
**THE PREVENTION AND CONTROL OF ASSETS LAUNDERING AND
TERRORIST FINANCING RISK MANUAL**

TABLE OF CONTENTS

INTRODUCTION	2
1. SCOPE	2
2. PROCEDURES FOR PREVENTION AND CONTROL OF AL/TF	2
2.1 Placement compliance obligations	2
2.2 Procedures for detection, analysis and assessment of information regarding unusual transactions and suspicious transactions.....	3
2.3 Retention, access and confidentiality of documents	3
3. MECHANISMS TO PREVENT AND SOLVE CONFLICTS OF INTEREST IN COMPLIANCE WITH THE NORMS FOR THE PREVENTION AND CONTROL OF AL/TF	4
4. RESPONSIBILITIES	4
4.1 ISAGEN.....	4
4.2 Third parties linked to the issuance and placement process.....	6
5. INTERNAL AND EXTERNAL REPORTS	6
5.1 Internal reports.	6
5.2 External reports.....	7
5.3 Identification of warning signs.	7
6. OTHERS.....	7
6.1 Training.....	7
6.2 Other monitored.	7
7. APPENDIX	7

INTRODUCTION

ISAGEN as the issuer (“Issuer”) of securities with credit content (“Securities”) registered in the Colombian Securities Exchange (“BVC”) and/or National Registry for Securities and Issuers (“RNVE”), as an issuer of securities, that are not subject to permanent inspection and supervision by the Financial Superintendency of Colombia (“SFC”), it complies with Chapter VII, Title I, Part III of the Legal Basic Circular 029/2014, and standards that modify, supplement or expand it (“Legal Circular”). As such, ISAGEN has implemented an Integral System for the prevention of asset laundering (“SIPLA”), which is part of this Manual.

The SIPLA consists of this Manual, in addition to the matters related to prevention of risk of asset laundering and terrorist financing (“AL/TF”) that are included in the fraud risk matrix, Anti Bribery and Corruption Policy (“ABC Policy”) and its guidelines, Corporate Governance Code and Relationship Risk Review Procedure.

1. SCOPE

This Manual applies to all ISAGEN’s employees and managers.

2. PROCEDURES FOR PREVENTION AND CONTROL OF AL/TF

2.1 Compliance with obligations related to securities placement

For the identification of investors as a mechanism for the prevention of AL/FT risk, ISAGEN has the following procedures:

- **Placement through entities supervised by the SFC:** If ISAGEN makes the securities placement through an entity supervised by the SFC, such entity must comply with applicable regulations regarding identification of investors.

In the event of placement of ISAGEN’s securities through various entities subject to inspection and supervision of the SFC, ISAGEN is responsible for the consolidation of the information related to its investors. For such purpose, ISAGEN will delegate to one of the entities this activity related to compliance with the Management System for Asset Laundering and terrorist financing Risk (“SARLATF”) instructions. In this respect, these supervised entities must individually comply with SARLAFT instructions and prepare the reports set forth in the Legal Circular.

- **Placement of securities abroad:** in case of placement of securities abroad, the entities in charge of placing the aforementioned securities must produce a certificate issued by the legal representative or the person performing similar functions in the placement entity. The certificate must state that the norms required for the prevention and control of asset laundering and terrorist financing in the respective countries have been fully complied with.

For complying the above obligations, in case of the placements through supervised entities by SFC or abroad placements, the tender document and the contract and/or commercial offer must include in a clear way the selection criteria and provisions regarding the obligations related to the identification of investors for the prevention and control of AL/TF risk. These documents must require prior approval by the Compliance Officer.

The Relationship Risk Review Procedure establishes the requirements when ISAGEN makes the placement directly, if made, because these operations are not carried out by ISAGEN.

2.2 Procedures for detection, analysis and assessment of information regarding unusual transactions and suspicious transactions

The procedure for detection, analysis and assessment of information related to unusual transactions and suspicious transactions, is established in ISAGEN's Relationship Risk Review Procedure, which will be applicable to investors. Likewise, the numeral 5 of this Manual shall apply.

2.3 Retention, access and confidentiality of documents

All corporate bodies and ISAGEN's employees that have responsibilities related to this Manual and the procedures derived therefrom are responsible for safeguarding and limiting the use of the information strictly for the established purposes in this Manual and in the law. Likewise, they shall comply the 4 numeral of Legal Circular.

