

## **2019 ANNUAL CORPORATE GOVERNANCE REPORT**



**GRUPO ARGOS**

## **Annual Corporate Governance Report**

At Grupo Argos we are committed to generating long-term value as well as adopting and implementing high corporate governance standards that promote the fulfillment of the business strategy, in order to honor the confidence placed on us by our investors and shareholders and promote the organization's sustainability.

Thus, in compliance with the provisions of our Code of Good Governance, we submit the Annual Corporate Governance Report corresponding to 2019. Its structure follows the recommendations of the Country Code and describes the way in which the corporate governance guidelines adopted by the company were fulfilled.

**7<sup>th</sup> Year in a row** in the Dow Jones Sustainability World Index

**For 7 years in a row** we have been recognized with the Investor Relations of the Colombian Stock Exchange

**100%** of our employees completed the conduct assessment and the Statement of Potential Sources of Conflicts of Interest.

### **Relevant Facts**

- **We amended the Bylaws and Code of Good Governance** in order to adopt the best practices related to the addition of criteria to select the members of the Board of Directors and their functions.
- **We developed the training program for the Board of Directors** in the University of California, Berkeley, on global trends and their impacts on the strategies of public companies.
- We performed an external assessment of the Board of Directors together with the firm AT Kearney.
- **We held a session of the Board of Directors without Management**, from which recommendations on the Board's operation arose and which are being implemented.
- **We completed and transmitted the Country Code survey** and evidenced the adoption of corporate governance practices that add value to the company, its investors and shareholders.



▪ **Grupo Argos Collaborators**  
Medellin, Colombia

- **We obtained for the seventh year in a row the Investor Relations recognition of the Colombian Stock Exchange** that reflects the best standards related to information disclosure and relationship with investors.
- **Grupo Argos was included for the seventh year in a row in the Dow Jones Sustainability World Index** which recognizes the best practices regarding economic, environmental and social sustainability of public companies and obtained a four-point increase in the result of the corporate governance chapter.
- **All of our employees completed the annual conduct assessment** and completed the Statement of Potential Sources of Conflicts of Interest.
- **Grupo Argos received the highest distinction in the RobecoSAM and S&P Global Sustainability Yearbook.**

### Spotlights

- **Continue implementing** the Policy for the Management of Transactions between Related Companies.
- **Keep active participation** in local and regional forums of corporate governance such as Companies Circle of the Latin American Corporate Governance Roundtable, the Issuers Committee of the Colombian Stock Exchange and the Colombian Institute of Corporate Governance.

- **Make progress in the harmonization process** of the best corporate governance practices in the businesses comprising Grupo Empresarial Argos.

## **Ownership Structure**

Grupo Argos is the parent company of Grupo Empresarial Argos, which includes companies present in various countries of the American continent, with active participation in cement, energy, road and airport concession businesses.

### **Capital Stock**

#### **AUTHORIZED CAPITAL**

**75,000,000,000** represented in:

**1,200,000,000 shares**

with par value of \$62.50

#### **SUBSCRIBED AND PAID-IN CAPITAL**

**53,933,100,750** represented in

**862,929,612 shares**

with par value of \$62.50.

645,400,000

outstanding common shares

211,827,180

outstanding preferred shares

5,702,432

repurchased common shares

337,070,388

reserve shares

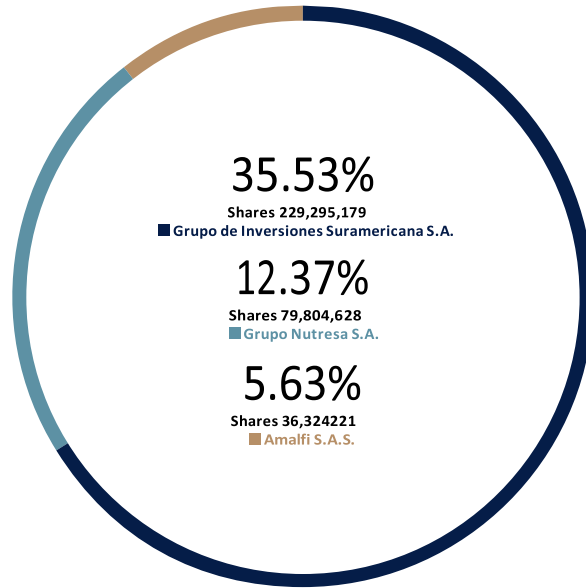
## **Significant Shareholders<sup>1</sup>**

### **Holders of Common Shares**

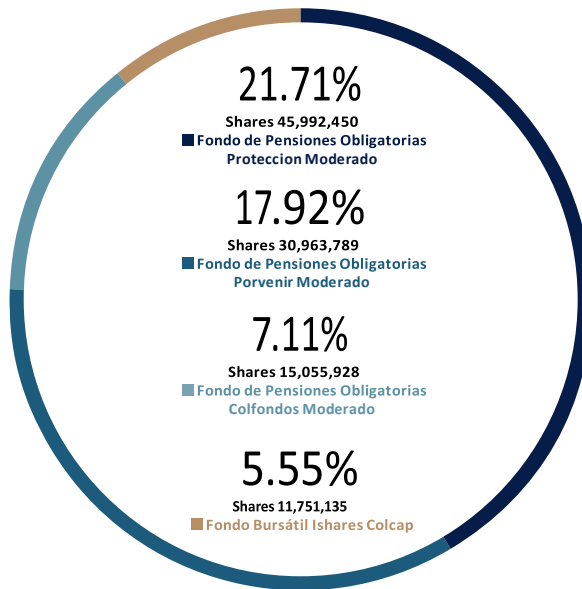
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<sup>1</sup> For purposes of this report, significant interests are those exceeding 5% of the total outstanding shares as of December 31, 2019.





