

# Good Governance Code



Linear infrastructure systems that boost continental development.

## Good Governance Code



# Good Governance Code

---

**Adopted by the Board of Directors on November 15, 2001**

**First amendment approved by the Board of  
Directors on September 26, 2003**

**Second amendment approved by the Board  
of Directors on November 25, 2005 and April 28, 2006**

**Third amendment approved by the  
Board of Directors on August 31, 2007**

# Contents

---

<b>Presentation</b>	6
<b>Preamble</b>	9
Chapter I: General provisions	10
<b>TITLE I. Identification of the Company</b>	11
<b>TITLE II: Action Framework</b>	15
Chapter I: Corporate Reference Framework	16
Chapter II: Services and Revenues	19
<b>TITLE III. On the Corporation and its Governance</b>	23
Chapter I: Directive Body	24
Chapter II: Administrative Bodies	26
Chapter III: Procedure for Selection and Performance Management of the Corporation's Personnel	32
Chapter IV: Remuneration Criteria	34
Chapter V: On labor relations	35
<b>TITLE IV. On the Behavior of Management</b>	37
Chapter I. Mechanisms to set, evaluate, and verify results of the activities of managers	38
Chapter II. On the control	39
<b>TITLE V: Trading of Securities</b>	51
Chapter I: Criteria applicable to the trading of securities of ISA by its managers and workers	52
Chapter II: Policy for reacquisition of shares	53
Chapter III: On the economic relations between ISA, its controlling groups, subsidiaries and administrator	55
<b>TITLE VI: On the Shareholders and Investors</b>	57
Chapter I: Rights and obligations	58

<b>TITLE VII. On the legal and economic relations with suppliers</b>	61
<b>TITLE VIII. On the risks</b>	65
<b>TITLE IX. Conflict resolution</b>	67
Chapter I: Definition, acts and resolution of the conflict of interest	68
Chapter II: Dispute resolution	69
<b>TITLE X. On the information</b>	71
Chapter I: Information standards	72
Chapter II: Information media	73
<b>TITLE XI. Disclosure and availability</b>	75
<b>TITLE XII: Good Governance Code Compliance</b>	77
<b>ATTACHMENTS</b>	81
Attachment No. 1: Internal ruling of the meeting	82
Attachment No. 2: Statement majority shareholder	88

# Good Governance Code

## Interconexión Eléctrica S.A. E.S.P.

# Presentation

---

**In compliance with the provisions of Resolution 0275** of May 23, 2001 issued by the Colombian Securities Commission, and the Corporation's bylaws, the Board of Directors of ISA approved the Good Governance Code presented by its Management. The Code structures and compiles the policies, rules, systems and ethical principles that shall guide the acts of the Corporation regarding its governance, conduct and information.

**In September 2003 the Good Governance Code was first amended** to change the denomination and composition of the Control Committee which became the Audit Committee.

**In November 2005 and April 2006 the Code was amended for the second time** with changes in the following sections:

Preamble: Defines Corporate Governance and Good Governance Practices, and establishes the objective of the Good Governance Code.

Title II – Action Framework: Includes ISA's adhesion to the United Nations Global Pact.

Title III – On the Corporation and its Governance, Stockholders' Meeting: Includes ISA's practice of reminding in newspaper ads, one week in advance, the date of the meeting, as well as the commitment to send by fax or email the notice of the meeting to shareholders residing abroad and to publish in ISA's Web site, at least three (3) days in advance, the propositions to be considered at the Meeting.

Regarding the Company's Administration, it defines who are considered administrators. With regard to the Board of Directors, it gives definitions about independent members; it defines the committees of the Board of Directors; it gives rules regarding the hiring of experts and the disclosure of the Board of Directors' decisions; it defines the specific duties of its members; it provides that Board members cannot be employees of the Company.

Chapter IV – On the Behavior of the Administration: Includes the restriction on the Statutory Auditor to provide consulting services to the Company, a practice that was regularly observed but had not been included in the Code. Regarding internal control, it defines the bodies in charge of its implementation and verification and their main duties. This chapter also includes provisions regarding the Corporate Audit Committee.

Title V – Trading of Securities: Stipulates the prohibition on ISA's administrators and workers to trade with the Corporation's securities when they are in possession of material information, and includes a definition of material information. It also establishes the criteria for acquisition of the Company's own stock and its subsequent transfer, as well as the authority of the Board of Directors to approve operations with subordinated companies when they amount to more than five percent (5%) of market capitalization.

Title VI – On the Shareholders and Investors: Includes the Board of Directors' duty to answer the requests of shareholders, as well as the corresponding answering procedure.

Title XII – Compliance with the Code: Includes the Mechanism for Verification of Compliance with the Good Governance Code implemented by ISA and the audit conducted by the Internal Control area.

**The third amendment was made in August 2007** to modify the commitments to the Interest Groups and to include the investors in the Shareholders Group.

This Code and its attachments shall be available to shareholders, investors and the general public under the terms and conditions regulated herein or in the law, at the office of the Corporation's General Secretary located at Calle 12 Sur # 18-168 in Medellín.






# Preamble

## Chapter I: General provisions

### ■ Corporate Governance

At ISA, Corporate Governance is the array of values, principles, policies, rules, means, practices, and processes through which the Corporation is run, operated, and controlled, looking for corporate efficiency, transparency, and coherence of actions, respect for those who invest in it, and compliance with the commitments to the different interest groups.

The Corporate Governance ruling principles are:

- Transparency
- Reliability
- Fluid and truthful information
- Effective communication with the various interest groups
- Clear definition of its governance structure

### ■ Objective and scope of application of the Code

The objective of the Code is to compile and structure good governance practices observed in the Company that will allow generation of competitiveness, transparency, and trust.

ISA understands Good Governance Practices to be the commitments and measures adopted by the Company as to its governance, conduct, and information, so that the actions of the shareholders, managers, and workers be focused on guaranteeing integral corporate ethics, adequate handling of its affairs, respect for those who invest in it, deliverance on the commitments to its interest groups, and public disclosure of its endeavors.



**TITLE I.  
Identification  
of the  
Company**

## Good Governance Code

### ■ Nature

**INTERCONEXIÓN ELÉCTRICA S. A. E. S. P.** is a mixed-economy public utilities company of the national order ascribed to the Ministry of Mines and Energy, regulated by the Domiciliary Public Utilities Law (Law 142 of 1994), incorporated by Public Deed No. 3057 of September 14, 1967 of the Eighth Notary Public Office of Bogotá and domiciled in Medellín.

### ■ Corporate Purpose

The corporate purpose of **INTERCONEXIÓN ELÉCTRICA S. A. E. S. P.** is:

1) The operation and maintenance of its own transmission network. 2) The expansion of the national interconnection network. 3) The operation planning and coordination of the resources of the National Interconnected System. 4) The administration of the Commercial Settlement System and the trading of energy in the wholesale energy market. 5) The development of telecommunications systems, activities and services. 6) The direct and indirect participation in activities and services related to the transport of other energy sources, except where restricted by law. 7) The provision of technical services in activities related to its corporate purpose as well as professional services required by the Group's companies. 8) The development, for third parties, of any other activity related to the provision of electric power and telecommunications services, abiding by regulations in force.

### ■ Economic Group

**In compliance with the provisions** of the Code of Commerce, ISA has acknowledged its controlling position with respect to its subsidiaries at the Chamber of Commerce of its domicile, and in its capacity as parent company, it defines the role to be played at each of the companies making up the Economic Group.

ISA will advocate that the companies that are part of the Economic Group adopt specific measures regarding their governance, conduct and information based on the guidelines herein established, and for such effect, and in line with the unit of purpose and direction inherent to the Economic Group, it will, as long as it practicable and compatible with each of the countries' regulations, encourage the adoption of the good governance best practices observed by the Group.

The bylaws can be found in ISA's Web page.




## TITLE II: Action Framework

## Chapter I: Corporate Reference Framework

The Integral Management Model, a framework that helps to align, focus and categorize the Company's acts, **guides ISA's corporate management**. This model consists of three basic elements: Strategic Direction, Day-to-Day Management and Cultural Transformation. Strategic Direction is the element that gives sense to the Organization's choices in order to accomplish its major goals. Day-to-Day Management includes the daily activities of planning, execution, verification and correction of processes that result in the fulfillment of the mission and the vision, as well as in the achievement of corporate goals. Cultural Transformation seeks to develop abilities and conducts necessary to obtain the Organization's goals through process management.

Strategic Direction includes the continuously updated Corporate Reference Framework, made up by the mission, vision, values, principles (Code of Ethics), policies, Good Governance Code, and the strategy designed to achieve the vision.

### ■ Mission and Vision

A description of ISA's mission and vision can be found in the Corporation's **Web page**.

### ■ Values

In order to accomplish its commitments in a transparent, respectful and effective manner **ISA centers its corporate activities** and commercial, labor and institutional relations around parameters of ethics, attitude of service, permanent learning, teamwork, self-control, flexibility, optimism, effectiveness, persistence and social responsibility.

### ■ Code of Ethics

**The Code of Ethics is the Company's letter** of introduction to the market, society and its members that outlines the basic principles and mutual responsibilities of the Company and its workers.



## ■ Declaration of Principles

### ■ ISA:

- Keeps honest, proper and constructive relations with its shareholders, workers, suppliers, customers, competitors, authorities and general society.
- Establishes accountability for the consequences of its entrepreneurial decisions as the rule for all its processes and relations.
- Is accountable for and complies with the social commitment it has to its workers, to society, and to the communities where it develops its entrepreneurial work.
- Is committed, in carrying out its corporate goals, to offering equal opportunity to its workers, contractors, customers, suppliers, competitors, and people in general, regardless of race, religion, sex, marital status, age, nationality, social position or political ideology.
- Gives privileged treatment to companies, entities, and organizations that are socially committed and whose management is based on respect for the human condition and the prevalence of common interest.
- Rejects, and will consequently denounce before competent authorities, any improper practice that may interfere with free and healthy competition.
- Rejects, and invariably condemns, the practice of bribery.

### ■ Each of ISA's workers:

- Recognizes the strategic value of information and is responsible for its production, dissemination, preservation, protection, and utilization.
- Is committed to complying with the Company's reference framework for corporate activities.
- Is responsible for rationalization and optimization of resources allotted for achievement of the corporate objective.

## Good Governance Code

- Performs only those duties he qualifies for and is committed to maintaining, improving, and sharing his knowledge permanently.
- Binds himself/herself to report to upper levels any conflict of interest that may arise.
- Has clear that the cost of hospitality and invitations from suppliers, customers and competitors must not exceed that of travel and representation expenses authorized by ISA. In case of doubt as to unacceptability, in terms of hospitality, the offer must be declined.

### ■ Adhesion to the United Nations Global Pact

In 2005, ISA joined the United Nations Global Pact initiative and adopted the ten conduct and action principles on human rights, labor, environment and fight against corruption proposed by it.

### ■ Corporate Policies

**Corporate Policies** are **corporate decisions** that define criteria and action frameworks to direct management in specific matters at all organizational levels. Once adopted, they become behavior guidelines that are mandatory and non-negotiable. Their aim is to reduce uncertainty and to channel efforts so as to achieve the Company's corporate purpose.

ISA's Corporate Policies can be found in the Corporation's Web page.

### ■ Corporate Social Responsibility

**As part of its corporate purpose**, the Company carries out corporate social responsibility actions for which it has identified its interest groups and defined its commitment to each of them.

Interest Groups	Commitments
Shareholders and Investors	Profitable growth and creation of value.
Workers	Contribute to their integral development and value their contribution to the organization.
Customers	Sustainable relationship; quality and competitive costing; reliable communications.
Suppliers	Transparency, equity and clear rules.
Society	Respect for human rights; delivery of quality and efficient services; timely disclosure of public-interest information; contribution to sustainable development and social well being.
The State	Respect and strengthen the Rule of Law.

