and improvement of life quality; and ii) a work environment of mutual trust based on respectful, clear, equitable and fair work relations.

At year's end, the group of associates consisted of 619 people with an average age of 44.4 years and 16.5 years of service. During the period, 35 new workers came to the Company and 49 left it, 26 of which, with retirement pensions. Total number of associates decreased by 14 with respect to last year.



Of total work force, 70% is located in Medellín City, with the remaining 30% working in the electric transmission centers located in Central, South-Western, and North-Western Colombia.

The Company's group of associates is highly qualified: 66% have higher studies (29.3% are professionals, 27.2% have a specialization and 10.2% have a master's degree).



In its permanent quest for excellence of its human resources, and through its Human Resources Policy, ISA promotes participation, advancement of knowledge, integral growth, recognition for the associates' work, and the protection of their health and well-being. All in an atmosphere of mutual trust, as well as respectful, clear, equitable and fair work relations.

1.2 PRACTICE

1.2.1 Promoting participation and valuing contribution to the Organization

Individual and team participation, which is not only an open commitment, but also the Global Compact's third principle, boost



continued improvement, development of integral management, and associates' commitment to corporate results. Instances and instruments like committees, primary groups, new openings announcements, and management instruments (Development Plan, Integral Management Chart, and Performance Management) will propitiate corporate space for dialogue with the associate.

At ISA, workers may freely choose between belonging to the labor union Sindicato Nacional de Trabajadores de Interconexión Eléctrica S.A. ISA –SINTRAIISA– and subscribing the Collective Bargaining Agreement, or subscribing the Labor Contract. Also, some executives earn integral salaries.

Distribution of Workforce

Regimen	Number of associates	%
Integral salary	67	10.82
Labor Contract	501	90.76
Collective Labor Agreement	51	9.24
Total	619	100

Performance Incentive Group. This group is made up of representatives of the Company, the Labor Contract signatories and SINTRAISA. It met 20 times during the period to prepare proposals for performance indicators, publicize the Company's social and environment investments, analyze infrastructure projects' progress, and study the financial statements and other labor issues. During the year, representatives of both the Labor Contract signatories and SINTRAISA received training in compensation trends and negotiation skills.

Additionally, four meetings were held with the associates to: reinforce understanding of the Variable Remuneration System; disclose goals expected, and what is expected from each one to reach them; present the methodology for calculation of bonuses

for performance incentive; and disclose the guidelines for administration and payment of such bonuses.

On the other hand, a training program in entrepreneurial matters was implemented to further knowledge of business-specific issues. This initiative saw 84% associates' participation with the following training topics:

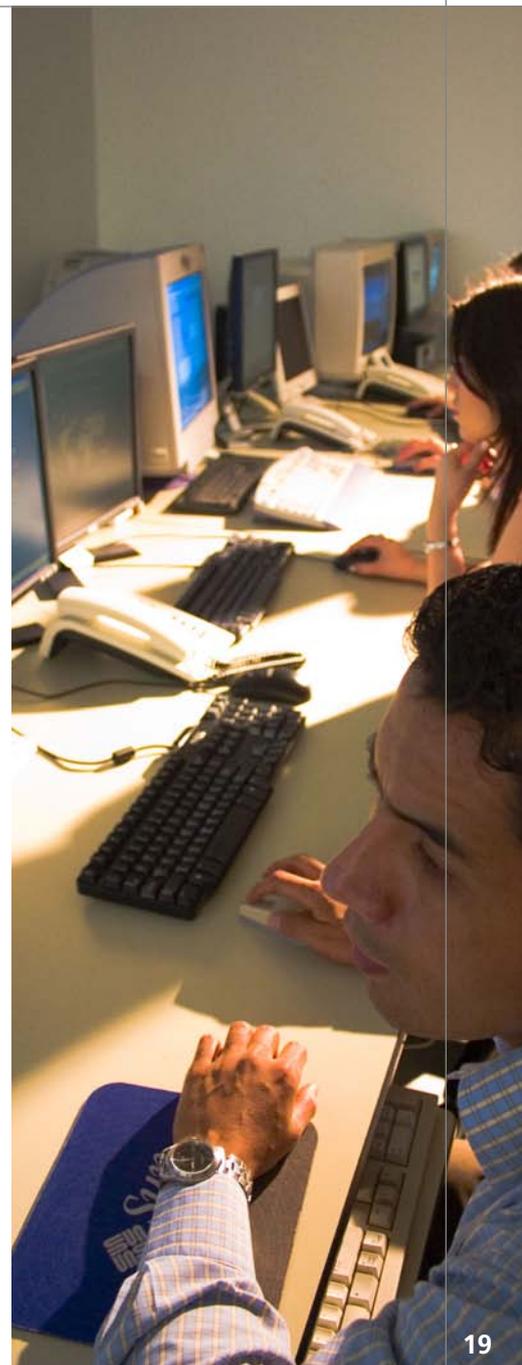
- Module No. 1: MEGA
- Module No. 2: Strategic maps and management charts
- Module No. 3: Values of the business group
- Module No. 4: Integrated Management System
- Module No. 5: Action frameworks Good Governance Code, policies, Code of Ethics, and Workers Code of Conduct.

ISA's base culture (the traits that characterize us as an organization) was determined through focus groups, the goal culture was defined with the high management, and the gaps to start filling in 2009 were pinpointed.

Personnel selection processes carried out during the period were open to the Company's associates as well. 107 of our associates participated in the selection processes for 30 openings carried out along 2008; 19 of them ended up hired and the 11 remaining openings were filled with outside personnel.

1.2.2 Developing knowledge and helping integral development

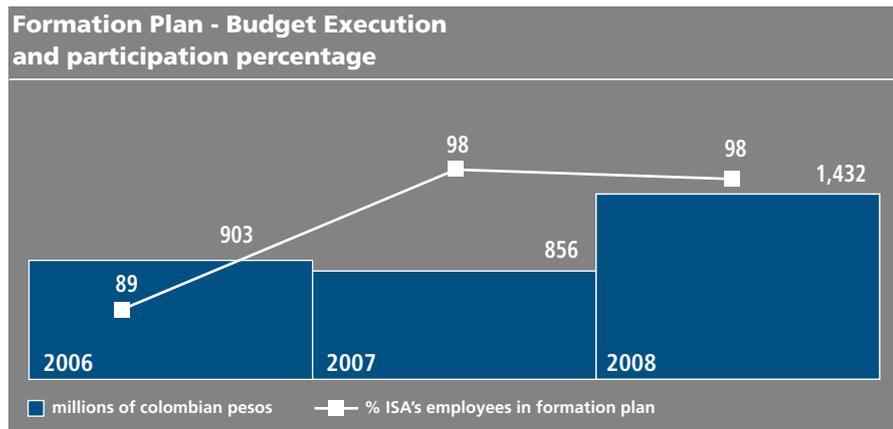
The Integral Formation Plan –PFI, for its Spanish initials– is implemented by the Company annually in order to develop and update knowledge, as well as strengthen the workers' competencies demanded by the Organization.



An investment of COP 1,432 million (67% up on 2007) went to diploma courses, internal courses, external courses, graduate studies, and foreign languages courses along the year.

Among the activities carried out, the following stand out: training and certification of work heads of the Energy Transport Management Unit; the ample training provided to secure certifications under ISO-14001 and OHSAS-18001 standards; training in corporate matters provided by executives to workers; sponsoring of graduate studies; top management programs.

Education in different training options was provided to 98% of workers (30% up on 2007), equivalent to 76.5 training hours, outdoing by far the 43-hour international indicator.



As to the integral development shared between company and worker, stimulus to the transfer of knowledge carried on and 138 workers who acted as learning facilitators received the Company's recognition.

Training undergone by associates and managers for ICONTEC audits in the certification process of ISO-14001 and OHSAS-18001

standards took 8,644 hours, benefiting different groups at different hourly intensity, and equivalent to 16.8% of total training time along the period.

To position its internationalization strategy, the Company prepares itself taking into account the particulars of each country where it is present. For instance, the case of Brazil called for continuation of the Portuguese language program: 87 workers benefited from 4,824 hours of training (9.4% of the PFI hour total).

Also, the diploma course in Human Resources Management starting in 2007 culminated in 2008. The following courses started in 2008: International Purchasing Management; diploma course in Finance; Integrated Management System on-line course, which involved the whole Organization; and the massive training undergone in International Financial Reporting Standards –IFRS–, to be instituted in the Company as of January of 2010.

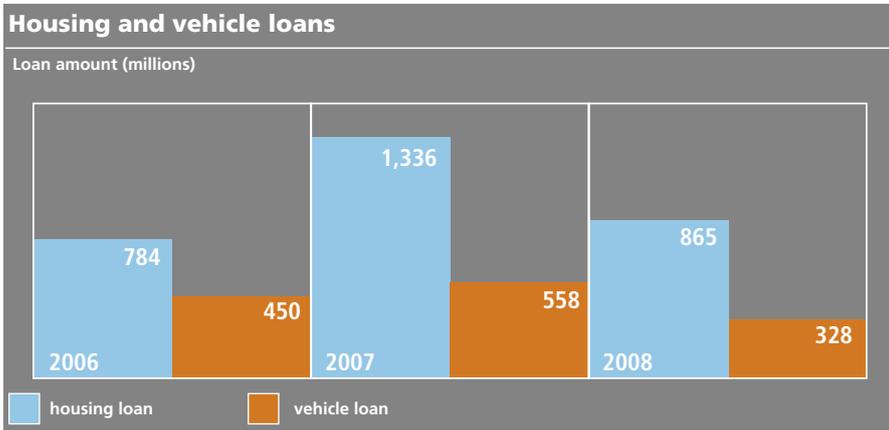
1.2.3 Giving recognition

Workers' recognition materializes, among other ways, as individual salary movements for performance and potential, and as fringe benefits other than wages.

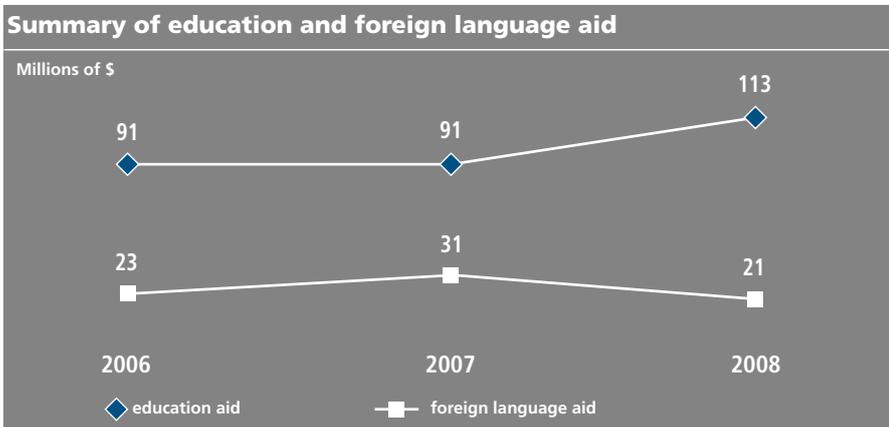
Salary movements

Year	N° of associates	N° of movements	Average rise (thousands)	Amount (millions)
2006	146	157	364	57
2007	104	127	445.8	56.6
2008	94	104	1,103	115

As to fringe benefits for associates, ISA extended 27 loans for housing and vehicles worth COP 1,193 million.



- Through the Employees Fund –FEISA–, the Company encourages savings. Accordingly, the fund’s savings balance in the last four years totaled COP 3,877 million, while in 2008 it stood at COP 1,003 million. This incentive is equal to 4% of the worker’s salary plus 2.5% of the executive’s salary, with corresponding 3% for the former and 1.9% for the latter assumed by the Company.
- The Company invested COP 113 million in education aid for 93 associates and COP 21 million in foreign language aid for 30 associates.



1.2.4 Protecting the health and well-being of the associates and their families

ISA invested COP 7,259 million to insure the lives and integrity of its associates and in health prevention and promotion; COP 5,133 million in supplementary health programs, health expenses aid (extensive to the workers' families), and children's education aid; COP 1,925 million in health aid and plans for retirees; and COP 201 million in education aid for retirees' children.

On the other hand, ISA invested COP 719 million in medicines, first-aid kits, vaccines, medical diagnosis, paraclinic diagnosis (contract start-up, contract-end, periodic), executive occupational check-ups, recreation programs, personal protection items, and work clothes and shoes.

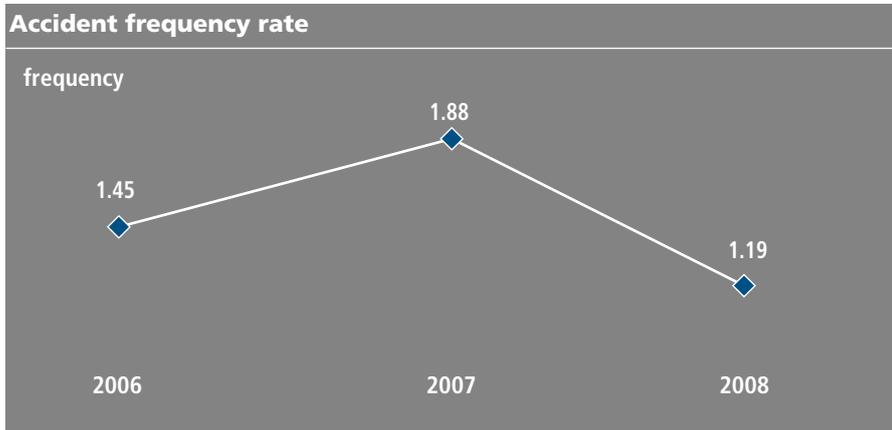
For better occupational risk management and to keep the associates in good health, the Company carried out the following activities:

- Contract start-up medical diagnosis, periodic occupational examinations as well as contract-end examinations.
- Preventive-medicine actions.
- Programs to encourage sports practice, prevention of risk when working at elevated locations, prevention of electric risk and osteomuscular injury.
- Health fair and instruction courses, to promote education and self-care.

