



CORPORATE GOVERNANCE REPORT TITULARIZADORA COLOMBIANA S.A. 2015

INTRODUCTION

Titularizadora Colombiana is a company that securitizes mortgage and non mortgage assets, organized in 2001 with the initial purpose of promoting the development of a secondary mortgage market in Colombia by issuing securities, which would allow channeling a considerable percentage of the institutional savings toward financing home purchase. Afterwards, Titularizadora was enabled by Law 1753–2015 §169—National development plan, PND—for conducting the securitization of non mortgage assets as a funding mechanism in the capital markets, thus expanding its business and framework of action as well as strengthening its role as an issuer in the exchange market.

Titularizadora is an issuer of fixed income securities, a leader in the Colombian exchange market, as evidenced by the 44 issues underwritten since the creation of the company and by the management of 35 issues as of December 31, 2015. Titularizadora's active role in the exchange market during 2015 included the recognition by the Colombian Superintendence of Finance of its capacity as a renowned and recurrent issuer considering that Titularizadora meets the applicable legal criteria.

Regarding the governance structure, Titularizadora's shareholders are financial institutions, insurance companies, or parties related thereto (eight shareholders), of Colombian nationality, of good standing and renowned in the local and regional markets, permanently and actively interacting with the Board of Directors and Management of Titularizadora.

With respect to the relationship with investors, Titularizadora has pursued a constant, agile, timely, and sufficient interaction since its incorporation. The Investor Care Office—Investment Director's office and the corporate website provide a permanent communication channel for investors to receive proper guidance about financial information of the issues, portfolio loans performance and valuation, risk analysis, relevant information, and cash flow projections, amongst others, which allow investors to manage their investment and make informed decisions. In like manner, the Articles of Association contemplate an Investors Committee that consists of representatives of the institutional investors community, and plays an active role that allows the company the follow up of the legal compliance with the Corporate Governance Code and the awareness at all times of the situation of the Company, the outstanding issues, and the underlying assets of the issues.

With respect to the effort of Titularizadora regarding the investors, for the third consecutive year the Colombian stock exchange (*Bolsa de Valores de Colombia*) granted the IR certification to Titularizadora. This recognition is obtained among others for providing a friendly accessible website with information in English and Spanish, to be accessed for information about relevant matters of the Company and business such as (i) shareholding



**Titularizadora
Colombiana**

structure, (ii) composition of the Board of Directors, (iii) financial information of the Company and the issues, (iv) corporate documents, and (v) relevant information.

In addition, it is worth of noting that since its incorporation, Titularizadora has aimed at implementing appropriate good governance standards as a fixed income securities issuer in such a way that shareholders and investors have tools, mechanisms, and information for knowing sufficiently the performance of the Company and the Company's *universalidades*. Thereby, in order to continue the good governance purpose, the Company updated the Articles of Association and the Corporate Governance Code by the end of 2015 based on the recommendations of the Nuevo Codigo Pais (Colombian Code of best corporate practices) explained in detail below.

I. Ownership Structure of the Company

Below are described Titularizadora's capital, structure, shareholding composition, and type of shares in 2015.

1. Capital

The subscribed and paid-in capital of the Company in 2015 amounted to the sum of COP 59,855,375,000.00 represented in 59,855,375 ordinary shares entitled to equal rights each.

2. Shareholding Structure

a. Shareholders

Titularizadora's shareholders are financial institutions, insurers or parties related thereto, of Colombian nationality and in good standing, which as of December 31, 2015 owned the number of shares and had the participation described below:

Shareholder	Number of shares	Participation %
Bancolombia S.A.	16,151,497	26.98 %
BCSC S.A.	16,072,773	26.85 %
Banco Davivienda	16,072,773	26.85 %
Banco Comercial AV Villas S.A.	7,570,225	12.65 %
Banco Colpatría - Red Multibanca Colpatría S.A	3,800,369	6.35 %
Compania de Seguros Bolívar S.A.	78,723	0.13 %
Compania Inversora Colmena S.A.	78,723	0.13 %
Compania de Seguros de Vida Alfa S.A.	30,292	0.05 %
Total	59,855,375	100.00 %



**Titularizadora
Colombiana**

b. Management owned stock

Neither any of the members of the Board of Directors nor any officer in Titularizadora's Management own any Company's shares. In any case, the Corporate Governance Code includes restrictions to Directors or Managers' purchase of shares or securities issued by this Company.