Management supervises compliance with commitments and presents a report to the Shareholders’ Meeting regarding its corporate social responsibility actions.

## Chapter II: Services and Revenues

**ISA is a leading company in the provision** of high-voltage energy transmission services in Colombia. Since its establishment in 1967 it has had a strategic role in the development of the Colombian power sector. It is the main transmission company in the country and the only one with national coverage. Besides owning a very large portion of the National Transmission System (STN), it owns international interconnections with Venezuela and Ecuador and is strategically located in the center of the Latin American power market.

## Good Governance Code

### ■ Energy transport services

**The Company's core business** is the transport of electric power through the STN from the generating companies to the traders, who are the major purchasers of energy generated in Colombia.

ISA transports energy not only in Colombia, but also, through its subsidiaries, in countries where it has stakes as constructor and operator of transmission lines; it has as well, interconnections with neighboring countries that help to link and interconnect Central American and Latin American countries.

### ■ Energy Transmission

**Considered as the dynamic element** of the energy market for enabling competition in generation and commercialization activities, it creates conditions for carrying out the distribution activity and promotes efficiency and service quality.

In order to timely satisfy its customers' needs, ISA has Energy Transmission Centers strategically located throughout the country in charge of guaranteeing availability of the transmission lines and substations under its control. The efficient, timely and high-quality maintenance of its grid added to specialized techniques for preventive and corrective maintenance result in high availability indices in the system.

The grid owners must allow access for energy transport to every market agent; they must also abolish every entry barrier to the National Interconnected System (SIN) and promote competition.

The STN links regional transmission systems and local distribution systems in an interconnected network that serves approximately 98% of total energy consumed in Colombia.

Revenues earned by ISA for the Energy Transport Service (STE) provided through the National Transmission System (STN) constitute regulated revenues and are determined by the Energy and Gas Regulatory Commission (CREG). They must be enough to cover investment costs (including capital opportunity costs), as well as administration, operation and maintenance expenses.

Regulated revenues earned by transporters are paid by the trading agents through the application of the regulator's decisions.

ISA is responsible for its equipment availability and correct maintenance scheduling. Additionally, together with users connected to STN, it is responsible for maintaining the STN voltage wave as defined by the regulator. It is not responsible for the expansion of the grid, the implementation of solutions to reduce operational costs due to network technical limitations, or for rendering ancillary services.

Regarding STN expansion, ISA is a voting member of the Transmission Planning Advising Committee (CAPT), and as such, it can propose the incorporation of new lines and substations to the STN. It also makes proposals at the invitations to bid defined by the Ministry of Mines and Energy (MME) for projects included in the Expansion Plan of the Mining and Energy Planning Unit (UPME).

## ■ Connection to the National Transmission System

This service includes connection of customers (generating, distributing, and regional transmitting companies and large consumers) to the National Transmission System; preparation of technical, financial and environmental studies to determine viability of connection to the STN; supplying, construction, operation and maintenance of assets required for connection to the system; replacement of assets in the event of total loss or exhaustion of useful life.

ISA provides connection services to entities with access to STN, enabling the transport of large energy blocks through STN, which is the physical medium for commercial exchanges between producers and consumers in the Wholesale Energy Market.

The integral connection service provided by the Company includes studies of electrical connection to STN, as well as construction, operation and maintenance of corresponding facilities. Any user willing to be connected to the transmission system must subscribe a connection agreement specifying connection costs and procedures for equipment administration, installation and maintenance.

Connection charges are determined by the methodology established by CREG for each connection point, taking into account the investments made by the Company

## Good Governance Code

in connection equipment at such point plus their cost of administration, operation and maintenance.

### ■ **Related Services**

**Taking advantage of its infrastructure and technical expertise** in energy transport, ISA develops new products and services for other power sector companies and the industry in general, as in the case of dark fiber.



**TITLE III.  
On the  
Corporation  
and its  
Governance**

## Chapter I: Directive Body

The Corporation has **directive** and administrative bodies that legally and statutorily rule its social management, and carry out and perform all its actions so as to reach its corporate purpose.

### ■ Shareholders' Meeting

The Corporation's **upper directive body** is the Shareholders' Meeting, composed of every natural and legal person holding subscribed shares, either present or by representation, assembled in regular or special meetings.

#### ■ Meetings

The **Shareholders' Meetings, regular or special**, are ruled by the provisions of the Law and the bylaws.

#### ■ Quorum

**Both for regular** and special meetings, the quorum to deliberate and decide shall be that provided in the Law and the bylaws.

#### ■ Powers

The powers of the Shareholders' Meeting **are specified in the Corporation's bylaws**; one of such powers is the authorization of any sale, liquidation, transfer or lease of ISA's assets or property, in one or several related transactions whose amount does not exceed fifteen point zero percent (15.0%) of the Company's market capitalization.

#### ■ Internal Ruling of the Meeting

**For the internal functioning of its regular and special meetings**, the Internal Ruling of the Meeting determines the pre-established meeting schedule, place, agenda



and report disclosure, terms, participants, guests, installation, interventions including reports of special audit hired by the shareholders, elections, voting systems, commissions, conduct, and all other pertaining ruling.

■ **Minutes**

**The minutes of the Meeting are signed by their Chairman and Secretary, and by the designated commission, if any.**

■ **Convening**

**As regards the Meeting**, the provisions of the Code of Commerce and the bylaws shall be applied together with the provisions listed below:

- On the Sunday prior to any regular or special meeting, ISA's Management shall remind, through a wide-circulation newspaper, the date thereof.
- Management shall send, by fax, email or any other suitable means, the notice of the meeting to shareholders residing abroad

■ **Agenda and Propositions**

**ISA publishes in its Web page** at least three (3) calendar days prior to the date of any Regular Meeting, the agenda and the propositions to be presented by Management.

The agenda and the contents of the propositions shall be sent to Shareholders who have registered their electronic address.

## Chapter II. Administrative Bodies

**The Corporation's administration** is composed of the Board of Directors, the Chief Executive Officer, the Area Managers, the Deputy Managers and the Directors.

### ■ 1. Board of directors

The Board of Director's is second in the Corporation's hierarchy, after the Shareholders' Meeting, and preceding the Legal Representative.

This administrative body cooperates with the legal representative, and its activities are circumscribed to attain the goals the Corporation was established for.

#### ■ Election, Composition and Regime of Restrictions and Incompatibilities

**The Board of Directors is elected** by the Shareholders' Meeting by the proportional representation voting method for a one-year period, taking into account the proportional representation of stock ownership, as well as criteria of suitability, knowledge, experience and leadership. Members are subject to reelection or removal.

The Corporation's Board of Directors consists of seven (7) members, who are subject to the regime of restrictions and incompatibilities established in Law 142 of 1994 and the Code of Commerce or in the regulations that modify or supersede them.

No employee of the Corporation can be a member of the Board of Directors.

#### ■ Chairman and Secretary

**The Board members elect** among themselves the person who will preside the meetings.

The Secretary General of the Company is the secretary of the Board of Directors.

#### ▪ Independent Members

Any member who meets the requirements for being an **independent member shall be considered as such.**

#### ▪ Meetings

**Every convening shall contain the agenda** previously agreed, and the reports to be presented by the Chief Executive Officer and the Area Managers.

The CEO shall have the right of speaking at the meetings of the Board of Directors, but he cannot vote its decisions. Whenever the Board of Directors deems it pertinent, it shall meet without the presence of the CEO.

#### ▪ Quorum

**The Board of Directors shall deliberate and make decisions** with the quorum established in the bylaws.

#### ▪ Duties

**Among the duties of the Board of Directors are:** Determining the Company's strategic direction; appointing the Chief Executive Officer and his alternates, removing and reelecting them, determining the remuneration of the principal and evaluating him according to the Integral Management Chart adopted by the Company; approving the Company's labor policy, the number of employees and the parameters for their remuneration; approving the Corporation's annual budget and the Good Governance Code; presenting to the Shareholders' Meeting the Corporation's accounts, balance sheets and inventories; proposing to the Shareholders' Meeting the approval of discretionary reserve funds beneficial to the Company and the distribution of earnings; authorizing the sale, liquidation, transfer, disposal, or lease of ISA's assets or property whose amount exceeds five point zero percent (5.0%) and up to fifteen point zero percent (15.0%) of ISA's market capitalization; approving the transactions with subsidiaries that exceed five point zero percent (5.0%) of ISA's market capitalization and seeing to it that they are conducted under market terms; adopting the contracting regulations, indicating the criteria, procedures and powers which the Corporation must adhere to

## Good Governance Code

regarding contractual matters, and specific measures regarding the Company's Governance, conduct, and information; ensuring effective compliance with the Good Governance Code and settling claims arising from its non compliance; presenting to the Shareholders' Meeting information regarding adoption of and compliance with specific measures pertaining the Company's governance, conduct and information.

### ▪ **Hiring of experts**

**The Board may request the Chief Executive Officer** to hire experts or consultants when it deems it necessary to carry out its duties or as support to the Committees.

### ▪ **Committees**

**Committees are work groups made up** of Board of Directors members, on the grounds of their knowledge and expertise.

Creation of committees can be institutional or occasional.

Institutional Committees operate permanently, with their functions stipulated by a Board of Directors' Decision.

The purpose of occasionally created committees is the study, analysis or investigation of specific cases. At the moment an Occasional Committee is created, the Board of Directors will appoint its members, define the issue's framework, as well as the scope of the study and analysis, or the matters subject to investigation, and will set not only the report deadline, but also all other substantial and procedural aspects it finds relevant to the work to be carried out by the Committee, all of which is to be recorded in the Board of Directors' meeting minutes.

Board of Directors' members can not be part of more than three Committees.

Members of Institutional Committees are reported in the Web page.

### ▪ **Remuneration**

**The Shareholders' Meeting** defines the Board of Directors' remuneration.

Information regarding the remuneration defined by the Shareholders' Meeting shall be published in the Web page.

#### ▪ Minutes

**The minutes of the Board of Directors' meetings** are recorded in the Minutes Register Book, and signed by the Chairman and the Secretary of the Board of Directors.

The committees will also prepare minutes, as provided in the respective decision.

#### ▪ Specific duties of the Board of Directors' members

**Besides their regular managerial duties**, incumbent Board of Directors' members must take into account that:

- Their decisions shall be made with independence and autonomy, based on fluid, transparent, and integral information.
- They are not to take advantage for their own benefit of any business opportunity of ISA or its subsidiaries that they may be aware of because of their capacity as Board members.
- They are not to participate in activities that compete with the Corporation, either on their own behalf or that of third parties.
- They are to accept and carry out the specific tasks assigned to them by the Board of Directors, as long as they are within reasonable range of their dedication commitment.
- Submit their resignation whenever they are elected without meeting the requirements or if they are involved in assumptions or circumstances with the potential to negatively affect the functioning of the Board or Directors, or the Corporation's reputation.
- Attend the Board of Directors' Meetings and Committees, and to actively participate in the decision making process.

## Good Governance Code

### ■ Evaluation

Every time the shareholders convene for a regular meeting, **the Chairman shall present to the Shareholders' Meeting** a report on the functioning of the Board of Directors, comprising: a) Meetings effectively held, and their periodicity; b) Attendance by each principal and alternate member to Board of Directors' meetings; c) Preparation of issues to be dealt with at the meeting.

Board of Directors' members shall self evaluate according to mechanisms defined by the Board itself. Evaluation results shall be reported to the Shareholders' Meeting by the Chairman.

### ■ Communicating Board of Directors' decisions

**The Board shall establish the mechanism through which** the Board's Secretary can communicate to each of the Corporation's areas, the Board's decisions, instructions, and the way to report their compliance.

## ■ 2. Chief Executive Officer – CEO

**The CEO is in charge of executing the decisions** and orders of the Shareholders' Meeting and the Board of Directors, directing and administrating the Company and legally representing it.

