

isa



CONNECTIONS THAT INSPIRE

Corporate Governance

In ISA, the Corporate Governance is composed by a set of values, principles, policies, rules, means, practices and processes through which the company is directed, operated and controlled, always aiming at business efficiency, to enhance growth and promote investor's trust at nationally and internationally. This is possible through practices oriented towards transparency and coherence in its actions that allow the company to achieve better financial conditions due to the low risk perception of creditors and investors; respect from those who invest in it, and compliance with commitments undertaken with stakeholders.

In order to comply with Corporate Bylaws and the new Code of Good Corporate Governance, ISA's Board of Directors presents the Corporate Governance report corresponding to 2018, which describes the way the Good Corporate Governance practices were complied with, following the structure recommended by the Country Code.

It is important to highlight that ISA timely prepared and submitted the corporate best practices implementation report for 2018 before the Financial Superintendence, which is published in the [company's website](#).

In 2018, ISA implemented several procedures to strengthen corporate governance and maintain the highest standards in respect thereof, as indicated below:

1. Number of mandatory independent members in the Board of Directors

Applying the best practices of corporate governance, ISA has complied with the requirement regarding the minimum number of independent members, established in Law 964 of 2005 and recommended in the Country Code.

The company has done even more, as since March 31, 2011 the majority of members of ISA's Board of Directors has been independent

In view of the shareholders' commitment to this issue, the Ordinary Shareholders' Meeting held on March 23, 2018, approved to set in its Corporate Bylaws a **mandatory minimum number of five independent members in the Board of**

Directors. This is included in the Corporate Bylaws to strengthen the independence of the members of the Board, avoid harmful conflicts of interest, facilitate the conditions for the Board to act according to the company's interests, and allow all shareholders as well as this body to work effectively.

2. Definition of independent member

Article 27 of the Corporate Bylaws established a definition of independent member that complements assumptions established in Law 964 of 2005, extending it to close relatives ¹. Also, a numeral was added for the statutory auditor, namely:

“It will be considered an independent member who, in addition to complying with the requirements for independence established by law 964 of 2005 and additional regulations that modify or replace it, meet the following conditions: 1) Neither this member nor his Close Relatives are employees or executives of ISA or any of its subsidiaries or affiliates or parent entity (the Nation), nor have they had such quality during the year immediately prior to the appointment, except in the case of re-election of an independent person. 2) the member is not a shareholder of ISA who directly or under Agreement addresses, guides or controls the majority of the voting rights of ISA, or who determines the majority of the structure of administration, management or control bodies of ISA. Neither this member nor his close relatives are Partners or employees of associations or companies that provide services or goods to ISA, or companies belonging to its corporate group, when revenues regarding these services represent for them twenty percent

¹ IAS 24.

(20%) or more of their operating revenues. 4) Neither this member nor his Close Relatives are employees or directors of a foundation, association or society that receives significant donations from ISA. Significant donations are those representing more than twenty percent (20%) of the total donations received by the respective institution. 5) Neither this member nor his Close Relatives are administrators of a company whose Board of Directors includes a legal representative of ISA. 6) Does not receive any compensation from ISA other than the fees as a member of the Board of Directors, the Audit Committee or any other Committee established by the Board of Directors. 7) Neither this member nor his Close Relatives are partners or employees of the statutory auditor firm or external auditor that audits ISA or its subsidiaries and affiliates and personally work in the audit of said companies. For purposes expressed above, Close Relatives will be understood as: spouses or permanent companions, relatives up to the third degree of consanguinity, second degree of affinity, and sole civil relationship. The foregoing independence requirements are established without prejudice to disqualifications and incompatibilities applicable to the contracting of ISA as a Mixed Utility Company.”

3. Transactions that may lead to equity dilution of minority shareholders

Paragraph 6 of Heading I of the ISA' Code of Good Governance, establishes a protection mechanism for minority shareholders. According to this mechanism, if there are transactions that may result in the equity dilution of minority shareholders, they will be previously explained in detail to the shareholders through a report from the Board of Directors, supported by the opinion of an independent external advisor. This report will include the analysis of the transaction terms (fairness opinion). The advisor is appointed by the Board of Directors.

This report and the opinion of the independent advisor will be made available to the shareholders fifteen (15) business days prior to the Shareholders' Meeting, in which the respective transaction will be discussed.

4. Purchase and sale of shares by ISA's administrators and employees

Paragraph 4 of Heading 6 of ISA's Code of Good Governance expressly establishes that administrators and employees may not purchase or sell directly or indirectly, through an intermediary, shares of the Company from the moment they know that relevant operations are in progress, such as Takeover Bids, mergers, or demergers until the transaction has ended and its closing has been disclosed to the market as relevant information.

5. Qualifications in the Statutory Auditor's report

In accordance with paragraph 3 of Heading II of ISA's Code of Good Governance, if the Statutory Auditor's Report for the term evaluated and submitted before the Ordinary General Shareholders' Meeting contains qualifications, these and the actions that the company proposes to solve the situation will be the subject to pronouncement by the Chair of the Board of Directors before the General Shareholders' Meeting.

