



**ORGANIZACION TERPEL S.A.**

**POLICY MANUAL  
INTEGRATED SYSTEM FOR THE PREVENTION AND CONTROL OF MONEY-LAUNDERING  
AND THE FINANCING OF TERRORISM**

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## **1. COVER LETTER**

This manual is a compilation of information regarding the rules and procedures governing the implementation of the processes required by ORGANIZACIÓN TERPEL SA (hereinafter TERPEL or THE CORPORATION) in the Control and Prevention of Asset Laundering and Financing of Terrorism (ML / FT) in order to reach the highest standards of corporate governance. This manual includes prevention and detection processes as well as investigation of suspicious behaviors of criminal activities related to ML/FT, and in particular: (a) compiles all the current measures that Terpel is implementing; and (b) defines the guidelines, controls and additional procedures that TERPEL shall adopt in order to reduce the risks that might rise in the course of the activities conducted by TERPEL.

This present Manual established general guidelines to be adopted by the TERPEL ORGANIZATION SA in relation to the ML / FT Risk Management System. The policies adopted enable the efficient, effective and timely operation of the ML / FT Risk Management System and are the basis for the rules of conduct and procedures that guide the actions of the corporation's officials.

The contents of this document should be made known to all officers, directors and employees who are involved directly or indirectly in the development of the different processes of the TERPEL CORPORATION and it is the legal representative's responsibility to coordinate the implementation of relevant training activities in order to ensure the full compliance thereof.

## 2. INTRODUCTION

THE TERPEL CORPORATION is registered as an Issuer of Securities on the National Register of Securities and Issuers (RNVE, for the initials in Spanish); it is listed in the Stock Exchange of Colombia (BVC, for the initials in Spanish) as of May 26, 2014<sup>5</sup> as a body dedicated to the distribution of gas and other fuels. The nature of the CORPORATION as an Issuer of Securities implies that it comes under the supervision of the Colombian Superintendence of Finance.

The ML / FT risk management system should allow THE CORPORATION to identify which ML / FT risks are inherent in the fulfilment of its corporate purpose taking risk factors into account, i.e. the agents that generate ML / FT risk in relation to the CORPORATION's following counterparts: (1) Clients / users, (2) Products (3) distribution channels and (4) Jurisdictions.

This Manual is intended to reflect the minimum requirements established by the Colombian Superintendence of Finance to facilitate ML / FT risk reduction. The information provided herein will be a tool for the detection of suspicious activity, and consequently adequate systems for ML / FT prevention and control will be adopted so that such systems will operate properly and it will be established which national and international bodies are appropriate for making inquiries or for reporting strange operations within the sector.

The minimum requirements established herein are intended to:

- Promote a culture of ML / FT risk management at an institutional level.
- Establish the duty of administration and control organs of supervised entities, the compliance officer as well as all staff to ensure compliance with internal regulations and other provisions relating to ML / FT risk control.
- Establish guidelines for the prevention and resolution of conflicts of interest.
- Establish demanding guidelines for client acquisition and the monitoring of domestic or foreign operations, by their profile or by the roles they undertake which may expose the body to greater ML / FT risk.
- Signal guidelines to be adopted by the body with regard to ML / FT risk factors and associated risks.
- Ensure the confidentiality of the information reported as established in Article 105 the Organic Statute of the Financial System.

<sup>5</sup> Information obtained from the Integrated Information System Market - SIMEV- (a set of human, technical and managerial resources administered by the Colombian Superintendence of Finance to permit and facilitate the provision of information to the market). The SIMEV consists of RNVE in which TERPEL ORGANIZATION SA is duly registered with ISIC activity: G5151 Wholesale Fuels Solid, Liquid, Gaseous and Related Products.

[https://www.superfinanciera.gov.co/web\\_valores/?MIval=Infobasica\\_general&TipoEntidad=053&CodigoEntidad=022&dibujo=simevcab.gif&titulo=Entidades%20Encontradas&cd\\_area=NULL](https://www.superfinanciera.gov.co/web_valores/?MIval=Infobasica_general&TipoEntidad=053&CodigoEntidad=022&dibujo=simevcab.gif&titulo=Entidades%20Encontradas&cd_area=NULL)



- Establish the consequences that the failure of the ML / FT Risk Management System will generate.
- Establish the requirements that officials give preference to in compliance with the regulations concerning ML / FT risk management in the fulfilment of business goals.

### 3. GENERAL FRAMEWORK

#### 3.1 EXTERNAL AND INTERNAL CONTEXT OF THE CORPORATION

The main corporate purpose of THE TERPEL CORPORATION can be summarized as its participation in the production chain cycle, the processing, acquisition, sale, marketing, refining, storage, packaging, transport, supply, distribution and exploitation of **hydrocarbons** and **derivatives** thereof, as well as the undertaking of assembly operations, construction and commercial operation of supply plants, pumping stations for the supply of liquid fuel, lubricants and other services.

Likewise, the CORPORATION, due to its condition of issuer of securities, undertakes activities derived from the aforementioned condition, such as the wholesale of solid, liquid, gaseous fuels and related products.

Thus, THE CORPORATION participates in the cycle of the production, marketing and distribution of hydrocarbons and derivatives thereof that are distributed through Supply Plants and as retailer through automobile aviation, fluvial, and maritime service stations that either belong directly to the CORPORATION or are leased or held under any class of tenure.

For the development thereof, THE CORPORATION is authorized to perform all kinds of operations that enable full compliance with its corporate purpose.

#### 3.2 THE REGULATORY AND BUSINESS ENVIRONMENT OF THE CORPORATION.

The sector in which THE CORPORATION conducts business is a **regulated** sector. Indeed, commercial activities oriented toward the purchase, sale, purchase, import, export, refining, storage, packaging, transport, supply and distribution of hydrocarbons and derivatives thereof, as well as with the exploitation and exploration of petroleum, must comply with special regulations regarding the development of these activities. Thus, the regulations established by the Ministry of Mines and Energy and the National Hydrocarbons Agency ANH must be observed. Likewise, all environmental regulations must be fully complied with.

It should also be noted that the Superintendency of Industry and Commerce, through the Delegation for the Control and Verification Technical Regulations and Legal Metrology, performs the duties of supervision and control on the distribution of liquid fuels, as well as of automotive and fluvial service stations<sup>6</sup>.

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<sup>6</sup> In accordance with Decree 4130 of 2011 issued by the Ministry of Mines and Energy which reassigned the following specific functions in regard to Hydrocarbons to the Superintendency of Industry and Commerce:



Additionally, some of the substances distributed by THE CORPORATION are controlled substances in accordance with Resolution 009 of 2009 of the National Narcotics Council, which is why THE CORPORATION must be duly certified for not having been included in Drugs Trafficking Reports.

On the other hand, and considering that THE CORPORATION is registered as an issuer of securities and is empowered to negotiate all kinds of securities in the over-the-counter market operations or on the stock exchange, it must comply with the specific regulations in this area. THE CORPORATION has signed a contract for the Directors to issue shares with a Centralized Securities Depository or DECEVAL; for this reason it is excluded from the scope of the Basic Legal Circular of the Colombian Superintendence of Finance. Indeed, the Circular states that, in the case of such issuers that operate in the primary and secondary market by means of a company that is supervised by the Colombian Superintendence of Finance, the control of money laundering activity will be undertaken by the respective intermediary, ie DECEVAL.

Finally, it should be noted that some of the CORPORATION's activities are vulnerable to ML / FT, to the extent that activities at gasoline stations have been tagged.

## **4. PURPOSE OF THE MANUAL**

### **4.1 GENERAL PURPOSE**

This document is intended to define the guidelines and controls to be adopted by THE CORPORATION in order to prevent ML / FT criminal activities and thus reduce the different risk factors of the various activities performed by THE CORPORATION in relation to each of its counterparts and consequently reduce the possibility that THE CORPORATION's resources come from money laundering or terrorism financing.

This Manual includes transparent processes and an internal culture of prevention, detection and investigation of vulnerable risky behaviors for the occurrence of ML / FT crimes, mainly in THE CORPORATION's operations, business contracts and against stakeholders including internal and external counterparties, products and distribution channels.

### **4.2 SPECIFIC PURPOSES**

- Prevent THE CORPORATION from being used for money laundering or concealment of money or assets derived from criminal activities or the financing terrorism in the undertaking of the activities related to its corporate purpose.

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- Apply sanctions for breach of the rules on fuel distribution.
  - Ensure compliance with laws, regulations and standards relating to the distribution of liquid fuels.
  - Establish control and technical surveillance for the distribution of liquid fuels derived from petroleum.
  - Exercise control and supervision over the additive, quality and quantity of liquid fuels derived from petroleum.

<sup>7</sup> Concept 2006018977-001 of May 23, 2006.



- Strengthen Policies, Procedures and Controls must fulfilled by the administrative and control bodies, the Compliance Officer, and related employees, investors and other internal and external stakeholders in their common effort to prevent the materialization of ML / FT risks to which THE CORPORATION is exposed due to its corporate purpose, products, services, internal activities and relationships with internal and external stakeholders.
- Undertake all necessary steps for the adopted ML / FT SYSTEM CONTROL RISK to operate in such a way that it can prevent THE CORPORATION from being used as a vehicle for conducting criminal activities in the course of its operations.
- Comply with current Colombian legislation related to ML / FT.
- Train staff about ML / FT controls and procedures, in order to ensure these are understood and implemented
- Allocate financial and human resources to support and support for the implementation of the ML / FT RISK MANAGEMENT SYSTEM.
- Standardize and document procedures for the prevention of risks inherent to the CORPORATION.
- Follow-up and monitoring of the ML / FT RISK MANAGEMENT SYSTEM in a timely and efficient manner.
- Minimize risk ML / FT generating activities in timely reports of attempted or suspicious operations and multiple operations.

