



**Titularizadora**  
COLOMBIANA

[www.titularizadora.com](http://www.titularizadora.com)



## ENTERPRISE SUSTAINABILITY REPORT

MARCH 2020



## ... ABOUT THIS REPORT ...

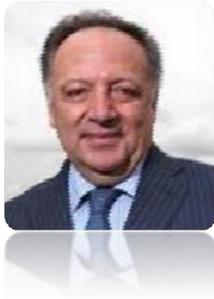
In response to the management of the Sustainability and durability of companies, Titularizadora Colombiana has been releasing a sustainability report since 2014, which comprises overall core contents about the ethical, economic, labor, social and environmental realms emerged from the strategies undertaken by the management in that regard. As a contributing element of the financial system, we have decided to adopt the best practices in the disclosure of the sustainability results using the scheme developed by the Global Reporting Institute (GRI) in its consolidated standard set.

We are conducting a massive data gathering process that we will be adjusting all over the presentation of the sustainability report, taking on the commitment to continuous Improvement through materiality analyses and the management of stakeholder groups, which have become the pillar of Titularizadora Colombiana.

*"This report has been prepared in accordance with the GRI Standards – Core Option."*



## Board of Directors – Principal Directors



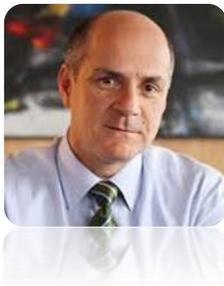
**Efrain Forero**

President  
Banco Davivienda



**Jose Humberto Acosta**

Finance Vice President  
Bancolombia



**Diego Fernando Prieto**

President  
Banco Caja Social



**Juan Camilo Angel**

President  
Banco AvVillas



## Board of Directors- Delegate Directors

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Treasury Vice President  
Bancolombia



### **Alvaro Carrillo**

Corporate Executive VP  
Banco Davivienda



### **Oscar Eduardo Gomez**

Legal VP  
C.I. Prodeco S.A.



### **Jorge Alberto Linares**

Business Management VP  
Fundacion Social



### **Jaime Upegui**

President  
ScotiaBank





## INTRODUCTION

Titularizadora Colombiana shows a quite positive assessment in the second decade of the 21st century. Not only circa COP 14 trillion were issued in mortgage-backed securities (representing 14% of the disbursements made during that period) but also major milestones were achieved in the market development for other underlying assets such as rediscount loans, consumption loans with drafts, and vehicle loans. Close to a total of COP 1 trillion was issued all over the last 10 years in this type of securitizations. These results show the effort our Management has made in terms of innovation upon the securitization market in Colombia.

The dynamism of securitizations also reflected in the access to the capital markets by other types of originators, such as commercial banks, second tier banks, special official entities, financial cooperatives, family subsidy funds, and loan originators not subject to surveillance. The range of these entities reflect the appetite for a variety of risks in the institutional investors, which have been refining their portfolio management practices over the decade. Funding via the exchange markets has produced social benefits such as competitive pressure on the financial system, which are reflected both in depth and in financial efficiencies that release resources to the final borrowers.

A major change of corporate form undergone by the company in this decade was the creation of real estate securities, which allowed participative securitizations. This change entailed an important challenge to the management due to a significant demand from the individual investors and the management and inventory of other than loan portfolio assets. This incursion has been a success in consolidating securities as a type of asset because of the product yields and stability, the development of a liquid secondary market and the implementation of the master administration for managing real estate portfolios.

The projection of the third decade of the 21<sup>st</sup> century seems much more dynamic. Especially, the macroeconomic environment, middle class development, financial deepening, international banking regulation, and implementation of positive measures contained in the capital markets' mission will be responsible for consolidating a world class securitization industry in Colombia which will enable the channeling of not only national but also foreign resources for the economic development and the wellbeing of all Colombians.

# Sustainability Report 2019



| 2002  | 2003   | 2004   | 2005  |
|---|--|--|---|
| <b>TIPS UVR</b><br>E1 \$479mm<br>E2 \$588mm   | <b>TIPS UVR</b><br>E3 \$464mm<br>E4 \$328mm  | <b>TIPS UVR</b><br>E5 \$345mm<br>E6 \$574mm<br><b>TECH</b><br>E1 \$521mm<br>E2 \$518mm                           | <b>TIPS UVR</b><br>E7 \$424mm<br><b>TECH</b><br>E3 \$119mm  |
| 2006  | 2007   | 2008   | 2009  |
| <b>TIPS UVR</b><br>E8 \$781mm<br><b>TIPS Pesos</b><br>E1 \$268mm<br>E2 \$355mm  | <b>TIPS UVR</b><br>E9 \$313mm<br><b>TIPS Pesos</b><br>E3 \$333mm<br>E4 \$377mm<br>E5 \$311mm                               | <b>TIPS UVR</b><br>E10 \$237mm<br><b>TIPS Pesos</b><br>E6 \$208mm<br>E7 \$370mm<br>E8 \$384mm<br>E9 \$400mm      | <b>TIPS Pesos</b><br>E10 \$505mm<br>E11 \$442mm<br>E12 \$386mm<br>E13 \$246mm   |
| 2010  | 2011   | 2012   | 2013  |
| <b>TIPS UVR</b><br>E11 \$181mm<br>E12 \$360mm<br>E13 \$345mm<br><b>TIPS Pesos</b><br>E14 \$518mm<br>E15 \$613mm<br>E16 \$2.4 trillion                         | <b>TIPS UVR</b><br>N1 \$238mm<br>N2 \$303mm<br>N3 \$379mm  | <b>TIPS UVR</b><br>N4 \$385mm<br>N5 \$399mm<br>N6 \$381mm  | <b>TIPS Pesos</b><br>N7 \$428mm   |
| 2014  | 2015   | 2016   | 2017  |
| <b>TIPS Pesos</b><br>N8 \$153mm<br>N9 \$503mm<br>N10 \$358mm  | <b>TIPS UVR</b><br>U1 \$434mm<br><b>TIPS Pesos</b><br>N11 \$374mm<br><b>TIL Pesos</b><br>L1 \$15mm                         | <b>TIPS Pesos</b><br>N12 \$412mm<br>N13 \$353mm<br><b>TIS Pesos</b><br>H1 \$46mm<br><b>TER IPC</b><br>R1 \$233mm | <b>TIPS UVR</b><br>U2 \$273mm<br><b>TIPS Pesos</b><br>N14 \$422mm<br>N15 \$455mm<br>N16 \$385mm<br><b>TIL Pesos</b><br>L2 \$123mm |
| 2018  | 2019   | <b>Chart 1: Evolution of Issues</b>  |   |
| <b>TIPS UVR</b><br>U3 \$506mm<br><b>TIPS Pesos</b><br>N17 \$315mm<br><b>TIL Pesos</b><br>L3 \$101mm<br><b>TIS Pesos</b><br>H2 \$47mm<br><b>Tin</b><br>\$163mm | <b>TIPS UVR</b><br>U4 \$348mm<br><b>TIPS Pesos</b><br>N18 \$360mm<br>N19 \$406mm<br>N20 \$405mm<br><b>TIV</b><br>V1 \$87mm |  |   |



## 1. GENERAL

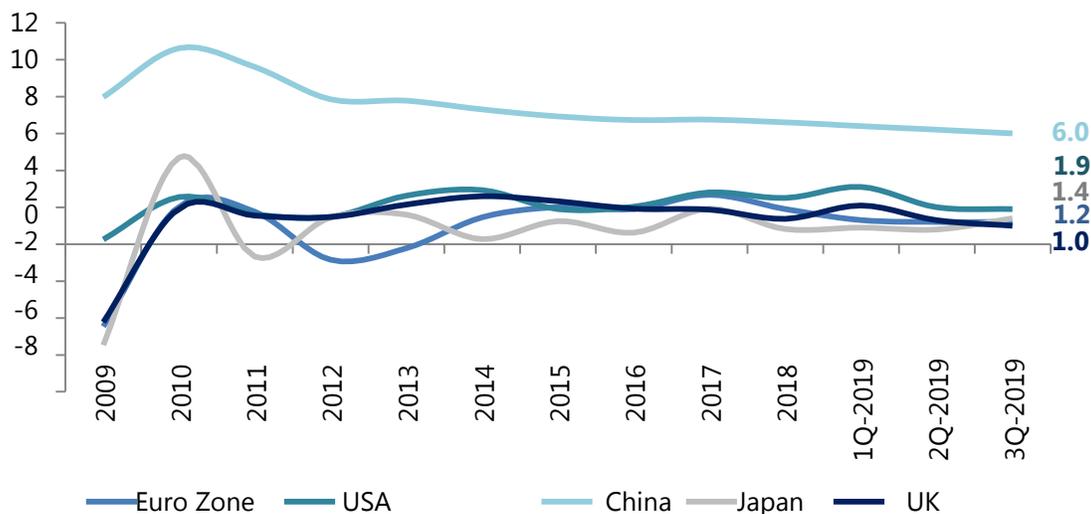
### 1.1. 2019 EVOLUTION

#### 1.1.1. MACROECONOMIC ENVIRONMENT

##### International Market

The economic deceleration period continued in 2019 both in developed countries and emerging economies, with an explanation of the vulnerability based on the trade fight between the US and China mostly, added to the uncertainty arising from Brexit.

**Chart 2: World economic growth (%) Source: Bloomberg**



In December 2018, the Federal Reserve was expected to increase their intervention rate by 50 basis points in 2019. Nevertheless, the FED movement was opposite to the previous projections and reduced 75 basis points out of the 100 basis points increased in 2018.

Rate reductions occurred in July, September and October and have not changed afterward. After ending their asset purchase program in 2018, they were in need to expand their balance sheet in 2019 due to the poor transmission of the monetary policy. According to FED it happened because the US economic activity has been growing at a moderate rate, its labor market remains strong with the lowest unemployment rate in the last 50 years and the inflation remains below the 2% goal.

Likewise, the Chinese economic activity deceleration deepened and forced the announcement of a package of measures focused on boosting growth, including an interest rate reduction for short term open market operations (for the first time since October 2015) and a 0.5% reserve reduction for banks, the lowest since 2007.



Hence, conversations between China and the US representatives started since October aiming to reach an agreement to end the trade war that has been ongoing since March 2018. Both countries' representatives reached an initial agreement signed on 15 January; in essence it provided that the US agreed to reducing tariffs on certain products imported from China and put off the imposing of additional tariffs. In turn, China agreed to increasing the purchase of agricultural products from the US.

The Euro Zone continued showing weak economic activity, mainly in Germany that remained the target of analysis due to the published data weakness, which evidenced a production contraction, thus holding the uncertainty about the evolution of the economic growth in that zone.

Hence, the European Central Bank kept its monetary policy interest rate stable all over 2019 in 0% as it has since 2016. In like manner, purchases made under the asset acquisition program were resumed since 1 November with the purpose of reinforcing the accommodative impact of their interest rates. The ECB stated that the intervention rate is expected to remain unchanged at least until inflation stays close but below 2%.

Furthermore, UK held the uncertainty of its exit from the European Union. In face of Theresa May's failure to get the Parliament approval of her agreement with the European Union, the former prime minister resigned, and Boris Johnson was designated to take her place. Johnson was forced to put off Brexit for 2020 owing to the Parliament's rejection of his once more negotiated agreement. Nevertheless, as his party won the legislative elections in December, his agreement for the exit on 31 January was approved.

The outlook for Latin America is discouraging. Argentina is currently in an economic recession scenario and expecting a 2.9% contraction in the activity in 2019.

Presidential elections took place last October, resulting in the International Monetary Fund pausing the disbursement of the remaining resources for the financial rescue of the country; Alejandro Fernandez won the elections, thus marking the return of the kirchnerism to the power. One of the first measures announced by the new government was the increase in taxes to grain exports aiming to improve the fiscal accounts of the country.

In Mexico, the central bank has been bound to reduce the intervention rate by 100 basis points in response to the poor economic activity in 2019, which is expected to show 0.2% growth with respect to 2018, as a result of the weak investment and changes to the economic model of the new government.



## Local Market

The economic activity in Colombia during the first three trimesters of 2019 confirmed the recovery that economists were expecting. GDP grew at a 3.1% rate during the first nine months of 2019, higher than the 2.5% growth shown in the same period of 2018. Mining and quarrying is the sector that has evidenced a higher recovery from 0.3% contraction to 2.5% expansion; financial and insurance activities moved from 3.4% to 6.1% growth; followed by commerce moving from 3.3% growth to a current expansion closer to 5%. However, the construction sector is still preventing a higher acceleration of the economic growth by being the only sector currently contracting.

As to the demand, note the acceleration in household consumption and in investment, which are growing above the total GDP (4.4% and 4.8% respectively). Household consumption expansion is explained by the migration from Venezuela, the increment of remittances and greater supply of consumption loans; on another note, the government expenditure evidenced a substantial deceleration from 5.6% expansion in the preceding year down to 2.9% as of September 2019. In addition, exportation has decelerated as importation shows a substantial progress.