### ■ Election

**The CEO is appointed by the Board of Directors**, as are his alternates, meeting criteria of suitability, knowledge, experience and leadership, and is subject to reelection or removal.

### ■ Remuneration

**The CEO's remuneration is determined by the Board of Directors**, taking into account the complexity of the Company, responsibilities of the position, and market parameters.

#### ▪ Duties

**The duties of the CEO** are defined in the corporate bylaws; among them we mention the following: Presenting to the Board of Directors specific measures concerning the Company's governance, its conduct and information, and seeing to it that they are complied with, so as to ensure respect for the rights of those who invest in its shares, or any other security issued, and the adequate handling of their affairs, and public disclosure of their management; ensuring respect for all its shareholders and investors, according to parameters set by market control bodies; presenting to the Shareholders' Meeting a report related to foregoing matters; providing the market with timely, comprehensive and accurate information on the financial statements of the Corporation, as well as its entrepreneurial and administrative behavior, without limitation upon the provisions of Articles 23 and 48 of Law 222 of 1995; compiling all the rules and systems required by the Law in a Good Governance Code that shall be submitted to the Board of Directors for its approval, and made permanently available at ISA's premises to investors; announce in a national circulation newspaper the adoption of the code and every amendment, change or supplement to it, stating the way it shall be made available to the public.

The Board of Directors may authorize the CEO to delegate one or several of its statutory and legal duties

#### ▪ Evaluation

**The Board of Directors is in charge of evaluating** the CEO, according to the provisions of the Integral Management Chart adopted by the Corporation.

### ■ 3. Organizational Structure

The Company's organizational structure can be found in ISA's Web page.

#### ▪ On the Area Managers

Accountable to the CEO, the area managers are **part of the hierarchic structure** of the Corporation. Their mission is to ensure the Corporation's permanence,

profitability and integral growth, by means of strategic direction of their management unit vis-à-vis the milieu. They are responsible for creating conditions for the development and integral satisfaction of human assets, ensuring efficient use of the resources of the organization, with application of cost-benefit criteria, and guaranteeing creation of economic value for the corporation.

### ■ **On the Deputy Managers**

The Deputy Managers are **accountable to the area managers**. Their duty is to ensure the Corporation's integral growth, by means of strategic direction. Their responsibility is to promote conditions for development and integral satisfaction of human talent, and to ensure efficient use of the Corporation's resources.

### ■ **On the Directors**

**The mission of the Directors is to develop** strategies to attain the corporate vision, through human assets management and integration of the skills and capabilities of work-teams to reach results.

They are responsible for managing contracts, planning and carrying out the budget, defining logistic resources, and organizing internal work-teams.

## **Chapter III: Procedure for Selection and Performance Management of the Corporation's Personnel**

### ■ **Human Management Policy**

**The objective of the Human Management Policy** is to attract, maintain and retain the human talent the Corporation needs to carry out its operations, achieve its vision, and accomplish man-organization integral development.



## ■ Selection

The methodology for personnel selection at the Company permits to ascertain and measure the competencies, knowledge, thinking and acting of each candidate. This process consists of different stages guaranteeing selection of the best candidate; such stages are: Recruitment, Selection, Hiring, and Adaptation.

## ■ Performance Management

Performance management is a natural process inherent to human talent management aiming to achieve systematic and periodic planning, follow-up and evaluation of the performance of the individual and the group, as well as the contribution of the workers to reach organizational objectives.

## ■ Goal Agreeing

Under the direction of the Chief Executive Officer, the Deputy Manager or the director, and taking into account the expected results, the indicators defined in the Integral Management Chart and the actions and activities included in the Development Plan, a process of goal-agreeing, action-defining, and resource-allotting or budgeting, is developed to reach proposed goals

Every ISA worker is responsible for his performance, according to the role, a process that must be led by the CEO, the deputy managers and the directors.

## ■ Follow-Up

The purpose of this permanent activity is to facilitate control of the performance management process to the directive body.

## Good Governance Code

### ■ Evaluation

It is the review of both individual and group results, duly supported. Evaluation uses the results of the Development Plan and the Integral Management Chart which are disclosed to the whole organization.

### ■ Relay or Succession Plan – Replacement Charts

The Corporation has a Relay or Succession Plan explained in ISA's Replacement Charts for managers, deputy managers, and area directors. It is one of the key centers for Human Talent Planning, and guarantees permanence of values, and technical and human competencies, as well as continuity of projects along time. It also allows consolidation of competitive edge to ensure adding value for shareholders, as well as compliance with our commitments to all other interest groups.

## Chapter IV: Remuneration Criteria

The Corporation's managerial staff is remunerated by means of an integral salary, which has a variable component to it. All other employees are remunerated according to a salary model comprising three (3) components, namely: Fixed, Variable, and Benefits, depending on the labor contract signed by the worker.

No special payment or remuneration mechanisms whatsoever exist at ISA for the workers, managerial staff, or administrative positions, through use of shares or any other type of securities issued by ISA.

## Chapter V: On labor relations

**The Corporation recognizes the workers' right to unionize** and it always negotiates with them directly, in terms of mutual respect, under the rule of law.

There are two types of labor agreements between the Company and its workers: the Collective Bargaining Agreement and the Labor Contract.




**TITLE IV.  
On the  
Behavior of  
Management**

## Chapter I. Mechanisms to set, evaluate, and verify results of the activities of managers

Based on its own goals, **the Corporation evaluates** and verifies the results of its administrators and workers.

Charged with the direction and management of the corporation, the CEO designs the Strategic Direction and submits it to the Board of Directors for approval, defining financial, customer, market, productivity, efficiency, organizational learning and human talent development perspectives, as well as how and in what areas the Company will develop its activities, including entrepreneurial objectives, associated goals, and indicators to measure results.

The Strategic Direction defines the design of the Integral Management Chart, the Development Plan and the Budget, instruments to evaluate all levels of entrepreneurial management: Board of Directors, CEO, area managers, deputy managers, directors, and workers.

### The Integral Management Chart

**It has as a goal the systematic** and methodic measuring of results and entrepreneurial management. The phenomena to be measured and the expected results are defined at its planning stage, in such a way that they shall determine the individual and collective behaviors that have been judged favorable to the enterprise and vital to attain its vision, entrepreneurial objectives, and implementation of the strategies defined, taking into account the four managerial perspectives: Financial, Customers and Market, Productivity and Efficiency, and Organizational Learning and Human Talent Development. The Integral Management Chart permits decision-making and its evaluation, according to results obtained.

The Integral Management Chart design and follow-up is a process that replicates itself at all organizational levels through a balancing system, to obtain an integral management chart for each area in the four management perspectives defined.

## The Development Plan

**It is the instrument to pinpoint entrepreneurial acting**, and contains the actions required to reach the goals set by the Integral Management Chart; just like the previous one, it replicates itself at all organizational levels. The Development Plan is structured under a cause-effect model consisting of four levels: General Objectives and their goals, Specific Objectives and their goals, Actions, and Activities.

## The Budget

**It is the planning of the revenues and expenditures** of the corporation according to the objectives defined. This financial management tool permits planning, follow-up and control of the operations of the Corporation, facilitates decision-making and shows the short-term effects such decisions will have on the financial condition and indicators.

The approval of the budget corresponds to the Board of Directors, and its preparation and execution to the CEO.

The budget permits follow-up of corporate commitments, as well as earmarking of the financial resources of the Corporation.

Through the management instruments established, each hierarchical level of the Organization evaluates monthly the compliance of the goals and achievement of objectives; troublesome points are analyzed and proposals for improvement are determined.

Once analyzed by the Management Committee, the results are internally disclosed to the Organization by means of either presentation to all its work areas and groups or via Intranet.

## Chapter II. On the control

**The controls of the Organization** are of two types, depending on their external or internal nature.

## Good Governance Code

### ■ 1. External control bodies

**External Controls** are basically those conducted by the Statutory Auditor, the Superintendency of Public Utilities, the National General Auditing Office, and the External Auditing for Multilateral Banking. Also in this category are the actions by the Financial Superintendency.

#### 1.1 Statutory Auditor

##### ■ Election

**The Corporation shall have a Statutory Auditor** with his respective alternate, who shall substitute him in case of absolute, temporary or accidental absence, elected by the Shareholders' Meeting for one (1) year, susceptible of reelection for three (3) additional terms.

For this election, the Company, considering the requisites established for the position, and according to the Contracting Regulations, shall issue the corresponding invitations. After evaluation, the Corporate Audit Committee shall present a proposal to the Shareholders' Meeting, whereupon an eligibility order is established.

##### ■ Requisites

**The Statutory Auditor must be a firm** of acknowledged renown that meets the requirements of the articles of incorporation and the law, as well as those established by the creditors of ISA.

Inasmuch as possible, ISA's Statutory Auditor shall also be the statutory auditor for all of its subsidiaries.

##### ■ Remuneration

**The Statutory Auditor shall earn the remuneration** defined by the Shareholders' Meeting.



#### ▪ Responsibilities

**The Statutory Auditor shall have** the duties determined by the Law and the corporate bylaws.

#### ▪ Restrictions and incompatibilities

**Besides the restrictions and incompatibilities determined in the Law** and in the bylaws, the Statutory Auditor shall not, either directly or through third party, provide consultation services or activities or execute any type of contract at ISA, which might compromise his independence, nor is he to hold this position at ISA or any of its subsidiaries, for over four (4) consecutive terms.

#### ▪ Statutory Auditor's Report

**ISA's Management will permanently keep** the Statutory Auditor's latest report available in its Web site for the market, shareholders, and investors.

### 1.2. Superintendency Of Public Utilities

**According to Laws 142 of 1994 and 689 of 2001**, the Superintendency of Public Utilities is in charge of controlling the management of the company, either directly or through the External Auditor of Management and Results. This latter is hired by the Company, but he reports to the Superintendency any situation jeopardizing the financial viability of the corporation, failures found in the internal control, and general views regarding the audited company's management. The External Auditor acts both on behalf of the corporation and its shareholders, and the service users.

The External Auditor of Management and Results is hired by the Company, after the Corporate Audit area has sent invitations to bid. Proposals received are evaluated according to the principles established in the Company's Contracting Regulations and the Goods and Services Negotiation Policy, which guarantee objective evaluation on criteria of equal conditions. The Superintendency of Public Utilities shall be informed of the hiring of the External Auditor of Management and Results.

## Good Governance Code

The External Auditor of Management and Results is hired for a one-year periods, and he is susceptible of removal by request of the Superintendency or the Corporation, upon approval by the control entity.

The results of this auditing and those of the Management Plan are submitted to the Superintendency of Public Utilities.

In compliance with Article 45 of Law 142 of 1994, the Superintendency of Public Utilities supervises compliance with the balance of the control mechanisms promoted and regulated by the Energy and Gas Regulatory Commission -CREG-.

### 1.3. Financial Superintendency

Because the securities of the Corporation are filed with the National Registry of Securities and Intermediaries **there is a duty to keep** the Financial Superintendency permanently abreast by submitting to it end-of-fiscal year and quarterly information as well as any other relevant information.

### 1.4. National General Auditing Office

**This entity is in charge of** fiscal control, according to the provisions of Laws 142 of 1994 and 689 of 2001. This control is applied on the contributions and actions dealing with the State in its condition as a shareholder, and not on the Corporation. The role of the National General Auditing Office is as controller of state investment.

The National General Auditing Office conducts an evaluation and presents its report to the Management of the Company.

### 1.5. External Auditing for Multilateral Banking, Bilateral Trade Finance and Investors

**The Corporation requires the services** of an External Auditor to meet contractual requirements with finance agencies, and to audit financial statements prepared according to U.S. GAAP (United States of America Generally Accepted Accounting Principles). For selection of External Auditors, the following shall be taken into account:

- Meet the requirements demanded by finance bodies in terms of quality and suitability of the Auditor, according to the contractual clauses.
- The auditing firm must be duly renowned as suitable to audit financial statements intended for register with the Securities and Exchange Commission -SEC-.