6. Ethics and Compliance Management

As part of the Corporate Governance of the Company, the management of Ethics and Compliance has an important relevance. Therefore, this function was formalized within the organization during 2018, and the structure of the model for the management of compliance risks with respect to fraud, corruption, bribery and money laundering, and financing of terrorism was defined. As part of this definition, the new Code of Ethics and Conduct was approved for ISA and its companies, as well as the Anticorruption and An-

ti-bribery Guide that establishes the criteria to manage relationships with public officials, donations and sponsorships, payments to expedite procedures, and conflicts of interest, among other issues relevant to managing these risks.

OWNERSHIP STRUCTURE

ISA is a Mixed Utility Company with state and private shareholders. The Nation, through the Ministry of Finance and Public Credit, is ISA’s majority or controlling shareholder, since it owns 51,41% of the capital stock.

Shareholders	Shares	%
State investors	682.078.108	61,58
The Nation	569.472.561	51,41
Empresas Públicas de Medellín	112.605.547	10,17
Private investors	425.599.786	38,42
Institutional	255.114.939	23,03
Foreign investment funds	115.102.705	10,39
Individuals	42.778.701	3,86
Legal entities	12.291.866	1,11
ISA ADR Program	311.575	0,03
Outstanding subscribed and paid-in capital	1.107.677.894	100

The list with the 25 main shareholders of ISA is published in the [company’s website](#).

CAPITAL STOCK

Authorized capital	COP 45.000.000.000 divided into 1.371.951.219 shares.
Subscribed Capital	COP 36.916.334.931 divided into 1.125.498.016 shares
Paid-in Capital	COP 36.916.334.931 divided into 1.125.498.016 shares.
Reacquired Shares	COP 584.500.002 divided into 17.820.122 shares.

All outstanding shares are common, registered and dematerialized shares.

Ownership structure of the business group

Interconexión Eléctrica S.A. E.S.P. is the parent company of the ISA Corporate Group, composed of affiliates and subsidiaries in Colombia and abroad, that mainly develops Energy Transmission, Road Concessions, Information and Telecommunication Technologies, and Management of Real-Time Systems businesses.

The details of each of the companies of the group are published on the [company’s website](#).

Information on shares owned by members of the Board of Directors and the voting rights they represent.

No member of the Board of Directors owns shares.

Family, commercial, contractual or corporate relationships between holders of the significant stakes and the company, or relationships between holders of significant stakes.

The Inter-administrative Contract GSA 57 of 2009 - ISA 4000763, between the Nation (Ministry of Mines and Energy) and ISA, providing technical assistance for the comprehensive management and execution of the resources of the Financial Support Fund for the energization of Non-Interconnected Zones (FAZNI) for the construction of the Cauca-Nariño 115 kV Interconnection and associated substations, signed on October 13, 2009 and extended until June 30, 2018 through addendum eighteen (18) for 305.622 million, was in force by the end of 2018.

Negotiations made by the members of the Board of Directors, Senior Management, and other Administrators with shares and other securities issued by the company.

The Company's Administrators may not neither by themselves nor by an intermediary, negotiate Company's shares for reasons of speculation and in any case they require the authorization of the Board of Directors, granted with the favorable vote of two-thirds of its members, excluding the vote of the requester, or the vote of the General Shareholder's Meeting, with the favorable vote of the ordinary majority provided for in the Corporate Bylaws, excluding the vote of the requester, according to the Code of Good Corporate Governance and the Board of Directors' Agreement 60 of 2006.

None of the administrators requested authorization to negotiate ISA shares during the period.

Summary of known agreements between shareholders.

La Sociedad no ha sido notificada de la existencia de acuerdos entre accionistas.

Treasury shares held by the company

The number of treasury shares held by ISA is 17.820.122.

STRUCTURE OF THE ADMINISTRATION

Composition of the Board of Directors

ISA's Board of Directors is elected annually in the General Shareholders' Meeting, and is composed of 9 principal members, of whom seven are independent members according to Corporate Bylaws, Law 964 of 2005, and the Company's Code of Good Governance.

No member of the Board may hold executive positions in the Company, and in order to do a better job as managers of the parent company, some members of ISA's Board are involved in the boards of subordinated companies. Likewise, no employee of ISA may be a member of the Board of Directors and labor relationships between the board members and the Company may not exist.

COMPOSITION OF ISA'S BOARD OF DIRECTORS

	<p>Santiago Montenegro Trujillo President of the Board of Directors Nominated by the Pensions and Severance Funds</p>		<p>Carlos Mario Giraldo Moreno Nominated by the Ministry of Finance and Public Credit</p>		<p>Jesús Aristizábal Guevara Nominated by the Empresas Públicas de Medellín</p>
<p>Carlos Felipe Londoño Nominated by the Ministry of Finance and Public Credit</p>		<p>Henry Medina González Nominated by the Pensions and Severance Funds</p>		<p>Camilo Zea Gómez Nominated by the Pensions and Severance Funds</p>	
	<p>Carlos Eduardo Caballero Argáez Nominated by the Ministry of Finance and Public Credit</p>		<p>Andrés Pardo Amézquita** From August 23, 2018 to January 25, 2019. GENERAL DEPUTY MINISTER OF FINANCE AND PUBLIC CREDIT Nominated by the Ministry of Finance and Public Credit</p>		<p>César Augusto Arias* From November 30, 2018. DIRECTOR OF PUBLIC CREDIT. Nominated by the Ministry of Finance and Public Credit</p>

*BEFORE: Luis Eduardo Arango: from November 24, 2017 to August 24, 2018.
Francisco Manuel Lucero Campaña: from September 28, 2018 to October 31, 2018.
**BEFORE: Paula Ximena Acosta: from November 24, 2017 to July 27, 2018.
AFTER: Juan Alberto Londoño Martínez: from February 1, 2019.

