

## 1 AUTHORIZATIONS

Responsabilidad	Position / role
PREPARATION	Compliance Assistant
REVISION	Compliance Coordinator
	Legal Manager
APPROVAL	Compliance Officer
	Legal Vice-president
	President

## 2 OBJECTIVE AND LEGAL CONTEXT

Prodeco Group's Corporate Practice includes Corporate Values, Code of Conduct, as well as Corporate and Operational Policies and defines the purpose, priorities and fundamental principles that govern our operations and establishes our commitment to operate and execute business in an ethical, transparent and honest manner, in accordance with firm ethical principles and complying with corresponding legal regulatory requirements.

In this context, the objective of the present document is to clarify the responsibilities assigned to employees, to the persons that have management and administration duties, to Senior Management, to the Compliance area, and to all the persons responsible for internal control and to all the other persons to whom it applies or that are associated with activities and responsibilities of the Compliance Officer role at Prodeco Group companies, with respect to the correct establishment of the Anticorruption, Ethics and Compliance Program ("PAEC" – for its Spanish acronym), as well as all other Compliance Policies and Prodeco Group's Corporate Practices and provide orientation with respect to the elements that comprise the program and their roles and responsibilities in the establishment and compliance of such programs. In this respect this document comprehensively collects every internal regulation and Corporate Practice in matters of prevention of conducts and acts that infringe them, including Transnational Bribery, thus becoming a compilation of Prodeco Group's Compliance Policies.

Therefore, present document is issued in accordance with stipulations of Resolution 100-002657 of July 25, 2016 issued by the Superintendence of Corporations, as well as guidelines contained in Circular 100-000003 of July 26, 2016 issued by such inspection, vigilance and control superintendence to promote business transparency and ethics and mechanisms for preventing behaviors and acts contrary to such stipulations, including behaviors mentioned in Article 2<sup>nd</sup> of Law 1778 of 2016.

### 3 AREA OF APPLICATION

Present document applies to all Prodeco Group companies, integrated by C.I. Prodeco S.A., Carbones de la Jagua S.A., Consorcio Minero Unido S.A., Carbones El Tesoro S.A., and Sociedad Portuaria Puerto Nuevo S.A., as well as the Prodeco Foundation, La Jagua Foundation and Calenturitas Foundation.

### 4 DEFINITIONS AND ACRONYMS

**Bribery:** As established in the Code of Conduct of the Prodeco Group Companies, this is an economic advantage or advantage of any other kind that is offered, provided, authorized, requested or received as an incentive or award for the inadequate performance of the corresponding duties of a person. In turn, according to the context, in accordance with stipulations in the Colombian Criminal Code, it can refer to the act of delivering or promising money or any other profit to a witness so that he will lie or totally or partially conceal his testimony.

**Compliance Officer:** The individual assigned by the Board of Directors of each Prodeco Group company to lead and manage the risk management systems associated with Transnational Bribery, prevention of money laundering and the financing of terrorism, Fraud and Corruption, support the implementation of the Anticorruption, Ethics and Compliance Program, as well as to structure, design and manage a program that enables the Prodeco Group companies to comply with standards on the protection of personal data, among other duties that have or will be assigned by the Board of Directors and/or Senior Management of the corresponding companies.

**Compliance Policies:** General policies adopted by the Senior Management of a corporation, so the latter one can carry out its business in an ethical, transparent and honest manner and are able to identify, prevent, and minimize the risks related with corrupt practices<sup>1</sup>. Prodeco Group's Code of Conduct includes a chapter regarding "Regulatory Compliance" which establishes the "commitment of operating in accordance with firm ethical principles" and urges "everyone who works for the Prodeco Group to assume the responsibility of ensuring that their conduct complies with these principles".

**Conflict of interests:** Prodeco Group's Code of Conduct defines this as "a situation in which an individual has a private interest sufficient to potentially influence the objective exercise of his or her professional duties".

**Contractor:** Refers to any third party that provides services to the Prodeco Group Companies or that has a contractual legal relationship of any nature, even in the context of an international or national business or transaction. Contractors may include, among others, suppliers, intermediaries, agents, distributors, advisors and any person that is a party to cooperation or shared risks contracts with the Prodeco Group companies.<sup>2</sup>

**Corruption:** We embrace the definitions established by Transparency for Colombia, which defines the term as "*the abuse of power for personal benefit in detriment of the collective interest, carried out by offering or requesting, delivering or receiving goods in cash or in kind, in Exchange for actions, decisions or omissions*"<sup>3</sup> and by the United Nations Development Program (UNDP) according to which corruption is "*the incorrect use of public power or authority for personal benefit through bribery, extortion, sale of influence, nepotism, fraud,*

<sup>1</sup> COLOMBIA, SUPERINTENDENCIA DE SOCIEDADES. External Circular 100-000003 (July 26, 2016). p.6.

<sup>2</sup> *Ibíd.*, p.6

<sup>3</sup> Saiz, J., Mantilla, S., & Cárdenas, J. (December 16th of 2010). La Salle University. Obtained from <https://revistas.lasalle.edu.co/index.php/gs/article/view/299>

*traffic of funds and embezzlement*<sup>4</sup>. In the same manner, when applicable according to the context, it refers to the promise, offer or concession to managers, administrators, employees or advisors of a company, association or foundation, as well as the receipt, request or acceptance by managers, administrators, employees or advisors of a company, association or foundation, directly or through intermediary, of a bribe, or any non-justified benefit, in accordance with stipulations of Article 250A of the Colombian Criminal Code that typifies the crime of Private Corruption.

**CPC:** Acronym that identifies the Prodeco Group Corporate Practices Committee.

**Due Diligence:** In the context of this document the Due Diligence concept mentioned in the Anticorruption, Ethics and Compliance Program (PAEC) in matters of prevention of Transnational Bribery, refers to the periodic review that must be carried out to legal, accounting and financial aspects associated with an international business or transaction, whose purpose is to identify and evaluate the Transnational Bribery risks that could affect the Prodeco Group companies, associated companies and Contractors. With respect to the latter, will also carry out a review of their good credit and reputation.<sup>5</sup>

However, considering that this document compiles or also refers to all the other Corporate Practices policies of the Prodeco Group companies, including the System for Prevention of Money Laundering and Financing of Terrorism (SIPLAFT for its Spanish acronym), Compliance Policies and PAEC with regards to the prevention of aspects different to Transnational Bribery, the term Due Diligence must be applied in accordance with the following definitions, when the term being used refers to these other risk management systems:

- SIPLAFT Due Diligence: Includes the periodic review of customers, suppliers, employees or other counterparts, prior to their association, to evaluate whether they are reported in restrictive lists such as: OFAC (Office of Foreign Assets Control), that they do not originate in countries considered as tax havens or that they do not operate on same, that they are not part of a criminal investigation, with indictments, or that they are not reported by supervision and control entities, such as the General Comptroller's Office, the General Attorney's Office, the General Prosecutor's Office, the Financial Superintendence, among others, due to activities that could be associated to Money Laundering and/or Financing of Terrorism or for non-compliance of their legal obligations.
- Due Diligence Focused on Compliance: Periodic review of all the projects assigning intermediaries, political contributions, contributions or sponsoring of charity, joint ventures, lobbying, contributions, community investment projects and/or donations in which the Prodeco Group Companies participate directly or in association and/or direct relationship with third parties, to evaluate and prevent potential risks associated with fraud, corruption, money laundering and/or any other manner of illicit activity, to ensure the knowledge of the parties involved in the development of the corresponding activity, as well as the activities and aspect associated to the project, in order to adopt the necessary and sufficient control to ensure that the resources assigned to such projects are executed as planned and as authorized by the Companies, within corresponding legal and ethical standards.

