

**ANNUAL CORPORATE GOVERNANCE REPORT  
2020**

**GRUPO ARGOS**  
**Investments that Transform**

## Relevant Facts

- In 2020, the Board of Directors approved amendments to the Code of Good Governance in order to: (i) update corporate governance practices related to the directors' independence, (ii) update the guidelines for trading of shares by directors and managers, and (iii) standardize some provisions with the terms of other corporate documents.
- The Board of Directors approved an update of the Relations Policy and the Policy of Operations between Related Companies in order to eliminate redundancies and keep best corporate governance practices up to date.
- The Board of Directors approved a guideline for participation in boards of directors, steering committees and similar bodies in order to pin down the role in which Grupo Empresarial Argos officials participate, and specifically, if they do so in an institutional or personal capacity.
- Members of the Board of Directors performed self-assessment of the Board of Directors as a collegiate body, the members individually considered and the supporting committees.
- The Board of Directors evaluated the company President.
- A meeting of the Board of Directors was held without Management, which led to suggestions on the operation of the Board that are being implemented.
- The Country Code survey was completed and shared, evidencing the adoption and consistent improvement in corporate governance practices.
- For eighth year in a row, Grupo Argos received the Investor Relations recognition from the Colombian Stock Exchange, reflecting the better standards in terms of information disclosure and investor relations, scoring 99.5%, the highest score obtained by a company for this recognition.
- Grupo Argos was included for eighth year in a row in the Dow Jones Global Sustainability Index recognizing best practices in terms of economic, environmental and social sustainability of companies trading in the stock market and obtained a 7 point increase in the corporate governance chapter result and a 21 point increase in the Code of Conduct result.

8<sup>th</sup> CONSECUTIVE YEAR in the Dow Jones Global Sustainability Index

We obtained the Investor Relations recognition for 8<sup>th</sup> CONSECUTIVE YEAR from the Colombian Stock Exchange and obtained our highest score ever, 99.5%.

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

[Image]  
Grupo Argos employees  
Medellin, Colombia

[Image]  
Pacífico 2  
Bolombolo, Colombia

- The company structure was simplified through liquidation of companies.

- The Contracting Manual was updated in order to make contracting processes for the company and its suppliers more efficient and fluid.
- All employees completed the annual conduct assessment and completed the Statement of Potential Sources of Conflicts of Interest.
- The transparency hotline was promoted through a communications campaign, encouraging the use of this important tool of the compliance system among employees.
- The Central Conduct Committee and the Business Conduct Committee were held as part of the compliance system governance, as established in the Code of Business Conduct.
- Grupo Argos ranked second in its industry worldwide in the Dow Jones Sustainability Index.

### Property Structure

[Image]  
Autopistas del Café  
Coffee Growing Region, Colombia

Grupo Argos is the parent company of Grupo Empresarial Argos, made up of companies present in several countries of the American continent, participating in the businesses of cement, energy, road and airport concessions, urban development and the real estate revenue market.

### Capital Stock

Authorized Capital:  
\$75,000,000,000 represented in 1,200,000,000 shares with par value \$62.50.

Subscribed and Paid-in Capital:  
\$53,933,100,750 represented in 862,929,612 shares with par value \$62.50.

645,400,000 common shares outstanding  
211,827,180 preferred shares outstanding  
5,702,432 repurchased common shares  
337,070,388 shares in reserve

#### Important Shareholders<sup>1</sup>

##### Holder of Common Shares

Grupo de Inversiones Suramericana S.A.  
229,295,179 | 35.53%

Grupo Nutresa S.A.  
79,804,628 | 12.37%

Amalfi S.A.  
36,324,221 | 5.63%

##### Holder of Preferred Shares

Fondo de Pensiones Obligatorias Proteccion Moderado  
42,124,523 | 19.89%

Fondo de Pensiones Obligatorias Porvenir Moderado  
35,113,789 | 16.58%

Fondo de Pensiones Obligatorias Colfondos Moderado  
15,037,525 | 7.10%

Fondo Bursatil Ishares Colcap  
14,809,993 | 6.99%

<sup>1</sup> For purposes of this report important interests are those greater than 5% of all outstanding shares as of December 31, 2020.