## **5. LEGALFRAMEWORK**

### **5.1 Internationals Regulations and Standards on ML / FT**

Colombia, through various laws and rulings of the Constitutional Court, has ratified the following conventions of the United Nations in order to tackle criminal activities related to money laundering and financing of terrorism:

- 1988 Vienna Convention: United Nations Convention against trafficking in narcotic drugs and psychotropic substances. (Approved by L. 67/93 - Sent C-176/94).
- UN Convention for the Suppression of the Financing of Terrorism, 1989. (Approved by the L. 808/2003. - Sent C-037/2004).

- 2000 Palermo Convention: United Nations Convention against organized crime. (Approved by L. 800/2003 - Sent C-962/2003).
- Merida Convention 2003: UN Convention against corruption. (Approved by Law No. 970/2005 - Sent. C-172/2006).

Meanwhile in 1990, the Financial Action Task Force (FATF) designed forty (40) recommendations to prevent money laundering and subsequently established nine (9) special recommendations to combat the financing of terrorism. In 2000, the Financial Action Group of South America (Gafisud) was established at the regional level. It is comprised of South American countries, including Colombia, as well as Mexico, all of which have committed themselves to adopting the FATF recommendations.

In February 2012, FATF revised these recommendations and issued international standards for combating money laundering and the financing and proliferation of terrorism, making some modifications for countries to adopt a risk-based approach with more flexible measures that are better suited to the nature of their risks and thus channeling their efforts more effectively.

Recommendation 1 states that countries should require both financial institutions and non-financial companies that undertake such activities to identify, evaluate and take effective actions to mitigate ML / FT risks.

Finally, the FATF considers that in order for this monitoring system to have effective results, countries must ensure that there is a range of effective, proportionate and dissuasive sanctions, which may be criminal, civil or administrative in nature, to deal with natural persons or legal entities who breach the anti ML / FT regulations. In this regard, calls for sanctions for directors and senior management are also applicable (Recommendation 35).

## 5.2 National Standards

Article 102 of the Organic Statute of the Financial System<sup>8</sup> stipulates that the institutions under the control and supervision of the Superintendency of Finance or whoever may act on its behalf must be required to take appropriate and sufficient control measures aimed at preventing the realization of operations intended to be used to conceal, invest or use any form of money or other assets derived from criminal activities or funding, or give the appearance of legality to criminal activities or operations and funds linked therewith. Thus, it is recognized that it corresponds to the Colombian Superintendence of Finance to indicate the minimum criteria and parameters that controlled entities should address with regard to the design, implementation and operation of this system.

Decree 2555 of 2010<sup>9</sup> establishes the functions of the Acting Superintendent for Asset Laundering Risk: overseeing management and risk prevention of money laundering and financing of terrorism,

<sup>8</sup> Article 102. 1 of Organic Statute of the Financial System

<sup>9</sup> In Article 11.2.1.4.29



with respect to all persons and entities subject to the inspection, supervision or control of the Colombian Superintendence of Finance; monitor compliance with regulations relating to the prevention and control of money laundering by entities subject to inspection, supervision and control, and other functions conferred on the Colombian Superintendence of Finance with regard to the supervision of the risk of money laundering.

The Financial Basic Circular Letter of the Colombian Superintendence of Finance in Part 1 Title 4 Chapter 4 stipulates that controlled entities must implement a ML / FT Risk Management System in order to prevent them from being used to give the appearance of legality to assets arising from criminal activities and for channeling resources to carry out acts of terrorism. The Colombian Superintendence of Finance Circular 060 of 2008 in Chapter 13 gives instructions for the prevention and control of money laundering and the financing of terrorism to issuers that are not subject to the inspection and supervision of the Colombian Superintendence of Finance; External Circular 014 of 2009 of the Colombian Superintendence of Finance states that entities supervised by the Colombian Superintendence of Finance must implement or adjust their internal control system based on self- control, self-regulation and self-management to prevent and mitigate the occurrence of fraud and the appropriate management of risks.

Article 10 of Law No. 526 of 1999, as amended by Law No. 1121 of 2006, states that the authorities exercising functions of inspection, monitoring and control should instruct those supervised with regard to the characteristics, frequency and controls in relation to the information that must be provided in the UIAF report, in accordance with the criteria and indications that they receive from the same.

### **5.1 International Financial Reporting Standards**

The IASB, the International Accounting Standards Board (the board of international accounting standards), states that management must issue a report that provides users of financial statements with complete information regarding the company's efforts in this matter; this information should include the company's exposure and strategies to manage the risks to which it is exposed. Consistent with the above, Colombia issued Law No. 1314 of 2009 and Decree No. 2784 of 2012 to regulate and implement accounting and financial reporting principles. The United Nations Convention against Illicit Traffic in Narcotic Drugs of 1988 as well as the International UN Convention for the Suppression of the Financing of Terrorism of 2000 determined the importance and need for action and the use of effective tools to minimize and eliminate practices related to Money Laundering and the Financing of Terrorism.

## **6. BENEFITS OF IMPLEMENTING ADEQUATE ML / FT RISK MANAGEMENT AND ADMINISTRATION**

Based on the forgoing and on the risks associated with ML / FT crimes that may impact business, market recognition, local and companies' international banking relationships, the need to implement proper risk management



concerning money laundering and the financing of terrorism is clear. Additionally, the implementation of these measures has been designed to generate several benefits:

- Provide a guarantee of the transparency and legality of business with clients and investors.
- Facilitate the maintenance and sustainability of business.
- Reflect social and business commitment to implementing international standards and best practices.
- Developing a safe and responsible business management.
- Improve strategic decision-making.
- Encourage legitimate economic competition.

Inclusion by THE CORPORATION of these policies enables business people to strengthen and implement preventive measures or controls in their business activities to ensure their permanence, transparency, reputation and to avoid becoming involved in illegal activities.

## 7. THEORETICAL FRAMEWORK

### 7.1 Basic Concepts

In order to facilitate a clearer and unified understanding of the parameters and procedures contained in the ML / FT Risk Management Manual the following concepts of standards contained in the Colombian Criminal Code, the Organic Statute of the Financial System, the Financial Basic Circular Letter of the Colombian Superintendence of Finance that are considered important shall be explained.

**Illegal activities:** Generally speaking, these are such behaviors or activities that are deemed illicit under an existing standard, in other words, that are against the law. With regard to money laundering, it is clear that the development of this behavior is considered to be an illicit activity, especially under criminal law.

**Illicit Assets:** These are assets which arise from any criminal activity, such as migrant trafficking activities, human trafficking, extortion, embezzlement, kidnapping, rebellion, arms trafficking, crimes against the financial system, public administration, or related with the proceeds of crime subject of criminal conspiracy, related to drugs trafficking, narcotics or psychotropic substances.

**Risk management:** an interactive process consisting of steps, which, when executed in sequence, enable continuous improvement in the process of decision making. It is a term applied to a logical and systematic method of establishing the context, identifying, analyzing, evaluating, treating, monitoring and communicating of risks associated with an activity, function or process in a way that allows organizations to minimize losses and maximize opportunities. Risk management is to identify both opportunities and avoid or mitigate losses.

**Administrators:** Administrators are the legal representatives, the liquidator, members of boards of directors and who, in accordance with the statutes exercise or possess, these functions.



**Economic agents:** Are all natural persons or legal entities who engage in economic operations within a system.

**Partners:** They are called partners or shareholders, i.e. those who hold the ownership of capital shares, shares of interest or shares in a corporation.

**Self-control:** The will of the employer and administrators to detect, monitor and manage efficiently and effectively the risks to which their company may be exposed.

**Final Beneficiary:** this is any natural person or legal entity that, without being a client, owns or receives the resources or goods under the contract or is authorized or entitled to dispose of the same.

**Distribution Channels:** Methods used by THE CORPORATION to offer and market its goods and services, such as shops, selling door to door, Internet or phone.

**Client:** the natural person or legal entity that establishes relations of legal or contractual origin with THE CORPORATION for the supply of products or services, development of its corporate purpose. It refers to natural persons and legal entities that purchase goods or services. In the case of THE CORPORATION, the concept involves the Affiliate Clients (allies of THE CORPORATION to position the "Terpel a tu servicio" brand which primarily involves affiliated service stations) and Industrial Clients (companies, organizations which consider THE CORPORATION as an ally to mobilize their inputs and outputs for the successful development of their business processes). For purposes of this manual, Consumer Clients (constituted by the consumers of the service stations and products offered by THE CORPORATION nationwide) are excluded from the scope thereof.

**Confirmation:** The process of ratification of the information collected and verified involves the observance of technical manuals for issuing each of the branches.

**Conflict of Interest:** A situation that is presented to by person because of their activity, behavioral alternatives and with respect to conflicting interests, none of which may be recommended due to their legal and contractual obligations.

