



## **AGREEMENT No. 118**

**April 30, 2020**

Whereby the Corporate Governance, Sustainability and Risk Committee of Interconexión Eléctrica S.A. E.S.P. (former Board and Corporate Governance Committee) is regulated.

The Board of Interconexión Eléctrica S.A. E.S.P., in exercise of its statutory powers, and

### **WHEREAS:**

- A. That through Agreement 105 of November 25, 2016, the functions of ISA's Board of Directors were regulated, and in the same document a special chapter through which the functions of the Board Committees were regulated as well.
- B. That through Agreement 106 of November 25, 2016, all regulations of the Board and Corporate Governance Committee of ISA were updated.
- C. That the Board and Corporate Governance Committee aim to support the Board of Directors in the analysis, decision-making, and/or follow up of topics related to the creation, remuneration, and functioning of the Board of Directors, corporate governance, human talent, risks, sustainability, as well as the general competency clause to know other topics determined by the Board of Directors.
- D. That due to the importance, extend, and depth of the topics related to human talent, the Board of Directors approved the constitution of a new institutional organizational talent committee that takes the functions held by the Board and Corporate Governance Committee on this matter.
- E. That due to the above and considering the relevance of risk management and sustainability management to achieve growth with sustainable value proposed in the ISA2030 Strategy, it is necessary to update the functions of this Committee and modify its name to strengthen the best practices of corporate governance of ISA and the company group.

### **AGREES:**

**FIRST ARTICLE.** Modifying the name "Board and Corporate Governance Committee" by "Corporate Governance, Sustainability and Risk Committee".

**SECOND ARTICLE. COMPOSITION:** This committee shall consist of five (5) members from the Board of Directors, most of them independent, for a period of one year, appointment to be made by the Board of Directors, once appointed by at General Shareholders' Meeting. Single substitutions may also be made at the time if they are so required.



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People who are part of the management of ISA and the company group may not be appointed as Committee members.

**THIRD ARTICLE. FUNCTIONS:** ISA's Corporate Governance, Sustainability and Risk Committee shall be responsible for making decisions, directing, supervising, and/or supporting or advising the Board of Directors and the Management in relation to corporate governance, sustainability management, risk management, and information technologies of ISA and the company group. The Committee's functions are:

**Regarding corporate governance:**

1. Promoting the adoption of best practices of corporate governance in the company group and the consolidation of its unity of purpose and direction.
2. Promoting the inclusion of diversity criteria (gender, generation, origin, knowledge, expertise, among others) to compose ISA's Board of Directors and the boards of directors of the other companies of the company group.
3. Presenting to the Board of Directors the Succession Policy, which shall be approved by the General Assembly of Shareholders, as well as its respective amendments.
4. Assessing the suitability of candidates nominated for the Board by shareholders pursuant to the Board of Directors Succession Policy.
5. Verifying the independent status of candidates for the Board so they may be proposed to the General Assembly of Shareholders.
6. Proposing to the Board of Directors the Board Remuneration Policy, which must be approved by the General Assembly of Shareholders, as well as its respective amendments.
7. Proposing to the Board, within the framework of the Board of Directors Remuneration Policy, adopted by the General Assembly of Shareholders, the individual fee amounts.
8. Ensuring compliance with the Board of Directors Remuneration Policy.
9. Supporting the Chairman of the Board of Directors in conducting the annual assessment of such body, review the process' result, and make suggestions to improve its performance.
10. Ensuring the proper functioning of the Board of Directors, including reviewing the calendar of meetings and agendas and the delivery of complete, relevant, and timely information to its members.



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11. Ensuring that shareholders and the market in general have access to complete, accurate, and timely information of ISA to be disclosed.
12. Reviewing and evaluating the Board compliance with its duties during the Board period.
13. Coordinating the induction process of new Board members and promoting their training and update on issues related to the Board responsibilities.
14. Reporting to the Board those cases of Board members who may adversely affect the Board's functioning or ISA's reputation and, specially, when they are involved in any cases of incompatibility, legal prohibition or permanent conflict of interest.
15. Being aware of actions related to the conduct of ISA's Board members that may be contrary to the provisions of the Bylaws, the Board's Regulations, and other applicable regulations, which shall be reported to it at the discretion of the Committee, if necessary.
16. Analyzing and following up the best national and international corporate governance practices to make proposals and take actions so that ISA and the Company Group adopt those deemed appropriate.
17. Ensuring compliance with policies, the Code of Good Corporate Governance and other codes of conduct embraced by ISA with the support of the Corporate Audit Committee.
18. Supporting the Corporate Audit Committee of ISA's Board of Directors to assess and report to the Board the conflicts of interest, temporary or permanent, in which it may be implicated directly or indirectly or through a related party, a significant shareholder, members of the Board of Directors and Senior Management, making the necessary proposals to manage the situation; also in case of conflict of interest arising between the parent company and its subsidiaries.
19. Considering proposals to reform the Bylaws and the Code of Good Corporate Governance which relate to ISA's governance and submitting proposals of changes, updates, and revocation of the provisions relating to it.
20. Giving a response to claims of shareholders and investors who argue that ISA does not apply the corporate governance policies or regulations adopted by it, within ten (10) calendar days of submission.