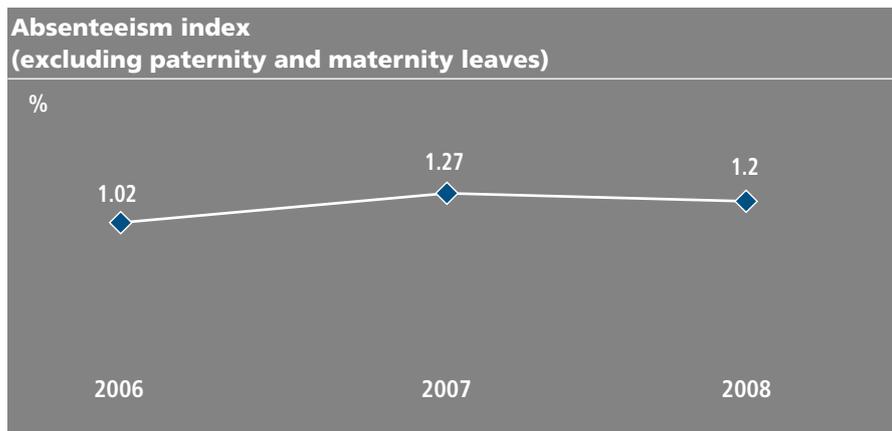
Of the 30 work accidents happened in the year, seven were disabling and generated 38 absence days, a noticeable improvement over 2007 (11 disabling accidents and 242 absence days). The accident frequency rate was 1.19 disabling accidents per 240,000 hours worked (less than in 2007 – 1.88)



The Professional Risk Manager entity covered health services of 97 associates who traveled abroad for a total 2,713 days.



General disease and work accidents resulted in 1,983 absence days, bringing annual absenteeism index to 1.20% of workdays.



A health and safety management system was implemented under OHSAS-18001, version 2007, and certifications for the Medellín

premises and the Southwest Energy Transmission Center were obtained in December. Work is going on to obtain certification for the whole Company in 2009.

1.2.5 Keep effective communication with the associates

The following internal information campaigns were conducted in order to transmit to the associates the corporate values and goals, to create awareness of healthy habits, and to trigger changes with favorable impact on the Organization's culture.

Activities with an instrumental role in strengthening corporate culture were: reinforcement of the group's values, support of the Integrated Management System and the Reliability Project, adoption of the International Financial Reporting Standards –IFRS–, and the communication strategy to achieve associates' commitment to the ISO-14001 and OHSAS-18001 standards certification processes.

Other activities carried out were: i) Launch of ISA's Web page; ii) Restructuring of the Website of the Integrated Management System and the Emergency Plan; iii) Creation of the Interconexión Newsletter for the Energy Transport Management Unit, as part of the Reliability Project; iv) Publication of 12 Internoticias corporate newsletters, 94 on-line newsletters, and 56 general interest newsletters; v) Execution of 12 internal formative and informative campaigns; publication of 27 educational banners; and production of 34 internal billboards.

1.3 MEASUREMENT

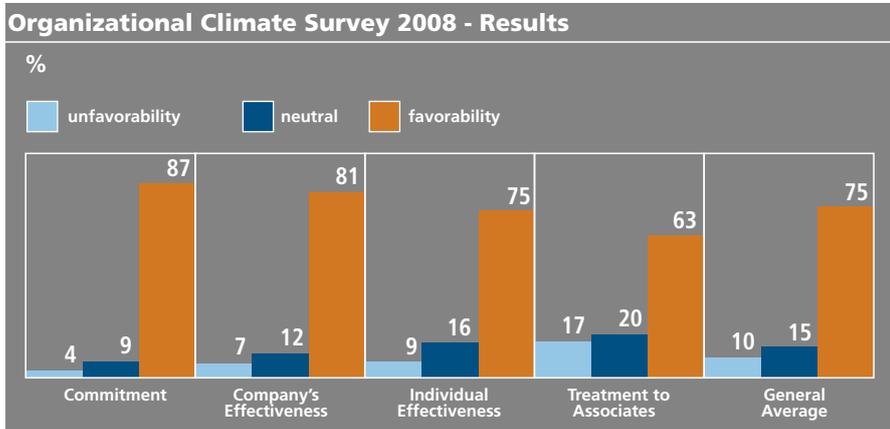
ISA led unified measurement of organizational climate for all the group's companies, using the same tool as last year (Hay Group's

Engaged Performance Methodology). The survey answered by 90% of workers detected 75% favorability results, a strength in its own right.

Measurement was conducted for four dimensions:

- Commitment: (87% favorability). Strength to face the Company's challenges in the coming years and Satisfaction of the people with the Organization's internal management.
- Effectiveness of the Company: (81% favorability). Good perception of the Company's external image, direction, vision of future, top management, and culture of innovation; also Opportunity of Improvement in talent management, a factor referring to the Company's capability of attracting and retaining personnel.
- Individual effectiveness: (75% favorability). Strength in resources, immediate superior, cooperation and support; also Moderate strength in communication and autonomy.
- Treatment to associates: (63% favorability). Intermediate Strength in balance and workload, development of career and recognition; and Opportunity of Improvement in remuneration and benefits.

Work in aspects considered as Moderate Strength or Opportunity of Improvement is being conducted with the aid of improvement plans for the whole Company or for the different levels, according to situation; their assisting and follow-up are carried out by the Human Talent Direction.



Commitment:

Transparency, Equity and Clear Rules.

2.1 CHARACTERISTICS

The Company's suppliers are classified in two groups:

- Suppliers of goods and services for the Energy Transport Service –STE, for its Spanish initials–.
- Suppliers of goods and services for the corporation in general

During the period, ISA registered 372 new suppliers, 241 for the energy transport service and 131 of goods and services for the corporation in general.

In the year 2008, the Company signed 2,839 contracts worth COP 379,108 million (VAT included), well above the figure of 1,890 contracts for COP 242,773 million (VAT included) of year 2007.

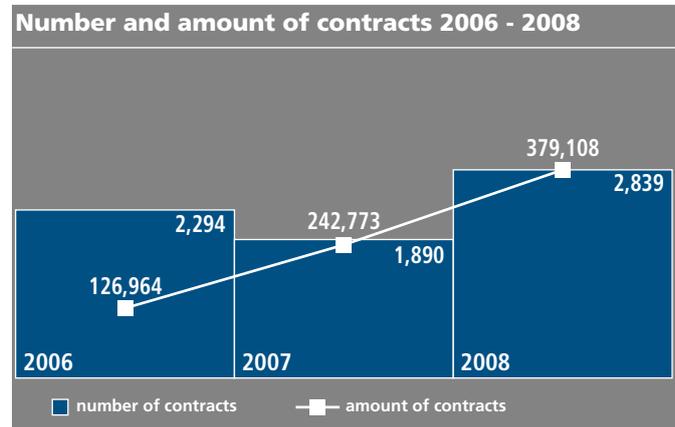
ISA has made the following basic commitments to its suppliers: i) handle acquisition processes of goods and services with transparency, equity and clear rules; and ii) improve communication channels and timely supply information relevant to their endeavors.

Relation with suppliers

Four work meetings with suppliers of the Energy Transport Service and the Corporation in general were held in Medellín and Bogotá. In these meetings the Company shared important information with representatives of over 130 companies and participants enjoyed a space

where to express their concerns and comments. Issues dealt with were as follows: :

- Strategic direction of ISA and the economic group
- Policy of purchase of goods and services
- Corporate Social Responsibility
- ISO 14001, Environmental Management-Suppliers, OHSAS 18001 and Occupational Health.
- Legal nature and implications on the supply process
- New methodology for evaluating suppliers
- Program for large ensured entities
- Initiative for suppliers development



Performance evaluation

The Company updated the suppliers' evaluation procedures and extended their scope to the companies of the economic group. It also incorporated corporate suppliers into the new rating scheme.

Out of 64 suppliers evaluated, 92.2% obtained good performance rating, 4.7% average rating and 3.2% deficient rating.

Evaluation scheme

Evaluation	Performance	Actions to be undertaken	Implication
80-100	Good	Follow up	Can be invited as bidder
60-79	Average	Improvement plan	Can be invited as bidder if the improvement plan is approved by the Company
<60	Deficient	Certified improvement plan	Cannot be invited until improvement plan is complied with

The Administrative Management Unit evaluated 20 suppliers in terms of Human Resources and Environmental Management to assess their practices and foster and direct improvement till achieving compliance with the standards defined by the Organization.

In search of corporate excellence and competitiveness, ISA extended to its suppliers the good practices derived from the certification processes under OHSAS-18001 and ISO-14001 standards.

Suppliers' mini site at ISA's Web page

Of the 58 notices published on the Web page related to procurement of goods and services, 42 correspond to the Energy Transport Service, 13 to corporate goods and services, and three to projects of the Financial Support Fund for Electrification of Interconnected Rural Areas –FAER– and the Financial Support Fund for Electrification of Non-Interconnected Rural Areas –FAZNI–.

Contact mailboxes

The e-mailboxes contratacion@isa.com.co and proveedores@isa.com.co handled inquiries and requests mostly related to information for procurement contracts.

2.2 MEASUREMENT

With a sample of 90 corporations, Ipsos-Napoleón Franco research firm carried out the suppliers' perception survey. Results for processes of negotiation of goods and services and evolution of satisfaction levels will allow the Company to undertake new improvement actions:



For suppliers of goods and services at corporate level, general quality of their relation with ISA decreased four points as compared to 2007.

Suppliers' satisfaction

General quality

	2006	2007	2008
(%)			
Suppliers of goods and services for the Energy Transport Service	84	89	89
Suppliers of goods and services at corporate level	93	100	93
Total	91	95	91

Suppliers' satisfaction with the atmosphere of trust when dealing with ISA reached superior levels, according to international standards.

Level of trust

Attribute (%)	2006	2007	2008
Transparency	94.3	95.5	98.5
Equity	86.2	94.9	93.9
Clear rules	91	95.8	98

SOCIETY

Commitment:

Respect for human rights, efficiency and quality of services, timely disclosure of public-interest information, and contribution to the sustainable development and social well-being.

3.1 CHARACTERISTICS

Starting with an integral concept of milieu, and taking it as the articulation of natural medium and social medium, Society is made up of human groups influenced by ISA's activities and services.

The Group's framework of action with society, as it is defined in its Social Policy, implying interaction with national and international organisms, defines institutional presence in three dimensions: international, determined by the commitment to human rights and sustainable development; national, subject to timely disclosure of public interest information, and delivery of quality and efficiency of services; local and regional, centered on environmental responsibility, development, peace, and the well-being of communities.

For delivery of energy transport services, in accordance with the interests of the communities where it has a presence, ISA takes diversity and multicultural factors into account, and starting out from them, it actively participates not only in territorial integration processes, but also in processes of development and of improvement of the life quality of the inhabitants.

On the other hand, it supports social processes (local and regional) to construct participatory development and peace alternatives; promote social mobility, equity, and competitiveness; help improve education quality; and advance in the overcoming of models and practices that mean exclusion and violence. Such focus leads the Company's efforts to four lines: solidarity; reconciliation; support of education, research and technologic development; and ISA Region.

The socially-committed managerial practices of ISA group's companies lead them to work toward gaining recognition as legitimate and reliable organizations committed to the sustainable development of society.



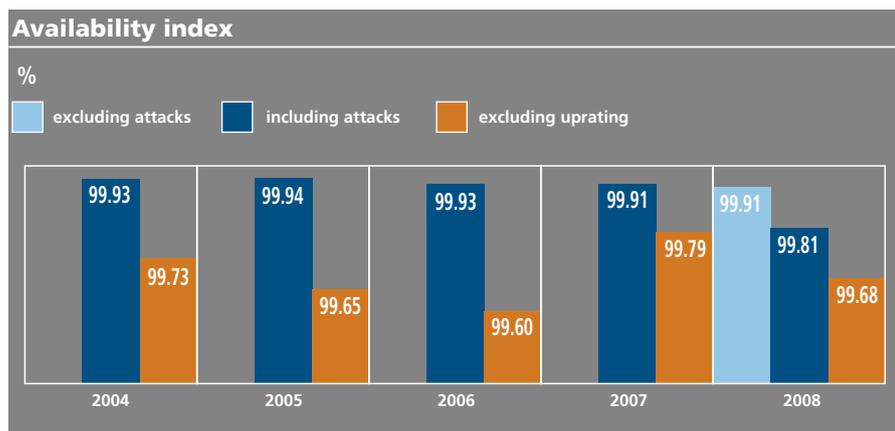
3.2 PRACTICE

3.2.1 Efficiency and quality of services

By permanently developing competencies and practices to offer reliable service, even in adverse conditions, ISA is a positive factor not only in the life quality of the inhabitants, but also in economic development, and institutional stability.