### Holders of Preferred Shares



**Relationships between holders of significant interests and the company, or among holders of significant interests among themselves**

Grupo Argos has business relationships with some of the subordinated companies of Grupo de Inversiones Suramericana S.A. and Grupo Nutresa S.A., which are developed at arm's length.

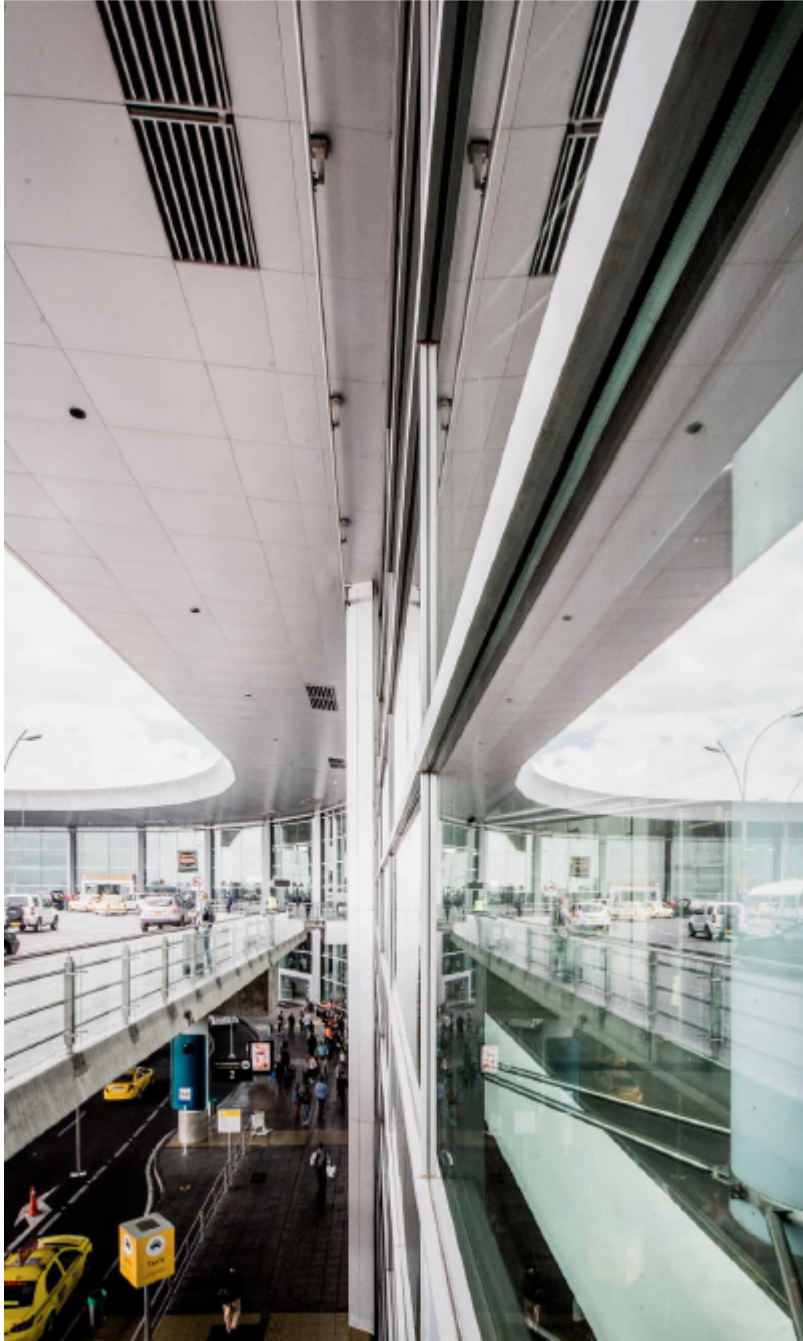
In addition, Grupo Argos directly and indirectly holds 35.9% in Grupo de Inversiones Suramericana S.A. and 9.83% in Grupo Nutresa S.A.

**Negotiations of the members of the Board of Directors, Senior Management and other administrators with shares of the company**

In 2019, the administrators did not carry out transactions with company shares.

**Shareholders Agreements**

No Shareholders Agreement has been deposited in the Grupo Argos management.