**Employee:** The individual that commits himself to provide a personal service under subordination to the Prodeco Group Companies in exchange for compensation<sup>6</sup>.

<sup>4</sup> United Nations Office on Drugs and Crime (UNODC) and the Bogota Chamber of Commerce (CCB). ANTICORRUPTION GUIDE FOR COMPANIES Based on the Anticorruption Statute. Bogotá D.C., 2014. p.26.

<sup>5</sup> SUPERINTENDENCIA DE SOCIEDADES, Op. Cit.p.6.

<sup>6</sup> United Nations Office on Drugs and Crime (UNODC) and the Bogota Chamber of Commerce (CCB). Op. Cit.p.6.

**Extortion:** Refers to any act that consists in forcing another to do, tolerate or omit something, with the purpose of obtaining illicit advantage or any illicit profit or illicit benefit, for himself or a third person, in accordance with stipulations of the Colombian Criminal Code.

**Fraud:** The United Nations Development Program (UNDP) defines fraud as: *“Every act or omission which deliberately induces to deception, or which tries to deceive another person in order to obtain financial benefit or another type of benefit so that this person infringes its obligations”*.<sup>7</sup>

**Facilitation payment:** As established in Prodeco Group’s Anticorruption Policy, this refers to payments, generally for small amounts, by which a Public Officer offers to enable or accelerate a process which he has the obligation of carrying out, such as issuing permits, licenses or other official documents, process governmental documents, such as visas and work permits, provide police protection, remove and deliver mail, supply public services and handle cargo.

According to Transparency for Colombia *“it is understood that a facilitation payment is giving money, generally in small quantities, to achieve the acceleration of a transaction or the compliance of some duty, to which the Company is entitled to, in accordance to the Law.”*<sup>8</sup>

**Foreign Public official:** Every person that holds a legislative, administrative or judicial position in a State, its political subdivisions or on any local authority, or a foreign jurisdiction, without regard to whether the individual has been named or was elected. A Foreign Public Servant also includes every person that exercises a public function for the State, its subdivisions, local politics or authorities, or in a foreign jurisdiction, whether within a public organism or a State Company or an institution whose power of decision is submitted to State’s will, its political subdivisions or local authorities or a foreign jurisdiction. Will also understand that any officer or agent of an international public organization holds the mentioned quality<sup>9</sup>.

**Governmental Authorities:** As established in Prodeco Group’s Anticorruption Policy this refers to *“institutions of the national or local government, associations, companies or companies belonging to the government or controlled by the government and supranational organizations”*.

**Inherent risk:** Level of risk inherent to the activity, without considering the controls<sup>10</sup>.

**Interested parties, Interested groups or Stakeholder:** The individuals, group of individuals or organizations that could affect, be affected by, or perceive that they are being affected (positively or negatively) by a decision or activity carried out by the Company<sup>11</sup>.

**Legal risk:** Possibility of loss in which the corporation incurs when it is sanctioned or forced to compensate damages as a result of non-compliance of standards or regulations and contractual obligations. The legal risk also arises as a consequence of the failures in contracts or transactions, resulting from malicious acts, negligence or voluntary acts that affect the formalization or execution of contracts or transactions<sup>12</sup>.

<sup>7</sup> United Nations Development Program – UNDP, *Anticorruption*. UNDP’s policy on fraud and other corrupt practices, 2011, p. 3 available at [http://www.undp.org/content/dam/undp/library/corporate/Transparency/UNDP\\_Anti-fraud\\_Policy-Spanish\\_FINAL.pdf](http://www.undp.org/content/dam/undp/library/corporate/Transparency/UNDP_Anti-fraud_Policy-Spanish_FINAL.pdf).

<sup>8</sup> Externado de Colombia University and Transparency for Colombia Corporation. (2012). Third national survey on practices against bribery in Colombian companies. Collection of transparency notebooks, p. 31.

<sup>9</sup> COLOMBIA, CONGRESS OF THE REPUBLIC. Law 1778 (02, February, 2016). By which rules are issued on the liability of legal persons for acts of transnational corruption and other provisions are introduced in the fight against corruption. Article 2, paragraph 1°.

<sup>10</sup> United Nations Office on Drugs and Crime (UNODC) and the Bogota Chamber of Commerce (CCB). Op. Cit p.14.

<sup>11</sup> *Ibid.*, p. 14.

<sup>12</sup> *Ibid.*, p. 14.

**Monitoring or Follow-up:** Verify, supervise, critically observe or record the progress of an activity, action or system in a systematic manner to identify changes<sup>13</sup>. This term also includes compliance audit, which consists in a systematic, critical and periodic review with respect to the due execution of Compliance Policies and PAEC.

**OECD:** Acronym that stands for Organization for Economic Cooperation and Development.

**Operational risk:** Possibility of incurring in losses due to deficiencies, failures or unsuitability of human resources, processes, technology, infrastructure or due to the occurrence of external events. This definition includes the legal and reputational risk associated to such factors<sup>14</sup>.

**PAEC:** Spanish acronym that identifies the Prodeco Group's Anticorruption, Ethics and Compliance Program, which includes what the External Circular 100-000003 of 2016 issued by the Superintendence of Corporations defines as Corporate Ethical Program, which comprise specific procedures under the responsibility of the Compliance Officer, established in order to put into operation the Compliance Policies, to identify, detect, prevent, manage and mitigate the risks of Transnational Bribery, as well as any other risks that are associated to any corruption behavior that could affect the Prodeco Group Companies.

**PAI:** The Spanish acronym that identifies the Program of Attention of Concerns of the Prodeco Group Companies.

**Public officer:** As established in the Prodeco Group Anticorruption Policy "public officer" includes the following persons, among others:

- Any officer, employee or representative of a "Governmental Authority" or any person that in any other manner acts in an official capacity for or in the name of a Governmental Authority;
- Legislative, administrative or judicial officers;
- Officers or persons that occupy a position in a political party, or political candidates;
- Persons that in any other manner exercise a public function for or in the name of any country.