Total availability of assets for service delivery, counting out terrorist attacks, averaged 99.815% along the year (outdoing by 0.162 the goal set by the Energy and Gas Regulatory Commission –CREG, for its Spanish initials–); counting in these attacks, availability was 99.688% (reduction is explained by upgrading works to expand capacity of San Carlos and Chivor substations).

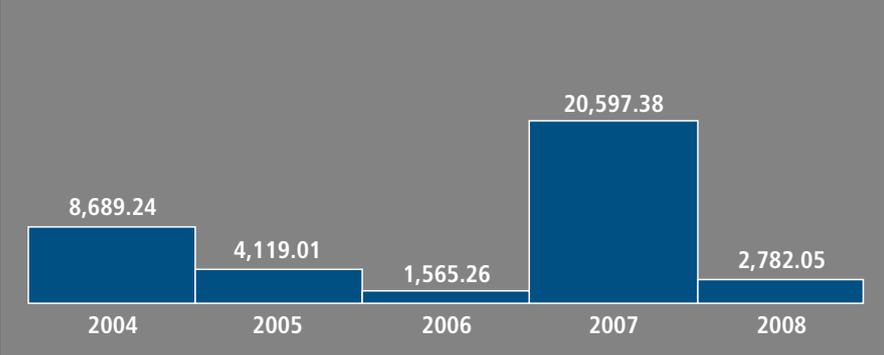
The following chart shows availability in the last few years:



Index of unattended demand due to causes attributable to the Company was 2.78 GWh (0.0051% of total demand of the National Interconnected System –SIN, for its Spanish initials–), and is explained mainly by scheduled maintenance.

Unserved load

MHw



To guarantee reliable energy supply, the Company is currently developing a 26-initiative project that will strengthen human capital in technical and process aspects.

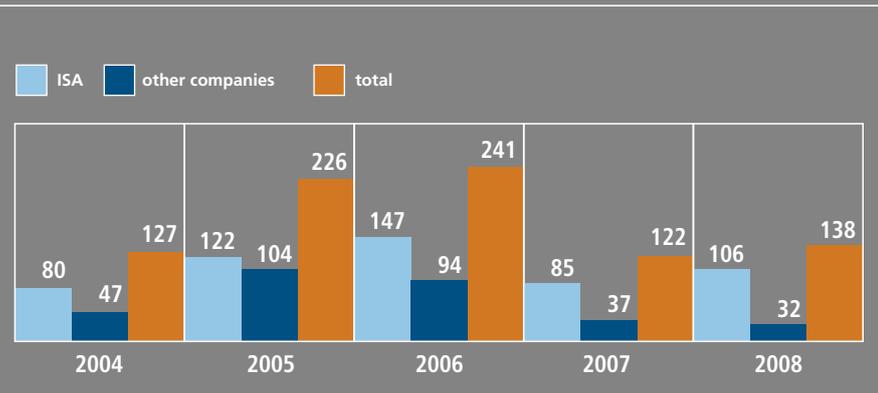
The period saw the following results:

- Qualification of 100 maintenance workers as “work leaders”, 12 of which, were certified by SENA in safety standards for maintenance of electric substations.
- Preparation of a unified safe operation and maintenance handbook
- Implementation of the tool to prepare work plans and protocols at the Center of Supervision and Maneuvers.
- Inclusion of environmental and occupational health risks into maintenance guidelines.

Terrorist attacks on the infrastructure supporting transport lines are one of the factors with the biggest impact on availability. Along 2008, the number of affected towers went up from 122 to 138 (106 of them owned by ISA), affecting mostly Cauca Province (68.9%).



Electric infrastructure attacks



Between 1999 and 2008 a total 2,789 towers were destroyed by terrorist attacks (1,766 of them, or 63.2%, the property of ISA). The price of repairs for the Company was COP 170,941 million (just in 2008, expenses rose to COP 10,826 million).

To prevent service loss and additional cost to users, ISA goes to great lengths in repairing destroyed towers as soon as possible. Average repair time per tower is 6.73 days, thanks to coverage and security provided by the National Armed Forces in each region.

3.2.2 Respect for human rights

ISA makes the following commitments to society:

- Supporting and respecting the protection of internationally proclaimed human rights in its area of influence.
- Avoid acting as complicit in human rights abuses.

To ensure compliance with these commitments, the Company signed an agreement with Foundation Ideas para la Paz, at a cost of COP 57.4 million, in order to identify, divulge, and assimilate



international standards in the field of Human Rights, and good corporate practices that make operations in conflict zones viable.

No Human Rights violation cases, either caused by or facilitated in the conduction of ISA's Energy Transport Business, were reported in 2008. (See Global Compact, Chapter Seven, Principles 1 and 2).

3.2.3 Timely disclosing public interest information and communicating with society

The Company timely announced to its users the power cuts scheduled as part of maintenance works, and service recovery when it was the product of terrorist attacks. Due to the fact that ISA considers this to be a public interest matter, the Company kept and constantly updated information posted at www.isa.com.co.

Along 2008, 286 requests, complaints, and claims were processed, as were 95 petitions related to the business: clearing of easement corridors of the grid to guarantee service reliability and safety (tree felling, relocation of housing, and negotiation of easement rights). Of the total number of requests, 66.8% were satisfied, and all pending matters were assigned an attention priority to be dealt with in 2009. In turn, all petitions were answered as mandated by Law.



3.2.4 Contributing to sustainable development

ISA conducts its Energy Transport business with proactive and coherent environmental management, and it focuses all its efforts toward achievement of world-class standards.

Since the business of the group demands resources, produces impact and generates environmental risks, ISA's Environmental Policy is designed to guarantee alignment of the Group's processes and resources with the search for sustainable development.

ISA earmarked COP 6,538.95 million for environmental management during construction of infrastructure projects and energy transport operation. This figure is significantly lower than in previous years due to budgetary execution for management of environmental impact of the new Primavera-Bacatá and Bolívar-El Copey-Ocaña-Primavera projects at 500 kV.

Environmental Management

Along 2008, around COP 6,538.95 million was invested in environmental management of energy transport and construction of infrastructure projects.

**Funds earmarked for environmental management 2006–2008
(COP millions)**

	2006	2007	2008
Design and construction			
Environmental studies	*	**	2,00
Environmental licenses	30,90	***	82,10
Environmental management plan execution	7,059.73	11,747.03	10.30
Relocation			712.25
UPMES FCP**** pending			3,333.00
TOTAL	7,090.63	11,747.03	4,139.65
Operation			
Protection of natural heritage	671.70	312.27	184.40
Licenses and permits	270.30	129.41	192.40
Environmental instruction	105.30	197.80	473.50
Relocation of families	307.20	324.65	822.00
Hydrocarbons management	22.40	55.10	17.20
Management of easement rights	255.40	194.41	305.90
Monitoring and independent engineering	29.60	98.40	144.30
Basic sanitation	195.00	109.86	259.60
TOTAL OPERATION	1,856.90	1,421.90	2,399.30
Total Environmental Management	8,947.53	13,168.93	6,538.95

- * No studies
- ** No own-funds investment
- *** No licenses
- **** Forest compensation project

Environmental management during design and construction stages

The 2.2km Primavera-Malena alternate line was built in the municipality of Puerto Berrío (Antioquia). To comply with the Technical Ruling for Electric Installation issued by the Ministry of Mines and Energy and avoid electric risks, COP 712,250 million were invested in relocation of 24 families living on the easement corridor.

Environmental management during operation stage

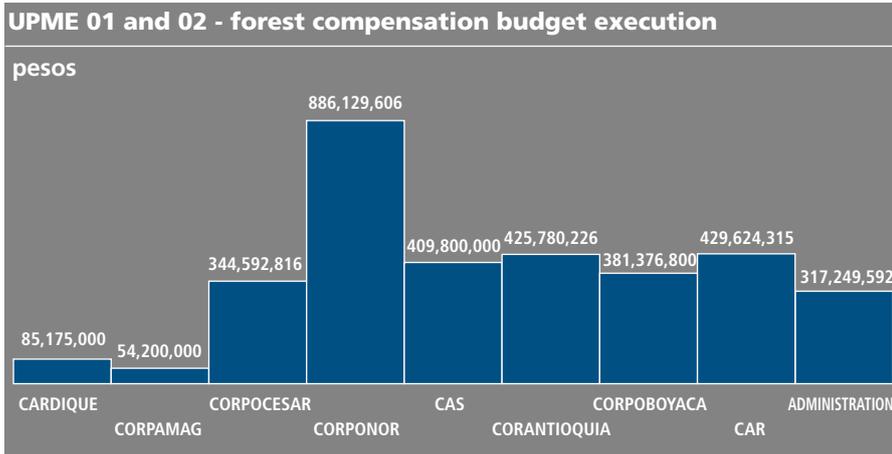
As part of its commitments, ISA carries out several actions in the influence areas of operational projects, among which the following stand out:

Protection of natural heritage

In compliance with the demands of the environmental licenses of eight transmission projects, ISA carried on with the maintenance and re-planting of 58 forest hectares, which took place in 2007 in the municipalities of Yotoco, Vijes and Yumbo (Valle del Cauca Province), Pereira (Risaralda), Anacarcos Indian Reservation (Natagaima-Tolima), Cimitarra (Santander), San Carlos and San Rafael (Antioquia) and Sabanalarga, Santa Catalina and Santa Rosa (Atlántico) (See map).

Forest compensation projects

The Company continued with the Forest Compensation Program of the Primavera-Bacatá and Bolívar-El Copey-Ocaña-Primavera 500kV transmission lines and related works, known as UPME 01-03 and UPME 02-03. For this program, which as required by the environmental licenses, was agreed with regional autonomous agencies of Cundinamarca, Boyacá, Santander, Norte de Santander, Cesar, Magdalena and Bolívar, ISA earmarked COP 13,623 million, of which COP 3,333 million has been executed.



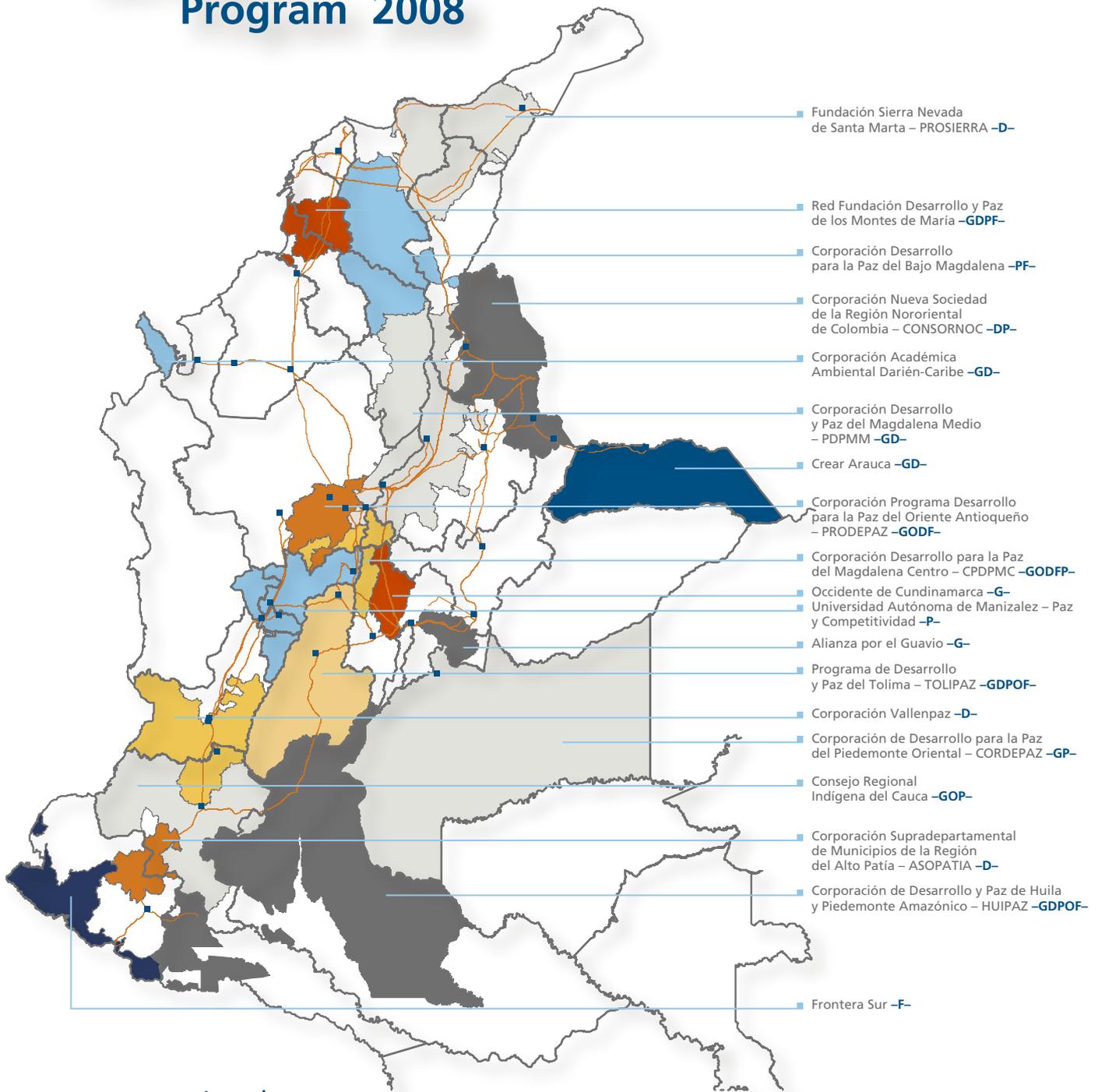
The forest compensation program backs up the protected-areas system, and encompasses such actions as: i) planting and management of forest plantations, ii) environmental education programs, iii) recovery of river basins and bodies of water, iv) territorial organizing, v) support of social and environmental management of autonomous agencies, in joined efforts with municipal governments and local communities. (See map).