▪ **El Dorado Airport**  
Bogota, Colombia

## General Shareholders Assembly



- **2019 General Shareholders Assembly of Grupo Argos**  
Medellin, Colombia

### **Differences in the operation of the General Shareholders Assembly between the legal minimums regime and the regime defined by the Bylaws and the regulations of the company's Assembly**

At Grupo Argos, besides complying with the legal applicable regime, we adopt the following good governance practices to ensure the greatest transparency and respect for the rights of shareholders in the development of the General Shareholders Assembly:

- The call to regular meetings is made at the latest 25 calendar days in advance, and for special meetings, at the latest 15 calendar days in advance.
- In the events in which it is intended for the Assembly to deal with a substantial change of corporate purpose, waiver of the right of first refusal in the subscription of common shares, change of registered office, early dissolution or segregation of the company, these issues must be expressly indicated in the call.
- In no case points such as “Miscellaneous” or “Sundry” or similar preventing accurately knowing in advance all the matters to be treated in the respective meeting will be included.
- During the call term, shareholders may consult in the company’s webpage and Management offices, the documents of the corresponding Assembly, including the minutes of the previous meeting.
- Where the election of members of the Board of Directors at a meeting is foreseen, the information available to the shareholders must contain the proposal of the candidates to integrate said Board.
- The General Shareholders Assembly is broadcast through the company’s webpage.

|                                                   |                                       |                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------------------|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b><u>Quorum:</u></b>                             | <b><u>504.723.190</u></b>             | <b>MAIN DECISIONS OF THE GENERAL SHAREHOLDERS ASSEMBLY</b>                                                                                                                                                                                                                                                                                                                                                                |
| 78.2% of total outstanding shares of the company. | Common shares present or represented. | <ul style="list-style-type: none"> <li>• Approval of the Board of Directors and President Management Report.</li> <li>• Approval of the financial statements as of December 31, 2018.</li> <li>• Approval of the Profit Sharing Proposal.</li> <li>• Approval of an amendment to the bylaws.</li> <li>• Approval of the Board of Directors fees.</li> <li>• Election of Tax Auditor and establishment of fees.</li> </ul> |

### **Measures to promote the participation of shareholders**

- In 2019, the company updated its webpage in Spanish and English for investors and shareholders to find clear and enough information.
- Likewise, the call to the General Shareholders Assembly was made more than thirty calendar days in advance and a proxy template was provided to the shareholders to facilitate their participation at the meeting.
- In addition, telephone conferences were held addressed to shareholders, analysts and the public in general to present the company's quarterly results.
- Grupo Argos ensured an equal treatment for all its shareholders, thus allowing and fostering the exercise of their rights.



**Information to  
shareholders and  
permanent  
communication**

Channels used by Grupo Argos to communicate and submit information to shareholders and investors are:

**Webpage:**  
[www.grupoargos.com](http://www.grupoargos.com)

**Call Center for Investors  
administrated by  
Fiduciaria Bancolombia:**

+ (57 4) 404 2371  
+ (57 4) 404 2362  
+ (57 4) 404 2453  
+ (57 4) 404 2451  
+ (57 4) 404 2452

**Office of Investor  
Relations,**

led by the Vice-President of  
Corporate Strategy and  
Finance

[apiedrahita@grupoargos.com](mailto:apiedrahita@grupoargos.com)

and Investor Relations:

[nagudelop@grupoargos.com](mailto:nagudelop@grupoargos.com)

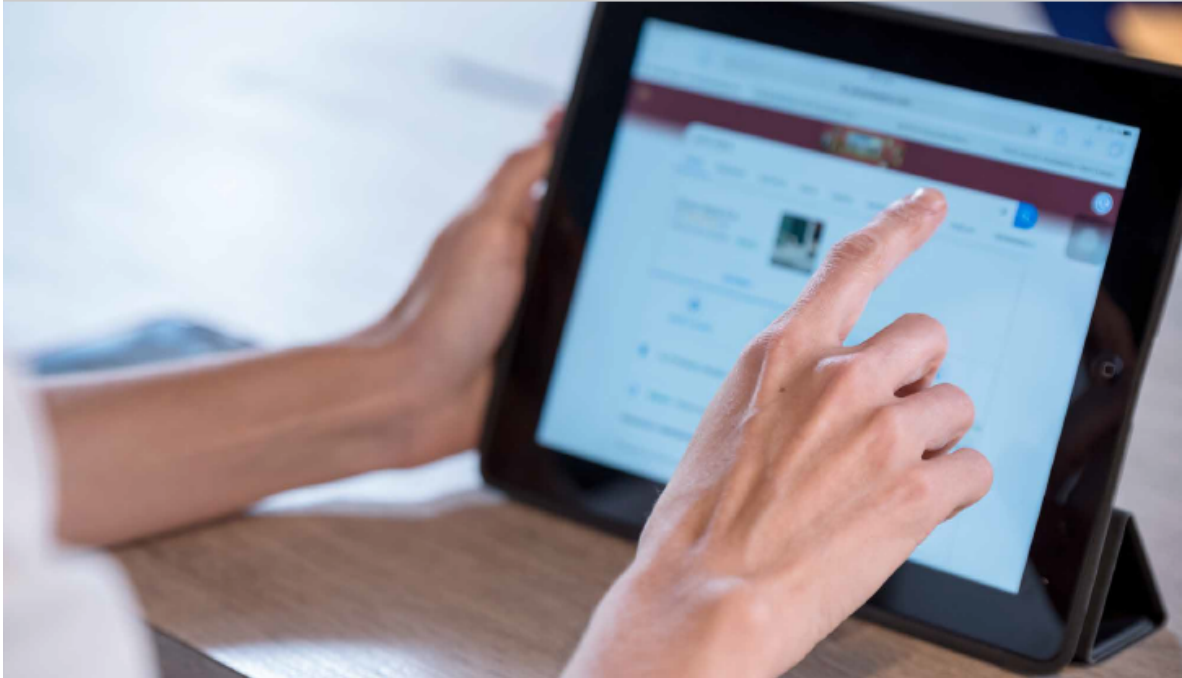
[jpalaciop@grupoargos.com](mailto:jpalaciop@grupoargos.com)

