

## ANNUAL CORPORATE GOVERNANCE REPORT - 2018 MANAGEMENT

Corporate Governance is broadly defined as the proper allocation of powers and responsibilities between the board of directors, management and the owners of a company.

This definition recognizes that Corporate Governance is not just a set of external rules. This is a business discipline necessary to maintain a stable and productive relationship between participants in any organization. Corporate Governance, transparency and accountability are more than just compliance exercises; they are essential ingredients of good governance and a prerequisite for the good health of organizations. (CAF, 2012, p. 13)<sup>1</sup>

In accordance with the foregoing, and in order to report on corporate governance activities to stakeholders, shareholders, investors, controlling bodies and the general public, the Board of Directors, the Corporate Governance, Nominations and Remuneration Committee and the President of Bancóldex present the corporate governance report, with a cut-off date of 31 December 2018:

### I. Share capital and structure of Bancóldex

Bancóldex has an authorized capital of one trillion one hundred billion pesos (COP 1,100,000,000,000,00) divided into one thousand one hundred million millions (1,100,000,000,00) of shares with a par value of one thousand pesos (COP1,000) each, of which one thousand sixty-two million five hundred and fifty-six thousand eight hundred and seventy-two (1,062,556,872) shares are subscribed and paid.

#### 1. Stockholders

Percentage shareholding of the shareholders of Bancóldex.:

SHAREHOLDERS	NUMBER OF ACTIONS	RATE OF CONTRIBUTION
Ministry of Commerce, Industry and Tourism	976.143.335	91.9%
Ministry of Finance and Public Credit	83.420.180	7.9%
Minority shareholders	2.993.357	0.2%
Total	1.062'556.872	100%

It is important to note that the Bank's minority shareholders are those natural or legal persons who hold shares in the Bank, and among these are: officers, former officers, Employee Funds, Pension Funds, Mutual Investment Funds and the solidarity sector.

The Bank has 1,566 shareholders, including 15 legal entities (17 with majority shareholders) and 1,549 natural persons. In view of the importance of this interest group to the Bank, an information site for shareholders has been designed on the website, entitled "Information of interest to shareholders and other investors".

<sup>1</sup> CAF - DEVELOPMENT BANK OF LATIN AMERICA, Corporate Governance in Latin America. Importance for State-owned Enterprises. Public Policies and Productive Transformation Series N° 6/2012

## 2. Types of Shares

In accordance with Article 9 of the Bank's Bylaws, the shares representing the capital of Bancóldex are divided into three types:

**Series A:** Those that represent the contributions of the Nation;

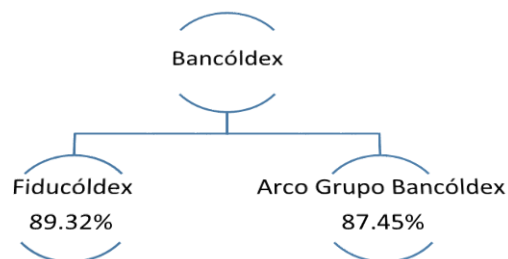
**Series B:** Those which are or will become the property of private persons insofar as they do not enjoy privileges, and

**Series C:** Those which are or will become the property of private individuals as soon as they enjoy privileges.

In this sense, the distribution of capital by type of share is as follows:

TYPE OF SHARES	NUMBER OF SHARES
A Series	1.059.563.515
B Series	2.080.683
C Series	912.674
Total	1.062.556.872

In 2017, the declaration of the Bancóldex business group as the parent company of its subsidiaries, *Fiduciaria Colombiana de Comercio Exterior S.A. - Fiducóldex* and *Arco Grupo Bancóldex S.A. Compañía de Financiamiento* (formerly Leasing Bancóldex S.A.) was made before the Bogotá Chamber of Commerce under the terms of article 261 of the Commercial Code, the ownership structure being as follows:



## 3. Information on the shares held by the members of the Board of Directors

The members of the Board of Directors are not holders of Bancóldex shares

## 4. Negotiation of shares owned by members of the Board of Directors and Senior Management

There was no trading of shares owned by the members of the Board of Directors and Senior Management.

## 5. Own shares held by Bancóldex:

Bancóldex has no shares of its own.

## II. Management structure

### 1. Conformation of the Board of Directors

The conformation of the Board of Directors is of a legal nature in accordance with numeral 3 of article 281 of the Organic Statute of the Financial System. As a result, as of December 31, 2018, the Board of Directors was as follows:

MAIN	ALTERNATE
<b>. Ligia Stella Rodríguez Hernández</b> General Secretary of Ministry of Trade, Industry and Tourism, appointed by the Minister	<b>Vacante</b>  Ministry of Trade, Industry and Tourism
<b>Camilo Alfonso Barco Muñoz</b> General Director of State-owned Enterprises Delegate by the Minister of Finance and Public Credit	<b>Dr. María Inés Agudelo Valencia</b> Appointed by the Minister of Finance and Public Credit
<b>Dr. Carlos Eduardo Quintero Rocaniz</b> Business advisor, elected by the General Shareholders' Meeting	<b>Dr. Mauricio Vega Lemus</b> President of the Pereira Chamber of Commerce, elected by the General Shareholders' Meeting
<b>Augusto López Valencia</b> Private sector representative, appointed by the President of the Republic	<b>Carlos Alberto Garay Salamanca</b> Private sector representative, appointed by the President of the Republic
<b>Guillermo Valencia Jaramillo</b> Private sector representative, elected by the exporters' associations	<b>Luis Gustavo Flórez Enciso,</b> Executive Chairman of ACICAM, representative of the private sector, elected by the exporters' associations

### 2. Resumes of the members of the Board of Directors

#### LIGIA STELLA RODRÍGUEZ HERNÁNDEZ

**Position in the Bank:** Member of the Board of Directors (proprietary)

**Career Summary:** Lawyer specialist in Administrative Law of University of Rosario and current Corporate Secretary of the Ministry of Commerce, Industry and Tourism. She has served as General Secretary of the *Superintendencia de Sociedades*, *Superintendencia de Industria y Comercio*, adviser for *Comisión Nacional de Televisión*, among other positions.

