

# **INTERNAL REGULATION**

**VERSION: AUGUST 2019**



## **Anti-bribery, Anti-corruption and Anti-fraud Policy**

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## Anti-bribery, Anti-corruption and Anti-fraud Policy

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## APPLICATION OF THE POLICY

This Anti-bribery, Anti-corruption and Anti-fraud Policy (this "Policy") applies to all Board of Directors, officers and employees.

This Policy also reflects the standards to which the Company expects any person or entity that performs services on behalf of the Company to adhere to when acting on the Company's behalf. Such persons or entities acting on the Company's behalf could include partners, agents and contractors (collectively "Third Parties").

Please direct any questions and requests relating to this Policy to any member of ISAGEN's Ethics Committee. Please see Appendix "A" hereto for contact information with respect to this Policy.

## COMMITMENT TO ANTI-BRIBERY, ANTI-CORRUPTION AND ANTI-FRAUD

This Policy embraces the Good Governance practices of the Company for the prevention and detection of potential fraud, and to prohibit bribery and corruption.

This Policy also reiterates ISAGEN's commitment to conducting its business with honesty and integrity and in full compliance with applicable anti-bribery, anti-corruption and anti-fraud laws, including, but not limited to, those applicable in Colombia, the United States, Canada and the United Kingdom. In the event of the Colombian laws are more restrictive than this Policy, such local provisions shall apply.

We also take into consideration practices recommended by different national and international organizations.

## PROHIBITIONS

ISAGEN strictly prohibits fraud in any manner whatsoever and, therefore, it will promote Good Governance, Transparency and Ethics throughout its management and activities at all levels of the organization (Board of Directors, officers, employees and third parties as well as in its engagement with stakeholders).

### Fraud Risk

Fraud is any illegal act characterized by deceit, concealment or breach of trust. These acts do not necessarily imply the threat of violence or physical force. Individuals or organizations perpetrate fraud to obtain money, goods or services, to avoid payments or loss of services, or to ensure personal or business advantages<sup>1</sup>.

ISAGEN has defined the following types of fraud risk:

- Bribery and Corruption
- Misappropriation of assets
- Financial Statement Fraud
- Assets Laundering and Terrorist Financing
- Others

**Bribery and corruption are strictly prohibited:** ISAGEN strictly prohibits any act that constitutes bribery or corruption.

A "Bribe" is anything of value that is offered, promised, given or received by any party to influence a decision or to gain or reward an improper or unfair advantage for the benefit of the Company or any other party.

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<sup>1</sup> Definition taken from the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors of Colombia

"Corruption" is the abuse of power or position for private gain.

Bribery and Corruption can take many forms, including the offering, provision or acceptance of: cash payments, loans, consulting work or engagements, kick-backs, political contributions, charitable contributions, employment, social benefits; or gifts, travel, hospitality and expense reimbursement.

In addition, certain activities may give rise to bribery and corruption and must therefore apply the following standards:

**Do not make facilitation payments.** Facilitation payments are also a form of bribe and are, therefore, not permitted. Facilitation payments are small payments made to secure or speed up routine actions or otherwise induce public officials or other third parties to perform routine functions they are otherwise obligated to perform, such as issuing permits, approving immigration documents or releasing goods held in customs. This does not include legally required administrative fees or legally required fees to fast-track services. If you have a question about whether a particular payment is permitted under this Policy, please contact the Ethics Committee members listed in Appendix "A".

**Do not offer contributions to political parties, their candidates or representatives that might influence, or be perceived as influencing a business decision.** ISAGEN does not give any direct or indirect contribution to political parties, their candidates or representatives.

Political donations by employees on their own behalf must comply with applicable local laws and regulations. ISAGEN and its employees neither provide company facilities, goods, services or resources, nor promote activities intended for political purposes.

ISAGEN promotes freedom of its employees and executives for an active involvement in public service. Nevertheless, any participation in this regard must be performed on their own name, not as company representatives. Special care must be taken in the event that such participation could be misinterpreted as a way in which ISAGEN could be obtaining any benefit from influencing decisions by means of political activities or could seem to generate conflict of interest. In case of concerns or doubts related to actions associated with political activities, the Ethics Committee members listed in Appendix "A" should be contacted.

**It is prohibited to participate in lobbying activities on behalf of ISAGEN, without specific authorization.** Lobbying activities generally include attempts to influence the passage or defeat of legislation and it may trigger registration and reporting requirements. In many jurisdictions, the definition of lobbying activity is extended to cover efforts to induce rule-making by executive branch agencies or other official actions of agencies, including the decision to enter into a contract or other arrangement. You cannot undertake lobbying activities on behalf of ISAGEN without specific authorization from a member of the Management Committee.