Licenses and permits

ISA complied with the obligations derived from environmental regulation and permits contained in 39 environmental licenses for lines and substations, which kept the Company save from fines or penalties.

Additionally, the Company was granted: three water concessions for the Jamondino, La Esmeralda and Cerromatoso substations; four discharge permits for San Marcos, Purnio, Ibagué and San Felipe substations; and two forest- exploitation permits for the Malena-Primavera and Ancón Sur-La Esmeralda lines. (See map).

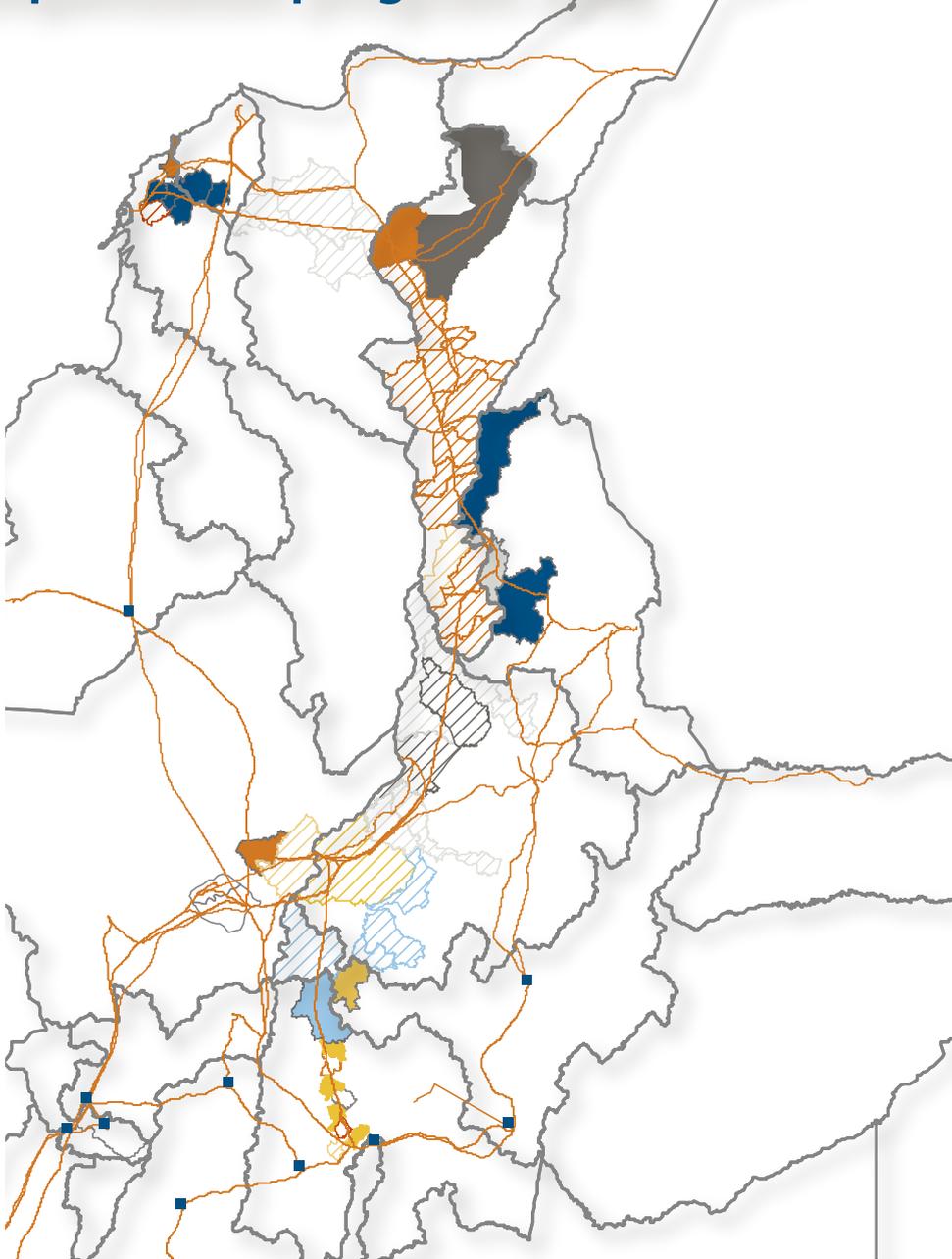
ISA Región Program 2008



Legend

<p>— Lines</p>	<p>Action Lines:</p>	<p>O: Territorial organizing</p>	
<p>■ ISA's substations</p>	<p>G: Democratic governance</p>	<p>F: Institutional strengthening</p>	
	<p>P: Peace and human rights</p>		
	<p>D: Sustainable development</p>		

Forest compensation program 2008



Legend

AP	AP+PF	PF+EA	AP+EA+OT
PF	AP+EA	EA+RCA	AP+OGA+OT
OT	AP+OT	PF+EA+RCA	AP+RCA+OT
OGA	AP+OGA	AP+EA+OGA	AP+EA+OGA+OT

AP: Support of protected areas system

PF: Planting and management of forest plantations

EA: Environmental education programs

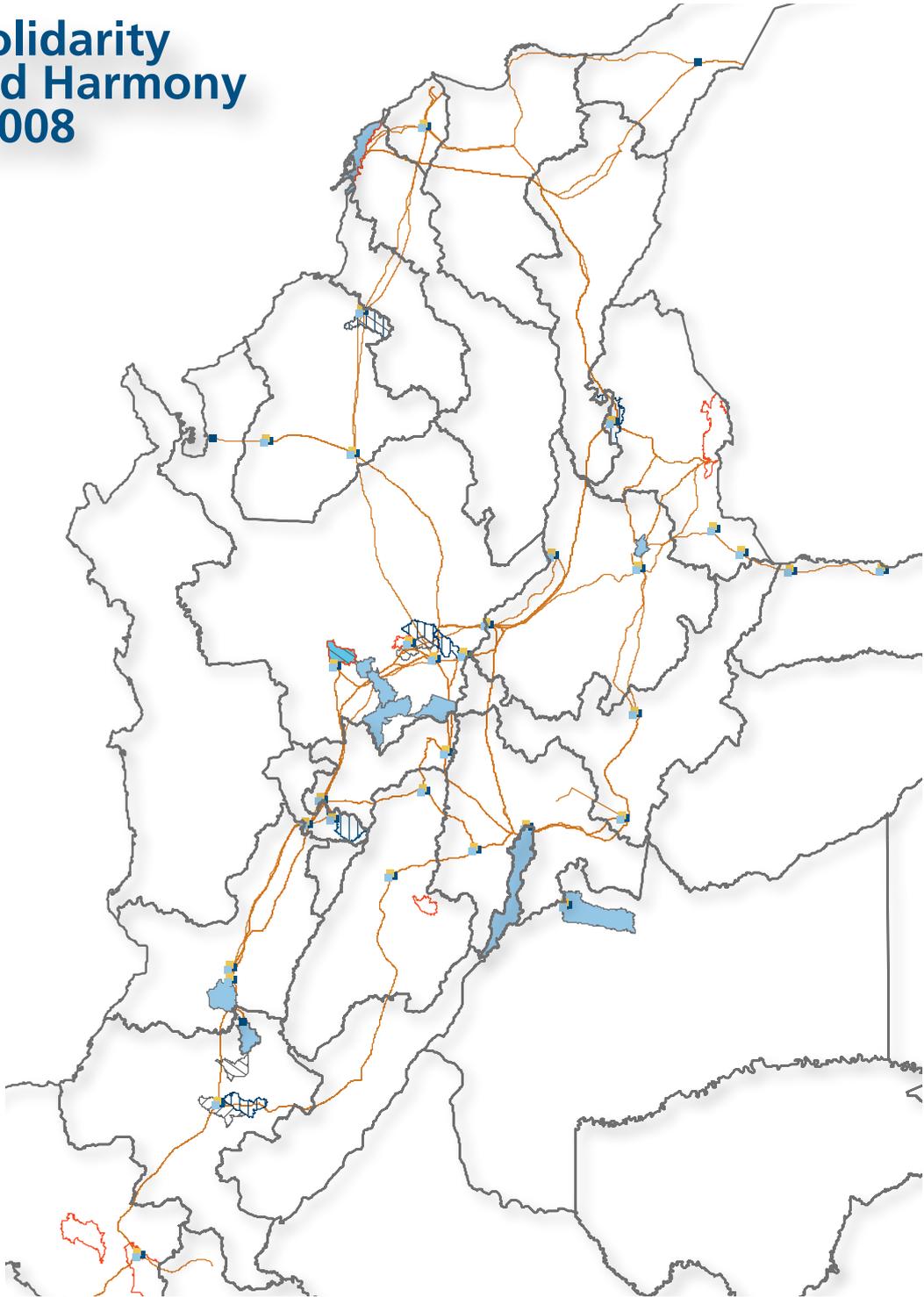
OGA: Construction and preparation of works for support of environmental or social management

RCA: Recovery of river basins and bodies of water

OT: Contribution to territorial organizing process



Solidarity and Harmony 2008



Legend

- Lines
- ISA's substations

Harmony Program

- Let's Learn with Eloisa Latorre
- Christmas with Eloisa Latorre

- Infrastructure and equipment for educational centers
- Community interest works
- Productive projects
- International, national, regional and local events

Solidarity Program

- Municipalities with the program



Environmental Education

To improve coexistence with the communities neighboring the substations and facilitate means of education for the rural school population, ISA continued with the “Let’s learn with Eloísa Latorre” and “Christmas with Eloísa Latorre” programs, which have been ongoing for eleven years now.

Throughout the country, Let’s Learn with Eloisa Latorre gave out school materials to 25,000 boys and girls living in areas surrounding ISA’s substations: a didactic primer on electric energy, one notebook, and a full kit of basic school supplies.

As a supplement to the environmental instruction program, Christmas with Eloisa Latorre tries to have children understand and divulge the caution measures indispensable to anyone living near an electricity tower. On Christmas season, engineers and assistants of the Company’s substations entertained 25,099 boys and girls and gave them didactic games for the development of skills.

Relocation of families

To eliminate the risks inherent to living in easement corridors of the transmission grid, and also to avoid operation difficulties, the family relocation program negotiated 30 units and housing relocation in the municipalities of Umbita, Tibaná, Ciénega, Tota, Tuta and Guateque (Boyacá); Guasca and Quipile (Cundinamarca); and Tulúa, Andalucía and Yumbo (Valle del Cauca). Total price for this program was COP 822 million. (See map).

Reduction of atmospheric emissions

ISA has focused its efforts to reduce atmospheric emissions in two directions: i) analysis of possibilities for application of Clean Development Mechanisms –CDM– to the Colombia-Panama electric interconnection project; and ii) reduction of substations’ sulfur



hexafluoride (SF6) gas breakers exhaust for its effects on climatic change.

Likewise, and in order to check the chances and barriers of applying CDM in the transmission sector, the Company endorsed the Regional Energy Integration Commission –CIER, for its Spanish initials– in the execution of the International Workshop of Carbon Markets, where topics related to the demands of the Kyoto Accord were discussed.

Political management and power sector environmental regulation

ISA adhered to the Ministry of Mines and Ministry of the Environment Environmental Joined Agenda and together with other companies of the sector, coordinated the formulation of the Sustainable Mining and Energy Development and Disaster Prevention and Relief Policy, which takes into account the sector's activities and the exploitation of mining and energy resources, seeking reasonable and balanced benefit for the parties involved.

On the other hand, and like in previous years, the Company participated in sector activities with both the Sector Environmental Chamber of ANDESCO, and the Ministry of the Environment, Housing and Territorial Development.

ISO-14001 Certification

To improve environmental performance in each one of its processes, ISA continued its consolidation process of an integrated management system of the activities conducted in the energy transport business that involve risk and impact on natural resources.

This system, which can be certified under ISO-14001 standard, allows application of evaluation criteria to the environmental

condition of lines and substations, as well as development of matrixes of environmental planning.

Additionally, environmental programs were structured to the following ends: i) close gaps of potential default, ii) measure environmental performance and adjust processes to regulatory demands, iii) record use and consumption of resources at ISA's different facilities (amount of water, energy, fuels) as well as waste generated (regular or hazardous).

