

# BanColombia

ISIN CODE: COB07PA00086

Overall score 41/100

Sector: Retail & Specialised Banks  
Emerging Market

Information rate: 75% (Sector average: 55%)  
Company cooperation level: Not responsive \*

## General information

BanColombia SA provides financial products and services to a diversified individual and corporate customer. The Company was founded on January 24, 1945 and is headquartered in Medellin, Colombia.

Main Economic Segment**	Turnover 2016
Banking	86.7 %
Leasing	10.7 %
Other	2.7 %

CORPORATE GOVERNANCE				
	2013	2013	2015	2017
Score				41
Allegations				No
Rating				+
Risk management				Limited

### Key issues

Sound corporate governance is required to oversee a company's strategic direction, including the CSR strategy. Directors are notably evaluated on their level of diversity and experience with operational, financial, and CSR topics (CGV1.1). The audit and internal controls system is examined regarding the efficiency and reach of its risk management (CGV2.1). Executive remuneration is assessed for transparency and alignment with the interests of company's shareholders and other stakeholders (CGV4.1).

### Company performance

- The Company's performance in the Corporate Governance domain is limited in absolute terms which is consistent compared to the previous review.
- The Board is 28.6% independent, which is less than the recommended level; some of its Board members has demonstrated expertise on CSR issues. The Audit Committee has a limited role in overseeing internal and external controls; however, BanColombias has a sound risk management. Moreover, the Company presented to its shareholders and investors its ESG strategy. Finally, executives' remuneration is the major area for improvement in this domain.
- Overall, the Company ranks above its peers

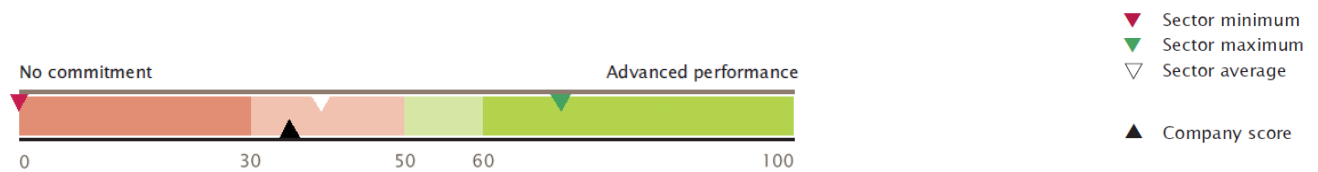
\* On a 4-level scale: proactive, responsive, partially responsive, not responsive  
 \*\* See detailed economic indicators in Selected financial data section  
 \*\*\* Based on the most recent Index at the date of publication

## Corporate Governance

Score : 41

### CGV1.1 Board of Directors

(score: 35, weight: 3)



**[LISTED COMPANIES] Existence and independence of Nomination Committee**

No specific committee is in charge of director nomination, which might raise concerns.

**Independence of the Board Chairman**

The roles of Chairman and CEO are separated, but the chairman is not considered independent.

**Responsibility allocated over CSR issues**

The Head of CSR department/functions reports directly to the CEO/Board. *Sustainability Issues are conducted from the Sustainability Direction, which is a part of the Development of More Human Banking Vice-presidency.*

**Share of independent shareholder-elected Board members**

*The Board is 28% independent, which is less than the recommended level. Two members of the seven-member Board are considered independent.*

**Diversity of the skills and backgrounds of the Board**

The Board of Directors diversity appears to be partial:

- At least 30% of directors are women
- At least 40% of directors are women
- Employee representative(s) sitting on the Board
- Board members with demonstrated professional experience in the company's sector of activities
- Board members with demonstrated expertise on CSR issues
  - *Board members with demonstrated expertise on CSR issues: Mr Arturo Condo is co founder of YGL Business Oath and member of the Board of directors of the Global Business Oath Project, which follows change the ethic behaviour of business leaders. In addition, is author and coauthor of articles, books and study cases of sustainability development.*

**Training and expertise provided to board members**

Information obtained from company and public sources regarding training provided to board members is insufficient.