**Results report and  
quarterly results  
teleconference.**

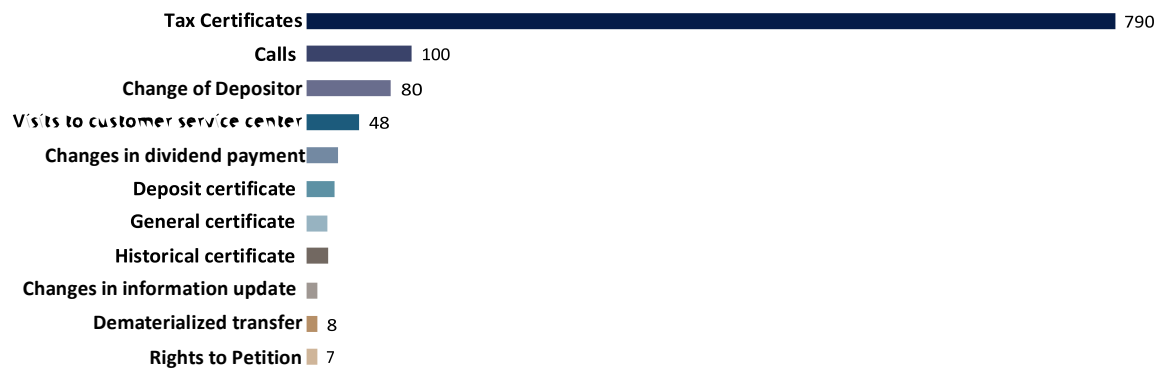
**Face-to-face meetings  
with analysts of  
brokerage firms,** pension,  
investment funds,  
foreigners and other  
shareholders.

**Integrated Report**  
with information on  
economic,  
environmental and  
social management of  
Grupo Argos.

**Finance Superintendence  
webpage,** through which  
information Relevant to the  
market is disclosed:  
[www.superfinanciera.gov.co](http://www.superfinanciera.gov.co)



**Number of requests and matters on which shareholders have requested information to the company**



## Investor Relations Activities:

|                                                                                        |                |                                                  |
|----------------------------------------------------------------------------------------|----------------|--------------------------------------------------|
| • 115 meetings with international funds.                                               | May 2019       | 9th. BBVA Latin America Conference.              |
| • 4 calls for presentation of quarterly results.                                       | May 2019       | Itau 14th. Annual Latam CEO Conference New York. |
| • 5 Non-Deal Road Shows in Santiago de Chile, Lima, New York, Edinburgh and Stockholm. | June 2019      | Colombia Inside Out 2019 Citi y BVC.             |
| • 8 investor conferences:                                                              | September 2019 | BTG Pactual 10th. Latin American CEO Conference. |
| January 2019   Santander 23rd. Annual Latam Conference.                                | October 2019   | 2019 Emerging & Frontier Markets Conference.     |
| April 2019   HSBC Latin American Investment Summit 2019.                               | November 2019  | Itau BBA's 12th. Annual Latam Conference London. |

## Board of Directors and Committees

### Composition of the Board of Directors and Committees

The Board of Directors is composed of seven main members, four of whom meet the independence criteria.

- Start date
- Attendance to the Board of Directors
- Attendance to committees
- Support committee



Scan the code to view the resumes of the Board members



#### ROSARIO CÓRDOBA

Independent Member  
and Chairman of the Board of Directors

- March 23, 2011
- 100% ■ 100%
- - Audit, Finance and Risk Committee
- Sustainability and Corporate Governance Committee (Chair)
- Appointments and Remuneration Committee



**DAVID BOJANINI**

Non-Independent Member

■ March 20, 2004

■ 100% ■ 100%

■ Appointments and  
Remuneration Committee



**CARLOS IGNACIO GALLEGO**

Non-Independent Member

■ March 26, 2014

■ 100% ■ 100%

■ Sustainability and Corporate  
Governance Committee



**CLAUDIA BETANCOURT**

Non-Independent Member

■ April 16, 2018

■ 87% ■ 100%

■ Sustainability and Corporate  
Governance Committee



**ANA CRISTINA ARANGO**

Independent Member

■ March 25, 2009

■ 100% ■ 100%

■ Audit, Finance and Risk  
Committee



**JORGE URIBE**

Independent Member

■ March 25, 2015

■ 100% ■ 100%

■ Appointments and  
Remuneration Committee  
(Chairman)



**ARMANDO MONTENEGRO**

Independent Member

■ March 25, 2015

■ 100% ■ 100%

■ Audit, Finance and Risk  
Committee (Chairman)

The non-attendance to the Board of Directors was due to force majeure and was updated on the topics discussed.





