



Identification, assessment, approval, disclosure, and supervision procedure for commercial transactions between ISA and its Related Parties

I. PURPOSE

To establish the procedure for the identification, assessment, approval, and disclosure of commercial transactions between ISA and its Related Parties pursuant to Corporate Guideline No. 77 for Related-Party Transactions, taking into account the guidelines on the matter established by the Organization for Economic Cooperation and Development (OECD), recommendations of the Code of Best Corporate Practices (Country Code) issued by the Financial Superintendence of Colombia, international accounting standards, transfer price standards, and ISA's Corporate Bylaws.

Pursuant to Corporate Guideline No. 77, the definition of Related-Party Transactions implies: (i) providing services; (ii) transferring assets or resources; or (iii) generating obligations.

The definition of Related-Party Transactions does not imply: (a) guidance, monitoring and control activities; (b) capitalizations, distribution of dividends, capital reductions, and other capital transactions that are part of the activities of any company; (c) activities ordered by the law or regulations; (d) Senior Management compensation and benefits, which are subject to special labor compensation guidelines; and (e) ISA's Board of Directors compensation, which is subject to the Board of Directors Remuneration Policy approved by the General Shareholders' Meeting. Notwithstanding the above, said transactions except for (a) will be disclosed in the financial statements pursuant to the applicable international accounting standards.

Corporate Guideline No. 74 - Transfer Prices - and its amendments or complements shall be also consulted for Related-Party Transactions for which transfer price standards are applicable.

II. DEFINITIONS

Without prejudice to other legal or contractual definitions to be met by ISA in its relationship with economic associates or related parties, only for the purposes of this Procedure, the following definitions shall apply regardless of the word being capitalized or not.

ISA Administrators: members of the Board of Directors, members of the Senior Management, and other directors of ISA.

ISA Senior Management: composed of the CEO and employees reporting directly to the CEO.



Associated Entity: entity on which an investor exercises significant influence.

Control: a natural or legal person controls an entity when they are exposed, or have rights, to variable returns from their involvement in the entity and have the capacity to affect those returns through their power over the entity.

Joint control: distribution of the control contractually agreed, that exists only when the decisions on relevant activities require the unanimous consent of the parties sharing control.

Close relatives of a person: family members that are expected to influence, or could be influenced by that person in their relations with the entity, including:

- (a) spouse, permanent partner, or equivalent sentimental relationship;
- (b) relatives up to the third degree of consanguinity (parents, children, siblings, grandparents, grandchildren, uncles, and nieces);
- (c) relatives up to the second degree of consanguinity (parents, children, grandparents, grandchildren and siblings of the spouse, permanent partner, or equivalent sentimental relationship);
- (d) kinship by adoption (adoptive parents or children) of the person or the spouse, permanent partner, or equivalent sentimental relationship;
- (e) dependents of that person or their spouse, permanent partner, or equivalent sentimental relationship;

Group: controlling entity and all its subsidiaries.

ISA Company Group: composed of ISA, its affiliates and subsidiaries in Colombia and abroad (the Companies), according to article 28 of Law 222 of 1995.

Significant influence: power to influence the entity's financial and operation policy decisions but without individually or jointly controlling the entity.

Joint Venture: joint agreement whereby the parties holding joint control in the agreement have rights to the net assets of the agreement. A joint venture is an agreement whereby two or more parties exercise joint control.

ISA Related Parties: According to definitions of IAS 24 and the particularities of ISA, especially its shareholding structure, related parties are natural persons or entities related to ISA in any of these categories:

(a) a person or their close relatives are related to ISA if they are members of the key management of ISA or members of its controlling entity (the Nation, ISA's only controlling entity).

(b) an entity is related to ISA if any of the following conditions applies:



- i. The entity and ISA are members of the same group (which means that each of them, whether a controlling entity, subsidiary, or subsidiary of the same controlling entity, are related).
- ii. An entity is an associated entity or joint venture of ISA (or an associated entity or joint venture owned by a member of a group where ISA is a member).
- iii. The entity is individually or jointly controlled by a person identified in (a), that is, by members of the key management or members of the controlling entity (the Nation, ISA's only controlling entity).

In the definition of related party, an associated company includes subsidiaries of the associated company, and a joint venture includes subsidiaries of the joint venture. In this regard, the subsidiary of the associated company is a related party of the investor exercising significant influence on the associated company.

