



GOOD GOVERNANCE CODE

## 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 15<sup>th</sup>.

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 26<sup>th</sup>, 2000, the additional conditions applicable to the Program.
- (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 Depository 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.

## 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.

## 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) 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

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### 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. The 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.
  - 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:

<b>Number of subscribed shares</b>	<b>Applicable percentage No. 3.2</b>	<b>Applicable percentage No. 3.2</b>
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.