### 1.6. Risk-Rating agencies

To produce their rating, **risk-rating agencies** analyze the internal and external situation of the Company, the handling of its businesses and its different entrepreneurial policies. Ratings let creditors and investors know how safe their investment is, and help the Corporation gain access to capital resources.

The Corporation has the compromise to keep updated its ratings by domestic and international agencies and to publish them in the Web page.

### 1.7. Investor-Requested Audits

**A number of shareholders representing** at least five percent (5%) of subscribed shares, or a number of investors whose investment is equal to or greater than five percent (5%) of ISA's Market Capitalization at the time of the request, may request to the CEO special audits at their cost and responsibility.

The request of special audits shall be made in writing indicating the reasons thereto, the facts and operations to be audited, the length of the audit, as well as three (3) firms of acknowledged renown and experience.

When the percentage required to request a special audit consists of a plural number of shareholders, in their request they shall designate one representative for that effect.

The request shall be answered by the CEO within ten (10) business days, indicating the firms presented, the firm selected to carry out the audit, and the date of commencement of the audit.

In his refusal to carry out the special audit, the CEO shall set forth the reasons for his decision. Such decision may be presented for the consideration of the Board of Directors at the request of the interested party.

## Good Governance Code

The results of the special audit shall be presented first to the CEO, who shall have ten (10) business days to produce his opinion. These results and the opinion of the CEO shall be transmitted to the Board of Directors and to the control and surveillance entities. In the event of possible violation of legal regulations, the corresponding judicial and investigation authorities shall be informed.

### ■ 2. Internal control

#### 2.1. Internal control system

**It is an array of elements** (resources, information systems, processes, culture, rules, structure, goals, etc.) that, taken as a whole, shores up achievement of corporate goals.

#### 2.2. Internal control bodies

##### ■ Board of Directors

The Board of Directors shall see to it that an effective Internal Corporate Control System will exist to ensure:

- Efficient, effective, and economic operation of ISA and its Economic Group.
- Protection of resources, under adequate administrative terms.
- Timely and reliable information flow.
- Proper assessment and follow-up of management.
- Compliance with legislation and regulation, as well as with internal policies, rules, and procedures.

**Its main responsibilities are:**

- Provide and approve the general framework for the internal control of ISA and its Economic Group.

- Approve corporate policies that are to rule the Economic Group's Internal Control System.
- Ensure compliance with corporate control policies in the Group.
- Propose and/or request audits to be carried out as part of the Yearly Audit Work Plan.
- Know the auditor's reports, and make decisions regarding them.
- Supervise balance and cost effectiveness of controls.
- Know the external auditor's (statutory auditor) performance evaluation.
- Propose appointment of the external auditor (statutory auditor) to the Shareholders' Meeting.

#### ■ **Corporate Audit Committee**

**This Board of Directors' Committee** endorses efforts by the parent company's Board of Directors and its affiliates to perform internal control functions. Its main aim will be internal control system direction and follow-up for ISA and its affiliates.

Its main responsibilities and duties are:

- Approve guidelines, policies, principles, models and methodologies applicable in the area of corporate control.
- Oversee compliance with the control policy of Grupo Empresarial ISA.
- Ensure effectiveness of the Economic Group's corporate control system.
- Oversee implementation on the management's part of policies ensuring identification of risks, as well as their adequate, valid, and effective control.
- Facilitate control activities within the Corporation.
- Oversee compliance with the Code of Ethics and the Good Governance Code.

## Good Governance Code

- Ensure independent and transparent work by the corporate audit and external auditor (statutory auditor), as well as availability of resources to such effect.
- Ensure adequate balance of controls.
- Ensure adoption of adequate auditing practices.
- Oversee presentation of financial statements and ensure adoption of and compliance with adequate accounting practices.
- Assess and monitor corporate audit performance.
- Approve the audit annual work plan, and monitor its compliance.
- Know the findings of corporate audit and all other supervision and control entities, and make decisions regarding them. Ensure the above are incorporated into improvement plans, and monitor their implementation.
- Report risk findings or situations that so merit to the Board of Directors and the Shareholders' Meeting.
- Check and assess the performance of the external auditor (statutory auditor).
- Define the external auditor's appointment process (reelection, offer requests), supervise its proper application, and present to the Board of Directors its recommendation for the Shareholders' Meeting (Partners' Meeting).
- Ensure existence of procedures to receive and follow up claims.
- Request conduction of investigations or special work that may be required.
- Check and settle whatever major disagreement between the Management and the external auditor (statutory auditor) as regards to improvement of processes.
- Conduct every activity contained in the Economic Group's rulings, decisions, bylaws, and in the applicable law, to the extent deemed necessary or appropriate by the Committee or the Board.

- Contribute to the Good Governance Code compliance supervision function assigned to ISA's Board of Directors and be informed of all matters related to its effective compliance, by reason of claims presented to the Board of Directors by shareholders and investors, among others, according to the provisions of the bylaws and the Code itself.

#### ■ CEO

**The CEO, as responsible for** internal control, is in charge of administration and follow-up of minimal internal control rules, as well as implementation of corrective measures recommended by the internal auditor and the external auditor. Pursuant to Law 142 of 1994, the internal auditor is responsible for internal control assessment and supervision functions assigned by the CEO.

**The CEO's main responsibilities** in terms of internal control are:

- Ensure compliance with corporate policies.
- Design, implement, administer, and conduct follow-up of the Company's internal controls.
- Ensure existence of, compliance with, and effectiveness of internal controls.
- Implement corrective actions recommended by corporate auditing and the external auditor.
- Follow up on improvement plans resulting from internal and external evaluations.

#### ■ Corporate Auditing

It is in charge of proposing the corporate internal control system framework according to the best practices, and of supporting the Group's and its affiliates' top management through evaluation of performance as a whole, specifically that of corporate governance, risk control and administration, while offering improvement proposals.

## Good Governance Code

The main duties of Corporate Auditing are:

- Implement policies and rules applicable to internal audit functions, taking into account the best practices of general acceptance, among which those defined by the Internal Auditing Institute, and in applicable regulation.
- Supervise and see to it that Grupo ISA's resources are used efficiently and effectively, that risks are managed, and that an effective internal control system is kept in place.
- Oversee internal control systems (reliability of financial information, efficiency, productivity, and compliance with regulation), at the corporate level.
- Supervise and monitor the internal control system.
- Periodically assess business risks at corporate level, and the measures set to counter them.
- Oversee control processes.
- Formulate and develop the annual audit plan.
- Direct and coordinate corporate level audit activities for each affiliate.
- Report work plan advancement and compliance with improvement plans to the Corporate Audit Committee and to the affiliates' Audit Committee.
- Develop and document auditing methodology, putting into practice the methods defined.
- Coordinate activities of External Audit (Statutory Audit) and External Audit of Management and Results for every company in the Group.
- Analyze and follow up on irregular situations detected (fraud); such analysis shall focus on review of process and missing internal controls that failed to operate, and brought about the fraud situation.
- Periodically meet with the Corporate Audit Committee to report audit plan development as regards to findings.



- Identify points susceptible of improvement in the control systems of the Economic Group's companies.
- Conduct discretionary follow-up on the implementation of actions agreed on, and report their results to the Corporate Audit Committee and to the affiliates' Audit Committee.

■ [Return to the menu](#)




# TITLE V: Trading of Securities

## Chapter I: Criteria applicable to the trading of securities of ISA by its managers and workers

**The Company can issue common shares and preferred shares.**

The capital of the Corporation is currently divided into registered common shares that circulate in a dematerialized way and are filed with the National Registry of Securities and Intermediaries and the Stock Exchange.

The State, as controlling shareholder, and through statement subscribed by the Minister of Mines and Energy on December 15 of 2000, committed itself to carrying out all necessary activities, at the corporation level, so that ISA shall register all its common shares with the National Registry of Securities and Intermediaries, and the Colombian stock exchanges, within eighteen (18) months following the expiration date of the first public offering of preferred shares, as part of the program “ISA, Shares for All”, and that the Corporation makes its best efforts, in accordance with the favorable conditions of the market, in order to achieve registry of ADRs (American Depositary Receipts), at least level III, of ISA, at an international stock exchange, within twenty four (24) months following expiration of the first public offering of preferred shares. (Quoted from the Statement of the State, in force until the year 2011).

According to Article 404 of the Code of Commerce, the administrators of the Corporation shall not be able, neither by themselves, nor through any third party, to transfer or acquire its shares while acting as administrators, except when no trade for profit is present, and with authorization of the Board of Directors, granted with the favorable vote of two thirds of its members, excluding that of the requester, or of the Shareholders’ Meeting, with the favorable vote of the simple majority as defined in the bylaws, excluding that of the requester.

In a Decision, the Board of Directors sets the mechanisms for trading Corporation’s shares by its managers, defining in the same document the extent of the concept of trade for profit.

Neither the Company’s managers nor its workers shall purchase or sell the Corporation’s securities, either on the open market or through private transactions,

whenever they are in possession of substantial information of the Corporation undisclosed to the general public. Managers and workers are to refrain from disclosing such information to third parties. They can not advise third parties as to purchase or sale of the Corporation's securities on the basis of such information.

Substantial information is construed to be that information a regular market investor would take into account to sell, purchase, or keep securities. In case there is doubt regarding substantiality of the information, the manager or worker shall refrain from conducting the operation until the Board of Directors, in the case of Board members or the Chief Executive Officer, and the immediate superior, in the case of the Corporation's other workers, make the corresponding pronouncement. To such effect, the interested party shall set forth in a clear and detailed way the operation's characteristics, the information in his possession, and how he learned such information.

The immediate superior is to report the decision made to the Chief Executive Officer and to the Board of Directors.

## Chapter II: Policy for reacquisition of shares

**It corresponds to the Shareholders' Meeting to order** reacquisition of own shares and their subsequent transfer, to create the respective reserve with funds taken from net taxable income, as long as the shares to be bought are completely paid for in the way established by the Commercial Law, and to define the parameters under which the Board of Directors shall set the conditions and requirements for repurchase and transfer of repurchased shares.

Shares reacquired by the Corporation do not count in determining majority, nor do they confer the right to participate and vote in the Shareholders' Meeting, or receive any type of economic benefit.

### ■ Right of redemption

**Statement of the State as ISA's controlling shareholder to protect minority shareholders.**

## Good Governance Code

The State, as ISA's controlling shareholder, committed itself through statement subscribed by the Minister of Mines and Energy on December 15, 2000 to: *"In the event a number of minority shareholders representing at least five point zero percent (5.0%) of outstanding shares exercise the right of redemption consecrated by article 12 and subsequent articles of Law 222 of 1995, and in case no agreement can be reached as to the price of the shares, the State, as ISA's controlling shareholder, commits itself to proposing to the Shareholders' Meeting, and voting in favor, that the corresponding acquisition and/or reimbursement value of the shares be determined as follows, without limitation upon the shareholder's option to proceed as provided by the law:*

*"The Chamber of Commerce of the main domicile of Interconexión Eléctrica S.A. E.S.P. ISA shall designate an investment banking firm with renowned experience in the domestic or international market, who shall establish the value of the shares. The opinion of the investment banking firm shall be final and binding on the parties."*

*"ISA shall bear the fees of the Investment Banking firm"*

*"For matters of the provisions of this Statement, the existence of some impairment of the economic rights of ISA's minority shareholders shall be presumed when the Shareholders' Meeting approves one of the events described in number 3.3 of the Statement, with a majority lower than the special majority of the total number of shares subscribed determined according to attachment 3 and aforementioned number 3.3. In such a case, the minority shareholders dissenting or absent of the Shareholders' Meeting where the decision is made shall have the right to sell their shares to the State, as long as the State has voted in favor of the decision. In such case, the sale price of the shares of the minority shareholders who exercise the right of sale herein mentioned shall be determined according to the proceeding described above in number 6.1 of this Statement".*

*"Acquisition by the State of shares from dissenting or absent minority shareholders mentioned in number 3.3 hereof, shall be made according to the Law, and the regulations issued by the Colombian Securities Commission for shares of companies filed with the National Registry of Securities and Intermediaries and the Stock Exchange".*

## **Chapter III: On the economic relations between ISA, its controlling groups, subsidiaries and administrators**

The Board of Directors deliberates and decides on the execution of transactions, agreements or contracts with its controlling shareholder or with subsidiary companies of its controlling shareholder, as well as with parent or subsidiary companies of its controlling shareholders, or in general with parent, subsidiary or affiliate companies of said persons, for the acquisition of goods and services, being understood that any of such acquisitions or transactions shall be executed under terms and conditions and at the costs usually applied to transactions with unrelated third parties, that is, under market conditions.