The Company's current capital percentage breakdown, shareholding structure, and related matters as updated from time to time if applicable, are available to any interested party at the corporate website www.titularizadora.com

c. Shareholders Agreement

Titularizadora has a Shareholders Agreement in effect since 2001, to which all the Company's shareholders are parties. This Agreement defines the shareholders' responsibilities and Titularizadora's corporate governance structure, operation, and general outline. The Shareholders Agreement is published and available to investors on the corporate website www.titularizadora.com

II. General Shareholders Meeting

Titularizadora's General Shareholders Meeting sessions took place in accordance with the Articles of Association, the Corporate Governance Code, and any other applicable rules that determine how the ordinary and special sessions of this body operate and develop.

The main aspects of Titularizadora's Shareholders Meeting sessions held in 2015 are:

1. Ordinary Shareholders Meeting

a. Notice of the meeting

The ordinary session of the General Shareholders Meeting of Titularizadora took place upon prior notice of the meeting sent in writing by the President of the Company on February 23, 2015, which were conducted in compliance with the requirements indicated in the Company's corporate documents and in accordance with the Code of Commerce and any other applicable laws and regulations.

b. Attendance

The ordinary General Shareholders Meeting was held on March 27, 2015 within the term provided for in the Articles of Association and the Code of Commerce, and was attended by the shareholders that represented 59,855,375 shares equivalent to 100% of the subscribed capital of the Company.



**Titularizadora
Colombiana**

The following Bondholders' Legal Representatives of Titularizadora's mortgage-backed securities issues received the notice of and attended the meeting, (i) Alianza Fiduciaria S.A., (ii) Fiduciaria Fiducor S.A., (iii) Helm Fiduciaria S.A., and (iv) Fiduciaria Colpatria S.A.

c. Principal Decisions of the Shareholders Meeting

The General Shareholders Meeting of Titularizadora either unanimously approved or considered the following matters at their ordinary session in 2015:

- i) Report of Activities
- ii) Report on the Audit Committee's Activities
- iii) Internal Control System Assessment Outcomes
- iv) Report of the Statutory Auditor (*Revisor Fiscal*)
- v) Main Financial Statements as of December 31, 2014
- vi) Profit Distribution Project
- vii) Election and Fixing of Fees of the Board of Directors 2015-2017
- viii) Election and Fixing of Fees of the *Revisor Fiscal* (Statutory Auditor) 2015-2017
- ix) Proposal to apply the wealth tax against the retained earnings.

d. Relevant Information

The notice of the meeting and the decisions adopted by the General Shareholders Meeting were duly published as relevant information in accordance with Decree 2555–2010 §5.2.4.1.5.

2. Special Shareholders Meetings

Special General Shareholders Meetings were held on October 9 and December 18, 2015, for which the notices of the meetings were sent within the term provided for in the Articles of Association and the Code of Commerce, in the following terms:

a. Session of October 9, 2015:

i) Attendance

To this Shareholders Meeting attended being present and/or represented 59,825,083 shares, equivalent to 99.94% of the subscribed capital of the Company.

ii) Principal Decisions of the Shareholders Meeting

The Special Shareholders Meeting was presented with the proposal of reform of the Articles of Association aimed to amend the corporate purpose of the Company and the article corresponding to the denomination, type of company, and governmental surveillance, taking into consideration that Law 1753 of 2015—National development plan—enabled the mortgage asset securitization companies for the securitization of non



mortgage assets as per Law 1328-2009 §72. In this respect, Law 1753–2015 §169 established:

“Article 169. Securitization Companies. Securitization companies created under Law 546–1999 §14 may securitize non-mortgage assets as provided in Law 1328–2009 §72.”

Therefore, to the effect of adapting Titularizadora's business to the new legal framework applicable to companies that securitize mortgage assets, the articles corresponding to denomination, type of company, and government surveillance (article 1) and to corporate purpose (article 4) of the Company in the Articles of Association were amended accordingly.

iii) Relevant Information

The notice of the meeting and the decisions adopted by the General Shareholders Meeting were duly published as relevant information in accordance with Decree 2555 of 2010 §5.2.4.1.5.

b. Session of December 18, 2015:

i) Attendance

To this Shareholders Meeting attended being present and/or represented 59,855,375 shares, equivalent to 100 % of the subscribed capital of the Company.

ii) Principal Decisions of the Shareholders Meeting

The Articles of Association of the Company were amended to update the provisions about Titularizadora's corporate governance to meet the good governance practices established in the Nuevo Código Pais—External Circular 028 of 2014—releas by the Superintendencia Financiera de Colombia in 2014.

