



isa

Corporate
Governance Report
ISA 2020

CORPORATE GOVERNANCE

Our Higher Purpose reinforces our commitment as a company through the implementation of the best Corporate Governance practices. This is why the confidence we have gained over the past 52 years to connect countries and improve the quality of life for millions of people has also been built on the grounds of our good governance and integrity.

It is not only a great responsibility to make these practices a part of ISA's organizational culture as one of the ethical guidelines established in our Code of Ethics and Conduct, because ISA's Higher Purpose also requires that, through these practices, the commitments with the different stakeholders are honored.

For this reason, this Annual Corporate Governance Report goes beyond demonstrating compliance with provisions of the Corporate Bylaws and of the Code of Good Corporate Governance. It is prepared by ISA's Board of Directors as a tool to explain how the company's corporate governance really works, as well as relevant changes during 2020.

2020 was impacted by the beginning of an unprecedented world pandemic. This put people and companies' resilience to the test, as they faced the new normality resulting from what would be later called COVID-19.

In ISA, the adaptability skills of our human talent were not the only strength that allowed us to respond to our stakeholders during this health emergency. We also kept in mind our Higher Purpose: CONNECTIONS THAT INSPIRE, where Corporate Governance practices implemented by us made this purpose the center of atten-

tion during discussions of our administrative and executive bodies. This affirms our commitment to connect countries and improve the quality of life of millions of people, based on good governance and integrity.

This Annual Corporate Governance Report, besides demonstrating that we have honored our Corporate Bylaws and our Code of Good Corporate Governance, provides details about the actions included in the report on implementation of best corporate practices, which was submitted before the Financial Superintendency of Colombia (Country Code Survey). This report also explains what is going to be a trend: the development of a sustainable corporate government.

In this regard, ISA reviews its regulations periodically to incorporate the best corporate governance practices according national and international recommendations and trends regarding good governance.

In 2020, ISA took the following actions to strengthen corporate governance:

- The functions of the former Board and Governance Committee were reviewed and compared with the best global practices in sustainability management. Hence, this Committee was renamed Corporate Governance, Sustainability, and Risk Committee. This was formalized by means of Agreement 118 of April 30, 2020. This review has allowed us to examine, in greater depth, the coordination of the Environmental, Social, and Corporate Governance (ESG) criteria to respond to our various stakeholders. Therefore, to face the new dynamics that are impacting the management of human talent, resulting from new ways to work,

digital transformation, innovation, and disruptive businesses, the Organizational Talent Committee was created by means of Agreement 117 of April 30, 2020. This made possible for us to have balanced committees, distributed as follows: Corporate Governance, Sustainability, and Risk Committee; Organizational Talent Committee; Business Committee; and Audit Committee.

- As the ISA2030 Strategy should be reflected in our main corporate policies, the main corporate policies at a Group level were updated during 2020; therefore, the following policies are in force: Environmental, Service, Occupational Health and Safety, Information, Asset Management, and Risk Management.
- Another relevant event for the ISA Group in 2020 was our entry into the road concessions business in Colombia through the acquisition of the Sociedad Costera Cartagena Barranquilla S.A.S. This acquisition formally consolidated our Road Concessions business unit, which would not have been possible without the gradual implementation of the Group's Work Model, which started in 2019. This is the institutional baseline that defines the interactions between ISA and its companies through the operating model for business units, ensuring unity of purpose and direction. As a result of these implementations, the Board of Directors of ISA modified Agreement 111 of 2017 and created the legal representation for affairs related to the Road Concessions business unit. The implementation of the Group's Work Model has allowed us to make decisions more efficiently, which is another Corporate Governance objective.

- As part of the development of the Group's Work Model, according to the results of the reputation and materiality studies submitted before the Board of Directors in 2020, one of the aspects most valued by stakeholders is the Group's good corporate governance. Also, to advance in the incorporation of standards to this area, a Corporate Governance Excellence Program was launched, addressed at the Group.
- Another Corporate Governance milestone in 2020 was adopting a Related-Party Transactions Policy, addressed at the whole Company Group. It is worth noting that, although good practices based on the principles and guidelines of the Code of Good Corporate Governance were already applied when addressing this type of transactions, the new policy includes OECD's recommendations and good corporate practices to offer more protection to minority shareholders.
- Finally, the pandemic has sped up the digital transformation of companies, and the Board of Directors of ISA was not the exception. In this regard, through the ISA CONEXIONES app, the use of technological tools available for managing the Boards of Directors was reinforced. Likewise, applying all the digital security measures, the Board has been able to meet uninterruptedly through the platforms provided by our supplier, Microsoft. In addition, as a good practice, the CONECTADOS newsletter was created, improving the information flow from the Company's Management and its Crisis Committee (created on the occasion of the pandemic) to the Board of Directors.

ISA's good governance practices help protect the interests of the company and its shareholders.

1. OWNERSHIP STRUCTURE

Company ownership capital and 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.

SHAREHOLDER	NUMBER OF SHARES AS OF JANUARY 31, 2021	%
COLOMBIAN GOVERNMENT	569.472.561	51,41%
EMPRESAS PÚBLICAS DE MEDELLÍN	97.724.413	8,82%
LOCAL INSTITUTIONAL INVESTORS	297.258.456	26,84%
FOREIGN INVESTMENT FUNDS	107.227.608	9,68%
NATURAL PERSONS	35.549.231	3,21%
ADR PROGRAMS	445.625	0,04%
TOTAL	1.107.677.894	100%
FLOAT PERCENTAGE		39,77%

SHAREHOLDER	NUMBER OF SHARES (FREE FLOAT)	%
NATURAL PERSONS	35.549.231	3,21%
PENSION FUNDS	238.518.238	21,53%
LEGAL PERSONS	11.049.591	1,00%
FOREIGN INVESTMENT FUNDS	107.227.608	9,68%
MUTUAL FUNDS	435.582	0,04%
ADR PROGRAMS	445.625	0,04%
STOCK FUNDS	45.256.981	4,09%
INSURANCE COMPANIES	1.998.064	0,18%
TOTAL	440.480.920	39,77%

The list with the 25 main shareholders of ISA is published on 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.