It is also the duty of the Board of Directors to approve transactions with subsidiaries that exceed 5% of ISA's market capitalization and see to it that they are carried out under market conditions. Operations executed in compliance with a duty established in the law or regulations are excepted.

The contracts originating in exercising ISA's corporate purpose, such as services of transport of power or other energy sources, connection, operation and administration of the energy market, as well as telecommunications and ancillary services, shall be executed freely by the Corporation within the appropriate regulatory and legal frameworks.

No administrator or worker shall take part in contracts or dealings, when he is subject to a conflict of interest, or when his relatives within the fourth (4th) degree of consanguinity, second degree of affinity or first degree resulting from adoption, have an interest therein. The worker, upon becoming aware of the conflict of interest, shall report it to his immediate superior, who shall designate another employee to carry on with the process.

Administrators and workers who contract or deal with the Company out of legal obligation, or who do so to use the goods or services delivered by it under regular conditions to whom so requests, shall not be considered to be under any conflict of interest.

■ [Return to the menu](#)






**TITLE VI:  
On the  
Shareholders  
and Investors**

## Chapter I: Rights and obligations

ISA recognizes the importance of its shareholders and investors, and accordingly, with social responsibility, it looks not only for returns on their investment and increase in the Company's value, but also for the guarantee of the full exercise of their rights and strict compliance with their duties.

### ■ 1. Equitable treatment

**The Corporation shall give equal treatment** regarding petitions, claims and information, to its investors and shareholders, regardless of the value of their investment or number of shares represented by them.

Every shareholder has the right to participate and vote in the regular or special shareholders' meetings, in all the issues dealt with in such meetings, and there shall only exist economic privileges, under the conditions set by the Shareholders' Meeting.

Additionally, the State, as controlling shareholder, and through statement subscribed by the Minister of Mines and Energy on December 15 of 2000, and aiming to give representation in the Board of Directors to the minority shareholders, committed itself to *"(...) proposing to the Meeting and voting in favor that the Board of Directors be composed of seven (7) directors, with an equal number of alternates. Without limitation upon the above, the State, or whoever it transfers its stock participation to, under whatever title, shall include in its ticket of candidates for the Board of Directors one person agreed to by common agreement by the ten (10) minority shareholders with the largest stock participation, so that the person designated by these minority shareholders shall be elected to the Board of Directors. In case no agreement is reached by such minority shareholders, the State, or whoever it transfers its stock participation to, under whatever title, shall include in its ticket the person designated by the pension and retirement funds that are minority shareholders."*

*"PARAGRAPH: The above duty of the State or whoever it transfers its stock participation to, under whatever title, shall exist as long as the sum of the shares owned by the minority shareholders is less than fifteen percent (15 %) of the shares of ISA with voting right."*

## ■ 2. Dividends

**Every shareholder has the right to receive** as dividend one portion of the earnings of the corporation pro rata to the number of shares he owns.

ISA distributes its earnings in the way provided by its bylaws.

## ■ 3. Convening the Meeting

**A number of shareholders representing** at least twenty per cent (20%) of the total number of subscribed shares can request the CEO or the Statutory Auditor to convene special Shareholders' Meetings.

## ■ 4. Petitions to the board of directors

**A plural number of shareholders representing** at least five per cent (5%) of the total number of subscribed shares can submit proposals to the Board of Directors, indicating the name and address of the person to whom the answer shall be sent, and with whom the Board shall act, when deemed necessary.

As provided in the bylaws and in the Good Governance Code, the Board of Directors shall not disclose information considered confidential or that jeopardizes the business of the Company or affects the rights of third parties, or which once disclosed, could be used in detriment of the Company.

## ■ 5. Identification of the main shareholders

The Web page shall report the Corporation's shareholding composition, identifying at least the five (5) persons with the most number of shares.

## ■ 6. Connection to the central securities depository

**The Shareholders' Meeting** may determine whether the Corporation's shares shall circulate in a physical or dematerialized manner.

## Good Governance Code

The Web page shall inform the way shares shall circulate, as well as the name of the entity administering custody of shares.

### ■ 7. Office of attention to shareholders and investors

**ISA has offices dedicated to relations** with shareholders, in charge of listening to and settling the requirements of ISA's shareholders, for which the following mechanisms are available:

- **Shareholder attention offices:** Personalized attention at ISA's main offices and in the cities considered necessary by Management to receive correspondence and personal and/or phone information requests. Trained and at-all-times-available personnel in different cities in the country are also ready to help ISA Shareholders.
- **A toll-free line to provide attention to shareholders:** It provides quick attention to questions, inquiries, complaints and claims. This number is to be disclosed periodically through mass media.
- **An e-mail address:** Electronic address to be disclosed periodically through mass media.
- **Shareholders receive a newsletter at least twice a year,** with information on the Company's main advancements and results, market evolution of ISA's stock, and other topics of interest.

The Shareholders' Attention Office is connected online to the Central Securities Depository.



**TITLE VII.**  
**On the legal  
and economic  
relations with  
suppliers**

## Good Governance Code

### ■ 1. Applicable regime

**ISA, as a public utilities company,** is subject to the provisions of the Public Utilities Laws – Laws 142 of 1994 and 689 of 2001, and of the Electricity Law – Law 143 of 1994; therefore, it is subject to private law and to the provisions of its bylaws.

Under the principle of equal conditions for evaluation and decision making in acquisition of goods and services, ISA adopts the Best Alternative of Negotiated Agreement (MAAN) as its methodology. The MAAN is based on the analysis of technical, commercial, value added and social policy conditions, whenever relevant, always giving priority to those factors defined as essential to the acquisition.

Application of the concept of ‘Best Negotiated Agreement’ considers the optimization of technical, commercial, value added and State social policy factors, whenever relevant, as the commitment to continuous compliance with high quality standards of service delivery.

### ■ 2. Contracting regulations and special contracts

**As provided in the bylaws,** the Board of Directors has adopted the Contracting Regulations, which define the criteria, procedures and powers by which the Company must abide regarding contract matters.

The Contracting Regulations approved by the Board of Directors, define the requirements for contracting with ISA, the procedure for contractor selection, specific contracts, special contracts for STN expansion bids, contracting in the event of emergency or damage, and contracts related to international negotiations.

The Contracting Regulations approved by the Board of Directors are published in the Company’s Web page.

#### 2.1. Contracting principles

**ISA’s Contracting Regulations** establish that every contract process of the Corporation shall abide by the following principles:

#### **Good Faith**

**The parties shall proceed in good faith** in each one of their acts, and contracts shall be binding not only in terms of their specific stipulations, but also as regards to their very nature, according to Law, custom and equity, and indemnities shall be in order in case of default.

#### **Transparency**

**The contracting process shall be conducted** on the basis of objective selection and clear rules that guarantee quality, impartiality, and equal opportunities.

#### **Economy**

**The contracting process shall be conducted** in such way as to allow ISA E.S.P. to select the proposal that best fits its interests, and to execute the contract through the best investment in technical, financial, and human resources.

#### **Equity**

**The principle of equity must inspire** and rule contracting processes to the point that in the case of absence of special regulation on specific circumstances, the general or abstract rule shall be applied, in order to reach justice.

#### **Responsibility**

**According to this principle ISA workers shall** strictly observe the correct execution of the contracted matter and protect the Corporation's interests, with accountability for their acts and omissions or non-compliance with legal duties.

As provided by the bylaws, the CEO may delegate execution of acts and signing of contracts, bid processes, expenditure orders, and authorization of payments on management level positions, according to the Contracting Regulations issued by the Board of Directors.

### ■ **3. Contracting mechanisms**

**The Company may implement different** mechanisms for contracting, always looking for agile, competitive, and transparent supply of goods and services.

The contracting mechanisms implemented in the Company will be reported in the Web page.

■ [Return to the menu](#)






## TITLE VIII. On the risks

## Good Governance Code

**The Company's risk map** identifies and classifies the risks to which it is exposed according to their source and origin.

Information about risks, their classification and management of the most relevant is posted in the Company's Web page.

ISA's Integral Risk Management Policy establishes responsibilities regarding objective, systematic and homologated application of procedures and standards aimed at optimum risk management, in the context of viable continuity of operations and heightened competitiveness edge of ISA.

The Integral Risk Management includes the stages of identification, assessment, administration, monitoring, communication and consolidation of corporate-level risks and processes, definition of tolerance levels, and coordination of implementation in the Group's affiliates.

The prospectuses for shares and bonds issued and underwritten by the Corporation, as well as the reports by national and international risk rating agencies, disclose the risks. These are public documents, available to every investor that requests it.

The reports from all external and internal audits state the possible risks for the management of the Corporation, and they are taken into account for the strategic planning of the Corporation.



**TITLE IX.  
Conflict  
resolution**

## Chapter I: Definition, acts and resolution of the conflict of interest

Managers and workers of the Company are considered to be in a conflict of interest situation when, by reason of their duties, in making a decision, or performing or abstaining from performing an action, they have the possibility of choosing between the interest of the Corporation, customer, user or supplier and their own personal interest or that of a third party, so that, should they opt for either of the latter they would obtain undue pecuniary and/or extra-economic benefit they wouldn't otherwise obtain, thus ignoring a legal, contractual, statutory or ethical obligation.

Managers and workers of the Company shall act with due diligence and loyalty, reporting any conflict of interest, abiding by their duty of confidentiality, and reasonably using corporate assets for their intended end and service.

Every act of the Company is ruled by the values and principles of this Code, by the rules of business ethics and commercial good faith, and by the respect for commercial Law and customs of the trade; they are focused on fulfilling the corporate purpose, with emphasis on community well being and service.

When facing a conflict of interest, or in doubt about its existence, the following procedure must be followed:

- Report the conflict in detailed writing addressed to the immediate superior, who shall designate the employee to carry on with the process.
- Abstain from intervening, directly or indirectly, in the activities and decisions related to the conflict, and cease all actions when becoming aware about the conflict of interest.
- Members of the Board of Directors shall report to it any conflict of interest. The doubt about the existence of a conflict of interest does not exempt any member of the Board of Directors from the obligation of abstaining from participating in the respective activities.

## Chapter II: Dispute resolution

**Any dispute that may arise between the Corporation** and its shareholders or between its shareholders and its managers, and those related to challenged decisions, shall be tried to be solved first through direct settlement. If no agreement has been reached after sixty (60) business days, the disputing party may resort to the regular courts or to an alternative procedure for dispute resolution provided under Colombian Law.

Alternative procedures for dispute resolution shall be conducted at the Conciliation and Arbitration Center of the Medellín Chamber of Commerce for Antioquia.

■ [Return to the menu](#)




**TITLE X.**  
**On the**  
**information**

## Chapter I: Information standards

**It has been the policy of the Company** to provide the market with timely information on the results of its commercial activities, and its expansion, research, and development projects.

Any person employed by ISA shall exercise special care in handling information classified as reserved or confidential. Every person related to ISA shall use the information they have access to by virtue of their duties or contractual relations, exclusively for the exercise of such, fully complying with the procedures established for disclosure of information to third parties.