[Image]  
Autopistas del Café  
Coffee Growing Region, Colombia

### **Relations between Holders of Important Interests and the Company or between Holders of Important Interests among Themselves**

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

In addition, Grupo Argos is holder, directly or indirectly, of 35.9% stock in Grupo de Inversiones Suramericana S.A. and 9.83% in Grupo Nutresa S.A.

### **Trades of Board of Directors Members and other Managers with Company Shares**

In 2020, managers conducted no operations with company shares.

### **Shareholder Agreements**

No shareholder agreements have been deposited with Grupo Argos management.

### **General Shareholders Assembly**

March 2020

### **Differences in the Operation of the General Shareholders Assembly between the Minimums Regime of the Current Regulations and that Defined by the Bylaws and the Regulations of the Company's Assembly**

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

- The call to regular meetings is done at least 25 calendar days in advance, and at least 15 calendar days in advance for special meetings.
- When the intention is for the Assembly to deal with a substantial change to the corporate purpose, waiver of the preemptive right for subscription of common shares, change of corporate domicile, early dissolution or company segregation, these matters must be expressly stated in the call.
- The call may in no case include points such as "Miscellaneous" or "Other matters" or similar that prevent precisely knowing in advance all the matters to be discussed at the relevant meeting.

- During the term of the call, shareholders may consult the documents of the relevant Assembly, including the minutes of the previous meeting, in the website and the company's management offices.
- When members of the Board of Directors are to be elected at a meeting, the information available to the shareholders must contain the proposal of candidates to make part of the Board.
- The General Shareholders Assembly is broadcast through the company website.

#### **Measures to Encourage Shareholder Participation at the General Shareholders Assembly 2020**

- In 2020, the company continued updating its website in Spanish and English for investors and shareholders to find clear and sufficient information.
- Likewise, the General Shareholders Assembly was called with more than 25 calendar days in advance.
- Considering the declaration of mandatory preventive isolation in the country and therefore the prohibition of hosting public events on the date provided for the Assembly, pursuant to decree 398 of March 13, 2020, the call published was complemented to inform that the Assembly would be held in a non-face-to-face manner and indicating the measures to exercise political rights therein.
- A proxy form was provided to shareholders wherein they would impart instructions on the sense of their vote for each of the proposals to be submitted for consideration of the Assembly and to select a proxy to represent them at the meeting. The proxies voted pursuant to the instructions received from the shareholders.
- All information that was going to be provided physically at the Assembly was sent to the address provided by the shareholders. Also, it was made available in a digital manner.
- In addition, telephone conferences were held addressed to shareholders, analysts and the general public to present the company's quarterly results.
- Grupo Argos ensured equitable treatment of all its shareholders, allowing and encouraging the exercise of their rights.

#### **Attendance Data of the 2020 General Shareholders Assembly**

The General Shareholders Assembly of Grupo Argos was held on March 26, 2020

Quorum

84.50% of all company common shares outstanding

545,377,863 common shares represented

#### **Main Decisions of the General Shareholders Assembly**

- Approval of the Management Report of the Board of Directors and the President
- Approval of the Financial Statements as of December 31, 2019
- Approval of the Profit Sharing Proposal
- Approval of a proposal to repurchase shares and change of use of reserves
- Election of the Board of Directors and determination of fees

- Election of the Tax Auditor and determination of fees

[Image]  
Grupo Argos Offices  
Bogota, Colombia

### Information to Shareholders and Permanent Communication

The channels used by Grupo Argos to communicate and provide information to shareholders and investors are:

- Website: [www.grupoargos.com](http://www.grupoargos.com)
- Investor Assistance Center managed by Fiduciaria Bancolombia S.A., at the phone numbers:
  - + (57 4) 404 2371
  - + (57 4) 404 2362
  - + (57 4) 404 2453
  - + (57 4) 404 2451
  - + (57 4) 404 2452
- Investor Relations Office, led by the Vice-President of Strategy and Corporate Finance ([apiedrahita@grupoargos.com](mailto:apiedrahita@grupoargos.com)) and the Manager of Investor Relations and Presidency Affairs ([nagudelop@grupoargos.com](mailto:nagudelop@grupoargos.com)).
- Results report and quarterly results teleconference.
- Meetings with analysts of stockbroker firms, pension funds, investment funds, foreigners and other shareholders.
- Integrated Report with main information on the economic, environmental and social management of Grupo Argos.
- Website of the Finance Superintendence through which Relevant Information is disclosed to the market: [www.superfinanciera.gov.co](http://www.superfinanciera.gov.co)