**Regular election of Board members**

Board members are eligible for re-election following two-year terms.

**Evaluation of Board's functioning and performance**

Performance is evaluated regularly, but with no disclosure on the results. Boards of Directors shall annually conduct an evaluation of their management in topics such as attendance to meetings, participation in decisions, follow-up conducted to the Company's main aspects, evaluation of its tasks, among other.

**Review of CSR issues at Board meeting**

The formal CSR reporting has been signed by CEO/Chairman/Board, but there is no evidence that relevant CSR issues are reviewed at Board meetings.

- Business ethics
- Human capital
- Responsible customers relations
- Climate change
- Social and environmental considerations in lending and investments
- Tax policy
- Financial inclusion

**Regularity of and attendance at Board meetings**

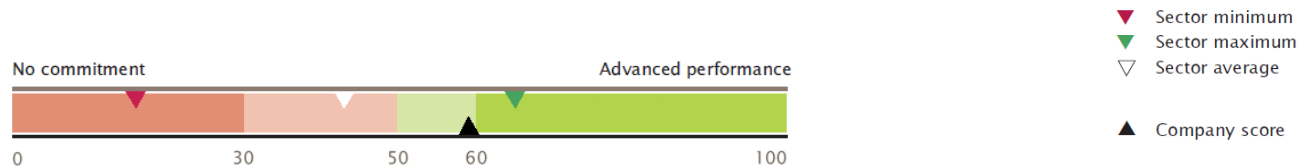
Regular meetings are held, and attendance rates are above 90%  
The Directors shall meet at least once a month, and the Company reports that the attendance rate of the meetings was 100%

Name of Board member	Role	Executive	Non executive	Employee representative	Nomination	Audit	Remuneration	Former executive	> 9 years on Board	Stock options	Paid > 1/2 executive salary	Represent > 3% company's shares	Other	Independence
David Bojanini	President of the Board. Member of the Risk Committee		X						X			X	Member of Grupo Nutresa Board of Directors.	
Gonzalo Pérez			X				X		X			X	Member of Grupo Nutresa Board of Directors.	
Hernando Gomez	Chairman of the Audit Committee. Member of the Risk Committee		X			X								X
Roberto Steiner	Member of the Risk Committee		X											X
Luis Restrepo			X				X						the Company does not consider him as independent.	
Arturo Condo			X			X							the Company does not consider him as independent.	
Andrés Mejía			X			X	X					X	He was member of Proteccion SA	

Name of Board member	Role	Executive	Non executive	Employee representative	Nomination	Audit	Remuneration	Former executive	>9 years on Board	Stock options	Paid > 1/2 executive salary	Represent >3% company's shares	Other	Independence
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## CGV2.1 Audit & Internal Controls

(score: 59, weight: 3)



### [LISTED COMPANIES] Existence and independence of Audit Committee

One members of the three-member Audit Committee is considered independent.

### Skills and backgrounds of Audit Committee members

Members appear to have financial and relevant operational experience. In addition, Mr Arturo Condo, member of the Audit Committee, has CSR skills and experience.

### Operational and CSR risks covered by the company's internal controls system

The system covers the standard issues related to financial, operational, and legal risks.

