



CORPORATE GOVERNANCE REPORT

In ISA, corporate governance is the set of values, principles, policies, rules, means, practices and processes, through which ISA is managed, operated and controlled, looking for business efficiency, growth enhancement, and promotion of investors' confidence in national and international contexts by means of practices aimed at transparency and consistency in their actions, the fact to receive better financing conditions due to a perception of lower risk for creditors and investors, respect of those who invest in it, and compliance of commitments to its various stakeholders.

With the issuance of the External Circular 028 of 2014 of the Financial Superintendence of Colombia, in which a Code of Best Corporate Governance Practices (called Country Code) was adopted, ISA undertook voluntarily a series of activities aimed at updating its standards and corporate governance practices to benefit from the highest standards in this area; considering their nature, legal status and type of business.

In the General Assembly of Shareholders on 27 March 2015, the reform of the Company's Corporate Bylaws, as well as the Succession and Remuneration Policies of the Board were approved.

For its part, the Board issued the Regulatory Agreements related to the functioning of the Assembly of Shareholders, the Board and its Committees. It approved procedures for managing conflicts of interest of Board members and other ISA's managers, as well as the fiscal auditor and/or external auditor's policies with an outreach to all companies in the business group.

Finally, in January 2016, the Board approved the new ISA's Good Corporate Governance Code that compiles standards and set practices for proper Company's governance. This code is available on the ISA website. <http://www.isa.co/es/nuestra-compania/Paginas/codigos-y-politicas/codigo-de-buen-gobierno.aspx>

In compliance with the provisions of Corporate Bylaws and of the new Good Corporate Governance Code, ISA's Board presents the Corporate Governance Report for the term 2015, which describes how during 2015 the corporate governance practices adopted by the Company were fulfilled by following the recommended Country Code structure.

On the other hand, ISA made and timely submitted to the Financial Superintendence the report on implementation of best corporate practices for 2015, which is available on the corporate website. <http://www.isa.co/es/nuestra-compania/Paginas/codigos-y-politicas/encuesta-codigo-pais.aspx>

1. PROPERTY STRUCTURE



ISA is a Public Services Joint Company with state and private shareholders. La Nación (The Nation), through the Ministry of Mines and Energy, is the ISA's majority shareholder or controlling party by holding 51.41% of the share capital.

[G4-9] Shareholder Structure (31 Dec 2015)		
Shareholders	Shares	%
State Investors	682,078,108	61.58%
La Nación	569,472,561	51.41%
Empresas Públicas de Medellín	112,605,547	10.17%
Companies with public and private capital	77,391,530	6.99%
ECOPETROL	58,925,480	5.32%
Empresa de Energía de Bogotá	18,448,050	1.67%
Empresa de Energía del Pacífico	18,000	0.00%
Private Investors	348,208,256	31.44%
Institutional	191,315,857	17.27%
Foreign Investment Funds	70,907,613	6.40%
Natural persons	67,259,558	6.07%
Legal Persons	17,614,128	1.6%
ISA ADR Program	1,111,100	0.10%
Shared and paid outstanding capital	1,107,677,894	100%

The corporate website includes a list of the 20 ISA's main shareholders.

<http://www.isa.co/es/nuestra-compania/Paginas/quienes-somos/composicion-accionaria.aspx>

SHARE CAPITAL	
Authorized Capital	COP4 5,000,000,000 divided into 1,371,951,219 shares.
Share Capital	COP 36,916,334,931 divided into 1,125,498,016 shares.
Paid Capital	COP 36,916,334,931 divided into 1,125,498,016 shares.
Repurchased Shares	COP 584,500,002 divided into 17,820,122 shares.

All outstanding shares are ordinary, nominal and dematerialized shares.

➤ **Structure of the business group property.**

Electric Interconnection S.A. E.S.P. is the parent company of Grupo Empresarial ISA [ISA Business Group], consisting of branches and subsidiaries with operations in Colombia and abroad



primarily developing electricity transportation businesses, road concessions, telecommunications transportation and intelligent management of real time systems.

Electric Power Transportation.



COLOMBIA

Subsidiary
Direct
2013, incorporation year

participation:

99.99%



COLOMBIA

Subsidiary
Direct
1998, incorporation year

participation:

100%.



BRAZIL

Subsidiary
Indirect participation: 37.19% through ISA Capital do Brasil S.A.
2006, share purchase year



BRAZIL

Subsidiary
Indirect participation:
2008, incorporation year

100%

through

CTEEP



BRAZIL

Subsidiary
Indirect participation:
2009, incorporation year

100%

through

CTEEP



BRAZIL

Subsidiary

Indirect participation:
2006, incorporation year

100%

through

CTEEP



BRAZIL

Subsidiary

Indirect participation:
2012, share

100%

through
purchase

CTEEP
year



CHILE

Subsidiary

Direct

Indirect participation:
2012, incorporation year

participation:

0.01% through

ISA

Inversiones

99.99%

Chile



PERU

Subsidiary

Direct

Indirect participation:
2001, incorporation year

participation:

54.85%

through

45.1%

TRANSELCA



PERU

Subsidiary

Direct

Indirect participation:
2002, incorporation year

participation:

30%

through

30%

TRANSELCA



PERU

Subsidiary

Direct

2006, share

participation:

purchase

60%

year



BOLIVIA

Subsidiary

Direct

participation:

51%

Indirect participation: 48.99% through TRANSELCA and 0.01% through INTERNEXA (Col.)