### Number of Requests and Subjects on which Shareholders have Requested Information from the Company

Tax Certificates	789	
Calls		70
Deposit Slip		18
Change of Depositor		16
General Certificates		14
Historic Certificates		12
News on Payment of Dividends	11	
Dematerialized Transfer	7	
Secondary Data Update	4	
Blocking or Unblocking	4	
Right to Petition	3	
Data Update News		3
Visits to the Assistance Center		2
Certificate for an Embassy		1

Investor Relations Activities

- 61 meetings with international funds
- 4 calls for presentation of quarterly results
- 2 Non-Deal Virtual Road Shows in Santiago de Chile and New York
- 7 conferences / events with investors:

January 2020	Santander 24 <sup>th</sup> Annual LATAM Conference
January 2020	North Andean Investor Trip BTG
May 2020	Scotia Bank Investors Forum
June 2019	Colombia Inside Out 2020 – Citi and BVC
August 2020	BTG 14 <sup>th</sup> Annual Andean & Southern Cone Conference LarrainVial
October 2020	BTG Colombia Post Covid Panel
October 2020	Colombia Investment Summit
November 2020	Itau BBA's 13 <sup>th</sup> Annual Latam Conference London

[Image]  
Tunel de Oriente  
Medellin, Colombia

### Board of Directors and Committees

The Board of Directors is comprised by seven main members, as follows:

Rosario Cordoba	Gonzalo Perez	Carlos Ignacio Gallego	Claudia Betancourt	Ana Cristina Arango	Jorge Uribe	Armando Montenegro
Type of Member • Independent and Chairman of the Board	Type of Member • Equity	Type of Member • Equity	Type of Member • Equity	Type of Member • Independent	Type of Member • Independent	Type of Member • Independent
Start Date March 23, 2011	Start Date March 26, 2020	Start Date March 26, 2014	Start Date April 16, 2018	Start Date March 25, 2009	Start Date March 25, 2015	Start Date March 25, 2015
Board of Directors Attendance 100%	Board of Directors Attendance 100%	Board of Directors Attendance 100%	Board of Directors Attendance 100%	Board of Directors Attendance 100%	Board of Directors Attendance 100%	Board of Directors Attendance 100%
Committees Attendance 100%	Committees Attendance 100%	Committees Attendance 100%	Committees Attendance 100%	Committees Attendance 100%	Committees Attendance 100%	Committees Attendance 100%
Committees Audit, Finance and Risks Appointment and Remuneration Sustainability and Corporate Governance	Support Committee Appointment and Remuneration	Support Committee Sustainability and Corporate Governance	Support Committee Sustainability and Corporate Governance	Support Committee Audit, Finance and Risks	Support Committee Appointment and Remuneration (Chairman)	Support Committee Audit, Finance and Risks (Chairman)

(Chairman)						
------------	--	--	--	--	--	--

[Click here to see the Board of Directors members' CVs](#)

### **Changes in the Board of Directors during the Period**

The Shareholders Assembly approved a change in one of the Board of Directors seats, including Mr. Gonzalo Perez as equity member of the Board of Directors of the Company., replacing Mr. David Bojanini, who had resigned from the Board of Directors due to his resignation as president of Grupo de Inversiones Suramericana S.A. to enjoy his retirement and pursue personal projects.

Gonzalo Perez is a lawyer from Universidad de Medellin, completed a Specialization in Insurance at Swiss Re and CEO Management program at Kellogg School of Management.

### **Members of the Parent Company Board of Directors comprising the Boards of Directors of Subordinates or holding Executive Positions therein**

No member of the Board of Directors of Grupo Argos makes part of a Board of Directors of subordinate companies nor holds executive positions therein.

100% attendance

13 Board of Directors meetings

100% compliance with the action plan

### **Policies Approved by the Board of Directors during the Period**

In 2020, the Board of Directors approved an amendment to the Code of Good Governance in order to update practices related to the independence of the directors and adjust the guidelines for share trading by managers.

In addition, the Code of Good Governance was updated to reflect that provided in (i) the Bylaws concerning the term for call to the Assembly and in (ii) the Appointment, Remuneration and Succession Policy of the Board of Directors related to the body that determines the remuneration of support committees.