**Chart 3: Colombian economic growth (%) Source: DANE**



In 2019, the unemployment rate showed a continuous growth in the country despite the recovery shown in the economic dynamics. Average unemployment rate reached 10.6%, higher than the average observed in the past four years. The cause for unemployment increase aside from the Venezuelan migration, seems to be a greater difficulty for the market to absorb the supply of available jobs, i.e., a lower demand from business owners.

As to the inflation, in 2019 the annual variation of the Consumer price index closed in 3.80%, a figure higher than 3.18% recorded for 2018 closing, where the entries for accommodation, water, electricity, gas and other fuels contributed the most to that



increment, followed by food services, which pressed inflation upwards all over the year and reached above the total, 5.80%. The increase in food resulted mostly from the shocks from the supply and the Colombian Peso depreciation.

In addition, the government faced the repeal of the “Law of financing” in October, which implied a challenge as another tax reform was required to be ready to enter into effect on 1 January 2020. On 27 December, President Ivan Duque enacted the “Law of economic growth” that replaced the previous Law of financing. Among the changes presented in this new statute with respect to the previous one we have the approval of 3 days free of sales tax (IVA) over the year, the refund of sales tax (IVA) for the most vulnerable population, a 12% to 4% reduction in the social security payment for health for the pensioners of lowest income, incentives for businesses to hire young people between 18 and 28 years of age. In like manner, this Law grants income tax benefits for companies and sales tax (IVA) discounts for capital asset importation, while keeping the income tax surtax for the financial sector.

**Chart 4: Tasa representativa del mercado (representative market exchange rate)  
USD/COP · Source: BanRep**



Last year the Colombian peso was one of the most devaluated currencies in the world. The average representative market exchange rate (TRM) was 3,281.09 USD/1 COP, meaning 11% average depreciation with respect to 2018. Note that in 2019 the exchange rate passed the barrier of COP 3,500 / 1 USD reaching the maximum quote value of COP 3,522.48 /1 USD in late November. This is the result not only of the external uncertainty for the trade war, but also of internal factors such as the uncertainty created by the repeal of the Law of financing that had been passed in 2018, as well as the concerns created by the fiscal accounts such as the fiscal rule compliance and the current external imbalance of the country.



## 1.1.2. HOUSING MARKET AND MORTGAGE SECTOR

The construction sector continues to prevent a higher recovery of the economic activity. As of the third trimester of 2019, it shows a 1.9% contraction against the previous year, caused by the fall of the construction of residential and non-residential buildings in three consecutive trimesters, thereby overshadowing the expansion shown in civil works of around 12%.

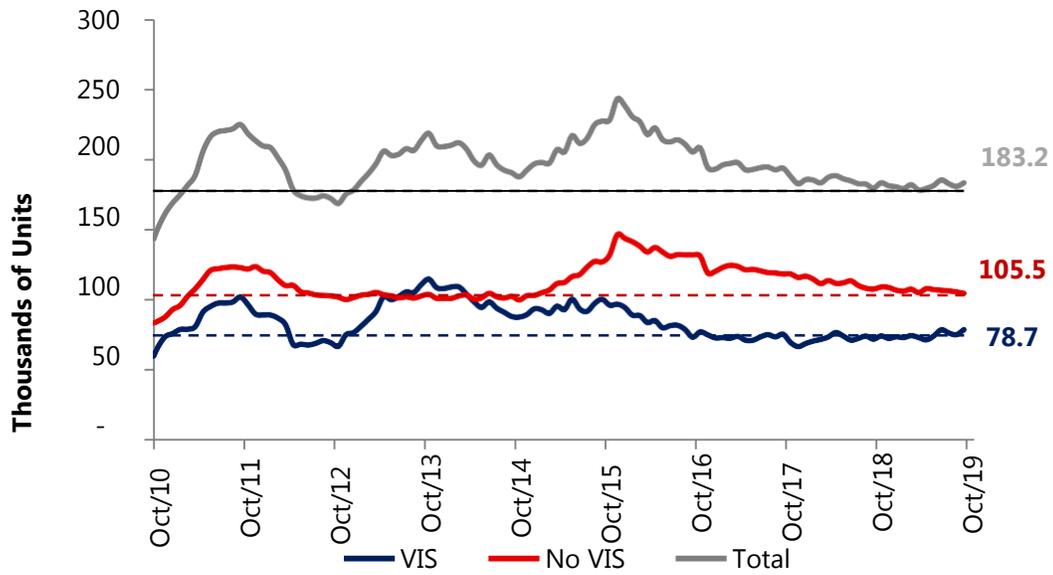
It is in line with the data reflected in the approved licenses that decreased 2,9% over the last 12 months.<sup>1</sup> Nevertheless, data show an improvement with respect to the 8.8% contraction observed in the same period of 2018. Contraction in licenses results from a permanent fall in the NO-VIS segment although it is smaller than a year ago.

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<sup>1</sup> Value as of October 2019



**Chart 5: Licensed units - Total national (Thousands of units) Source: DANE.**





At another level, the new house sales accelerated with respect to 2018 and expanded 10% annual, mainly because of a greater boost in VIS sales and a smaller fall in NO VIS sales that moved from a contraction greater than 10% to 1% approximately. In line with the sales improvement, there was a significant improvement in the stock turnover of cities as Cali, Bucaramanga, Barranquilla, Cartagena and Santa Marta with respect to 2018.

In October 2019, the mortgage loan portfolio reached 80.2 trillion COPs, which equals 7.7% of the GDP and represents 15.2% of the total portfolio. Housing loan portfolio showed a 6.9% real annual growth, thus placing the mortgage loan portfolio as the second with a higher annual increment, behind the consumption that grew by 10.6%. Nevertheless, the growth of loan portfolio in 2019 evidences a deceleration with respect to the 8.6% increase recorded a year before. Furthermore, the non-performing loan portfolio showed a deceleration from recording 14% growths down to 9.4% in October 2019 and thereby, the portfolio quality indicator remained in 3.3%.

Finally, regarding the loan origination, the disbursements allocated to home purchase over the last 12 months<sup>2</sup> increased in 5.1%, a much lower value than the 14% in the same period of the previous year, out of which the disbursements in pesos evidenced a greater deceleration.

## **1.2 OUTLOOK**

### **1.2.1 MACROECONOMIC ENVIRONMENT**

In average, the market is expecting a higher economic activity recovery growing by 3.3% in 2020 based on a greater boost to the investment that is explained by less tax burden for the companies, more civil engineering works and a recovery in building construction. That, added to the strengthening of the private consumption due to the expansionary monetary policy position and a greater origination of consumption loans. No major changes are expected in exports in a scenario of a weak recovery of the foreign demand.

During 2020, the inflation is expected to decelerate and get closer to the 3% punctual goal, as a consequence of the dilution occurred in the supply shocks faced by the country last year, which boosted the inflation. Hence, a 3.4% inflation is expected for year closing. Consistently, Banco de la Republica (Central bank) is expected to not make any changes to its policy posture and the monetary policy rate is expected to remain 4.25% all over 2020.

### **1.2.2 HOUSING MARKET AND MORTGAGE SECTOR**

Sales growth is projected around 4% due to a stronger boost to VIS housing added to the recovery in sales of NO VIS (No social) housing projected to evidence a positive increase with which a reduction is estimated in the turnover indicators and therefore in the inventory.

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<sup>2</sup> Values as of November 2019.



Mortgage loan portfolio is forecasted for COP 91.5 trillion in 2020, meaning a 12% growth with respect to the estimation at the closing of 2019. This way, the mortgage loan portfolio will represent 8.2% of the GDP. Financing rates for VIS housing purchase are projected to be around 11.7% at the year closing, whereas for NO VIS are estimated in 10.43%.

## **ORGANIZATION PROFILE**

Titularizadora Colombiana started operations in 2001 as the axis of modernization of the mortgage sector after the 1999 crisis. All through the years of operation, Titularizadora has provided for the financing of mortgage loans for about 450 thousand homes for a total value that exceeds COP 23 trillion; in addition, Titularizadora has allowed its processes a continuous improvement by promoting the development of products backed by loans with drafts and re-discount loans as well as real estate assets, the issuance of which marked the start of the real estate era in Titularizadora Colombiana in October of 2018.

Our capital markets' innovation and development process and commitment to the structuring of products that are more and more attractive to our investors included in 2019 our first issue backed by vehicle loans from an originator not subject to surveillance, which implied a challenge to bring down the market risk barriers and the appreciation for new types of assets.

In 2019, the total amount of the issues was COP 1.7 trillion for mortgage loans and vehicle loans, making stronger the evolution of the company toward deepening the portfolio offering for addressing the financing needs of other sectors of the economy leveraging the know how acquired over years of operation. In addition, during this period Titularizadora Dominicana TIDOM was put into operation, in which Titularizadora Colombiana is a shareholder and steps were taken for planning an issue in 2020 backed by a mortgage loan portfolio in that country, thereby providing continuity to the internationalization started by the Company.

This situation perfectly matches Titularizadora Colombiana's long-term view of the mortgage system. These developments require further deepening and diversity of actors with well-segmented market niches, which enable encompassing a broader number of homes under better credit conditions. All these activities have occurred in a common frame of responsibility for the origination and servicing of the mentioned mortgages. The accompaniment throughout this year ensures that the new actors will approach the ideal thought out for the Colombian model of home purchase finance.



## Corporate Facts

| <b>CONTENT</b> | <b>DESCRIPTION</b>         |   |
|----------------|----------------------------|---|
| 102-1          | Organization Name          | Titularizadora Colombiana S.A.  |
| 102-2          | Primary Services           | Certification of Operations, financial structuring of securities, issue of securities, management of the underlying assets, issue administration. |
| 102-3          | Premises Location          | Carrera 9A No. 99-02 Of. 702  |
| 102-4          | Location of Operations     | Colombia – Republica Dominicana   |
| 102-5          | Ownership and Legal Figure | <i>Sociedad Anonima</i> (type of company limited by shares)   |
|                | Founded on...              | 13 July 2001  |



## **Business Definition**

Structuring and managing the securitization of assets

## **Our Mission**

Match mid- and long-term financing needs of the diverse economic activities and the capital markets, with transparency and efficiency through the securitization of assets.

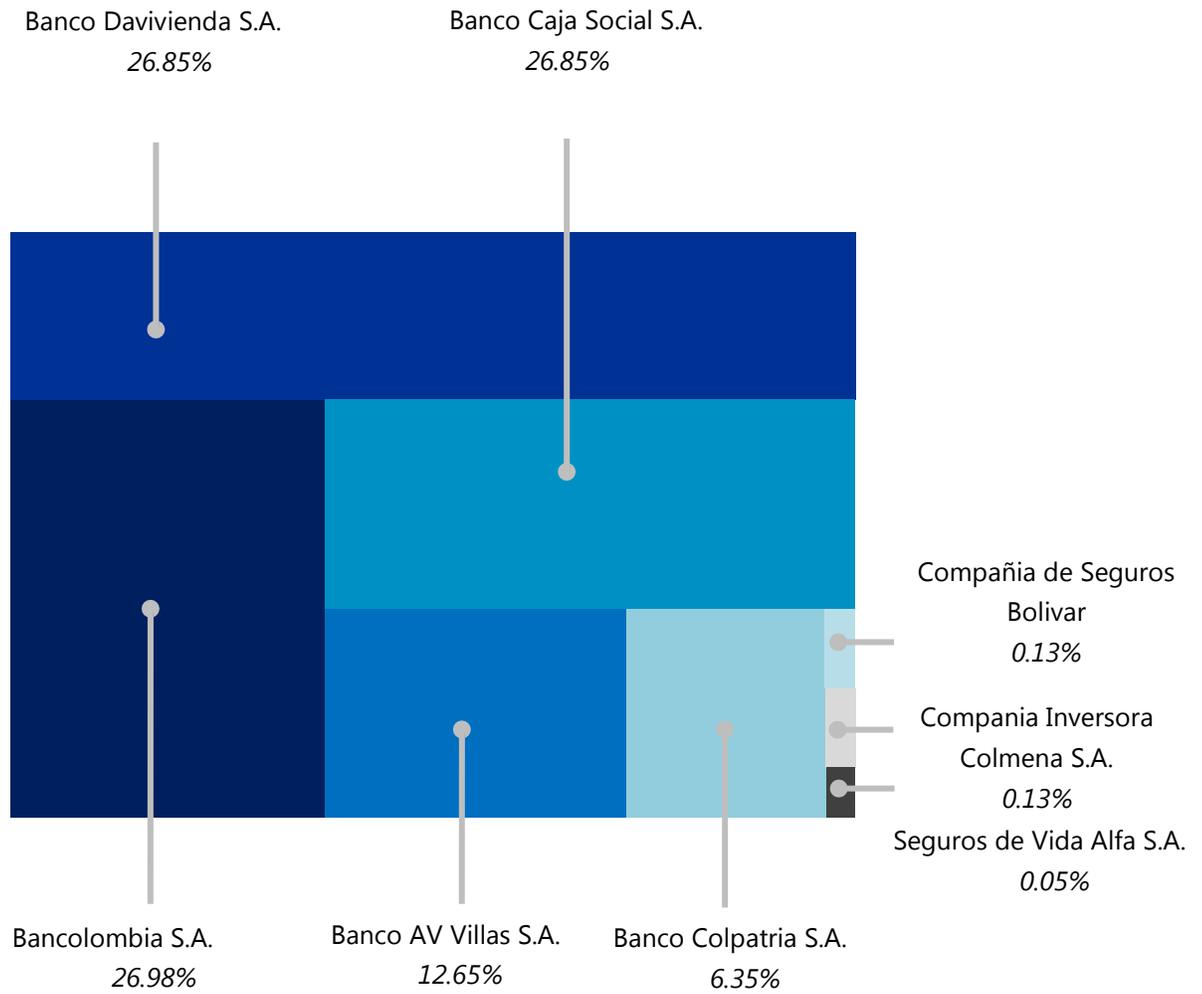
## **Our Vision**

Manage COP 15 trillion underlying assets of diverse economic sectors in Colombia and other countries in 2025.