Ownership structure of the Group

ISA is the parent company of the ISA Group, which is composed of affiliates and subsidiaries in Colombia and abroad, who are mainly engaged in the Energy Transmission, Road Concessions, Telecommunications and ICT business units.

[Details of each of the companies in which ISA holds stakes are published on the company's website](#)

Information about shares held by members of the Board of Directors and the voting rights they represent

No member of the Board of Directors holds ISA shares.

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

During 2020, we kept working on the commitments acquired for the settlement of the Inter-administrative Contract GSA 57 of 2009 - ISA 4000763, between the Nation (Ministry of Mines and Energy) and ISA, which provides 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 a total amount of COP 305.622 million.

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

ISA's Administrators may neither by themselves nor by an intermediary speculate with ISA shares. In any case, they require the authorization of the Board of Directors, obtained with the favorable vote of two-thirds of its members, excluding the vote of the requester; or the affirmative vote of the ordinary majority of the General Shareholder's Meeting, provided for in the Bylaws, excluding the requester, as enshrined in the Good Corporate Governance Code and in Resolution 60 of 2006 of the Board of Directors.

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

Summary of known agreements between shareholders

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

Treasury shares held by the company

The number of treasury shares held by ISA is 17.820.122.

2. STRUCTURE OF THE COMPANY'S MANAGEMENT

Structure of the Board of Directors

The Board of Directors of ISA is elected annually at the General Shareholders' Meeting. It is composed of nine (9) main members, of whom seven (7) are independent 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. To do a better job as administrators of the parent company, and in search of the unity of purpose and direction, some members of ISA's Board are members of the boards of subordinate companies. Likewise, no employee of ISA is member of the Board of Directors, and there are no work relationships between the board members and the company.



Santiago Montenegro Trujillo*

Nominated by: Pensions and Severance Funds



Carlos Mario Giraldo Moreno*

Nominated by: Ministry of Finance and Public Credit



Jesús Aristizábal Guevara*

Nominated by: Empresas Públicas de Medellín



Isaac Yanovich Farbiarz*

Nominated by: Ministry of Finance and Public Credit



Marcela Meléndez Arjona*

Nominated by: Ministry of Finance and Public Credit



Henry Medina González*

Nominated by: Pensions and Severance Funds



Camilo Zea Gómez*

Nominated by: Pensions and Severance Funds



Juan Pablo Zárate Perdomo

Technical Deputy Minister of Finance and Public Credit
Nominated by: Ministry of Finance and Public Credit



César Augusto Arias Hernández

Director of Public Credit and of the National Treasury of the Ministry of Finance and Public Credit
Nominated by: Ministry of Finance and Public Credit

[The structure of the Board of Directors and the resumes of its members can be found here.](#)

(*) Independent Members pursuant to provisions of the Corporate Bylaws, the Code of Good Governance, and Law 964 of 2005.

The following members of the Board of Directors hold public positions in the state administration, and therefore are related to the Nation, the majority shareholder of ISA:

- Technical Deputy Minister of Finance and Public Credit
- Director of Public Credit and of the National Treasury of the Ministry of Finance 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 report it to the other members and refrain from participating in the discussion and decision-making process.

The following temporary conflicts of interest emerged during the period:

- In session 829 of March 26, 2020, Jesús Aristizábal expressed a conflict of interest regarding the reading of the Business Committee's report on the UPME calls; hence, he was not present when said report was read.
- In session 840 of January 20, 2021, César Arias, Director of Public Credit, expressed a conflict of interest with respect to the Delta Project; hence, he did not participate in the discussion thereof.

The definition of conflict of interest is included in the Corporate Bylaws, Code of Good Governance, and Code of Ethics and Conduct. To address conflicts of interest between the members of the Board of Directors and other administrators of ISA, the Board has approved these procedures, published on the [company's website](#).

Changes in the Board of Directors during the period

In the April 2020-March 2021 period, there were no changes in the Board of Directors.

Policies approved by the Board of Directors during the reporting period

The main corporate policies at a Group level were updated during 2020; therefore, the following policies are in force: Environmental, Service, Occupational Health and Safety, Information, Asset Management, and Risk Management.

Process for nominating members to the Board of Directors

For the purposes of nominating candidates to the Board, seeking reasonable balance, complementarity, and diversity, and for the sake of proper performance, it is taken into account that applicants are not involved in any legal disqualifications and incompatibilities and that they have sufficient availability, knowledge, experience, educational background, qualities, skills, and independent judgement to be a candidate to the Board. The Board Succession Policy approved by the General Shareholders' Meeting establishes the principles to nominate the best candidates to the Board of Directors of ISA, as well as the knowledge and experience required to guarantee effective performance and contribution to achieving the goals. The full text is available on the [company's website](#).

Prior to the General Shareholders' Meeting during which 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 the candidate is independent or not independent.

The extract from Minutes 110 of the Ordinary General Shareholders' Meeting held on March 27, 2020 published on the Company's website contains the list sent by the Ministry of Finance and Public Credit to the Chief Legal Office of ISA for the election of the Board of Directors.