The manner and length of time to maintain the information generated by the implementation of the prevention and control of AL/TF risk shall be those established in the Colombian regulations for the retention of books and commercial documents, and in accordance with the Legal Circular.

With respect to the documents that support a decision about the classification of a transaction as suspicious, ISAGEN will keep the information in the Compliance Team with appropriate security measures for three (3) years and the information will be organized in a database that allows for immediate reply to the requests by the authorities. It without prejudice to retention duty of documents established in this numeral. This information will be included in the report to the UIAF.

In cases of corporate reorganization, such as merger, demerger, and transformation, among others, the resulting entities that remain as securities issuers, must ensure continuity and strict compliance with the prevention and control of asset laundering and terrorist financing risk manual. In the event of settlement, the liquidator is responsible for taking the necessary measures to ensure the archiving, protection, and retention of these documents and the

practices that are part of prevention and control of asset laundering and terrorist financing risk system.

3. MECHANISMS TO PREVENT AND SOLVE CONFLICTS OF INTEREST IN COMPLIANCE WITH THE NORMS FOR THE PREVENTION AND CONTROL OF AL/TF RISK

Corporate Governance Code and ABC Policy establish the criteria and procedures for the prevention and resolution of general conflicts of interests, which are applicable to the matters related to compliance with regulations about prevention and control of AL/TF risk on ISAGEN, particularly those that have to do with internal or external reports that allow for detection and analysis of unusual transactions, and determination and report of suspicious transactions. Therefore, the general procedure for conflict of interest will be followed, however the report about such conflicts of interests will be analyzed by the Compliance Officer.

4. RESPONSIBILITIES

ISAGEN's management, directors and employees will have the following responsibilities related to the prevention and control of AL/TF risks:

4.1 ISAGEN

Board of Directors

- Approve the prevention and control of asset laundering and terrorist financing risk manual and its amendments, based on the Audit and Risk Committee's recommendations
- Approve the mechanisms and instruments that make up ISAGEN's SIPLA.
- Appoint the Compliance Officer of the Company
- Procure the technical and human resources needed to implement and operate the SIPLA
- The duties established in the law derived from updating of Colombian regulations about AL/TF

Audit and Risk Committee

- Review and approve the annual compliance plan
- Assess each report submitted by the Compliance Officer and Statutory Auditor, regarding laws and internal dispositions related to AL/TF, and decide about these reports. Such decisions must be expressly stated in the respective minutes
- Submit the prevention and control of asset laundering and terrorist financing risk manual and its updates to the Board of Directors, in accordance with the provisions of the law

General Manager – Legal Representative

- Submitted for approval by the Board of Directors, through the Audit and Risk Committee and in coordination with the Compliance Officer, the prevention and control of asset laundering and terrorist financing risk manual and its updates
- Verify that the practices and procedures established in the SIPLA comply with the optimal implementation of the Manual approved by the Board of Directors
- Procure the technical and human resources required to implement and operate the SIPLA
- Approve mechanisms and complementary instruments to ISAGEN's SIPLA
- Provide effective, efficient and timely support for the Compliance Officer
- Comply with the duties related to the prevention and control of AL/TF assigned by law

Compliance Officer: the Board of Directors will appoint the Compliance Officer. He/she must have decision-making authority and have the time needed to perform his/her functions and be supported by a team of human and technical resources to enable proper performance of the following functions:

- Ensure effective, efficient and timely application of the SIPLA
- Submit the annual work plan for implementing the SIPLA
- Submit reports every six months to the Board of Directors' Audit and Risk Committee. The report must cover at least the matters set forth in the Legal Circular
- Submit to the legal representatives or management, the requirements for computing, technological, physical and human resources necessary for the performance of their duties
- Promote the implementation of corrective actions for the SIPLA
- Evaluate the reports submitted by the Statutory Auditor and adopt the appropriate measures against the reported deficiencies
- Address and coordinate any requirements, applications or any judicial or administrative proceedings before the competent authority in this area
- Verify that the contracts with the entities supervised by SFC for issuance and placement of securities, comply with the legal provisions and internal regulations related to the prevention and control of AL/TF risks
- Prepare the necessary reports about suspicious transactions, send them to UIAF, after submitting the internal report in accordance with this document
- Submit to the UIAF the Compliance Officer's name, identification number, position and hierarchical level within 15 calendar days following his/her appointment
- Provide training to employees and new hires on policies, procedures, tools and controls adopted for managing the AL/TF risk
- Any other obligations established by law