- Business ethics: non-compliance, tax avoidance, corruption
- Consumer privacy & data security
- Environmental & climate change risks in credit decisions & other banking activities
- Social & human right risks in credit decisions & other banking activities
- Inclusion, retention & development of staff
- Tax avoidance/evasion

### Governance of risks

The company adopted all recommended measures for a sound risk management:

- No executive is part of the Board Risk Committee
- The Board Risk Committee is composed by a majority of independent members
- The Chairman of the Audit Committee is a member of the Risk Committee
- The Chief Risk Officer (CRO) is at par level of Chief Financial Officer (CFO)
- The CRO has direct access to the Board Risk Committee (including attending committee meetings)

### Role of the Audit Committee in overseeing internal and external controls

The Audit Committee has a limited role that includes:

- Oversee internal audit and internal controls
- Review accounting policies and be responsible for updates
- Nominate the statutory auditor
- Oversee the work of the external auditor
- Approve the type of audit and non-audit services provided and fees paid to the external auditor

**Management of the CSR risks** Limited processes dedicated to management of CSR risks appear to be in place:

- Balanced scorecard*
- Risk-related training*
- Monitoring of key risk indicators*
- Reporting system to the Board*
- Risk mapping/materiality assessment*
- A board committee (with no executive part of it) overseeing CSR risks*  
- *materiality assessment: the Company has established its relevant issues of the Bancolombia Group's material issues.*

**Supervision of material risk-takers** Information disclosed on this subject is insufficient or not relevant.

**Leverage ratio of the bank** The leverage ratio of the bank is above 7%.  
*At December 2016, the unweighted leverage ratio of the bank ((Equity - goodwill and less tangible assets)/ Total assets) was 8.04%*

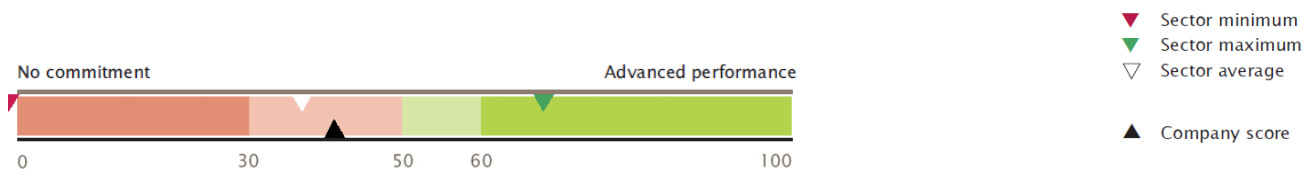
**Independence of the firm's external auditors** The audit firm receives non-audit fees, but these represent only 5% or less of total fees.  
*Non-audit fees represented 0.1% of total fees paid to Deloitte & Touche Ltda. in 2016.*

**Inclusion of CSR issues in the company's reporting** *The Company publishes significant CSR reporting on key material issues, with an independent third party assessment (Deloitte) of the reliability of key performance indicators, with limited level of the assurance.*

**Stakeholders' feedback** A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral  
*As of 12/2017, BanColombia S.A. did not appear to be involved in any controversy related to this sustainability driver.*

### CGV3.1 Shareholders

(score: 41, weight: 2)



**Nonexistence of voting rights restrictions** Minor voting rights restrictions have been identified.  
*The Company has preferred shares.*

**Nonexistence of anti-takeover devices** There is no reference to anti-takeover devices in the company's reporting.

**Safeguards on transactions with major shareholder(s)**

No safeguards appear to be in place, which might raise concerns with regard to the fairness of any such transaction.

**Ability to add items to the agenda of the AGM and to convene an EGM**

Major restrictions have been identified to convene an EGM.  
*The Company's Bylaws establish an unreasonable level of share ownership (20%) required to call an Exceptional General Meeting.*

**Access to voting at General Meetings**

There are no major restrictions on shareholders' ability to vote, however there is no possibility of voting through online services.

**Ability to vote on relevant issues in separate resolutions at AGM**

Not all major items are put to a shareholder vote.  
*The following items are not put to a vote at the AGM:*  
- *Executive remuneration*

**Presentation of CSR strategy to shareholders and investors**

The company has presented to shareholders and investors its CSR strategy and this covers some of the most relevant CSR issues.