The company's website includes the competence matrix of the Board of Directors.

The following members of the Board hold public positions within the central administration, and therefore have a relationship with the Nation, the majority shareholder of ISA:

- General Deputy Minister of the Ministry of Finance and Public Credit
- Director of Public Credit and of the National Treasury of the Ministry of Treasury and Public Credit.

When members of the Board believe that there is a conflict of interest with respect to a specific topic discussed, they must disclose this conflict of interest to the other members and refrain from participating in the discussion and decision-making process. No conflicts of interest were presented during the period. The definition of conflict of interest is included in the Corporate Bylaws, Code of Good Governance, and Code of Ethics and Conduct. For the management of conflicts of interest arising from Board members and other ISA's administrators, the Board approves the procedures to carry out.

Changes in the Board of Directors during the period

Between April 2018 and March 2019, there were no changes in the Board of Directors.

Policies approved by the Board of Directors during the reporting period

In 2018, no new policies were approved.

Process of appointment of the members of the Board of Directors

For the nomination of candidates to the Board of Directors, and seeking a reasonable balance, complementarity and diversity, to provide a proper performance, it is considered that candidates are not involved in any legal disqualifications and incompatibilities and that they have sufficient knowledge,

experience, educational background, qualities, skills, independent judgment, and availability to be a candidate for member of the Board. The Board Succession Policy approved by the General Shareholders' Meeting sets the principles applied in the nomination of the best candidates to be part of the Board of Directors of ISA and the knowledge and experience required to guarantee an effective performance and contribution to achieving goals. The full text is available on the [company's website](#).

Prior to the General Shareholders' Meeting where the Board of Directors was elected, the respective proposals containing the list of candidates and their resumes were published on the company's website, specifying the shareholder who nominated each candidate and whether this candidate is independent or not.

In the extract of Minutes 108 of the Ordinary General Shareholders' Meeting held on March 23, 2018, published on the company's website, the list of candidates sent by the Ministry of Finance and Public Credit to the Chief Legal Officer of ISA for the election of the Board of Directors can be consulted.

The Board of Directors was elected by the electoral quotient system, considering the criteria of professional competence, suitability, and recognized moral solvency, as established in the Succession Policy of the Board. The resumes of its members can be consulted on the [company's website](#).

After their election, the members expressed in writing their acceptance and that they are not disqualified or incompatible to be members of the Board. This event was registered in the Chamber of Commerce of Medellín for Antioquia, where the Company is headquartered. Independent members responded the questionnaire attached to Decree 2555 of 2010, previously sent to the Pension Funds, shareholders of ISA.

The members of the Board of Directors who were appointed for the first time were properly trained. In this training, they received sufficient information to have specific knowledge of ISA, its businesses, and sectors in which it is involved, responsibilities, obligations and attributions as members of the Board,

as well as the company's documentation, which knowledge of, is necessary to perform their functions.

Board of Directors Remuneration Policy

The Board Remuneration Policy, approved by the General Shareholders' Meeting, reviewed annually, and published on the [company's website](#), establishes the criteria for adequate remuneration of its members. The Ordinary General Shareholders' Meeting is in charge of approving the professional fees each year, expressed in Tax Value Units (UVT), consistent with the duties and responsibilities of the members, characteristics of the company, among other criteria.

Remuneration of the Board of Directors and members of Senior Management

ISA does not apply special payment mechanisms, nor makes payments in shares of the Company to members of the Board. To negotiate these shares, they must be authorized by the Board. For attending Board meetings and committees, the members received fees for 141 UVT per meeting, equivalent to COP 4.674.996.

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

ISA does not apply special payment or remuneration mechanisms in shares of the Company or stock options for members of the Board and Senior Management.

Board of Directors Quorum

To validly debate, the Board of Directors requires a quorum of at least five members (deliberative quorum). Decisions are made by a majority of the present votes (decision quorum). All the meetings had a deliberative and decision quorum.

Board of Directors' Meeting and Committee attendance data

Between April 2018 and March 2019, the Board met on 15 occasions (12 regular sessions, 1 extraordinary session, and 2 written ballot sessions). The average duration of each meeting was 5 hours and the agenda agreed for each session was always met.