#### CAMILO BARCO MUÑOZ

**Position in the Bank:** Member of the Board of Directors (proprietary)

**Career Summary :** Lawyer specialist in financial legislation of the *Universidad de los Andes*. General Director of State-owned Enterprises, Head of Investment Banking for BBVA Colombia, Chief Financial Officer for *Interconexión Eléctrica S.A.*, Chief Financial Officer, for the Coremar Group and Consulting Manager for Deloitte Colombia.

#### **MARIA INÉS AGUDELO VALENCIA**

**Position in the Bank:** Member of the Board of Directors

**Career Summary:** Economist from the Universidad de los Andes, with a master's degree from the same university. In 1993 she graduated from Birkbeck College, University of London with a Master's degree in Economics and in 1996 from Birkbeck University with a PhD in Economics. She has served as SUNIR Project Leader, General Manager of the National Concessions Institute (INCO), Consultant of the Inter-American Development Bank (IDB), Technical Vice-Minister of Finance and Public Credit and member of the Board of Directors of the International Monetary Fund (IMF).

#### **CARLOS QUINTERO ROCANIZ**

**Position in the Bank:** Member of the Board of Directors (independent)

**Career summary:** Economist from the Universidad de los Andes, he has served as President of Compañía Administradora de Inversión Crecimiento S.A., President of Serfinanza S.A. Compañía de Financiamiento, Financial Vice President of Bavaria S.A. and Valores Bavaria S.A., President of Termotasajero S.A. E.S.P., Executive Director of Fenergy Niton Capital, Executive Director of Inbest Capital Management S.A.S., and as President of Corredores Asociados S.A. He currently serves as Business Advisor.

#### **MAURICIO VEGA LEMUS**

**Position in the Bank:** Member of the Board of Directors (independent)

**Career Summary:** Lawyer of the Pontificia Universidad Javeriana, Specialist in Administrative Law and Master of Business Administration of the same University. He completed a diploma on the Global Competitiveness Leadership Program at Georgetown University and a course on Leading Economic Growth at Harvard University. He has served as Associate Attorney of Tovar, Fajardo y Asociados Ltda., General Manager and CEO of American Assit Colombia S.A. He is the Executive President of the Pereira Chamber of Commerce.

#### **AUGUSTO LÓPEZ VALENCIA**

**Position in the Bank:** Member of the Board of Directors

**Career Summary:** Electrical Engineer from the Pontifical Bolivarian University, he has served as President of Bavaria S.A. and President of Cervecería Unión.

#### **CARLOS ALBERTO GARAY SALAMANCA**

**Position in the Bank:** Alternate member of the Board of Directors, representative of the private sector, appointed by the President of the Republic.

**Career Summary:** He has served as Chief Executive Officer of *Acoplásticos* from 1984 to 2017, Vice President of the *Asociación Nacional de Industriales - ANDI*, member of the Board of Directors of the Bank of the Republic, member of the *Consejo Nacional de Planeación*, among other positions.

#### **GUILLERMO VALENCIA JARAMILLO**

**Position in the Bank:** Member of the Board of Directors (independent)

Bachelor of Science, from the Philadelphia College of Textiles Science, has served as Chief Financial Officer, Vice President of International Trade and President of Industrias e Inversiones El Cid. Currently, he is the General Manager of Industrias e Inversiones el Cid.

#### **LUIS GUSTAVO FLÓREZ ENCISO**

**Position in the Bank:** Member of the Board of Directors (independent)

**Career Summary:** Chemical Engineer from the Universidad de America, Master Sc, Chem Eng. University of Missouri - Ril Lousiana State University, and specialist in Economic Studies from the University of Lima. He has served as President and Vice President of Fedemetal, Industrial Director of the Board of the Cartagena Agreement, Project Manager of ECOPETROL, Advisor to the presidencies of Paz de Rio, Simesa and Grupo Mayagüez, Advisor Consultant Onudi Design Regional Program. He is the President of ACICAM.

### 3. Changes in the Board of Directors during the year.

Camilo Barco Muñoz General Director of State-owned Enterprises was appointed by the Minister of Finance and Public Credit, Mauricio Cárdenas, as principal member of the Board of Directors.

Additionally, Ligia Stella Rodríguez Hernández, General Secretary of the Ministry of Commerce, Industry and Tourism, was appointed by the Minister of Commerce, Industry and Tourism.

Finally, the President of Colombia, Ivan Duque, designated to Carlos Garay Salamanca the position of alternate member of the Board of Directors.

### 4. Members of the Board of Directors of Bancóldex who are members of the Boards of Directors of the subsidiaries or who hold executive positions in them

Members of the Board of Directors of Bancóldex do not sit on the Boards of Directors or executive positions in subsidiaries.

### 5. Policies approved by the Board of Directors during the reporting period.

In the area of corporate governance, the Board of Directors approved the following public declaration of respect for human rights that was approved in the framework of the legal provisions and initiatives that the National Government has promoted to raise standards of transparency, disclosure of information, prevention of corruption and respect for Human Rights in state owned entities. Bancóldex followed the road map drawn up by the General Direction of State-owned Enterprises of the Ministry of Finance and Public Credit so that companies with the participation of the Nation adopt a series of guidelines regarding each of the aforementioned aspects. The statement is published on the Bank's website.