To minimize the effects of the energy business on world climate, and as part of the integral management of chemical products, ISA has achieved adequate handling of sulfur hexafluoride (SF6), the main gas with greenhouse effect used in our processes, and has defined strategies for its treatment; it has also defined the correct disposal of polychloride-biphenyl-contaminated (PCB's) oil.

Measurement parameters utilized attest to improvement in environmental management, thus:

- Water consumption – 68.3 liters/person/day in 28 of 29 facilities where consumption is registered (a figure lower than the average for 2007).
- Quality of domestic sewage discharge – 98% of the 20 facilities sampled meet quality parameters.
- Hazardous waste management – 84% of facilities sampled showed adequate management, with remaining percentage pending for 2009.
- Energy saving – ISA has an indicator for its Medellín premises (ranging between 341,859 and 359,852 kW hour/month), which showed compliance of goals during 2008.

After certification audit conducted in December, ICONTEC granted ISA the ISO-14001 and OSHAS-18001 certification for the Medellín facilities and the Southwest Energy Transmission Center. The



challenge for 2009 is obtaining these certifications for the other energy transmission centers.

3.2.5 Contributing to the well-being of society

In order to find viability for the activities it carries out, ISA implements institutional programs for construction of mutually beneficial relations with society: towns directly influenced by its works and others located in the different regions where it delivers its services.

The Company's social management has four work lines: solidarity, harmony, support of education, research and technologic development, and ISA Region.

Solidarity

In October, a major avalanche originating in Huila volcano affected 15,000 people in the municipalities of Páez and Inzá (Cauca Province): 8, and 15 vehicle and pedestrian bridges, respectively, were destroyed, leaving the municipality of Páez in complete isolation; it also swept away houses, crops and domestic animals.

In such situation, ISA procured two 160-meter cables to restore communication for indigenous reservations Mosoco, Vitonco, San José, Huila and Lame (Nasa people) as well as Talaga and Belalcázar, allowing nearly 10,000 people to arrive at the towns for help and meet with their relatives. Additionally, and by means of solidarity actions, ISA was able to benefit 302 families of the Talaga reservation.

ISA's agreement with Universidad de Antioquia to support the TeleMAP Program (integral prevention and attention to victims of landmines and undetonated ammunition) is in force, and up to date, it has enabled high-impact advances for victims and health-care providers.

Harmony

Actions included in this program were carried out by the group's affiliates with very good results, promoting participation of the communities neighboring the infrastructure in urban agriculture activities: organization, training, trading, public management, and landscaping management, in transmission-grid easement corridors. In the second semester, the Company started diagnoses in specific stretches or in Cali, Puerto Berrío, and Valledupar.

To pinpoint the municipalities where it must focus its resources, ISA devised a matrix of territorial priority which combines social and public order variables, and management problems, among others. Under the concept Operating Projects of Community Benefit, ISA supported collective interest initiatives, like: improvement of educational infrastructure and improvement of roads also used by the Company for line maintenance. These actions involved around 5,600 people in ten municipalities. (See map).

So as to strengthen its institutional positioning, ISA gave support along 2008 to six international, three national, one regional, and four local events, touching social-responsibility-related fields like archaeology, peace and human rights, public management, and environment, among others.

It also endorsed to two regional initiatives: i) TV time in Eastern Antioquia Oriéntese TV, which seeks active participation from all sectors, identification of diverse regional problems, and generation of critical opinion; and ii) production of an educational video on the meaning of the territory of the Sierra Nevada de Santa Marta, for the indigenous children of the Arhuaco people.



Support of education, research and technological development

Through strategic alliances with universities, technological development centers, power sector companies and the State through COLCIENCIAS, ISA has for many years endorsed research and technologic development.

Several projects were concluded in 2008, after being managed and co-funded since 2006 between Universidad de Antioquia, Universidad Nacional (Medellín and Bogotá venues), Universidad Industrial de Santander, and Fundación ECSIM.

In joined efforts with Empresas Públicas de Medellín –EPM–, ISAGEN, COLCIENCIAS, CIDET and Universidad Pontificia Bolivariana –UPB–, the “Study of electric interconnection alternatives between Colombia and the State of Florida (USA)”, was defined to explore the technical and commercial possibilities for energy transport toward that region using high-voltage direct current –HVDC– technology.

The Company also made investments to protect copyrights of several research projects in technological management.

Worth highlighting is the project “Optimization of multi-purpose tools for investment decision-making in isolated sustainable energy systems”, developed by Universidad de Antioquia and co-funded by ISA and COLCIENCIAS. This study addresses the problem of non-interconnected areas and looks for optimal choices from the technologic, environmental, and economic viewpoint. The tool is currently at the disposal of entities in charge of developing non-interconnected regions, the power sector, academia, and general community.

In 2008, ISA scholarship lived its second year of work shared with the Master’s Degree Program in Environment and Development, Master’s Degree Program in Systems, and Specialization Program in

Power Sector Markets. With an investment of COP 204,750 million, the Company sponsored six students for the full Master's cycle, three research studies in Systems and Power Sector Markets, and two research studies in power sector environmental regulation.

ISA-Región Program

Along the last decade, ISA has been consolidating inter-institutional alliances to promote participatory processes of development and peace in the country, so as to help construct a national and regional setting favorable to long-term entrepreneurial viability and sustainability.

In 1999, ISA participated in creation of PRODEPAZ in Eastern Antioquia, and ever since it has been part of the boards of directors of development and peace programs in central Magdalena, Montes de María, Lower Magdalena River, and HUIPAZ. In 2001, it promoted creation of the National Network of development and peace programs, where it participates as supporting entity and as a member of its strategic committee. And it currently focus its efforts on two fundamental aspects: i) technical and administrative strengthening of the development and peace operators, so as to generate trust among governments and inhabitants, and attract international aid; and ii) engaging the entrepreneurial sector, especially the mining-energy and public utilities sector for the region's development.

Along the year, ISA signed agreements with the 18 development and peace programs existing in Colombia, covering 152 municipalities (46% of the locations where ISA is present), equivalent to around 35,400 people. It additionally promoted initiatives in Cesar, Southern Nariño, Cundinamarca (Western and Guavio), and Atlántico, and Bolivar (Canal del Dique and coastal zone). (See map).

It also became a member of Antioquia's Regional Agency for Development and helped its formation activities; it participated in the Centro de Pensamiento Social created with help from Proantioquia, Comfama, Protección and ANDI's Antioquia Section.

At the national level, it participated as a member of the Strategic Committee of Redprodepaz, which it represented in the Policies Dialogue Committee created by the Peace Laboratory III, an international cooperation mechanism between the National Government and the European Union.

The Program ISA-Región was the object of recognition (among 69 nominees) by the National Peace Award, which has been awarded since ten years ago by the FESCOL Foundation, the United Nations Development Program, and newspapers El Colombiano and El Tiempo, Semana Magazine and Caracol Radio and Television. At the awards ceremony, the Company was highlighted as an example of outstanding contribution to the creation and development of local, regional and national peace processes that have brought some degree of solution to the armed conflict.

By granting the honor mention to the Program ISA-Región, the jury not only honored the efforts of the Colombian entrepreneurial sector to create economic and social conditions that may buttress participation and development in the country, but also the important investments by ISA in programs of institutional strengthening, the culture of life, sustainable development, and democratic governance. It also highlighted the impulse given by the program to other power sector companies to establish similar social alliances.

The following statements and assessments of different Development and Peace Programs before the Prize promoters are an expression of how ISA's projection is perceived:



"The relentless impulse to new initiatives of incipient programs around Colombia, have become an ever more deeply felt hope to build, with everybody's help, a nation from down up, from inside out, and with the people." "The discreet and quiet, but effective manner that they succeed in generating new dynamics inside the programs and regions shows that the efficacy and efficiency of the light it bears is directly proportional to the dignity and quality of life of the people whose lives it lights, together with these processes." "The main value to highlight is respect for community and regional programs."

CONSORNOC

"One trait of ISA's officers in the ISA-Región Program and those of ISA in general is the coherence between the words and the actions with respect to Social Responsibility. To propose Social Responsibility policies is easy. However, it is the implementation and appropriation of those policies that set apart ISA, through ISA-Región, as the example to follow".

UNIVERSIDAD AUTÓNOMA DE MANIZALES

"... I consider it most logical to give recognition to ISA-Región Program by nominating it to the National Peace Award 2008 for its work in the different Peace and Development Programs existing in the country [...] as adequate exaltation of its relentless worry for social matters in the benefit of peace through development." "... this nomination is based on the debt of gratitude to somebody who, like ISA, has laid important groundwork for the construction of peace in Colombia".

PRODEPAZ

"ISA's awareness of corporate responsibility as a cooperation strategy with the country's social development and that of its regions has allowed ISA to design, construct and implement social

intervention strategies that generate conditions for stable and lasting peace". "The clear focus that has guided its assistance [...], regions where the State of Law rules, where everyone finds a possibility to fully develop their potential as individuals, and where human rights are the ethical north of social development, with a society committed to organization, solidarity and participation in the construction of public well-being, under criteria of social justice, truth, and freedom."

FUNDACIÓN RED DESARROLLO Y PAZ DE LOS MONTES DE MARÍA

"The Association of Indigenous Media of Colombia Network, a body affiliated to the Communications Program of the Cauca Regional Indigenous Council gives recognition to and highlights the social commitment of the last few years of ISA-Región Program in some indigenous communities of Cauca Province."

"We have known ISA's commitment through its years of active participation in the promotion of development and peace initiatives in the country, with its permanent support to the strengthening of these initiatives through REDPRODEPAZ. In this way, ISA has been an example and catalyst of the unification of efforts by companies, social organizations, churches and State bodies to promote well-being, democracy, and pacific coexistence with justice and human dignity in this country."

JUSTAPAZ

Resources earmarked for relations with society are defined on the basis of the commitments assumed and the priorities set according to the dynamics of the context where the Company operates. The following chart shows the program's funding in the last few years:

Social investment 2006–2008 (COP millions)

Program	2006	2007	2008
Solidarity	179.90	390.50	78.80
Harmony	833.55	734.00	281.50
SERTD (*)	281.20	456.20	384.75
ISA-Región Program	1,493.85	1,606.30	1,773.50
UPMES Social Management	-	128.10	-
Total	2,788.50	3,315.10	2,518.55

(*) Support of Education, Research and Technological Development

Translating its social management model into the current needs of society stands as a challenge for the Company. To this purpose, the program lines are projected for 2009 and 2010 with the following courses of action:

Solidarity. It will keep the double perspective of humanitarian relief to victims of both natural disasters and the armed conflict.

Harmony. It will focus on the protection of easement rights, through promotion of urban agriculture practices, food safety and participation in communal benefit projects.

Support of education. It will strengthen environmental awareness in the areas of influence, mainly the substations, improving contents and public policies.

ISA-Región is an integral program inasmuch as it covers strategic issues boosted by regional development and peace programs, including peace and human rights, democratic governance, sustainable development, and territorial organizing.



The STATE



Commitment:

Respect and promote the rule of law.

4.1 CHARACTERISTICS

ISA's relation with the State is based on the constitutional principle according to which, the State must guarantee efficient delivery of public utilities to the inhabitants of the national territory.

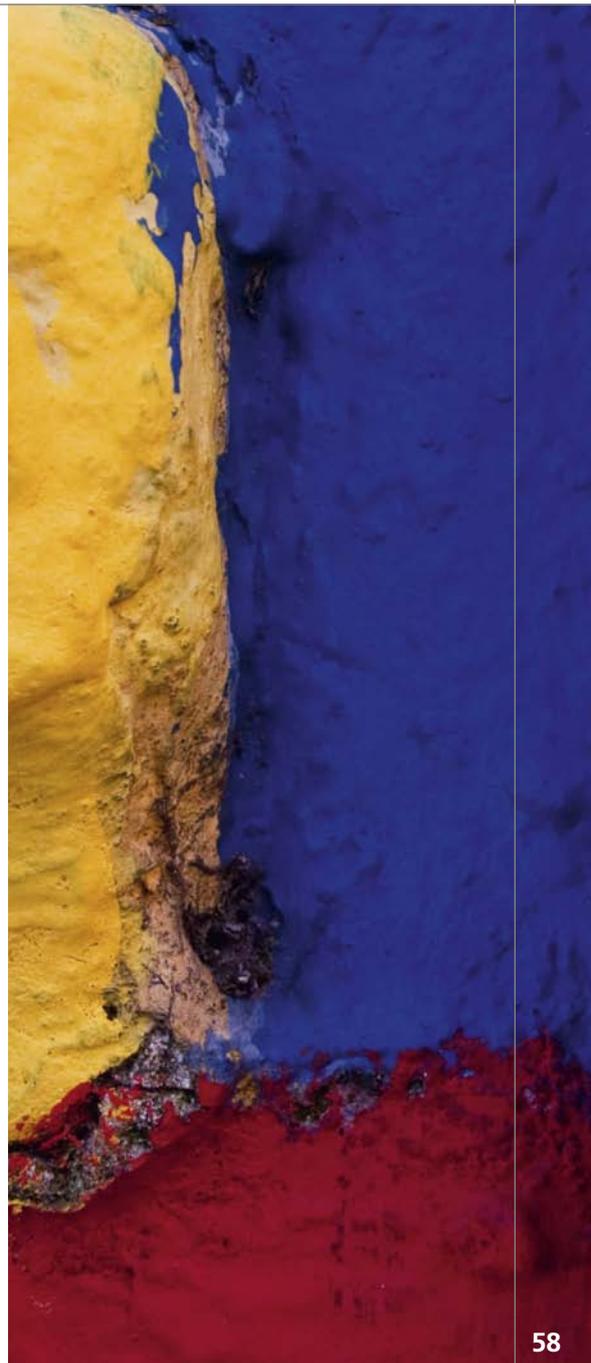
In order to meet such goal, the State reserves for itself the regulation, control and supervision of such utilities. Interconexión Eléctrica S.A., in its capacity as mixed-ownership public utilities company abides by the regime established under the Public Utilities Law and the Electricity Law, and its acts and contracts are ruled by private law; also, it keeps direct and permanent relations with the following State bodies:

Ministry of Mines and Energy
Energy and Gas Regulatory Commission –CREG–
Mining and Energy Planning Unit –UPME, for its Spanish initials–
National General Auditing Office –CGR, for its Spanish initials–
Superintendency of Domiciliary Public Utilities –SSPD, for its Spanish initials–
Colombian Financial Superintendency
Ministry of Finance

In line with its commitment, the Company reinforced the sector's performance by participating in sector specialized chambers, timely complied with the obligations imposed by the Law, and created synergy with the State.