■ **Aburrá – Oriente Tunnel Concession**  
Medellin, Colombia



## **Members of the Board of Directors of the parent company who are members of the Boards of Directors of the subordinate companies or hold executive positions therein**

No member of the Board of Directors of Grupo Argos is part of the Board of Directors of subordinate companies, nor does he or she hold executive positions therein.

## **Policies approved by the Board of Directors during the period**

For the development of the commitment to maintain the highest standards in corporate governance, the Board of Directors approved an **amendment to the Code of Good Governance** in order to adopt best practices related to the criteria for the selection of Board members. Additionally, **the structure and composition of the Central Conduct Committee and the Business Conduct Committee were updated in the Code of Business Conduct** to seek greater specialization, diversity of views and opinions, and better segregation of functions.

Likewise, the Board of Directors approved the protocol for dealing with complaints involving employees, including Senior Management, was also approved.



Scan this code for company policies

## **Appointment of the Board of Directors**

The appointment of the Board of Directors is regulated by the Corporate Bylaws, the Code of Good Governance and the Policy on the Appointment, Remuneration and Succession of the Board of Directors.

- **Election:** General Shareholders Assembly.
- **Period:** three years, indefinitely re-electable.
- **Criteria to be considered in the election:** personal qualities, relevant knowledge for the activity carried out by the company, background, diversity and experience in business management and participation in other Boards of Directors. The directors may not be older than 72 years of age, may not be in any of the circumstances of incompatibility and inability. Additionally, at least 50% of the directors elected for a given period must meet the requirements to be considered as independent members.
- **Procedure:** the profiles defined by the Board of Directors will be published on the company's website on the same date as the notice of the regular meeting of the General Shareholders Assembly at which the election of the Board of Directors will take place.

In accordance with the law, the Board of Directors is elected through the application of the electoral quotient system, based on the proposals presented by the shareholders at least five business days before the General Shareholders Assembly.

Once the proposals are received, the Appointments and Remuneration Committee will proceed to make the corresponding evaluation in accordance with the terms of the Appointments, Remuneration and Succession Policy.

- 100% compliance with the action plan

- 10 sessions of the Board of Directors

- 1 training event at the University of California, Berkeley

### **Board of Directors' Remuneration Policy**

The remuneration of the directors is defined annually by the General Shareholders Assembly in accordance with the structure, obligations and responsibilities of the Board, as well as the personal and professional qualities, time dedication and experience of the members, and in accordance with the provisions of the Appointment, Remuneration and Succession Policy.

### **Remuneration of the Board of Directors and members of Senior Management**

For the period April 2019 to March 2020, monthly fees of \$7,500,000 were established for Board members and the same amount for each Board committee session.

Senior management remuneration is defined in accordance with the remuneration policy and guidelines established by the Appointments and Remuneration Committee of the Board of Directors.

### **Board of Directors Quorum**

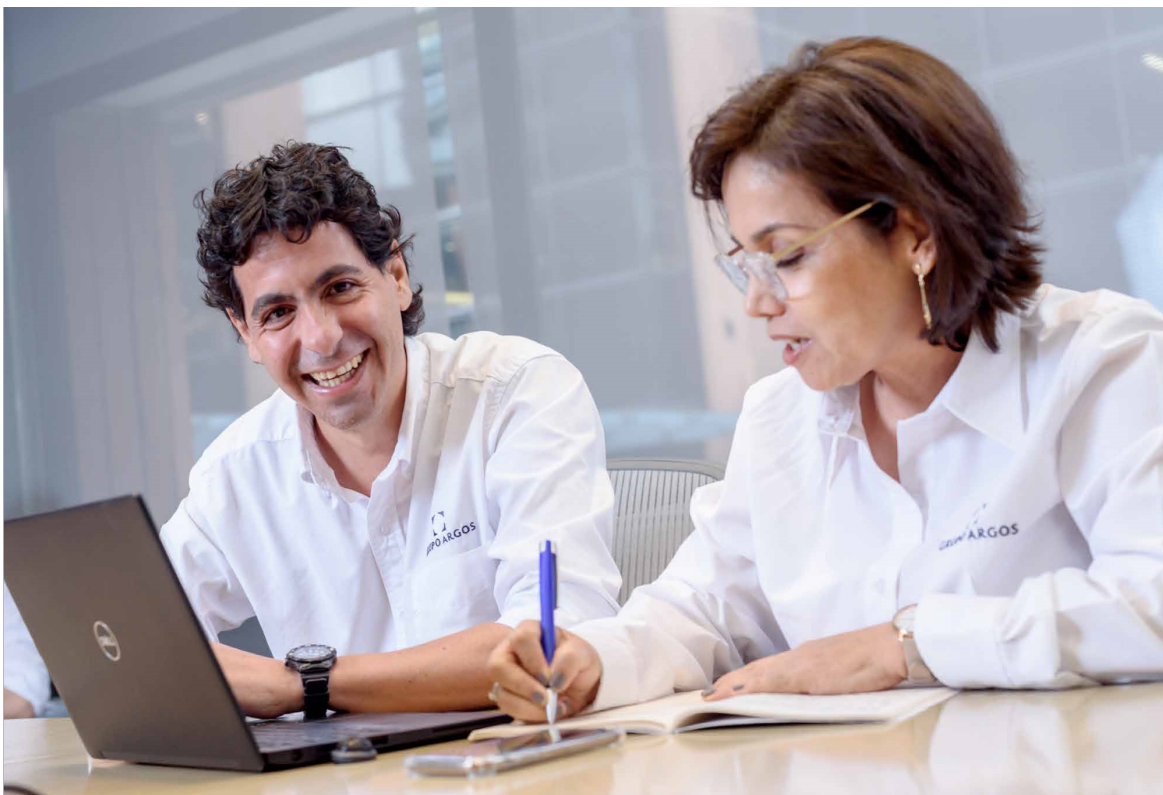
In accordance with the Corporate Bylaws, the Board of Directors will validly deliberate in the presence of the majority of its members and will decide with the majority of those present.