**It is strictly prohibited to ask or offer donations to suppliers, vendors or public officials, in a manner that communicates that compliance is a prerequisite for future business.** ISAGEN encourages its directors, officers and employees to contribute personal time and resources to non-profit charity organizations. Nonetheless, unless the request is supported by the company, it is prohibited to use resources from the Company to ask for donations or similar benefits.

## CHARITABLE DONATIONS

Any request for corporate gifts to charities and other not-for-profit organizations shall comply with internal regulations. Charity donations by employees in their own name should comply with local applicable laws and regulations. If an employee is requested by a public official to make personal donations to a particular charity or non-profit organization, the conflict of interest statement procedure must be followed. Should there be any

query or doubt related to donations or sponsoring, one of the members of the Ethics Committee listed in Appendix "A" must be contacted.

### **THIRD PARTIES**

Third Parties are not permitted to pay, offer, accept or request bribes on behalf of ISAGEN. ISAGEN may be investigated, prosecuted and penalized for failing to prevent bribery by a person or third party with it. Therefore, due diligence processes must be conducted with third parties to determine their policies and procedures related to anti-bribery and anti-corruption, in accordance with the risk level assessed. The foregoing may include conveying this Policy to these persons (and associated companies), meeting with them to better evaluate their character, and making commercially reasonable inquiries into their reputation and past conduct. Anti-bribery and anti-corruption clauses should be included in contracts entered into with third parties, where appropriate.

### **DEALING WITH PUBLIC OFFICIALS**

#### **Interactions with public officials require enhanced scrutiny and sensitivity**

A public official is any person employed by or is acting in an official capacity for a government, a department, a governmental agency, regulator or a public international organization. This includes elected or appointed persons who hold legislative, administrative or judicial functions, such as politicians or judges. It also includes persons who perform public functions such as professionals working for public health agencies, water authorities, planning officials and agents of public international organizations such as the UN or World Bank. A "public official" also includes employees of government-owned or controlled businesses such as the manager of a state-owned public utility.

There is increased sensitivity and scrutiny of dealings with public officials because this has traditionally been an area where bribery activity and corruption are more likely to occur. Be cognizant of these risks in your dealings and interactions with public officials and consider how your actions may be viewed. For example, payments to close relatives of public officials may be treated by enforcement authorities as direct payments to the public officials and therefore may constitute violations of law.

As a result, gifts to public officials are strictly prohibited and entertainment for public officials should be modest and reasonable. In addition, because interactions with public officials carry special risks under applicable anti-bribery and anti-corruption laws, contracts and payments to public officials must be managed as per guidelines set out in the contracting manual.

### **GIFTS AND ENTERTAINMENT**

**Any gifts given or received shall be modest and any entertainment given or received shall be proportionate and reasonable for the circumstances.**

Subject to the restrictions set out in the prior section relating to public officials, gifts (e.g. merchandise) given to or received from persons who have a business relationship with ISAGEN are generally acceptable, if the gift is modest in value, is appropriate to the business relationship, is not given or received to gain an improper advantage and does not create an appearance of impropriety. No cash payment or cash equivalents should be given or received. Gifts received from third parties cannot exceed the amount of COP \$250.000

Entertainment (e.g. meals, tickets to sporting events or theatre) given to or received from persons who have a business relationship with the Company are generally acceptable, if the entertainment is reasonable in value, appropriate to the business relationship, is not given or received to gain an improper advantage, does not create an appearance of impropriety and if a representative from the sponsoring organization (the party paying for the entertainment) is present at the event.

Gifts and entertainment (including meals) that are repetitive, no matter how small, may be perceived to be an attempt to create an obligation for the party offering them and are not acceptable.

ISAGEN employees must not either offer or receive trips, including costs associated therewith. Invitations to seminars, congresses or event sponsoring shall not be either offered or received without prior authorization from the Process' General Manager, in which case the conflict of interest declaration procedure must be observed.

In case of concerns or doubts on how to act in relation with gifts or presents, a member of the Ethics Committee listed in Appendix "A" should be contacted.

## **RECORD-KEEPING**

**Record all our transactions in a complete, accurate and detailed manner so that the purpose and amount of the transaction is clear.**

In addition to prohibiting bribery and corruption, some anti-bribery and anti-corruption legislation requires the proper record-keeping and the establishment and maintenance of internal controls. The purpose of these provisions is to prevent companies from concealing bribes and to discourage fraudulent accounting practices.

Any transaction made by ISAGEN must be fully recorded, accurately and with sufficient detail, so that the purpose and amount of each transaction is clear. No invoices or payments may be kept out of the accounting records. In no case can false or misleading entries be made in accounting books and records, which do not truly reflect the company operations.