The Board of Directors was elected using the electoral quotient system, taking into account professional, suitability, and recognized moral solvency criteria, as established in the Succession Policy of the Board. The resumes of members can be found at the [company's website](#).

After the election, the members stated, in writing, their acceptance and that they are not incapable or incompatible to be members of the Board. This act was registered with the Chamber of Commerce of Medellín for Antioquia, the department where the company is headquartered. Independent members answered the questionnaire attached to Decree 2555 of 2010, which was previously submitted before the Pension Funds, shareholders of ISA.

The members of the Board of Directors who were appointed for the first time were properly trained. They were provided with sufficient information to acquire specific knowledge about ISA, businesses and sectors in which it is engaged, responsibilities, obligations, and attributions as members of the Board, as well as the company's documentation, which must be studied for a correct compliance with duties.

Board of Directors Remuneration Policy

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

Remuneration to the Board of Directors and members of Senior Management

ISA neither uses special mechanisms of payment nor uses shares of the company as payment to Board members. The negotiation of these shares must be authorized by the Board. For attending Board meetings and committees, the members received fees for 141 UVT per meeting, equivalent to COP 5.020.587.

The remuneration to Senior Managers is disclosed in the notes to the Financial Statements in accordance with the provisions of the Code of Commerce and applicable accounting standards.

ISA neither uses special payment or remuneration mechanisms, nor uses shares of the Company as payment, nor uses share options as payment to members of the Senior Management.

Board of Directors *quorum*

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

Attendance to Board Meetings and Committees

During the April 2020-March 2021 period, the Board met on 13 occasions (12 regular sessions, 1 extraordinary session). The average duration of each meeting was 5 hours and the agenda agreed for each session was always met.

STRUCTURE OF THE BOARD OF DIRECTORS OF ISA

Members	Nominated by	Attendance (13 meetings)
Marcela Meléndez Arjona (*)(**)	Ministry of Finance and Public Credit	7/8
Isaac Yanovich Farbaiarz (*)	Ministry of Finance and Public Credit	13/13
Carlos Mario Giraldo Moreno (*)	Ministry of Finance and Public Credit	13/13
Henry Medina González (*)	Ministry of Finance and Public Credit	13/13
Camilo Zea Gómez (*)	Ministry of Finance and Public Credit	13/13
Santiago Montenegro Trujillo (*)	Empresas Públicas de Medellín	13/13
Jesús Aristizábal Guevara (*)	Pensions and Severance Funds	13/13
Technical Deputy Minister of Finance and Public Credit	Pensions and Severance Funds	13/13
Director of Public Credit and of the National Treasury of the Ministry of Finance and Public Credit	Pensions and Severance Funds	13/13

(*) Independent Members as per provisions of the Code of Good Governance and Law 964 of 2005

(**) Resigned on November 9, 2020

The distribution of Board members by committee is as follows:

Board of Directors	Corporate Government, Sustainability, and Risk (GCSR) Board	Businesses	Corporate Audit	Organizational Talent
Marcela Meléndez Arjona (*)(**)				
Isaac Yanovich Farbaiarz (*)				Chairman
Carlos Mario Giraldo Moreno (*)	Chairman			
Henry Medina González (*)				
Camilo Zea Gómez (*)				
Santiago Montenegro Trujillo (*)		Chairman		
Jesús Aristizábal Guevara (*)			Chairman	
Technical Deputy Minister of Finance and Public Credit				
Director of Public Credit and of the National Treasury of the Ministry of Finance and Public Credit				

(*) Independent Members as per provisions of the Code of Good Governance and Law 964 of 2005

(**) Resigned on November 9, 2020

ATTENDANCE TO THE CORPORATE GOVERNANCE, SUSTAINABILITY, AND RISK COMMITTEE

Members	Nominated by	Attendance (13 meetings)
Marcela Meléndez Arjona (*)(**)	Ministry of Finance and Public Credit	7/8
Technical Deputy Minister of Finance and Public Credit	Ministry of Finance and Public Credit	13/13
Director of Public Credit and of the National Treasury of the Ministry of Finance and Public Credit	Ministry of Finance and Public Credit	13/13
Carlos Mario Giraldo Moreno (*)	Ministry of Finance and Public Credit	13/13
Santiago Montenegro Trujillo (*)	Pensions and Severance Funds	13/13

(*) Independent Members pursuant to provisions of the Corporate Bylaws, the Code of Good Governance, and Law 964 of 2005

(**) Resigned on November 9, 2020

ATTENDANCE TO THE BUSINESS COMMITTEE

Members	Nominated by	Attendance (16 meetings)
Technical Deputy Minister of Finance and Public Credit	Ministry of Finance and Public Credit	15/16
Director of Public Credit and of the National Treasury of the Ministry of Finance and Public Credit	Ministry of Finance and Public Credit	16/16
Isaac Yanovich Farbaiarz (*)	Ministry of Finance and Public Credit	16/16
Henry Medina González (*)	Pensions and Severance Funds	16/16
Santiago Montenegro Trujillo (*)	Pensions and Severance Funds	16/16

(*) Independent Members pursuant to provisions of the Corporate Bylaws, the Code of Good Governance, and Law 964 of 2005

ATTENDANCE TO THE CORPORATE AUDIT COMMITTEE

Members	Nominated by	Attendance (7 meetings)
Marcela Meléndez Arjona (*)(**)	Ministry of Finance and Public Credit	3/4
Jesús Aristizábal Guevara (*)	Empresas Públicas de Medellín	7/7
Camilo Zea Gómez (*)	Pensions and Severance Funds	7/7