Source: Titularizadora Colombiana



## Shareholders



Source: Titularizadora Colombiana



## 102-6 Our Markets

Titularizadora Colombiana was created with the purpose of mobilizing resources of the financial system for the purpose of dynamizing the mortgage sector. Over the years of operation and upon the experience gained in managing assets and promoting the deepening of capital markets, we have achieved our market share in the following:



**Mortgage:** Serving the financial sector fundamentally. As of December 2019 Titularizadora has issued mortgage backed securities for a value of COP 23.4 trillion. We are innovating our structures to provide the market with differentiated securities and an attractive investment alternative.



**With Drafts:** Issues of securities backed by loans with drafts from Cajas de Compensacion (family subsidy funds). There is a substantial possibility to continue providing support to this segment.



**Rediscount Loan Portfolio:** Issue of securities backed by rediscount from second tier banks for COP 233 billion. There is a substantial possibility to continue providing support to this segment.



**Real Estate:** The first issue backed by this asset was in 2018. We issued COP 163 billion in equity securities with a stable real estate portfolio that procures a differentiating profitability for the investors. We pursue the hunting of the best real property to back the best real estate investments.



**Vehicles:** The first issue backed by this asset was in 2019. We issued COP 100 billion in securities backed by loans from an entity not subject to surveillance. The market took in the associated risk and we expect the development of this type of segment.



## 102-7 Organization Size

| DESCRIPTION                     |              |
|---------------------------------|--------------|
| Total Number of Employees       | 69           |
| Total Number of Operations      | 1 - Colombia |
| Net Profit (millions)           | 15,380       |
| Total Capitalization (millions) | 59,855       |

Source: Titularizadora Colombiana

## Our Products

**TIPs**

Credit-backed securities backed by the highest quality mortgage loan portfolio. As of 2019, 56 issues of this asset have been made with pesos and UVR loans.

**TECH**

Credit-backed securities backed by non-performing loan portfolio. In the history of Titularizadora, three issues backed by this type of asset have been made.

**TIL**

Credit-backed securities backed by consumption with drafts loan portfolio. In the history of Titularizadora, four issues backed by this type of asset have been made.

**TER**

Credit-backed securities backed by rediscount loan portfolio. In the history of Titularizadora, one issue backed by this type of asset has been made.

**TIS**

Credit-backed securities backed by the Originator mortgage loan portfolio.

**Tin**

Equity securities backed by real estate assets, offices and commercial premises.

**TIV**

Credit-backed securities backed by vehicle loan portfolio. The first issue backed by this asset was in 2019



## Our Services





## Financial Results

| ASSETS |           | LIABILITIES |           |
|--------|-----------|-------------|-----------|
| 147,5  | 2019      | 12,2        | 2019      |
| 148,5  | 2018      | 13,9        | 2018      |
| -1     | Variación | -1,7        | Variación |

Ending December 2019, Titularizadora Colombiana's total assets amounted to COP 147.517 billion, a 1% reduction with respect to 2018 closing. Assets mainly comprise Financial investment assets (44%), trade creditors (22%), investment properties (17%), cash equivalent (9%), and assets kept for sale (4%).

The main change in the accounts with respect to the preceding year is shown in trade creditors as an effect of the increase in initial expenses financing to the *Universalidades*; an increment correlative with the reduction of cash equivalent and financial assets. PP&E was increased due to the application of IFRS 16.

The company leverage at the fiscal period closing is 8%. The main liabilities correspond to the obligation recognized by IFRS 16 leases.

The highest variation with respect to the previous year is the payment of the income tax and recognition of IFRS 16.

| EQUITY |           |
|--------|-----------|
| 135,3  | 2019      |
| 134,6  | 2018      |
| 0,7    | Variación |

The net equity of Titularizadora Colombiana grew by 0.7% with respect to the previous year as a result of the profit of the fiscal year. The company closed year 2019 with a COP 135.316 billion equity.



## **102-8 Information about employees and other workers**

Ending December 2019 Titularizadora Colombiana has 69 employees comprising base employees and SENA (National Apprenticeship Service) assistants all under full time contract. The organization's only base is located in Bogota.

|  | Permanent Contract | Temporary Contract | SENA and Internship | Full Working Day | Half Working Day |
|--|--------------------|--------------------|---------------------|------------------|------------------|
|   | 34                 | 2                  | 5                   | 41               | 0                |
|  | 26                 | 1                  | 1                   | 28               | 0                |

Source: Titularizadora Colombiana

## **102-9 Supply Chain**

Responsibilities regarding supplier selection, management, follow-up and compliance with are estimated in the MANUAL OF PROCUREMENT AND CONTRACTS FOR SERVICES. The areas of the organization are interlocking as to the definition of activities and scopes in the process of procurement and suppliers to provide this process with support all over the supply chain.



Source: Titularizadora Colombiana

As of the 2019 closing, Titularizadora Colombiana has 130 suppliers consolidated in the service categories listed below. It is important to mention that the supply chain is comprised of local and foreign suppliers and its billing amounted to COP 9.5 billion last year.

**Table 1: Suppliers per Sector List**

| <b>MATERIAL</b>         | <b>SUPPLIER</b> |
|-------------------------|-----------------|
| Consulting              | External /Local |
| Technology              | External /Local |
| Trusts                  | External /Local |
| Food                    | External /Local |
| Funds                   | External /Local |
| Photocopies             | External /Local |
| Rating agencies         | External /Local |
| Stock exchange          | External /Local |
| Insurance Brokers       | External /Local |
| Realtors                | External /Local |
| Law firms               | External /Local |
| Clubs                   | External /Local |
| Chamber of Commerce     | External /Local |
| Cleaning and stationery | External /Local |



|                       |                   |
|-----------------------|-------------------|
| Management            | External /Local   |
| Communications        | External /Local   |
| Audits                | External /Local   |
| Foundations           | External /Local   |
| Flower shops          | External /Local   |
| Printer               | External /Local   |
| Security              | External /Local   |
| Lessees               | External /Local   |
| Human Resources       | External /Local   |
| Institutes            | External /Local   |
| Publishers            | External /Local   |
| Restaurants           | External /Local   |
| Custody               | External /Local   |
| Brokers               | External /Local   |
| Liqueurs              | External /Local   |
| Sports                | External /Local   |
| Notaries              | External /Local   |
| Repairs               | External /Local   |
| Insurers              | External /Local   |
| Email                 | External /Local   |
| Vehicle maintenance   | External /Local   |
| Transportation        | External /Local   |
| Tourism               | External /Local   |
| Due Diligence         | External /Local   |
| Valuation services    | External /Local   |
| Associations          | External /Local   |
| Professional Services | External /Local   |
| Software              | External /Foreign |

Source: Titularizadora Colombiana

## **102-10 Significant changes in the Organization and its supply chain**

During 2019 no significant changes were made to the organization or the supply change.

## **102-11 Precautionary Principle**

Titularizadora Colombiana does not apply the precautionary principle on a strict basis because of the compliance with the Rio Declaration about the environment and the development of the United Nations Organization. Company's own initiatives are applied in parallel towards the consideration of environmental impacts and additional costs the company could incur by failing to avoid or mitigate these risks.

The company conducts internal campaigns of savings in power, water and printing paper as well as actively promotes recycling, trash classification and paper reutilization.



## **102-12/102-13 External Initiatives / Membership of Associations**



**ASOBANCARIA**  
Construyendo  
la Confianza y Solidez del sector financiero

Titularizadora Colombiana is a member of Asobancaria as a representative of the guild because of its role as one of the most relevant entities in the non-banking financial services in the country. In that regard, Titularizadora Colombiana proves its commitment to the promotion of public confidence in the financial sector, expanding the population knowledge of the financial activities and modernizing the structure of this sector in Colombia by means of steps taken by the guild.

### **Sustainability Committee – Asobancaria**

The Sustainability Committee is the result of an initiative from Asobancaria for the promotion of best practices in the following matters:

-  Green Protocol
  - Financial Innovation
-  Financial Education
  - Peace Table: financial education and inclusion, social investment, labor inclusion
-  Enterprise Sustainability
  - Supplier Management
  - Human Talent Management
-  Targeted Social Assistance: the new economic climate arising from the social changes related to the peace agreements renders indispensable the management of displaced and reintegrated populations that most likely will become users of the financial system and products, which in turn must develop strategies for risk measurement, credit allocation and education programs to address the needs of this population in particular.
-  Forum for the discussion of sustainability best practices. There are financial entities with sustainability programs in place, the information that contributes to the building of methodologies in entities with incipient memories in that topic.



## 2019 Certifications

### ISO 9001:2015 Quality Certification – Master Servicing



Titularizadora Colombiana  
Administración Maestra de emisiones de  
Titularización de Cartera hipotecaria  
CO- S.C- CER145151

Master Service management supports the mortgage-backed securitization and has been certified under the ISO 9001:2015 standard for the implementation and maintenance of its quality management system, which includes:

- To monitor the issue operators by controlling the operating risk and credit risk.
- To comply with the conditions contained in the issues' prospectus and rules.
- To divulge the performance of the issues on a timely and reliable basis.

## 2019 Voluntary Commitments

### IR Issuer Recognition – BVC



The adoption of the best practices in the matter of the information disclosure and the relationship with investors has been certified by the Bolsa de Valores de Colombia (BVC – Colombian Stock Exchange) by granting the IR Issuer Recognition and endorses Titularizadora Colombiana business.

The chief requisites to the access to IR Issuer Recognition are listed below:

- Disclose information in addition to the information normally demanded, in English and in Spanish on the website, and keep it up to date.
- Publish the financial statements (balance sheet and income statement) and the information about issues in a periodic manner.
- Provide a representative who addresses the inquiries from investors, both in Spanish and in English.

Adopting best practices in the matter of information and relationship with investors allows our investors to have sufficient and timely data available at the time of making investment decisions and contributes raising standards of the Colombian capital markets.

### Renowned and Recurrent Issuer – Superintendencia Financiera de Colombia



Superintendencia Financiera de Colombia Titularizadora Colombiana has obtained the certification of renowned and recurrent issuer by fulfilling the criteria described in item 6.1 of Title I – Issuers of Securities. Chapter II: Special rules of issue of securities – Superintendence.



## Rating 2019

**BRC**  
**Standard & Poor's**  
**S&P Global**

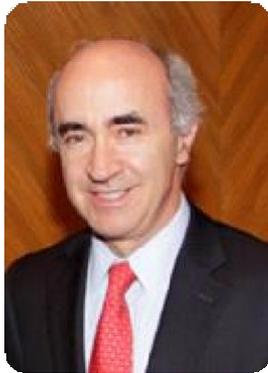
The Technical Committee of BRC Investor Services S.A. SCV in its periodic review confirmed the 'AAA' counterparty risk rating for Titularizadora Colombiana S.A. The technical committee made this decision on February 7, 2019 as recorded in the Minutes of the Meeting No. 1496.

*"TC has maintained positive net results since its first year of operations owing to its high operational efficiency and the flexibility of its costing structure. We have assessed positively the gradual progress in income diversification and stability."*



## STRATEGY

### 102-14 Statement of senior executives responsible for making decisions



#### LETTER FROM THE PRESIDENT

Titularizadora Colombiana was born as an innovative response from the Colombian bank sector to ensure the dream of "A house for everybody." In these 17 years of existence, mortgage-backed securitization has been the transforming pivot of the mortgage system in the country. Thanks to the company development, more Colombian families have been able to purchase their own home at low and stable interest rates, thereby being able to save more than COP 2.5 trillion per year. This achievement has been recognized internationally, to the point that several countries in the region are emulating it.