Statutory Auditor

- The Statutory Auditor must implement its internal activities to detect non-compliance with the instructions of the Legal Circular. This includes examining the entity's managers and the Compliance Officer's roles regarding the SIPLA

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- The report to be submitted by the auditor before the main shareholders meeting and the Compliance Officer must express the conclusions reached in the compliance assessment process regarding AL / TF prevention and control norms

Financial Management

- Include in the contracts required for issuing and placing securities, the contractual provisions related to the prevention and control of AL/TF risk. These documents require prior approval by the Compliance Officer
- Require the reports of compliance with the obligations related to investor identification about AL/TF risk to the entities supervised by the SFC, as well as to those entities when the placement of securities is abroad, that accompanying in issuance and placement of securities. These reports shall be sent to the Compliance Directorate
- Include in the prospectus and offers notice of securities, the information related to AL/TF from this Manual and in the law.

ISAGEN´s Employees

- Apply the provisions and requirements as sent out in the Prevention and Control of Assets Laundry and Terrorist Financing Risk Manual
- Maintain the confidentiality related to the control and analysis procedures about Prevention and Control of Assets Laundering and Terrorist Financing Risk made by ISAGEN, as well as reports submitted to the competent authorities
- Report to the Compliance Officer any unusual transactions, suspicious transactions or warning signs detected

Other responsibilities of various corporate bodies, employees and teams, could be included in the fraud risk matrix and the Relationship Risk Review Procedure that complement this Manual.

4.2 Third parties linked to the issuance and placement process

Supervised and non-supervised entities by the SFC (placement agents, DECEVAL S.A., investment banking, among others) through which ISAGEN places securities must be responsible to comply the obligations established in the law and in the Relationship Risk Review Procedure related to prevention of AL/TF risk for investors.

5. INTERNAL AND EXTERNAL REPORTS

5.1 Internal reports. If any warnings regarding possible suspicious or attempted transactions related to investors are identified by any employee, he/she must report it to the Compliance Officer, who will analyze the case and determine the necessity of reporting it to the competent authorities, if it is considered as suspicious transactions.

5.2 External reports. Once the suspicious operation related to investors has been analyzed through the internal report in reference, in the 5.1 numeral. If the existence of the suspicious operation is ascertained, the Compliance Officer with approval of a Legal Representative Type A and General Manager – Legal Representative will report it to the UIAF, using the mechanisms and forms established in the Legal Circular. Additionally, he will submit a report to the Audit and Risk Committee of the Board of Directors about any suspicious transactions identified and reported.

5.3 Identification of warning signs. Following are some warning signs related to activities that require a special analysis by whoever acts on behalf of ISAGEN in the activities related to investor identification or by ISAGEN's employees in case of direct placements, which must be reported to ISAGEN's Compliance Officer in case of being identified,

- Attempts of transactions from individuals and entities that deliver insufficient or imprecise information
- Inclusion in associated lists with crimes related to assets laundering, terrorist financing and/or its criminal origins
- Transactions performed by minors such as repetitive purchases of bonds or commercial papers
- Denial of information requirements or additional information required from a third party
- In general, shall be identified as warning signs any activity or behavior that will not meet ISAGEN's criteria

6. OTHERS

6.1 Training. The Compliance Officer develop regularly an employee-training plan on general matters related to SIPLA, as well as specialized trainings for employees involved in the transactions related to securities trading (bonds or commercial papers) on matters of management of prevention and control of AL/TF risk, and obligations established in the SIPLA, and for directors regarding the responsibilities derived from SIPLA.

The Compliance Officer, and the team or experts in these matters, could develop the training programs. All training requires attendance records as evidence.

6.2 Other monitored. ISAGEN define in the procedure for Relationship Risk Review, the other third parties with which ISAGEN has relations, and that could be subject to monitoring of relationship risks for preventing and controlling AL/TF risks, as well as the procedure to follow in these cases.

7. APPENDIX

Appendix 1 – Definitions

Appendix 1

Definitions related to the prevention and control of asset laundering and terrorist financing of risk manual

Anti-Bribery and Corruption Policy (“ABC Policy”): ISAGEN’s policy that reflects the standards with which the Company expects that any person or entity that performs services on behalf of ISAGEN adheres to. Such persons or entities acting on behalf of the Company could include shareholders, agents and contractors.