2003, incorporation year

Construction of Infrastructure Projects



PERU

Subsidiary

Direct

participation:

99.97%

Indirect participation: 0.03% through TRANSELCA

2007, incorporation year

Real Time Smart Management Systems



filial de isa

COLOMBIA

Subsidiary

Direct

participation:

99.7%

2005, incorporation year



COLOMBIA

Subsidiary

Direct

share

participation:

15%

through

ISA

Indirect participation: 85%

through

XM

2011, incorporation year

Telecommunications



COLOMBIA
Subsidiary
Direct
2000, incorporation year

participation: 99.4%



PERU
Subsidiary
Indirect
2006, incorporation year

participation: 100% through INTERNEXA (Col.)



CHILE
Subsidiary
Indirect
2010,

participation: 99% through INTERNEXA year
incorporation



BRAZIL
Subsidiary
Indirect
2010, incorporation year

participation: 100% through INTERNEXA Participações

Internexa

ARGENTINA
Subsidiary
Indirect participation: 98.54% through INTERNEXA (Col.) and 1.46% through
INTERNEXA (Peru)
2010, share purchase year



Road Concessions

INTERVIAL CHILE S.A.	CHILE Subsidiary Indirect participation: 54.99% through ISA Inversiones Chile Ltda, 45% through ISA Inversiones Maule Ltda and 0.01% through INTERNEXA S.A. 2011, incorporation year		
RUTA DEL MAIPO	CHILE Subsidiary <i>Sociedad</i> Indirect participation: 100% through Intervial Chile S.A.	<i>Concesionaria</i>	S.A.
RUTA DEL MAULE	CHILE Subsidiary <i>Sociedad</i> Indirect participation: 100% through Intervial Chile. S.A.	<i>Concesionaria</i>	S.A.
RUTA DEL BOSQUE	CHILE Subsidiary <i>Sociedad</i> Indirect participation: 99.99% through Intervial Chile S.A.	<i>Concesionaria</i>	S.A.
RUTA DE LA ARAUCANÍA	CHILE Subsidiary <i>Sociedad</i> Indirect participation: 100% through Intervial Chile S.A.	<i>Concesionaria</i>	S.A.
RUTA DE LOS RÍOS	CHILE Subsidiary <i>Sociedad</i> Indirect participation: 75% through Intervial Chile S.A.	<i>Concesionaria</i>	S.A.



INTERVIAL COLOMBIA S.A.S.	COLOMBIA Subsidiary Indirect 2011, incorporation year	participation:	100%
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Investment Vehicles

ISA CAPITAL DO BRASIL	BRAZIL Subsidiary Direct 2006, incorporation year	participation:	68.22%
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INTERNEXA Participações S.A.	BRAZIL Subsidiary Indirect 2008, incorporation year	participation:	67.24%	through	INTERNEXA	(Col.)
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ISA Inversiones Chile Ltda	CHILE Subsidiary Direct 2010, incorporation year	participation:	99.99%
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ISA Inversiones Maule	CHILE Subsidiary Direct 2013, incorporation year	participation:	99.99%
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- **Information about shares belonging to Board's members and about voting rights they represent.**

None of the Board's members is owner of ISA's shares.

- **Family, commercial, contractual, or corporate relationships between holders of significant shares and the company, or between holders of significant shares.**

At the end of 2015, the Inter-Administrative Contract GSA 57 of 2009 – ISA 4000763 between La Nación (The Nation) (Ministry of Mines and Energy) and ISA, which includes technical assistance for general administration and execution of resources of the Financial Support Fund for the energization of Non-Interconnected Areas (FAZNI) for the construction of Popayan – Guapi interconnection at 115 kV and its related substations, signed on 13 October 2009 and extended by means of four (4) addenda for a total sum of COP 286,270 million.

- **Negotiations made by Board' members, Senior Management and other Administrators in relation to shares and other securities issued by the Company.**

ISA's administrators are prohibited from trading (directly or through an intermediary) Company's shares with speculative purposes and in any case they require approval of the Board, granted with the favorable vote of two thirds of its members, excluding the requester's favorable vote, or the General Shareholders Meeting, with the favorable vote of the ordinary majority provided in the bylaws, excluding the requester's favorable vote, as enshrined in the Good Corporate Governance Code and Agreement 60 of 2006 of the Board of Directors.

During the period, no administrator requested an authorization to negotiate ISA's shares.

- **Synthesis of known agreements between shareholders.**

The Company has not been notified of the existence of agreements between shareholders.

- **Own shares held by the company.**

The number of own shares held by ISA is 17,820,122.



2. MANAGEMENT STRUCTURE

➤ Board's Structure

ISA's Board is elected annually at the General Assembly of Shareholders and is composed of nine (9) core members, five of whom are independent members in accordance with the provisions of Law 964 of 2005 and the Good Governance Code of the Company.