Consequently, Bancóldex expresses the respect for Human Rights and accordingly agrees to:

- a. Perform all the business operations within the framework of respect for Human Rights
- b. Foster respect and promotion of Human Rights as a management criterion and business decision making.
- c. Reject any matter that involves the entity or its interest groups in abuses committed against Human Rights and violations of International Humanitarian Law.
- d. Recognize the importance of each employee of the entity knowing, understanding and exercising their daily activities with respect for human rights.
- e. Work with a preventive approach to the risks to the environment of business activity, through its social and environmental risk management system - SARAS.
- f. Coordinate compliance with the Human Rights policy within the entity, through the Legal Vice Presidency of Bancóldex.
- g. To respond in a timely manner to the requests of those who are considered affected in their Human Rights by operations of the entity.

- h. Comply with policies of non-discrimination, gender equity, give special attention to vulnerable populations, in a state of disability or affected by the operation of the entity.

Bancóldex's statement was designed based on: i) The directive formulated by the Ministry of Finance and Public Credit; ii) The National Plan of Action on Human Rights and Business of the Ministry of Commerce, Industry and Tourism released in 2015; iii) ILO Conventions No. 29 and No. 182.

## 6. Process for appointing the members of the Board of Directors.

In accordance with the provisions of numeral 3 of article 281 of the Organic Statute of the Financial System, the Board of Directors of the Bank is made up as follows:

CHAPTER XI  
BANCO DE COMERCIO EXTERIOR S.A.

Article 281<sup>o</sup>.- Management and Administration  
(...)

3. Formation of the Board of Directors. The Board of Directors shall be made up as follows:

- a. The Minister of Foreign Trade and substitute indicated by him, insofar as the Nation - Ministry of Foreign Trade - has registered contributions in the Bank's capital;
- b. The Minister of Finance and Public Credit and substitute indicated by him, insofar as the Nation - Ministry of Finance and Public Credit - has registered contributions in the Bank's capital;
- c. The legal representative of the trust referred to in numeral 1. of article 283, with the substitute indicated by the latter, to the extent that the trust has recorded contributions of not less than fifteen percent (15%) of the ordinary shares subscribed by the Bank (currently appointed by the General Shareholders' Assembly);
- d. A representative of the private sector, with his respective substitute, appointed by the President of the Republic;
- e. A representative of the private sector, with his respective substitute, elected by the exporters' associations that are registered as such in the Ministry of Foreign Trade.

## 7. Remuneration policy of the Board of Directors

In accordance with the Bank's Bylaws, it is the exclusive function of the General Shareholders' Assembly to approve the general remuneration policy of the Board of Directors. The General Shareholders' Assembly approved on March 23, 2018 the adjustment of fees to four (4) legal minimum monthly salaries in effect per meeting of the Board of Directors, the decision that was effective as of April 2018. The remuneration for attending Committees of the Board of Directors remains in three (3) legal minimum monthly salaries.

The modification was justified in the update and improvement of the corporate governance guidelines incorporated in the New Country Code issued by the Superintendencia Financiera of Colombia, as well as in the recommendations of the International Financial Corporation - IFC and the World Bank, as a result of the evaluation carried out in 2015 to the corporate government of Bancoldex; The responsibility, dedication and membership of the members of the Board of Directors has been strengthened, which made necessary to review the fees set since 2014, seeking greater sense with the obligations and responsibilities of the members of the Board of Directors .

The determination of the value of the fees of the members of the Board of Directors approved by the General Shareholders' Assembly followed the procedure established in Decrees 1486 of 1999 and 2561 of 2009, of the Ministry of Finance and Public Credit, according to which a methodology is applied according to the level of assets of the entity.

Additionally, Bancóldex directly assumes the following expenses, whenever they are necessary for the exercise of the functions of the Board of Directors and Committees of the Board:

- Accommodation, air or ground transportation expenses, in accordance with the Bank's travel policy, to enable them to perform their duties fully. (Board members do not receive travel expenses)
- Expenses related to training, updates that have been approved by the Corporate Governance Committee and the hiring of external advisors, as required by the Board as a collegiate body to decide.

## 8. Remuneration of the Board of Directors

The remuneration for the Board of Directors:

CONCEPT	FEES AT 31.12.2018
Attendance at Board meetings	246.872.472
Attendance at meetings of the Audit Committee	24.999.744
Attendance at meetings of the Corporate Governance Committee	35.155.890
Attendance at meetings of the Risk Management Committee	37.499.616
TOTAL	421.870.680

Based on the foregoing, the Good Governance, Nominations and Remuneration Committee verified compliance with the Board of Directors' Remuneration Policy.

## 9. Quorum of the Board of Directors

In accordance with article 3 of the Rulebook, the Board of Directors shall validly deliberate in the presence of the majority of its members and shall decide with the majority of the votes present at the respective meeting.

## 10. Attendance data for Board and Committee meetings

During 2018, 14 sessions of the Board of Directors were held, 13 ordinary and 1 extraordinary. The following table shows the attendance of the members of the Board of Directors by line of business:

Table I. Attendance at Board meetings

MEMBER OF THE BOARD OF DIRECTORS BY LINE	Sessions attended	Average Attendance
Ministry of Commerce, Industry and Tourism	11/14	78%
Ministry of Finance and Public Credit	14/14	100%
Representative elected by the General Shareholders' Assembly	14/14	100%
Private sector representative appointed by the President of the Republic	14/14	100%
Private sector representative elected by the exporters' associations	14/14	100%

During 2018, 4 Audit Committee meetings were held, 5 of the Corporate Governance Committee, 6 of the Risk Management Committee and 11 of the External Credit Committee. The following table shows the attendance of the members of the Board of Directors by line of business:

Table II. Attendance at meetings Support committees Board of Directors

MEMBER OF THE BOARD OF DIRECTORS BY LINE	Average Attendance
Ministry of Commerce, Industry and Tourism	100%
Ministry of Finance and Public Credit	100%
Representative elected by the General Shareholders' Assembly	100%
Private sector representative appointed by the President of the Republic	100%
Private sector representative elected by the exporters' associations	93.3%

## 11. Chairman of the Board (key functions and issues)

In accordance with the provisions of numeral 4 of article 281 of the Organic Statute of the Financial System, the Minister of Commerce, Industry and Tourism presides over the Board of Directors, in his absence, the Minister of Finance and Public Credit presides over it and in the absence of both of them, their alternates preside in the same order.