**Control of ML / FT risk:** This includes the implementation of policies, processes, practices or other existing actions acting to minimize the ML / FT risk in the cooperative sector.

**Counterparty.** A natural person or legal entity with which THE CORPORATION has business ties or contractual or legal relations of any kind. In other words: shareholders, partners, employees, clients and suppliers of goods and services.



**Due Diligence:** This means taking sufficient care. There are two interpretations regarding the use of this concept in business. The first conceived how to act with the care required to reduce the possibility of being found guilty of negligence and incurring in the respective administrative, civil or criminal liability. The second, which is more economical and more proactive, is identified as the set of processes necessary to adopt sufficiently informed decisions.

**Company.** Commercial companies and branches of foreign companies as defined in the Commercial Code, one-person businesses are governed by Law No. 222 of 1995, the simplified joint stock company by Law No. 1258 of 2008 and other legal entities that are under the supervision of the Superintendency of Companies.

**Event:** A ML / FT incident or situation that occurs in THE CORPORATION during a particular time interval.

**Risk Factors:** These are the agents that generate ML / FT risk, which apply in accordance with the nature of the activity of THE CORPORATION; they involve at least one of the following: Clients / users, products, distribution channels and jurisdictions.

**Financing of Terrorism:** A crime committed by any person who commits any of the acts described in Article 345 of the Criminal Code<sup>10</sup>.

**ML / FT Risk management.** This is the adoption of policies and procedures to prevent and control the ML / FT risk.

**Financial Action Task (GAFI for its initials in Spanish):** An intergovernmental agency which is intended to develop and promote measures to combat money laundering and the financing of terrorism.

**Tools.** These are the means used by THE CORPORATION to prevent and control the ML / FT risk and to detect unusual or suspicious operations. They should include, inter alia, warning signs and technological applications.

**ML / FT:** Money laundering and the financing of terrorism.

**Money laundering:** Crime committed by any person who seeks to give the appearance of legality to goods or money which originates

<sup>10</sup> Law No 599/2000 (Penal Code). Article 345, as amended by Article 16 of Law 1121 of 2006, and Article 16 of Law 1453 of 2011: **The financing of terrorism and organized criminal groups and management of resources related to terrorist activities and organized crime.** Whoever directly or indirectly provides, collects, delivers, receives, manages, supplies, custodies or manages funds, property or resources, or performs any other act that promotes, organizes, supports, maintains, finances or economically sustains organized crime groups, illegal armed groups or their members, or national or foreign terrorist groups, or national or foreign terrorists or terrorist activities, groups shall be liable to imprisonment of thirteen (13) to twenty (22) years and a fine of 1300 (1300) fifteen thousand (15,000) legal minimum monthly wages.



in any of the activities described in Article 323 of the Criminal Code<sup>11</sup>.

**National and international lists:** List of people who, in accordance with the agency that publishes said lists, may be linked to money laundering or financing of terrorism activities, examples include the lists issued by the United Nations Security Council, which are binding for Colombia. Additionally, these lists may be consulted on the Internet or other technical means OFAC, INTERPOL, National Police, among others.

**Highest Corporative Body:** This is either the body of shareholders or board members and is formed when the partners or shareholders gather respectively.

**Monitoring:** Periodic evaluation of policies and procedures used in the organization to optimize the efficiency of the reports.

**Deliberate concealment of one's knowledge of a crime:** This consists in having knowledge of the commission of the offenses listed in Article 441 of the Criminal Code and not reporting them to the authorities

**Attempted operation.** This is when there is knowledge of the intention of a natural person or legal entity to undertake a suspicious operation which is not actually carried out as the person desists from so doing or because the defined and established controls impede the execution of the same. These operations also must be reported to the UIAF.

**Unusual operation.** This is an act the amount or characteristics thereof have no relation to clients' economic activity, due to their number, the quantities traded or their particular characteristics, and fall outside normal established parameters.

**Suspicious Operation.** That which by its number, quantity or characteristics does not fall within normal systems and business practices of an industry or a particular sector and, moreover, that in accordance with the customs of the activity in question could not be reasonably justified. When such operations are detected they must be reported to the UIAF.

**Publicly Exposed Persons -PEP:** These are national or foreign persons who by reason of their office handle public funds, or have to dispose of the same or indeed who may be subject to public recognition.

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<sup>11</sup> Law 11. 599/2000 (Penal Code), Article 323: amended by article 8 of Act 747 of 2002, as further amended by the 7th article of Law 1121 of 2006 and Article 42 of Law 1453 of 2011: **Money Laundering.** Whoever acquires, safeguards, invests, transports, transforms, stores, conserves, safekeeping or manages assets that are immediate indirectly from or in trafficking of migrants, trafficking, extortion, embezzlement, kidnapping, rebellion, traffic weapons, trafficking in minors, financing of terrorism and management related to terrorist activities, trafficking in drugs, narcotics or psychotropic substances, crimes against the financial system, crimes against public administration, or related to the proceeds of crime funds executed under conspiracy, or give them goods from such activities the appearance of legality or legalizes, conceals or disguises the true nature, source, location, destination, movement or rights to such goods or perform any other act to conceal or disguise its illicit origin, incur by that act alone, shall be liable for imprisonment for a term of ten (10) to thirty (30) years and a fine of six hundred fifty (650) to fifty thousand (50,000) legal minimum wages.



**Policies:** These are the guidelines, or aspects that support the prevention and control of ML / FT risks in the Organization.

**Prevention of ML / FT risk:** The implementation of policies and procedures that include information mechanisms and controls related to the activity of money laundering and financing of terrorism, whereby the organization's management generates general prevention directed at persons and organizations involved in these activities.

**Product:** These are legally authorized operations that can be undertaken by THE CORPORATION by means of the execution of a contract. Goods and services offered or purchases undertaken by a company in compliance with its corporate purpose.

**Supplier,** All those natural persons or legal entities with an established and / or contractual relationship concerning investment, the provision of any services and / or delivering any product of its own activity, or receipt of money is held by sports activities in accordance with the corporate purpose of THE CORPORATION.

**External Reporting:** These are reports that organizations must file before the UIAF, i.e. ROS (negative or positive) and cash operations (negative and positive).

**Internal reporting:** These are the reports that are handled within THE CORPORATION and can be undertaken by any employee or member who is aware of possible unusual or suspicious operations.

**ML / FT risk:** The possibility of loss or damages that THE CORPORATION may undergo due to its propensity to be used directly or through its operations as an instrument for money laundering and / or channeling resources to carry out terrorist activities or when the concealment of assets from such activities is sought. The ML / FT risk materializes through the associated risks, which are: legal, reputational, operational and contagion to which THE CORPORATION is exposed with a consequent negative economic impact that this may represent for its financial stability when it may be used for such activities.

**Associated ML / FT risk:** these are the associated risks by means of which the ML /FT risk materializes, they include: legal, reputational, operational and contagion.

**Legal risk:** The possibility of losses incurred by THE CORPORATION due to being sanctioned or forced to compensate damages resulting from breach of rules or regulations and contractual obligations. Legal risk also arises from flaws in contracts and operations arising from malicious acts, negligence or involuntary acts that affect the execution or implementation of agreements or operations.

**Operational risk:** This is the possibility of incurring losses, shortcomings, failures or inadequacies in human resources, processes, technology, infrastructure or the occurrence of external events. This definition includes the legal and reputational risk associated with these factors.





**Reputational risk:** The possibility of loss incurred by THE CORPORATION due to smears, bad image, negative publicity, whether true or not, concerning the corporation itself as well as in practices related to its corporate purpose, causing a reduction in revenue and judicial processes.

**Inherent risk:** The level of risk inherent in the activity, regardless of the effect of controls.

**Residual or net risk:** The risk level resulting after the application of controls.

**Warning Signs:** These are special circumstances that attract attention and justify further analysis within the organization as they may warrant making a report to the UIAF.

**ML / FT Risk Management System:** The system of money laundering and financing of terrorism risk prevention.

**Segmentation:** The process by which the separation of homogeneous and heterogeneous elements into groups takes place. The separation is based on the recognition of significant differences in their characteristics (segmentation variables).

**Servicies:** These all those interactions of entities which are subject to inspection and supervision of the Colombian Superintendence of Finance with people who are not their clients.

**The Financial Information and Analysis Unit (UIAF for its initials in Spanish):** A Special Technical Administrative Unit, part the Ministry of Finance, created by Law No. 526 of 1999, as amended by Law No. 1121 of 2006, which aims to prevent and detect of operations that can be used for money laundering or financing of terrorism. It also imposes reporting obligations on the operations of determined economic sectors .

**Users:** Those natural persons or legal entities who, while not actually clients, receive services from the bank.

**Verficiation:** The process by which the formulation of knowledge concerning internal and external counterparts has been checked, properly completed and that the information provided therein is true. Within this process is the act of checking the information contained in the forms has been duly supported by documents as required by the company.

## **8. CONTENT OF THE INTEGRATED SYSTEM FOR THE PREVENTION AND CONTROL OF MONEY-LAUNDERING AND THE FINANCING OF TERRORISM AND THE CONTROL OF ML / FT RISKS**

### **8.1 THE IMPLEMENTATION OF MEASURES**

For proper self-control and management of ML / FT risks, THE CORPORATION will implement **effective prevention and control measures** for which it will adopt the procedures and tools needed for such prevention in the undertaking of activities related to its corporate purpose. This management system includes the identification, measurement, control and monitoring of ML / FT risks. The policies adopted will enable the efficient, effective and timely operation of the system and translate into rules of conduct and procedures that guide the actions of THE CORPORATION, its directors, employees and partners.