**Regarding sustainability:**



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21. Guiding the Management to adopt, follow up, and improve the sustainable practices in the environmental, social, and economic dimensions in the company group.
22. Ensuring that sustainability is a way of acting in business, a cultural trait, and an essential part of the company group's long-term strategy.
23. Proposing to the Board of Directors the business strategy related to sustainability management and monitoring it.
24. Assessing and supervising that sustainability management is aligned with materiality analysis and reputation, risk management, and business strategy.
25. Suggesting to the Board of Directors the adoption of best practices related to the Sustainable Development Goals (SDG).
26. Analyzing and following up the best national and international sustainability practices and recommending the implementation of those it deems appropriate.
27. Approving and monitoring the application of the environmental policy, the social management model, and the guidelines regarding respect for human rights for the company group.
28. Evaluating the results of dialogues with stakeholders and regularly reviewing the commitments made with each group, as well as the plans and initiatives established in response to them.
29. Assessing and recommending about initiatives submitted by the companies of the company group to address risks and opportunities arising from climate change.
30. Following up the identification and measurement of relevant issues for sustainability management (materiality assessment), together with the evaluation of reputation and management plans defined.
31. Considering the recommendations made by investors and financial analysts to maintain and strengthen ISA's economic value.
32. Following up performance indicators related to the sustainability management function and impact assessment.
33. In coordination with the Organizational Talent Committee, ensuring the implementation of sustainable labor practices in the entire company group.

**Regarding risks:**



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34. Assisting the Board of Directors in its supervision responsibilities regarding risk management and matters proposed by shareholders on this matter.
35. Informing the Board of Directors about the effective implementation of the comprehensive risk management model, so that the main risks are properly identified, managed, and reported to the Board.
36. Reviewing and assessing the integrity and adequacy of the risk management function, assigning accountability for the integrity and suitability of such function inside the Company and, where applicable, in the company group.
37. Approving the strategy, guidelines, and regulations (manual) for ISA's risk management function, assessing them on a regular basis, and proposing the corresponding updates.
38. Approving the comprehensive risk management policy for ISA and the company group.
39. Approving the ISA's comprehensive risk management model, determining on a homologated and systematic manner the comprehensive risk management methodology of the company group, and reviewing it on a regular basis.
40. Identifying and assessing the emerging risks and any other risk that may affect the medium- and long-term business sustainably (such as the results of technological, climate, and social changes), as well as the existing alert mechanisms, evaluating their effectiveness on a regular basis.
41. Promoting the relations with the audit and compliance function of ISA and the company group, so that they are executed by considering a risk based approach.
42. Monitoring the information reported to different stakeholders related to the risk management function, so that it is consistent with the expectations of such groups and the comprehensive risk management model.
43. Analyzing and evaluating the systems and tools for ISA's risk control.
44. Approving ISA's risk profile (risk map) and establishing indicators to follow up such profile.
45. Monitoring the main risks of the company group according to the comprehensive risk management model and its governance.
46. Reviewing the prioritization and monitoring levels (risk limits) to the reports on risks and work plans, by making appropriate recommendations to the Board of Directors, the other Board committees, and/or the Administration.



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47. Analyzing and assessing the everyday management of ISA's risk regarding prioritization (limits) and risk profile (risk maps), especially reviewing the context, assessment, treatment, communication of risks, and management measures thereof.
48. Recommending additional management measures regarding ex-post analysis of risks and informing the Board of Directors.
49. Formulating improvement initiatives that it deems necessary on infrastructure and internal control systems and risk management.
50. Considering indications or recommendations made by monitoring authorities, control entities or authorities regarding ISA's risk management.
51. Fostering the advancement of ISA's comprehensive risk management model to establish a risk profile (risk map) according to the strategic objectives and a follow up to the adequacy level of risks taken in this profile and in the company group.
52. Promoting a culture where risk is a relevant factor for all decisions at all levels, for example, through the disclosure and training of the comprehensive risk management model in ISA and the company group.
53. When deemed necessary, summoning each business unit leader from the company group so that they inform about the trends of their corresponding businesses and the risks related to them, without prejudice to the shareholding structure and the corporate governance, under which each group's company shall directly and effectively manage its businesses' risk.
54. Ensuring that the crisis management of ISA and the company group, arising from the materialization of risks, is made considering the comprehensive risk management model, for example, continuity plans, contingency plans, and emergency plans, among others.