ISA's Board of Directors

Name	Appointed by	Attendance (15 meetings)
Name	Appointed by	15/15
Carlos Eduardo Caballero Argáez (*)	Ministry of Finance and Public Credit	15/15
Ministry of Finance and Public Credit I General Deputy Minister	Ministry of Finance and Public Credit	15/15
Ministry of Finance and Public Credit I Director of Public Credit and National Treasury	Ministry of Finance and Public Credit	15/15
Carlos Mario Giraldo Moreno (*)	Ministry of Finance and Public Credit	15/15
Carlos Felipe Londoño Álvarez (*)	Ministry of Finance and Public Credit	15/15
Jesús Aristizábal Guevara (*)	Empresas Públicas de Medellín	14/15
Henry Medina González (*)	Pensions and Severance Funds	15/15
Santiago Montenegro Trujillo (*)	Pensions and Severance Funds	15/15
Camilo Zea Gómez (*)	Pensions and Severance Funds	15/15

(*) Independent Members, as per provisions of the Corporate Bylaws in the Code of Good Governance, and Law 964 of 2005.

CORPORATE GOVERNANCE ANNEX

2018 INTEGRATED MANAGEMENT REPORT



Board of Directors	BOARD OF DIRECTORS COMMITTEES	
	Board and Corporate Governance	Business
Carlos Eduardo Caballero Argáez (*)		✓
Ministry of Finance and Public Credit General Deputy Minister	✓	✓
Ministry of Finance and Public Credit Director of Public Credit and National Treasury	✓	✓
Carlos Mario Giraldo Moreno (*)	✓	
Carlos Felipe Londoño Álvarez (*)	✓	
Jesús Aristizábal Guevara (*)		
Henry Medina González (*)		✓
Santiago Montenegro Trujillo (*)	✓	✓
Camilo Zea Gómez (*)		

(*) Independent Members, as per provisions of the Corporate Bylaws in the Code of Good Governance, and Law 964 of 2005.

BOARD AND CORPORATE GOVERNANCE COMMITTEE	ATTENDANCE
Ministry of Finance and Public Credit General Deputy Minister	10/10
Ministry of Finance and Public Credit Director of Public Credit and National Treasury	10/10
Carlos Mario Giraldo Moreno (*)	9/10
Carlos Felipe Londoño Álvarez (*)	10/10
Santiago Montenegro Trujillo (*)	10/10

BUSINESS COMMITTEE	ATTENDANCE
Carlos Caballero Argáez	9/9
Ministry of Finance and Public Credit General Deputy Minister	8/9
Ministry of Finance and Public Credit Director of Public Credit and National Treasury	9/9
Henry Medina González	6/9
Santiago Montenegro Trujillo	8/9

AUDIT COMMITTEE	ATTENDANCE
Carlos Felipe Londoño Álvarez	7/7
Jesús Aristizábal Guevara	7/7
Camilo Zea Gómez	7/7

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

As part of the Ethics and Compliance management, the Board of Directors approved the new Code of Ethics and Conduct for ISA and its companies, as well as the Anticorruption and Anti-bribery Guide.

President of the Board of Directors

The Board of Directors, in session 804 of April 27, 2018, appointed as its president Santiago Montenegro Trujillo, independent member.

The functions of the President are those set forth in the Corporate Bylaws and Agreement 105 of November 25, 2016, which regulates the operation of the Board of Directors, published on the [company's website](#).

Secretary of the Board of Directors

As per the Corporate Bylaws, the Chief Legal Officer of the Company is the Secretary of the Board of Directors.

The functions of the Secretary are those set forth in Article 28 of the Corporate Bylaws and Agreement 105 of November 25, 2016, which regulates the operation of the Board of Directors, published on the [company's website](#).

Relationships during the year between the Board of Directors and Statutory Auditor, financial analysts, investment banks, and rating agencies

During the last period, the Statutory Auditor submitted the results of the review of the relevant controls for the preparation and presentation of the financial statements, as well as the opinion on the reasonableness of the same, to the Corporate Audit Committee.

External advisory received by the Board of Directors

A strategic discussion, accompanied by the Boston Consulting Group, was held in the Extraordinary Board Meeting 809 of August 24, 2018, covering the following topics:

- Configuration of the desired portfolio in terms of business and geographies
- Role of each business unit in the portfolio
- Competitive advantage sources and gaps for current and new businesses
- Analysis of the strategic match for new businesses
- Strategic options for ISA according to its purpose, market restrictions, risks, and current and future opportunities
- Recommendations for allocation of capital by business unit and geography
- Role of innovation and digital transformation in the implementation of the strategy

The main conclusions of this discussion constitute the core elements of the strategic choices reflected in the ISA2030 Strategy.

Board of Directors Information Management

Through an exclusive access server for the members of the Board of Directors, the Secretary of the Board of Directors, no less than five days prior to each meeting, made available the documentation related to the topics to be discussed in the Board, and the additional information requested.

Board of Directors Committees

According to Performance Regulations of the Board of Directors, in ISA, the Board and Corporate Governance Committee, the Business Committee, and the Corporate Audit Committee work in an institutional manner.

Board and Corporate Governance Committee

One of its main responsibilities is to support the Administration on strategic issues, sustainability, risk, human talent, information technologies, and in matters regarding corporate governance, studying reforms to the Corporate Bylaws and make recommendations about the appointment and remuneration of the members of the Board and Senior Management. Also, to ensure compliance with the Code of Good Governance and the framework for action and evaluate the CEO.