In addition, the Board of Directors' Rulebook established the following concerning the Chairmanship of the Board of Directors:

Article One: Chairman: While the Minister of Commerce, Industry and Tourism is a member of the Board, he shall preside over it; in his absence, the Minister of Finance and Public Credit shall preside over it, if he is a member of it. In the absence of both, their alternates shall preside in the same order.

First Paragraph: In the event that any of the persons mentioned in this article is not present, any member of the Board of Directors present shall preside at the meeting, based on the appointment made by a simple majority of the votes of the members present.

In relation to the functions of the Chairman of the Board of Directors, the same article 1, in its second paragraph, states:

Paragraph Two: The Chairman of the Board shall coordinate the annual agenda of the meetings of the said body with the President of the Bank and the Secretary, and in January of each year the calendar of the ordinary meetings of the said body shall be proposed for approval by the Board. In addition, it will prepare the report on the functioning of the Meeting to be presented at each ordinary session of the General Shareholders' Assembly. Likewise, he will moderate the meetings so that the topics



included in the agenda are considered within the time available for this purpose. Notwithstanding the foregoing, the Board of Directors shall appoint one of the independent members for a period of two (2) years to support the Chairman of the Board in the above activities.

## 12. Secretary of the Board of Directors (key functions and issues)

In accordance with Article 55 of the Company's Bylaws, Bancóldex has a Secretary General appointed by the Board of Directors, in this regard, during 2018 Dr. Jose Luis Garzón Gaitán, Legal Vice President - Secretary General, acted as Secretary of the Bank's Board of Directors, with the functions indicated below:

- a. Keep the books of the minutes of the General Shareholders' Assembly and of the Board of Directors;
- b. Communicate the calls for the meetings of the General Shareholders' Assembly and of the Board of Directors, made by the competent bodies for this purpose, in accordance with the Bylaws;
- c. Deliver the information to the members of the Board of Directors in a timely manner;
- d. Respond to shareholders' requests for information or clarifications regarding the matters dealt with at the meetings of the General Shareholders' Assembly;
- e. Keep the corporate documentation, to duly reflect in the minutes books the progress of the meetings, and to attest to the resolutions of the corporate bodies;
- f. Ensure the formal legality of the actions of the Board of Directors and to guarantee that its procedures and governance rules are respected and regularly reviewed, in accordance with the provisions of the statutes and other internal regulations of Bancóldex, and
- g. To fulfill all other duties imposed by the General Assembly, the Board of Directors, the President or the law.

## 13. Relationships during the year of the Board of Directors with the Statutory Auditor, financial analysts, investment banks and rating agencies.

Deloitte & Touche, a tax audit firm chosen by the General Shareholders' Assembly, provides the entity's tax audit services and additionally performs the external audit for compliance with the contractual clause of the Credit Agreements signed with the Inter-American Development Bank (IDB), which require the annual evaluation of an external audit firm while the program is underway. The total amount paid for the statutory auditor services is \$ 208,592,460.00 for the year 2018.

Within the processes of review of the rating of Bancóldex advanced by the Risk Rating Agencies Fitch Ratings and BRC Standard & Poor's with which contracts have been signed for this purpose, they have no "relationship" with the Bank's Board of Directors. The review process is handled by the Strategic Direction Department, in the sense of requesting the information from the Bank's areas, consolidating it and sending it to the Rating Agency that requests it. Subsequently, each Rating Office schedules a "technical review visit" in which, in addition to the additional information submitted, other previously defined topics are dealt with in an agenda sent to us by the Rating Office in advance of the visit. This visit is also coordinated by the Strategic Direction Department, and is attended by the President of the Bank, the Vice Presidents, the Comptroller, the Director of Strategic Direction and the Directors and/or officers deemed necessary to respond to the issues requested by the Rating Agency.

## 14. External advice received by the Board of Directors.

In accordance with the provisions of the Regulations of the Board of Directors of Bancóldex, in the events required, at the request and at the discretion of the members of the Board of Directors, the Management within the Audit Committee may be requested to hire the external advisors or trainers required to provide additional elements of judgment for the making of certain decisions by the directors.

On the other hand, on the recommendation of the Corporate Governance Committee, on October 26, 2018, the annual update was made to the members of the Board of Directors of Bancóldex and its subsidiaries. The topics that were updated were economic development with emphasis on the trends of development banks, conflicts of interest, digital technologies FINTECH and an efficient board of directors.

The training was organized by the Instituto Colombiano de Gobierno Corporativo- Colegio de Estudios Superiores de Administración. Speakers: Guillermo Perry, former minister of finance, Luis Humberto Ustáriz, de Ustáriz & Abogados Estudio Jurídico, Lariza Galindo from the Digital Services Consulting Group of IFC and Francisco Prada, Corporate Governance Officer of IFC.

## 15. Management of the information of the Board of Directors.

In accordance with the provisions of Article 2 of the Regulations of the Board of Directors, the members must have the information that is relevant for making decisions that must be given during the respective meeting prior to the meeting. The information is made available to the members of the Board of Directors through a technological tool that ensures the timeliness, integrity and confidentiality of the information.