The commitment of our shareholders, of Titularizadora Colombiana's proud employees and my own is to continue working toward the modernization and sustainability of the home purchase financing system. It requires that we continue strengthening the trust between all the actors in the chain of value of the mortgage industry, by way of a responsible and prudent management of the resources that the investors entrust to us and by the creation of added value to the originators and the best loan conditions to the borrowers. These individual benefits must be recognized only in the context of a deep respect for the environment, labor rights, professional ethics, and social solidarity.

Accordingly, the systemic role of the securitization entails potential benefits to the financing of other economic activities in Colombia. Therefore, Titularizadora Colombiana started to expand its product portfolio seeking to reach new markets with the aim of contributing integrally to the economic development of Colombia. Overall, we believe that only by working towards the excellence, we can continue contributing our bit to turning Colombia into an exemplary country with equal opportunities for all.

Alberto Gutierrez Bernal  
President



The business social function is a part of our corporate DNA. All the initiatives pay special attention to the impact that they could have on the society in general and on our groups of stakeholders in particular. We work to maximize the favorable effects that our activities could have on the welfare of all our related parties.

Our vision as to the corporate social responsibility is understood from the notion of enterprise sustainability. The actions we perform daily aim to build a virtuous cycle of human development, cooperation and social multiplication, based not only on the static value distribution to non-related social groups.

Aiming to fulfill our mission, we in Titularizadora Colombiana are committed to a model of business sustainability and creation of value that articulates ethical, financial, labor, social and environmental dimensions to the benefit of the community, the shareholders, the employees, the investors, the suppliers, the guilds, the State and the environment.

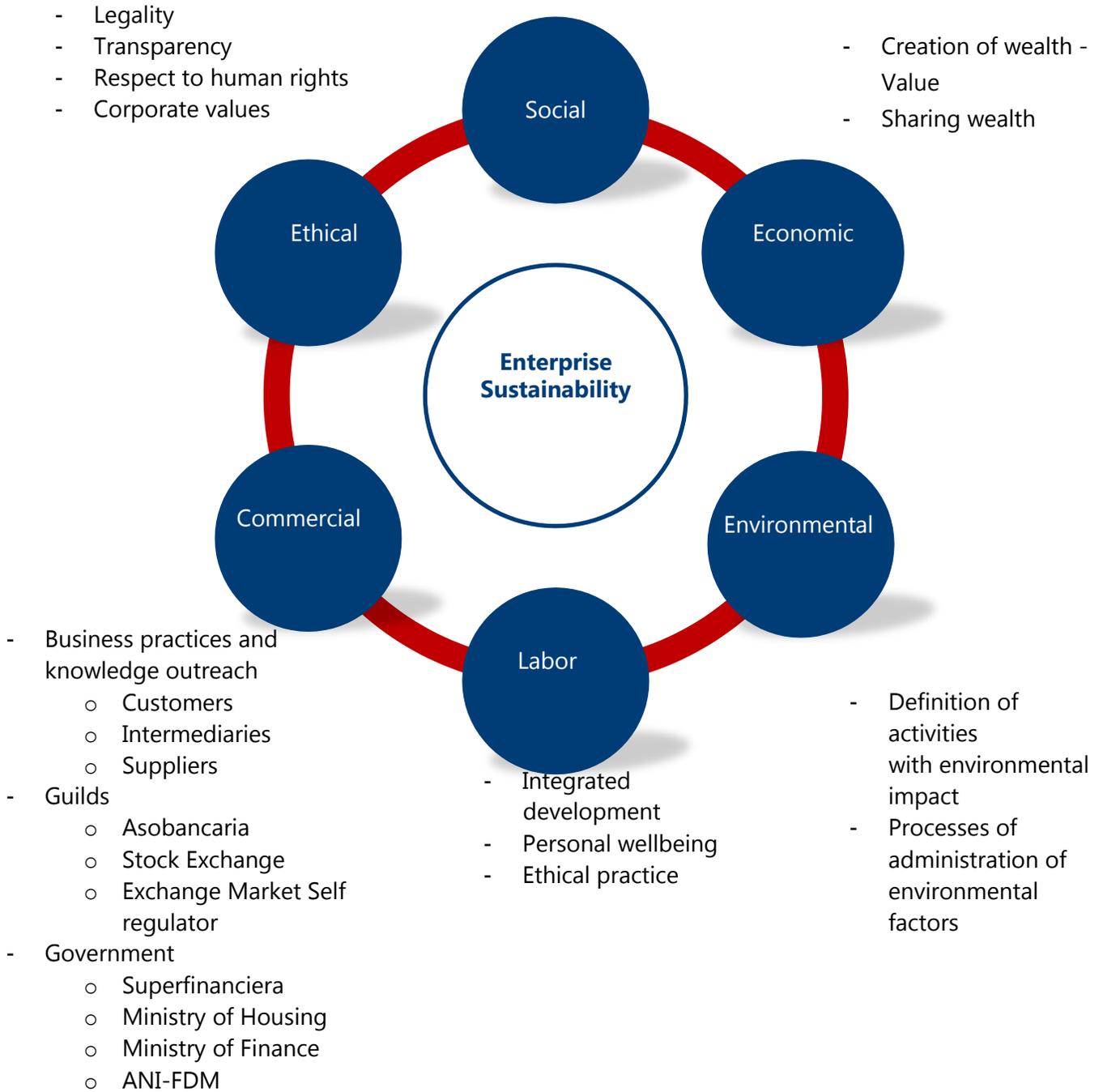
In 2019 we abode by the parameters established by the GRI. Upon studying the standard, reviewing the information available and the designation of responsible staff for the gathering of data necessary to meet the requirements, we have walked a long road that provided us with tools for learning out of our organization from the sustainability perspective, leaving us challenges about components constantly changing and moving to the speed of our originators, investors, employees and the other actors that make our company's continuity possible. We are sure that each Sustainability Reports extensively collects the advances of Titularizadora Colombiana and that our commitment to sustainability will enable us to gradually develop every aspect proposed by the standard.

The information recorded herein was prepared with the cooperation of each area director who provided the necessary and sufficient data for building an initial approach to the sustainability report requirements, the president's assistant and analysts who consolidated the information.



## Dimensions of Sustainability

- Training to borrowers



Source: Titularizadora Colombiana

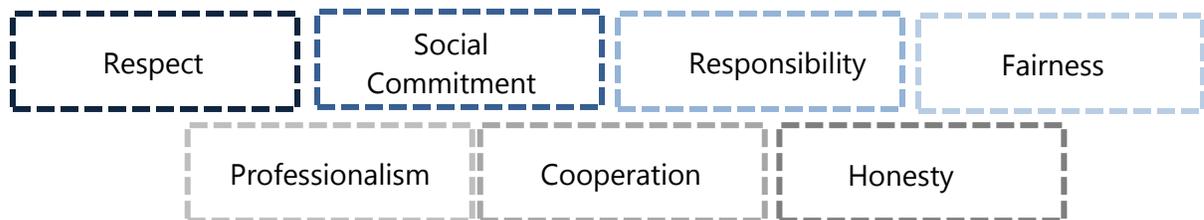


## ETHICS AND INTEGRITY

### 102-16 Values, principles, standards and norms of conduct

#### Our Values

The operation of Titularizadora Colombiana is interlocked by the corporate values defined by relationships with our stakeholder groups and which have allowed us to stand out not only because of our know how of our operations but also for the transparency and dedication in their performance. In 2019, we conducted activities aimed to strengthen the mutual commitment meant by belonging to Titularizadora Colombiana and the great commitment we have to our company, the collaborators and all those related to our operations.



### 102-17 Mechanisms for Advisory and ethical concerns

N/A

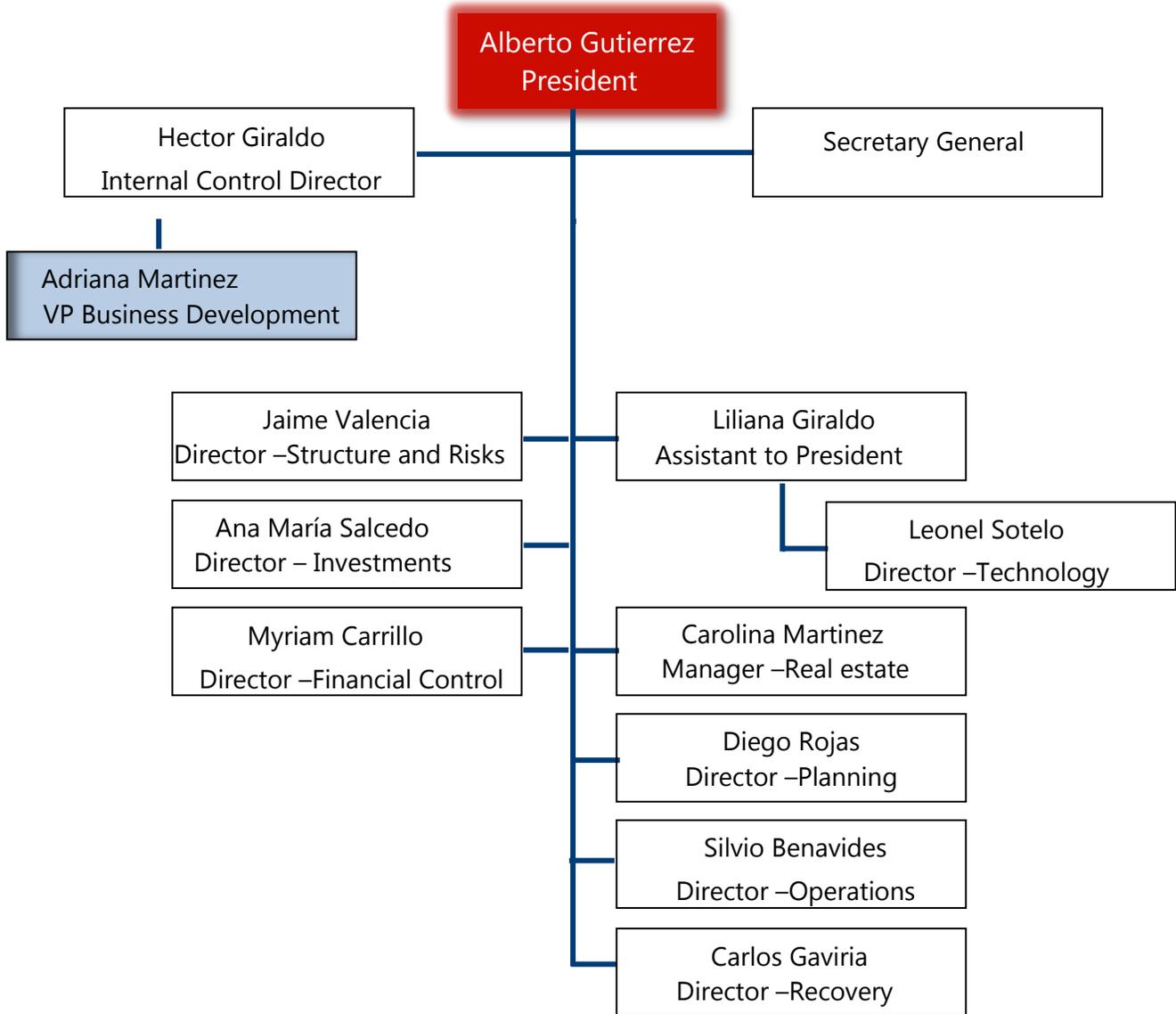
## GOVERNANCE

### 102-18 Governance Structure

Titularizadora Colombiana is staffed with highly specialized professionals, with the firm purpose of making of the mortgage loan securitization the main source of financing homeownership.

All the areas in the company are led by professionals widely experienced in the financing industry. The company works upon strict efficiency principles, supported by a leading-edge technology platform.

Excellence and high ethical standards are the main foundation of the performance of a team that wishes to contribute to improving living conditions in Colombia.



Source: Titularizadora Colombiana



| <b>KEY TOPICS</b>   | <b>VALUATION</b> |
|---|------------------|
| <b>102-19</b> Delegating authority  | N/A              |
| <b>102-20</b> Executive level responsibility for economic, environmental and social topics      | N/A              |
| <b>102-21</b> Consultation with stakeholder groups on economic, environmental and social topics | N/A              |

## **102-22 Composition of the highest governance body and its committees**

### **Corporate Governance**

In the 18 years the organization has been active, the quality of processes, operations, information and methodologies has been of the utmost priority not only for the Directors and senior management but also for all the members of Titularizadora Colombiana, which they have wished to transmit to all the stakeholders through the creation of Corporate Governance elements that endorse the company values and principles.

In 2019, no change was made to the Corporate Governance of Titularizadora Colombiana that could entail the alteration in the composition of their committees or the addition of another one with functions not included in the description below.