Payment of taxes to the State

Payment of taxes, levies and duties increased by COP 99,269 million with respect to 2007, mainly as a result of: i) contribution for the Network Normalization Program –PRONE, for its Spanish initials– (created by Article 68 of Law 1151 of 2007); and ii) increase in income tax provision resulting from fiscal recognition of foreign investments' exchange difference.



Taxes paid (COP millions)

Concepto	2006	2007	2008
Income tax (tax provision expense)	13,670	43,694	92,692
FAER Contribution	39,077	41,946	44,169
Levy on financial transactions	3,286	1,246	1,030
Turnover tax	5,806	6,147	6,519
Equity tax	4,788	20,173	20,173
Transfers to UPME	3,071	2,877	2,743
PRONE Contribution	0	0	48,191
CGR fiscal control fee	885	1,582	1,109
Contribution to superintendencies and regulatory commissions	948	1,227	1,073
National stamp tax	608	893	876
Real estate property tax	673	702	726
Tax on billboards and signs	141	47	49
Public lighting tax	286	403	568
Fire Department surcharge	91	106	117
Energy service contribution	105	125	166
Automobile tax	7	10	8
Disaster prevention surcharge	1	1	1
Stamps	1,840	1,806	2,047
Occupation of public space	0	0	0
Total	75,283	122,986	222,255

Strengthening public management

The Company is all too well convinced that the phenomena of violence, corruption, and poverty ailing Colombia can only be overcome by democratic, transparent, and legitimate public institutions that will guarantee business management and the sustainable development of society.

Accordingly, at the beginning of the year ISA gave support to the municipality of Inzá (Cauca) and Arauca Province in the articulate formulation of development programs:

ISA provided the municipal administration of Inzá with technical advising through the ACOVIDA Foundation, and by means of actions like: i) Reviewing of previous development plans and territorial organizing scheme. ii) Training of government team members. iii) Production of a participatory diagnosis with the different actors, especially peasant and indigenous inhabitants iv) Definition of indicators. v) Inter-institutional activities. vi) Assistance during discussion and approval of the development plan by the City Council.

ISA offered to the planning secretary of Arauca Province and the municipal governments, technical support through the Regional Council of Competitiveness of Arauca, and through agreement signed between ISA, Ecopetrol, Occidental de Colombia and the State Government of Arauca Province, within the framework of Arauca's Energy Alliance. The development plan designed for the Province was granted recognition by the National Planning Department, given that it took fourth place in the contest "Best Development Plan for 2008 - 2011".

As part of the agreement between ISA and Fundación Proantioquia, and in order to put an end to the polarization of opinion, and to favor the improvement of the quality of public debate, Fundación Ideas para la Paz carried out an assessment of the Peace and Harmony Program: Return to the Rule of Law, promoted by the municipality of Medellín between 2004 and 2007. Results of this assessment, to be disclosed in 2009, are expected to become a reference for future integration processes developed by the High Commissioner and to structure and apply public policies related to this issue.

Compliance with legal obligations

ISA met 100% of its fiscal obligations, and no judgment by any judge of the Republic had been issued against ISA on charges of violation of fundamental rights.

Six actions of restoration of fundamental rights were filed against it for violation of fundamental rights to information, free association, due process, health, minimum means of living, defense, work, and petition, but all claims were dismissed.

Additionally, and by means of Administrative Instruction 83, the Chief Executive Office created the Conciliation Committee as the administrative instance for the study, analysis and formulation of guidelines regarding the defense of the Company's interests in case of litigation, prevention of illegal damage and decision on the grounds of conciliation.

RELATIONS WITH THE STATE

Supervision and control

Regarding the Company's management for fiscal year 2007, the National General Auditing Office issued a favorable opinion, granted the financial statements a positive rating, and gave a low-risk rating to its Internal Control System.

That audit brought about an administrative diagnosis on the part of the Company, which served as the basis, during 2008, to design and implement an improvement plan that saw 100% compliance level.

On the other hand, the SSPD issued a resolution to fine the Company on the grounds of the event that limited energy supply around the country on April 26 of 2006; it also formulated a list of charges for the purchase of Betania assets.

Through Decision 74, the Board of Directors approved the handbook designed by the Information System for Asset Laundering, as a control mechanism to prevent the Company, in the course of operation, from being used as an instrument to hide, handle, invest, or avail in any form of money or other assets coming from illicit activities or earmarked for their financing, or to give a legal facade to delinquent activities or transactions or funds linked to such.

Support of the institutions

ISA respects and supports democratic institutions legitimately constituted for preservation of security, territorial independence and integrity, in accordance with Article 95 of Colombia's Political Constitution.

ISA subscribes agreements with the National Armed Forces to protect the infrastructure and assist repair works whenever it is attacked, so as to guarantee continuation of service and safeguard life, freedom, and integrity of the personnel participating in such operations.

Additionally, ISA participates as an active member in the following organisms: i) Energy and Mining Committee for Security and Human Rights, led by the Office of the Vice-president of the Republic; ii) Presidential Advisory Unit, in actions for protection of the mining-energy infrastructure; iii) the Defense Ministry for analysis of social-political risk and definition of work plans.

Along the year, ISA kept participation in the Social-Political Risk Analysis Committee for Antioquia, formerly the Juncture and Crisis Committee of Eastern Antioquia, where the Support Mission for the Peace Process in Colombia (Organization of American States –OAS–) and Representatives in Antioquia (Office in Colombia of the United Nations High Commissioner for Human Rights) participate as guests.

For recovery of service affected by attacks on the infrastructure, the Company developed periodic coordination actions with the Armed and Police Forces in the regions where it operates. For 2009, ISA has projected to reinforce those practices that have proven successful, and also implement new ones to manage the risks arising from the armed conflict, especially those referring to promotion and support of inter-institutional coordination of authorities devoted to prevention and fight of the crime that may affect the Company and its resources.

To materialize integration of the Latin American electricity market, ISA and Empresa de Transmisión Eléctrica S.A. –ETESA– of Panama, aided by the Colombian Ministry of Mines and Energy, continue preparation of feasibility studies of the Central American-South American interconnection project.

As part of this project, the Governments of Colombia and Panama agreed to the following: i) bilateral electric interconnection will be executed as a connection scheme adjusting to each country's legislation in force, ii) respective regulators are to specify the regulatory framework that will make the project feasible, and facilitate exchanges of electric power, a topic that has seen steady advancement, iii) environmental authorities will expedite permits and licenses demanded for infrastructure construction.

Commitment:

Sustainable relation, competitive quality and costs, and reliable communication.

5.1 CHARACTERISTICS

This group is made up of companies from the sectors: 1) power – generators, transporters, distributors and traders of electric energy; ii) energy – oil and mining companies; iii) industry in general. The Commercial Area of ISA and TRANSELCA and the Company's Infrastructure Projects Management Unit are in charge of attention to these stakeholders, and for such task, have at their disposal an ample and specialized portfolio of services related to energy transport.

- **The electric energy transport service in Colombia**

This service includes transmission grid operation and maintenance, as well as expansion of the National Transmission System –STN, for its Spanish initials–. ISA currently has 72.04% participation in the total revenues of the STN that correspond to 10,000 kilometers of transmission grid at voltages above 115 kV, 50 substations, 12,672 MVA and 4,177 MVAR. This infrastructure is used by 73 energy traders in Colombia, and by the National Center of Energy Control of Ecuador.

- **Service of connection to the National Interconnected System –SIN–**

By means of this service, generators, distributors, regional transporters, and large consumers connect to the SIN in order to deliver and/or receive the power and electric energy generated and/or required by them.

ISA's connection service offers integral solutions: i) technical and economic feasibility studies indispensable to be part of the system ii) design, construction, set-up, and operation start-up of transmission lines and electric substations iii) administration, operation and maintenance of the assets making up the connections.



For delivery of this service, ISA has: i) 76.8 kilometers of lines at 230 kV and 109 kilometers at lower voltages; ii) transformation capacity of 3,490 MVA in operation and 618 MVA in reserve, distributed in 60 connection points to the STN, through which it serves 21 customers (4 generators, 14 network operators and 3 large consumers); iii) two points associated to international interconnections (Ecuador and Venezuela).

▪ **Energy transport ancillary services**

As an added value, ISA's knowledge and expertise in planning, construction, operation and maintenance of energy transmission grids and fiber-optic networks are available to ISA's customers for delivery of energy transport ancillary services, such as:

Electricity and energy studies:

- Studies for connection of generators and industrial facilities to electric networks.
- Expansion studies
- International interconnection studies
- Protections coordination studies
- Operation optimization studies

Maintenance of electric systems:

Integral Maintenance Service: Maintenance planning, execution and technical evaluation; assets optimization plan.

Chemical Analysis of Insulating Materials: Physicochemical test of state and diagnosis.

These services are currently provided to 170 customers in the power and industrial sectors in Colombia, Ecuador, Peru, Bolivia, Panama and El Salvador.



- **Service of integral development of linear infrastructure projects**

This service includes a wide portfolio for national and international markets: i) Integral development of projects (engineering, procurement, construction, and environmental, social, land-property and regulatory management); ii) Engineering Procurement and Construction –EPC– of projects; iii) Project management (administration of engineering, procurement, and construction); iv) Project engineering (applied-engineering services); v) environmental and social management; vi) land-property management (real estate and easements management); and vii) supply chain management (negotiation, contracts and procurement of goods and services).

To advance in the rural electrification process and development of communities around the country and its islands, the Ministry of Mines and Energy, with resources from the Financial Support Fund for Electrification of Interconnected Rural Areas –FAER–, makes investments in new infrastructure projects and/or reposition or rehabilitation of existing infrastructure and earmarks resources necessary for their implementation. Some of these projects are carried out by ISA under delegated management inter-administrative agreements subscribed with the State (Ministry of Mines and Energy).

In these projects, the Company contributes its knowledge and expertise without receiving any gain from the operation.

Assuming the challenge of being an ever-more rigorous, timely and efficient corporation, ISA has planning and development processes that allow it to assess its condition, evaluate its performance, and propose actions to improve and preserve the quality of its services.

5.2 MEASUREMENT

As to energy supply availability and continuity, the transmission grid performance indicators outdid the goals set for the year, showing the great efforts made by the Company to deliver service under international standards of timeliness and quality.

Such results were periodically shared with the customers through monthly performance indicator reports, dispatched electronically and posted on the Web page.

Performance indicators for ISA's grid – December of 2008

N°	Indicator	Lower goal	Upper goal	Results	Comments
1	STN availability	> 99.653	> 99.934	99.815%	Annual percentage time assets were in service or available.
2	Unserved load –ENS–	< 4,200	< 3,800	2,782.1 MWh	Unserved load for causes attributable to ISA, excluding terrorist attacks.
3	Interruption rate	< 0.2279	< 0.1727	0.1407	Number of service interruptions with unserved load per ISA's equivalent asset.
4	Reclosure effectiveness	> 72	> 76	76.97%	Percentage of brief failures with effective

					reclosures (asset returned to its original condition).
5	Non-selective and unnecessary outages	< 9	< 6	8.09%	Percentage of non-selective and unnecessary outages.
6	Subsystems with failure probability > 10%	< 21	< 21	11	Number of subsystems with failure probability higher than 10%.
7	Switching effectiveness	> 99.96	> 100	100%	Percentage of correctly executed switchings. (out of 21,110 switchings during the year).
8	Switching timeliness	> 99.75	> 100	99.66%	Percentage of switchings executed during regulatory term. (Switching delays are due to situations occurring at the time of execution during one-year period. 72 delays out of 21,110 switchings occurred during 2008).

9	Compliance with Maintenance Plan	> 95	> 100	97%	Maintenance Plan's execution percentage for December of 2008.
10	Invoicing claims	1	0	0.003%	Claims percentage. (4 claims out of 1,239 invoices).
11	Timeliness in answering claims	1	0	0%	Percentage of claims attended during terms agreed with customers.