The procedures established in this Manual are intended to:

- Promote a culture associated with ML / FT risk management at an institutional level.
- Establish the duty of the administrative and control bodies of THE CORPORATION to ensure compliance with internal and other regulations related to the administration of ML / FT risk.
- Establish guidelines for the prevention and resolution of conflicts of interest.
- Establish clear guidelines for the acquisition of new clients, and the monitoring of domestic or foreign operations, which, owing to their profile or by the roles they undertake, may expose the Corporation to greater ML / FT risk.
- Broadcast the guidelines to be adopted by THE CORPORATION against ML / FT risk factors and associated risks.
- Ensure the confidentiality of the information reported as established in art. 105 of the Organic Statute of the Financial System.
- Establish the consequences that the noncompliance with ML / FT risk management policies will generate.

ML / FT risk management consists of two phases: the **first** corresponds to **risk prevention** and is intended to prevent the introduction of resources from activities related to ML / FT crimes in which THE CORPORATION will determine the procedure to anticipate, assess and monitor suspicious operations; and the **second**, which corresponds to **control** thereof and which is intended to **detect and report operations** that have been attempted as well as those that have been actually undertaken in an attempt to give an appearance of legality to operations relating to ML / FT. THE CORPORATION will constantly evaluate the procedures,



mechanisms and instruments contained in the ML / FT Risk Management System with regard to the controls defined therein in order to determine the effectiveness thereof or to completely reassess the same, or make adjustments should they be so required.

## **8.2 MEASURES AND MINIMUM PROCEDURES OF THE ML / FT RISK MANAGEMENT SYSTEM**

This Manual establishes procedures for the proper implementation and operation stages of the ML / FT Risk Management System:

- Implementation of the various stages and elements of the ML / FT Risk Management System.
- Identification of changes and the development of controls and profiles for inherent and residual risk.
- Fulfilling the requirements of information on behalf of competent authorities.
- Compliance with the obligations regarding international lists which are binding on Colombia in accordance with international law and provide the information required for such lists, before the Corporation acquires a new client.
- Establish the penalties for breaches of the rules related to the ML / FT Risk Management System, as well as processes for their imposition.
- Implement methodologies for the detection of unusual and suspicious operations, and the timely and efficient report to the competent authorities thereof.
- Provide processes to carry out an effective, efficient and timely knowledge of current and potential clients, as well as the verification of the information provided and related documents, in compliance with the minimum requirements contained herein.

Likewise, and for the proper implementation of this System THE CORPORATION must be able to identify risk situations generated by ML / FT in its operations, business or contracts by establishing due diligence processes that enable it to have at the very least an appropriate:

- Knowledge of current and potential clients
- Knowledge of the Market
- Knowledge of publicly exposed persons
- Knowledge of suppliers
- Knowledge of partners
- Knowledge of workers or employees



- Identification and analysis of unusual operations
- Determination and reporting of suspicious operations
- Regulations for the handling of cash within THE CORPORATION

### **8.3 ELEMENTS OF THE ML / FT RISK MANAGEMENT SYSTEM**

THE CORPORATION WILL implement the following elements for the adoption of THE ML / FT Risk Management System:

- The policies that the CORPORATION will assume with regard to compliance with the regulations on prevention and control of ML / FT.
- The procedures were developed to implement the ML / FT Risk Management System.
- Documentation: stages and elements of the implemented ML / FT Risk Management System consist of documents and records, ensuring the completeness, timeliness, reliability and availability of the information.
- Organizational Structure
- Control Bodies
- Technology Infrastructure
- Dissemination and information
- Training

### **8.4 PROCEDURES FOR THE CONTROL AND REPORTING OF THE ML / FT RISK MANAGEMENT SYSTEM**

THE CORPORATION will implement the following control and reporting mechanisms for the ML / FT Risk Management System:

- Establish tools to identify unusual or suspicious operations



- Reporting to the UIAF
- Report attempted operations and suspicious operations (ROS) to UIAF
- Reporting multiple load operations
- Other reports
- Accredited all operations with supporting documents, corporate purpose and contracts
- Monitoring

## **9. ML / FT RISK MANAGEMENT POLICIES**

THE CORPORATION will comply with its corporate purpose of participating in the cycle of the production chain, processing, acquisition, sale, marketing, refining, storage, packaging, transport, supply, distribution and exploitation of hydrocarbons and derivatives thereof, as well as in the undertaking of activities concerning the assembly, construction, and commercial exploitation of supply plants, pumping stations for the supply of liquid fuel, lubricants and other services, managing efficient policies that minimize the consolidation of behaviors that enable the introduction of financial resources that proceed from ML / FT criminal activities into its business environment.

THE CORPORATION in its capacity as issuer of securities in the wholesale of solid, liquid, gaseous fuels and related products will ensure compliance with the regulations designed to prevent and control the laundering of monies, particularly those contained in Articles 102-105 of the Organic Statute of the Financial System.

THE CORPORATION will implement guidelines, rules of conduct and procedures to guide its actions in order to avoid vulnerable situations and the committing of ML / FT crimes that underpin these risk management policies.

### **9.1 General Policies**

THE CORPORATION has defined regulations and clear policies to prevent illicit funds from entering the business and operations thereof. The following internal policies are directed to strictly enforce the rules and legislation:

- All THE CORPORATION's staff will be informed about the System for Risk Management of ML / FT.
- The ML / FT risk management system will be applied in the internal and external context of THE CORPORATION both in its mission and in its administrative support processes.

- All employees and directors, especially those who intervene in the implementation and review of the operations of THE CORPORATION, must fully understand and apply the procedures set forth in the ML / FT RISK MANAGEMENT SYSTEM in order to ensure proper enforcement thereof thus contributing to the prevention of both money laundering and the funding of terrorism as well as underlying criminal activities.
- Knowledge of any fact or circumstance which is considered to be an infringement of the contents contained herein must be reported immediately to the Compliance Officer.
- The ML / FT RISK MANAGEMENT SYSTEM will consider the consolidation of the information produced in its operation as its priority in the generation of information in a timely manner to comply with internal information demands as well as those of control bodies.
- THE CORPORATION shall not enter into operations with persons who are not properly identified in accordance with the provisions of this manual.
- The Board, Management, the Compliance Officer and other employees of THE CORPORATION shall be liable for the obligations and responsibilities that apply to them regarding the implementation of the ML / FT RISK MANAGEMENT SYSTEM.
- The utmost caution and secrecy shall be observed with employees regarding the information submitted to the UIAF concerning suspicious operations.
- The procedures implemented are mandatory for all employees of THE CORPORATION, especially for those involved in selecting suppliers, in operations with external suppliers, the importation of products, in operations involving real estate, the acquisition of companies, managing surplus in relations with extra-bank providers of capital, contracts involving resources in financial and other operations that are considered risky with regard to ML / FT.
- The observance of the provisions to prevent money laundering and financing of terrorism within THE CORPORATION are compulsory. This to the extent that compliance with these provisions enables the detection of suspicious and unusual operations associated with the channeling of resources of criminal origin or the concealment of assets derived from illegal activities.
- All employees and directors of THE CORPORATION must report any facts or circumstances that are considered to infringe ML / FT Risk Management to the Compliance Officer immediately.
- The conflicts of interest that may arise in the development of the corporate purpose of THE CORPORATION be treated in accordance with the provisions of this manual, in order to give greater transparency to the actions thereof.

- The reports and documents that support the system will be properly maintained in accordance with the provisions of this manual.
- As general rule, no cash payments will be received at THE CORPORATION's offices.
- Employee information will be managed with the strictest confidentiality, it shall only be disclosed to third parties as a result of regulation, statute, an appropriate legal process or compliance requirements inspections or duly authorized entities of supervision and control.
- The Prevention and Control of Money Laundering covers operations related to the services provided by THE CORPORATION for cash operations or otherwise in Colombian legal tender or any other currency, whether these be active, passive or neutral operations.
- When operations concerning the purchase or sale of equity or buy or sell of contributions are made, the buyer or the seller and economic activity thereof must be clearly identified.
- Compliance with mechanisms and instruments set internally for the Prevention and Control of Money Laundering is indispensable for employees involved in the authorization, execution and review of operations.
- The organization must adapt to new products or services controls regarding the prevention of money laundering and financing of terrorism before offering them to the public.
- Operations involving persons who manage public resources, wield public power or are publically recognizable will be subject to specific procedures for the control and monitoring thereof and shall be subject to detailed verification.
- The observance of ethical principles and compliance of regulations should precede the achievement of the goals related to services or products.
- The failure of these measures will lead to established internal disciplinary procedures, without prejudice to the judicial proceedings that may also be applicable before the inspection bodies.

## **10. PROCEDURES FOR IMPLEMENTING MECHANISMS FOR THE CONTROL OF MONEY LAUNDERING AND THE FINANCING OF TERRORISM.**



### **10.1. Procedure for Responding quickly to Requests For Information by Competent Authorities.**

THE CORPORATION's Compliance Officer will make the timely and accurate delivery of the information requested by the competent authorities (the FIAU, prosecutors, the Colombian Superintendence of Finance, DIAN, etc.) together with the Auditor and / or Board of Directors.