It is composed of Carlos Mario Giraldo Moreno (President, independent member), the General Deputy Minister of Finance and Public Credit, the Director of Public Credit and the National Treasury of the Ministry of Finance and Public Credit, Carlos Felipe Londoño Álvarez and Santiago Montenegro Trujillo. They met 10 times, between April 2018 and March 2019. The main topics discussed were sustainability, strategy, risk management, follow-up on the Best Corporate Governance Practices recommendations, information technology, and human talent and their remuneration.

Business Committee

Its role is to analyze, make recommendations, or make decisions on investment initiatives considered in the ISA and its companies' growth strategy, as well as to monitor the running of the business. They met 9 times, between April 2018 and March 2019.

It is composed of Santiago Montenegro Trujillo (President, independent member), the General Deputy Minister of Finance and Public Credit, the Director of Public Credit and the National Treasury of the Ministry of Finance and Public Credit, Henry Medina González and Carlos Caballero Argáez.

Corporate Audit Committee

This is the entity in charge of advisory and facilitating internal control. Its role is to ensure that the Organization has an effective system of corporate control that includes the evaluation of accounting procedures, the relationship with the Statutory Auditor, the audit management system risks, among others. Its recommendations are related to the improvement of controls regarding governance; administrative, financial, and technical and IT issues; as well as matters related to ethical management and the management system for money laundering and terrorist financing risks.

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

They met 7 times, between April 2018 and March 2019. The main topics discussed are related to the evaluation made by the tax auditor in ISA and its companies, analysis of financial results reports and balance sheets as per IFRS, and analysis of reports prepared by external control entities, comprehensive risk management system, management of the risk management system for money laundering and financing of terrorism, ethics management, com-

pliance and measurement of business transparency, and monitoring the audit management in the group.

Information on evaluation processes of the Board of Directors and Senior Management, and summary of the results

Each year, the Company conducts an evaluation of the Board to measure its effectiveness as a collegiate body and following recommendations of best practices in this field about combining methodologies such as self-assessment and evaluation by external consultants, a qualitative self-assessment was applied in 2018.

The self-assessment was made with a sample of nine people, from which the following results were obtained:

- Individual performance of the members of the Board, 97%.
- Individual performance of the members of the committee, 96%.
- Group performance of the Board of Directors, 94%.
- Group performance of the committee, 92%.
- Performance and participation of the administration, 87%.

With respect to individual and group performance, the following strengths stand out:

- It is a very well structured and united group, with a good understanding of the company and its strategy.
- It maintains efficient and respectful relations with the administration.
- Most of the members have been stable, counting on the participation of new members, balancing the strategic approach of the businesses.
- Technical rigor for strategic decisions, openness to dialogue between members, and effectiveness in decision making.

CORPORATE GOVERNANCE ANNEX

2018 INTEGRATED MANAGEMENT REPORT



- Interest in maintaining high corporate governance standards and respect for the National Government.
- Ability to adjust to changes and give new approaches on issues essential for ISA.
- High levels of commitment, reflected in attendance, participation, and seriousness when fulfilling responsibilities.
- Discussing different issues, exposing them to the administration in an honest manner, making requests, and demanding compliance with decisions made.

Regarding improvement opportunities, the following are the most relevant:

- Improve the preparation before meetings.
- Express greater initiative in raising issues that are complementary to those proposed by the Administration.
- Have a more balanced structure regarding gender, regions where the company operates, and executive profiles of the members, more in line with the challenges of a multinational.

According to the Corporate Bylaws, the CEO and the top-tier executives are part of the Senior Management. The [company's website](#) contains the professional qualifications and work experience of ISA's administrators.



According to Regulations of the Board of Directors and Corporate Governance Committee, this committee will be in charge of annually evaluating the CEO's performance. This evaluation took place during session held on February 21, 2019, and was approved by the Board of Directors in session 815 of February 21, 2019, which highlights:

“This evaluation is being made within the context of results and achievements of the Company's management during 2018. This was a period during which Dr. Vargas's leadership was fundamental as CEO and as leader of his work team.

2018 was a year of great relevance: with the guidance of Dr. Vargas, the organization designed the ISA 2030 strategy, a milestone that is part of the renewal of the company, which began with the definition of the Higher Purpose: Connections that Inspire, and the visual transformation of the brand; which allows it to face the challenges of the future, together with a complete analysis of the economic, technological and business environment; process in which the Board of Directors participated extensively.

The strengthening of the labor environment in the Group stands out, going from 82% in 2017 to 84% in 2018. These results make the company one of the most attractive companies to work for. The development and implementation of the Leadership Model, the progress made in the succession plans for key positions, and the creation of the #SemilleroTalento ISA program to attract future generations, are worth highlighting.

In 2018, results are especially remarkable, considering that the previous year was historic, and therefore difficult to overcome. For this year, we must highlight some indicators, such as: reaching operating revenues of COP 7.234.868, 4% higher than in 2017; achieving an EBITDA of COP 4.810.871 million, a growth of 8,4% compared with the previous year, and obtaining a consolidated net income of COP 1.524.382 million, 6% higher than in 2017.

Aspects that had an influence on the price of ISA share, which reached its historical peak and closed at 10,9% above COLCAP stock market index.