According to the provisions of the Corporate Bylaws and the Good Corporate Governance Code, no ISA's employee may be a Board's member.

For the period April 2015 – March 2016, the Board of Directors was made up by the following members:

ISA'S BOARD STRUCTURE	
Main	Designated by
Ministry of Mines and Energy Minister	Ministry of Mines and Energy
Ministry of Finance and Public Credit Vice-Minister	Ministry of Finance and Public Credit
Ministry of Finance and Public Credit Director of Public Credit and National Treasury	Ministry of Finance and Public Credit
Carlos Mario Giraldo Moreno (*)	Ministry of Finance and Public Credit
Carlos Felipe Londoño Álvarez	Ministry of Finance and Public Credit
Jesús Aristizábal Guevara (*)	Empresas Públicas de Medellín
Henry Medina González (*)	ECOPETROL
Santiago Montenegro Trujillo (*)	Pension and Severance Funds
Camilo Zea Gómez (*)	Pension and Severance Funds
(*) Independent members, according to provisions of the Good Governance Code and Law 964 of 2005.	
In the General Extraordinary General Assembly held on 13 July 2015 elected by Carlos Felipe Londoño Álvarez in replacement of Bernardo Vargas Gibsone, who was appointed President of ISA.	

The member's resume is available on the corporate website. <http://www.isa.co/es/nuestra-compania/Paginas/asamblea-general/direccion-y-administracion/eleccion-y-composicion.aspx>



The following Board members hold public positions within the central administration, and therefore they relate to La Nation (The Nation), ISA's majority shareholder:

- Ministry of Mines and Energy.
- General Vice-Minister of the Ministry of Finance and Public Credit.
- Director of Public Credit and National Treasury of the Ministry of Finance and Public Credit.

➤ **Board's changes during the exercise**

Since Bernardo Vargas Gibsone, who was a Board member, was designated ISA's President and started works from 13 July 2015, it was necessary to summon a Extraordinary General Assembly of Shareholders in order to rearrange the Board.

On 13 July 2015, during the Extraordinary General Assembly of Shareholders, the Board was elected again, designating Carlos Felipe Londoño Álvarez in replacement of Bernardo Vargas Gibsone. The other members of the Board were reelected.

➤ **Process to designate the Board's members.**

For the nomination of candidates to form the Board of Directors and seeking a reasonable balance, complementarity and diversity, in the interests of proper performance, it is necessary to take into account that applicants are not involved in any disqualifications and incompatibilities of legal nature and have knowledge, experience, educational background, qualities, skills, independence of judgment and enough availability to be nominees for the Board. In the Board's Succession Policy approved by the General Assembly of Shareholders, the principles applied in the nomination of the best candidates to form ISA's Board, and the knowledge and experience required to ensure its effective functioning and contribution in achieving objectives, are set. The complete text is available on the corporate website. <http://www.isa.co/es/nuestra-compania/Paginas/asamblea-general/direccion-y-administracion/eleccion-y-composicion.aspx>

Prior to the meeting of the General Assembly of Shareholders where the Board of Directors was elected, it was published on the corporate website the corresponding propositions including a list of candidates and their resumes, indicating the shareholder nominating each candidate and if they are independent or non-independent candidates.

The extract of Minutes 104 of the Ordinary General Assembly of Shareholders of 27 March 2015 and in the extract of Minutes 105 of 13 July 2015, both published on the corporate website, it is possible to consult the information sent by the Ministry of Finance and Public Credit to the General Secretariat of ISA for the election of the Board of Directors.

The Board of Directors was elected by the electoral quotient system taking into account the criteria of professional competence, suitability and moral solvency, as provided in the Board's Succession Policy. The member's resumes can be found on the corporate website. <http://www.isa.co/es/nuestra-compania/Paginas/asamblea-general/direccion-y-administracion/eleccion-y-composicion.aspx>



After the election of the members, they expressed in writing their acceptance and not being under inabilities or incompatibilities to be Board's members. This fact was registered in the Medellin's Chamber of Commerce for Antioquia where the company is based. The independent members responded the questionnaire annexed to Decree 2555 of 2010 which was sent prior to the Pension Funds, shareholders of ISA.

The Board members appointed for the first time received a proper induction, in which they were given enough information to have specific knowledge of ISA, its businesses and sectors where it operates, responsibilities, obligations and attributions as Board members, and knowledge of company documents whose knowledge is necessary for the performance of their duties.

➤ **Board's Remuneration Policy**

The Board's Remuneration Policy approved by the General Assembly of Shareholders and published on the Company's website establishes the criteria for adequate remuneration of its members. In addition, the Ordinary General Assembly of Shareholders approves each year the fees expressed in terms of Tax Value Unit (TVU), consistent with the duties and responsibilities of the members, characteristics of the Company, among other criteria. <http://www.isa.co/es/nuestra-compania/Paginas/asamblea-general/direccion-y-administracion/eleccion-y-composicion.aspx>

➤ **Remuneration of the Board and Senior Management's members.**

For attending the Board's meetings and its committees, the members received in 2015 a remuneration of 103 TVU per meeting, which is equivalent to COP 2,912,737.