Source: Titularizadora Colombiana





## **Board of Directors' Support Committees**

### **Audit Committee**

Comprised of three (3) members of the Board of Directors, assisted by the Company's President, the Internal Control Director and the Statutory Auditor. Its main task is to monitor Titularizadora's internal control system procedures ensuring that they take into account all the risks arising from the operation of each process, and to safeguard the integrity, reliability, and transparency of the financial information prepared by the company, and the appropriate disclosure of such information according to the applicable laws and regulations. The committee operation is governed by the applicable regulations and by its Internal Rules which provide the committee's objectives, tasks and responsibilities.

### **Investment Committee**

Comprised of two (3) members of the Board of Directors, the Company's President and the Finance Vice President, the Investment Committee's main functions are to supervise the compliance with the policies on management and administration of the company's liquid assets and to define portfolio investment policies and risk coverage strategies, trading, and general outline on the investments for treasury operations and counterparty limits, in accordance with the company's risk assessment criteria.

### **Appointment, Compensation and Ethics Committee**

The Appointment, Compensation and Ethics Committee is comprised of the Company's President and two (2) members of the Board of Directors. Their primary functions are: (i) state the criteria and propose and review the compensation for the Board of Directors, Senior Management and the Company; (ii) check the assessment of Board, Senior Management, and nominees to Board's Secretary and Senior Management as per the request of the Board of Directors and provide the corresponding recommendations; and (iii) make recommendations about any complaint situation.

### **Corporate Governance Committee**

The Corporate Governance Committee is comprised of the Company's President and two (2) members of the Board of Directors. Main functions include: (i) assist the Board of Directors in overseeing the compliance with and implementation of the general corporate governance standards and (ii) prepare the annual report on corporate governance to be submitted to the Board of Directors for consideration.

### **Real Estate Committee**

The Real Estate Committee is comprised of three (3) Directors and the Company's President. Its main purpose is supporting the Board in the analysis of the real estate businesses to be submitted to the Board of Directors for consideration for approval.



## Asset and Liability Management Committee (ALCO)

Comprised of the Company President, Secretary General, Structure and Risk Director and Investment Director. Its main tasks include: (i) assess and establish the risk tolerance level of the Company; (ii) analyze and report on the interest rate, currency, mismatch, and basis risks; (iii) consider the strategies and actions to be taken toward the achievement of the financial and business goals established by the Company; and (iv) set the price for mortgage loan purchase and guarantee granting. All the decisions made at this committee will be recorded on a special book of minutes of the meetings to be established for such purpose.

## Operations Committee

Comprised of the Company President, Business Development VP, SARO Official and Internal Control Director, the SARO Committee main function is following up and monitoring the operating risk management system (SARO in Spanish), supervising the proper application of operational policies, issuing an opinion about the reports submitted by the Operational Risk Official and analyzing the implementation of SARO phases and performance of SARO elements.

| <b>KEY TOPICS</b>  | <b>VALUATION</b>   |
|--|--|
| <b>102- 23</b> Chair of the highest governance body                    | Efrain Forero – Banco Davivienda President   |
| <b>102 -24</b> Nomination and selection of the highest governance body | The election of members of the top governance body of the Company is carried out by the General Shareholders Meeting of Titularizadora in accordance with the majority set forth in the Articles of Association of the Company. Nevertheless, before reaching this instance there is a very active and important activity of the Appointments, Compensation and Ethics Committee which is in charge of the assessment of nominees to verify confirm that the nominees have not fallen within any grounds for disqualification and/or incompatibility and that the criteria set forth in the succession policy of the Board of Directors are met. |



|   |  |
|---|--|
|   | In addition, we must specify that all the members of the Board of Directors are independent under Law 964 of 2005 §44 and article 2.15 of the Corporate Governance Code.   |
| <b>102-25</b> Conflicts of interest   | Titularizadora Corporate Governance Code establishes specific procedures that must be followed at the time conflicts of interest arise. Furthermore, this Code provides a specific definition of what must be understood as a situation of conflicts of interest.        |
| <b>102-26</b> Role of the highest governance body in setting purpose, values and strategy | On an annual basis, the Company President and the Board of Directors Chair jointly prepare a document whereby they set an annual work plan for the Board of Directors, which includes the main topics to be addressed at the meetings and the objectives of the Company. |
| <b>102-27</b> Collective knowledge of the highest governance body                         | ND   |
| <b>102-28</b> Evaluation of the highest governance body's performance                     | Once a year the Board of Directors carries out an evaluation of their collective activities as a decision-making body in accord with the mechanism determined for such purpose, which may range between the self-assessment and an external advisor assessment.          |
| <b>102-29</b> Identification and management of economic, environmental and social impacts | ND   |
| <b>102-30</b> Effectiveness of risk management processes                                  | ND   |
| <b>102-31</b> Assessment of economic, environmental and social topics                     | ND   |
| <b>102-32</b> Role of the highest governance body in sustainability reporting             | The Board of Directors does not take part in the preparation of the sustainability report of the company.  |
| <b>102-33</b> Communication of critical concerns  | ND   |
| <b>102-34</b> Nature and total number of critical concerns                                | No critical concerns arose which needed to be presented to the highest governance body   |



## **102-35 Remuneration policies /102-36 Process for determination of remuneration**

Titularizadora Colombiana has an Appointments, Compensation and Ethics Committee which according to the provisions of article 2.1.3.3. of the Corporate Governance Code has functions that include amongst others the indication of parameters, the proposal and review of the remuneration for members of the Board of Directors and Senior Management.

## **102-37 Stakeholder groups' involvement in remuneration**

There is no involvement of stakeholder groups in the determination of remuneration policy

## **102-38 Annual total compensation ratio**

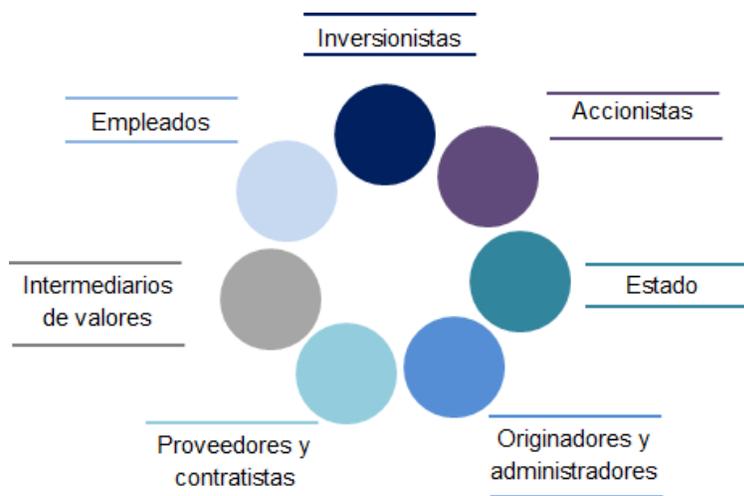
ND

## **102-39 Percentage increase in annual total compensation ratio**

ND

## **PARTICIPATION OF STAKEHOLDER GROUPS**

### **102-40 List of Stakeholder Groups**



### **102-41 Collective Bargaining Agreements**

No employees of Titularizadora Colombiana are under any collective bargaining agreement.



## 102-42 Identifying and Selecting Stakeholder Groups

| <b>Stakeholder Group</b>         | <b>Description</b>   | <b>Composition</b>  |
|----------------------------------|--|---|
| <b>Investors</b>                 | Individuals or legal entities that purchase the securities resulting from securitization processes.                  | <ul style="list-style-type: none"> <li>• Pension Funds</li> <li>• Credit Institutions</li> <li>• Insurers and savings capitalization banks</li> <li>• Other Institutional Investors</li> <li>• Individuals and Clients</li> </ul>                               |
| <b>Shareholders</b>              | Entities that own shares in and to the capital of the Company.   | <ul style="list-style-type: none"> <li>• Bancolombia</li> <li>• Banco Davivienda</li> <li>• Banco Caja Social</li> <li>• AV Villas</li> <li>• Banco Colpatría</li> <li>• Compañía Inversora Colmena S.A.</li> <li>• Compañía de Seguros Bolívar S.A.</li> </ul> |
| <b>State</b>                     | Government entities and Supervisory, regulatory and control bodies   | <ul style="list-style-type: none"> <li>• Finance Superintendence</li> <li>• Ministry of Housing</li> <li>• Other State entities</li> </ul>  |
| <b>Originators and Servicers</b> | Establishments that originate and/or service the financial obligations or other assets of the securitization process | <ul style="list-style-type: none"> <li>• Financial institutions</li> <li>• Non-banking originators</li> <li>• Other financial institutions</li> </ul>   |
| <b>Suppliers and contractors</b> | A person or organization who provides a good or services for the Company operation and business                      | <ul style="list-style-type: none"> <li>• External consultants</li> <li>• Other suppliers of goods</li> <li>• Other suppliers of services</li> </ul>   |
| <b>Stock intermediaries</b>      | Entities dedicated to the brokerage of stock and other stock intermediary activities                                 | <ul style="list-style-type: none"> <li>• Finance Stockbrokers</li> <li>• Other Stock intermediaries</li> </ul>  |
| <b>Employees</b>                 | People with a job relationship with the Company with a commitment to quality and values                              | <ul style="list-style-type: none"> <li>• Officers</li> <li>• Trainees</li> <li>• Interns</li> </ul>   |



For the purposes of this Sustainability Report, we have the participation of (i) Investors, (ii) Shareholders, (iii) Originators and Servicers, and (iv) Employees, due to the progress in the matter of identified key topics for which an effort to address has been made.



**102-43/102-44 Approach to stakeholder groups engagement/Key topics and concerns raised**

| Stakeholder groups               | Relevant Expectations and opinions  | Measurement methodology  |
|----------------------------------|---|--|
| <b>Investors</b>                 | Disclose timely and sufficient information for managing the investment, including financial statements have a representative, guarantee the characteristics of the securities issued and performance of payment of capital yields | <ul style="list-style-type: none"> <li>• Satisfaction survey (3 years)</li> <li>• Visits and Training</li> <li>• Via <a href="mailto:inversionistas@titularizadora.com">inversionistas@titularizadora.com</a></li> <li>• Participation in the Annual Meeting of TIN Bondholders</li> <li>• Teleconference for presentation of half-year results for TIN</li> </ul> |
| <b>Shareholders</b>              | Compliance of profitability, objectives and strategies, strategic plans, information availability   | Board of Directors, Strategic Planning committees  |
| <b>State</b>                     | Participation in forums about policy, sector committees, sector studies, information availability, financial statements, tax payment  | Attendance to forums of discussion of public policy, compliance of surveillance and control entities   |
| <b>Originators and Servicers</b> | Certification and recertification, correct and efficient reconciliation of the assets managed, effective communication, application of good practices in the sector   | Service agreements, management indicators, control schemes and committees of periodic review   |
| <b>Suppliers and contractors</b> | Legalization and full performance of the contract's conditions. Validation of requirements as to legal, tax and risk requirements (SARLAFT).  | <ul style="list-style-type: none"> <li>• Contract renewal, satisfaction assessment of the commercial relationship</li> <li>• Via Contact us at <a href="http://www.titularizadora.com">www.titularizadora.com</a></li> </ul>   |
| <b>Stock intermediaries</b>      | Efficient communication, availability of information about issues and securities, market development and greater supply of securities   | <ul style="list-style-type: none"> <li>• Periodic review of the underwriters system.</li> <li>• Satisfaction survey (3 years)</li> <li>• Via <a href="mailto:inversionistas@titularizadora.com">inversionistas@titularizadora.com</a></li> <li>• Presentation teleconference</li> </ul>  |
| <b>Employees</b>                 | Favorable working environment, salary recognition, opportunities of personal and professional growth  | Satisfaction survey  |



## Associated Stakeholder Groups

### Employees

Ending December 2019, Titularizadora Colombiana has 69 employees distributed as follows:

| Type of Employment Contract:       | Male | Female | Total Officers |
|------------------------------------|------|--------|----------------|
| Indefinite Term                    | 34   | 26     | 60             |
| Fixed Term                         | 2    | 1      | 3              |
| SENA trainee<br>University interns | 5    | 1      | 6              |
| <b>TOTAL</b>                       |      |        | <b>69</b>      |

Source: Titularizadora Colombiana

Our employees constitute the vehicle to execute the company strategy, provide the best service to our customers and investors, to perform the plans of continuous improvement and innovation which pursue maintaining the quality standards and the reduction of error margins in our daily operations. That is why we have permanent and open communication channels and we are committed to the continuous learning and training to our staff by promoting various courses and refresh seminars.

## ORGANIZATIONAL SUSTAINABILITY

The company's plan of organizational culture seeks to foster the productivity and the work-life balance within the equity and inclusion and social responsibility framework, includes the implementation since the end of 2018 and through 2019, of the **INNOVA Program "where your job and contributions become visible,"** the base of the digital transformation aimed to update and build up the productivity, the balance of personal life and work life and the innovation in the light of the new trends.