In addition, article 6 of the same Regulations provides that for the proper exercise of their functions, the members of the Board of Directors may request the information that is relevant for decision-making, in accordance with the agenda contained in the call notice. The information is also available to members of the Board of Directors at the offices of the Bank's General Secretary. The foregoing, without prejudice to the additional information required by the members of the Board, which must be processed through the same Secretary.

## 16. Activities of the Committees of the Board of Directors.

The functions and activities of the Board Support Committees are described below:

### a. Corporate Governance, Nominations and Remuneration Committee

The purpose of the Corporate Governance, Nominations and Remuneration Committee is to support the Board of Directors in its function of ensuring compliance with the good governance practices adopted by the Bank and with the provisions contained in its Code of Good Governance, as well as to advise it on the implementation of good corporate practices. To support the Board of Directors in the exercise of its decision-making or advisory functions associated with the matters of appointments and remuneration.

#### Composition:

As of December 31, 2018, the Corporate Governance Committee was integrated by three members of the Board of Directors, of which at least one (1) is independent and will chair it. The Legal Vice-President - Secretary General of the Bank acts as Secretary of this Committee.

Dr. Luis Gustavo Flórez Enciso (Chairman of the Committee)
Dr. María Inés Agudelo Valencia
Dr. Mauricio Vega Lemus

#### Activities:

During 2018, five sessions of the Corporate Governance, Nominations and Remuneration Committee were held, with the participation of 100% of its members.

The main activities carried out by the Committee included:

- Monitor compliance with the Bancóldex corporate governance system;
- Follow-up to the 2018 work plan in order to consolidate the corporate governance, with the execution of the IFC recommendations that were implemented in 2016 and 2017;
- In order to continue with the implementation of the New Country Code (C.E. 028/2014 of the Superintendencia Financiera of Colombia), the Committee approved the implementation of five additional measures.
- By delegation of the Board of Directors, the Committee approved the criteria for the bonus scheme.
- To be informed of the reports of the System of Attention to the Financial Consumer -SAC-;
- Studied and recommended to the Board of Directors the approval of the following policies: i) Policy for the hiring of a politically exposed person; ii) Policy and procedure for disclosure of conflicts of interest; iii) Policy for appointment and succession of senior management; iv) Policy for remuneration and disclosure of remuneration of senior management; v) Policy for relations with stakeholders;
- Verified the proposed profile for the selection of the Commercial Vice President..
- Verified compliance with the remuneration policy for the members of the Board of Directors, and
- Supported the conduct of the self-assessment of the functioning of the Board of Directors.
- Recommended the hiring and execution of the external evaluation of the Board of Directors and also verified the completion of the entire process.
- Recommended the hiring and execution of the annual training of the Board of Directors.
- Recommended the creation of the position of Vice President of the Board of Directors
- 

#### b. Audit Committee

The purpose of the Audit Committee is to support the Board of Directors in its supervisory role by evaluating the accounting procedures, the relationship with the Statutory Auditor and, in general, review the Internal Control System.

#### Composition

The Committee shall consist of three (3) members of the Board of Directors, the majority of whom shall be independent in accordance with the applicable legal provisions, one of whom shall preside. The Secretary of the Board of Directors of Bancóldex will act as Secretary. The members of this Committee must also have knowledge or experience in accounting, auditing or control. The President of the Bank is a permanent guest.

As of December 31, 2018, the Risk Management Committee was integrated by three members of the Board of Directors. The Legal Vice-President - Secretary General of the Bank acts as Secretary of this Committee.

Dr. Carlos Quintero Rocaniz
Dr. Luis Gustavo Flórez Enciso
Dr. María Inés Agudelo Valencia

#### Activities:

During 2018, 4 sessions of the Audit Committee were held, with the participation of 100% of its members.

The main activities carried out by the Committee included, inter alia, the following:

- Serve as a support and permanent communication channel with the Board of Directors in the decision making regarding the Internal Control System and its continuous improvement;
- Follow up on the results of audits, improvement plans, strengths, weaknesses and effectiveness of the Bank's internal control;

- Follow up on communications with control bodies, and
- Review and agree on the annual management reports, the control status report, the management report evaluating the internal control system, the corporate governance report and the separate and consolidated financial statements, for subsequent consideration by the Board of Directors and the General Shareholders' Assembly.

**c. Risk Management Committee**

The Risk Management Committee is intended to support the Board of Directors in fulfilling its oversight responsibilities in relation to risk management.

**Composition:**

As of December 31, 2018, the Risk Management Committee was integrated by three members of the Board of Directors and the President of the Bank. The Legal Vice-President - Secretary General of the Bank acts as Secretary of this Committee.

Dr. Augusto López Valencia
Dr. Luis Gustavo Flórez Enciso
Vacant

**Activities:**

During 2017, 6 sessions of the Risk Management Committee were held, with the participation of 100% of its members.

The main activities carried out by the Committee included:

- Follow-up of the general guidelines used for the evaluation, rating, measurement, monitoring and control of risks;
- Monitoring of risk management systems, and
- Approve the opening or increase of global credit limits and term conditions with Colombian financial intermediaries, with countries, with financial intermediaries abroad, operations with autonomous financial intermediaries, direct credit operations with natural or legal persons and operations with entities not supervised by the Superintendence of Finance, in accordance with the result of the methodology used for such purpose by the Bank and with the respective attributions.

**d. External Credit Committee**

The External Credit Committee had the first session in February 2018. The objective of this Committee is to support the Board of Directors to fulfill its responsibilities of approving credit limits and operations.