**Prodeco Group:** Refers to the corporate group integrated by CI Prodeco S.A., Carbones de la Jagua S.A., Consorcio Minero Unido S.A., Carbones El Tesoro S.A. and Sociedad Portuaria Puerto Nuevo S.A. These companies integrate a Corporate Group, whose head office or Parent Company is the foreign company Glencore Plc. Additionally, within the context of this document, the Calenturitas Foundation, La Jagua Foundation and the Prodeco Group are included when mentioning the Prodeco Group.

**PGCP:** Acronym for Prodeco Group Corporate Practice, which includes the Corporate Values, the Code of Conduct, as well as Corporate and Operational Policies.

**Politically Exposed Persons (PEPs):** As established in External Circular 100-000006 of August 2016 issued by the Superintendence of Corporations, the PEPs "*refers to individuals that perform prominent public duties or those that, due to their position, manage or administer public resources. This definition also includes individuals that have performed prominent public duties or that due to their position have managed or administered public resources. Also considered as PEPs are senior managers of State companies, higher level officers of political parties and Chiefs of State.*"

On the other hand, according to Glencore's Guide for the Program Against Money Laundering, the Swiss law defines as a Politically Exposed Person "*the person that holds a prominent*

<sup>13</sup> Ibid., p. 14

<sup>14</sup> Ibid., p. 14.

*position in the country or in a foreign country (Chiefs of State, important politicians on the national level, important administrative/military/justice officers, members of the Board of Directors of important governmental entities and persons that are engaged with inter-governmental organizations and international sports federations in a leadership role.”*

**PIGDP:** Spanish acronym for Comprehensive Program for the Management of Personal Data.

**Reputational risk:** Possibility of loss incurred by a corporation due to discredit, bad image, negative publicity, whether true or not, with respect to the institution and its business practices, which causes loss of customers, decrease of earnings or judicial processes<sup>15</sup>.

**Residual or net risk:** level resulting from the risk after applying controls<sup>16</sup>.

**Risk:** The possibility that something that will have a strong impact on the Prodeco Group's objectives will occur. This is measured in terms of consequences and probabilities<sup>17</sup>.

**Risks associated with corruption:** Risks through which the risk of corruption materializes, these are: reputational, legal, operational and contagion, among others.<sup>18</sup>

**Risk Management System:** Is the system established for the correct association of Prodeco Group's Corporate Practices with the Anticorruption, Ethics and Compliance Program and Compliance Policies and its adequate implementation in Prodeco Group's Companies.

**Risk of contagion:** Possibility of loss that a corporation can experience, directly or indirectly due to an action or occurrence of a related party. The related party or associate includes individuals or legal entities that have the possibility of exercising influence on the company<sup>19</sup>.

**Risk of corruption:** Possibility that due to the action or omission, through an undue use of power, resources or information, the interests of a corporation, and thereby State interests, are damaged, in order to obtain a specific benefit<sup>20</sup>.

**Role:** Function that an individual or group develop as part of a certain activity.

**Senior Management:** Persons assigned in accordance to the social statements and the Colombian Law to manage and lead the Prodeco Group companies.

**SIPLAFT:** Spanish acronym that identifies the Integrated System for the Prevention of Money Laundering and Financing of Terrorism.

**Transnational Bribery:** Is an act by virtue of which a legal person, through its employees, administrators, associates, contractors or subordinate companies, gives, offers or promises a Foreign Public Officer, directly or indirectly: money, objects of pecuniary value, or any benefit or profit in exchange for such public servant to carry out, omit or delay any act associated with his functions and with regards to an international business or transaction<sup>21</sup>.

<sup>15</sup> *Ibíd.*, p. 14.

<sup>16</sup> *Ibíd.*, p. 14.

<sup>17</sup> *Ibíd.*, p. 14.

<sup>18</sup> *Ibíd.*, p. 14.

<sup>19</sup> *Ibíd.*, p. 14.

<sup>20</sup> *Ibíd.*, p. 14.

<sup>21</sup> COLOMBIA, CONGRESS OF THE REPUBLIC. Ley 1778 (02, febrero, 2016). Op. Cit., p. 6.

## **5 ANTICORRUPTION, ETHICS AND COMPLIANCE PROGRAM**

### **5.1 PAEC'S GENERAL FRAMEWORK**

In accordance with the Prodeco Group Code of Conduct, all the Employees and Contractors that work for the Prodeco Group, without regards to their location or function, must be familiar with all the Group's corporate and operational policies, as well as applicable laws and regulations, in order to ensure that, in the development of their duties and responsibilities, they apply and comply these guidelines.

Senior Management, executives, operational managers and all the rest of the leaders of the Prodeco Group are responsible for ensuring that Employees and Contractors understand and comply these obligations. The Compliance Officer has been assigned by the Board of Directors of each one of the Prodeco Group Companies to support Senior Managers, Executives, Employees and Contractors in the compliance of these obligations and to daily assist them in conducting the business, in regard to the responsibilities assigned by Board of Directors, in the application of the law and regulations on Transnational Bribery, Prevention of Money Laundering and Financing of Terrorism, protection of personal data, among others , as well as in the risk management systems of the Prodeco Group Companies'.

The Prodeco Group Companies have committed themselves to comply with all the applicable laws of those places where they carry out business, as well as to carry out their activities in an ethical, transparent and honest manner. Companies' Senior Management, Employees and Contractors must understand and comply with the PAEC.

Below we detail the methodology for implementing the PAEC, the role and responsibilities of the Compliance Officer, as well as the main elements that comprise the approach of the Anticorruption, Ethical and Compliance Program of the Prodeco Group Companies'.

### **5.2 METHODOLOGICAL APPROACH FOR PAEC'S IMPLEMENTATION**

This document incorporates, among others, the guidelines established in External Circulation 100-000003 of July 26, 2016 issued by the Superintendence of Corporations, which contains the "Guide to establish corporate ethics programs for the prevention of behaviors foreseen in Article 2 of Law 1778 of 2016" (hereinafter The Guide), which in turn takes into consideration the international experiences in matters of prevention of transnational bribery such as: OECD's Guide of Good Practices in Internal Controls, Ethics and Compliance, and the guides on compliance programs associated with United States Foreign Corrupt Practices Act ("FCPA") and the UK Bribery Act.

Additionally, considered the "Anticorruption Guide for Corporations – based on the Anticorruption Statute" issued by the United Nations Office on Drugs and Crime – UNODC and the Bogota Chamber of Commerce – CCB. In numeral 7, References, list all the reference documents used for structuring the PAEC for Prodeco Group Companies'.