During 2019, the objective of the program foundation of the cultural transformation was to get to challenge personal and institutional paradigms, to take changing risks individually, in positions, in areas and the company in general to make the job and the contributions become visible and to enter the digital transformation era. By means of training, follow-up and the advisory of experts in agile methodologies and digital transformation, the 36 ideas proposed by the officers were designed, performed and implemented.

Aiming to contribute to the work-life balance **Innova** implemented the flexible hours, a Friday in the month with shortened hours and a 30 minute reduction in the daily work hours. In addition, a rest area was enabled with food and drink permanently available to the officers, as strategies that promoted the time management, greater commitment and



simultaneously provided to the balance between social life and work life. Jointly with the wellbeing plan, activities and benefits involving family and providing for mental and physical health constituted the strategies implemented that no doubt caused a positive impact in the culture of the organization.

## TRAINING AND TEACHING

### Annual Training Plan

In 2019 92% of the company employees attended or received training, including the financial support for programs of external training and seminars, conferences and short courses in update, deepening or informative topics. The execution of the annual plan had a total investment of **COP 116,310,383**

| Levels   | 2019 Collaborators |           | Total hours of training approximately |              |
|--|--------------------|-----------|---------------------------------------|--------------|
|  | Male               | Female    | Male                                  | Female       |
| President  | 1                  | 0         |                                       |              |
| Level 2 executives<br>(vice presidents,<br>managers or<br>directors)                   | 6                  | 5         | 341                                   | 355          |
| Level 3 and 4<br>executives (mid-level<br>management: chiefs of<br>area, coordinators) | 2                  | 1         | 129                                   | 68           |
| Professionals and<br>analysts  | 22                 | 22        | 1,489                                 | 1,391        |
| Assistants, tellers,<br>secretaries and other<br>direct collaborators                  | 1                  | 4         | 145                                   | 308          |
| <b>TOTAL</b>   | <b>32</b>          | <b>32</b> | <b>2,104</b>                          | <b>2,122</b> |

### Performance Management System

One hundred percent of the employees under indefinite term employment contract receive a quarterly assessment and a year assessment for completing and reviewing of the goals for the next evaluation period. All the employees must determine on an annual basis with their direct supervisor the goals to work on and record them on the company platform for performance management.



## Investors

Our commitment to this segment addressed in 2019 the provision of sufficient and timely information to investors for them to manage their investment and make decisions about the diverse products. In addition, being close to the market allowed us to continuously assess the needs of the diverse investor segments with the aim of structuring products that fit what they seek and improve the supply of securities to invest in.

Potential investors are identified prior to the issues by means of the analysis performed by the Area of Investments and Market Development with respect to the necessities and capacity of each investor segment. In this knowledge, the joint work with selected Underwriting Agents has been essential, for they keep an active relationship with the entities that manage investment portfolios. The information reported by the entities to the Superintendencia Financiera is evaluated on a periodic basis with the aim to identify potential investors and the evolution of their investment portfolios and to introduce them to our issues.

For each issue we meet the investors that participate, and that participation is assessed based on the existing expectations and their participation in previous issues.

Afterwards, the investors in each issue can be validated on a monthly basis by means of the Bondholders reports of Deceval (centralized depository of securities), monitoring thereby the purchase and sales of securities and each investor segment share in the various securities (TIPS, TIL, TIS, TER and TIN). This review is submitted to ALCO on a monthly basis.

Contact with investors is permanent, not only at the times the issues are traded but also throughout the year. A case by case visit has been established to the investors' Investment and Risk Areas as the best contact through which we can obtain feedback of our securities, as well as information about their requirements, interests and preferences. In addition, we run a Quality and product survey every three years in which we select Institutional Investors that took part in the issues and that have stopped participating, with the aim to get feedback about the service provided by the Investment Area, information published on the website, training sessions, amongst others. This survey also includes question about Titularizadora's securities and products aimed to learn about the investors' considerations and preferences, with the purpose of including them in the structure of the securities. Upon knowing the Investors Survey outcomes, we prepare an action plan aimed to address their comments regarding customer service and product.

Any concerns submitted by the investors are resolved mostly by phone thus providing a quick and timely response. A personal visit could be necessary, which is booked by the Analysts of the Investment Area including the support of any areas of the company that could be required to address their concerns.

The issue of TIN real estate securities, given that they are equity securities is conducted including the Annual Bondholders Meeting convened in accordance with the provisions of



the Prospectus. The ordinary Bondholders Meeting is held at least once a year. At the Ordinary Bondholders Meetings the Securitization Master Servicer submits to the Meeting for approval: (i) an annual report on the fiscal period status, (ii) a management report of the Universalidad for the previous year and (iii) the corporate governance report. The Bondholders are also presented for information purposes with the Strategic Plan and other topics relevant to the securitization process.

Correspondingly, special bondholders meetings may be held as called for by unforeseen or urgent requirements of the Universalidad, upon call by the Bondholders' Legal Representative, the Securitization Master Servicer or Bondholders representing at least 10% of the Securities total as of the date of the notice of the meeting. Notice of special meetings will be sent five (5) calendar days in advance to the meeting.

At the Bondholders' Meeting valid procedure shall take place in presence of a plural number of bondholders representing at least 51% of the outstanding Securities as of the date of the meeting. The resolutions shall be passed by half plus one of the votes in favor by Bondholders present at the meeting. In the case of decisions established in the Program Prospectus a special majority of 80% of the total outstanding securities is required.

Investors relationship management is also supported by the Issuers IR Recognition granted by the Colombian Stock Exchange BVC since 2013, which certifies the adoption of best practices for information disclosure and relationship with investors. During 2019 the company obtained the recertification from the BVC upon compliance with the criteria determined in the Recognition, the main aspects of which are:

- ◆ Disclose information in addition to the information normally demanded, in English and in Spanish on the website, and keep it up to date.
- ◆ Publish the financial statements (balance sheet and income statement) and the information about issues in a periodic manner.
- ◆ Provide a representative who addresses the inquiries from investors, both in Spanish and in English.

The adoption of the best practices in the matter of information and relationship with investors has enabled our investors to have sufficient and timely data available at the time they make investment decisions and contributes to improve the capital markets standards in Colombia.

In summary, the activities with investors in 2019 was oriented to the sale of the issues: TIPS Pesos N-18 (April), TIPS Pesos N-19 (May), TIPS U-4 (August), TIV V1 (September) and TIPS Pesos N-20 (October). The marketing of TIL Pesos L-4 Issue and TIN Tranche 2 were also conducted in October, November and December, which were issued in 2020. The outreach and marketing strategy were carried out by participating in print media of wide circulation, social networks and the sponsoring of specialized events and conferences with a high participation of the target segments of investors.



## Shareholders

Our 2019 commitment to shareholders aimed the timely delivery of information as requested, with the highest possible precision, accuracy and validity for processing the making of decisions. Furthermore, during the previous year we gave priority to the results that shareholders expected as to financial indicators and budget implementation where permanent monitoring of the financial headings of the company turned to be essential to achieving the proposed goals, a follow-up that allowed us to exceed the budget fulfillment and thereby the shareholders' expectations.

|                                 | 2019<br>Implementation | 2019<br>Budget |
|---------------------------------|------------------------|----------------|
| Monetary income                 | 7,596                  | 6,763          |
| Operating income                | 26,243                 | 26,744         |
| Other Income                    | 5,342                  | 4,104          |
| <b>Total Income</b>             | <b>39,181</b>          | <b>37,611</b>  |
| <b>Total Operating Expenses</b> | <b>17,044</b>          | <b>16,345</b>  |
| <b>Profit Before Taxes</b>      | <b>22,130</b>          | <b>21,267</b>  |
| Income Tax                      | 7,520                  | 6,705          |
| <b>Fiscal Period Net Profit</b> | <b>14,610</b>          | <b>14,561</b>  |

Source: Titularizadora Colombiana

Furthermore, in 2019 we approached other markets sensible to products such as the securitization and achieved major progress in:

### Dominican Republic:



In 2019, the approvals required to conduct the first mortgage-backed issue in the Dominican Republic were processed and obtained, in which two local financial institutions are participating by mortgage loan sales, *Banco Hipotecario Dominicano – BHD Leon* and the *Asociación Nacional de Ahorros y Préstamos- ALNAP* which have been certified as originators and servicers of securitized mortgage loans and will be carrying out the master servicing with Titularizadora Dominicana S.A. using the HITOS Software. As of the closing of December 2019, Titularizadora Colombiana S.A. remains a shareholder of this company in the Dominican Republic.

## Originators and Servicers

With respect to the Originators and Servicers, improvements were achieved as to efficiency by reducing times and resources in prefeasibility assessment, extending thereby the number of entities studied and accepted for new securitizations. The company conducted accompaniment in technological core change projects for credit products, which optimized the reporting and control schemes for investors. In general, the performance evaluation of



bank and non-banking servicers remain the same as in 2018.

## **REPORTING PRACTICES**

### **102-45 Entities included in the consolidated financial statements**

The results of Titularizadora Colombiana were reported in 2019. The entities named in the financial statements of 2019 were (i) Titularizadora Colombiana and (ii) Titularizadora Dominicana as a shareholder and interest party to the securitization conduit in the Dominican Republic. Ending December 2019, we have reported COP 1.541 billion for consultancy and services provided in connection with the arrangements and preparation of the first issue for 2020.

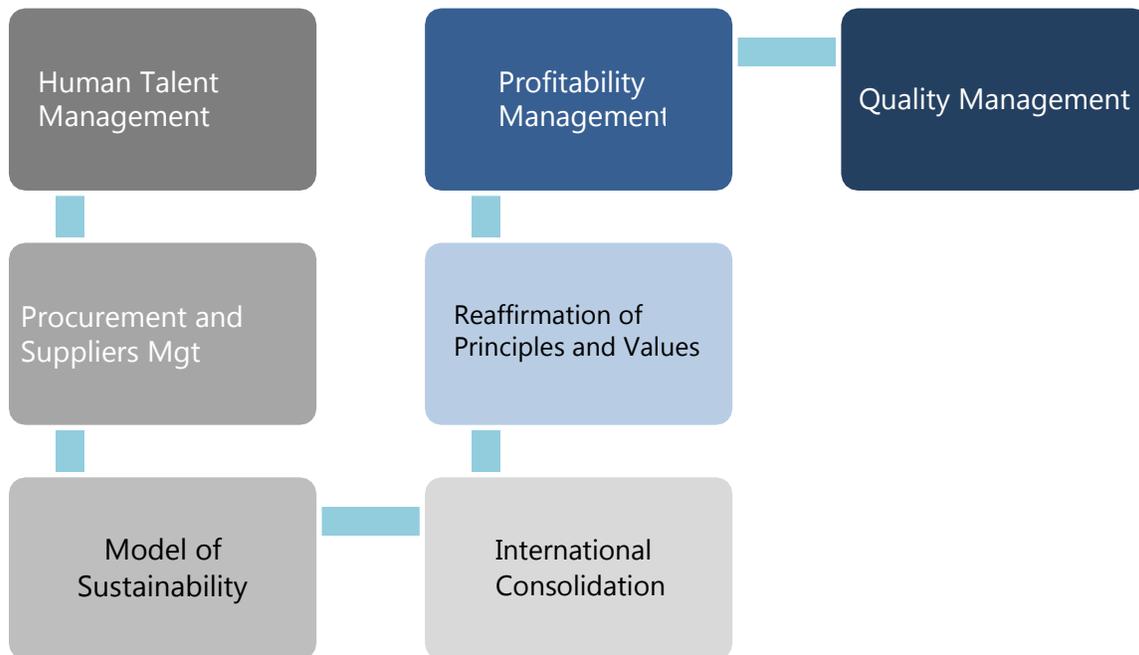
### **102-46 Definition of report content and topic boundaries**

The core report content resulted from the determination and management of stakeholder groups in 2017, which impacted or were impacted considerably by the operation of Titularizadora Colombiana.

- ◆ Definition of stakeholder groups: description and composition
- ◆ Definition of expectations and relevant opinions: measurement methodologies
- ◆ Estimation of available information and strategies for securing unavailable data
- ◆ Evaluation of available information
- ◆ Definition of material topics
- ◆ Allocation of material topics per responsible area
- ◆ Management of material topics
- ◆ Presentation of conclusions and progress
- ◆ Preparation of the Sustainability Report



## **102-47 List of material topics**



## **102-48 Restatements of Information**

The information contained in this report has not been subject to change because of the restatement thereof.

## **102-49 Changes in reporting**

No significant changes have occurred with respect to the periods subject to previous reports in the list of material topics and boundaries of topics.

## **102-50 Reporting period**

The information supplied in this report corresponds to the period between January and December of 2019.

## **102-51 Date of most recent report**

March 2019 including information for the period between January and December 2018.