(*) Independent Members pursuant to provisions of the Corporate Bylaws, the Code of Good Governance, and Law 964 of 2005

(**) Resigned on November 9, 2020

ATTENDANCE TO THE ORGANIZATIONAL TALENT COMMITTEE

Members	Nominated by	Attendance (12 meetings)
Director of Public Credit and of the National Treasury of the Ministry of Finance and Public Credit	Ministry of Finance and Public Credit	12/12
Isaac Yanovich Farbaiarz (*)	Ministry of Finance and Public Credit	12/12
Henry Medina González (*)	Pensions and Severance Funds	12/12

(*) Independent Members pursuant to provisions of the Corporate Bylaws, of the Code of Good Governance, and of Law 964 of 2005

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

In 2020, the following agreements were approved:

- Agreement 116 of March 26, 2020: Whereby some procedures to hold a virtual Ordinary General Shareholders' Meeting are established.
- Agreement 117 of April 30, 2020: Operating Regulations of the Organizational Talent Committee.
- Agreement 118 of April 30, 2020: Operating Regulations of the Corporate Governance, Sustainability, and Risk Committee.
- Agreement 119 of April 30, 2020: whereby legal representatives are appointed for certain businesses.
- Agreement 120 of October 30, 2020: whereby legal representatives are appointed for certain businesses.
- Agreement 121 of November 27, 2020: whereby legal representatives are appointed for certain businesses.

The main corporate policies at a Group level were updated; therefore, the following policies are in force: Environmental, Service, Occupational Health and Safety, Information, Asset Management, and Risk Management.

Chairman of the Board of Directors

The Board, in session 830 of April 30, 2020, appointed Santiago Montenegro Trujillo, independent member, as its Chairman.

The functions of the Chairman 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 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 between the Board of Directors and Statutory Auditor during the year

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

External advice received by the Board of Directors

In session 836 of September 25, 2020, Guest Lecturer and Consultant Joan Antoni Melé gave a talk entitled “La motivación y el liderazgo basado en valores” (Motivation and leadership based on values), about the relevance of the commitment and involvement of Managers when it comes to making decisions that are consistent with the corporate philosophy, where ethics plays a major role, as it encourages values. The talk addressed our purpose and values as basis for a new leadership, seeking to ensure that the company, especially decision makers, is prepared to face modern challenges.

In session 839 of December 18, 2020, the Board of Directors participated in a prospective valuation of the main political, regulatory, and operational risks in Brazil, Chile, and Peru in the short term (2020-22) and in the medium and long term (2022-30). The session was led by Consultant Thomaz Favaro from Control Risks, a global firm specializing in risks and strategies.

Isaac Yanovich Farbaiarz and Cesar Augusto Arias attended the event entitled “Sexto Encuentro Virtual de la Liga De Directores, Evolución acelerada de los Directorios frente a la pandemia” (Sixth Virtual Meeting of the League of Directors, Accelerated evolution of Boards of Directors in the face of the pandemic), held by KEARNEY and the Universidad de los Andes, in October and November 2020.

Information management by the Board of Directors

Through a server for the exclusive access of members of the Board of Directors, the Secretary of the Board of Directors, no less than five (5) days prior to each meeting, made available the documentation related to the topics to be discussed in the Board, as well as the additional information requested.

Board of Directors Committees

According to the Regulations of the Board, at ISA, the Corporate Governance, Sustainability, and Risk Committee; the Business Committee; the Corporate Audit Committee; and the Organizational Talent Committee work institutionally.

Corporate Governance, Sustainability, and Risk Committee

One of its main duties is to support the Management in strategic issues, sustainability, risk, human talent, and IT. Regarding corporate governance, it studies reforms to the Corporate Bylaws, makes recommendations about appointments and compensation to the members of the Board and Senior Management, ensures compliance with the Code of Good Governance within the framework of action, and evaluates the CEO.

The main topics between April 2020 and March 2021 were sustainability, strategy, risk management, amendments to corporate documents to reflect Corporate Governance Best Practices, bylaws reforms, innovation, and cybersecurity.

Business Committee

Its role is to analyze, make recommendations, or make decisions about investment initiatives considered in ISA and its companies’ growth strategy. It also monitors the execution of businesses.

The business and projects reviewed by the Committee in 2020 include the following:

COUNTRY	SECTOR	COMPANY	TYPE	PROJECT
Colombia	Energy	INTERCOLOMBIA	Connection	Connection of Windpeshi 200 MW Wind Farm to Cuestecitas 220 kV Substation
Brazil	Energy	Taesa	Acquisition	São João Transmissora and São Pedro Transmissora
Peru	Energy	ISA PERU	Acquisition	Acquisition of Eteselva and Etenorte
Colombia	Energy	ISA	Tender	UPME 04-2019 La Loma - Sogamoso 500 kV
Colombia	Energy	ISA	Expansion	Copey-Cuestecitas 500 kV Second Circuit
Brazil	Energy	Taesa	Acquisition	Rialma I
Brazil	Telecommunications	InterNexa	Acquisition	IFC and GIF participation
Peru	Energy	ISA PERÚ	Tender	Chincha Nazca
Peru	Energy	CTM	Reinforcement	Reinforcement of Carabayllo-Chimbote-Trujillo 500 kV Transmission Line
Peru	Energy	CTM	Reinforcement	+400/-150 MVAR Static VAR Compensator in Trujillo Norte 500 kV Substation
Peru	Energy	REP	Reinforcement	+200/-100 MVAR Static VAR Compensator in San Juan 220 kV Substation
Brazil	Energy	ISA CTEEP	Acquisition	Piratininga-Bandeirantes Transmissora de Energia - PBTE
Brazil	Energy	ISA CTEEP	Tender	Lot 7 - ANEEL 001/2020

Corporate Audit Committee

This is the entity that guides and facilitates internal control. One of its duties is ensuring that the Organization has an effective corporate control system that includes the evaluation of accounting procedures, relationships with the statutory auditor, and auditing the risk management system. Its recommendations include improving controls established for governance, administrative, financial, technical, and IT issues; ethical management; and the management system against money laundering and terrorist financing risks.