### **5.3 ROLES AND RESPONSIBILITIES WITH REGARDS TO PAEC**

#### **5.3.1 Compliance Officer**

The Compliance Officer is the nearest link between the compliance of Prodeco Group Corporate and Operational Policies, with the workflow of its Senior Managers, Executives, Employees and Contractors.

Additional to those defined in valid regulations, Compliance Officer's activities and responsibilities are as follows:

- Lead the implementation of Prodeco Group's Anticorruption, Ethics and Compliance Program.
- Verify compliance of the Due Diligence process with third parties in accordance to stipulations of numeral 6. Acronyms and definitions – Due Diligence.
- Plan and execute communication and training activities for employees and third parties, associated with PGCP, PAEC, SIPLAFT and PIGDP.
- Verify that contacts celebrated with Contractors that have a larger degree of exposure to Transnational Bribery risks contain express commitments to prevent such behavior, or failing that, agree the following in a written document:
  - An express indication from Contractor in the sense that it has been informed by the Companies with respect to his obligation of complying the regulations associated with the prevention of Transnational Bribery and that he is aware of the programs defined by the law for their prevention, as well as the consequences of infringing them.
  - The incorporation of clauses that allow the unilateral termination of the contract, as well as the imposition of important economic penalties when a Contractor incurs in behaviors associated with Transnational Bribery.
  - The possibility that the Companies can carry out Due Diligence procedures, with the agreement of Contractors aimed to establish the way in which this last one complies with the obligations of preventing Transnational Bribery.
- Serve as the contact person for the Raising Concerns Program – PAI (for its Spanish acronym) and coordinate all the activities associated with the establishment of the investigation strategy, the execution of investigations in situ, collection of supports and evidences, the establishment of actions plans and that the execution of same be carried out for all the cases received through PAI.
- Supervise the effective, efficient and timely functioning of the System for the Prevention of Money Laundering and Financing of Terrorism of the Prodeco Group Companies'.
- Monitor changes in the valid regulations, corporate policies, and good practices associated with PGCP, PAEC, SIPLAFT and PIGDP.

### **5.3.2 Corporate Practices Committee**

The Corporate Practices Committee (CPC) of the Prodeco Group Companies' has the following responsibilities with respect to PAEC's implementation, follow-up and monitoring:

- Develop and regularly review Prodeco Group's policies and principles with respect to matters of corporate ethics and other relevant compliance matters.
- Receive and ensure the resolution of any grievance or complaint with regards to the compliance of corporate policies or any other of the elements that integrate the PAEC.
- Endorse the implementation of policies and controls in order to reduce and/or mitigate the risks associated with the transnational Bribery, fraud and corruption, Prevention of the Money Laundering and Financing Terrorism, and Personal Data Protection.
- Analyze actual, potential and apparent conflicts of interests, which are presented by the Compliance Officer, once the information reported by employees has been reviewed and consolidated and present and approve the pertinent mitigation actions.

### **5.3.3 Managers, Superintendents and Leaders**

Corporate and Operative Managers, Superintendents and in general all the leaders, must set an example and work applying high ethical standards, complying with the PGCP. In turn they are responsible for:

- Implement and ensure that the controls defined by the Managers and process proprietors are maintained in place, in order to prevent any type of transnational bribery, fraud, corruption, money laundering, financing of terrorism and/or non-compliance of the law.



- Carry out periodic evaluations of risks, together with the Audit, Process and Control areas, with regards to Fraud, Corruption and Transnational Bribery.
- Generate a favorable environment so that their work teams will formulate, raise and scale (whenever necessary) the grievances or complaints associated with the compliance of PGCP and PAEC.

#### **5.3.4 Compliance of applicable Laws and Regulations**

In accordance to Prodeco Group's Code of Conduct, all the temporary and permanent employees, the directors and executives, as well as Contractors (as long as they are subject to pertinent contractual obligations) of the Prodeco Group must become familiar with the Code, the norms and policies and all of them must know and comply the laws and regulations relative to their duties. In order to support directors, executives, employees or contractors in the satisfactory compliance of this requirement, the Compliance Officer must remain updated with the national norms and regulations that are addressed in the Anticorruption, Ethics and Compliance Program (i.e. Anticorruption, sanctions and prevention of money laundering).