The remuneration of the Senior Management's members is disclosed in the Financial Statements, in accordance with the provisions of the Commercial Code and applicable accounting standards.

ISA does not use special payment or remuneration mechanisms in company shares or stock options to members of the Board and Senior Management.

➤ **Board's Quorum**

In order to validly deliberate, the Board requires a quorum of at least five (5) members (deliberative quorum) and decisions are taken by majority of the votes present (decision-making quorum). All meetings included a deliberative quorum and a decision-making quorum.

➤ **Attendance data to the Board's meetings and its committees.**

During the period April 2015 - March 2016, the Board of Directors met on 15 occasions, 12 monthly ordinary meetings, 2 extraordinary meetings, and 1 voting session in writing. Each meeting had an average time of five (5) hours and the agenda agreed for each meeting was always fulfilled.

BOARD'S ATTENDANCE



Members	Designated by	Attendance (15 meetings)
Ministry of Mines and Energy Minister	Ministry of Mines and Energy	14
Ministry of Finance and Public Credit General Vice-Minister	Ministry of Finance and Public Credit	12
Ministry of Finance and Public Credit Director of Public Credit and National Treasury	Ministry of Finance and Public Credit	14
Carlos Mario Giraldo Moreno (*)	Ministry of Finance and Public Credit	14
Carlos Felipe Londoño Álvarez (**)	Ministry of Finance and Public Credit	11
Jesús Aristizabal Guevara (*)	Empresas Públicas de Medellín	15
Henry Medina González (*)	ECOPETROL	15
Santiago Montenegro Trujillo (*)	Pension and Severance Funds	14
Camilo Zea Gómez (*)	Pension and Severance Funds	15
(*) Independent members as per provisions of the Good Governance Code and Law 964 of 2005.		
(**) During the General Extraordinary Assembly of Shareholders held on 13 July 2015. Carlos Felipe Londoño Álvarez was elected in replacement of Bernardo Vargas Gibsone, who was designated ISA's President.		

ATTENDANCE TO COMMITTEES

Corporate Board and Governance Committee	Attendance
Ministry of Finance and Public Credit General Viceminister	11/12
Ministry of Finance and Public Credit Director of Public Credit and National Treasury *	7/12
Carlos Mario Giraldo Moreno	12/12
Carlos Felipe Londoño Álvarez **	9/12
Santiago Montenegro Trujillo	12/12
* The Director of Public Credit and National Treasury entered into the Committee on September 2015.	
** Carlos Felipe Londoño Álvarez became a member of the Corporate Board and Governance Committee on July 2015.	

Business Committee	Attendance
Ministry of Mines and Energy Minister	4/6
Ministry of Finance and Public Credit General Vice-Minister	4/6
Ministry of Finance and Public Credit	3/3



Director of Public Credit and National Treasury*	
Henry Medina González	6/6
Santiago Montenegro Trujillo	5/6
Bernardo Vargas Gibsone **	2/2
* The Director of Public Credit and National Treasury entered into the Business Committee on September 2015.	
** Bernardo Vargas Gibsone was designated ISA's President on 13 July 2015, the moment from which he left the Business Committee.	

Audit Committee	Attendance
Carlos Felipe Londoño Álvarez *	5/5
Ministry of Finance and Public Credit Director of Public Credit and National Treasury	2/2
Jesus Aristizabal Guevara	7/7
Camilo Zea Gomez	7/7
* From August 2015, Carlos Felipe Londoño Álvarez became a member of the Committee in replacement of the Director of Public Credit and National Treasury.	

➤ **Agreements, policies and procedures approved by the Board of Directors during the period.**

For updating the rules and corporate governance practices of ISA, the Board approved the following agreements, policies and procedures:

- Agreement 98 of 31 July 2015, by which the Operating Regulation of the Board was set.
- Agreement 99 of 31 July 2015, by which the Corporate Audit Committee is regulated.
- Agreement 100 of 31 July 2015, by which the Board and Corporate Governance Committee is regulated.
- Agreement 101 of 31 July 2015, by which the Business Committee is regulated.
- Agreement 103 of 25 September 2015, by which the Regulations of the General Assembly of Shareholders are set.
- The fiscal auditor and/or external auditor policy, by which the guidelines for the selection, designation, inabilities and rotation of the Fiscal Auditor and/or External Auditor for ISA and its companies of the business group are set.
- Corporate policy on asset management.
- Procedures for managing conflicts of interest of members of the Board of Directors, Senior Management, and other Company's directors, which are adopted in order to protect legal interests such as transparency, objectivity and independence in decision-making and the exercise of director's roles.
- Corporate Good Governance Code, which updates ISA's good governance regulations and practices.

These documents are available on the corporate website.

- ➤ **Board's President**



The Board of Directors, in session 759 of 24 April 2015, appointed Dr. Santiago Montenegro Trujillo, independent member, as President.