### **10.2. Procedure for monitoring operations which have been determined to be of greater risk by THE CORPORATION**

**Warning signs** will be considered to be those which by procedures such as simple observation and comparison constitute special circumstances that attract attention and justify further analysis as they may warrant making a report to the UIAF. Warning signs facilitate the recognition of a money laundering operation as they correspond to the characteristic processes of the different methods adopted by criminal activities.

Observation procedures will focus on monitoring the operational movements of the CORPORATION's counterparties, together with their products, distribution channels and territorial jurisdiction. In any case, the procedure is as follows:

- a) Operations that are considered to be fall outside THE CORPORATION's counterparties' normal behavior, i.e. when a suspicion or an abnormal situation becomes apparent must be reported immediately to the Compliance Officer using the established format. The information must be taken from the client form and all the information which was given by the respective counterparty in support the operation should be attached thereto.
- b) The Compliance Officer will open a folder for copies of all documentation of possible suspicious operations, the relevant supporting documentation thereto and he or she will also fill out the **N format** which will contain the results of the analysis, verification, review and analysis of the circumstances in which that particular operation took place together with a concept that will define if the operation is merely unusual or otherwise should be reported as a suspicious operation to the UIAF.

These warning signs have been considered with regard to the specific nature of each operation, the different kinds of activities, products or services offered or any other criteria that could be considered as appropriate. Warning signs should be considered dynamic and must adapt as needed or new situations emerge that need to be cataloged as warning signs. The following situations may be warning signs:

- Activities of shareholders, suppliers or partners which are not consistent with objectives and executed contracts.
- Data reporting erroneous information, or filling out forms trying to breach the requirements required.



- People who refuse to provide requested information and documentation.
- Inconsistency of financial data.
- Inconsistencies related to the validity of identification documents and the information they provide.
- Inconsistency of documents and information on the nationalization of equipment.
- Mention of authorities in media.
- Natural person or legal entity identified by government agencies or foreign governments allegedly related to illicit capital movements or exercising unsafe practices or activities prohibited by law.
- Information, changes, additions and inconsistencies in reports and breaches in the delivery of the same.
- Observations and reports to shareholders, suppliers and partners.
- Sales of establishments, capital gains, foreign shareholders.
- Comments made during audit or inventory visits.
- Breach of contractual terms.
- Creation of companies or services or producers who do not justify their economic activity.
- Unusual growth of activities and / or sales of a counterparty.
- Legal representatives who receive money from contributions on behalf of the organization or handle money in their personal accounts.
- Companies that do not have the necessary infrastructure to perform the activities that they state they perform.
- Companies that only operate in cash to finance activities related to their corporate purpose.
- Using employees as partners to justify a number of contributions or volume of operations that are performed by others.
- Counterparts' Information is not updated or once updated cannot be confirmed.
- Natural persons or legal entities that manage resources belonging to THE CORPORATION's organizations as an investment or as a loan, and do not justify their economic activity.



### **10.3. Procedure for knowledge of THE CORPORATION's current and potential counterparties and for verification and updating data**

The counterparty must deliver complete and original information at the time of the actual execution of the contract.

THE CORPORATION will receive periodic information annually regarding the different means of consultation related to natural persons and legal entities that are registered on restrictive international lists in order to perform a manual examination of these counterparties with the aforementioned databases using the relevant identity documents. Should it be evident that the list contains names or suppliers pertaining to THE CORPORATION, the corresponding legal monitoring will be undertaken.

The verification of the counterparties that belong on this list will be performed quarterly by the Compliance Officer. These files (OFAC List, terrorists UN FBI's most wanted, etc.) will be made available to employees of THE CORPORATION for consultation before executing contracts with a counterparty.

Likewise, THE CORPORATION may consider operations to be suspicious which despite falling within the parameters of counterparties' financial profiles are considered by the Corporation to be irregular or strange, to the point that these operations are considered to exceed the merely unusual.

### **10.4. PROCEDURE FOR THE KNOWLEDGE OF CLIENTS**

The knowledge of clients begins with their first contact with THE CORPORATION. If they are interested in products offered by THE CORPORATION, they must be willing to provide the required information and documentation; also, they must fill out the N format. The fields related to the following are compulsory: ISIC Economic Activity, Occupation, Occupation, Source of funds; Financial Position (income, expenses, assets, liabilities etc.).

### **10.5. Procedure for Establishing Relations with Suppliers:**

The knowledge of the supplier starts with the purchase order and the processing of the suppliers creation form. The supplier must fill out a form containing data such as the supplier's identification, economic activity, contact information, tax information (type of taxpayer), banking information and supporting documentation, RUT, Certificate of Existence is requested and Legal Representation of the Chamber of Commerce, identification of the legal representative, commercial reference, bank reference, bank certificate for payment and authorization for payment, and a statement regarding whether the supplier is the beneficiary of Law No. 1429, 2010, and Law No. 1540, 2011.



It is recommended that THE CORPORATION should have a system to identify whether the goods or services come from legal activities have been duly nationalized, nor are they the product of contraband or items that are subject to restricted sale and if they have the proper permits or licenses.

If THE CORPORATION has doubts regarding the origin of the resources of the provider, it could demand a statement from the supplier's legal representative concerning the origin of their financial and monetary resources. Special care must be taken when the price offered by the supplier is significantly below market prices.

It is recommended to build a database for the analysis of operations with suppliers that permits the consolidation and identification of present and future warning signs. This database must contain at least the name of the supplier, whether it is a natural person or a legal entity, as well as identification, address, the name of legal representative, as well as that of the contact person and position held.

#### **10.6. Procedure for operations with politically exposed persons (PEPs)**

If THE CORPORATION enters into operations with politically exposed persons, who are those who by reason of their office handle public funds or can dispose of the same, it should investigate the authorization granted by the competent body to enter into agreements or negotiate in the case in which the goods or services purchased are not for personal gain and in order to establish the origin of resources.

In any case, the processes related to these clients should be stricter, require more controls and the negotiation thereof will possibly have to be approved by a higher authority within the organization. In this matter, it is important that THE CORPORATION take steps not to be used in channeling resources from acts of corruption, money laundering or financing of terrorism.

#### **10.7. Knowledge of workers or employees**

In accordance with the established procedure, THE CORPORATION should check the background of its workers or employees prior to contracting them and perform an annual update of their data at the very least. When unusual behaviors are detected in anyone who works at THE CORPORATION, such conduct must be analyzed in order to take appropriate measures; revision of the databases pertaining to the Inspector General's office and the Police as well as medical and home visits tests must be performed. Therefore the applicant must provide his or her street address, phone, neighborhood, town, profession or occupation.

#### **10.8. PROCEDURES AND CONTROLS FOR THE KNOWLEDGE OF INVESTORS**

THE CORPORATION has determined that DECEVAL, a company that is supervised by the Colombian Superintendence of Finance, is responsible for the integrated management of TERPEL stock and therefore the actual placement of said stock. For this THE CORPORATION has previously determined



appropriate criteria for the selection of this broker as well as the mechanisms for verifying compliance with its responsibilities for ML / FT risk management.

In accordance with the Services for the Administration of the Issue of Stock Agreement executed by and between TERPEL and DECEVAL, this latter party provides a personalized service for stockholders and for business operations outside of the Stock Exchange; it processes operation processes applications submitted by shareholders at Service Centers or directly in TERPEL, registering them a Direct Depositor. Thus DECEVAL assumes the purely operational functions of TERPEL in its capacity as the shareholders' Direct Depositor.

The service agreement in place means that DECEVAL, as an infrastructure provider, performs the actions that correspond to the Administration of the Issue of Stock, the control of money laundering and financing of terrorism activities in support of the competent authorities and the operators in the Securities Market<sup>12</sup>.

#### **10.9. Procedure for the request of minimum documents in the establishment of relations with counterparties**

THE CORPORATION establishes the minimum documents required by the Colombian Superintendence of Finance to provide evidence of the information provided by the counterparty at the time of establishing relations with the same. In the event of a situation that warrants requesting other documents not mentioned in the regulations, the legal representative or compliance officer may do so. Examples include: Financial statements, certifications signed by CPA, Voluntary Declaration of source of funds, copies of tax returns, etc. RUT The documents are ranked in each of the formats for natural persons and legal entities, and are independent of the economic sector or classification in which they are located.

#### **10.10. Other due diligence measures**

If negotiation does not require the physical presence of the parties, THE CORPORATION must have the necessary measures for the full identification of the natural person or legal entity that will perform the operation.

Prior to the conclusion of any business sale or purchase of goods or services in which the counterparty and the amount thereof can be fully identified, the names should be consulted on the international lists issued by the United Nations Security Council and others that are binding for Colombia.

For operations that generate higher risk, THE CORPORATION will take the necessary measures to enable it to identify the beneficial owner of the goods and services sold.

<sup>12</sup> Article 75 of Decree No. 4327, 2005, and External Circular No. 062, 2007, issued by the Colombian Superintendence of Finance.



## **11. MECHANISMS FOR THE CONTROL OF MONEY LAUNDERING AND THE FINANCING OF TERRORISM**

### **11.1 Control Mechanisms**

#### **11.11 Knowledge of THE CORPORATION's counterparts**

The most useful tool to avoid the risk of money laundering is compliance with the "know your counterparty" principle, the implementation of which will provide THE CORPORATION with the data needed for the prompt detecting of unusual and suspicious operations.