Between April 2020 and March 2021, the main topics were: the analysis of financial results and balance sheet reports under IFRS standards, reports by external control entities, comprehensive risk management, reports delivered by the Statutory Auditor and the internal auditor, management of the system against money laundering and terrorism financing risks, ethical management, monitoring audit performance at the Group, and defining and following up the Statutory Auditor or External Auditor selection process.

Organizational Talent Committee

The Organizational Talent Committee is in charge of making decisions, guiding, supervising, supporting, or advising the Board of Directors and the Management regarding organizational talent (Senior Management and employees) of ISA and its companies.

The main topics between April 2020 and March 2021 were: Senior Management Remuneration Policy, Retirement Policy, Talent Indicators, Human Management and TO Transformation Model, and inclusion and gender diversity at the ISA Group.

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

The performance evaluation of the Board of Directors and its committees is part of the ISA Board's commitment to continuously improve its corporate governance practices, according to local and international standards.

During 2020, the Board of Directors incorporated the improvement proposals that resulted from the external evaluation by AT KEARNEY - KORN FERRY in the previous year. Some of the improvements are the redistribution of duties of the Board Committees and the creation of a new Organizational Talent Committee. This allowed the Corporate Governance, Sustainability, and Risk Committee to go further in the coordination of ESG (Environmental, Social, and Corporate Governance) criteria among the various stakeholders. Also, the Organizational Talent Committee was able to deal with the new dynamics that impact the management of human talent, generated from the new ways to work, digital transformation, innovation, and disruptive businesses.

A crucial part of the work with the external consultant in 2019 was the peer appraisal (360-degree feedback), which was based on the skills expected from high-performance boards of directors. This work continued in 2020, where performance gaps were identified and then notified to all the members on session 827 of January 31, 2020, with the support of ATKEARNEY – KORN FERRY, given the level of maturity of the Board of Directors of ISA. These competences are an important factor for the succession plans the company is working on.

Following the recommendation, as best practice, to switch methodologies such as self-evaluation and evaluation by external consultants, for the April 2020-March 2021 period, the company conducted a qualitative self-evaluation of the Board of Directors to measure its effectiveness as a collective body.

The self-evaluation used a sample of eight people, from which the following results were obtained:

- Individual performance of the members of the Board of Directors, 92,86%
- Group performance of the Board of Directors, 92,05%
- Group performance of the committees, 93,15%
- Desempeño y participación de la Administración, 85%.

Despite the challenges brought by COVID-19, performance was high. The results of the self-evaluation are positive. All the aspects evaluated demonstrated high performance (80%-100%).

It is clear that changes resulting from the creation of the Organizational Talent Committee and the modification of functions of the GCSR Committee were appropriate and met the company's needs.

The strengths that have prevailed are: an environment based on constructive, independent, deep, and professional dialogue; sense of co-responsibility among all the members; and high level of commitment and involvement.

The areas of improvement include searching for mechanisms that allow more efficient time management during meetings and more efficient delivery of key messages during presentations.

According to the Corporate Bylaws, the Chief Executive Officer and the Chief Officers are part of the Senior Management. Details about the professional quality and work experience of ISA's top executives can be found on its website.



BERNARDO VARGAS GIBSONE

CEO



OLGA PATRICIA CASTAÑO DÍAZ

Chief Strategy Officer



CÉSAR AUGUSTO RAMÍREZ ROJAS

Chief Energy Transmission Officer



ERNESTO CARRASCO MORALES

Chief Road Concessions Officer



CAROLINA BOTERO LONDOÑO

Chief Corporate Finance Officer



JULIANA SUSO JARAMILLO

Chief Institutional Relations Officer



CARLOS HUMBERTO DELGADO GALEANO

Chief Organizational Talent Officer



SONIA MARGARITA ABUCHAR ALEMÁN

Chief Legal Officer



DANIEL ISAZA BONNET

Chief Growth and Business Development Officer



OLGA LUCÍA LÓPEZ MARÍN

Chief Information Technology Officer



CARLOS IGNACIO MESA MEDINA

Chief Corporate Audit Officer



JAIME ALBERTO PELÁEZ ESPINOSA

Gerente general INTERNEXA

According to its Regulations, the Organizational Talent Committee will be in charge of annually evaluating the CEO's performance. This evaluation took place during session held on February 25, 2021, approved by the Board of Directors in session 841 of February 26, 2021.

"Without a doubt, 2020 was a challenging year for humanity. The role of organizational leaders was critical to address the pandemic and to implement business continuity strategies. In this regard, we must recognize that the work of Bernardo Vargas, as CEO of ISA, was very positive.

Despite the uncertainty, this year, the CEO ratified the ISA2030 Strategy, based on analyses of future scenarios. We were able to conclude that the company has sufficient financial and market strength to keep working for its goals, in favorable conditions.