ISA and its companies advance in technical leadership

The II Technical Conference on Operation and Maintenance of Energy Transmission Systems for ISA economic group was held in October, with the subject "New technologies for safe maintenance and operation". Along the conference, exchange of knowledge and best practices took place, and activities were conducted aimed at increasing service reliability and equipment availability.

Around 200 representatives of the energy transport business in Bolivia, Brazil, Peru and Colombia, that are part of the economic group, participated in this event.

The academic agenda included presentation of 48 papers prepared by officers from different companies in five categories: Lines, Substations, Protection and Control, Operation, and Social-environmental.

The event permitted to know the state of research, the new developments and key improvements in each company's processes. It also enabled integration of ISA and its affiliates in a single corporation that grows and advances toward technical leadership.

ISA advances in the CIER 11 Reference Study Phase III

ISA has participated in CIER 11 since 2001. This initiative, led by the Regional Electric Integration Commission has as its purpose identifying, through comparative studies, the best practices of the energy-transporting companies that operate on international standards. The first phase of this study analyzed Administration, Operation, and Maintenance –AOM– costs; the two following phases, in which 22 companies from 12 Central and South American countries participated, examined technical indicators as well as operation and maintenance practices.

Based on the results obtained, the companies of the economic group defined and executed actions to optimize AOM costs and set technical performance goals to guarantee compliance with each country's regulatory demands. These actions are expected to result in further national and international competitiveness.

ISA strengthens its communication channels with its customers

Permanent and reliable communication, based on market knowledge and, added to an excellent service attitude, is the premise that leads the Company's communication channels.

Web page: By adopting the new corporate brand, ISA improved its structure and interaction with its users, thus gaining pertinence in the information and ease in the offer of its services portfolio.

Customers Newsletter: This channel allows the customer to express opinions and suggestions. Five newsletters were published along the period with topics of interest among which, the Company's CSR and successful practices stand out.

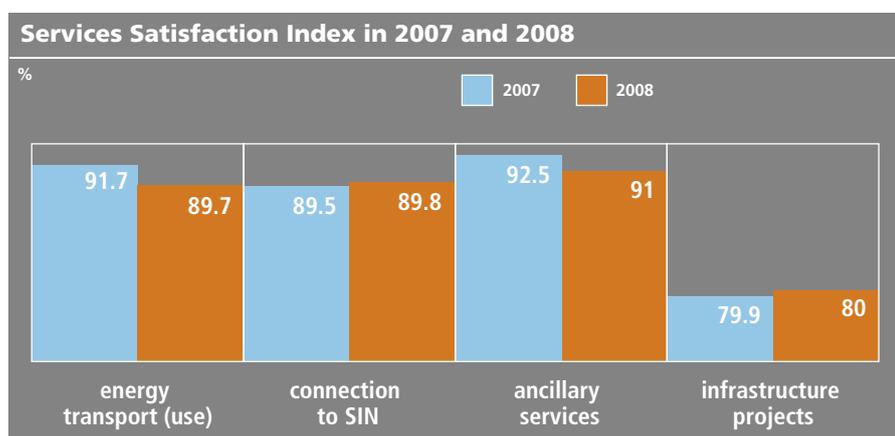
New Customers Service Directory: So as to facilitate communication with its customers, and therefore strengthen commercial relations, ISA started in June publication on its Web page of its Customers Service Directory, which includes customer relations officers, analysts in charge of invoicing and receivables, and the direct customer service lines.

ISA maintains satisfaction levels among its customers

In the fourth quarter, an evaluation was held to measure Satisfaction Index among customers in relation to the services delivered by the Company, identify their needs and expectations, and determine what factors produce the greatest impact.

Services evaluated were:

- Energy Transport (STN use).
- Connection to SIN.
- Energy Transport Ancillary Services.
- Infrastructure Projects.



Measurement parameters are: higher than 85.5, high; between 73.3 and 85.5, medium; and under 73.3, low.

General Satisfaction was rated 84.1%, equivalent to medium performance.

Service ratings kept a “high” ranking for energy transport, connection to SIN and ancillary services, similar to results for 2007.

User Customers’ participation in the measurement will serve as the foundation for improvement programs according to their expectations.

ISA constructs sustainable relations, based on trust and respect

With the purpose in mind to keep communication space, and so strengthen relations with the customers, the Company carried out along the year several events that enjoyed ample acceptance:

Meetings with customers

In the second semester, ISA carried out customer meetings in Bogotá, Cali, Barranquilla, Medellín, and Manizales, with participation of 105 professionals from 40 companies that are customers of ISA and TRANSELCA.

Meetings were conversation-type with ISA presenting issues of interest and the customers expressing their opinions, expectations, and suggestions.

Participants’ rated 94% in average the interest and pertinence of issues. This permits to conclude that the event met their expectations, and stands as an incentive for the Company to maintain and improve these spaces.

Participation in events

ISA participates in ANDESCO-SSP Public Utilities Congress

In June, ISA and its affiliates were present at the X National Utilities Congress and I International Utilities Congress, organized by ANDESCO and the Superintendency of Public Domiciliary Utilities in Cartagena. This is one of the most important events in the country because it gathers nearly 2000 people, propitiating space for relations and viability of business and getting familiar with new economic perspectives.

On the other hand, ISA participated in the First Corporate Social Responsibility Seminar, an initiative of the Chamber of Communications and CSR of ANDESCO that received support from the United Nations.

Other events

With the purpose of propitiating inter-institutional relations, creating spaces that facilitate materialization of commercial agreements and strategic alliances, and also sharing managerial experiences, ISA was present in such events as:

- International Seminary Workshop: "Socially Responsible Management of the Power Sector in Latin America", organized by COCIER in September.
- Congress: Wholesale Energy Market, organized in October by the National Operation Council and the Commercialization Advising Committee.

ISA's timely attention to customers' requirements

The commercial structure integrated between ISA and TRANSELCA reached great results in the area of customers' service, a fact evidenced by the constant access, on the part of the executives, to the Customers' Requirements Attention System.

In order to strengthen attention and service channels and offer timely and quality answers, the Customers' Attention Center implemented the Chemical Analysis service of Insulating Materials, and direction was given to the requirements of ISA's other services.



The SHAREHOLDERS



Commitment:

Profitable growth and creation of value.

6.1 CHARACTERISTICS

The following table shows ISA's shareholders, their number of shares, and percentage:

Shareholders	Number of shares	%
State-owned investors	678,823,336	63.11
The State	569,472,561	52.94
Empresas Públicas de Medellín	109,350,775	10.17
Public and private capital investors	77,373,530	7.19
ECOPETROL	58,925,480	5.48
Empresa de Energía de Bogotá	18,448,050	1.72
Private investors	319,464,508	29.70
Institutional investors	181,880,448	16.91
Individuals	106,587,952	9.91
Legal persons	18,119,708	1.68
Foreign investment funds	9,925,575	0.92
ISA ADR Program	2,950,825	0.27
Outstanding subscribed capital	1,075,661,374	100.00

Outstanding shares are common, registered and dematerialized.

Nominal value of one share is COP 32,80000000535200.

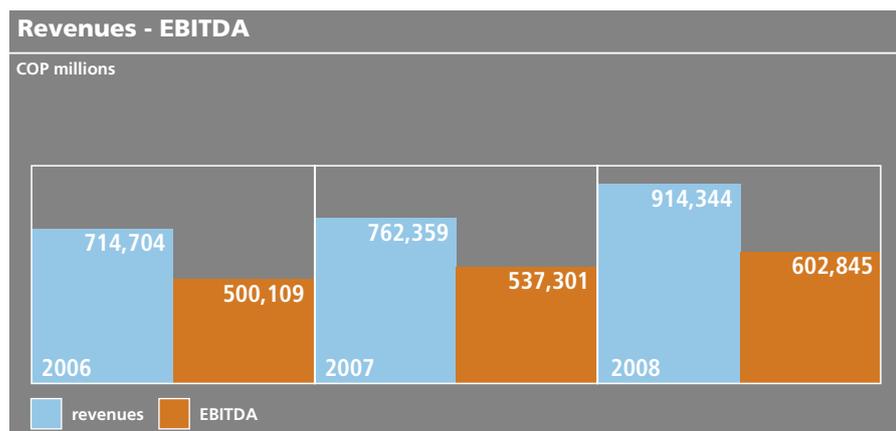
Depósito Centralizado de Valores de Colombia –DECEVAL S.A.– is the entity where securities are deposited for their administration and custody, to facilitate and expedite the market agents' work.

Shareholders require authorizations and execution of procedures as provided in Law 226 of 1995, or in their absence, in the rules applicable to them as the case may be, to trade their shares, reason why they are considered shareholders who buy to hold.

Along the year, the Company's shares market was made up as follows:

- Authorized Capital: COP 45,000,000,000.00 divided into 1,371,951,219 shares.
- Subscribed Capital: COP 35,866,193,074.65 divided into 1,093,481,496 shares.
- Paid-in Capital: COP 35,866,193,074.65 divided into 1,093,481,496 shares.
- Treasury stock: COP 584,500,002 divided into 17,820,122 shares.

ISA posted COP 236,593 million net income (4.7% more than in 2007). EBITDA grew by 12.2% to COP 602,845 million, the result of 19.9% operating revenue increase.



Credit risk rating

Duff & Phelps de Colombia affirmed the AAA rating for ISA's three bond issues and the domestic debt bond program. In the same manner, Standard & Poor's upheld its BB+ rating for ISA's foreign-currency long-term credit (equal to the Republic of Colombia's sovereign ceiling) and rated BBB- its local-currency credit.

Standard & Poor's upheld its BB+ rating for long-term corporate credit and the BB rating with stable outlook for the USD554 million bond issue. Fitch Ratings also affirmed its BB rating for such issue with stable outlook.

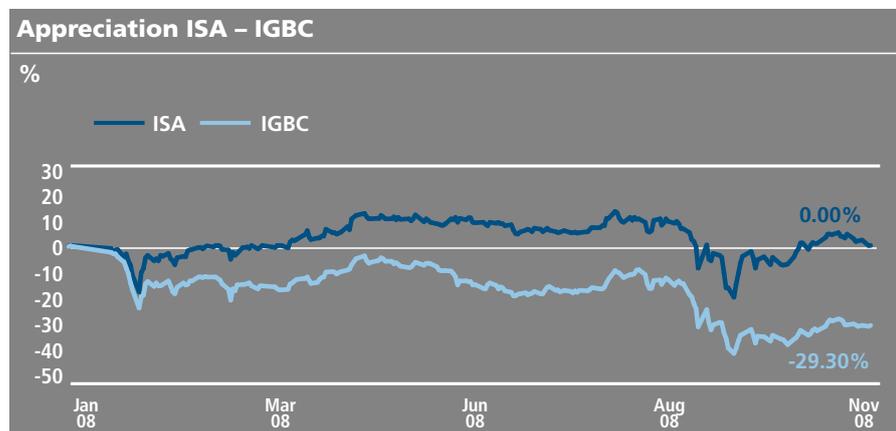
These ratings ratify the consolidation of the Group, its operating capacity and its financial solidity.

6.2 PRACTICE

6.2.1 Profitable Growth

In 2008, the financial crisis in the United States and the deteriorated performance of world stock markets caused economic deceleration that considerably affected the investment portfolios and had an impact on the main variable-income indexes, a situation that was no different for the capital markets in Colombia.

However, despite the fact that the markets situation was difficult and the General Index of the Colombian Stock Market –IGBC– suffered 29.3% depreciation, ISA's share showed stable behavior during the period.



During the period, ISA's share was negotiated in the 244 rounds of the Colombian Stock Exchange, with an average of 359,603 shares, and a value per round nearing COP 2,582 million; additionally, it took sixth place in the high market capitalization category (Market Capitalization Index, published by the Superintendency of Securities).

On September 1, ISA's share reached a maximum quote of COP 7,990, for an average COP 7,277 for the year, and COP 7,100 at closing.

The table below shows the main stock-market indicators for ISA's share in 2008:

Dividend policy

Stock market information	2008
Outstanding shares (Nº)	1.075.661.374
Free-float (%)	29,70
Par value (\$)	32,80
Book value including appreciation (\$)	4.470,98
Yearly dividend (\$)	140
Closing price (\$)	7.100
Average traded volume (\$ million)	2.582
Market capitalization (\$ million)	7.637.196
Dividend yield (%)	1,97
Stock market capitalization index (position Nº)	6

ISA's Shareholders' Meeting held on March 31, 2008, approved the appropriation and distribution of earnings of the year 2007, which meant distribution of earnings and reserves totaling COP 150,593 million to pay dividends of COP 140 per share. Payment

took place in four quarterly installments of COP 35 each on April 16, July 16, and October 16 of 2008, and on January 27 of 2009.

Along the fiscal year, direct retribution to the shareholder as dividends was COP 140, 9.38% up on 2007 (COP 128 per share).

6.2.2 Operation of the shareholders' information center

Along the period, the shareholders' information center reached 99.5% service level with 55,129 contacts.