**ISAGEN strictly prohibits manipulation of information on financial statements and their disclosures.**

Intentional inaccuracies in company transactions, the registers in financial statements and ill-intended disclosures therein are prohibited.

"Manipulation of data in financial statements" is the production, alteration or deliberate elimination of records, in any manner that distorts the results of the Financial Statements.

Additionally, the following is prohibited: intentional wrongful disclosure in the Financial Statements, distortion or omission of profits or tax evasion; production, alteration or deliberate suppression of records aimed at distorting Financial Statement results; issuing false reports that distort the true performance of ISAGEN, including suppression of information to hide deficient performance or access to benefits, in order to deceive investors or stakeholders and any other activity intended to distort actual financial information.

## **OTHER PROVISIONS**

### **Asset Misappropriation**

**ISAGEN strictly prohibits asset misappropriation. Any improper use or disposal of assets and resources of ISAGEN is prohibited.**

"Asset Misappropriation" is any intentional act related to the illegal disposal of physical or intangible assets belonging to ISAGEN, their loss or theft, as well as fraudulent payments for personal benefit or the benefit of third parties.

It includes the unauthorized use or appropriation of assets, cash, and securities or similar, any unauthorized expenses and generally any unauthorized appropriation, diversion or use of assets owned or under the responsibility of ISAGEN.

### **Assets Laundering and Terrorist Financing**

**Assets laundering and terrorist financing are prohibited. Any activity, action or omission intended to facilitate assets laundering and terrorist financing is prohibited.**

"Assets" are goods of any type, tangible and intangible, movable or immovable property, including but not limited to, money, land or buildings.

"Assets Laundering" refers to the activity of acquisition, protection, investment, transportation, transformation, storage, maintenance, safekeeping or administration of goods produced in the immediate or medium-term through activities of migrant trafficking, people smuggling, extortion, illicit enrichment, kidnapping for ransom, rebellion, arms dealing, child trafficking, terrorist financing and administration of resources related to terrorist activities, trafficking of toxic drugs, narcotics or psychotropic substances, crimes against the financial system, or crimes against the public administration, smuggling, contraband of hydrocarbons or its derivatives, customs fraud or enhancement and facilitation of smuggling, enhancement of contraband of hydrocarbons, or its derivatives, in any of its forms, as well as goods linked to the proceeds from crimes of conspiracy. It refers also to giving goods originating from such activities the appearance of legality, or legalizing, hiding or covering the true nature, origin, location, destination, movement or right of said goods, or about goods for which has been declared<sup>2</sup>.

"Terrorist Financing" refers to the activities associated to supplying, collecting, handing over, receiving, managing, contributing, guarding or safekeeping funds, goods or resources, or the undertaking of any other act that promotes, organizes, supports, maintains, finances or economically supports illegal armed groups or their members, national or foreign terrorist groups, national or foreign terrorists, or terrorist activities<sup>3</sup>.

ISAGEN prohibits its employees and executives any action or omission intended to allow for Assets Laundering and Terrorist Financing. Related risks to assets laundering and terrorist financing associated with securities with credit content, shall be managed in accordance with the Prevention and Control of Assets Laundering and Terrorist Financing Risk Manual, and the related to other third parties shall be managed in accordance with the Relationship Risk Review Procedure. ISAGEN may be investigated, prosecuted, and penalized for not preventing associated third parties (suppliers, employees, practitioners, shareholders, among others), either by action or omission, to facilitate Assets Laundering and Terrorist Financing activities. Therefore, due diligence processes must be conducted with third parties to determine what are their policies and procedures to prevent Assets Laundering and Terrorist Financing activities, if necessary, in accordance with the risk level assessed.

### **Extortion**

**ISAGEN, its employees, contractors, subcontractors, suppliers and third parties are strictly prohibited to pay for extortion**

"Extortion" refers to the person that compels another to do, tolerate or omit anything for the purpose of obtaining illicit profit or any illicit gain or illicit benefit, for himself or for a third party<sup>4</sup>. It is a crime that affects freedom related to both property and physical integrity. It should be considered as one of the numerous ways of coercing individual freedom. It tends to become permanent over time and may have sporadic, intermittent

<sup>2</sup> Article 323 of the Colombian Criminal Code

<sup>3</sup> Article 345 of the Colombian Criminal Code

<sup>4</sup> Article 244 of the Colombian Criminal Code

or continuous modalities. Extortion Non-Payment clauses must be included in contracts with third parties. The crisis plan must define guidelines on how to act in the event of this risk materializing, which includes the obligation of reporting it.