ISA obtained important achievements last year, such as:

- The award and entry into operation of projects in different businesses and countries. As for Energy Transmission alone, 30 projects were commissioned, and 52 projects were under execution.
- The investment of USD 4,6 million in innovation, and the development of 44 projects in this area.
- The use of USD 14,5 million in social management programs that benefit more than 525 thousand people. Also, the work done through Conexión Jaguar on 144.328 hectares, with potential to reduce more than 2 million tons of CO₂ emissions and the implementation of the Alto de Huayabamba project in Peru.
- ISA CTEEP's issuance of its first green bonds in the capital market, as well as ISA's inclusion, for the fourth consecutive year, in the Dow Jones Sustainability Index.
- Finally, the alliance with Construcciones el Cóndor S.A. is recognized for the development of the road concession platform in Colombia and Peru. This step is one of the first to materialize the 2030 Strategy.

Dr. Vargas' management stands out for his strategic vision, his spirit made for challenges, his commitment to corporate reputation, and the great importance he gives to a long-term sustainable business approach, allowing the Group to progress with profitability and permanent improvement. Likewise, his sense of responsibility and transparency in the exercise of accountability before the Board of Directors is highlighted, as well as his capacity to lead large and complex processes such as Interchile in the Cardones - Polpaico project and the Colombia - Panama Interconnection.

The Board of Directors recognizes his management and recognizes the entire ISA human group, for their work capacity, commitment, and permanent focus on sustainable results.

The very positive results of 2018 challenge the organization to keep working to reach and surpass its goals.

Finally, the Board of Directors suggests keeping considering, in future management, the following recommendations:

- Accelerate the execution of some of the construction projects, guaranteeing follow-up and compliance.
- Submit regularly to the Board of Directors the progress of innovation initiatives, providing a space for the collaborators responsible for them. Likewise, continue giving high priority to innovation initiatives and their impact on business, and the sustainability agenda.
- Strengthen the management of patents in 2019, especially in Colombia.
- Monitor the ex post Internal Return Rate of the projects.
- Keep working with determination on the management of professional risks, with an extended vision that includes own and outsourced employees, with special emphasis on the prevention of serious accidents.
- Consolidate the team work of senior

TRANSACTIONS WITH RELATED PARTIES

Responsibilities of the Board of Directors with regards to this type of transactions and situations of conflicts of interest

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

Details of transactions with related parties that are most relevant according to the company's judgment, including transactions between Cluster companies

Details of transactions with Related Parties are found in the Financial Statements.

As a Mixed Utility Company, ISA is subject to the disqualification and incompatibility regime applicable to government contracting, which prohibits entering into contracts between the Company and the members of the Board of Directors, their relatives up to the second degree of consanguinity or affinity, or first degree of civil relationship, their spouses or permanent companions, and legal persons where they are involved or perform management positions, in the terms defined in the Law.

Conflicts of interest arisen and actions by the members of the Board of Directors

There were no conflicts of interest related to operations with Related Parties.

RISK MANAGEMENT SYSTEM

Explanation of the Internal Control System (SCI) of the company or Cluster and its modifications during the year

The company, as part of its permanent inspection and control process, answered efficiently and timely the requests for information and/or documents by government control bodies. Also, it obtained ratings from authorized agencies.

During the last period, the organization has strengthened its Internal Control System through the incorporation of new governance practices, which were implemented in the adjustment of corporate policies and the definition of the Compliance function in the Group.



External Control Bodies

ISA submitted reports requested by the following external entities:

- General Accounting Office.
- Colombian Financial Superintendence.
- Superintendence of Household Utilities.
- Ministry of Finance and Public Credit.
- National Administrative Department of Statistics.
- National Agency for the Legal Defense of the Nation.

KPMG served as external auditor of management and results for the period and stated in its report published in the national press on June 28, 2018: “The internal control system classified as low-risk for the period between January 1 and December 31, 2017, effectively fulfilled control objectives established by the Administration and complies with aspects established in Law 142 of 1994 and in Resolution 053 of 2000, issued by the Energy and Gas Regulation Commission.” The report was submitted to the Superintendence of Household Utilities.

During the period between April 2018 and March 2019, Ernst & Young conducted the Statutory Auditing. In compliance with its legal duties, the firm will submit before the Shareholders’ Meeting a report on the company’s performance, financial statements, and management.

In 2018, the risk rating agencies reviewed corporate risk ratings and current local and international bonds, which confirm the capacity and financial strength of ISA and its companies, the low-risk profile of the energy transmission business, the solid geographic diversification, the strong and stable operating cash flows, the diversification of the energy transmission assets portfolio, its leadership in Latin America, and its significant presence in Colombia, Brazil and Peru regarding energy transmission lines.

Likewise, they confirmed the company’s important role in the road segment in Chile, where it is the main operator, with a significant market share in terms of kilometers managed. In Colombia, ISA’s Securities Program obtained

the maximum credit risk rating, “AAA” Stable, for Bonds and F1 + (col) for Commercial Papers.