According to its nature, the information is classified as follows:

### **Reserved or Confidential Information**

It refers to information that is of the exclusive competence of managers, information related to the Company's industrial secrets, competitive edge, corporate strategy, competitiveness, prices and campaigns, information, which once disclosed, can be used in detriment of the Company, and all information deemed as confidential by Law.

Reserved or confidential information also involves information proprietary to third parties used by ISA under confidentiality agreements or usage licenses.

It is the managers who decide which information is Reserved or Confidential.

### **Public Information**

Public information is all information not defined as Reserved or Confidential, which has been disclosed by the Company.

### ■ **Duty to supply information**

**Except for confidential or reserved information**, or information that may jeopardize the businesses of the Company or affect the rights of third parties, or which can be used in detriment of the Company, ISA posts in its Web page general and updated



information, prepared according to the principles, criteria and professional practices used to produce the financial statements, and it enjoys the same reliability as these latter, regarding the following matters:

Corporate bylaws, Internal Ruling of the Shareholders' Meeting, abstracts of the two latest minutes of the Shareholders' Meeting, financial and accounting statements, projected cash flows, guarantees established in its own benefit or that of third parties, their type, status, performance, and market value, relevant information about risk management, investment management policies, transactions of shares and other own securities, opportunities and problems regarding the evolution of its activity, anything related to the Organization and its development, competitive surrounding, entrepreneurial projects, risks from environmental, tax, labor, civil, and commercial contingencies of materiality due to their nature or amount, the structure, operation and mechanisms for collection and disclosure of information, and the procedures used by the internal control area, all external audits conducted to the Corporation, with their periodicity, methodology, and results, professional conditions of the members of the Board of Directors, administrators and internal control bodies, reports of the statutory auditor on relevant findings, in such a way that their qualifications, experience and capabilities to manage the matters they are supposed to handle, can be identified.

## Chapter II: Information media

**The above mentioned information** shall be permanently published in the Company's Web page.

The information not disclosed by such means must be requested in writing to the CEO of the Corporation, stating the reasons for the request and the purpose of the information.

The CEO shall answer the request within ten (10) business days.

Refusal of request presented can be brought to the consideration of the Board of Directors in writing, signed by the petitioner.

■ [Return to the menu](#)




**TITLE XI.**  
**Disclosure and**  
**availability**

## Good Governance Code



**The Code, as well as any amendment, change** or supplement, shall be timely disclosed and published in the Web page established by the Company to such end.

Its adoption and amendments shall be announced in a national circulation newspaper.

The amendment to the Code of Good Governance becomes binding as of its approval by the Board of Directors.



**TITLE XII.  
Good  
Governance  
Code  
compliance**

## Good Governance Code

It is the duty of the **Board of Directors** and the CEO of ISA to ensure the permanent compliance with the specific measures concerning the governance of the Corporation, its behavior and information, which have been compiled in the Good Governance Code duly approved by the Board of Directors.

Shareholders and investors shall be able to ask the Board of Directors for effective compliance with the Good Governance Code, presenting their request in writing, duly supported. The Board of Directors may appoint a Control Committee to see to such matters.

Additionally, the Statutory Auditor may hear the complaints arising from violation of the rights of shareholders and investors, and inform the positive results of these investigations to the Board of Directors and the Shareholders' Meeting.

### ■ **Good Governance Code verification mechanisms**

So as to **guarantee compliance with the Good Governance Code**, the Corporation designed and implemented an online mechanism to verify compliance with each one of the commitments contained in the Good Governance Code, as a tool to facilitate preparation of the compliance report to be presented to the Shareholders' Meeting.

The characteristics of the Compliance Verification Mechanism of the Good Governance Code are:

- **Integral:** Comprising each one of the commitments contained in the Good Governance Code.
- **Verifiable:** Identifying actions or omissions to be conducted in order to meet commitments.
- **Personal:** Identifying those responsible for action, or who are to abstain from action with respect to prohibitions.
- **Determinable:** Pinpointing date and periodicity for action or omission.

Several areas have to do with operation of the Verification Mechanism, each one with a different role, thus:

### **Administrator**

This is the Secretary General, in charge of recording and updating the contents of the Code in the system.

### **Responsible**

These are the Company's workers, in charge of reporting execution or omission of actions. One month before deadline, and in the deadline month, the system sends them a message reminding them to report on their compliance.

### **Verifier**

This is the area in charge of verifying what those who are answerable or responsible report on a month-to-month basis.

### **Consultation and report**

The Corporation's managers can check up actions or omissions to be carried out by their area's personnel in order to comply with the commitments. Workers can do likewise in their role as answerable or responsible.

The Corporation's Web page shows on a monthly basis the report on compliance with commitments.

### **■ Other verification mechanisms**

The Corporation's internal control area conducts an annual Good Governance Code compliance audit, the most relevant aspects of which are reported to the Shareholders' Meeting in the report on Code Compliance

Likewise, compliance with the Good Governance Code is verified through the various control instruments set by the Corporation.






# ATTACHMENTS

## Attachment 1. Internal ruling of the meeting

INTERCONEXIÓN ELÉCTRICA S.A. E.S.P -ISA-, in order to guarantee the Regular Shareholders' Meeting achieving its objectives, and to facilitate debates and decision-making within respect and participation, hereby provides the following Internal Ruling of the Meeting:

### ■ ARTICLE 1º: DEFINITIONS

For the purposes of ISA's Regular Shareholders' Meeting, the following terms shall be understood to have the meaning ascribed below:

**To accept:** A report is like adopting and/or approving it; should not be regarded as receiving a report, which only means to allow its submission to the Shareholders' Meeting.

**Minutes:** Written records of whatever takes place, is addressed and agreed under the Shareholders' Meeting.

**Regular Shareholders' Meeting:** This term is used to appoint a deliberating and formal meeting, either ordinary or extraordinary.

**Commission Approving Minutes:** In charge of the analysis and approval of Minutes.

**Debate:** Discussion by assistants to the Shareholders' Meeting on any issue, resolution, report, proposal, motion, etc.

**Amendment:** Change, addition or replacement of a motion, project, report or rule.

**Interpellation:** Whenever someone is speaking out loud and other participant requests some time to complement or provide explanations regarding that being currently asserted.

**Majority:** Greater number of votes or opinions that agree on a voting process.

**Simple Majority:** One half plus one of present or represented shareholders.

**Absolute Majority:** Measured based on the total number of subscribed shares, gathering 51% of such total.

**Special or Qualified Majority:** Made-up by two thirds of votes from subscribed shares or two thirds of assisting or represented shareholders, as provided by ISA's bylaws.

**Agenda:** Listing of affairs or topics being addressed within an Shareholders' Meeting, either fixed before the date of the Shareholders' Meeting or at the commencement thereof.

**Voting:** A Collective act whereby the Shareholders' Meeting makes a pronouncement.

**Regular or Open Voting:** Performed by expressing a vote out loud, by raising a hand or by standing up.

**Nominal Voting:** Performed by calling each participant, as per the assistant listing, to inform out loud its positive, negative or in-blank vote. If not expressly provided by the Bylaws or the Rules, this sort of voting requires a prior motion approved by the Shareholders' Meeting by simple majority.

**Motions:** Propositions or proposals submitted by participants before the Shareholders' Meeting. They are classified in the following categories:

- Principal motions
- Subsidiary motions
- Incidental motions
- Privileged motions
- Non-classified motions

**Principal Motions:** Those presenting an initiative, proposal, suggestion or matter of interest for consideration of the Shareholders' Meeting. Principal motions are not been preceded by or involve priority on anything, that is to say, they cannot be addressed when the Shareholders' Meeting is discussing other affair or motion. Principal motions hold a place after privileged, incidental or subsidiary motions.

Principal motions are open to question, i.e., they could be subject to discussion and could be enclosed or amended by other motions.

## Good Governance Code

**Subsidiary motions:** Those submitted in order to provide for other motion under a better form or mode. Subsidiary motions may amend, postpone or refer or transfer a principal motion to a committee or commission.

A subsidiary motion replaces or substitutes a principal motion that gives rise to the premier, and should be decided before adopting a resolution on the principal motion.

**Incidental motions:** Also called unforeseen motions on a pending affair or motion or one that has just been decided. As regards to pending affairs, incidental motions are admissible or prevail over pending motions and therefore should be decided before the latter. As regards to motions or affairs that have just been decided, incidental motions should be decided before the Shareholders' Meeting decides on other affair or motion.

Incidental motions are open to question and cannot be amended, except when they refer to the method for considering an affair, for voting or the time within which motions or voting processes should be closed.

**Privileged motions:** Those which, although have no direct relationship with an affair or motion under consideration, are so important for the meeting that require the Assembly's immediate attention. Some of them are Sufficient Illustration and Order.

These motions are privileged because they are admissible or prevail on any other. Privileged motions are not open to question, cannot be subject to discussion, they are rather considered by the Chairmanship and are voted immediately.

### ■ ARTICLE 2°: PARTICIPANTS

Principal shareholders or their representatives acting in lieu thereof, provided they are qualified members, shall have the right to speak and vote.

Special guests shall have the right to speak at discretion of the Directive Board of the Regular Shareholders' Meeting.

### ■ ARTICLE 3°: QUORUM

Quorum for deliberation shall be made up by a number equal to one half of the qualified assisting or represented members that represent at least absolute majority

of subscribed shares. The General Secretary of the Shareholders' Meeting shall check the quorum.

Deciding quorum is made up by the majority of present votes, unless the law or the bylaws require special majority for specific actions.

#### ■ **ARTICLE 4°: DIRECTIVE BOARD**

The chairman of the Board of Directors shall install the Regular Shareholders' Meeting and thereafter shall submit for consideration thereof the appointment, within the assistants, of a President and Vice-President. ISA's General Secretary shall act as Secretary.

#### ■ **ARTICLE 5°: COMMISSIONS**

For the development of the Shareholders' Meeting, the president shall appoint the following commissions from the present shareholders:

##### **a. Commission for Review and Approval of Minutes:**

It is in charge of revising the contents of the minutes of the Shareholders' Meeting as prepared by the General Secretary and also responsible for signing on behalf of all present individuals in case it accurately and correctly shows the events taking place. This commission should present a result of its review under a personal report in the next Shareholders' Meeting, or through the Board of Directors or General Secretary of the Company.

##### **b. Commission for Elections and Scrutiny:**

It is in charge of counting the votes at the time of electing the Board of Directors and the Statutory Auditor. It is made up by two assisting shareholders.

##### **c. Commission for Proposals and Recommendations:**

It is in charge of receiving different propositions and recommendations raised by the shareholders to the new directors of the Company.

## Good Governance Code

This Commission should submit a report to the Shareholders' Meeting, which shall be subject to voting by the Presidency of the Shareholders' Meeting. Proposals may be supported by the speaker or speakers following the Rules for Interventions. For further development and promptness of the Shareholders' Meeting, this Commission shall be made up by the Assembly's Board.

### ■ ARTICLE 6°: INTERVENTIONS

Interventions shall be limited to three minutes, term which may be extended for other five minutes and longer at discretion of the General Shareholders' Meeting, which shall fix a new term. No shareholder may intervene twice or more on the same topic.

The presentation and support of Managers' and Statutory Auditor's reports shall not be subject to the aforementioned terms.

Specialized Audits carried out within the period immediately preceding the date of the Shareholders' Meeting shall intervene to expose the facts and topics being audited and the results of their performance. Thereafter, the individual appointed by the Company to provide explanations regarding the Specialized Auditors shall immediately proceed to intervene.

Debate participants should strictly discuss on the matter in question and no dialogue shall be allowed: interpellations shall be granted by whoever is speaking within his/her respective time.

### ■ ARTICLE 7°: ELECTIONS

Election shall be made in accordance with the bylaws and rules in effect and shall be understood completed once the candidate obtains the number of votes required under the Bylaws or the Rules.

