

Celsia

ISIN CODE: COT60PA00038

Overall score 49/100

Sector: Electric & Gas Utilities
Emerging Market

Information rate: 86% (Sector average: 62%)
Company cooperation level: Proactive *

General information

Celsia SA ESP specialises in the electrical energy generation and commercialization business. The Company notably operates thermal as well as renewable power plants as well as electricity distribution networks. Celsia is headquartered in Medellín, Colombia.

Main Economic Segment**	Turnover 2017
Power Generation, T&D	100 %

CORPORATE GOVERNANCE	
100	2018
75	
50	
25	
0	
Score	49
Allegations	No
Rating	++
Risk management	Limited

Key issues

Corporate governance is critical to ensuring that a well-functioning system of checks and balances protects the interests of all of the company's stakeholders. The effectiveness of the Board of Directors is a key issue to be addressed: this can be gleaned from information on Board composition (independence and competencies) and its way of functioning (regularity of Board meetings, evaluation of performance). Other important corporate governance factors include the effectiveness of the Audit and Internal control system, the protection of Shareholders Rights and the establishment of Executive Remunerations which align executives' and company's interests.

Company performance

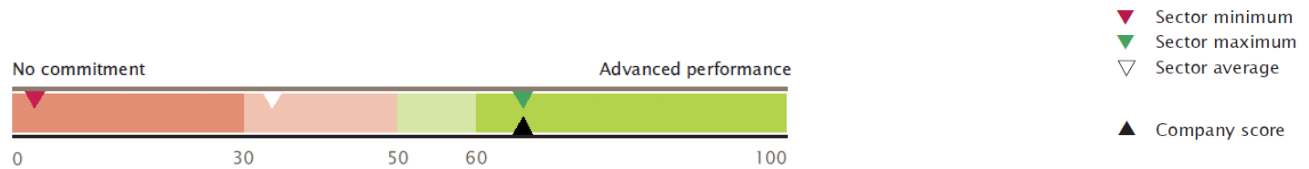
- The Company's performance in the Corporate Governance domain is limited in absolute terms.
- The Board is 57% independent. Some Board members have CSR expertise. In addition the Board received CSR trainings and performance is evaluated regularly by a third party. Besides, Celsia's internal control system covers some CSR risks through materiality assessment, monitoring of key risk indicators, trainings. On the other hand, a high level of share ownership is required to call an Exceptional General Meeting. Finally, information about executives' remuneration is not disclosed.

Corporate Governance

Score : 49

CGV1.1 Board of Directors

(score: 66, weight: 3)



[LISTED COMPANIES] Existence and independence of Nomination Committee

No executive is a member of the committee, but half or fewer are independent. *One members of the three-member Appointment and Remuneration Committee is considered independent.*

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

There is a CSR committee that is part of the Board. In addition the Head of CSR department makes regular reports to the committee.
The Board has a Sustainability and Corporate Governance Committee which is in charge of formulate proposals and actions taking into account the best practices in sustainability, and to monitor and track plans and management of the Company in this regard. Socio-environmental issues are the responsibility of the Generation Team, which has social and environmental specialists who support the development of generation projects, management of the Organization's assets and evaluation of New Businesses; as well as the Transmission and Distribution Team, which has social and environmental professionals responsible for supporting the project management of these two businesses. In Central America, the Organization has an Environmental Team, which is part of Operations and Project. All departments of the company provide relevant business information to the board of directors to keep them informed of all operations.

Share of independent shareholder-elected Board members

In accordance with standards advocated by Vigeo Eiris, the Board is more than 50% independent. Four 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: Maria Fernanda Mejia has expertise on auditing issues related to corporate responsibility, and economic, environmental and social matters. In addition, Maria Luisa Mesa has its a lawyer with experience in corporate governance issues.

Training and expertise provided to board members

Training is provided upon joining the board and through regular updates, including training on CSR issues.
Celsia promotes training of Board members to increase their knowledge of company's new projects in order to facilitate their participation in meetings and decision-making. As part of the trainings, the Board participates in a conference on the global electricity industry, energy efficiency and non-conventional renewable energy given by Professor Gretchen Bakke, PhD. in Cultural Anthropology.

Regular election of Board members

Board members are eligible for re-election following 2-year terms.