### **Board of Directors Chair**

The chair of the Board of Directors is Rosario Córdoba, who is in charge of the following functions, among others (i) facilitating the Board of Directors set and efficiently implement the strategic direction of the company, (ii) coordinating and planning the operation of the Board of Directors by establishing an annual work plan, (iii) convening meetings, directly or through the Secretary of the Board of Directors, (iv) presiding over meetings and managing discussions, and (v) monitoring the active participation of the members of the Board of Directors.

### **Board of Directors Secretary**

The General Secretary is Rafael Olivella, who is in charge of the following functions, among others: (i) to duly reflect in the minutes books the development of the meetings, (ii) to ensure that the actions of the Board of Directors are in accordance with the applicable regulations, (iii) to provide legal advice to the Board of Directors, and (iv) to communicate the decisions of the Board of Directors to the different areas and officers of Grupo Argos.



- **Grupo Argos Employees**

Medellin, Colombia

### **Relations during the year of the Board of Directors with the Tax Auditor, financial analysts, investment banks and rating agencies**

In March 2019, the General Shareholders Assembly chose KPMG S.A.S. as Tax Auditor. During the year, the Tax Auditor participated in the Audit, Finance and Risk Committee, where it submitted the audit plan of activities.

There was advice from different investment banks for the assessment and structuring of projects, which include: BNP Paribas, J.P. Morgan, Credit Suisse, Morgan Stanley, BTG Pactual and Banca de Inversion Bancolombia.

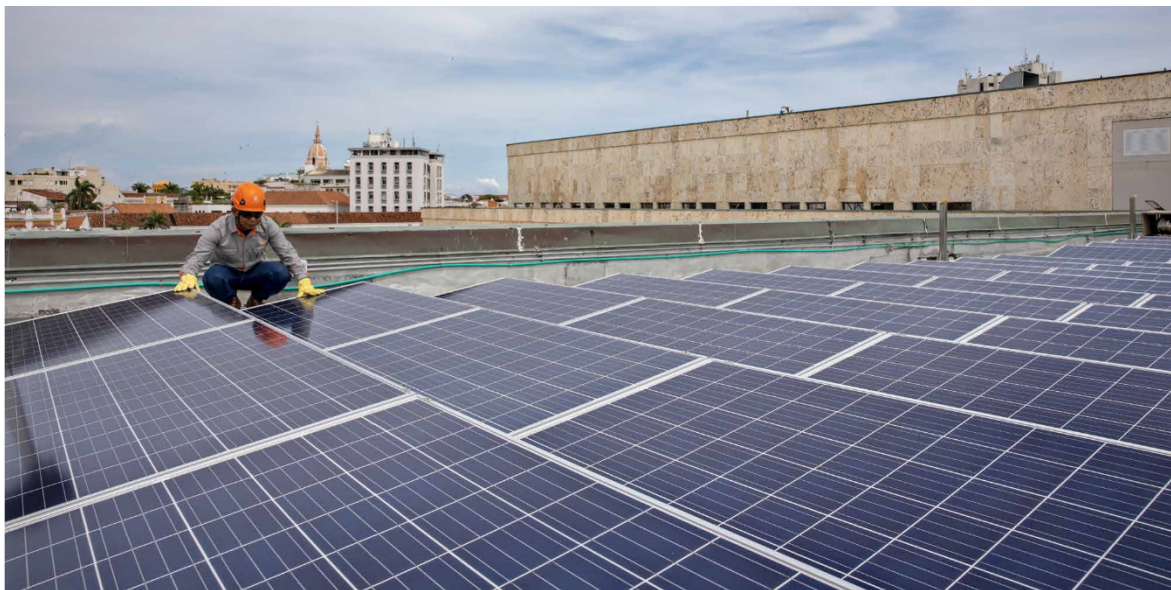
In the first quarter of 2019, the rating companies BRC Investor Services S.A. and Fitch Ratings conducted an assessment visit and published their report through the mechanism of Relevant Information. Fitch Ratings increased the national long-term rating of Grupo Argos to AAA from AA+. The concepts issued by said agencies can be consulted in the Relevant Information of the website of the Finance Superintendence of Colombia ([www.superfinanciera.gov.co](http://www.superfinanciera.gov.co)).