Election of a multi-member body shall be carried out by electoral quotient.

■ **ARTICLE 8°: BEHAVIOR**

Throughout the development of the Shareholders' Meeting, a correct behavior shall be followed by all assistants thereto.

The Directive Board is empowered to order anyone being drunk, consuming alcohol or anyhow impeding the regular development of the Shareholders' Meeting to leave the respective room. Internal Rules of the Shareholders' Meeting, approved by the Board of Directors, pursuant to the Bylaws.

Pursuant to subsection 16 of article 34 of ISA's Bylaws it is the Board of Director's duty to "Adopt the Rules of conditions for proper operation and handling of Ordinary and Extraordinary General Shareholders' Meeting.

The Internal Rules of the Meeting is Appendix number (2) of ISA's Good Governance Code, approved by the Board of Directors on meeting 573 of November 15, 2001.

## Attachment 2. Statement of the majority shareholder

### Ministry of Mines and Energy

**Minister**

Bogotá, D. C

Mr.

**JAVIER G. GUTIERREZ**

President

Interconexión Eléctrica Nacional S. A. – ISA

Medellín

Dear Mr. Gutierrez,

For your information and relevant purposes, I am enclosing a copy of the “STATEMENT OF THE STATE AS ISA’S MAJORITY SHAREHOLDER”, issued by this Office last December 15th.

Yours truly,

(signed)

**CARLOS CABALLERO ARGAEZ**

Minister of Mines and Energy

Attachments: the announced mentioned 14 pages.



**Ministry of Mines and Energy**

**Minister**

**INTERCONEXIÓN ELÉCTRICA S. A. E. S. P.**

**STATEMENT OF THE STATE AS ISA'S MAJORITY SHAREHOLDER**

**(December 15, 2000)**

CARLOS EDUARDO CABALLERO ARGAEZ, of age, holder of Colombian Citizenship ID 17.171.700, in its capacity as Minister of Mines and Energy and representative of the shares owned by the State in the corporation Interconexión Eléctrica S. A. E. S. P. – ISA, with a share participation of 76.193%, and as majority shareholder of Interconexión Eléctrica S. A., hereby states as follows, upon the following ...

**RECITALS:**

- (1) That on January 27, 2000, the Board of Directors of Interconexión Eléctrica S.A. E. S. P. – ISA authorized commencement of technical and marketing studies necessary to determine viability of primary issuance and placement of shares of the corporation through a "Citizen Participation Program," or "ISA, Shares for All" program (the "Program").
- (2) That along the implementation of this decision (approved by ISA's Board of Directors on March 30, 2000), the corporation's management conducted pertaining and suitable studies and analyses to establish said viability, based on which it defined in a detailed manner the way the Program would be carried out.
- (3) That, based on the foregoing, the Shareholders' Meeting approved the Preferred Shares Subscription Ruling on October 18, 2000, establishing the main conditions of the Program.
- (4) That, based on what the Shareholders' Meeting approved, the Board of Directors established in its assembly of October 26th, 2000, the additional conditions applicable to the Program.

## Good Governance Code

- (5) That the marketing studies and analyses determined that one of the basic conditions for the Program's success is that the corporate rights of the persons accessing ISA's shareholder capital in a minority proportion be duly and timely protected from the very moment they start participation as shareholders of the corporation.
- (6) That the declarations and commitments herein included are one of the ways to make such protection effective, inasmuch as the State, as majority shareholder, commits itself to proposing to ISA's Shareholders' Meeting the modifications to the bylaws necessary according to the contents of this document, and voting in favor thereof.

Consequently, the State, in a free, specific, and spontaneous manner, states the following:

### 1. DEFINITIONS

That for the adequate interpretation of this Statement, the terms with capital initials shall have the meaning, plural or singular, attributed in Attachment 1 hereof except for the meaning specifically attributed to them in other parts of this Statement.

Those terms not specifically defined must be interpreted according to the provisions of Articles 28 and 29 of the Civil Code.

### 2. GENERAL

- 2.1 Through the present Statement, the State, as ISA's majority shareholder, is committed to voting with its respective shares at ISA's Shareholders' Meeting in accordance with the terms and conditions hereby established.
- 2.2 **Information:** In order to keep ISA's shareholders in general, and especially Minority Shareholders, informed, it is the State's commitment that ISA shall establish and keep a center for attention to the shareholder, which shall make available to the shareholders the financial information, quarterly, as well as all other information prepared periodically by management for disclosure to the shareholders.

**2.3 Dividend Policy:** In order to effectively guarantee the right of every shareholder to receive dividends in the percentages established by articles 155 and 454 of the Code of Commerce, the State understands that for matters of distributing earnings and executing the provisions of said articles, taxable income shall be computed through the following procedure: (a) From the Corporation's income taken from actual and accurate financial statements of each fiscal period, subtract the amounts corresponding to: (i) losses from previous periods (if any), (ii) legal reserve, (iii) tax appropriations; (b) To the balance so calculated apply the percentages determined by the aforementioned articles of the Code of Commerce. The resulting amount shall be the minimum amount to be distributed as dividends each period; (c) Balances remaining after distribution of minimum dividends shall be at the disposal of the Shareholders' Meeting for statutory and discretionary reserves or to be distributed as dividends in addition to the minimum dividends established by letter b) above.

The State as ISA's majority shareholder is committed to proposing to the Shareholders' Meeting and voting in favor, necessary modifications to ISA's bylaws in order to comply with the previously mentioned dividend policy.

**2.4 Liquidity of the Shares:** In addition to the mechanisms established in the Program, and to facilitate share liquidity, the State, as majority shareholder, committed itself to: (1) carrying out all necessary activities, so that: ISA shall register its common shares with the National Registry of Securities and Intermediaries and the Colombian stock exchanges, within eighteen (18) months following the expiration date of the First Public Offering of Preferred Shares, as part of the Program, and (ii) that the Corporation makes its best effort, in accordance with the favorable conditions of the market, in order to achieve registry of ADRs (American Depositary Receipts), at least level III, of ISA, at an international stock exchange, within twenty four (24) months following expiration of the First Public Offering of Preferred Shares.

**PARAGRAPH:** In case the State transfers its share participation under whatever title, the time limit established in letter (i) of number 2.4 shall be six (6) months following register date of the new shareholder in the shareholders registry of Interconexión Eléctrica S. A. E. S. P. – ISA. The foregoing without exceeding in any event the time limit, previously established, of eighteen (18) months following the expiration date of the First Public Offering of Preferred Shares, as part of the Program.

## Good Governance Code

### 3. SHAREHOLDERS' MEETING

- 3.1** The Shareholders' Meeting may be convened to a special session upon request of a number of shareholders representing at least twenty per cent (20%) of the corporation's subscribed shares. As a shareholder of ISA, the State is committed to proposing to the Meeting the modifications to the bylaws necessary to comply with the provisions of this clause and to voting in favor thereof.
- 3.2** The State, as ISA's majority shareholder, is committed to proposing to the Shareholders' Meeting, and voting in favor, that every activity, deliberation, or decision regarding any of the issues related to Attachment 2 hereof be conducted and made by the Shareholders' Meeting with the previous favorable vote of a qualified majority. This qualified majority of votes necessary for decision making is established in accordance with Attachment 3. The qualified majority thus determined shall be calculated over the total number of subscribed shares.
- 3.3** The State, as ISA's majority shareholder, is committed to proposing to the Shareholders' Meeting and voting in favor that the sale, liquidation, transfer under any title or leasing of ISA's assets or property, in one or several related transactions, whose amount exceeds fifteen point zero per cent (15.0%) of ISA's market capitalization, or the sale or transfer of all or part of ISA's business establishment, either in one single transaction or a series of related transactions, within twelve (12) consecutive months, shall require approval of the Shareholders' Meeting, with a qualified majority established in accordance with Attachment 3. The majority thus determined shall be calculated over total subscribed shares. In case such majority is not reached, the decision shall be made by the simple majority of total subscribed shares, but absent of dissenting minority shareholders shall be entitled to the rights consecrated in number 6.2 of this Statement.

The State, as ISA's majority shareholder, is committed to proposing to the Shareholders' Meeting, and voting in favor of the necessary modifications of ISA's bylaws, so that the decisions related to the matters herein discussed shall be taken to the consideration of the Shareholders' Meeting.

## 4. BOARD OF DIRECTORS

4.1 The State, as ISA's majority shareholder, is committed to proposing to the Shareholders' Meeting, and voting in favor, that the Board of Directors be composed of seven (7) directors, with an equal number of alternates. Without limitation upon the above, the State, or whoever it transfers its stock participation to, under whatever title, shall include in its ticket of candidates for the Board of Directors one person agreed to by common agreement by the ten (10) minority shareholders with the largest stock representation, so that the person designated by these minority shareholders shall be elected to the Board of Directors. In case no agreement is reached by such minority shareholders, the State, or whoever it transfers its stock participation to, under whatever title, shall include in its ticket the person designated by the Pension and Retirement Funds that are minority shareholders.

**PARAGRAPH:** The above obligation of the State or whoever it transfers its stock participation to, under whatever title, shall exist as long as the total of shares owned by the minority shareholders is less than fifteen percent (15%) of the shares of ISA with voting right.

4.2 The State, as ISA's majority shareholder, is committed to proposing to the Shareholders' Meeting and voting in favor that, in whatever of the following events, the Board of Directors shall deliberate with no fewer than six (6) directors, and corresponding decisions shall be made with the affirmative vote of at least five (5) of the directors present:

- (i) Sale, liquidation, transfer under whatever title or lease of ISA's assets or property, in one or several related transactions, and whose amount exceeds five point zero percent (5.0%), and up to fifteen percent (15%) of ISA's Market Capitalization, or the sale or transfer, in whole or in part, of ISA's business establishment, either in one single transaction or in a series of related transactions, within a term of twelve (12) consecutive months.
- (ii) Investments in other corporations or associations of different nature, as well as investments by ISA's subsidiary corporations, either in one single transaction or in a series of related transactions within a term of twelve (12) consecutive months when the amount of the investment exceeds five point zero percent (5.0%) of ISA's Market Capitalization.
- (iii) The events described in number 5.1 hereof.

## 5. TRANSACTIONS WITH AFFILIATE CORPORATIONS

5.1 The State, as ISA's majority shareholder, acknowledges that ISA shall be able to execute transactions, agreements, or contracts (hereinafter called "Transaction"), with its parent company or with subsidiary companies of its parent company, as well as with parent or subsidiary companies of its majority shareholders, or in general with parent, subsidiary or affiliate companies of said persons, (together jointly called "Affiliates"), for acquisition of goods or services, being understood that any of such acquisitions or Transactions shall be executed under terms and conditions and at the costs usually applied to transactions with unrelated third parties, that is, under market conditions. Likewise, the State is committed to proposing to the Shareholders' Meeting, and voting in favor that execution of any transaction, group of transactions or expansion of a transaction with the same purpose or for the same services conducted with affiliates and exceeding twenty thousand (20,000) monthly statutory minimum wages within a term of twelve (12) consecutive months, shall be approved by the Board of Directors in accordance with number 4.2 hereof.

## 6. RIGHT OF REDEMPTION AND SALE

6.1 In the event a number of minority shareholders representing at least five point zero percent (5.0%) of outstanding shares exercise the right of redemption consecrated by Articles 12 and subsequent articles of Law 222 of 1995, and in case no agreement can be reached as to the price of the shares, the State, as ISA's majority shareholder, commits itself to proposing to the Shareholders' Meeting, and voting in favor, that the corresponding acquisition and/or reimbursement value of the shares be determined as follows, without limitation upon the shareholder's option to proceed according to the provision of the law:

The Chamber of Commerce of the main domicile of Interconexión Eléctrica S.A. E. S. P. – ISA shall designate an investment banking firm with renowned experience in the domestic or international market, to establish the value of the shares. The opinion of the investment banking firm shall be final and binding on the parties.