Mr. Vargas defined and implemented three major lines of action to guide the Group's performance during the past year:

The first one was to ensure business operations and to maintain the Group on its value creation path. This allowed us to obtain very positive financial results and important advances in businesses, such as: growth; excellent performance of key indicators like 15,6% ROE, COP 6,6 trillion EBITDA, 120,6% budget fulfillment (24,4% increase when compared with the previous year), COP 2 trillion net income (representing 127% budget fulfillment and a 25,7% positive variation with respect to the previous year), and ISA's stock valuation in the market at COP 25.700 (breaking an all-time record while the rest of the stock market plummet-

ed). All of the above, while maintaining uninterrupted operations, service levels, and reliability.

We must highlight our successful entry into the road concessions business in Colombia, as well as the structuring of the Road Concessions business unit.

The second line of action was to promote the protection and development of our human talent. We kept constant communication and closeness with our human talent during all these months. This allowed the company to achieve, in 2020, the best organizational climate favorability index in its history, while still working on strengthening its organizational capabilities (digital transformation, innovation, and adaptability). In the same vein, we implemented initiatives to foster diversity and inclusion, and developed training and empowering programs addressed at our leaders and teams.

It is worth noting that, when dealing with the crisis caused by the pandemic, we spared no effort to protect the physical and mental health of our employees, for which we implemented continuous monitoring systems and strict biosecurity protocols. While all this happened, Mr. Vargas maintained a close relationship with employees through several channels, which allowed strengthening the bonds of trust with the teams, listening to them, and directly addressing their concerns.

The last line of action was the permanent awareness, commitment, and leadership in the company. Led by the CEO, ISA created and promoted its Todos Somos Uno (We are all one) program to contribute to economic, social, and environmental development amid the COVID-19 pandemic. He also promoted partnerships through

which strategies were developed to flatten the curve, to protect the healthcare staff and the most vulnerable populations, and to generate installed capacity with equipment, infrastructure, and knowledge to face this situation.

Likewise, our sustainability strategy was maintained through our flagship program, Conexión Jaguar. We also launched the corporate volunteering initiative. A particularly significant achievement was the first issuance of green bonds in Colombia.

Finally, it is remarkable that, led by Mr. Vargas, ISA was the only Colombian company in the Dow Jones Sustainability Index's top 10 Energy Utility companies, and was awarded with a bronze medal in The Sustainability Yearbook, recognized as one of the most sustainable companies in the world.

The Colombian Corporate Reputation Business Monitor (MERCOC), who names the 100 companies with the best reputation in the country after an assessment conducted every year, put ISA in the second place in its ranking by sector and moved it up 5 places in its general ranking, which demonstrates, once more, that led by Bernardo Vargas, ISA continued on its path towards sustainable value.”

3. RELATED-PARTY TRANSACTIONS

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

On October 29, 2020, the Corporate Governance, Sustainability, and Risk Committee approved the Corporate Guideline for related-party transactions, which is

applicable to all the companies of the Group, as well as the Procedure for The Identification, Valuation, Approval, Disclosure, and Monitoring of Business Transactions between ISA and its Related Parties, which is applicable to ISA. ISA's Related Parties are determined in this procedure, in accordance with international standards and the regulations applicable to ISA. Likewise, transactions that require approval by the Board of Directors and/or the Shareholders' Meeting are defined.

According to Article 34, Paragraph 41 of the Corporate Bylaws and Procedure for The Identification, Valuation, Approval, Disclosure, and Monitoring of Business Transactions between ISA and its Related Parties, related-party transactions that exceed one percent (1%) of the market capitalization must be approved by the Board of Directors, who also has to make sure that these transactions are made under market conditions.

According to the Corporate Guideline for related-party transactions, managers, and employees involved in the assessment and approval of related-party transactions are subject to the criteria for addressing conflicts of interest established in the Anti-Corruption and Anti-Bribery Management Guide and in the regulations applicable to each company. The duties of the Board of Directors with respect to conflicts of interest are established in the procedures to manage conflicts of interest by ISA's administrators.

Detail of the most relevant related-party transactions according to the company's judgment, including transactions between Group companies

Details of ISA's transactions with related-party 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 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 and actions by the members of the Board of Directors

There were no conflicts of interest related to related-party transactions.

4. RISK MANAGEMENT SYSTEMS

Details about the Internal Control System (SCI) of the company or Company Group and modifications during the period

The company, in its ongoing inspection and control process, answered efficiently and timely the requests for information and/or documents from government control bodies, and it maintained the ratings given by authorized agencies.

To keep strengthening the Internal Control System and especially our Governance practices, during 2020, the Business Ethics and Compliance Program carried out various activities that particularly allowed us to improve the detection and response mechanisms against potential improper acts, for which new counterparty due diligence measures were implemented, and a protocol for addressing ethical issues was defined.

External control bodies

ISA submitted reports requested by the following external entities:

- National Agency for the Legal Defense of the State
- Banco de la República
- Chamber of Representatives of the Congress of the Republic
- General Accounting Office of the Nation
- Comptroller General of the Republic
- Comisión de Regulación de Energía y Gas (Commission for the Regulation of Energy and Gas)
- Colombia Compra Eficiente (SECOP)
- National Administrative Department of Statistics
- National Tax and Customs Office
- Ministry of Finance and Public Credit
- Financial Superintendency of Colombia
- Superintendency of Industry and Commerce
- Superintendency of Household Utilities

KPMG, as external auditor of management and results, issued its opinion for the 2020 period. During the annual period, ISA was monitored by two firms. KPMG between January 1 and October 14, 2020 and CASO Consultores between October 15 and December 31, 2020. CASO is the current External Auditor of Performance and Results pursuant to Law 142 of 1994 and Resolution 053 of 2000 issued by the Energy and Gas Regulation Commission. In its report published in Colombian newspapers on July 8, 2020, KPMG stated the following: *“After analyzing the current*

financial situation and projections made by the Company, we did not observe the existence of significant risks that could jeopardize the financial viability of Interconexión Eléctrica S.A. ESP...". The report was submitted before the Superintendency of Household Utilities on June 18, 2020.