Annex 1 of this Procedure includes a diagram with examples of ISA Related Parties.

When considering each potential relationship between related parties, the essence of the relationship must be observed and not only its legal form.

Regarding transactions with related parties that are subject to transfer price standards, the special definitions established in these standards shall apply.

Party related to the Nation: entity individually or jointly controlled by the Nation, or significantly influenced by the Nation. ISA is a party related to the Nation.

Key managers or directors: persons with the authority to and in charge of directly or indirectly planning, managing, and controlling the activities of an entity, including any director or administrator (executive or not) of said entity. In the case of ISA, it is the members of the Board of Directors, the members of the Senior Management, and the directors entitled to make high-impact financial decisions. In the case of the Nation as controlling shareholder, members of the Board of Directors of ISA are considered the Nation's key directors for ISA.

Subsidiary: entity directly or indirectly controlled by another entity.

III. GUIDELINES

When applying this Procedure, the guidelines established in Corporate Guideline No. 77 - Related-Party Transactions, must be followed, especially the following:

- Within the framework of Related-Party Transactions, the strategic guidance defined for the company group aligns the interests of the Companies to ensure the unity of purpose and direction, benefiting from synergies, and the achievement of goals defined for the Group.



- When carrying out Related-Party Transactions, the regulations applicable to each country must be complied with, especially international accounting standards, transfer price standards, and other tax regulations, as well as the relevant treaties, conventions or agreements and voluntary commitments of the companies.
- Related-Party Transactions shall be carried out at market prices and conditions, that is, in conditions of similar transactions that would be carried out with unrelated third parties.
- Related-Party Transactions must respect the rights of all shareholders, especially minority shareholders in companies where this type of shareholder is present.
- Commercial transactions with unrelated parties shall not undermine or jeopardize the capacity of the Companies to meet third-party obligations.
- Related-Party Transactions carried out by the Companies must be duly documented and registered in the accounting system of each Company.
- Related-Party Transactions shall be timely disclosed in the Companies' financial statements and, if applicable, through the applicable public disclosure channels.
- Managers and employees involved in the assessment and approval of Related-Party Transactions are subject to the criteria for addressing conflicts of interest established in the Anti-Corruption and Anti-Bribery Management Guide and in the regulations applicable to each Company.
- The Companies shall promote a culture of identification of Related-Party Transactions and comply with these guidelines.
- Commercial transactions between the Companies domiciled in Colombia and their administrators or their relatives are subject to the applicable legal regime of incapacities and incompatibilities, given their legal nature¹.

IV. PROCEDURE

For the purposes of this procedure, commercial transactions with parties related to ISA are classified as:

¹ As Mixed capital Utility Company, ISA must apply to its contractors the afillprovided by law for state contracting. Incapacities and incompatibilities are the circumstances defined in the Constitution or Colombian law, which limit the capacity to contract with state entities in order to ensure impartiality, effectiveness, efficiency, morality, and transparency when contracting with such entities. This is done by establishing prohibitions such as: contracts entered into between ISA and its administrators or entities where they have an equity stake or hold directive positions; contracts between ISA and the spouses, permanent partners, or relatives of the administrators of ISA or entities where they have equity stakes or hold directive positions, among others.



Recurring: transactions carried out during the ordinary course of business of ISA, that is, on a regular or ordinary basis for the development of ISA's corporate purpose.

Non-Recurring: transactions that are not usual during the ordinary course of business of ISA.

Material: transactions exceeding 1% of ISA's market capitalization.

Non-Material: transactions equal to or below 1% of ISA's market capitalization.

1. Identification and assessment of the transaction

For commercial transactions between ISA and related parties, the area that identifies the requirement shall write a report documenting the transaction and assessment thereof. The report shall contain, at least:

- (i) Parties involved and relationship between them
- (ii) Description of the transaction and, based on this, indicate whether the transaction is material, non-material, recurring or non-recurring;
- (iii) Conditions agreed upon that show that the transaction is carried out at market prices and conditions. In order to carry out transactions at market prices and conditions, any of the following objective criteria depending on the type of transaction will be applied:
 - a) Market survey or referential quotations;
 - b) Prices and conditions of similar third-party transactions;
 - c) Margin on cost: This is an exceptional criterion and can only be applied to non-material transactions where, as they are specialized or customized services, it is not possible to find the same or similar services in the market;
 - d) Methodology defined by ISA to comply with transfer price standards, contained in Corporate Guideline No. 74 - Transfer Prices;
 - e) Assessment of the transaction by an independent third-party expert (fairness opinion);
 - f) Other appropriate methodology to estimate market prices.