ISA’s international rating has been influenced, since credit risk agencies consider the company’s moderate relationship with the Colombian government, which controls ISA with a 51,4% stake in the company. At the end of 2018, Standard & Poor’s reaffirmed Colombia’s credit rating at BBB-, with a stable outlook.

At the end of the year, the three most recognized international credit risk agencies have maintained ISA’s Investment Grade, with the following Ratings:

COMPANY	S&P	MOODY’S	FITCH
ISA	BBB- (Stable) Aug. 2018	Baa2 (Negative) Feb. 2019	BBB+ (Stable) May 2018

The Statutory Auditor’s report, the External Auditor’s opinion and, risk rating agencies ratings are published on the company’s website for information of shareholders and investors.

The following procedures were carried out before the Chamber of Commerce of Medellín: Financial statements were submitted; the commercial register and single bidders register were renewed; the minutes of the ordinary shareholders’ meeting, the election and acceptance of the members of the Board of Directors, of the Statutory Auditor, and of the legal and alternate representatives were filed; and the shareholding of ISA in its companies was updated.

It is important to highlight that no requests for special audits were made by shareholders or investors during the period and no investigations that compromised ISA were conducted by control and inspection entities.

Internal Control Bodies

The internal control system of ISA and its companies is based on the international standard of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Through this standard, the company seeks to reasonably guarantee the achievement of corporate objectives; strengthen the trust on the integrity of information delivered to stakeholders; adequately monitoring of and timely responding before risks inherent to business, as well as before corporate governance instruments, and transparency practices.

According to the annual plan, the Chief Corporate Audit Office performs evaluations of controls of prioritized processes, maintaining impartiality, objectivity and independence principles, necessary to comply with its duties as established by international auditing principles and practices. To this end, and together with the individual audit committees of each company, it designs work plans, which according to the individual risk levels and particularities of each company, provide guidelines and strategies to follow.

In 2018, audits were performed on business operating processes, as well as evaluations of the administrative, technological and financial processes that support them. Evaluations conducted by the Corporate Audit office confirmed abidance by internal and external regulations and did not find any evidence of significant or material deviation that may jeopardize the business continuity of ISA and its companies; this opinion goes in line with the evaluations of external control bodies who issued favorable opinions about the internal control system.

Likewise, and according to the principles of the company, the ethical culture has been strengthened as a fundamental part of the control environment, supported, among others, by the management of fraud, corruption and bribery risks.

For this purpose, a compliance program is applied. This program has been maturing to keep it in line with the guidelines of the Senior Management, the development of the business and the laws of the countries where we operate.

Description of the risk policy and its application during the period

ISA and its companies abide by the Policy for Comprehensive Risk Management by identifying, evaluating and implementing measures to manage the risks they are exposed to.

Each company has its own risks map and evaluates risks according to their likelihood of occurrence and severity of consequences on its corporate resources, giving priority to the most relevant ones for the development of its operations and achievement of strategy. Likewise, it monitors its status and defines and implements measures to improve its management. Periodically, the companies report the advances in their management and the main events that have materialized.

In the [website](#) and in the Integrated Management Report 2018, ISA published its risks map, the most significant events, and the main management measures implemented to prevent and mitigate their impact.

Materialization of risks during the period

Details of this information can be found in chapter 4 - Strategy, Comprehensive Risk Management numeral of the Integrated Management Report 2018, available on the company's website.

Response and supervision plans for the main risks

Details of this information can be found in chapter 4 - Strategy, Comprehensive Risk Management numeral of the Integrated Management Report 2018, available on the Company's website.

GENERAL SHAREHOLDERS' MEETING

Differences in the functioning of the Meeting between the minimum quorum regime according to the current regulations and the regime defined by the company's Corporate Bylaws and Meeting regulations.

A national and a local newspaper published on February 18, 2018 the call for the Ordinary General Shareholders' Meeting of March 23, 2018, which has a term longer than that established by the Law.

In addition, in order to facilitate the exercise of the shareholders' right to information and encourage their participation, ISA published on its website the call notice, the agenda, the proposals submitted to the Meeting, and the lists and resumes of the candidates to form the Board of Directors. Likewise, the information related to the granting of powers to be represented in, was published.

On March 18, 2018, through the national press, the Company reminded the shareholders of the date established for the Ordinary Meeting.

For the ordinary Shareholders' Meeting, the shareholders had at their disposal the documents required by the Corporate Bylaws and by the Law for the exercise of the right of inspection, for a period of fifteen (15) business days.

The quorum of the Ordinary Meeting was the one required by the Law. Topics approved in the agenda were submitted for consideration by the shareholders and decisions were made according to the majorities required by Corporate Bylaws. The attendance data of the General Shareholders' Meeting can be found in the extract of the Minutes mentioned below. The Ordinary General Meeting was broadcast live through Internet.