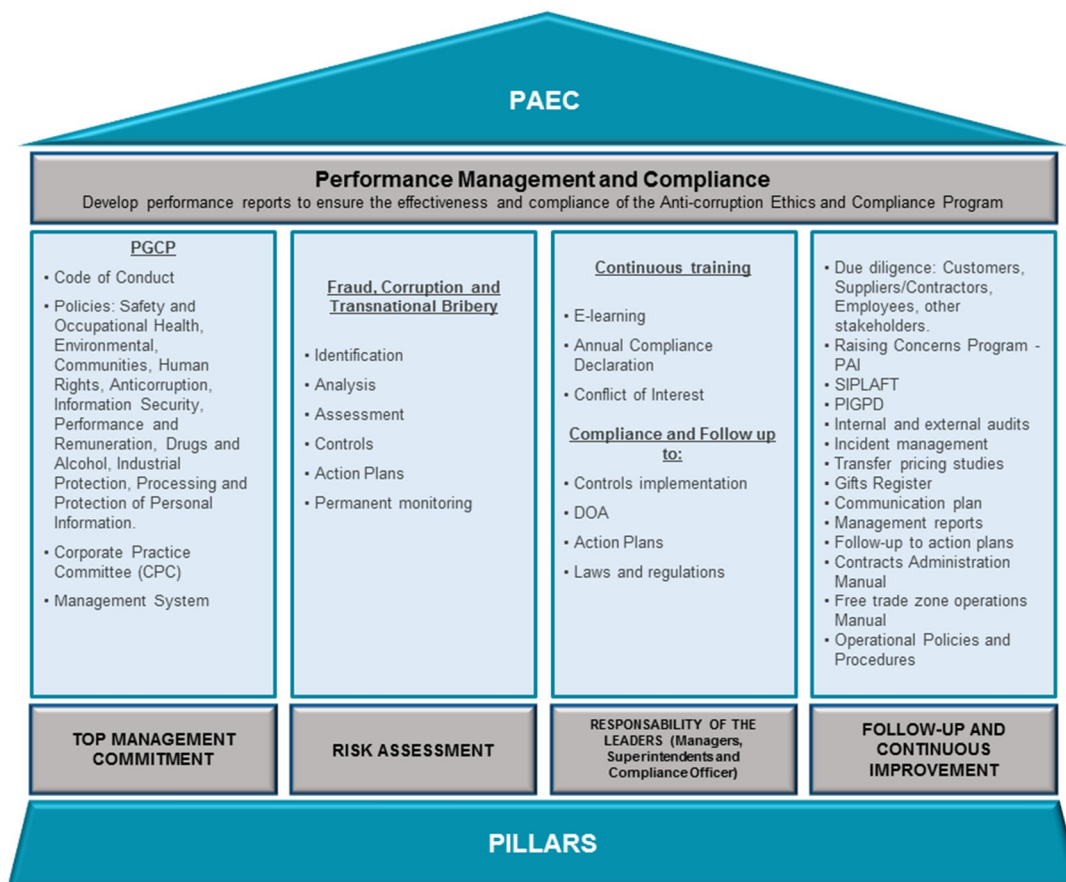
#### **5.4 STRUCTURE OF THE ANTICORRUPTION, ETHICS AND COMPLIANCE PROGRAM**

As described in present document, the Anticorruption, Ethics and Compliance Program is the set of policies, procedures and activities aimed at putting into operation the corporate and operative policies which in the Prodeco Group Companies' are established with the purpose of identifying, detecting, preventing, managing and mitigating the risks of Bribery, Fraud and any other practice associated with Corruption acts (local or transnational) that could affect the Companies. The main elements and presumptions are:

- Commitment with Senior Management
- Evaluation of risks of Fraud, Corruption and Transnational Bribery
- Development of PAEC in response to identified risks
- Assignment of a Compliance Officer
- Due Diligence processes
- Control and permanent monitoring of PAEC
- Processes of disclosure and appropriate communication channels

The Anticorruption, Ethics and Compliance Program for Prodeco Group is supported in four (4) great pillars as shown in the following graphic:

Graphic 02 – PAEC Pillars



Below we present the key aspects for each one of these pillars, as well as the role and responsibility of the Compliance Officer.

#### 5.4.1 Prodeco Group Corporate Practice

The Prodeco Group Corporate Practice (PGCP), of which PAEC is a part, is our Corporate Government framework. The Compliance Officer is responsible for coordinating this government framework with legal and regulatory requirements necessary to establish the PAEC and lead the Directors, Executives, Employees or Contractors in the implementation of such guidelines.

For an appropriate administration of all the components that comprise the PGCP we have a Management System that includes, among other things, the following key aspects for the PAEC and which are a comprehensive part of same:

- The Code of Conduct and Our Values
- The Anticorruption Policy
- The Environment Policy
- The Communities Policy
- The Corporate Performance and Remuneration Policy
- The Alcohol and Drugs Policy
- The Human Rights Policy
- The Industrial Protection Policy

- The Security of Information Policy
- The Industrial Safety and Occupational Health Policy
- The Treatment and Protection of Personal Data Policy
- Raising Concerns Program – PAI
- The Integrated System for the Prevention of Money Laundering and Financing of Terrorism
- The Anticorruption, Ethics and Compliance Program
- The Comprehensive Program for the Management of Personal Data.

As part of Compliance Officer's responsibilities and in coordination with responsible managements, must develop, maintain, update and/or implement policies and procedures additional to the ones described before, if necessary, in order to address specific requirements of the Prodeco Group and verify that they are consistent and not against the Colombian law.

#### **5.4.2 Evaluation of Risks associated with Corrupt Practices**

Through periodic review processes, the Compliance Officer coordinates with corporate and operational managements the risk evaluation processes to prevent, detect and/or mitigate the exposure to risks of Transnational Bribery, Fraud, Corruption, Money Laundering and Financing of Terrorism to which the Prodeco Group Companies are exposed in the development of their business activities.

These evaluation processes, include, among others, the following Risk factors:

- a. Engagement with Politically Exposed Persons (PEPs), Public Officer and Government Officials: In accordance with stipulations in the Anticorruption Policies, in many countries, and specifically in Colombia, there are specific laws and regulations with regards to engaging with Public Officers. Due to the nature of our operations, it is necessary to maintain permanent relationships with Public Officers, Governmental Authorities, Mayors, Governors and in general Public Officers. It is Prodeco Group Companies' policies that this engagement with Public Officers is carried out applying high ethical standards and under an environment of respect and transparency. Therefore, we will not deliberately support any third party that intend to infringe the laws, nor will we participate in any criminal, fraudulent or corrupt practice. However, it is important to highlight that by virtue of our operations we do not have any engagement with Public Officers in foreign countries.
- b. Factors of country risk, economic sector and counterpart: With regards to the country risk, this refers to the identification of the perception of indexes of corruption in the countries where the economic activity of an organization is carried out. In the case of Colombia, according to statistics of the International Transparency organization, the Index of Perception of Corruption (IPC) for 2016 places Colombian in position 90 among 176 countries that are part of the study with 37 points in the IPC, in which 0 means perception of high levels of corruption and 100 a perception of very low levels of corruption. This ranking has remained constant for the last 7 years.

On the other hand, from the perspective of economic sectors with greatest risk of Corruption, according to the report prepared by OECD, 19% of bribes were associated with the mining-energy sector, 19% to public utilities, 15% to infrastructure projects and 8% to the pharmaceutical sector and human health<sup>22</sup>.

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<sup>22</sup> Organisation for Economic Co-operation and Development, "OECD Foreign Bribery Report: An Analysis of the crime of bribery of foreign public officials, en [http://www.keepeek.com/Digital-Asset-Management/oecd/governance/oecd-foreign-bribery-report\\_9789264226616-en#page4](http://www.keepeek.com/Digital-Asset-Management/oecd/governance/oecd-foreign-bribery-report_9789264226616-en#page4), 2014, pág. 22.

- c. Contracting of intermediaries (agents and/or external consultants): As established in the Prodeco Group Anticorruption Policy, numeral 3.5 Intermediaries, the word “intermediary” refers to any third party hired for or in the name of the Prodeco Group to facilitate the obtainment and/or maintenance of business. Additionally, the use of intermediaries does not absolve the company of responsibility, since the actions that they undertake to support the business could legally be assigned to the company, including, without limitation, any undue act of Transnational Bribery, Fraud, Corruption, money laundering, financing of terrorism of any other form of crime.
- d. Granting and/or receipt of gifts and entertainment: As established in the Prodeco Group Anticorruption Policy, the exchange of gifts and entertainment could be a sign of good will and generate trust in the relationships of the counterparts and commercial associates. However, depending on different circumstances this could represent risks of conflict of interests or a compromise of PAEC values, which is why the way Companies’ Employees and Contractors must behave is regulated. Therefore, we mention the requirements to be considered when executives, employees and persons associated with the Prodeco Group receive or give commercial gifts and entertainment, based on the assumption that it must not imply any infringement of legal requirements and that they must be appropriate in regards with their work in the Prodeco Group.