### **External advice received by the Board of Directors**

During 2019, meetings were held with experts in each of the sectors in which the company has its main investments. Additionally, a training program was held for the members of the Board of Directors at the University of California, Berkeley, on global trends and their impact on companies listed on public stock markets.

## **Management of the information of the Board of Directors**

The company has a website that allows storing and sharing all the information required for the proper operation of the sessions of the Board of Directors.

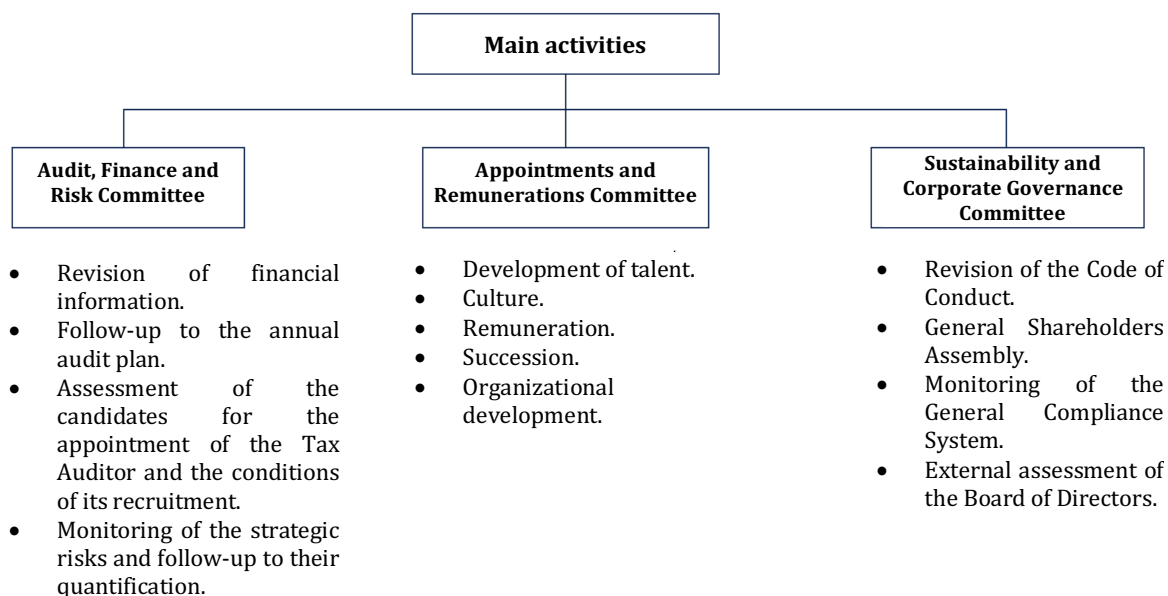


- **Solar Roof of the Cartagena Convention Center**

Cartagena, Colombia

## **Support committees of the Board of Directors**

- Audit, Finance and Risk Committee
- Appointments and Remunerations Committee
- Sustainability and Corporate Governance Committee



### Information on the performance of assessment processes of the Board of Directors and Senior Management, as well as the summary of results

The Board of Directors is assessed annually, alternating external assessments with self-assessments. The external assessment is conducted by an independent firm selected by the Sustainability and Corporate Governance Committee.

In 2019, the Board of Directors' external assessment process was conducted together with the firm At Kearney.



A summary of the results of the external assessment of 2019 can be consulted by scanning this code.



## **Operations between related parties and conflicts of interest**

In accordance with the provisions of the Corporate Bylaws, the Board of Directors has the duty to know and authorize the transactions between related parties, where applicable. Likewise, the company has a Policy of Relationships between Related Companies and a Policy for Operations Management between Related Parties.



- **Grupo Argos Offices**

Bogota, Colombia

## **Handling of conflicts of interest by members of the Board of Directors and Senior Management**

The Business Code of Conduct of Grupo Argos sets out the parameters for identification, disclosure and prevention of potential conflicts of interest. Due to the identification of a conflict of interest or a situation that can eventually generate a conflict of interest, the directors and officers of the company must make a timely and adequate disclosure, describe the situation in a full and detailed manner, document the event and provide all the information that is relevant for appropriate decision-making.

For purposes of disclosure of conflicts of interest, the company requires all its employees to annually complete a Statement of Potential Sources of Conflicts of Interest.