The procedures relating to ML / FT RISK MANAGEMENT SYSTEM are immersed in the macroprocesses of the CORPORATION's corporate purpose and are the basis of management of same: knowledge of clients, partners, employees, suppliers, and other third parties, which arises from the initial contact for the establishment of relations or the interaction of operations and information processes updates. These activities or the updating of information do not correspond to specific ML / FT RISK MANAGEMENT SYSTEM processes, rather they are part of the ordinary operations that involve additional controls which are complemented in order to ensure the system's efficiency.

These procedures for knowing clients, associates, employees or suppliers include both current ones as well as those who have requested the establishment of relations. For this purpose, THE CORPORATION is developing mechanisms to profile counterparts from the moment of their initial request for the establishment of relations as well as in the case of those who will be contracted either as employees or suppliers; stringent requirements have been defined for the contration of human talent and purchasing to manage the risks that may occur.

To ensure the proper updating of its databases, THE CORPORATION has included a clause in their application forms as well as in information updating forms which establishes the counterparty's obligation to deliver accurate and verifiable information, as well as update their data at least once a year with supporting documents required by THE CORPORATION in accordance with the service contracted.

For employees, THE CORPORATION makes a continuous assessment of individual and family conditions. These evaluations are performed prior to contracting the same, but also occur when an employee is involved in unexplained situations without the proper support, THE CORPORATION will review the selection process in depth in order to make the decision to contract the employee or not.

THE CORPORATION has a properly structured supplier base for which regulations were designed to consider contracting and withdrawal requirements, among which information concerning owners stands out,



as well as the establishment of based on quality, prices and compliance. In the case of suppliers, shareholders, partners or legal representatives of the companies, THE CORPORATION undertakes an analysis of the control lists and all documentation that is part of the file produced for each one.

### **11.12 Knowledge of the Market. Detection of unusual operations**

#### **Identification and analysis of unusual operations:**

Unusual operations are for those that have no causal connection with the activities reported by the respective counterparty or that may arise from their activities or show atypical behavior. The unusual nature thereof is linked to the warning signs that have been adopted by THE CORPORATION, which will be continuously updated by the Compliance Officer. Thus, operations that fall outside established and reported ranges in the commercial or contractual relationship are considered unusual due to their number, the quantities that have been traded or the particular characteristics of the product or service related to the respective counterparty.

Warning signs indicate the particular behavior of counterparties and atypical situations involving operations and those which may cover up money laundering operations and / or financing of terrorism.

It is necessary to note that not all operations that present atypical and unusual behaviors are illegal operations, for that reason, the identification of warning signs does not necessarily mean that the operation should be reported immediately and automatically to the authorities as suspicious.

For the detection of unusual operations, it is important that the CORPORATION bear in mind that **warning signs** have been defined both in the applicable regulations and in this Manual. In all cases unusual operations which have been determined for counterparties based on the warning signs must be fully assessed, based on the information that is contained in the electronic and physical files of THE CORPORATION, so that the analysis is undertaken based on the real and actual knowledge of the counterparty concerned.

As has been noted previously, the warning signs are control tools that facilitate the recognition of a money laundering operation corresponding to the characteristic processes of the different methods adopted by criminals for money laundering.

When THE CORPORATION receives an application for the management of operations associated with the ML / FT RISK MANAGEMENT SYSTEM it can also automate certain warning signs. The warning signs adopted by THE CORPORATION are comprised of those contained herein in accordance with the methodology adopted and those that the Compliance Officer in the future may define and submit to the Board for approval; they comprise an integral part of this manual and respond to the following design:

- a) Initially the signs that correspond to different events that occur that constitute atypical behavior are defined for evaluation.
- b) Once the warning sign has been defined, the corresponding alert is determined to establish the compulsory applicable response; the signs or actions that must be implemented by each person who has been assigned to identify them may become automatic.
- c) With the knowledge of the corresponding alert, the actions that THE CORPORATION defines will be implemented.

The Compliance Officer must be informed of identified unusual operations with supported documents; this officer will analyze the information related to the operation and prudently evaluate it, such as the alerts produced; analysis by the legal representative, the documents provided and the conclusion from the initial analysis. The report of the unusual operation shall contain at least the following information:

- Identification of the person or persons related to the warning signs.
- The reason (s) for which the operation is reported as unusual.
- Additional alert signals identified in the analysis of the information.
- The analysis of monthly movements of the counterparty vs. income levels reported by the counterparty to determine whether these are related.
- Last updated information.
- Detail of whether the counterparty has been previously reported with unusual and / or suspicious operations by the CORPORATION.
- Conclusions of the analysis carried out by the initial person responsible of the unusual operation.
- Signature of the officer responsible.
- Space for comments and the signature of the Compliance Officer.

The Compliance Officer must perform the monitoring of all reports of unusual operations that occur in THE CORPORATION, either through system functionality or registration form of unusual operations, together with comments in the application or in the conclusion; the **format** must be signed prior to being filed or being reported as suspicious, as may be appropriate.

## **12. INSTRUMENTS FOR CONTROL OF MONEY LAUNDERING AND FINANCING OF TERRORISM**

### **12.1 Identification and reporting of suspicious operations**

#### **Identification and reporting of suspicious operations.**

These are suspicious operations that have not been properly explained or supported in accordance with the procedures that the CORPORATION has established. The Compliance Officer will analyze them and issue a report.



The procedure to be followed for this type of operation is as follows:

The person who reports the unusual operation to the Compliance Officer must first explain why the operation is unusual based on an analysis thereof, then, he or she proceeds to fill out the format adopted by THE CORPORATION in order to refer the matter to the Compliance Officer who will verify both the due process, as well as information contained therein and issues his or her concept.

If the Compliance Officer agrees with the official's initial concept concerning the unusual operation, he or she will proceed to:

- File the information if it corresponds to a duly explained and supported unusual operation, and,
- If the operation is, indeed, suspicious, he or she will proceed to report by filling out the form established by the Special Administrative Unit of Financial Information and Analysis (FIAU), who also may also give instructions to facilitate the processing of the Suspicious Operations Report.

If the Compliance Officer does not agree with the opinion concerning the unusual operation given by the person who reports the same, the report will be returned to the employee together with his or her observations for reconsideration if necessary, re-qualifying the operation. Should the disagreement persist, the Compliance Officer will proceed with the report of the Suspicious Operation.

The report will be sent to the FIAU. The Compliance Officer must receive confirmation of successful file upload and the filing number, which must be filed both magnetically and physically. Receiving a report of misloaded file, he or she will proceed to fix the reported errors, and will try to upload the report again within the established periods; once the report of successful file upload and file number have been received, he or she will proceed to preserve the magnetic and physical file.

The report of a suspicious operation is not a criminal complaint of the existence of an offense of money laundering or financing of terrorism. The report only fulfills the duty to cooperate with the authorities to report abnormal situations, to report inconsistencies in the handling of an operation or a product with respect to the counterparty's activities and financial profile.

When reporting an operation as suspicious, THE CORPORATION undertakes to give useful and relevant information to the authorities with the understanding that only judicial authorities can define if it is a money laundering operation. Therefore, the effectiveness of a policy to prevent money laundering should never be measured by the number of reports or the proportion of the same that actually result in convictions.

Similarly, THE CORPORATION is not required nor is responsible for defining the crime or other circumstances of operations committed within the jurisdiction of judicial investigators. The report is based on information available to THE CORPORATION at the time as THE CORPORATION does not have all the information about the counterparty or its corporate purpose, nor does it have the authority to request evidence or conduct research, that falls beyond the scope of specific operations; in other words, its vision and understanding of counterparties' corporate purpose is limited. This means that some of the operations reported as suspicious are not actually suspicious, while other operations that are never detected can be still money laundering operations



### 13. BODIES WITH CONTROL FUNCTIONS

The performances of the Control and Supervisory Bodies, the Legal Representative, Statutory Auditor and employees of THE CORPORATION must be framed within principles of the Code of Ethics to ensure transparency and security, taking into account principles and values and orientations enshrined in Good Cooperative Governance enshrined in its bylaws, regulations and / or documents of THE CORPORATION.

#### 13.1 Guiding Principles

THE CORPORATION In all actions for Control and Supervisory Bodies, Legal Representative, Statutory Auditor and employees should be framed within principles that guarantee transparency and security within the real sector, taking into account principles and values and orientations enshrined in Good Cooperative Governance enshrined in its bylaws, regulations and / or documents of THE CORPORATION:

- **Good Faith:** To act in operations and daily activities with honesty and integrity, seeking to prevent abusive actions of the parties.
- **Honesty:** No misusing what was entrusted by Associates and partners, doing things thoroughly and working with integrity.
- **Fairness:** Acting equally, without preference and always seeking the satisfaction of each Associate.
- **Transparency:** Demonstrating adequate levels of efficiency, competitiveness and flow of timely, adequate and clear information, allowing for proper decision making.
- **Reserve:** Refrain from disclosing such information, which officials are not entitled to disclose it.
- **Proper Use of Information:** Refrain from using insider information for themselves or for a third party.
- **Loyalty:** Acting in a full, frank, accurate and objective manner with respect to all persons involved in any way in the process, such as:
  - Refraining from acting against conflicts of interest,
  - Refraining from giving fictitious, incomplete or inaccurate information,
  - Avoiding behavior that may cause errors in the use of services.