**Composition:**

As of December 31, 2018, the External Credit Committee was integrated by two external members and one member of the Board of Directors. The Legal Vice-President - Secretary General of the Bank acts as Secretary of this Committee.

Camilo Barco Muñoz
--------------------

Jaime Ricaurte Junguito
Mauricio González Maya

**Activities:**

During 2018, 11 sessions of the External Credit Committee were held, with the participation of 100% of its members.

The main activities carried out by the Committee included:

- Approve operations with Colombian financial intermediaries.
- Recommend to the Board of Directors the approval of operations with nations and public entities abroad.  
Approve the corresponding credit proposals according to the level of approval powers granted by the Board of Directors.
- Approve the restructuring of operations, in accordance with the powers delegated by the Board of Directors.

## 17. Information on the execution of the evaluation processes of the Board of Directors

In accordance with article 50 numeral 40 of the Bylaws of Bancóldex, it is the function of the Board of Directors to organize the annual evaluation process of the Board of Directors, both as a collegiate administrative body and of its individual members.

For its part, the Corporate Governance Committee is responsible for recommending the annual evaluation methodology of the Board of Directors and the committees that support its work, as well as for carrying out the evaluation, in accordance with the instructions given by the Board of Directors.

Consequently, Bancóldex, with the recommendation of the Corporate Governance Committee, hired the external advisor integrated by Governance Consultants y Amrop Top Management in order to carry out the external evaluation of the their individual participation as members of the Board, the performance of the Board of Directors as a collegiate body and the relationship of the Board with the Administration, as well as the functioning of the Committees..

The sources of the evaluation corresponded to interviews and self-evaluation surveys filled out by the members of the Board of Directors and the Senior Management, as well as the review of the minutes of the Board of Directors and the Committees.

The evaluation process concluded:

1. The Board of Directors is an instance that adds value to Bancóldex, with a dynamic of open and constructive communication that benefits from a diverse conformation of profiles and regional representation, highly committed to the development and protection of the Bank.
2. The Board of Directors, with the recent definition of its strategy, has devoted efforts to find a balance between the dimension of being a development bank and the dimension of value creation and profitability generation.
3. The circumstance of having a non-independent Chairman of the Board of Directors may affect the perception of the effectiveness of that role.
4. Good session dynamics and adequate participation of its members are perceived. The quality and focus of the information provided for the preparation of the topics is satisfactory. However, there is the

expectation of the Board of Directors that the type and quality of the information be consolidated as an institutional standard.

5. Regarding the committees, there is a good perception about their operation and contribution, however, in some cases there are opportunities for improvement that will be proposed by the Improvement Committee regarding Corporate Governance in synchrony with the Board of Directors.
6. Finally, the commitment of all the members of the Board of Directors to contribute to the best interest of the Bank is highlighted, which is reflected in the high levels of assistance and in the evident conviction of doing an evaluation process that favors the operation of the Board of Directors. These elements generate an enabling environment to define and incorporate improvement actions that allow the strengthening of the collegiate body and the decision-making process.

### III. Transactions with related parties

#### 1. Powers of the Board of Directors on this type of transactions and situations of conflict of interest

Article 50, paragraph 23, of the Bank's Bylaws establishes that it is a non-delegable function of the Board of Directors to regulate the specific mechanisms that allow for the prevention, management and disclosure of conflicts of interest that may arise between shareholders and directors, executives or senior officers, and between majority and minority shareholders, and to address them.

#### 2. Details of the most relevant Related Operations of the company, including the operations between companies of the Conglomerate

The Bank considered the participation of the related parties in the generation of profits, the existence of the relationship with related parties such as: shareholders, members of the Board of Directors and Directors of the Bank, subordinate entities and entities of the same parent company, are clear examples of persons or entities that influence or may have an effect on the results and financial situation of the Bank. It was also considered that the aforementioned transactions could be carried out by other parties, unrelated to each other, who could not, therefore, record the balances of assets and liabilities resulting from the reconciliation of balances, as well as the income and expenses caused in each period, corresponding to transactions with related parties, which are discussed in detail below:

- Shareholders: all related party transactions as defined in IAS 24.
- Administrators: The President, Vice Presidents, Managers and Comptroller of the Bank are considered administrators.
- Subordinate: entities over which control is held in accordance with the definition of control in IFRS10, Fiduciaria Colombiana de Comercio Exterior S.A. - Fiducóldex and Arco Grupo Bancóldex.

The Bank may enter into transactions, agreements or contracts with related parties, on the understanding that any such transactions will be carried out at fair value, based on market conditions and rates.

In 2018, the Bank did not carry out any transactions or transactions with partners or directors, the characteristics of which differ from those of third parties, nor did it provide free or compensated services or loans without interest or consideration, with the exception of those of a labour nature regulated by articles 152 and 153 of the Substantive Labour Code.

The operations are duly instrumented and comply with the regulations that govern them. The operations carried out by the Bank with its partners and managers are in accordance with the general policies of the institution. These transactions are duly specified in note 'related party transactions' to the financial statements.

### 3. Conflicts of interest presented and performance of the members of the Board of Directors.

The Code of Good Governance, numeral 3.2.1, establishes the following:

3.2.1 Prevention, management and disclosure of conflicts of interest between shareholders and directors, executives and officers of the Bank.