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

Asset Laundering (AL): 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.¹

Compliance Officer: Director responsible for the definition, operation and implementation activities that are defined for control and prevention of AL/TF. Likewise, he is responsible for submitting internal and external reports; in the case of external reports, jointly with management.

Control Lists: These are lists used for controlling AL/TF different from the restricted lists. These lists involve the counterparty classification that appears in them as high risk for AL/TF².

Financial Superintendence of Colombia (“SFC”): the SFC (for its acronym in Spanish), is a technical body under the Ministry of Finance, which oversees the Colombian financial system in order to preserve its stability, security and confidence, as well as to promote, organize and develop the Colombian securities market. Additionally, the objectives of the SFC include the protection of investors, depositors and insured persons.

¹ Colombian Criminal Code. Article 323

² Responsible and safe businesses. AL / FT risk management model for the real sector. Guide for the adoption of a Risk Management System for Asset Laundering and Financing of Terrorism in the real sector.

Terrorist Financing (TF): 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 activities³.

Identification of investors: these are activities developed to prevent and control risks related to asset laundering and Terrorist Financing, which will depend on the regulation regarding applicable AL/TF to each responsible party.

Issue administrator: the entity responsible for the safekeeping and administration of securities issuance, which acts in accordance with prior agreements with the issuer like a payment agent of each issue of securities from issuer. Furthermore, he exercises all operative activities related to issue deposit and other activities agreed with the issuer in accordance with the applicable law to Centralized Securities Depositories of Colombia, and terms and conditions agreed between the issuer and the issue administrator.

Other Monitored parties: individuals or juridical persons belonging to stakeholders other than investors, with respect to which the administration, based on prior analysis with the support of the Compliance Officer, decides to include as subjects of monitoring the person or activity with the purpose of preventing and/or controlling a situation related to AL/TF.

Placement agents: stockbrokers registered in the BVC (for its acronym in Spanish), subject to SFC (for its acronym in Spanish) supervision and control, and appointed by agreement with the issuer and who acts on their behalf. Together, they will work on promotion and placement of securities and identification of investors in accordance with instructions related to the administration of asset laundering and Terrorist Financing, and as set out on the Legal Circular and other applicable regulations.

Publicly Exposed Persons (“PEP”): national or foreign individuals whose profile or roles can expose the entity to the AL/TF risk, which include those established by Decree 1674/2016 and regulations that modify, complement, or expand it, PEP’s with public exposure, and international organizations⁴ (PEP, for its acronym in Spanish).

Relationship Risk Review Procedure: This is ISAGEN’s internal regulatory document whose purpose is to identify, prevent, detect and manage, the reputational, legal, operational and contagion risks derived from bribery, corruption, fraud, assets laundering and Terrorist Financing (AL/TF), among others, derived from commercial relationships, legal, cooperation, labor, and other activities carried out by ISAGEN with stakeholders.

Restricted Lists: these are lists against which the Company will abstain from or seek to

³ Colombian Criminal Code. Article 345

⁴ PEP management guide. Infolaft.

terminate legal relationships or any other type of relationships with individuals or juridical persons included in such lists⁵.

SARLAFT: Asset Laundering and Terrorist Financing Risk Management System (SARLAFT, for its acronym in Spanish).

Suspicious Transaction: transactions performed by natural or juridical persons, that for its number, quantity or characteristics, are not framed within the systems and regular business practices for an industry or particular sector, and in accordance with the activity uses and practices have not been able to be reasonably justified⁶.

UIAF: the Financial Information and Analysis Unit of Ministry of Finance and Public Credit (UIAF, for its acronym in Spanish).

Unusual Transaction: transactions performed by natural or juridical persons, that for its number, quantity or features, are not framed within the systems and regular business practices for an industry or particular sector⁷.

Warning sign: situations or information that generates alerts that require an additional analysis and concept by the Compliance Management Direction jointly with the General Manager

⁵ Responsible and safe businesses. AL/TF risk management model for the real sector. Guide for the adoption of a Risk Management System for Assets Laundering and Terrorist Financing in the real sector.

⁶ Responsible and safe businesses. AL/TF risk management model for the real sector. Guide for the adoption of a Risk Management System for Assets Laundering and Terrorist Financing in the real sector.

⁷ Ibidem