- Climate change*
- HRT and ENV issues in lending and investments*
- Human capital
- Responsible customer relations
- Business ethics
- Tax policy
- Financial inclusion

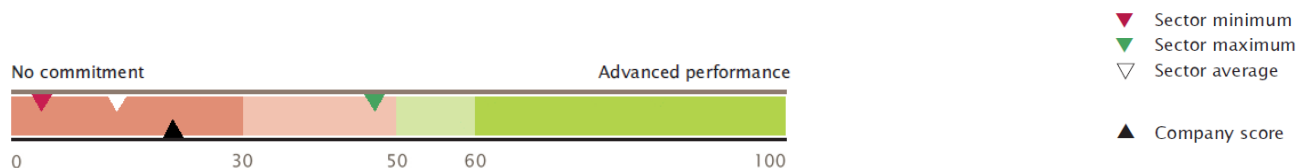
- *Human capital: The Company explain its management on its talents in the Company and which are its current main strategies and its evolution.*  
- *Responsible customer relations: the Company reports about its programme "Angels" to make and keep the relations with its customers simple and close relationship.*  
- *Business ethics: the Company reports the results of its evaluation to its code of ethics within the Company's employees.*  
- *Tax policy: the Company reports about its tax policy and how much they paid in the diferent countries where the Company operates.*  
- *Financial inclusion: the Company explained the strategies and measures on Financial inclusion in its subsidiaries in El Salvador.*

**Stakeholders' feedback**

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral  
*As of 12/2017, BanColombia S.A. did not appear to be involved in any controversy related to this sustainability driver.*

**CGV4.1 Executive Remuneration**

(score: 21, weight: 2)



**[LISTED COMPANIES] Existence and independence of Remuneration Committee** No executive is a member of the committee, but half or fewer are independent. *None of the three-member Appointment, Compensation, and Development Committee is considered independent.*

**Disclosure of senior executives' individual remuneration** Disclosure of individual executive remuneration data for senior executives is insufficient.

**Link between Short Term Incentive Plans and the performance of the company** Bonuses are linked to predetermined and disclosed economic and/or operational performance indicators. However the actual quantified targets are not disclosed. *The Company has a SVQ model (Value Added System) which gives a monetary incentive to its employees. The SVA is equal to profits minus cost of capital. If the profits are higher than the Cost of Capital, the Company pays the bonus.*

**Link between the main Long Term Incentive Plan and the performance of the company** Information on the rules and performance conditions guiding the allocation of long-term incentives to senior executives is insufficient.

**Link between variable remuneration and CSR performance of the company** Some relevant CSR performance objectives are considered in the determination of senior executives variable remuneration and the performance targets are communicated.

- Business ethics
- Customer relations
- Contribution to social development & financial inclusion
- Indirect environmental and human right impacts
- Human resources development

- Customer relations: Arising a recommendation level (as result of the Company's survey to its customers) of 70% in 2016 and of 76% in 2020.

**Severance pay for senior executives** Severance pay may exceed 2 years' base salary, contrary to standards advocated by Vigeo. *According to the Colombian law, employees hired before 1990 are entitled to receive one month's salary for each year of service. This benefit accumulates and is paid to the employees upon their termination or retirement from the Bank, calculated based on the employees' last salary base. This includes to senior management.*

**Risk alignment of remuneration of top senior executives** Less than 60% of the variable remuneration component is deferred. *30% of the bonus is deposit in an Institutional Voluntary Pension Fund so it can in representation of the employee invest in Bancolombia's Shares and which obliged to a 3 year minimum permanence term.*

**Risk alignment of remuneration of material risk takers** Information on risk adjustments of remuneration is insufficient or not relevant.

**Evolution of CEO-to-employee compensation ratio** Information obtained from company and public sources regarding the compensation of CEO and the average employee salary is insufficient. *The CEO remuneration is not disclosed.*

**Stakeholders' feedback** A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral *As of 12/2017, BanColombia S.A. did not appear to be involved in any controversy related to this sustainability driver.*

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## Contacts

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