## **102-52 Reporting cycle**

Annual



## **102-53 Contact point for questions regarding the report**

Liliana Giraldo / President's Assistant / [lgiraldo@titularizadora.com](mailto:lgiraldo@titularizadora.com)

Diego Rojas / Planning Director / [drojas@titularizadora.com](mailto:drojas@titularizadora.com)

Laura Polanía / Financial Analyst / [lpolania@titularizadora.com](mailto:lpolania@titularizadora.com)

## **102-54 Statement of reporting in accordance with the GRI Standards**

*"This report has been prepared in accordance with the GRI Standards – Core Option."*

## **MANAGEMENT APPROACH**

### **103-1 Explanation of the material topic and its boundary**

|   |   |
|---|---|
| <p><b>Human Talent Management</b></p>                 | <p>Human resources are the foundation and priority to the specificity of the operation conducted by Titularizadora Colombiana. The surroundings observation and evaluation translated into training and updates turns into the foundation for the management of new products and business segments.</p>                                   |
| <p><b>Management of Procurement and Suppliers</b></p> | <p>Supplier and procurement management is intended to be aligned with the ISO 9001 standard scope on quality in order to build on the applicable requirements of the standard.</p>  |
| <p><b>Sustainability Model</b></p>                    | <p>Titularizadora Colombiana started the process of inclusion of sustainability topics in the committees suggested by Asobancaria, for which purpose the internal management of a sustainability model is indispensable, to be shared and supported by all the company to achieve the best practices from our operation and industry.</p> |
| <p><b>Profitability Management</b></p>                | <p>Fulfillment of the expectations regarding business, budgets, and financial commitments taken on during the fiscal year. Evaluation and observation of the market dynamics for business alternative proposals aligned with the industry requirements and the economic times.</p>  |



|   |   |
|---|---|
| <b>Reaffirmation of Principles and Values</b> | A material subject for Titularizadora Colombiana will always be the reaffirmation of principles and values that define as an entity our actions and renowned standing in the financial sector.  |
| <b>International Consolidation</b>            | A strategic priority of the company is the expansion of markets where securitization is still in incipient development phases, which has led to the incursion in Central American markets.  |
| <b>Quality Management</b>                     | In adhering to the ISO 9001 quality standard we accepted the permanent commitment to improvement of processes and operations in such a way that we guarantee the transparency, accuracy and validity of the information to our customers; thereby, quality management has become a focal point for business sustainability. |



## 103-2 The management approach and its components

### HUMAN TALENT MANAGEMENT

|  |   |
|--|---|
| <u>Management</u>                        | Organizational atmosphere survey – Committee of Wellbeing   |
| <u>Purpose</u>                           | Potentiate positive impacts of the human talent management in the Company   |
| <u>Policies</u>                          |   |
| <u>Commitments</u>                       | Initiatives of the organization for continuous improvement of the quality in the working environment, relationship with employees and salary policy |
| <u>Objectives and Goals</u>              | Annual fulfillment after conducting the survey  |
| <u>Responsibilities</u>                  | President’s Assistant – HR Analyst  |
| <u>Resources</u>                         | Human – Technological   |
| <u>Complaint and/or claim mechanisms</u> | Provide continuity to the communication channels with management and those responsible for the business   |
| <u>Actions</u>                           | Prioritized according to resource availability and impact on the operation.   |

### PROCUREMENT AND PROVIDER MANAGEMENT

|  |   |
|--|---|
| <u>Management</u>                        | Manual of provider selection – ALCO Committee – Officials with powers – General Secretariat – Director of Technology  |
| <u>Purpose</u>                           | Avoid or mitigate negative risks on procurement and provider management   |
| <u>Policies</u>                          | Manual of provider selection – ALCO Committee – Officials with powers – General Secretariat – Director of Technology. <a href="#">Last Update: 11/11/2016</a> |
| <u>Commitments</u>                       | Compliant with ISO 9001   |
| <u>Objectives and Goals</u>              | Annual fulfillment after conducting the evaluation of the quality manager   |
| <u>Responsibilities</u>                  | President’s Assistant – Administrative Assistant – Analyst of Projects and Processes  |
| <u>Resources</u>                         | Human– Technological- Financial   |
| <u>Complaint and/or claim mechanisms</u> | Publication of and compliance with the  |



|                |                                       |
|----------------|---------------------------------------|
|                | manual                                |
| <u>Actions</u> | Closing the gaps found in the process |

## SUSTAINABILITY MODEL

|  |  |
|--|--|
| <u>Management</u>                        | Sustainability Report – Improvement campaigns  |
| <u>Purpose</u>                           | Potentiate positive impacts of the application of GRI standards in the organization  |
| <u>Policies</u>                          | Aligning with issuers renowned in the stock exchange and Asobancaria   |
| <u>Commitments</u>                       | Compliance with GRI Standard   |
| <u>Objectives and Goals</u>              | Annual improvement in submitting the sustainability report by adjusting the information by means of the development of the notion in the organization. |
| <u>Responsibilities</u>                  | President’s Assistant  |
| <u>Resources</u>                         | Human  |
| <u>Complaint and/or claim mechanisms</u> | Publication of and compliance with the manual  |
| <u>Actions</u>                           | Socialization of the sustainability report, continuous improvement in the impact of processes on the organization, awareness campaigns.                |

## PROFITABILITY MANAGEMENT

|  |  |
|--|--|
| <u>Management</u>                        | Monthly meeting of the board of directors – Follow-up to figures vs. budget – Executive Committee – Business Committee – Investors Committee         |
| <u>Purpose</u>                           | Potentiate positive impacts and mitigate negative impacts related to the strategic management of the company.  |
| <u>Policies</u>                          | Board of Directors   |
| <u>Commitments</u>                       | Honoring agreements and commitments acquired with shareholders.  |
| <u>Objectives and Goals</u>              | Monthly follow-up to financial results of the company taking actions aimed to align the results with the annual commitments made to the shareholders |
| <u>Responsibilities</u>                  | Executive Committee – President’s Office   |
| <u>Resources</u>                         | Human – Financial  |
| <u>Complaint and/or claim mechanisms</u> | Board of Directors – Strategic Planning sessions   |



|                |   |
|----------------|---|
| <u>Actions</u> | Short-, mid- and long-term depending on the impact of the strategy to be implemented. |
|----------------|---|

## REAFFIRMATION OF PRINCIPLES AND VALUES

|  |  |
|--|--|
| <u>Management</u>                        | Internal work rules  |
| <u>Purpose</u>                           | Maintain the work relationships and the job environment  |
| <u>Policies</u>                          | Executive Committee – President’s Office – Assistant to President – Wellbeing Committee – Workplace Harassment Committee             |
| <u>Commitments</u>                       | Compliance with the directive, continuous improvement of labor relationships   |
| <u>Objectives and Goals</u>              | Maintaining labor relationships annual commitments made to the shareholders  |
| <u>Responsibilities</u>                  | Executive Committee – President’s Office   |
| <u>Resources</u>                         | Human – Financial  |
| <u>Complaint and/or claim mechanisms</u> | Transparency Channel – Wellbeing Committee – Workplace Harassment Committee – COPASST (Joint Committee of Health and Safety at Work) |
| <u>Actions</u>                           | Short- mid-term to avoid or mitigate the negative impacts associated with this topic   |

## INTERNATIONAL CONSOLIDATION

|  |  |
|--|--|
| <u>Management</u>                        | Monthly meeting of the Board of Directors – Executive Committee  |
| <u>Purpose</u>                           | Potentialize the market opportunities at other scenarios where securitization would result in an attractive product to the economy |
| <u>Policies</u>                          | Executive Committee – President’s Office – Board of Directors  |
| <u>Commitments</u>                       | Business Strategy – Prefeasibility Evaluation – Issues   |
| <u>Objectives and Goals</u>              | Development of securitization in potential markets   |
| <u>Responsibilities</u>                  | Executive Committee – President’s Office   |
| <u>Resources</u>                         | Human – Financial  |
| <u>Complaint and/or claim mechanisms</u> | Executive Committee  |
| <u>Actions</u>                           | Mid- and long-term to take advantage of the undeveloped market opportunities of securitization                                     |