To mitigate these risks and ensure the implementation of measures adequate to the circumstances, the PAEC incorporates the following elements:

- Process of knowledge of the counterpart in any commercial transaction with: customers, suppliers, Contractors, Employees, consultants, advisors and in general with any individual or legal institution from whom goods are required or to whom goods or services associated with the Prodeco Group companies are supplied.
  - In case of transactions that imply mergers or acquisitions, projects of community investment, donations, intercompany operations, assignment of intermediaries, political contributions, contributions to charity or participation in sponsorship, joint ventures and participation in lobbying acts, must undergo a Due Diligence process.
  - As a general rule, all the payments must be made or received directly from the Prodeco Group Companies’. Any payment to or from third parties and the relationship between such third parties and the contractual counterpart of the Prodeco Group Companies’ must be carefully reviewed and documented, whether in the contract or following the guidelines established in the Credit Transfer process. The Compliance Officer will carry out periodic reviews to ensure that the previously mentioned measures are always applied.
  - If an employee or any party associated with the Prodeco Group Companies has a concern about whether the present or potential counterpart could be involved in any form of Corruption, Bribery, Transnational Bribery, money laundering, financing of terrorism or any other manner of crime, he must report such concern to his supervisor or manager, the Compliance Officer or, use the mechanisms established by the Prodeco Group Companies, in accordance with stipulations of numeral 7.4.6 Raising Concerns Program – PAI.
- e. Breaches: In Colombia, the Transnational Bribery, Corruption, Bribery, money laundering and financing of terrorism are criminal actions that are subject to a prison sentence, fine or both. Additionally, as indicated in the Code of Conduct, any person that is working for the Prodeco Group companies’, which participates or aids a third party in these types of crimes, may face disciplinary actions, even dismissal, without prejudice of the legal actions that the companies can establish against that person. The Compliance Officer, together with Senior Management, the Operation Managements and the Corporate Managers will be attentive to recognize, investigate

and take the pertinent actions with regards to any potential or real infringement of the law, the PGCP, what is established on this program and in the SIPLAFT.

These risk factors must be reviewed periodically within the Prodeco Group processes. As part of PAEC's implementation, the initial risk evaluation will be focused in the process: Human Resources, Procurement, Inventories, Contract Administration, Industrial Protection, Sustainable Development, Finances, Information Technology, General Services and Legal. This evaluation could be extended to other processes of the Prodeco Group depending on the impact of the risk factors on such processes. The following graphic illustrates how the Risk Management process is incorporated to the previously mentioned processes to evaluate the risks associated with Fraud, Corruption and Transnational Bribery.

#### **5.4.3 Due Diligence to Third Parties**

The Compliance Officer is in charge of coordinating Due Diligence process, applying the guidelines of Due Diligence and Due Diligence Guide to third parties. The Due Diligence that is carried out must be documented using the Compliance Report Format. This format and other resources to carry out the Due Diligence can be found in Prodeco Group Intranet.

The Prodeco Group carries out processes of knowledge of the counterpart which includes the reputational evaluation of third parties, consulting, among others, the data bases, information of International Agencies and National Disciplinary Control Organisms, such as the United Nations Security Council, OFAC, DEA, FBI, Ministry of Defense, Ministry of the Interior, Bulletin of State's Defaulting Debtors (BDME for its Spanish acronym), Ombudsmen, Prosecutors, CTI, Police, Army and Guala, that have the objective of identifying individual or legal entities that have reports regarding Money Laundering, Asset Laundering, Drug Trafficking, Terrorism, Extortion and others. Besides, the review includes financial and operational reviews, analyzing financial statements, main indexes, customers and suppliers, among other aspects.

In the same manner Human Resources carries out a security review of every third party that starts working with the Prodeco Group, without regards to the position that he will occupy and the type of contract. This review is carried out through a consultant in security that verifies, among other lists, the OFAC, Siri/Ombudsmen, National Police, Judicial Branch, Civil Registry, Comptrollers and Prosecutor's Office.

#### **5.4.4 Communication and Entertainment**

##### **5.4.4.1 Communication**

All the communication actions must be formalized through a communication and training plan, reviewed and approved by the Corporate Practice Committee (CPC) of the Prodeco Group Companies'.

The Compliance Officer must ensure that operation directors, executives, employees and contractors have access to policies and procedures that applies to them in matters of compliance. The communication of new policies and procedures (or additions to present ones) must be sent through e-mail, or the intranet, corporate billboards, training workshops or other appropriate communication channels.

##### **5.4.4.2 Training**

The Compliance Officer must ensure that the directors, executives, employees and contractors, including those in the superior levels, receive periodic training and become aware of the risks associated with PAEC compliance. This training is carried out using the following Prodeco Group institutional channels:

- Corporate induction to new Employees
- Periodic re-inductions

- Periodic training campaigns in PGCP and PAEC
- Others, in accordance to stipulations in the Communication and Training Plan
- In induction and re-induction processes developed by Suppliers and Contractors

Training must include aspects relevant to the following:

- Prodeco Group Corporate Practices (PGCP)
- Anticorruption, Ethics and Compliance Program (PAEC – for its Spanish acronym)
- The Comprehensive Program for the Management of Personal Data (PIGDP).
- The Comprehensive System for the Prevention of Money Laundering and the Financing of Terrorism (SIPLAFT – for its Spanish acronym)
- Compliance aspects with respect to laws and regulations applicable in Colombia referring to Corruption, Bribery, Transnational Bribery, Fraud, money laundering and financing of terrorism
- Responsibility of the leaders and in general of all the employees and all the other parties associated with compliance of the previously mentioned aspects
- How to respond to breaches cases or non-compliance
- Support mechanisms to Employees/Contractors in the identification and prevention of situations that could produce non-compliance of PGCP, PAEC and SIPLAFT

Participation or non-attendance to trainings must be monitored and documented. The material used, as well as the date and attendance to trainings must be documented and filed, as part of the execution supports for the Annual Communication and Training Plan that in this respect includes contents, periodicity and public objective.

#### 5.4.4.3 E-learning

The Prodeco Group has an e-learning platform called Pro-learning. This platform contains different educational courses associated with topics of Compliance that should be undertaken by all the Prodeco Group employees, in accordance with stipulations of the Communication and Training Annual Plan.

#### 5.4.4.4 Duty of Authorization Manual

The Prodeco Group has a Duty of Authorization Manual, in which the main types of transactions are defined and documented, indicating, for each one, the attributions for review, approval and authorization, as well as the respective delegations associated with the organizational structure, as appropriate.