## **Commercial Practices or Agreements against Free Market Laws**

### **ISAGEN prohibits all practices or activities that attempt against national competition laws**

ISAGEN prohibits all practices or activities that attempt against national competition laws, namely: price agreements, distribution of market or service quotas, abuse of dominant position, establishing market access barriers, refusal to provide or discrimination in service provision, among others.

### **Conflicts of Interest**

Occurs when members of the Board of Directors and its Committee, the CEO, the executives and the employees of ISAGEN in general, either directly or through third parties, in the context of making a decision and/or opting to behave in a certain way, are presented with a choice between the interests of the Company and their personal interest or those of a third party and do not report this situation to the Company on time. As regards Conflicts of Interest, Good Governance guidelines and practices shall apply to define and address this issue.

Nevertheless, situations outlined herein below, including, but not limited to, are considered conflicts of interest: negotiating, contracting or coordinating activities with a contractor, supplier, client or third party where a relative has a share (within fourth degree of kinship, second of affinity or first civil); receiving gifts, presents or accepting invitations that are not of an institutional nature, from any client, supplier/contractor or third party with whom ISAGEN has some type of link or relationship; carry out any additional activity outside of ISAGEN (Advisory, consulting partnership, participation in Boards of Directors or other profitable activity) that could require the use of ISAGEN resources or information, or working hours for performance thereof; working or participating as member of steering bodies in companies with which ISAGEN has commercial links, provided that the employee, as part of his duties, has the possibility of favoring any business with said company or can use ISAGEN working hours, resources or information to perform this activity; carrying out any of the following activities: undergraduate studies or teaching, diploma courses, specialization, masters, doctorate or presentations in academic events that could compromise ISAGEN resources, information of working hours.

### **Management of Fraud Risk, Corruption and Bribery**

ISAGEN, in order to strengthen identification, prevention, protection and addressing fraud, corruption and bribery risk, has established the following practices: Identification of work issues, activities and roles in the Company that have potential exposure to fraud, bribery and corruption risk, and has defined controls to mitigate such risk exposure; ISAGEN executives must identify the potential fraud risks that their work is exposed to, update the identification of such risks annually and have guidelines in place for activities with high exposure to fraud, corruption and bribery risk.

## **REPORTING**

All ISAGEN directors, officers, employees and third parties have an obligation to comply with this Policy. Should an employee or third party become aware of behaviors among other employees or third parties that could breach this Policy, it must be reported immediately. Reporting such conduct is important for ISAGEN, and is both expected and valued.

For reporting matters, ISAGEN has an Ethics Channel, which is a mechanism that consists of channels such as fax, email and a hotline, managed by an independent third party, thus enabling submittal of



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anonymous allegations if is preferred by the whistleblower; which the Organization has made available for employees and the general public to report events or irregularities committed by employees or third parties that affect, or may affect, the interests of the Company or its stakeholders; all under the principles of attention, investigation, justice, confidentiality, action, backing, support, non-reward and respect. Additionally, employees or third parties can approach any member of ISAGEN's Ethics Committee to report breaches to this Policy, who will ensure that the information is properly handled and escalated as necessary.

ISAGEN assigns serious consideration to every concern relative to possible breaches of this Policy; every concern will be evaluated and, when necessary, it will be investigated pursuant to that set forth in corporate guidelines in this regard. Confidentiality relative to reported concerns about breaches of this Policy will be maintained consistently with the need of conducting investigation processes and applicable laws.

No retribution or retaliation will be taken against any person who has made a report based on the reasonable good faith belief that a violation of this Policy has occurred.

Concerns may be reported to:

**Telefax:** 01 8000 41 00 27 / +57 (4) 361 53 20

**Email:** [lineaetica@isagen.com.co](mailto:lineaetica@isagen.com.co)

#### **ENFORCEMENT AND DISCIPLINARY ACTION**

ISAGEN will impose disciplinary measures to those whose breach of this policy has been confirmed, subject to compliance with the disciplinary process established within ISAGEN and respecting due process and the right to defense. Breach of this Policy can also represent breach of anti-bribery and anti-corruption laws. Should the company confirm that there is a breach of this type of laws, it shall remit the issue to the competent authority, and this may imply imposing penalties, fines or prison, or other type of liabilities for the offender.

**Appendix A**  
**Contact information related to this Policy**

**ISAGEN's Ethics Committee**

Juan Esteban Flórez Arango (jfllorez@isagen.com.co) – Telephone +57(4) 325 77 00

Gloria María Úsuga Yepes (gmusuga@isagen.com.co) – Telephone +57(4) 325 67 21

Germán Jaramillo Olano (jamarco2@une.net.co)