The Board of Directors approved an update to the Relations Policy and the Policy of Operations between Related Companies to eliminate redundancies and keep corporate governance best practices updated.

On the other hand, a guideline was approved for participation in boards of directors, steering committees and similar bodies to pin point the role in which officers of Grupo Empresarial Argos act, and specifically whether they do so in an institutional or personal capacity.

[Click here to see the company policies.](#)

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

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

- **Election:** General Shareholders Assembly
- **Period:** three years, indefinite reelection
- **Criteria to be considered for election:** personal qualities, knowledge relevant to the company's activity, trajectory, diversity and experience in business management and participation in other boards of directors. Directors may not be older than 72 years and cannot be found in any of the circumstances of incompatibility and inability.



- **Procedure:** according to the law, the Board of Directors is elected through the application of the electoral quotient system, based on proposals submitted by shareholders with at least five business days before the meeting of the General Shareholders Assembly.

[Image]

Clinker Yard, Cementos Argos Plant  
Cartagena, Colombia

#### **Remuneration Policy of the Board of Directors**

Directors' remuneration is defined annually by the General Shareholders Assembly, according to the structure, obligations and responsibilities of the Board, as well as the personal and professional qualities, time of dedication and members' experience, and taking into account the Policy on Appointment, Remuneration and Succession.

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

For the period from April 2020 to March 2021, monthly fees were established at \$7,900,000 for Board members and the same amount for each session of the Board committees.

The remuneration of Senior Management is defined in accordance with the remuneration policy and guidelines established by the Appointment and Remuneration Committee of the Board of Directors.

#### **Board of Directors Quorum**

In accordance with the Bylaws, the Board of Directors will validly deliberate with the presence of the majority of its members and this majority is necessary to approve decisions.

#### **Chairman of the Board of Directors**

The chairman of the Board of Directors is Rosario Córdoba, who, among others, is in charge of the following functions: (i) ensure that the Board of Directors sets and efficiently implements the strategic direction of the company, (ii) coordinate and plan the operation of the Board of Directors by establishing an annual work plan, (iii) make the call to meetings, directly or through the secretary of the Board of Directors, (iv) chair meetings and manage discussions, and (v) monitor the active participation of the members of the Board of Directors.

#### **Secretary of the Board of Directors**

The General Secretary is Rafael Olivella, who, among others, is responsible for the following functions: (i) duly reflect in the book of minutes the development of the sessions, (ii) ensure that the actions of the Board of Directors are in compliance with applicable rules, (iii) provide legal advice to the Board of Directors, and (iv) communicate the Board's decisions to different areas and officials of Grupo Argos.

#### **Relations of the Board of Directors with the Tax Auditor, Financial Analysts, Investment Banks and Rating Agencies throughout the Year**

In March 2020, the General Shareholders Assembly elected KPMG S.A.S. as Tax Auditor. During the year, the Tax Auditor participated in the Audit, Finance and Risks committee, presenting a plan of audit activities and follow-up.

Advice was provided by different investment banks for the evaluation and structuring of projects, among which are: BNP Paribas, J.P. Morgan, Santander and Bancolombia Investment Banking.

In the first half of 2020, the rating agencies BRC Investor Services S.A. and Fitch Ratings published their report through the Relevant Information mechanism. Fitch Ratings ratified Grupo Argos' rating, AAA with stable perspective. Likewise, BRC Standard & Poor's ratified the rating of Grupo Argos, AA+ with stable perspective, and confirmed the 'AA+' rating of long term debt and BRC1+ of short-term debt.

The opinions issued by those agencies can be consulted in the Relevant Information section 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 2020, meetings were held with experts in each of the sectors where the company has its main investments. Additionally, Diego René Gonzáles, professor at Eafit University, presented to the Board of Directors the trends in talent attraction and retention.

### Handling of Information of the Board of Directors

In 2020, the company updated the Board of Directors' website that allows the storage and sharing of all necessary information for the proper functioning of the Board of Directors.

### Information of the Evaluation Processes of the Board of Directors and Senior Management, as well as a Summary of the Results

The Board of Directors is evaluated annually, alternating external evaluations with self-assessments. The external evaluation is carried out by an independent firm selected by the Sustainability and Corporate Governance Committee.

In 2020, the Board's self-assessment process was carried out as a collegiate body, of members individually considered and of the support committees.