In the event that transfer price standards are applicable to the transaction, the application of criterion d) is mandatory. To determine if the aforementioned standards are applicable to a transaction, Corporate Guideline No. 74 - Transfer Prices shall be consulted.



2. Approval

Non-material transactions will be approved by the Chief Officer of the area that identifies the transaction requirement by signing the report established in paragraph 1 - Analysis and assessment.

All material transactions will be analyzed by the Corporate Audit Committee, for which the report established in paragraph 1 - Analysis and Assessment will be submitted for consideration. The Committee shall submit a recommendation to the Board of Directors, the entity in charge of approving material transactions. The foregoing, without prejudice of transactions that, according to the Articles of Incorporation or the Law, are within the competence of the General Shareholders' Meeting.

The assessment and opinion of an independent third-party expert (*fairness opinion*) will always be required as a basis for submitting for consideration by the Board of Directors or the General Shareholders' Meeting, the approval of any non-Recurring transaction, as the case may be.

The transaction will be formalized through the offer and acceptance thereof; or by signing the agreement, covenant or contract between ISA and the related party, which will be signed by the legal representative or empowered proxy. Also, a contract administrator shall be appointed, who will be in charge of monitoring the proper execution of the contract.

The respective transaction shall only be signed and executed once it is assessed and approved by the entities defined herein.

3. Registry and control

ISA's Tax Accounting and Planning Department (DCPT) shall maintain a centralized registry of Related-Party Transactions, for which the area in charge of the transaction shall:

- Submit the report established in paragraph 1 - Identification and assessment - of this Procedure to the DCPT.
- Ensure that the transaction is fully identified in the accounting system (SAP), by means of the third-party identification code in the system and the GL account code, so that the DCPT is able to obtain the balances recorded in the financial statements from the system, as well as the estimates and expenses due to bad debt provisions that are related to the values included in the outstanding balances with related parties, if applicable.
- Submit the details of the commitments and guarantees granted to or received from related parties, which is required in the additional information request to prepare the notes to the financial statements of ISA.

In the case of transactions carried out with the Nation or its related parties, the DCPT shall define whether additional information is required to comply with disclosure requirements for this type of transaction, according to the applicable law.



The Chief Corporate Audit Office will submit an annual report on the Non-material transactions carried out between ISA and its related parties before the Corporate Audit Committee, for information purposes.

4. Disclosure

Commercial transactions between ISA and its related parties shall be disclosed in the financial statements, the Special Report of the Company Group established in article 29 of Law 222 of 1995, and the Annual Corporate Governance Report.

Transactions carried out with the Nation or its related parties shall be disclosed in accordance with the applicable international accounting standards.

In addition, when a transaction contains relevant information according to Colombian securities market standards, the information shall be disclosed to the market in an accurate, sufficient, clear, and timely fashion under said standards, ISA's Code of Good Corporate Governance, and the corporate guide that establishes the public information disclosure procedure created by ISA and its companies.

5. Advisory

The Chief Legal Office and the DCPT will provide the necessary advisory to apply this procedure, for which a work team shall be created.

6. Transactions with companies that are part of the ISA Group

Upon approval and disclosure of this procedure, commercial transactions between ISA and the members of the company group, when ISA is a contracting party, shall be regulated by these provisions, excepting such contracts from ISA's Regulation for Acquisition of Goods and Services.

Regarding recurring and non-material transactions between ISA and its Companies -such as the provision of services-, framework agreements may be established by subscribing service orders, where identification and assessment mechanisms different from those stipulated in paragraphs 1 and 2 of this Procedure may be established, which in any case must guarantee the proper identification of the transaction and the parties involved, and demonstrate, by means the corresponding documentation, that the transaction is carried out at market prices and conditions. The transaction shall also comply with the other provisions of Corporate Guideline No. 77 - Related-Party Transactions. The registry, control, and disclosure of these transactions shall be as established in this Procedure.



ANNEX 1

DIAGRAM OF ISA RELATED PARTIES