Evaluation of Board's functioning and performance

In accordance with standards advocated by Vigeo, performance is evaluated regularly by a third party, with disclosure on the results.
The Board of Directors is assessed by an independent expert during the term for which it was elected, and in the year it is not assessed under this methodology, it performs a self-assessment of its management. Also, Celsia started an assessment of the 2016-2017 period with the support of AT Kearney, an independent consulting firm with ample knowledge on corporate governance that has been supporting our evaluation and self-assessment processes since 2012. The results are disclosed in the website.

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.

- Health & safety
- Climate change
- Pollution prevention
- Anti-competitive practices
- Corruption
- Community relations

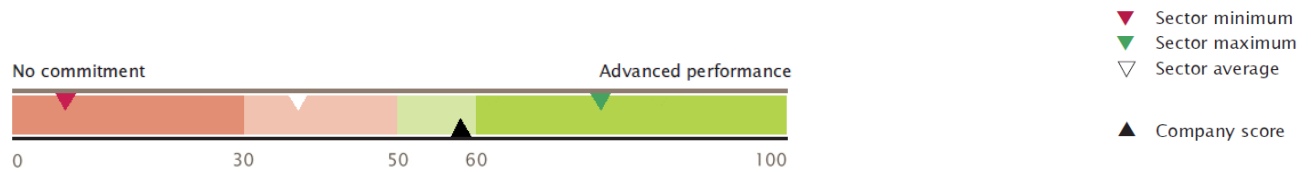
Regularity of and attendance at Board meetings

Regular meetings are held, and attendance rates are disclosed, but these are below 90%.
11 Board meetings were held in 2017 and the attendance rate was 84%.

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	Independency
Jorge Velasquez			X		X		X					X	CEO Grupo Argos	
Gonzalo Perez			X		X		X		X			X	CEO Grupo Sura	
Alejandro Piedrahita			X									X	CFO Grupo Argos	
Eduardo Pizano			X			X								X
María Luisa Mesa			X											X
María Fernanda Mejía			X			X								X
David Yanovich			X		X	X	X							X

CGV2.1 Audit & Internal Controls

(score: 58, weight: 2)



[LISTED COMPANIES] Existence and independence of Audit Committee

All members are independent non-executive directors.
All members of the three-member The Audit, Finance and Risk Committee are considered independent.

Skills and backgrounds of Audit Committee members

Members appear to have financial and/or audit experience AND relevant operational experience. In addition, at least a member has CSR skills and experience.
Maria Fernanda Mejia has expertise on auditing issues related to corporate responsibility, and economic, environmental and social matters.

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

The internal control system covers the standard issues related to financial, operational, and legal risks. In addition, the system covers some of the CSR risks inherent to the company's business operations.

- Health & safety
- Climate change
- Pollution prevention
- Anti-competitive practices
- Corruption
- Community relations

- *Climate change & Anti-competitive practices: The Internal Audit of Celsia evaluates the internal control system of the organization, therefore, this includes revisions such as compliance with the socio-environmental and anti-competitive requirements that the organization must meet to develop its corporate purpose.*
- *Corruption: The Fraud, Bribery and Corruption Policy was approved by the Steering Committee to implement a system to manage the risk of Fraud, Bribery and Corruption, with the goal of establishing control measures aimed at preventing their occurrence.*

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

Relevant processes dedicated to management of CSR risks are in place:

- Balanced scorecard*
- Risk-related training
- Monitoring of key risk indicators
- Reporting system to the Board*
- Risk mapping/materiality assessment
- A Board Risk Committee with no executive part of it
 - *Risk-related training: Celsia developed the Protiviti platform, a comprehensive tool designed to support corporate governance, risk management and control, auditing and compliance. In 2017, Celsia trained the users of the tool to start its implementation in 2018.*
 - *Monitoring of key risk indicators: the Audit, Finance and risk committee review the effectiveness of the CRMS through the monitoring of risk maps, dashboards, limits and indicators, and create the improvement initiatives that they deem necessary to align the risk profile with the strategic objectives and the defined risk appetite. also, the Company developed the Protiviti platform to control and monitor risks.*
 - *materiality assessment: the Company carried out a materiality analysis since 2012.*

Independence of the firm's external auditors

Information obtained from the company and public sources regarding the independence of the firm's external auditors is insufficient.
The Company reports its audit fees without a breakdown between the audit and non-audit fees. Thus, is not possible verify the level of independence of the firm's external auditors