[Click here to see a summary of the 2020 self-assessment results.](#)

Additionally, the Board of Directors conducted the evaluation of the Company President in 2020.

### Support Committees of the Board of Directors

- Audit, Finance and Risks Committee
- Appointment and Remuneration Committee
- Sustainability and Corporate Governance Committee

MAIN ACTIVITIES		
Audit, Finance and Risks Committee	Appointment and Remuneration Committee	Sustainability and Corporate Governance Committee
<ul style="list-style-type: none"><li>• Review of financial information</li><li>• Evaluation of candidates for Tax Auditor and conditions for their contracting.</li><li>• Follow-up to the Shock Plan to face the Covid-19 situation.</li><li>• Follow-up to the annual Audit plan.</li><li>• Monitoring of strategic risks and quantification follow-up</li></ul>	<ul style="list-style-type: none"><li>• Talent development</li><li>• Culture</li><li>• Diversity and inclusion</li><li>• Remuneration</li><li>• Succession</li><li>• Organizational development</li></ul>	<ul style="list-style-type: none"><li>• Board of Directors Action Plan</li><li>• Compliance: monitoring of cases of the transparency hotline, course of conduct and goods and revenue report.</li><li>• Review of corporate documents and good practices update.</li><li>• Self-assessment of the Board of Directors and evaluation of the President.</li><li>• Dow Jones Global Sustainability Index results</li><li>• IR Seal result of the Colombia Stock Exchange</li><li>• Sustainability: VAS 2019, ASG risks, conscientious investment model, climate change strategy and responsible operation goals.</li></ul>

### Operations between Related Parties and Conflicts of Interest

In accordance with the provisions of the Bylaws, it is the function of the Board of Directors to know and authorize transactions between related companies, when applicable. In addition, the company has a Relations Policy and a Policy of Operations between Related Companies, which were updated in 2020.

[Click here to see these policies.](#)

### **Handling Conflicts of Interest of Members of the Board of Directors and Senior Management**

The Code of Business Conduct of Grupo Argos sets the parameters for the identification, disclosure and prevention of potential conflicts of interest. When a conflict of interest or a situation that can eventually lead to a conflict of interest is identified, company directors and officials must make a timely and adequate disclosure, describe the situation in a complete and detailed manner, document the event and provide all the information that is relevant to make the relevant decision.

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

Conflicts of interest will be resolved by giving strict application to the following principles: when the interest of Grupo Argos and that of its shareholders, administrators or that of a third party related to the company are opposed, the interest of Grupo Argos will always be preferred; when the interest of shareholders and its administrators or that of a third party related to the company are opposed, the interest of shareholders will always be preferred.

### **Detail of Operations with Related Parties**

The detail of all operations carried out between the companies of Grupo Empresarial Argos is found in the Special Report prepared pursuant to article 29 of Law 222/1995, which is part of the documentation made available during the right of inspection and which is delivered to shareholders.

### **Conflicts of Interest and Action of the Members of the Board of Directors**

There were no discussions or decisions that could lead to a possible conflict of interest of the directors.

[Image]

Cementos Argos Plant  
Virginia, United States

### **Internal Control and Risks**

#### **Internal Control System**

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

For the above, there is a structure made up of the Audit, Finance and Risks Committee, Corporate Audit, Legal Affairs Management, Processes and Compliance, the Tax Audit and the Risks team.

#### **Risks Policy**

Grupo Argos has a comprehensive risk management model that incorporates the analysis of the company's performance and business, with the aim of managing strategic and operational risks.

During 2020 progress was made in the development of this model, deepening in the quantification of strategic risks on the financial, reputational and human talent fronts, and the risk of climate change as elevated to the strategic risk level. The ASG risk matrix was also prioritized and value at risk methodologies and sensitivity analysis of key operational variables and possible impacts were employed, discussed in risk analysis instances.

The Risk Policy is unified for the entire business group and is complemented by a series of manuals and guidelines that frame the strategy, projects and processes, within the best corporate governance and sustainability standards.

Grupo Argos' risk strategy is based on four pillars: (i) government, (ii) culture, (iii) methodology and (iv) information technology. Each of these elements was reviewed and adjusted throughout the year, promoting the use of data analytics and quantification models to strengthen risk analyses for their proper prevention and management.

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