The functions of the President are set out in Article 28 of the Corporate Bylaws and in Agreement 98 of 31 July 2015, which regulates the functioning of the Board of Directors. These functions are available on the corporate website. <http://www.isa.co/es/nuestra-compania/Paginas/estatutos-sociales.aspx> and <http://www.isa.co/es/sala-de-prensa/Documents/nuestra-compania/junta-directiva/Acuerdo98-julio2015-Funcionamiento-Junta-Directiva.pdf>

➤ **Board's Secretary**

As established in the Bylaws, the General Secretary of the Company is the Board's Secretary.

The functions of the Secretary are set out in Article 28 of the Corporate Bylaws and in Agreement 98 of 31 July 2015, which regulates the functioning of the Board of Directors. These functions are available on the corporate website. <http://www.isa.co/es/nuestra-compania/Paginas/estatutos-sociales.aspx> and <http://www.isa.co/es/sala-de-prensa/Documents/nuestra-compania/junta-directiva/Acuerdo98-julio2015-Funcionamiento-Junta-Directiva.pdf>

➤ **Yearly relationships of the Board and with the Fiscal Auditor, financial analysts, investment banks, and rating agencies.**

During the last period, the Fiscal Auditor submitted to the Corporate Audit Committee the results of the review of controls necessary to the preparation and presentation of financial statements, as well as the Audit Committee's opinion on the their reasonableness.

➤ **External Consultancy received by the Board of Directors**

During the period, the Board received external advice from talent hunting company Spencer Stuart in relation to the selection process of the new President of ISA.

➤ **Board's information management**

The Board's Secretary, made available with no less than five (5) days prior to each meeting, and through an exclusive access server for Board's members, the documentation related to the topics to be discussed at the Board's sessions and the additional information requested.

➤ **Board's Committees**

According to the Functioning Regulations of the Board of Directors, the Board and Corporate Governance Committee, the Business Committee, and the Corporate Audit Committee work institutionally at ISA.

➤ **Board and Corporate Governance Committee**

Its main responsibilities are supporting the Management in relation to strategic topics, sustainability, risks, and human talent. In addition, regarding corporate governance issues, it aims at studying reforms to the Corporate Bylaws and recommending the appointment and remuneration of the Board and Senior Management's members, as well as monitoring compliance



with the Good Governance Code, the framework for action, and evaluating the Company's President.

It is composed of: Carlos Mario Giraldo Moreno (President, independent member), the General Vice-Minister of the Ministry of Finance and Public Credit, the Director of Public Credit and National Treasury of the Ministry of Finance and Public Credit, Carlos Felipe Londoño Álvarez and Santiago Montenegro Trujillo.

In 2015, this Committee met twelve (12) times.

The main topics were sustainability, strategy, risk management, implementation of recommendations of Best Corporate Governance Practices of Country Code, human talent and its compensation, as well as progress in the technology plan of the business group.

➤ **Business Committee**

Its function is to analyze, make recommendations or decide on investment initiatives considered in the growth strategy of ISA and its companies, as well as monitoring businesses under execution. In 2015, the business committee met six (6) times.

It is composed of: Santiago Montenegro Trujillo (President, independent member), the Minister of Mines and Energy, the General Vice-Minister of Finance and Public Credit, the Director of Public Credit and National Treasury of the Ministry of Finance and Public Credit, and Henry Medina González.

➤ **Corporate Audit Committee**

This entity responsible for the supervision and promotion of internal control. Its functions are to ensure the Company's availability of an effective system of corporate control, including the evaluation of accounting procedures, the relationship with the Fiscal Auditor, the audit to the risk management system, among others. Its recommendations are related to the improvement of the controls on governance, administrative, financial, technical and computing issues; as well as ethical issues, and risk management system for money laundering and financing of terrorism.

It is composed of: Jesús Aristizábal Guevara (President, independent member), Carlos Felipe Londoño Álvarez and Camilo Zea Gómez.

In 2015, this Corporate Audit Committee met seven (7) times. The main topics addressed were:

Approval of the audit guideline, implementation of the new corporate audit model, evaluation of the fiscal audit in ISA and its companies, analysis of reports related to financial statements and balances according to sheets according to IFRS and analysis of reports of external control entities, comprehensive management system on risk and financial risks, management of the administration system on risks related to money laundering, financing of terrorism and SARLAFT internal committee, ethics management, compliance and measurement of corporate transparency, and follow-up of the audit management in the business group.

➤ **Information about the execution of evaluation processes of the Board of Directors and Senior Management, as well as synthesis of results.**



The Company conducts an annual evaluation of the Board of Directors to measure its effectiveness as a certificated body, and welcoming the recommendation of best practices in this aspect, to alternate between methodologies such as self-assessment and evaluation by external consultants. In 2015, a qualitative self-assessment was applied. The following results were obtained by means of a sample of eight (8) people:

Individual performance of the Board members, 92%.
Individual performance of the Committee members, 94%.
Group performance of the Board, 93%.
Group performance of the Committees, 94%.
Performance and participation of the Administration, 87%.

In relation to individual performance, the main strengths are assistance, impartial and objective support to the discussions, commitment and contribution to the achievement of business strategy, not to disclose privileged information and refrain from engaging in conflicts of interest.