- a. The management of Bancóldex will avoid all circumstances that create a conflict of interest between shareholders and directors, executives and officers of the Bank.
- b. Directors may not, either on their own behalf or through an intermediary, dispose of or acquire shares in the Bank while they are holding office, except in the case of transactions outside the scope of speculation and with the authorisation of the Board of Directors, granted with the favourable vote of two thirds of its members, excluding the applicant, or of the General Assembly, with the favourable vote of the ordinary majority provided for in the Bylaws, excluding that of the applicant. Likewise, except in the case of legal representation, directors and managers may not represent shares other than their own at Assembly meetings, while they are in office.
- c. Bancóldex will not be able to carry out active credit operations with the natural or legal person that acquires or possesses a participation equal or higher than ten percent (10%) of its capital. This prohibition shall extend for a period of one (1) year from the date on which the event occurs.
- d. The management of Bancóldex must ensure that the granting of credit to shareholders complies with the individual credit limits established by law.
- e. When a situation arises that generates conflicts of interest between shareholders and directors, executives and officers of the Bank, the Board of Directors shall evaluate the conditions thereof and, if appropriate, shall request the Legal Representative to call a meeting of the General Shareholders' Assembly within the following calendar month, in order for the conflict to be resolved by the highest corporate body. In any case, the mechanisms established in the Bank's Bylaws shall be accepted as mechanisms for resolving conflicts.
- f. Management should ensure that manuals describing the procedure for the prevention, management and disclosure of conflicts of interest are disclosed to shareholders.

In addition, Bancóldex has a the policy and procedure for disclosure of conflicts of interest, which establishes as a duty of the members of the Board of Directors, executives, employees and shareholders, to communicate any legal and economic relationship that may generate a situation of conflict between their personal interests and the interests of Bancóldex, when dealing with contractors, buyers, sellers, and any other person who conducts or intends to conduct business with Bancóldex, or with companies in which it has direct or indirect interests.

### IV. Risk management systems of the company or conglomerate

The management report, as well as the report on the Internal Control System submitted to the General Shareholders' Assembly, includes information, explanations and details relating to the risk management and control system, as well as the Internal Control System.

### V. General Shareholders' Assembly

## 1. Differences in the functioning of the Assembly between the minimum regime of the regulations in force and that defined by the Bylaws and the Regulations of the Assembly of the Company.

- a. Period for convening the Assembly: 30 days for ordinary meetings and 15 days for extraordinary meetings
- b. Publication on the website of the call notice, agenda and information relating to the proposals for agreement.
- c. The agenda items contain the precise content of the issues to be discussed, avoiding joint voting on issues or proposals for agreement that should be resolved individually.
- d. The Bylaws recognize the right of shareholders to request information or clarification regarding the agenda, and their procedure is regulated in the Regulations of the General Shareholders' Assembly.
- e. Minority shareholders representing at least 0.14% of the subscribed shares may: i) Submit proposals at the Meeting, and ii) Request the inclusion of items on the agenda of the Meeting.
- f. To minimize the use of proxies without voting instructions, the use of proxy forms available on the website is encouraged;
- g. At the request of the President of the Ordinary General Shareholders' Assembly, the support committees must present the performance of their activities to the shareholders.
- h. The President of the Bank and all members of the Board of Directors attend the meeting of the Assembly to resolve shareholders' concerns.
- i. Transmission of the meeting via videoconference.

## 2. Measures adopted during the year to encourage shareholder participation

As Bancóldex shareholders are located throughout the country, for those who cannot attend the Meeting, a videoconference is available to follow the General Shareholders' Assembly through this mechanism.

On the other hand, Bancóldex has a policy for relations with minority shareholders, which is published on the Bancóldex website [www.bancoldex.com](http://www.bancoldex.com) and which defines the procedure and channels of communication with minority shareholders.

### a. Shareholder information and communication

The Management of Bancóldex sends to the shareholders of the Bank who have carried out the process of updating their data, an e-mail reminding them of the date and time of the meeting of the General Shareholders' Assembly, whether it is ordinary or not.

In addition, the Corporate Governance Report is published on the link on the website specially designed for shareholders to learn first-hand about the actions carried out by Bancóldex in the previous year.

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

Various requests were received from shareholders, including: tax return certificate, dividends and share sale procedure.

### c. Attendance data for the General Shareholders' Meeting

#### **Ordinary meeting:**



In the city of Bogota, D.C., at 9:15 a.m. on March 23, 2018, by virtue of the call made by Mario Suárez Melo, President of the Bank, published on February 19, 2018, in the daily Portafolio (page 16), in the room on the 42nd floor of the entity, located at Calle 28 No. 13A- 15, Bogotá, D.C., the General Shareholders' Assembly of Banco de Comercio Exterior de Colombia S.A., Bancóldex, met ordinarily, and was attended by the following shareholders, according to their share class:

**CLASS "A"**

Shareholder	Represented by	In its capacity as	Shares
Nation - Ministry of Commerce, Industry and Tourism	German Eduardo Quintero Rojas - Secretary General of the Ministry of Commerce, Industry and Tourism	Special representative of the Minister of Commerce, Industry and Tourism, according to the special power of attorney that forms an integral part of the background of this Act.	976.143.335
Nation - Ministry of Finance and Public Credit	Francisco Javier Quiroga, Advisor to the General Directorate of State Participation of the Ministry of Finance and Public Credit	Special representative of the Minister of Finance and Public Credit, according to the special power of attorney that forms an integral part of the background of this act.	83.420.180

**CLASSES "B" and "C"**

Shareholder	Represented by	In its capacity as	Shares B Series	Shares C Series
Edith Caicedo Barrantes	Themselves	Shareholder	2.279	1.000
María del Pilar Castro Alarcón	Themselves	Shareholder	226	100
Carlos Ernesto Chávez F.	Themselves	Shareholder	859.403	377.401
Lygia Esperanza Cristancho	Themselves	Shareholder	1.086	477
José Rosendo Díaz Camargo	Themselves	Shareholder	454	200

**TOTAL NUMBER OF SHARES REPRESENTED 1,060,806,141**

**d. Details of the main agreements taken**

**Ordinary Meeting**

At the ordinary meeting of the General Shareholders' Assembly of Bancóldex held on March 23, 2018, the management reports of the Board of Directors and the Bank's President to the Meeting, the special report on the control situation and the corporate governance report were considered. The individual and consolidated financial statements were approved with Fiducóldex and Arco Grupo Bancóldex CF S.A., as of December 31, 2017.