- **Professionalism:** Providing professional advice for better decision making, based on serious, complete and objective information.
- **Compliance:** THE CORPORATION will implement appropriate policies, procedures and all laws, especially the duties and obligations to partners.

### **13.2 Penalties for Noncompliance**

Any serious breach in relation to the policies and procedures set forth in this Manual, whether intentional or caused by carelessness or negligence of any employee, officer or manager of any condition or level, shall be punished in the manner specified by THE CORPORATION, subject to the administrative and criminal penalties established in the laws of the Republic of Colombia, as well as in international regulations, should extraterritorial jurisdiction be applicable.

### **13.3 Management of Conflict of Interest**

A conflict of interest situation is understood as that of interference between different areas of interest in which a person can take advantage, either for himself or for a third party, taking advantage of the decisions that he, himself, make take in the undertaking of his functions when alternatives are available which would imply the breach of his legal, contractual or legal obligations.

The term refers to a situation in which one of the parties tries to obtain a moral or material advantage in the face of the other's resistance. The basic elements thereof are as follows:

- An interference between areas of interest,
- Several alternatives are available which are dependent on a decision,
- Use of the situation for himself or for a third party,
- Omission of a legal, contractual or moral duty.

Conflicts of interest generated a negative effect on transparency, fairness and good faith that should characterize the CORPORATION's relations, therefore they are directly related to ethical issues, which may or may not be subject to legal stipulations.

Conflicts of interest may have different causes and their configuration can coexist with many divergent interests, such as in social relationships. Thus, this definition is so broad that it is impossible to define all the cases that may arise.

Consequently, using legal requirements and experience, THE CORPORATION has established some prohibited practices and other ones that are controlled in order to avoid conflicts of interest, with the understanding



That they do not cover all possible practices but are rather a purely preventive tool and should be construed in accordance with the general guidelines that are formulated below.

### **13.4 Prohibited Acts of Employees and Directors**

#### **13.4.1 Prohibitions of Criminal Origin for Administrators**

**Misuse of Funds.** Administrators shall refrain from using or providing access to the company's funds.

**Unauthorized Operations:** Administrators must refrain from granting credits or discounts directly or through an intermediary in violation of legal dispositions or above legal authorizations.

#### **13.4.2 Prohibitions of Internal Origin**

- It is against both the law and morality to give money pertaining to THE CORPORATION to representatives of any public or private body for the purpose of fulfilling the corporate purpose or to influence administrative, legal or judicial decisions in which THE CORPORATION may have an interest.
- Normal expenditures for hospitality within the respective authorization are allowed, but they must be reasonable, in such a way that cannot be interpreted as an intention by THE CORPORATION to influence decisions that could favor it.
- No employee of THE CORPORATION will ask for or accept favors or gifts from third parties the nature or meaning of could favor the donor or server in the procurement of goods or services by THE CORPORATION. In case of doubt the employee should consult with his or her manager.
- It is therefore prohibited for employees of THE CORPORATION to borrow money from counterparties or coworkers, solicit employment for family members or acquaintances, etc.
- Employees shall refrain from exerting pressure on counterparties, whatever their nature, in the development of operations or in order to obtain deposits or any other type of operation from the same. The collection of fees or any type of commission as consideration for the provision of services is prohibited.
- It is the duty of employees of THE CORPORATION to cater to all counterparties and associates promptly and diligently complying fully with established procedures. No employee of THE CORPORATION may therefore seek or receive remuneration, commission or other consideration that conditions the performance of THE CORPORATION's procedures.

- No employee of THE CORPORATION can obtain or seek personal benefits derived from information obtained in their capacity as employees of THE CORPORATION.
- Employees of THE CORPORATION may not use their authority and influence over other employees of the corporation in order to obtain favorable treatment, ignoring its internal rules and procedures, in achieving credits or any type of services that it may offer.
- Employees must notify the directives of THE CORPORATION all the information related to illegal or questionable operations undertaken by counterparties or employees of the Corporation or situations in which THE CORPORATION is used as a tool for managing criminal operations or which attempt to have appearance of legality

### **13.4.3 Handling of Privileged Information**

Privileged or inside information is considered to be that which is subject to reserve as well as that has not been disclosed to the public, even if a duty to disclose such information exists. In order to maintain an adequate management of such information THE CORPORATION, through its Associates, Legal Representative and employees, will observe the following rules of conduct:

- Employees or managers shall not make improper use of information made known by reason or occasion of their functions, in order to gain advantage for themselves or for a third party.
- Information about associates, clients, suppliers, employees and other counterparties that may or may not be affiliated with THE CORPORATION is confidential and must be properly protected.
- Employees shall not disclose inside information from THE CORPORATION corresponding to the pursuit of its corporate purpose, and everything related to codes, passwords, programs, systems operation.
- Employees will avoid providing confidential information pertaining to associated clients, suppliers, employees and other counterparties or THE CORPORATION itself, other agencies or employees of the corporation, without complying with the procedural requirements designed for said purpose.
- Computer information will be kept under strict control, with access keys for all information contained on hard drives and on the corporate network.
- In undertaking of its corporate purpose, it is understood that the Legal Representative is the spokesperson. This activity may also be undertaken by an acting legal representative in the case of temporary absences.



- Employees of THE CORPORATION may not enter the office at times other than those stipulated in their employment agreement without prior approval from management or the legal representative in charge.
- In any case, legal regulations must be observed that pertain to the use of inside information.

### **13.5 Functions of Directors and Control Bodies**

In accordance with the provisions of External Circular of the Colombian Superintendence of Finance and current regulations in force regarding the prevention of money laundering and financing of terrorism, the responsibilities and functions of the various control bodies of THE CORPORATION have been defined in regard to the efficient and effective implementation of the ML / FT RISK MANAGEMENT SYSTEM.

Without prejudice to the functions and responsibilities set forth in law and the administrators (Board of Directors and Legal Representative), the administrative and control bodies have the following specific functions in relation to the ML / FT RISK MANAGEMENT SYSTEM:

#### **13.5.1 The Board of Directors**

- Establish policies, define mechanisms, instruments and procedures to be applied in the corporation and other elements that make up the ML / FT RISK MANAGEMENT SYSTEM.
- Approve the Code of Ethics in relation to the ML / FT RISK MANAGEMENT SYSTEM and its respective updates.
- Appoint the Compliance Officer and an alternate.
- Decide on reports submitted by the Compliance Officer, the Statutory Auditor and Internal Audit and track the observations or recommendations adopted, leaving on record.
- Order the technical and human resources required to implement and maintain the operational environment of the ML / FT RISK MANAGEMENT SYSTEM, taking into account the characteristics and size of THE CORPORATION.
- Appoint the employee or body responsible for verifying the information provided during the application to establish relations.
- Include in the agenda of its meetings, the report of employee compliance when determined necessary.
- Decide on reports submitted by the Compliance Officer and the Statutory Advisor and monitor adopted observations or recommendations, leaving record thereof.

#### **13.5.2 Legal Representative**

The Legal Representative, as executor of the decisions of the General Assembly and the Board , is responsible for the following functions related to the ML / FT risk:

- In coordination with the Compliance Officer, submit the ML / FT RISK MANAGEMENT SYSTEM procedures manual and the respective updates thereof to the Board of Directors for approval.
- Verify that the established procedures implement policies approved by the Board of Directors.
- Provide technical and human resources to implement and maintain the operational environment of the ML / FT RISK MANAGEMENT SYSTEM, in accordance with the approval given by the Board of Directors.
- Provide the support required by the Compliance Officer.
- Coordinate and schedule training plans for the ML / FT RISK MANAGEMENT SYSTEM for all areas and employees of THE CORPORATION including the Board and the Statutory Auditor.
- Check the adoption and operation of the procedures defined for the proper handling, storage and archiving of documents and reports related to ML / FT RISK MANAGEMENT SYSTEM and ensure the confidentiality of such information.

### **13.5.3 Statutory Auditor**

- In accordance with the provisions of Sections 1.2 and 3 of Article 207 of the Commercial Code, the auditor should ensure that operations, corporate purpose and contracts that the CORPORATION executes or comply with the instructions and policies approved by the highest corporate body.
- He or she must give notification in writing to the highest corporate body, the board of directors or the legal representative of the compliance or noncompliance with the provisions of ML / FT RISK MANAGEMENT SYSTEM.
- He or she must inform the Compliance Officer of inconsistencies and failures that are detected with regard to the implementation of the ML / FT RISK MANAGEMENT SYSTEM or established controls.
- Provide reports on compliance with the provisions contained in Circular no. 100 000005, issued by the Colombian Superintendence of Finance. Consequently the Auditor shall establish the necessary measures to comply with the measures outlined in this manual

### **13.5.4 Compliance Officer**

The Compliance Officer is designated to ensure policy compliance in regard to ML / FT risk prevention. He or she is an employee of THE CORPORATION who is facilitated to make decisions that will provide effective support for management bodies of the CORPORATION; he or she shall have the following functions:

- Monitoring compliance with all aspects mentioned in the law, in this Chapter and those determined by the corporation in regard to the ML / FT RISK MANAGEMENT SYSTEM.
- Participation in the design and development of internal training programs.
- Together with the Legal Representative, proposing the updating and adoption of corrections and modifications of this Manual and the Code of Conduct to the Board of Directors and ensure their dissemination to all employees of the corporation.