As for the group performance, the right balance of skills, experience and knowledge of its members is highlighted; as well as decision making with full knowledge and independence of the Administration; open, honest and productive dialogue between Board members and Administration; spaces suitable for the participation of independent members; and commitment to fulfill engagements with stakeholders. Also, the Board works diligently to develop its growth strategy and promote a better performance, always supported by its Board Committees.

In 2014, an evaluation with an external consultant (Spencer Stuart) was performed, who presented a series of recommendations to improve the effectiveness of the Board. The main measures implemented in 2015 are highlighted:

- The composition of the Board by nine (9) core members and no alternates.
- The appointment of independent Board members as committees Presidents.
- The active participation in the construction of agendas by the presidents of the Board and committees.
- The greater relevance given to human resources in the Corporate Board and Governance Committee.
- The appointment of the Internal Auditor by the President of the Company, based on the recommendation of the Audit Committee.
- The publication of succession policies of the Board of Directors and the Fiscal Auditor.

The Corporate Board and Governance Committee, at its meeting on 26 February 2016, conducted the assessment made by the ISA President:

“The evaluation considered various aspects comprising its responsibility in guiding the business group. Significantly, these results are the product of the management of two presidents, Dr. Luis Fernando Alarcon Mantilla and Dr. Bernardo Vargas Gibsone, who from a coordinated transition and as quickly as possible ensured that the results were effective and valuable for all groups of interest. It is important to highlight the participation of Engineer César Ramírez Rojas, who was responsible for the General Management of the Company, maintaining the company’s stability and with positive results.



Bernardo Vargas has given continuity to the strategic direction of the Company. He developed with the Board a process of strategic planning, from which it was implemented a series of complementary measures that meet the demands currently required by Latin American environment, an scenario in which our businesses are performed.

The Committee welcomed the soundness of financial results, whose main indicators show a performance higher than budgeted. Net income grew by 38% over the previous year and has a budget fulfillment of 108%. EBITDA margin, as well as operating and net indicators also had outstanding increases. Operating income achieved a performance of 97% (25% more than in 2014). Costs and operating expenses had a fulfillment of 89% (25% compared to previous year).

Likewise, progress in the implementation of the ISA 2020 strategy, which had an additional complementary approach to promote performance and sustainable growth of ISA. This action led to the creation of new scenarios for action, new businesses and two Vice-Presidencies, Growth and Business Development, and Institutional Relationship.

It is also highlighted the result of the evaluation of organizational climate, which improved compared to the previous year. In addition, it is emphasized the convening power, generating opportunities for joint construction and opening spaces to listen associated with inspirational leadership; especially in a period of transition and change of "leadership" in the Company's management. Organizational culture is experiencing a transformation towards strengthening collaborative networks, a feature that favors the achievement of joint results.

In short, the soundness of the consolidated financial results of 2015, progress in implementing the strategic plan, the new vision of business development, and management of organizational climate, give an idea of the management capacity, results orientation, strategic vision and leadership of Dr. Vargas, whose energy, proactivity and commitment assumed responsibility for leading the business group.

Finally, the management of the administrative team (a human group that is characterized by commitment, dedication and sense of responsibility in order to contribute effectively to the achievement of the objectives) is valued".

3. TRANSACTIONS WITH RELATED PARTIES

➤ Powers of the Board on such transactions and conflicts of interest



In Title 6 of the Corporate Good Governance Code, ISA's Related Parties are defined in accordance with international standards and regulations applicable to ISA. Likewise, transactions that require approval by the Board are determined.

➤ **Details of transactions with Related Parties more relevant for the Company, including transactions between Business Group**

The descriptions of transactions with Related Parties of ISA are included in the Financial Statements.

Because of its legal nature of Joint Public Services Company, ISA is subject to the rules of disabilities and incompatibilities applicable to government procurement, which prohibits the conclusion of contracts between the Company and Board members, their relatives to the second degree of consanguinity or affinity, or first civil affinity, their spouses or permanent couples, as well as legal entities in which they have participation or hold management positions in the terms defined by Law.

➤ **Conflicts of interest and Board members' performance**

No conflicts of interest were presented within the framework of transactions with related party.

4. RISK MANAGEMENT SYSTEMS

➤ **Explanation of the Internal Control System (ICS) of the company or Business Group and its amendments during implementation.**

The Company, in its ongoing monitoring and control process, responded with efficiency and timeliness in providing information and/or documents to government control entities and maintained credit ratings by the authorized companies.

During the last period, the organization has strengthened its Internal Control System with the addition of new governance practices which were implemented in the reform of bylaws, as well as the adjustment to corporate policies and the definition of guidelines for the new Corporate audit model.

➤ **External control bodies**

ISA submitted the reportes requested by the following external bodies:

- General Accounting Office of the Nation.
- Comptroller General of the Republic.
- Financial Superintendence of Colombia.
- Domestic Public Services Superintendence.
- Ministry of Finances and Public Credit.
- National Administrative Department for Statistics (DANE)



The firm Specialized Management and Audit serves as external management and auditor on results for the period, whose report published in national press on June 7, 2015, stated: "The internal control system is strong, with a low risk rating. Also, for the period between January 1 and December 31, 2014, it met effectively the control objectives set by Administration and comply with aspects set out in Law 142 of 1994 and Resolution 053 of 2000, issued by the Regulatory Commission on Energy and Gas". Such report was submitted to the Superintendency of Domestic Public Services.