ISA shall bear the fees of the Investment Banking firm.

**6.2** For matters of the provisions of this Statement, the existence of some impairment of the economic rights of ISA's minority shareholders shall be presumed when the Shareholders' Meeting approves one of the events described in number 3.3 hereof, with a majority lower than the qualified majority of the total number of shares subscribed determined according to attachment 3 and aforementioned number 3.3. In such a case, the minority shareholders dissenting or absent of the Shareholders' Meeting where the decision is made shall have the right to sell their shares to the State, as long as the State has voted in favor of the decision. In such case, the sale price of the shares of the minority shareholders who exercise the right of sale herein mentioned shall be determined according to the proceeding described above in number 6.1 hereof.

Acquisition by the State of shares from dissenting or absent minority shareholders mentioned in number 3.3 hereof shall be made according to the Law and regulations issued by the Colombian Securities Commission for shares of companies registered with the National Registry of Securities and Intermediaries and the Stock Exchanges.

## **7. TERMINATION**

The obligations and commitments acquired by the State hereunder shall cease and lose validity and effects in any of the following events:

- (i) The State together with minority shareholders representing over half plus one of the shares owned by the minority shareholders so consent to.
- (ii) In any event of dissolution, liquidation, or takeover of ISA by a control entity.

## **8. TERM**

This Statement shall enter into force as of its subscription date, and subject to foregoing clause, it shall continue in force for ten (10) years starting on the date of apportionment within the Program.

In the event the State, as ISA's majority shareholder decides to sell or transfer its stock participation to a third party, the State shall be committed to including in the respective Ruling of Sale the full text of this Statement as Majority Shareholder.

## Good Governance Code



### 9. APPLICABLE LAW

This Statement shall be governed and interpreted in accordance with the laws of Colombia.

**IN WITNESS THEREOF**, this Statement is subscribed on December 15, 2000.

(signed)  
CARLOS EDUARDO CABALLERO ARGAEZ  
Minister of Mines and Energy



## Ministry of Mines and Energy

### Minister

## INTERCONEXIÓN ELÉCTRICA S. A. E. S. P.

### STATEMENT OF THE MAJORITY SHAREHOLDER

#### ATTACHMENT 1. DEFINITIONS

**Shares:** Any of the common or preferred shares with a voting right, representative of ISA's capital.

**Minority Shareholders:** Every shareholder who is legal or beneficial owner of preferred shares individually representing no more than fifteen point zero percent (15.0%) of preferred shares, and any person who is a legal or beneficial owner of common shares individually representing no more than one point zero percent (1.0%) of common shares outstanding during the validity term of the preferred shares, or every shareholder who is a legal or beneficial owner of common shares individually representing no more than three point zero percent (3.0%) of outstanding shares, once preferred shares become common shares.

**Majority Shareholders:** The State as well as any person who is legal or beneficial owner of common shares individually representing more than one point zero percent (1.0%) of common shares outstanding during the validity term of the preferred shares, or every shareholder who is a legal or beneficial owner of common or preferred shares individually representing more than three point zero percent (3.0%) of outstanding shares, once preferred shares become common shares.

**Preferred Shares:** ISA's preferred shares as described in the Placement Prospectus corresponding to the Program.

**Affiliate:** As described in number 5.1 hereof, the companies or persons considered as ISA's parent company, or subsidiary companies of such parent company, as well as parent or subsidiary companies of ISA's Majority Shareholders, or in general parent, subsidiary or affiliate companies of the persons previously mentioned.

**Market Capitalization:** For matters hereof, market capitalization is defined as the product of the average price of the share in the Stock Exchange over the last ten (10)

## Good Governance Code

days, multiplied by the total number of preferred and common shares outstanding, regardless these latter are not listed on the stock exchange, as of the day prior to the date the meeting convenes, or the corresponding decision is made.

**Board of Directors:** ISA's Board of Directors, as provided in the corporation's bylaws.

**Pension and Retirement Funds:** Pension and Retirement Funds established in accordance with applicable Colombian legislation, which become shareholders of ISA.

**Financial Information:** Complete quarterly financial statements prepared by ISA for their presentation to the relevant control authorities.

**Transaction:** As defined in number 5.1 hereof, any transaction, agreement or contract carried out by ISA, by virtue of which ISA incurs obligations.

**Program:** Massive placement program of ISA's preferred shares, named "ISA, Shares for All" as described in the Recitals hereof.

## Ministry of Mines and Energy

### Minister

### INTERCONEXIÓN ELÉCTRICA S. A. E. S. P.

### STATEMENT OF THE MAJORITY SHAREHOLDER

#### ATTACHMENT 2

The State, as ISA's majority shareholder, is committed to proposing to the Shareholders' Meeting, and voting in favor, so that subsequent decisions shall require the qualified majority established in number 3.2 hereof, in accordance with Attachment 3.

- (a) Any restructuring of ISA's stock capital, the issuance of shares, the obligation of converting into shares debt securities that may constitute a capital contribution from any minority shareholder individually considered, exceeding two (2) monthly statutory minimum wages.
- (b) The terms and conditions of the respective share issuance and placement rulings, as well as the decision that shares issued and offered within ISA's capitalization processes are placed without being subject to preemptive rights.

**PARAGRAPH:** Besides the foregoing, the following rules and majorities shall be observed for approval of the terms and conditions of ISA's future capitalization processes:

- Every capitalization of ISA, as well as their terms and conditions, must be approved by the majority established in number 3.2 of the Statement.
- If prior verification of attendance by the State or whoever it transfers its shareholder participation to, under whatever title, the majority mentioned in number 3.2 of the Statement is not reached by the Shareholders' Meeting deciding on capitalization, a second Shareholders' Meeting shall convene. This second Shareholders' Meeting shall convene within fifteen (15) business days from the first one. If the qualified majority herein mentioned is not reached on the second Shareholders' Meeting, a decision shall be made by simple majority.

## Good Governance Code

- In case of approval of capitalization of ISA, in accordance with the provisions hereof, the State shall make its best efforts to obtain participation of the minority shareholders in such capitalization.
- (c) Any change in ISA's dividends policy described in this Statement, when the majority established by the law is inferior to that herein stipulated; otherwise the majority established by the law shall be observed.
- (d) Payment of stock dividends to Minority Shareholders, when the majority established by the law is lower than herein stipulated; otherwise, the majority established by the law shall be observed.



**Ministry of Mines and Energy**

**Minister**

**INTERCONEXIÓN ELÉCTRICA S. A. E. S. P.**

**STATEMENT OF THE MAJORITY SHAREHOLDER**

**ATTACHMENT 3**

The State, as ISA's majority shareholder, is committed to proposing to the Shareholders' Meeting, and voting in favor, so that observance of qualified majorities established in numbers 3.2 and 3.3 of the Statement shall be necessary not only for deliberation, but also for decision making regarding the matters indicated therein.

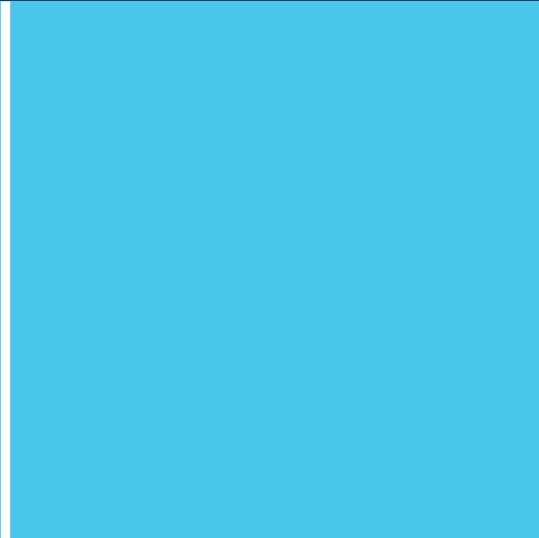
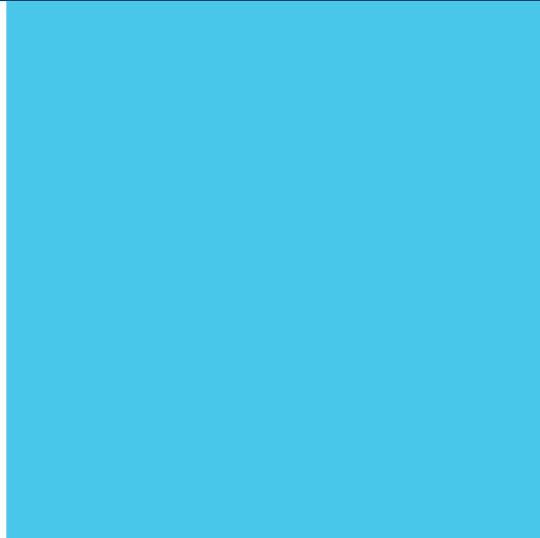
Percentages of majorities established in numbers 3.2 and 3.3 of the Statement shall be established in accordance with the table contained in letter (a) hereof. However, if during the validity of this agreement the stock participation of the State or whoever it transfers its shareholder participation to, under whatever title, is diluted as a result of subsequent capitalization processes, the percentages of the majorities established in numbers 3.2 and 3.3 of this Statement shall be established in accordance with the provision of letter (b) hereof.

(a) The majorities applicable in numbers 3.2 and 3.3 are determined in accordance with the number of shares subscribed under the Program; therefore, the percentages applicable in each case are as follows:

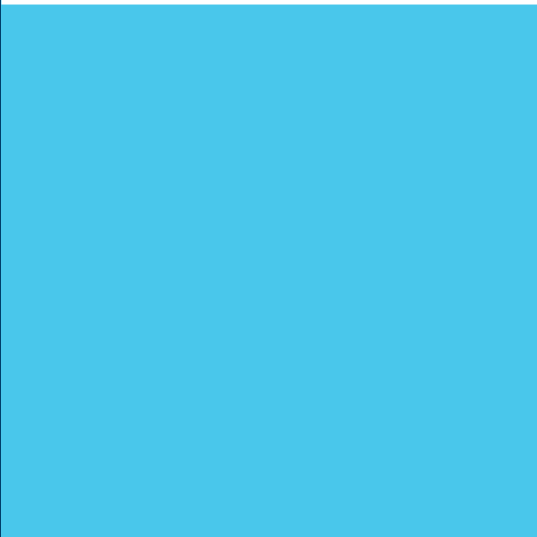
<u>Number of subscribed shares</u>	<u>Applicable percentage No. 3.2</u>	<u>Applicable percentage No. 3.2</u>
000 to 100,000,000	75.0%	80.0%
100,000,001 to 200,000,000	70.0%	75.0%
200,000,001 to 300,000,000	65.0%	70.0%

(b) Once the program is concluded, the stock participation percentage the State is left with shall be determined. In the event of a capitalization process subsequent to the Program resulting in dilution of the stock participation of the State or of whoever it transfers its share participation to, under whatever title, the proportion of dilution shall be determined, and applied to the percentages established in letter a) above.

**PARAGRAPH:** Percentages in letters a) and b) hereof shall be calculated on subscribed shares of Interconexión Eléctrica S. A. E. S. P. – ISA at the time of convening of each Shareholders' Meeting.



66.50	UNCH	-47.20	47.28	00	00
87.03	UNCH	-85.30	66.90	66.76	66.85
39.16	-82	-85.00	67.95	66.54	67.61
23.18	-85	+37.53	41.14	39.70	39.13
16.71	+17	-23.20	23.25	23.54	22.64
35.39	-06	-16.71	16.74	16.89	16.5
69.47	-18	-35.00	36.35	35.87	35
24.41	-65	-69.25	70.49	70.10	69
49.24	-73	-24.37	24.65	25.10	24
42.58	-45	-48.50	50.32	49.87	4
63.16	-36	-42.05	44.25	43.02	
83.48	-52	-62.78	64.14	63.71	
	-86	-63.07	84.00	84.50	
		26.30	36.50	36.99	



ahead