The Corporate Bylaws, the Operating Regulations of the General Shareholders' Meeting, and the Code of Good Corporate Governance establish good practices aimed at strengthening and improving the right of information and participation of shareholders in the meetings, among which the following are highlighted:

- The General Shareholders' Meeting should be called not less than thirty (30) calendar days in advance, and extraordinary meetings should be called not less than fifteen (15) calendar days in advance.
- Use electronic media such as the company's website and messages, among others, to disclose all information related to the General Shareholders' Meeting, from the call to the Agenda, proposals, and decisions once it is held.
- The Agenda items shall be expressed in a clear and precise manner to facilitate their understanding and analysis by the shareholders. Efforts will be made to make a joint vote on issues or proposals only if there is unity of matter and they are directly related.
- The right of shareholders, regardless of their shareholding, to request, at least five (5) business days prior to the General Shareholders' Meeting, the information or clarifications they deem pertinent, through traditional channels and/or, where appropriate, through new technologies, and the right to make in writing the questions they deem necessary with respect to matters included in the agenda of the General Shareholders' Meeting.
- The right of the shareholders, regardless of their shareholding, to propose the inclusion of one or more items to be discussed in the agenda of the General Shareholders' Meeting, within five (5) calendar days following the publication of the call, and as far as the request for new items is justified.
- ISA minimizes the use of blank vote delegations, without voting instructions, by actively promoting the use of power of attorney templates that are available on the company's website. The model includes the items of the agenda and the corresponding Agreement proposals that will be submitted for consideration of shareholders, with the aim that the shareholder (if they deem appropriate) indicates the reason of their vote to their agent or representative.
- The members of the Board of Directors and the CEO will attend the Meeting to respond to the concerns of shareholders.

- The right that a number of shareholders that represents at least twenty percent (20%) of the total number of subscribed shares in the Company, requests the CEO or the Statutory Auditor to call extraordinary meetings of the General Shareholders' Meeting.

Information and communication to shareholders

The Code of Good Governance, adopted by the Board of Directors, establishes communication channels for shareholders to address requests and requirements, including the telephone line and the shareholder assistant office. Additionally, the company's website www.isa.co, Investor Relations section, contains everything related to the mechanisms of relationship with shareholders and investors.

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

SOURCE	NO. OF CASES	%
Service line	11.626	82,71%
E-mail	976	6,94%
Chat	985	7,01%
Visit to Medellín Office	139	0,99%
Outbound call	48	0,34%
Call to Medellín Office	85	0,60%
Internet	57	0,41%
Voice mail	68	0,48%
Contact with fiduciary	7	0,05%
Letter-fax	45	0,32%
Contact with ISA	2	0,01%
Right of petition	18	0,13%
Total general	14.056	100,00%

Data on attendance to the General Shareholders' Meeting

Attendance to the General Shareholders' Meeting was of 91,77%.

Detail of the main agreements made

Besides considering and deciding on the matters relevant to the ordinary meetings indicated in the Corporate Bylaws and the Law, the Ordinary General Shareholders' Meeting approved the Remuneration Policy of the Board of Directors and the fees of the Board of Directors. The foregoing is done by adopting the recommendations of the Country Code in terms of good corporate governance practices, aimed at generating value and promoting investors' confidence.

The Minutes of the Ordinary Meeting were signed by the CEO, the Secretary, and the respective commission. It contained the topics discussed, the approvals and authorizations granted by the Meeting, and observations and comments of the shareholders. Likewise, the Minutes was registered in the Chamber of Commerce of Medellín and a copy was sent to the Financial Superintendence of Colombia and to the Superintendence of Household Utilities.

For information of shareholders, the extract of Minutes 108 corresponding to the Ordinary General Shareholder' Meeting was published on the company's website on March 23, 2018.

During Ordinary General Shareholders' Meeting held on March 23, 2018 the Board of Directors for the April 2018 - March 2019 period was appointed.

STAKEHOLDERS

In this management report, ISA publishes its commitments to stakeholders and presents the mechanisms for compliance and key aspects of the relationship. News and relevant events of interest to these stakeholders are published on the website.

In order to keep trust relationships with shareholders and investors based on the provision of timely and reliable information, ISA conducted the following activities:

- Quarterly, ISA published financial statements, which were presented to the financial community through face-to-face meetings and webcast.
- ISA participated in more than 52 meetings with local and foreign investors.
- ISA promoted five events with institutional investors of variable income.
- ISA used relationship marketing strategies: emails, newsletters, and shipments of tax certificates and extracts.
- ISA has a shareholder service center that received about 11.232 cases which were addressed within 3 and 5 business days.

COMPLIANCE WITH THE CODE OF GOOD GOVERNANCE

During 2018, the company monitored its compliance. The verification strategy of this code is the supply of information through the website, the report to surveillance and control agencies and the reports presented to the Board of Directors and the Shareholders' Meeting. Additionally, the commitments compiled in the Code are monitored through external and internal evaluations.

In addition, shareholders and the general public do not report any non-compliance to the Code through the telephone lines or mailboxes available:

Ethics Line (toll-free) 01 8000 941341

lineaetica@isa.com.co

Toll-Free Line for Shareholder Attention:

National: 01 8000 115000

Medellín: (574) 4442555

accionesisa@isa.com.co

It must be pointed out that in addition to the bodies mentioned above, the Colombian Financial Superintendence is available to shareholders, especially minority shareholders. This entity has the power to implement measures to avoid rights violations, and ensure the return to balance, and the principle of equal treatment for every shareholder.

Santiago Montenegro Trujillo

President of the Board of Directors