The Company has been gradually incorporating these recommendations from the stand point of a fixed income securities issuer, a mechanism that was kept in implementing the amendments to the Articles of Association, including changes to the functions of the General Shareholders Meeting (article 26), the functions of the Board of Directors (article 30), the functions of Chair and Secretary of the Board of Directors (article 34), the application of the arbitration clause (article 46), and the engagement of special audits (article 49).

iii) Relevant Information

The notice of the meeting and the decisions adopted by the General Shareholders Meeting were duly published as relevant information in accordance with Decree 2555 of 2010 §5.2.4.1.5.

3. Mechanisms of Communication with Shareholders

Shareholders' requests are processed through the Shareholder Care Office of the General Secretariat of the Company, which is in charge of servicing any requests filed under Corporate Governance Code Chapter 8.

III. Management Structure of the Company

1. Board of Directors

Titularizadora's Board of Directors consists of five principal directors and five alternate directors, who were designated by the General Shareholders' Meeting at the ordinary session held on March 27, 2015 for a two-year period starting as of their designation by the Shareholders Meeting. The Board of Directors is composed as follows:

Line	Principal Director	First designation date	Alternate Director	First designation date	Line attendance * %
1	Jose Humberto Acosta Martin	2014	Maria Cristina Arrastia	2013	55.5 %
2	Efrain Forero Fonseca	2001	Alvaro Carrillo Buitrago	2001	100 %
3	Juan Mario Laserna	2014	Oscar Eduardo Gomez C.	2014	88.8 %
4	Diego Fernando Prieto Rivera	2013	Jorge Alberto Linares	2014	88.8 %
5	Juan Camilo Angel	2008	Santiago Perdomo Maldonado	2001	33.3 %

* The recording of this data started the first month after the Board's designation by the Shareholders Meeting in March 2015, and the attendance was taken by line.

There was not any change in the composition of Titularizadora's Board of Directors during the March to December 2015 period. All the Directors are independent in accordance with Law 964–2005 §44 paragraph 2.

In 2015, the Chair of the Board of Directors was Efrain Forero Fonseca and the Secretary was Ricardo Molano Leon, Secretary General of Titularizadora. The functions of the Chair and Secretary of the Board of Directors are set forth in the Articles of Association of the Company.

a. Meetings of the Board of Directors

During 2015, the Board of Directors of Titularizadora met as follows:

Date	Meeting Type	Minutes of the meeting No.
January 22, 2015	Personal Attendance	152
February 19, 2015	Personal Attendance	153
April 16, 2015	Personal Attendance	154
May 21, 2015	Personal Attendance	155
June 16, 2015	Personal Attendance	156
July 23, 2015	Personal Attendance	157
August 20, 2015	Personal Attendance	158
September 17, 2015	Personal Attendance	159



October 22, 2015	Personal Attendance	160
November 19, 2015	Personal Attendance	161
December 10, 2015	Personal Attendance	162

The meetings of the Board of Directors covered the analysis of financial information of the Company, performance of issues, risk management reporting, and performance of local market, international markets, and housing sector, as well as the strategic follow up of new products, among other matters.

b. Professional Profile

For the election of the Board of Directors for 2015–2017, the proposed composition was submitted to the Ordinary General Shareholders Meeting held on March 27, 2015 pursuant to the criteria provided in the Company Articles of Association and Corporate Governance Code in respect of the appointment of Directors as to personal and professional characteristics of the nominees, who were already members of the Board of Directors and whose reelection was unanimously approved.

The profile of the Directors is published on the Company's website www.titularizadora.com

c. Compensation

The remuneration of the Board of Directors consists in a fixed component paid as fees for the Directors attendance to the meetings, which is submitted for consideration to and fixed by the Shareholders Meeting usually every other year at the time the new Board of Directors is appointed. The remuneration of the Board of Directors does not include any recognition in the form of variable components associated with the good performance of the Company. In 2015, the sum paid to the Directors for participation in the Board and in the different committees amounted to COP 74,108,000.

The Policy of Remuneration of the Board of Directors was presented at the most recent meeting of the Board of Directors in 2015 and was approved for presentation to the Shareholders Meeting in 2016.

2. Board of Directors' Support Committees

Titularizadora's Board of Directors has three committees composed of members of the Board in support of the Board's activities. The purpose of the committees is to deepen the analysis, the oversight, and the development of the policies outlined by the Board of Directors for the critical operational areas assigned to each committee.