Between April 2020 and March 2021, Ernst & Young conducted the Statutory Audit. To comply with its legal duties, the firm will submit a report on the company's performance, financial statements, and administration before the Shareholders' Meeting.

Risk rating agencies analyze, qualitatively and quantitatively, the financial situation, business performance, and other relevant characteristics of the companies that are active in the capital market to verify the capacity and willingness to pay and to rate them. This way, potential investors can know how safe is investing in the ISA Group. At the same time, they provide the companies with access to local and/or international market offerings.

Based on the above, ISA and its companies have always implemented actions to maintain and improve their ratings, as far as such actions are reasonable and feasible.

During 2020, agencies that rate ISA and its companies reviewed and updated the corporate risk and local and international bond issuance ratings, and ratified the

financial strength of ISA and its companies, based on the regulated nature of their revenues as a natural monopoly in the countries where they operate.

Also, their creditworthiness stands out among their peers in the region. This demonstrates that ISA is one of the largest energy transmission companies in Latin America, with the largest diversified operations through subsidiaries in Colombia, Brazil, Chile, and Peru.

ISA's risk rating reflects the low risk profile of its regulated Energy Transmission and Road Concessions business units and demonstrates the solid geographical and business unit diversification of its source of revenues which, together with the operating cash flow predictability, is translated into a strong financial profile. In Colombia, the Program on Issuance and Placement of ISA's Internal Public Debt has maintained the highest credit risk rating "AAA" for bonds and F1 + (col) for commercial papers.

ISA's international rating issued by the three most recognized credit rating agencies in the international market, maintained the investment grade rating. Moody's maintained its "Stable" outlook.

The chart with the credit ratings for ISA and its companies is presented below.

Companies	Risk rating agencies	S&P	Moody'S	Fitch Ratings	Feller-Rate	Apoyo y asociados	Pacific Credit Rating	Moody's Local	Humphreys
ISA	Corporate	BBB- (Neg) Jun 20	Baa2 (Stable) Jun 2020	BBB+ (Neg) April 2020					
	Local bond issuance			AAA (Stable) April 2020					
	Commercial papers			F1+ April 2020					
ISA TRANSELCA	Local bond issuance			AAA (Stable) Mar 2020					
ISA CTEEP	Corporate			AAA (Stable) Aug 2020					
	Bonds issuance			AAA (Stable) Aug 2020					
CONSORCIO TRANSMANTARO	International Bonds issuance		Baa3 (Stable) Feb 2020	BBB (Stable) Jul 2020					
ISA REP	Bonds issuance					AAA (Stable) Oct 2020		AAA (Stable) Oct 2020	
	Commercial papers								
RUTA DEL MAIPO	Bonds issuance		Baa3 (Stable) Sep 2020	BBB- (Stable) Aug 2020	A+ Jun 2020				A+ Jun 2020
RUTA DEL BOSQUE	Bonds issuance		Baa3 (Stable) Oct 2020	A+ Jun 2020	A Jun 2020				

The Statutory Auditor's report, the External Auditor's opinion, and agencies ratings are published on the company's website for shareholders and investors.

The following procedures were carried out before the Chamber of Commerce of Medellín: the 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 guarantee the achievement of corporate goals reasonably; strengthen the confidence in the integrity of the information delivered to stakeholders; and adequately monitor and provide timely response to business risks, to corporate government instruments, and to transparency practices.

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

In 2020, audits were performed on business unit operating processes, as well as evaluations of administrative, technological, and financial processes that support them. Evaluations performed 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 is aligned 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 environment of control, 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 be consistent 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 comply with the Corporate Policy for Integrated Risk Management by identifying, evaluating, and implementing measures to manage the risks to which they are exposed.

Each company has its own risk map and evaluates risks according to the likelihood of occurrence and severity of their impacts on corporate resources, prioritizing the most relevant for the development of operations and achievement of the strategy. Likewise, each company monitors their status and defines and implements measures for addressing them in a better manner. The companies periodically report the advances in their management and the main events that have been materialized.

ISA published the risks map, the most significant events, and the main control measures implemented for risk impact prevention and mitigation on the website and the 2020 Integrated Management Report.

Materialization of risks during the period

This information is detailed in the 2020 Integrated Management Report, Strategy chapter, Comprehensive Risk Management numeral, available on the company's website.

Response and supervision plans for main risks

This information is detailed in the 2020 Integrated Management Report, Strategy chapter, Comprehensive Risk Management numeral, available on the company's website.

5. GENERAL SHAREHOLDERS' MEETING

Meeting operation differences between the minimum quorum regime pursuant to current regulations and the regime defined by the company's Corporate Bylaws and Board regulations

A national and a local newspaper published on February 23, 2020 the call for the Ordinary General Shareholders' Meeting of March 27, 2020 which has a term longer than that set forth in the Law.

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

On March 25, 2020, through a local newspaper and a national newspaper (El Colombiano and El Tiempo) and on the occasion of the preventive isolation measure pursuant to Decree 457 of 2020, the CEO of the company referred to the call initially published on February 23, 2020 and informed that the Ordinary General Shareholders' Meeting would be held online on Friday, March 27, 2020 at 9:00 a.m. pursuant to Article 19 of Law 222 of 1995 and regulations contained in Decree 398 of 2020.