Between April 2015 and March 2016, the firm Ernst & Young conducted the Fiscal Audit process, fulfilling its legal duty. In addition, the company will present to the General Assembly of Shareholders an opinion on management, financial statements and administration of the Company.

Credit rating agencies reaffirmed the financial strength and soundness of ISA. In 2015, Standard & Poor's and Fitch Ratings reaffirmed ratings at BBB with a stable outlook. Likewise, Moody's maintain the same rating at Baa2 with a stable outlook. Thus, the three major international rating agencies in the world placed the Company in investment-grade rating.

In order to inform and provide data to be analyzed by shareholders and investors, the Fiscal Auditor Report, the opinion of the External Auditor and the evaluation of risk rating agencies are published on the Company's website.

Before the Medellin's Chamber of Commerce, the following procedures were provided: the financial statements were submitted; the business and sole registries of proponents were renewed; the minutes of the ordinary and extraordinary meetings, the election and acceptance of Board members, the Fiscal Auditor, the legal representatives and alternates were registered; and ISA's share participation in its companies was updated.

In addition, it is important that during the period no requests from shareholders or investors were presented to conduct special audits or investigations that would compromise ISA by the monitoring and control entities.

➤ **Internal control bodies**

The internal control system of ISA and its companies is based on the International Standard known as Committee of Sponsoring Organizations of the Treadway Commission (COSO). Through it, we seek to reasonably ensure the achievement of corporate objectives; strengthen confidence in the integrity of the information provided to the various stakeholders; adequate monitoring and timely response to the risks of businesses, as well as instruments of corporate governance and transparency practices.

According to the annual plan, the Corporate Audit executes in ISA and its companies a set of evaluations to controls in priority processes, maintaining the principles of impartiality, objectivity and independence necessary to fulfill its function, according to the international auditing principles and practices. To fulfill this responsibility, the Corporate Audit agrees work plans with the audit committees of each company, which according to their risk levels and characteristics provide guidance and strategies to follow.

To contribute to strengthening the Internal Control System, audits to operational business processes were performed in 2015, as well as assessments to administrative, technological and



financial processes that support them. Evaluations conducted by the Corporate Audit confirmed compliance with both internal and external regulatory framework and showed no significant or material deviations that endanger the business continuity of ISA. This appreciation is consistent with assessments of external control authorities, who issued favorable opinions on Internal Control System.

In addition, the availability of instruments such as the Code of Ethics, the Anti-Fraud Code and the Asset Laundering Risk Administration System and of Terrorism Financing (SARLAFT) can increase the security levels of ISA and its companies before risks related to the principles enshrined therein.

➤ **Description of the risk policy and its application during implementation.**

ISA and its companies comply with the Corporate Policy for Comprehensive Risk Management through the identification, evaluation and implementation of measures for risk management to which they are exposed.

Each company has its own risk map and assess risks from the probability of occurrence and the severity of their consequences on fundamental resources, prioritizing the most relevant ones for the development of its operations and strategy's achievement. It also monitors status and defines and implements measures to improve management. Periodically, companies progress in their management and main events achieved.

On its Website and 2015 comprehensive management report, ISA publishes its risk map, the most significant events and main management measures implemented to prevent and mitigate their impact.

➤ **Materialization of risks during implementation.**

This information is described in section 4.3. – Comprehensive Management System – of the 2015 management report available on the Company's website.

➤ **Response plans and supervision for main risks.**

This information is described in section 4.3. – Comprehensive Management System – of the 2015 management report available on the Company's website.

5. GENERAL ASSEMBLY OF SHAREHOLDERS

➤ **Operational differences of the Assembly between the minimum requirements of current legislation and those defined by the Bylaws and regulations of the Company's Assembly.**



In two newspapers (a national and a local newspaper), calls for the General Ordinary Assembly of Shareholders on 27 March 2015 and the General Extraordinary Assembly of Shareholders on 13 July 2015 were published. For the Extraordinary Assembly, the Company implemented the 15 days calendar call provided in the bylaw reform of 27 March 2015, which is superior to the legal term of five (5) business days for extraordinary assemblies provided in the Commercial Code.

In addition, in order to facilitate the exercise of shareholders' information right and encourage their participation, ISA disclosed on its corporate website the call notices, the agenda, the proposals that were submitted to the consideration of the Assembly, as well as the lists of candidates and their resumes to form the Board of Directors. Also, the information related to the empowerment to be represented in the Board was published.

On 22 March 2015, through national press, the Company reminded shareholders the date set for the Ordinary Assembly. The same procedure for the Extraordinary Assembly was executed, reminding the meeting date by means of a notice in the national press published on 12 July 2015.

For the Ordinary Assembly, the shareholders had at their disposal the documents provided in the Corporate Bylaws and the Law to exercise the inspection right for a fifteen (15) business days period.