- The personalized service offices in Medellín and Bogotá handled 638 and 67 requests, respectively, while the other regional offices processed 684 requests.
- The e-mailbox at accionesis@isa.com.co received 6,253 requests.
- Service level dispatched by the "Shareholder's Attention Line" was 94.43%, with 32,080 calls, well above the 85% service level agreed upon.

In order to keep trust relations based on timely and reliable information supply, ISA carried out the following activities:

- The Chief Executive Officer presented the management and results report at six meetings held with stockbrokers in Bogotá, Cali and Medellín.
- Two shareholders newsletters were published and sent (approximately 84,184 printed and 41,979 electronic) as provided in ISA's Good Governance Code; such newsletters can also be accessed at the Company's Web page, investors section. Shareholders also received their biannual shareholder statement with information about their investment and their corresponding income tax certificate.

- Timely disclosure of news, relevant facts, quarterly financial reports and generic pieces was achieved through 462,455 e-mails (449,677 for shareholders and 12,779 for foreign and domestic brokers and institutional investors).
- In total, 18 news of interest in Spanish, 17 news pieces in English, four quarterly financial reports, four “Quarterly Results” for international investors, two shareholders newsletters each with its corresponding shareholder statement, one newsletter in English, one income tax certificate, and two generic pieces were sent along the year.

6.3 MEASUREMENT

Through Fiduciaria Bancolombia, ISA hired the services of INVAMER S.A. (entity in charge of conducting service satisfaction survey among shareholders) to evaluate the quality of the shareholders’ service line in 2008. Quality Service Audit S.A. ranks the score obtained of 4.78 in the category of “Excellent” at the international level.

Global COMPACT

As an answer to the Company's explicit commitments to society regarding human, labor and environmental rights, and against corruption, in August of 2005 Interconexión Eléctrica S.A. publicly adhered to the Global Compact. In 2008, as a founding partner, ISA participated in the creation of the Global Compact's Regional Center for Latin America. This initiative supported by other companies as well as by the United Nations and the Colombian Foreign Affairs Ministry, has as its goals to duly divulge the Compact and strengthen both the work of the national networks and the exchange of expertise and learning.

Below is a summary of the activities conducted during the period in order to comply with the Global Compact's principles:

7.1 PRINCIPLE ONE:

Support and respect the protection of internationally proclaimed human rights in its area of influence.

To integrally manage the sociopolitical risks occasioned by corporate resources and processes, ISA has devised action plans to administer eventual risks within its corporate reference framework and from seven dimensions: political, technical-administrative, communications, social, inter-institutional coordination, physical safety, and human rights.

In order to contribute to the protection of human rights outside the Company, ISA advised its contractors to include in their contracts a methodology to identify and assess risks and impacts, according to the guidelines of the Global Compact. It also proposed to evaluate the human rights background of security firms participating in selection processes, a proposal that is expected to be officially approved and implemented in 2009.

In order to identify security and human rights challenges and risks, make known the Company's commitment to the defense of human rights, and enhance comprehension of current sociopolitical risks as well as their short- and medium-term outlook, ISA conducted



reflection events such as: i) Workshop-Lecture “Business security and respect for human rights in complex environments”, and ii) Forum “Actuality and perspectives of sociopolitical risks in Colombia”.

Also, the understanding and adoption of the Universal Declaration of Human Rights was promoted via the Intranet.

ISA continued participating as active member of the Energy and Mining Committee for Security and Human Rights, led by the Office of the Vice-president of the Republic, whose mission is to promote better performance regarding these issues in the sector companies and State institutions.

Since 2007, it has participated in the program, “Colombia Guidelines for Security and Human Rights”, an initiative aimed at non-extractive sectors that has participation of civil society organizations. Its technical secretary is exercised by Fundación Ideas para la Paz, an entity with which the Company subscribed an agreement to define corporate conduct codes regarding human rights, and that seeks among other goals, to: i) sponsor sector proposals that apply to contractors, ii) give training in conflict-sensitive practices, and iii) support the Colombia Guidelines initiative.

7.2 PRINCIPLE TWO:

Avoid acting as complicit in human rights abuses.

ISA has prepared the “Instructions to report to the authorities and national and international bodies incidents and crimes against Human Rights and International Humanitarian Law”. These are instructions to denounce the excessive and disproportionate use of force and monitor the answers.

ISA also has a pro forma document to report to the national and international bodies the incidents and accidents with antipersonnel

land mines, abandoned and undetonated ammunition, and makeshift explosive artifacts. In 2008, the terrorist attacks against the electric infrastructure (136 destroyed towers, 106 of which owned by ISA), an accident in a mined field, and one event against personal freedom and integrity, were reported to the United Nations Human Rights High Commissioner. To guarantee that security activities respect and protect human rights, a new agreement was made with the Armed Forces to earmark funds for training military personnel in the subject and a supervision mechanism called Coordination and Follow-up Committee.

Also, ISA has instruments to monitor private security firms, promote their optimum performance in human rights issues, and endorse good practices in the services they provide to the Company.

7.3 PRINCIPLE THREE:

Uphold the freedom of association and the effective recognition of the right to collective bargaining.

ISA has subscribed a Labor Contract with its non-unionized workers and a Collective Bargaining Agreement with its Labor Union.

As of the end of 2008, 501 workers had signed the Labor Contract (546 in 2007) and 51 were members of SINTRAISA, the Labor Union, (51 in 2007). Decreased figures for the Labor Contract are explained by inclusion of several employees in the integral salary regime and the retirement of others.

Negotiations of the Labor Contract and the Collective Bargaining Agreement are conducted in accordance by the Labor Law. Benefits granted are the result of independent and autonomous negotiation between the Company and the respective bodies. Working groups are the instruments through which negotiators can decide the methodologies for implementing agreements, monitoring commitments and building pre-agreements that facilitate relations and interaction.

To facilitate the negotiators' endeavors the Company grants leaves of absence, assumes traveling expenses and sponsors training to build interaction, interlocution and leadership skills.

Two negotiation processes took place during 2008:

1. One was carried out together with SINTRAISA and the Labor Contract Committee to build and agree upon a fringe benefit scheme for future workers. Along this process training was offered in the following topics: i) compensation trends, ii) characteristics of the new generations of workforce, iii) skills in negotiation and construction of agreements.
2. A second one for negotiation of the 2005–2010 Labor Contract: even though no agreement was finally reached, the process took place in an environment of mutual respect between the Company and the workers.

7.4 PRINCIPLE FOUR:

Uphold the elimination of all forms of forced and compulsory labor.

ISA does not condone forced and compulsory work. The 41.25-hours workweek is shorter than legally mandated, and associates enjoy two days off additionally to the 15 days per year mandated by law.

To promote the personal and professional advancement of the workforce, when a position opens, internal selection processes are open to all associates. In the selection processes for 30 openings carried out along 2008 participated 107 of our associates, with 19 of them ending up hired; the remaining openings were filled with external hiring.

A survey is conducted yearly to measure the associates' satisfaction level with the work environment. In 2008, favorability was 75% according to survey to measure organizational climate answered by 90% of the workforce.

7.5 PRINCIPLE FIVE:

Companies shall uphold the effective abolition of child labor.

ISA strictly abides by the Colombian labor laws, reason why it does not hire minors and does not permit its contractors to do so.

Permanence of minors in education centers contributes to the abolition of child labor. For this reason, ISA, together with Fundación Restrepo Barco, have devised a program for environmental education in the schools near the substations. The objectives of the program are: i) to prepare a diagnosis of the social, pedagogic and administrative problems; ii) to formulate proposals for improving quality of education, especially among the rural population; iii) to help decrease school desertion.

7.6 PRINCIPLE SIX:

Uphold the elimination of discrimination in respect of employment and occupation.

ISA's selection processes are conducted under equal terms and opportunities where personal and professional competencies prevail. ISA's Code of Ethics and Good Governance Code define the Company's actions and commitment to its associates, regardless of race, religion, sex, marital status, age, nationality, social condition, or political ideology. No discrimination complaints, claims or accusations were reported during the year.

7.7 PRINCIPLE SEVEN:

Support a precautionary approach to environmental challenges.

ISA received the ISO-14001 certification for the Environmental Management System (Medellín premises and Southwest Energy Transmission Center) aimed at improving environmental performance for each of the Organization's processes, with emphasis on preventive management.

This certification, obtained thanks to the work and commitment of every associate, will permit ISA to: i) optimize processes related to energy transport, ii) strengthen the culture of environment protection, iii) have tools to comply with the commitments to Corporate Social Responsibility and the Global Compact, iv) contribute to the sector's competitiveness for consolidation of the Integral Risk Management Model.

7.8 PRINCIPLE EIGHT:

Promote greater environmental responsibility.

Environmental programs were implemented for the business with emphasis on responsible handling of natural resources: i) adjustment of processes to regulatory demands, ii) implementation of recording of resources' use and consumption (water, energy and fuel amounts) and waste production (common and hazardous).

ISA has promoted environmental responsibility among its associates and suppliers through the following actions: i) Online course on the integrated management system as an easy tool to spread knowledge; ii) Specialized training for 99.5% of the workforce on environmental policy, goals of the integrated management system, and specific responsibilities of every work post regarding prevention, mitigation and/or control of environmental impact.

The following activities were also carried out: i) Changes to bid terms and contract drafts so as to establish suppliers' responsibilities to

the system; ii) Preparation of the “Legal matrix for environmental and industrial safety and occupational health issues for buyers and contract managers”; iii) Design of Institutional Guidelines No. 78 and application thereof to 64 suppliers in order to evaluate their environmental performance and prepare improvement plans.

Lastly, it is important to highlight the Company’s coordination of the formulation and agreement of a Policy of Mining and Energy Sector Development and Disaster Prevention and Relief, to “promote the sustainable development of mining and energy resources in order to create reasonable and balanced benefit for the parties involved and controlled and systematic management of the natural basis that supports them, under efficient, participatory and coherent coordination schemes according to internationally standards recognized by the country and the companies”.

7.9 PRINCIPLE NINE:

Development and diffusion of clean technologies.

To comply with this principle ISA:

- Advanced the study of climatic change effects and its relation with the projects’ operation; and since 2007, it works in the correct management of SF6, the main gas with greenhouse effect used in the processes.
- Prepared, together with CIER, the International Workshop of Carbon Markets and structured projects for the sector.
- Directed actions to guarantee environmental responsibility and development of clean technologies, under agreement with COLCIENCIAS to carry out sector research and process improvement for every R+D+i (Research and Development and Innovation).

7.10 PRINCIPLE TEN:

Work against corruption and extortion.

One of the responsibilities of the Corporate Audit Committee is to supervise compliance with the Code of Ethics, and accordingly, the Company carried out the following activities:

- Audits: Management of contracts, database vulnerability, risk and insurance financing, compliance with the Good Governance Code, SAP security, and CSR practices and commitments.
- Compliance with the Sarbanes Oxley Law.
- Evaluation of fraud risk management.
- Follow up of toll-free line 01 8000 941341 for suggestions and claims.

Results of evaluations and follow up of toll-free line for suggestions and claims were periodically informed to the Corporate Audit Committee. No complains or denunciations about violations of the Code of Ethics and the Good Governance Code were received during the period.

The workshop "Business security and respect for human rights in complex environments" was carried out to make public among associates and stakeholders the prohibition of illegal practices.

To guarantee the fight against corruption, ISA has mechanisms for communication, recording and correction of illegal practices along business operations. In 2008, ISA made adjustments to and circulated the "Instructions to report to the authorities and national and international bodies incidents and crimes against Human Rights and International Humanitarian Law". In the same manner, it applied the criteria and procedures for relations with the defense sector, which were defined and adjusted along the same period.

ISA

Main Offices

Calle 12 Sur No. 18 - 168
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Telephone: + 57 (4) 325 22 70
Fax: +57 (4) 317 08 48
www.isa.com.co
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Bogotá Administrative Office

Carrera 69 N°. 25B - 44 Oficina 1002
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ENERGY TRANSMISSION CENTERS

CTE Centro (Central Transmission Center)

Calle 200 entre Carrera 8ª y Autopista Norte
Bogotá D.C.
Telephone: + 57 (-1) 6767000
Fax: + 57 (-1) 676 70 00 ext. 71519

CTE Noroccidente (North-Western Transmission Center)

Calle 84 Sur No. 40 – 61
Autopista Sur, Variante de Caldas km 1
Sabaneta - Antioquia
Telephone: + 57 (-4) 309 44 55
Fax: + 57 (-4) 315 54 70

CTE Suroccidente (South-Western Transmission Center)

Vía Aeropuerto - Yumbo, Km 1
Palmira - Valle del Cauca
Telephone: + 57 (-2) 280 13 00
Fax: +57 (-2) 280 13 28/29

CTE Oriente (Eastern Transmission Center)

Calle 30A N° 23-120

Cañaveral Floridablanca - Santander

Telephone: + 57 (-7) 679 63 00

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SHAREHOLDERS SERVICE OFFICES

Calle 12 Sur No. 18 - 168. ISA. Bloque 3 - Piso 2

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Medellín - Colombia

Carrera 48 No. 26 - 85. Torre Sur, Piso 5D

Avenida Los Industriales, Barrio Colombia

Telephone: (4) 404 23 50 Fax: (4) 576 35 03

Medellín - Colombia

Calle 30A No. 6-38 Piso 19

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Shareholders Toll-free Number

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ahead