In 2015, the Board of Directors' committees were comprised of Directors as follows:

	Audit Committee	Investment Committee	Appointment, Compensation and Ethics Committee
Directors	Maria Cristina Arrastia Jorge Alberto Linares Alvaro Carrillo Buitrago	Alvaro Carrillo Buitrago José Humberto Acosta	Efrain Forero Fonseca

Management	-----	Mauricio Amador Andrade Alberto Gutierrez Bernal	Alberto Gutierrez Bernal
-------------------	-------	---	--------------------------

In 2015, the Board of Directors committees mentioned in the previous table carried out the activities corresponding to the functions assigned thereto in the terms provided by their internal rules of operation.

- Corporate Governance Committee

The Corporate Governance Committee was created in December 2015 as part of the structural revision of the Corporate Governance Code approved by Titularizadora's Board of Directors, which was carried out according to the parameters established in the Nuevo Codigo Pais.

- Risk Management

The functions and activities related to the Company's risk management remain in charge of the Board of Directors supported by the committees described previously and additional committees created by the Company (Operational committee–SARO and Asset and Liability Management Committee–ALCO) to carry out the activities and provide an appropriate coverage of risks associated with the Company and the conducting of its businesses.

Titularizadora has policies, procedures, and an organizational structure in place as required for the management, measurement, and control of the risks of market, credit, operation, and asset laundering and terrorism financing. Risk management includes the mechanisms necessary to guarantee a proper management of the risks inherent in the securitization process and considers that the creation of different specialized committees for supporting the Board of Directors in the assessment and monitoring of those risks is an essential tool.

The risk of asset laundering and terrorism financing is managed by the Compliance Officer supported by the different departments and areas of the Company, reporting directly and permanently to the Board of Directors, which officer is responsible for evaluating and studying the actions taken by the Company to maintain the AL/TF risk levels within the limits set by the Board of Directors.

IV. Transactions with Related Parties and Conflict of Interest

Titularizadora Colombiana does not belong to a conglomerate and is not subject to control by any of its shareholders. It is established that any operations with related parties may be conducted only under transparent financial conditions that correspond with or are determined according to the market prices and conditions. The notes to the financial statements ending the fiscal year of the Company include the details of the transactions with related parties and the payments made to members of the Board of Directors.



**Titularizadora
Colombiana**

Titularizadora has a policy on Conflict of Interest included in the Corporate Governance Code, whereby parameters and procedures are set for distinguishing and managing conflicts of interest that might arise about any of the Directors and/or the other managers working either on a permanent or on a sporadic basis.

In this regard, it is worth of mentioning that during 2015 there was not any situation of conflict of interest that could have affected the judgment of any of the members of the Board of Directors or the Senior Management as to the decisions made throughout said period.

V. Risk Management System

The report about the Risk Management System and the Internal Control System was submitted to the Board of Directors for consideration and forms an integral part of the Report of Activities to be presented to the General Ordinary Shareholders' Meeting in 2016.

This report includes the management of activities aimed at the prevention and control of Asset Laundering and Terrorism Financing–SARLAFT, the management of risks through different risk management systems (SARM, SARO, and SARLAFT), the operational risk management, and the disclosure of the criteria, policies, and procedures used in the assessment, management, measurement, and control of the risks associated with the business of Titularizadora Colombiana, which are included in the notes to the financial statements.

As to the Internal Control System, steps were taken regarding control environment; risk management; and activities of control, reporting, and communication for performing the Company's processes and monitoring process performance.

VI. Interaction with Investors

Since its incorporation, Titularizadora has kept constant communication with its investors by training underwriters (brokers and financial analysts) and investors (in front office and middle office areas) permanently through the Investor Care Office–Investment Director's office. Additional steps are taken in the Roadshow carried out for each issue, which allows a greater and more specialized contact with investors.

An "Investors Survey" was conducted in 2015 as one requirement of the Quality Certification that measured the Quality of Service, in which the product preferences were also probed.

Titularizadora published on its website in a timely and accurate way, the financial information related to the outstanding issues of the Company and the information about corporate documents' revisions (Articles of Association and Corporate Governance Code) carried out in 2015.