- Report to the person or body designated in the manual with regard to possible faults that compromise the responsibility of employees, so that the measures can be taken.
- Ensure the appropriate filing of supporting documentation and other information relating to ML / FT.
- Receive and analyze internal reports and perform external reports as established by law and herein.
- Implement and develop the processes through policies approved for implementation of the ML / FT RISK MANAGEMENT SYSTEM can be put into practice.
- Identify situations that may create a ML / FT risk in operations performed THE CORPORATION.
- Implement and develop controls to situations that may generate ML / FT risk in operations, corporate purpose or contracts executed by THE CORPORATION.
- Perform the monitoring of the efficiency and effectiveness of established policies, procedures and controls.
- Receive and analyze internal reports of possible attempted or unusual operations and perform the respective report of the latter to UIAF.
- Maintain the documents containing policies and procedures ML / FT RISK MANAGEMENT SYSTEM updated.
- Provide a written report to administrators semiannually and to the highest corporate body annually which shows management results. These reports are confidential and should cover at least the following:
  - a) The processes established to implement approved policies, and additions or modifications thereof.
  - b) The results of monitoring to determine the efficiency and effectiveness of policies, procedures and controls.
  - c) Measures adopted to correct shortcomings encountered in carrying out the monitoring of controls.
  - d) Compliance requirements given to requests made by different authorities, if these have been submitted.
  - e) The proposed adjustments or modifications to policies for the prevention and control of ML / FT risk approved by the highest corporate body.
  - f) The latest rules or regulations issued on the prevention and control of ML / FT risks and the measures taken for them to take effect.

The Compliance Officer will have an alternate who will replace him in his temporary absences. The functions of the Alternate Compliance Officer shall be assumed by the Head of Corporate and Legal Affairs.

#### **13.5.5 Other Employees of THE CORPORATION**

Designation of Compliance Officer does not relieve THE CORPORATION or any other employee thereof of the obligation to detect and report unusual operations internally, or to identify and report suspicious operations to UIAF. It is the responsibility of every employee, from his or her position, to ensure due compliance with the procedures and control mechanisms established herein.

## 14. REPORTING TO THE UIAF

### 14.1 Report Attempted and Suspicious operations

Suspicious operations that have been detected in accordance with the procedures provided in this manual should be reported to the UIAF.

Awareness of a suspicious or attempted operation must be reported directly and immediately to the UIAF as a ROS in accordance with the instructions indicated by the aforementioned unit.

The steps that must be followed to enter the Online Reporting System (SIREL, for its initials in Spanish) are:

- Step 1 Request Code Line – this applies to new entities that do not yet have code assigned by the UIAF.
- Step 2 SIREL Access Application – this applies to entities that have not yet assigned a user id. The UIAF shall verify the application and an email will be sent to the user, with a password and authentication matrix allowing it to access the application.
- Step 3-Access Online Reporting System -To enter the system to report the information required by the FIAU, the following link must be accessed:  
<http://sirel.uiaf.gov.co/reportesfsmcif64/Modules/Home/html/default.aspx>

The moment from which THE CORPORATION makes the decision to classify the operation as attempted or suspicious must understand as immediate. For this purpose there is no need for THE CORPORATION to be sure that it is a criminal activity or to identify the criminal identify or verify that resources actually have illicit origin; the only requirement is that the operation be suspicious in accordance with the terms defined herein.

In any case, THE CORPORATION may consider operations to be suspicious which are more than merely unusual despite falling within the parameters of the counterparties' financial profiles, should THE CORPORATION have not found satisfactory justification.

The sending of ROS to UIAF does not constitute a criminal complaint or give rise to any liability for THE CORPORATION or for people who have participated in the detection thereof or in its report in accordance with Article 42 of Law No. 190 of 1995.

Supporting documentation for the reported operation should be organized and maintained for at least five (5) years, as it may be requested by the competent authorities.





No one pertaining to THE CORPORATION may announce that the same has made a report of a suspicious operation to the UIAF, as determined by the Section 4 of Article 11 of Law No. 526 of 1999.

For purposes of the provisions of this Manual, the persons subject to the same shall understand that reports are to be made immediately and that the lapse of time between making the decision to classify the operation as suspicious and document it may not exceed eight (8) working days in any case.

#### **14.2 Reporting cash operations.**

Cash operations are understood as meaning all operations in the ordinary course of the corporate purpose involving the delivery or receipt of cash in bills in either Colombian or foreign legal tender.

The report of cash operations includes:

- a) **Report of Multiple cash operations:** Organizations must report cash operations carried out in one or more offices, during the immediately preceding quarter by or on behalf of the same person and that together equal or exceed fifty million pesos (\$ 50 million) if it is in legal tender or its equivalent in other currencies.
- b) **Report individual cash operations:** Organizations must report individual cash operations whose value is equal to or greater than ten million pesos (\$ 10 million) if it is in legal tender or its equivalent in other currencies during the immediately preceding quarter.

Both multiple cash operations and individual cash operations must be reported in a single file.

#### **14.3 Other Reports**

Both the previously mentioned reports as well as all others demanded by the Financial Information and Analysis Unit (FIAU) in accordance with its competence must be sent to that body in the manner and under the conditions it has established.<sup>13</sup>

#### **14.4 PROVING ALL OPERATIONS, CORPORATE PURPOSE AND CONTRACTS WITH SUPPORTING DOCUMENTATION**

THE CORPORATION must establish specific rules prohibiting the fulfilment of activities, the corporate purpose and the execution of contracts without any respective internal or external support which must be duly dated and authorized by those involved or those who may have drafted the same.

<sup>13</sup> Law No. 1445 of 2011



Any document that attests to THE CORPORATION's operations, corporate purpose or contracts, in addition to being the support for negotiation and accounting, is the evidentiary support for any research that the competent authorities could perform.

#### **14.5 Control**

Once the approved policies and controls have been implemented, THE CORPORATION shall permanently verify that these are operating in a timely and efficient manner. Therefore, it must take the necessary steps to correct shortcomings and give proper effect to the ML / FT RISK MANAGEMENT SYSTEM.

### **15. FINAL CONSIDERATIONS**

#### **15.1 Training**

A basic and fundamental mechanism for the Prevention and Control of Money Laundering is the creation of a culture of attention and awareness to these issues in all employees of THE CORPORATION through ongoing training programs.

The design, programming and implementation of training programs are the responsibility of the Compliance Officer in coordination with the Legal Representative. These programs must be approved additionally by the Board of Directors in relation to their content, guidance, methodology and budget.

The Compliance Officer shall be responsible for keeping THE CORPORATION up-to-date regarding new internal policies approved by the Board of Directors, Laws, regulations, standards of self-regulation, and other recommendations and practices that help to maintain an efficient control of ML / FT risks; for this reason, the CORPORATION must certify training with regard to risks including ML / FT by means of a certificate issued by a body duly authorized by the Ministry of Education to provide training in this area for courses with a duration of no less than 90 hours in addition to the UIAF e-learning certification course.

Reporting processes will be complemented and disseminated immediately regarding new alarm signals, discovered vulnerabilities, new forms of crime and new experiences, either personal or of third parties, or others that may arise in connection with the issue.

Reporting processes will be immediate using the internal communication mechanism with formal instructions which must be integrated to this Manual once elaborated.

Should there be radical changes in relation to measures of Prevention and Control of Money Laundering under this Manual, disclosure processes should be complemented with training programs to ensure the understanding, implementation and strict compliance of the new processes for all and each of the areas and employees involved



The program for diffusion, education and training will be presented by the Compliance Officer to the Board in January of each year. Similarly, progress in the matter should be subject to periodic reports.

### **15.2 Rules for recordkeeping**

The conservation of documents relating to ML / FT must be performed in accordance with the terms established in the Circular of the Colombian Superintendence of Finance, as well as in Article 96 of the Organic Statute of the Financial System; these stipulations state that the physical books and papers of the institutions supervised by the Colombian Superintendence of Finance must be kept for a period of at least five years from the date on which they were elaborated, subject to the terms of special regulations. After this period, they can be destroyed if accurate reproduction can be ensured by any appropriate technical means.

The Compliance Officer is directly responsible for their physical custody and enforcement of laws regarding their conservation.

### **15.3 Sanctions**

Any serious breach in relation to the policies and / or procedures set forth in this Manual, whether intentional or caused by carelessness or negligence of any employee, officer or manager of any condition or level, shall be punished in the manner specified by THE CORPORATION, subject to the administrative and criminal penalties established in the laws of the Republic of Colombia, and even international regulations, should extraterritorial jurisdiction be applicable.

Employment sanctions shall apply without prejudice to other existing civil, administrative and criminal sanctions in the current regulations including in particular those related to the prevention and control of Money Laundering and Terrorism Financing and those contained in the Colombian Criminal Code and other regulations that may add to or modify the same.

To report violations within THE CORPORATION related to the Integrated System of Money Laundering and Terrorism Financing, the following should be observed: The offense committed by any of the employees of THE CORPORATION must be immediately notified to the Compliance Officer who is responsible for conducting a preliminary investigation process and then bringing the results and the concept thereof to the General Legal Representative who shall apply the disciplinary procedure laid down in THE CORPORATION's workplace regulations or bylaws.