The Conflicts of Interests will be resolved by strictly applying the following principles: when the interest of Grupo Argos is contrary to the interest of its shareholders, administrators or of a related third party of the company, the interest of Grupo Argos will always prevail; when the interest of its shareholders is contrary to the interest of its administrators or of a related third party of the company, the interest of the shareholders will always be preferred.

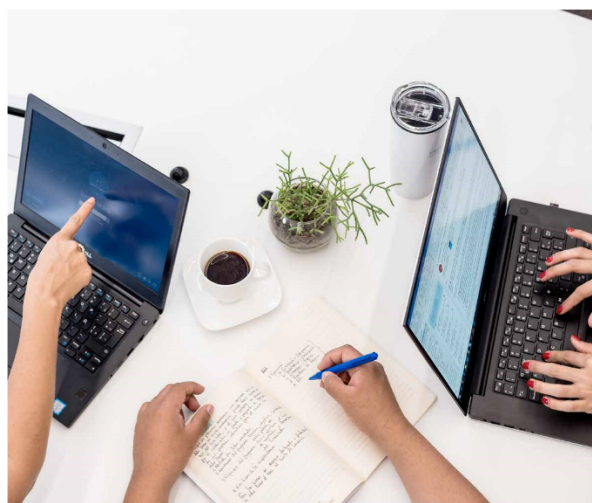
### **Breakdown of the operations with most relevant related parties**

- In March 2019, the Board of Directors authorized the sale to Celsia S.A. of 6,495,205 common shares of EPSA S.A. E.S.P. representing 1.87% of the outstanding voting capital of the company.
- In July 2019, the Board of Directors approved the capitalization of the Pactia Inmobiliario Private Equity Fund for \$176 billion.

The breakdown of all the operations conducted between the companies of Grupo Empresarial Argos is in the Special Report made pursuant to article 29 of Law 222/1995, which is part of the documentation made available to the shareholders during the right of inspection and is part of the documentation delivered during the General Shareholders Assembly.

### **Conflicts of interest submitted and proceeding of the members of the Board of Directors**

The directors refrain from participating in discussions or making decisions that might imply a potential conflict of interest.

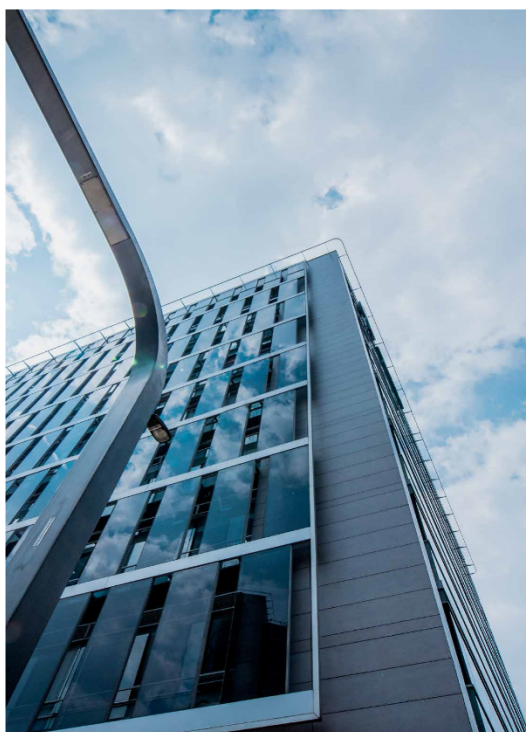


## **Internal Control and Risks**

### **Internal Control System**

The Internal Control System of Grupo Argos is based on a methodological framework prepared from international standards, such as COSO, COBIT, and the quality standards related to the internal control and risk management practices, whose purpose is to unify the control culture and to ensure the efficiency and effectiveness of all the operations of the organization.

For such purpose, there is a structure made up of the Audit, Finance and Risk Committee, the Corporate Audit, the Management of Legal Matters, Processes and Compliance, the Tax Auditing Office and the Risk team.



▪ **Grupo Argos Offices**

Bogota, Colombia

### **Risk Policy**

Grupo Argos has a comprehensive risk management model that incorporates the analysis of the performance of the company, and the businesses, in order to manage the strategic and operational risks. During 2019, progress was made in the development of this model, the quantification of the main strategic risks on the financial, reputational and human talent matters was deepened, value-at-risk methodologies were used with key operational variables and sensitivity analyses were carried out on possible impacts, which are discussed by the risk analysis authorities.

The Risk Policy is unified for the entire Business Group and it is complemented with a series of handbooks and guidelines that frame the strategy, the projects and the processes, under the best corporate governance and sustainability standards.

The risk strategy of Grupo Argos is based on four pillars: (i) governance, (ii) culture, (iii) methodology and (iv) information technology. Each of these elements was subject to review and adjustments during the year, promoting the use of data analysis and quantification models to strengthen the risk analysis for its correct prevention and administration.

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**For further information on corporate governance of Grupo Argos, visit the website [www.grupoargos.com](http://www.grupoargos.com). Additionally, you may contact Adriana Bravo, Manager of Corporate Legal Matters at [abravo@grupoargos.com](mailto:abravo@grupoargos.com)**