#### 5.4.5 Annual Compliance Confirmation and Declaration of Conflict of Interests

The Prodeco Group Anticorruption, Ethics and Compliance Program requires that the directors, executives and employees annually send a mandated Compliance Confirmation, confirming that they have read, understood and complied with the valid policies and procedures that in this respect the Prodeco Group has established. Likewise, they must process the Conflict of Interests form, applying the guidelines established in the Code of Conduct – Regulatory Compliance and the Program Guide on Conflict of Interests associated with conflict of interests.

The contents, as well as the mechanisms used for the Annual Confirmation of Compliance and the declaration of Conflict of Interests will be defined in the Annual Communication and Training Plan.

In spite of the above, it is the responsibility of the Prodeco Group Employees, independent from their level or position; to declare potential, probable or apparent conflict of interests, as soon as these are identified. Their lack of declaration can be considered as a serious misconduct associated with the compliance of PAEC. The Compliance Officer, together with the Presidency, the Vice-Presidents, Operation Managers, Corporate Managers and all the other

leaders must be alert in order to identify the conflicts of interest and to define convenient mitigation actions.

#### **5.4.6 Raising Concerns Program – PAI (for its Spanish acronym)**

The Prodeco Group has a Raising Concerns Program, to which the Stakeholders have access in order to report situations in which there are potential breaches to the Code of Conduct, Corporate Policies, PAEC or the Law, possible cases of corruption, suspicions of non-compliance of Human Rights or any other act that can be qualified as inappropriate. The concerns can be communicated using the following channels:

- Sending an electronic mail to [CodigodeConducta@grupoprodeco.com.co](mailto:CodigodeConducta@grupoprodeco.com.co)
- Filling out the format “Receipt of Concerns” that is available in the Community Attention Offices.
- Accessing the Prodeco Group Intranet.
- Accessing the Prodeco Group web page [www.grupoprodeco.com.co](http://www.grupoprodeco.com.co) or [www.puertonuevo.com.co](http://www.puertonuevo.com.co)
- Calling the toll free line 01 8000 110 004

The Prodeco Group intends that its employees/contractors feel comfortable when presenting questions or raising concerns without fear of retaliation, as long as the concern, complaint or grievance is presented in good faith and without abusing the previously described channels.

The Prodeco Group Corporate Practices Committee (CPC) is responsible for ensuring that every concern, complaint or grievance received through the PAI is received, investigated and resolved applying stipulations of the Raising Concerns Program Management process.

#### **5.4.7 Treatment and Protection of Personal Data Policy**

The Prodeco Group has a Policy for the Treatment and Protection of Personal Data and an Integral Program for the Management of Personal Data (PIGDP – for its Spanish acronym) that establishes the guidelines under which the Prodeco Group companies carry out any transaction or set of transactions on Personal Data, such as: collection, storage, organization, use, debugging, analysis, circulation, transmission, transfer, update, amendment or elimination of same and in general, all those activities that imply the Treatment of Personal Data, in compliance of stipulations of Law 1581 of 2012 and the norms that modify or regulate it.

#### **5.4.8 Integrated System for the Prevention of Money Laundering and Financing of Terrorism – SIPLAFT (Spanish acronym)**

The Prodeco Group Companies’ have a System for the Prevention of Money Laundering and Financing of Terrorism, whose objective is to reduce the possibility that the Companies be used as an instrument for hiding or legalizing goods resulting from criminal activities of common delinquents or groups outside of the law, in order to give such goods an appearance of legality and/or to finance terrorism. It is the responsibility of the Prodeco Group Companies’ Compliance Officer to supervise the effective, efficient and timely functioning of the system.

With the manual for the Prevention of Money Laundering and Financing of Terrorism, the Prodeco Group Companies comply with the requirements established by Colombian regulations to prevent these crimes. The manual establishes the elements of prevention, detection, monitoring, communication and reporting that enable the Prodeco Group companies to cope with or prevent the different types of asset laundering that can be detected in the development of its activities and prevent them.

In this manner, the Prodeco Group not only contributes to the compliance of the objectives that have been established by the Colombian Government in the matter, but also protects the image and reputation of the Prodeco Group and its shareholders.

The Compliance Officer, together with Senior Management, the operation and corporate managers should be watchful to recognize, investigate and take pertinent actions with regards to any potential or real breaches of the SIPLAFT.

#### **5.4.9 Assistance of the Compliance Area**

The Compliance Officer provides support to Directors, Executives, Employees and Contractors in the compliance of policies, procedures, laws and regulations associated with Fraud, Corruption, Bribery, Transnational Bribery, money laundering, financing of terrorism, as well as compliance of PAEC, in order to incorporate a compliance culture throughout the Prodeco Group.

The Compliance Officer, together with directors and executives is the point of contact and support for Employees/Contractors that face problems or ethical dilemmas that require a compliance guide regarding the PGCP and the PAEC. This support can include aspects like:

- The application of the Anticorruption Policy associated with gifts and entertainment
- Application of Due Diligence processes
- Analysis of probable, potential or actual Conflict of Interests
- The periodic carrying out of risk evaluations in matters of Fraud, Corruption or Transnational Bribery, Money Laundering and Financing of Terrorism
- Monitoring of compliance of established controls
- Education and training activities

#### **5.4.10 Performance Management and PAEC Compliance**

To ensure and monitor the Anticorruption, Ethics and Compliance Program have structured the Annual Compliance Plan, which includes the management, operation and monitoring of the following elements of the program:

- Presentation of concerns: We ensure that all the concerns received through the different channels which are part of the Raising Concerns Program – PAI, are analyzed, prioritized and reported to the Corporate Practices Committee of the Prodeco Group, together with an investigation strategy for its review and approval. Once the investigation process is concluded the results are analyzed again with the mentioned Committee and establish the corresponding action plans, which could consist in adjustment to controls, implementation of new controls, disciplinary processes, sanctions or fines and/or termination of contracts (labor and with third parties), initiation of processes against employees or third parties, complaints to competent authorities covering potential crimes, especially those in which evidence is collected regarding inappropriate and/or illegal behavior carried out by employees, managers, senior managers, contractors and in general any third party. Likewise, compensation and / or remediation actions can be established to affected third parties, as appropriate. Additionally, carry indexes on how the cases received through the report of concerns mechanism are managed.
- Prevention of Transnational Bribery, Fraud or Corruption: We identify and monitor the applicable regulations to establish the legal requirements in this respect. We analyze internal processes to make sure that they are adjusted to such legal requirements and implement or improve any process that could have gaps with regards to State Control Institutions' requirements. We carry out risks analyses for Transnational Bribery, Fraud or Corruption of the different processes at Company main areas or those considered sensitive with regards to these topics, such as Finances, Procurement, Human Resources, Contract Administration, General Services, Legal, Inventories, Industrial Protection, Information Technology and Sustainable Development, which allows us to have a better understanding on the potential or real exposure that we have with regards to those risks. The above allows us to formulate and/or strengthen and implement and manage policies and procedures, with



appropriate controls, as well as the formulation of action plans to improve them or implement new ones, which includes, among others, the existence of contracts with corresponding clauses, the verification of the responsibilities held by contract administrators in their duties and monitoring and controls that allow the identification of potential risk situations that affect the contracts being executed.