Both the Ordinary and Extraordinary Assembly had the quorum required by Law, the topics approved in the agenda were submitted for shareholders' consideration and decisions were made by the majority required as per the Corporate Bylaws. The attendance data of each General Assembly of Shareholders includes the extracts of the Minutes referred to below. The General Ordinary Assembly was broadcasted by streaming, in real-time, via Internet.

In 2015, ISA incorporated the Operating Regulations of the General Assembly of Shareholders in its Corporate Bylaws. Also, ISA included good practices in the Corporate Good Governance Code to strengthen and facilitate the shareholders' information rights and participation at Assembly meetings, such as:

- For General Ordinary Assemblies of Shareholders, meetings must be summoned by means of a notice not less than thirty (30) calendar days in advance. Also, for General Extraordinary Assemblies of Shareholders, meetings must be summoned by means of a notice not less than fifteen (15) calendar days in advance.
- Use electronic media, corporate website, and message delivery, among others, in order to disclose all information related to General Assembly of Shareholders (from the call to the Agenda), proposals and decisions made once the Assembly is held.
- The agenda items will be expressed clearly and precisely, so that they facilitate the understanding and analysis thereof by the shareholders. It will be intended that joint vote on issues or proposals will only be made when there is unity on this aspect and they are directly related.
- The shareholders' right, regardless of their share participation, to request with not less than five (5) business days from the General Assembly of Shareholders the information or clarifications they deem necessary, through traditional channels and/or, where appropriate,



new technologies, and formulate in writing the questions they deem necessary in relation to the agenda items of the General Assembly of Shareholders.

- The shareholders' right, regardless of their share participation, to propose the introduction of one or more items to be discussed in the agenda of the General Assembly of Shareholders, within the following five (5) calendar days to the call notice and provided that the request of new items are supported by a justification.
- To minimize the use of blank vote delegations, without voting instructions, ISA promotes the use of power models that are available on the corporate website. The model includes the agenda items and the corresponding Agreement proposals to be submitted for shareholders consideration, so that the shareholder, if necessary, indicates the meaning of his vote to his agent or legal representative.
- The Board Members and the Company President will attend the Assembly to respond to shareholders concerns.
- The right of a number of shareholders, representing at least twenty percent (20%) of the total shares subscribed of the Company, to request the Company President or the Fiscal Auditor to convene General Extraordinary Assemblies of Shareholders.

➤ **Information to shareholders and contact with them.**

The Good Government Code approved by the Board's Members provides communication channels for shareholders attention, in order to resolve requests and requirements, including a support hotline and a shareholder service office. In addition, at www.isa.co website, the Relations with Investors section (*Relación* section) includes everything associated with relationship mechanisms with shareholders and investors.

➤ **Number of requests and issues on which shareholders have requested information to the Company.**

CASE REPORT PER SOURCE REQUIREMENTS OF THE MANAGEMENT AND CALL CENTER UNIT BETWEEN 01-01-2015 AND 31/12/2015		
SOURCE	N° OF CASES	%
Service line	13,811	86.55
E-mail	929	5.82
Chat	447	2.80
Visit to Medellin's Office	158	0.99
Outgoing call	155	0.97
Call to Medellin's Office	113	0.71
Internet	113	0.71
Telephone inbox	109	0.68
Fiduciary contact	57	0.36
Fax letter	54	0.34
ISA contact	7	0.04
Right to request	4	0.03



Financial superintendence requirement	1	0.01
General Total	15,958	100%

➤ **Attendance data to the General Assembly of Shareholders.**

The attendance to the Ordinary General Assembly of Shareholders was 82.01%.

The attendance to the Extraordinary General Assembly of Shareholders was 73.05%.

➤ **Description of the main agreements taken**

In addition to considering and deciding about own affairs of regular meetings outlined in the Bylaws and the Law, the General Assembly of Shareholders approved the Company's Bylaw reform, the Board Members' Remuneration Policy and the Board's Succession Policies. In fact, the above was executed by adopting the Country Code's recommendations on best corporate governance practices, aimed at generating value and promoting investor confidence.

The Extraordinary General Assembly of Shareholders' sole purpose was the election of the Board Members on the appointment of Bernardo Vargas Gibsone, who was a Board's member, as ISA President. For further information on the Board's election and structure, please read the Board's Functioning Report.

Each Assembly's minutes was signed by the President, the Assembly's Secretary, and by the corresponding members. The topics addressed on each assembly, the approvals and authorizations granted by the Assembly were registered, as well as the shareholders' remarks and comments. The minutes were filed in the Medellin's Chamber of Commerce. The minutes' copies were sent to the Financial Superintendence of Colombia and to the Domestic Public Services Superintendence.

For shareholders' information, the company's website includes extracts of Minutes 104 and 105 corresponding to the General Ordinary and Extraordinary Shareholders' Assembly.

On the General Ordinary Assembly of Shareholders of 27 March 2015, the Board's members for the period between April 2015 – March 2016 were elected. On the occasion of the appointment of Bernardo Vargas Gibsone as ISA President, the General Assembly of Shareholders in an extraordinary meeting elected a new Board for the remaining period of July 2015 – March 2016. At the Board's Functioning Report, it is possible to read the information related to Board's election and structure.

Santiago Montenegro Trujillo
Board's President