### **Regarding information technologies:**

55. Reviewing and monitoring compliance with information policy, information technology business management processes and plans, digital transformation, and cybersecurity.

### **Other functions:**



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56. Reporting to the General Assembly of Shareholders on its activities, and addressing the issues raised in them by shareholders regarding its powers.
57. Other duties as assigned by the Board of Directors.

**PARAGRAPH:** This Committee includes the general competency clause to deal with any matter not specifically assigned to an Institutional Board Committee or an Occasional Committee created for a specific topic.

**FOURTH ARTICLE. MEETINGS:** The Committee shall meet as often as required by the matters submitted for consideration. The Committee may not meet and deliberate without the presence of at least three (3) members. Decisions are taken by simple majority. Similarly, it may meet extraordinarily, when required, to deal exclusively with the issues that have called their summon.

ISA's CEO and management level employees may attend meetings of the Committee as guests depending on the subject being discussed. In addition, invitations may be made to third parties.

**FIRST PARAGRAPH.** Occasional Committees established by the Board of Directors, in accordance with the provisions of its Operating Regulations, shall be subject to the same regulations of the Corporate Governance, Sustainability and Risks Committee for operations.

**FIFTH ARTICLE. COMMITTEE CHAIRMAN:** This Committee shall be chaired by the person appointed by its members, who shall be an independent member.

The Chairman of the Committee, in addition to chairing meetings, shall be responsible for presenting to the Board of Directors, after analysis and review, the periodic reports of the matter under consideration and, when needed, decisions adopted or relevant recommendations.

**SIXTH ARTICLE. SECRETARY AND COMMITTEE MINUTES:** The Secretary of the Committee shall be the Chief Legal Officer of the Company or whoever acts as such, who shall have the following responsibilities:

- a) Summoning meetings.



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- b) Preparing minutes. In the Committee Minutes, the following shall at least be recorded: meeting date, attending members and guests, tasks entrusted to the Committee members, a summary of the opinions, and concepts from contracted consultants, outcome analysis or evaluation and decisions or recommendations. Minutes shall be numbered consecutively.

The Committee Minutes are confidential. They shall remain in custody of the Secretary and only copies of them shall be delivered to the competent authorities and to those people authorized by the Board of Directors.

- c) Issuing the certificates requested, respecting the rules, confidentiality, and discretion of those documents.

**SEVENTH ARTICLE. CONFLICTS OF INTEREST:** During Committee meetings, after reading the agenda, the Committee's Chairman will ask the attendees, if they have any conflict of interest with respect to the issues addressed in the Committee, which shall be recorded in the corresponding minutes.

If during the Committee's meeting an issue, not part of the agenda, is authorized to be addressed, the Chairman will ask at the beginning of the presentation about the possible existence of a conflict of interest with respect thereto.

If the existence of a conflict of interest is declared, the Committee member that expresses the conflict shall refrain from engaging in activities related to the matter giving rise to the conflict, thus applying the the Bylaws, the Procedure for the management of conflicts of interest of ISA's managers and the law.

**EIGHTH ARTICLE. DUTIES AND RESPONSIBILITIES:** In addition to the duties and responsibilities as ISA managers, Committee members shall attend meetings, prepare meeting topics, keep confidentiality regarding discussions and decisions from the Committee, and refrain from intervening in the deliberations and decisions of issues that may involve conflict of interest.

Given the responsibilities of the members of the Corporate Governance, Sustainability and Risks Committee, an annual self-assessment shall be made to evaluate its performance without prejudice of the application of other assessment schemes deemed convenient by the Board of Directors.

**NINTH ARTICLE. TERM AND DEROGATIONS:** This agreement is effective as of the date of issue and abrogates all internal ISA regulations of general or specific nature contrary to it, especially the ones on Agreement 106 on November 25, 2016.





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It is issued in Bogota, D.C., on April 30, 2020.

**CHAIRMAN**

**SECRETARY**

**SANTIAGO MONTENEGRO TRUJILLO**

**SONIA MARGARITA ABUCHAR ALEMÁN**