- **Confidential Information:** We identify and analyze the applicable regulation and the requirements established within this regulation. With regards to the protection of personal data, we support company's different areas in the identification and record of the databases that hold public, private, semiprivate and sensible information and in the identification or implementation of corresponding controls. We ensure compliance of the Personal Data Protection Policy, which establishes the guidelines under which the Prodeco Group Companies implement the Personal Data Treatment and its protection, establish the rights of the Titleholders of the Personal Data and its protection, establish the rights of Titleholders of Personal Data, as well as the procedures for answering concerns, complaints and grievances with regards to the mentioned treatment of data by the Prodeco Group Companies.
- **Due Diligence:** We carry out a previous and informed study of all the projects or activities in which the Prodeco Group Companies participate in association with/or in direct relationship with third parties, especially when carrying out the assignment of Intermediaries, Political Contributions, Contributions to Charity or Sponsorships, Joint Ventures or Joint Businesses, participation in Lobbying acts, Contribution to a Community Investment Project. This review is carried out in order to evaluate and prevent potential risks associated with fraud, corruption, money laundering and/or any form of illicit activity, through the knowledge of the counterpart and the application of necessary and sufficient controls to ensure that the resources assigned to such projects are executed according to plan and Companies' authorizations, complying the Colombian Anticorruption Law and other international legislations (FCPA, UK Bribery Act) and Prodeco Groups Corporate Practice (PGCP).
- **Prevention of Money Laundering and Financing of Terrorism:** We identify and monitor applicable regulations to establish the legal requirements in this respect. We carry out analyses of risks of money laundering and financing of terrorism considering the context of our operations and geographic location in which we operate, design the program and implement the corresponding manuals that contain adequate and sufficient control measures to prevent or reduce the possibility that the Prodeco Group companies can be used as an instrument to hide or legalize goods that are the product of criminal activities of common delinquents or groups outside of the law, in order to give such goods the appearance of legality and/or to finance terrorism. We monitor the functionality of controls in the different processes of the Company in order to establish if they are being executed as designed and implemented. We support the process of knowing the third party/customer through the analysis of possible cases indicated by the Procurement area that could negatively affect the reputation of the Prodeco Group Companies'.
- **Know your Counterpart:** We support the areas of: Human Resources, Procurement, Sustainable Development and others that require our support in the process of Knowledge of the counterpart, which includes the analysis of negative information resulting from the reputational evaluation of third parties, inquiries in databases such as Accelus Screening Deployed and Disciplinary of Fiscal Control Organism within the country.
- **Sanctions:** Complementing the above point and as part of the Due Diligence process, we carry out a review of the origin and nationality of individuals, or the domicile of legal entities, in order to establish that its origin is of countries or territories different from those included in restrictive lists because they are considered as countries that support terrorism on the international level, such as Iran, Iraq, Sudan, Syria and North Korea.

- **Unfair competition and antimonopoly practices:** We ensure compliance of the Prodeco Group Corporate Practices and the principles established in the laws regarding commercial competition by carrying out periodic Transfer pricing studies for transactions between related companies and in other cases required by law. In addition, in the periodic induction of new personnel and re-training of old personnel, we validate that all those who work for the Prodeco Group are aware of the commercial competition laws, prevent their infringement and ensure that suppliers or customers do not engage in illegal activities that damage our business or prestige.
- **Conflict of interests:** We lead a periodic campaign of Declaration of Conflict of Interests, verifying that an employee does not have sufficient personal interest to possible influence the objective exercise of his professional duties. We also work together with the Human Resources area to identify possible conflicts of interests reported by employees at any moment and in periods different from the annual campaign. On the other hand, we make sure to provide education or training to all direct employees or contractors that work for the Prodeco Group, in order to teach them regarding the situations that could generate real, potential, probable or apparent conflicts of interests.
- **Training:** Carry out education and training activities in a periodic manner, which include, to name a few: Prodeco Group Corporate Practice; Corporate Policies, including Anticorruption Policy and Human Rights, SIPLAFT, PAEC and Conflict of Interests. These training include annual declarations of Compliance of Policies and the Law, as well as Conflict of Interests.
- **Audits:** Include the verification of controls to prevent the Prodeco Group Companies from being impacted by crimes such as Transnational Bribery, Fraud and Corruption, Money Laundering and the Financing of Terrorism, which results in specific reviews to transactions, operations or processes from which the company obtains evidence on the applications of policies, the operation of controls and the improvement of internal controls.
- **Compliance of IT policies:** We investigate any situation reported associated with the infringement of regulations regarding the unacceptable use of Prodeco Group's IT resources and the compliance of the corresponding agreement of acceptable use of the technological resources that the Group has made available to employees to perform their duties.
- **Personal responsibility:** At the Prodeco Group we consider that any infringement of a Corporate Practice or a Law is a really serious matter. If there are reasonable reasons that demonstrate a deliberate or treacherous negligent behavior, it may be possible to proceed to dismiss the employee. The Prodeco Group will not hesitate to use legal recourse. However, we make sure that the violations are investigated in an objective manner and that personnel involved have the right to explain their behavior. The Prodeco Group Employees that infringe the applicable anticorruption laws can also be subject to civil and/or criminal actions.

## 6 ASSOCIATED DOCUMENTS

Code	Description
GPR-PGP-COD-0001	Code of Conduct
GPR-PGP-POL-0001	Treatment and Protection of Personal Data Policy
GPR-PGP-POL-0002	Anticorruption Policy
GPR-PGP-POL-0003	Human Rights Policy

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Code	Description
GPR-PGP-POL-0004	Communities Policy
GPR-PGP-POL-0005	Environmental Policy
GPR-PGP-POL-0006	Information Security Policy
GPR-PGP-POL-0009	Industrial Safety and Occupational Health Policy
GPR-PGP-POL-0010	Alcohol and Drugs Policy
GPR-PGP-POL-0012	Industrial Protection Policy

## 7 REFERENCES

N°	Source	Description
6	Colombian Congress	Law 1778 of February 02, 2016
7	Superintendence of Corporations	Resolution 100-002657 of July 25, 2016
8	Superintendence of Corporations	External Circular 100-000003 of July 26, 2016
9	Superintendence of Corporations	External Circular 100-000006 of August 19, 2016
10	United Nations Office against Drugs and Crime (UNODC) and Bogotá Chamber of Commerce (BCC)	Anticorruption Guide for Companies – based on the Anticorruption Statute