For this call, ISA implemented an exceptional procedure that was approved by the relevant authorities, through which a proxy with voting instructions could be granted to one of the attorneys-in-fact available for such purpose.

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

The Ordinary Meeting had the *quorum* required by the Law. Topics approved in the agenda were submitted for consideration by the shareholders and the decisions were made according to the majorities required in the Bylaws. The data on attendance to the General Shareholders' Meeting can be found in the extract of the Minutes mentioned below. The Ordinary General Shareholders' Meeting was streamed live on the Internet, and attorneys-in-fact connected via Teams. The company acquired the corresponding license.

The Corporate Bylaws, the Operating Regulations of the General Shareholders' Meeting, and the Code of Good Corporate Governance dictate good practices aimed at strengthening and improving the right of information and participation of shareholders in the meetings, including:

- 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.
- Electronic media such as the company's website and messages, among others, shall be used to disclose all information related to the General Share-

holders' Meeting from the call to the Agenda, proposals, and decisions once it is held.

- The Agenda items shall be expressed in a clear, concise manner to ensure that they are understood and analyzed by the shareholders. Items or proposals shall be jointly voted only when there is unity in the subject matter and when 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 appropriate through traditional channels and/or, where applicable, through new technologies; and the right to make in writing the questions they deem necessary regarding items included in the agenda of the General Shareholders' Meeting.
- The right of shareholders, regardless of their shareholding, to propose including 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.
- To minimize blank votes without voting instructions, ISA actively promotes the use of authorization templates that are available on the company's website. The template includes the items of the agenda and the corresponding Agreement proposals that will be submitted for consideration of the shareholders, so that shareholders (if they deem appropriate) give the voting instruction to their agent or representative.
- The members of the Board of Directors and the company's CEO will attend the Meeting to address the concerns of shareholders.
- The right that a number of shareholders, representing at least twenty percent (20%) of the total number of subscribed shares of the company, requests the CEO or the Statutory Auditor to call extraordinary meetings of the General Shareholders' Meeting.

Information to shareholders and communication with them

The Code of Good Governance adopted by the Board of Directors establishes communication channels for shareholders to address requests and requirements, including the telephone hotline and the shareholder assistant office. Additionally, the company's website, www.isa.co, Inversionistas (Investors) section, contains everything related to shareholder and investor relations mechanisms.

Number of requests and issues about which the shareholders have requested information to the company

REPORT OF CASES BY SOURCE INQUIRIES TO MANAGEMENT UNIT AND CALL CENTER BETWEEN 01-01-2020 AND 31-12-2020			
SOURCE	No. OF CASES	%	
Hotline	6.445	78,24%	
E-mail	985	11,96%	
Chat	419	5,09%	
Outbound call	180	2,18%	
Call to Medellín office	48	0,58%	
Voice mail	46	0,56%	
Internet	32	0,39%	
Contact with ISA	23	0,28%	
Contact with fiduciary	19	0,23%	
Letter-fax	12	0,15%	
Visit to Medellín office	4	0,05%	
Right of petition	25	0,30%	
TOTAL GENERAL	8.238	100%	

Data on attendance to the General Shareholders' Meeting

The quorum in the General Shareholders' Meeting was 95,19%.

Detail of the main agreements

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

During Ordinary General Shareholders' Meeting held on March 27, 2020, the Board of Directors for the April 2020-March 2021 period was appointed.

The Minutes of the Ordinary Meeting was signed by the Chairman and legal representative of the meeting, by the Secretary of the Meeting, and by 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 with the Chamber of Commerce of Medellín and a copy was submitted before the Financial Superintendency of Colombia and to the Superintendency of Household Utilities.

For information purposes, the extract of Minutes 110 corresponding to the Ordinary General Shareholders' Meeting was published on the company's website on March 27, 2020.

6. STAKEHOLDERS

ISA publishes its commitments to stakeholders and presents compliance mechanisms and relationship key aspects in the Integrated Management Report. News and events that are relevant to stakeholders are published on the website.

To maintain trusting relationships with shareholders and investors, supported by the provision of timely and reliable information, ISA carried out the following activities:

- Quarterly, ISA published the financial statements, which were disclosed to the financial community on the Internet.
- ISA attended more than 65 meetings with local and foreign investors.
- Also, the company attended 9 events organized with third parties where it had access to more than 500 local and foreign investors.
- The company held the Investor Day, where topics of interest to investors were addressed.
- ISA extended the meetings with the Sell Side, promoting a better understanding of the Group.
- ISA developed and published the Valuation Kit, which contains all the relevant information to value ISA.
- ISA implemented relationship marketing strategies: the company sent emails, newsletters, and tax certificates and extracts.
- Through the Shareholder Center, it processed and solved around 8.238 cases.

7. ENFORCEMENT OF THE CODE OF GOOD GOVERNANCE

During 2020, the company monitored its compliance. The central axes of verification of this Code are: the supply of information through the website, reports submitted before surveillance and control agencies, and reports submitted before the Board of Directors and the Shareholders' Meeting. Additionally, the commitments compiled in the Code are monitored through external and internal evaluations.

Shareholders and the general public did not report any violation of the Code through the phone 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 Superintendency is available to shareholders, especially minority shareholders. This entity has the power to implement the relevant measures to avoid violations of rights and ensure the return to balance, and the principle of equal treatment for every shareholder.

Santiago Montenegro Trujillo

Chairman of the Board of Directors