The Assembly approved the draft distribution of profits, under condition that the National Council for Economic and Social Policy - CONPES – approve such distribution.

The Assembly approved the extension of the economic privilege envisaged for the privileged actions of the "C" series for five (5) more years.

Finally, the Assembly approved the nomination of Deloitte & Touche Ltda to serve as statutory auditor for the period between 2018 and 2020.

## VI. Corporate governance activities during the year

### 1. Strengthening the strengthening of IFC recommendations

In 2017 Bancóldex made progress in adopting the 45 recommendations made by the International Finance Corporation - IFC and the World Bank on corporate governance and closed with its formal implementation, with the particularity that some require regulatory changes. As a result, in 2018 work was worked on strengthening corporate governance, with the implementation of recommended actions and the management of the required regulatory changes. The activities envisaged by the Corporate Governance Committee to implement in 2018 were fully covered in accordance with the planned work plan.

It is highlighted among the activities implemented the updating of the members of the Board of Directors of Bancóldex and its subsidiaries, with the accompaniment of the Colombian Institute of Corporate Governance and College of Higher Management Studies (CESA), which covered topics such as economic development with an emphasis on development bank trends, conflicts of interest, FINTECH digital technologies and efficient boards of directors , as reported in point 14 of this report.

It is also noted that in 2018 the first external evaluation of the Board of Directors was carried out as a collegiate body, the efficiency of its meetings and best practices, the results of which were indicated in point 17 of this report.

### 2. Strengthening corporate governance of Bancóldex subsidiaries

In 2018, one of the strategic objectives of Bancóldex was strengthening the corporate governance of its subsidiaries, Arco Grupo Bancóldex S.A. Compañía de Financiamiento and Fiduciaria de Comercio Exterior de Colombia S.A.– Fiducoldex. Accordingly, during the reported financial year the subsidiaries implemented three of the recommendations made by the International Finance Corporation - IFC and the World Bank to Bancóldex which were also applicable to them. In 2019 it is planned to continue the development of this objective.

### 3. Bancóldex's participation at international level

#### a. “Corporate Governance Development Framework”

In September 2011, the Bank signed a *Corporate Governance Development Framework* agreement with 29 other international development finance institutions, including the African Development Bank (AfDB), the Compañía Española de Financiación del Desarrollo (COFIDES), Asian Development (ADB), Development Bank of Latin America (CAF), and Banco de Inversión y Comercio Exterior S.A., among others. BICE], to establish a common set of guidelines to support sustainable economic development in emerging markets through corporate governance. The signing of the aforementioned agreement implies the commitment of each of the parties: to integrate corporate governance into investment operations, to identify and assign an internal

function for the application of these guidelines, to provide training, and to submit an annual report on the application of the policies of each of the entities.

In 2018, the Bank submitted the necessary information for the preparation of the matrix to analyze the level of progress in the application of the practices in each of the entities that are part of the *Corporate Governance Development Framework*.

#### **b. Latin American Corporate Governance Network for State Entities**

As of October 12, 2012, the Bank will participate in the Latin American Network of Corporate Governance for State Entities. This Network aims to "promote good governance in public entities in the region through the exchange of experiences and knowledge on policies, practices and reforms, using as its main reference the guidelines developed by the two multilateral organizations" (CAF - Development Bank for Latin America and the Organization for Economic Cooperation and Development (OECD)).

#### **4. Implementation report on best corporate practices - New Country Code as of 31st financial year 2017:**

The Best Corporate Practices Implementation Report - New Country Code is a tool applied by the Superintendence of Finance of Colombia to achieve an adequate corporate governance that contributes to the fulfillment of the objectives of stability, security and trust, promotion and development of the Colombian stock market and protection of investors, savers and insured persons.

In 2018, the Bank completed the Country Code Survey, which is published on the Bank's website under the link "Information of interest to shareholders and other investors". It should be noted that in 2017 Bancóldex reached an implementation level of 88% of the New Country Code. The Superintendence of Finance of Colombia (SFC) reported the general results of the implementation of the New Country Code, that demonstrate a level of implementation at 60%.

Additionally, on January 31, 2019, Bancóldex filed and transmitted to SFC the Report on the Implementation of Best Corporate Practices - Country Code for 2018, with the adoption of additional measures that reflect an implementation level of approximately 91% of the recommendations of the New Country Code. The Report can be consulted on the Bank's website at

<https://www.bancoldex.com/informacion-de-interes-para-accionistas-e-inversionistas/encuesta-codigo-pais-2287>

## **VII. BANCÓLDEX ACTIVITIES WITH ENTREPRENEURS**

The Bank, through the Office of Consulting and Training, developed several business consulting and training initiatives to strengthen good corporate governance practices in companies, followed by the main activities carried out in 2018:

### **1. Strengthening microfinance institutions programme**

Within the framework of the Institutional Strengthening Program for entities oriented to microcredit, various activities (workshops, virtual courses, seminars and videoconferences) were developed in risk management, strategy, property guarantees and corporate governance. Particularly on the subject of Government, with the support of IFC, workshops were held in the cities of Bogota and Bucaramanga with the participation of 21 microfinance institutions.

## 2. Strengthening regional capacities for transformation

During the first quarter of 2018, in partnership with the IFC of the World Bank and the Barranquilla Chamber of Commerce, the specialized accompaniment in Corporate Governance to 9 companies in Barranquilla (6 SMEs and 3 large companies) was completed.

**Javier Díaz Fajardo**  
President