On the whole, Titularizadora has an Investors Committee whose members are designated by the Company's Board of Directors upon criteria that ensure an appropriate representation of the different communities of institutional investors. In 2015, the composition of the Investors Committee was:

INVESTORS COMMITTEE COMPOSITION (Investors representatives)	
Representatives of Institutional Investors	Bondholders' Legal Representatives
Juan Pablo Cordoba Committee Chair Bolsa de Valores de Colombia	Leopoldo Romero Galvez Helm Fiduciaria S.A.
Jorge Humberto Botero Fasecolda	
Santiago Montenegro Trujillo Asofondos	Titularizadora's Representatives
Santiago Castro Gomez Asobancaria	Alberto Gutierrez Bernal President
Stella Villegas de Osorio Asofiduciarias	Efrain Forero Fonseca Member of the Board of Directors

Titularizadora's Investors Committee held the following meetings in 2015:

Date	Meeting Type	Minutes of the meeting No.
February 11, 2015	Personal Attendance	079
April 08, 2015	Personal Attendance	080
July 01, 2015	Personal Attendance	081
September 02, 2015	Personal Attendance	082
October 07, 2015	Personal Attendance	083
November 04, 2015	Personal Attendance	084

The mission of this committee is to follow up the compliance with the standards contained in the Corporate Governance Code by obtaining information about the position of the Company, the issues, and their underlying assets, maintaining permanent communication with Titularizadora.

VII. Revisoria Fiscal (Statutory Audit)

In 2015, PricewaterhouseCoopers Ltda. was Titularizadora's Statutory Auditor (*Revisor Fiscal*) and *universalidades'* External Auditor and for these services received the following fees:



Revisoria Fiscal (Statutory Audit) (Company)	External Audit (<i>Universalidades</i>)	Firm Participation Percentage * (Titularizadora's Statutory Audit)	Firm Participation Percentage * (Titularizadora's External Audit)
\$100,000,000	\$550,000,000	0.0045 %	0.0083 %

*These values are referred to the firm's total revenues from external audits or statutory audits provided to Titularizadora with 0.0083% and 0.0045% respective participation percentages.

VIII. Report of Best Corporate Practices Implementation

Pursuant to External Circular 028 of 2014, Titularizadora submitted to the Colombian Finance Superintendence the "Report of Best Corporate Practices Implementation— Nuevo Codigo Pais" within the term provided by the Circular for such purpose. The survey was completed taking into consideration the corporate governance practices maintained by the Company since its incorporation and the amendments to the Articles of Association and the Corporate Governance Code made in 2015, which included some of the recommendations provided by the Nuevo Codigo Pais from the perspective of an issuer of fixed income securities.

The report is published on the Company's website www.titularizadora.com

IX. Amendments to Corporate Documents

Titularizadora implemented the recommendations of the Nuevo Codigo Pais about corporate governance best practices by a reform to the Articles of Association and to the Corporate Governance Code carried out in 2015.

The amendments were made considering Titularizadora's capacity as a fixed income securities issuer and the changes were made according to the Company's needs and structure. In addition, the Company discussed and shared best practices with other fixed income issuers with the aim to analyze and determine the best way to implement the measures according to the particular features of those issuers.

The amendments to the Articles of Association took into account the recommendations that fit the situation of the Company, so the following articles were changed: (i) notice of the meeting, (ii) functions of the General Shareholders Meeting, (iii) powers of the Board of Directors, (iv) functions of the Chair and the Secretary of the Board of Directors, (v) dispute resolution, (vi) engagement of specialized audits, and (vii) mandatory adoption of the Articles of Association and Corporate Governance Code by managers and employees of the Company.

As to the amendments to the Corporate Governance Code, changes were made both in form and in substance, following some of the recommendations given in the Nuevo Codigo



**Titularizadora
Colombiana**

Pais with the purpose that shareholders and investors are provided a corporate environment with the highest standards and best governance practices in the Company.

Substantial changes were made to Titularizadora's Corporate Governance Code regarding: (i) the creation and modification of the committees of the Board of Directors, (ii) the independence of the members of the Board of Directors, (iii) the limit to the permanence of the statutory auditor (*revisor fiscal*) and his or her work team, (iv) the minority shareholders' stock watering, (v) the percentage of representation of the capital stock and procedure to request audits, (vi) the permanent or sporadic conflicts of interest, (vii) the mechanisms of evaluation of the Board of Directors, and (ix) the attendance of the committees' chairs to the Shareholders Meetings.

The previously indicated amendments were already defined and approved by the Board of Directors and the Shareholders Meeting of the Company. The Corporate documents (Articles of Association and Corporate Governance Code) are already available at Titularizadora's website at www.titularizadora.com