Inclusion of CSR issues in the company's reporting

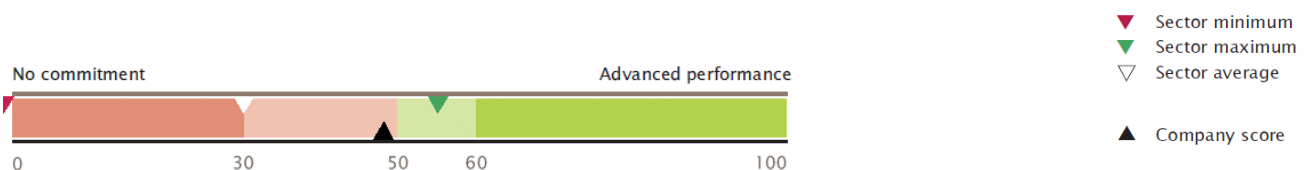
The company publishes significant CSR reporting on key material issues, with an independent third party assessment of the reliability of key performance indicators, with limited/moderate level of the assurance.
The scope of Deloitte is a limited review. Also, the verification process was conducted in accordance with ISAE 3000 and the AA1000SES.

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 08/2018, Celsia did not appear to be involved in any controversy related to this sustainability driver.

CGV3.1 Shareholders

(score: 48, weight: 2)



Nonexistence of voting rights restrictions

The company respects the "one share - one vote" principle.

Safeguards on transactions with major shareholder(s)

More than half of the board is independent, and in addition, there are additional safeguards in place to monitor transactions between the company and its major shareholder(s).
Section 24 of Article 35 and section 6 Article 49 of the Company Bylaws define the procedure to assess and approve transactions between related parties. Similarly, within the functions of the Board of Directors and Audit, Finance and Risk Committee which are contained in the Corporate Governance Code, are the authorizations required for this type of transactions, referring to the provisions of the Company Bylaws. Also, the Board of Directors is responsible for approving transactions with related parties when these have a material impact or are outside the scope of the ordinary course of business, or are in conditions different than the market's.

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

Major restrictions have been identified to convene an EGM.
A high level of share ownership (25%) is 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

Information disclosed from the entity and public sources regarding the presentation of CSR strategy to shareholders and investors is insufficient.

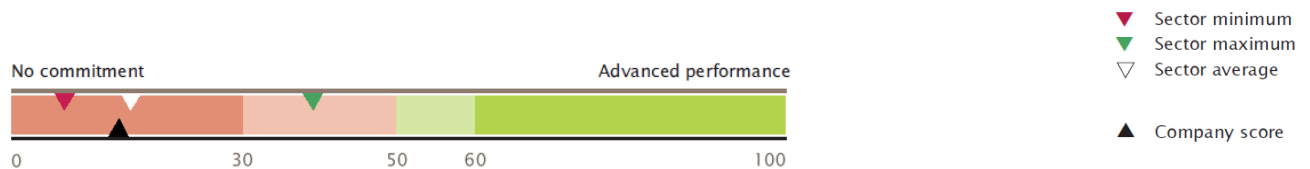
- Climate change*
- Pollution prevention*
- Corruption*
- Health & safety*
- Community relations*
- Anti-competitive practices*

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 08/2018, Celsia did not appear to be involved in any controversy related to this sustainability driver.

CGV4.1 Executive Remuneration

(score: 14, weight: 2)



[LISTED COMPANIES] Existence and independence of Remuneration Committee

No executive is a member of the committee, but half or fewer are independent.
One members of the three-member Appointment and Remuneration Committee is considered independent.

Disclosure of senior executives' individual remuneration

Executive remuneration is disclosed, but on a collective rather than on an individual basis. In 2017 the remuneration of the management team (including variable compensation) was COP \$13.061.530.000 of which COP \$5,158,000,000 corresponds to variable compensation.

Link between Short Term Incentive Plans and the performance of the company

There is no disclosure on what rules guide the company in allocating bonuses and other short-term incentives to senior executives.

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

There is no disclosure on the links between variable remuneration of executive and the CSR performance of the company.

- Health & Safety*
- Climate Change*
- Pollution Prevention*
- Customer Satisfaction*
- Other*

Severance pay for senior executives

Information obtained from the company and public sources regarding severance pay for senior executives is insufficient.

Evolution of CEO-to-employee compensation ratio

Information obtained from the 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 08/2018, Celsia did not appear to be involved in any controversy related to this sustainability driver.

Contacts

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