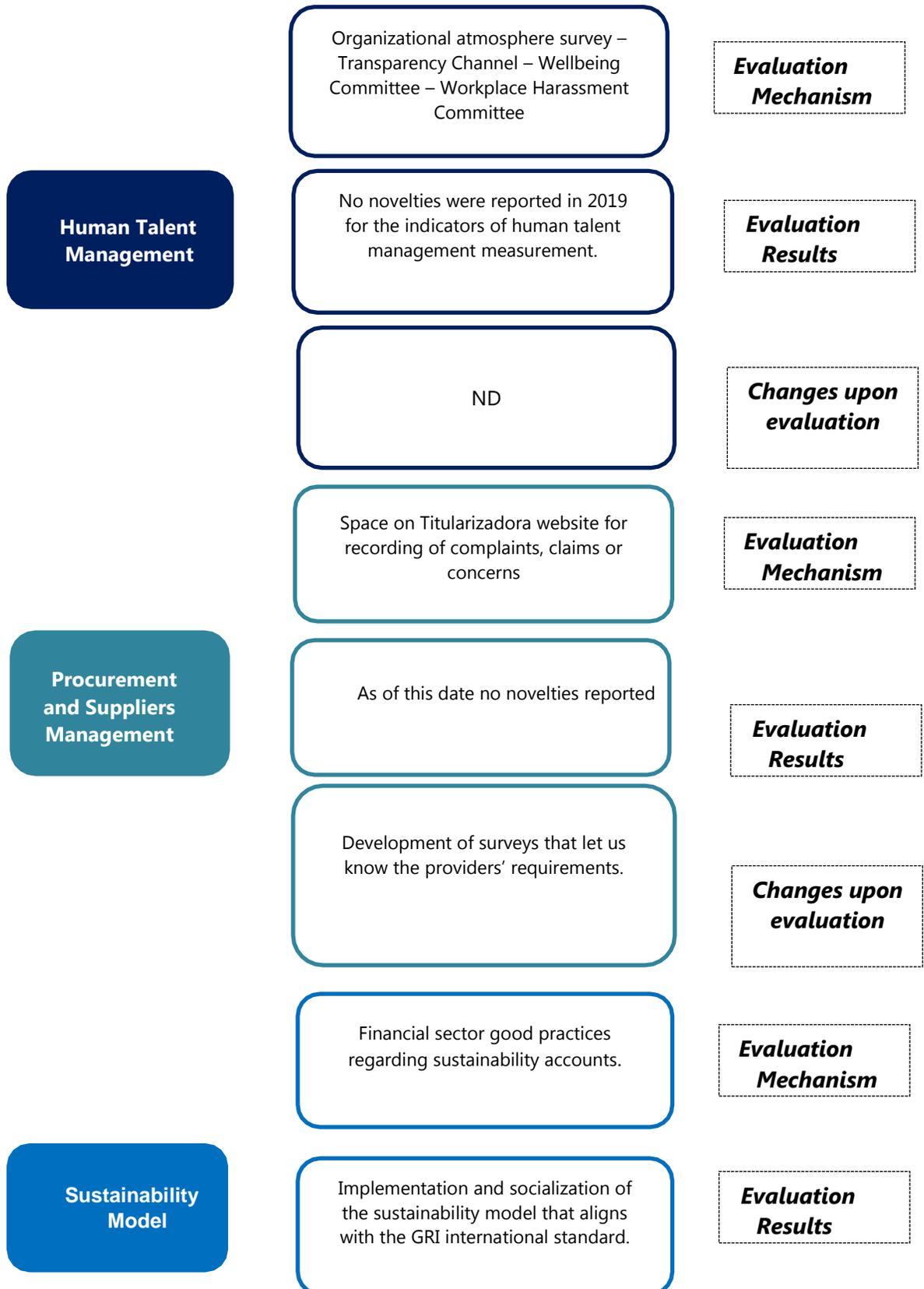


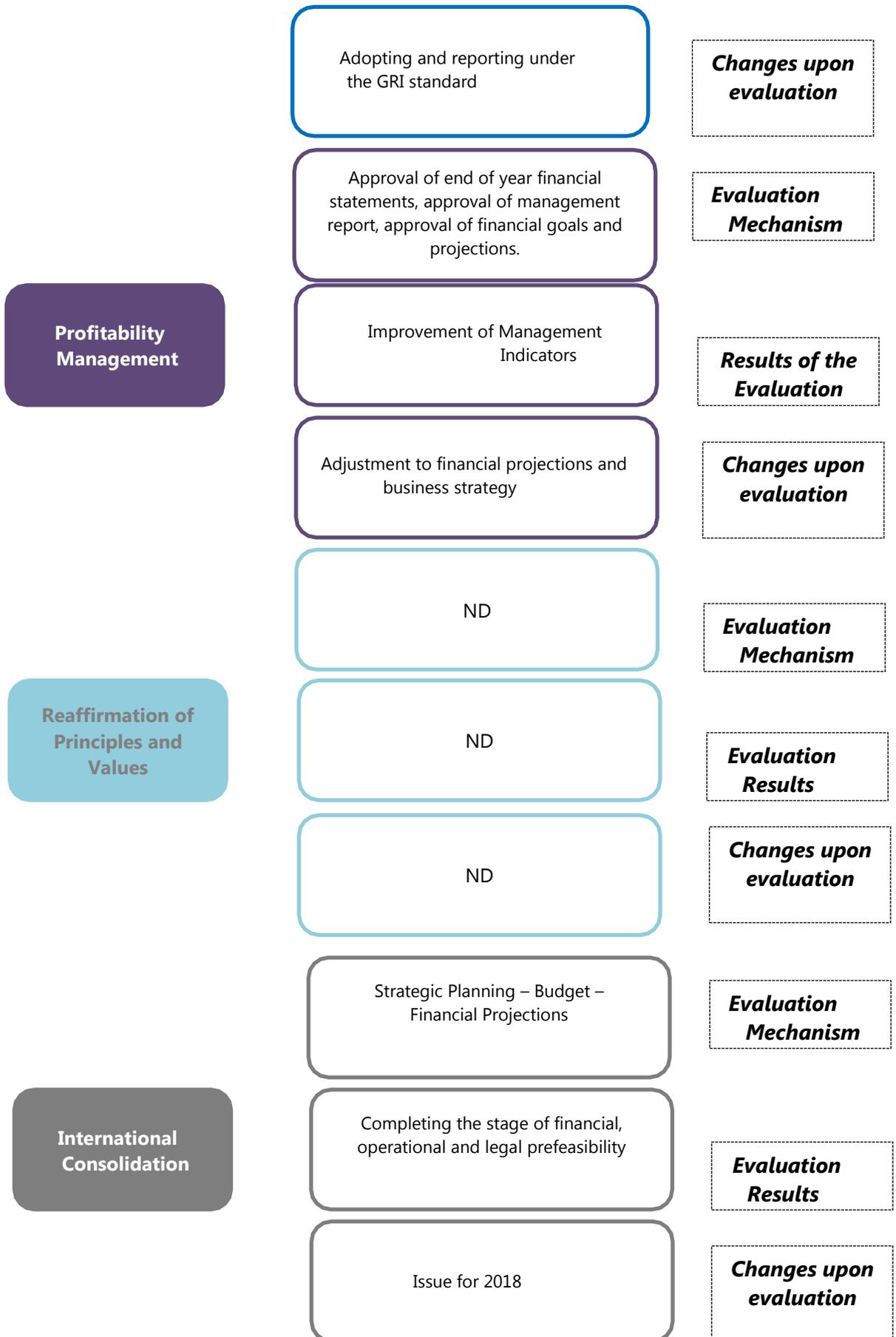
## QUALITY MANAGEMENT

| <u>Management</u>                        | Quality Committee   |
|--|---|
| <u>Purpose</u>                           | Align and update the requirements of ISO 9001:2015 quality standard   |
| <u>Policies</u>                          | Quality Committee   |
| <u>Commitments</u>                       | Improvement of processes and operations – Aligning with the standard  |
| <u>Objectives and Goals</u>              | Update the requirements asked for by the standard – Align processes and procedures to the standard – Close the gaps specified by audit in each period |
| <u>Responsibilities</u>                  | Quality Committee – President's Office  |
| <u>Resources</u>                         | Human   |
| <u>Complaint and/or claim mechanisms</u> | Quality Committee   |
| <u>Actions</u>                           | Close the gaps and still non-conforming processes in the short and middle terms   |



## 103-3 Evaluation of the management approach







## ECONOMIC STANDARDS

### 201-1 Direct economic value generated and distributed

### 201-2 Financial implications and other risks and opportunities due to climate change

Titularizadora Colombiana has not detected any risk or opportunity arising from the climate change; due to the operation conducted directly by the company, no direct impact is evidenced beyond what is derived from the operation of loan originators who are the asset servicers.

### 201-3 Defined benefit plan obligations and other retirement plans

Titularizadora Colombiana has no pension plans or programs that consider any retirement events for employees that back the planning process upon the end of their job life.

### 201-4 Financial assistance received from government

N/A

### 202-1 Ratios of standard entry level wage by gender compared to local minimum wage

### 202-2 Proportion of senior management hired from the local community

Titularizadora Colombiana's only operation consists in the activities conducted in Bogota at their premises on Carrera 9A #99-02 Office 702, defined as a significant operation. One hundred percent of the senior management hired by the company belong to the local community understood as Colombian citizens resident in the city of Bogota who meet the



features and conditions necessary for performing the roles of their job description.

## **203-1 Infrastructure investments and services supported**

During 2019 Titularizadora Colombiana did not make any investments in infrastructure of the type of transportation networks, public utilities, social facilities, etc., which have had neither a positive nor a negative impact on their stakeholder groups or that have transferred any value to the company operations

## **203-2 Significant indirect economic impacts**

N/A

## **204-1 Proportion of spending on local providers**

Ninety-nine percent of Titularizadora Colombiana providers are local and 1% foreign. In 2019 the technological platform of the company was migrated, and the provider selected is foreign.

## **ANTI-CORRUPTION**

| <b><u>KEY TOPICS</u></b>  | <b><u>VALUATION</u></b>   |
|---|---|
| <b>205-1</b> Operations assessed for risks related to corruption                      | 0   |
| <b>205-2</b> Communication and training about anti-corruption policies and procedures | Titularizadora Colombiana does not have code or policy whereby it declares its commitment to fight against corruption |
| <b>205-3</b> Confirmed incidents of corruption and actions taken                      | 0   |

## **206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices**

In 2019, Titularizadora Colombiana did not bring any legal action in connection with anti-competitive behavior and monopoly practices.

## **ENVIRONMENTAL STANDARDS**

### **301-1 Materials used by weight or volume**

Titularizadora Colombiana is a financial service company whose materials for the operation are obtained entirely of external providers under due contracts for management of the resources indispensable to the operation.

### **301-2 Recycled input materials used**



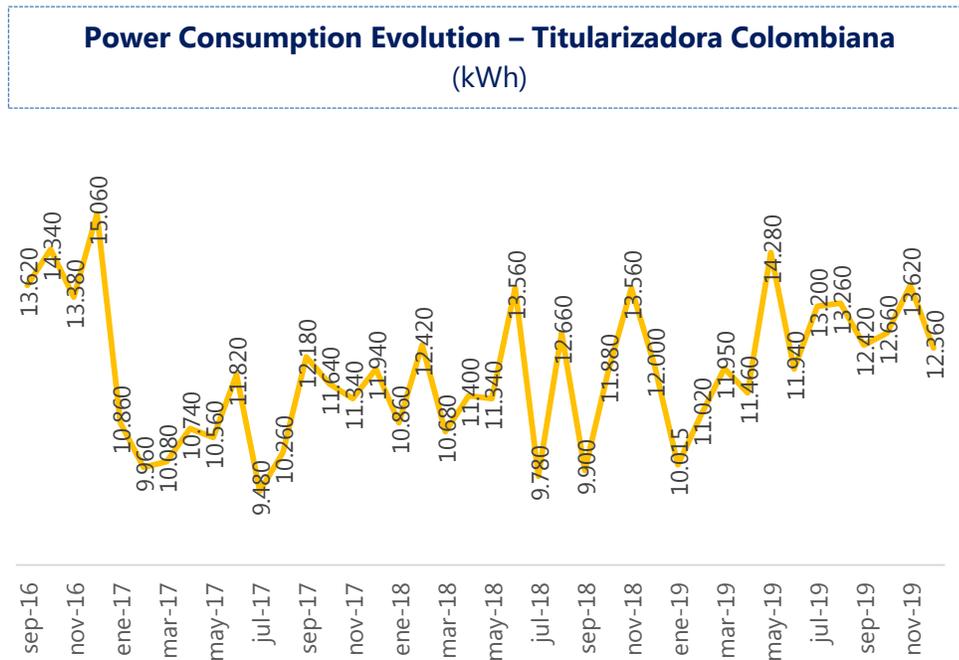
Titularizadora Colombiana is joining a permanent recycling campaign of paper and plastic product of disposed printing and plastic drink bottles. There is a clearly marked zone for disposing of these materials provided with the appropriate trash bag.

### **301-3 Reclaimed products and their packaging materials**

ND

### **POWER**

#### **302-1 Power consumption within the organization**



Source: Titularizadora Colombiana

Power consumption measured in kWh ending 2019 was 13,349, 679 kWh higher than in the same period of the previous year.

#### **302-2 Energy consumption outside of the organization**

ND

#### **302-3 Energy intensity**

ND



## **302-4 Reduction of energy consumption**

In 2019 the average consumption in kWh was 12,349 representing an average increase of 679 kWh monthly as against 2018. The increase was due to a defect in the counter which is under revision with the entity in charge.

## **302-5 Reductions in energy requirements of products and services**

The reduction in power requirements recorded in 2018 was reversed by a particular condition that presented itself in 2019 in the counter that regulates energy consumption in the company. Nevertheless, we continue our constant effort to conduct campaigns and improvements that will allow to evidence consistent results in the energy consumption.

## **WATER**

### **303-1 Water withdrawal by source**

Titularizadora Colombiana employees water sources aimed to be consumed and used in the company premises, no industrial or productive processes are conducted that could indicate a different purpose. Accordingly, no disposition of recycled or reused water is carried out.

| <b><u>KEY TOPICS</u></b>   | <b><u>VALUATION</u></b> |
|--|-------------------------|
| <b>303-2</b> Water sources significantly affected by withdrawal of water | <b>N/A</b>              |
| <b>303-3</b> Water recycled and reused                                   | <b>N/A</b>              |

With respect to water consumption, Titularizadora Colombiana premises being located at a unit in a commonhold property, there is no detail about particular water consumption, the payment for the property management includes a consumption value corresponding to each private unit according to the joint ownership ratio.

## **BIODIVERSITY**

| <b><u>KEY TOPICS</u></b>   | <b><u>VALUATION</u></b> |
|--|-------------------------|
| <b>304-1</b> Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas | <b>N/A</b>              |
| <b>304-2</b> Significant impacts of activities, products, and services on biodiversity   | <b>N/A</b>              |
| <b>304-3</b> Habitats protected or restored  | <b>N/A</b>              |



|   |     |
|---|-----|
| <b>304-4</b> IUCN Red List species and national conservation list species with habitats in areas affected by operations | N/A |
|---|-----|

## **ISSUES**

| <b><u>KEY TOPICS</u></b>   | <b><u>VALUATION</u></b> |
|--|-------------------------|
| <b>305-1</b> Direct GHG emissions  | N/A                     |
| <b>305-2</b> Energy indirect GHG emissions                                       | N/A                     |
| <b>305-3</b> Other indirect GHG emissions  | N/A                     |
| <b>305-4</b> GEI emissions intensity   | N/A                     |
| <b>305-5</b> Reduction of GEI emissions  | N/A                     |
| <b>305-6</b> Emissions of ozone-depleting substances (ODS)                       | N/A                     |
| <b>305-7</b> Nitrogen oxides, sulfur oxides, and other significant air emissions | N/A                     |

## **EFFLUENTS AND WASTE**

| <b><u>KEY TOPICS</u></b>   | <b><u>VALUATION</u></b>   |
|--|---|
| <b>306-1</b> Water discharge by quality and destination              | Water discharge corresponds to domestic water volume (used in the company premises) |
| <b>306-2</b> Waste by type and disposal method                       |   |
| <b>306-3</b> Significant spills                                      | N/A   |
| <b>306-4</b> Transport of hazardous waste                            | N/A   |
| <b>306-5</b> Water bodies affected by water discharges and/or runoff | N/A   |



## **ENVIRONMENTAL COMPLIANCE**

### **307-1 Non-compliance with environmental laws and regulations**

In 2019, Titularizadora Colombiana was not imposed any fines or penalties for failure to comply with the environmental laws and regulations.

## **ENVIRONMENTAL EVALUATION OF PROVIDERS**

### **308-1 New suppliers that were screened using environmental criteria**

Since 2018, Titularizadora Colombiana included in the provider engagement form a statement of Enterprise Sustainability to disclose the information listed below which is essential to the alignment and identification of patterns corresponding to the GRI Standard requirements regarding providers:

- ◆ My organization has in place a management system for health and safety in the workplace.
- ◆ My organization complies with the minimum payments to the social security and salaries, and does not employ any minors.
- ◆ My organization has a percentage of engagement of single mothers head of households or personnel in a situation of vulnerability (disabled, displaced, amongst others).
- ◆ My organization creates campaigns of recycling and energy and water saving.

A new vendor joined the company in 2019 to provide software and information management services from new platforms that will represent the reduction in data processing costs. For supplier relationship management purposes Titularizadora determined a space in the company website <https://www.titularizadora.com/paginas/Titularizadora/contactenos.aspx?DLpajJ8E2aTMJ9VFJE%2bdNzh97o61uB9LPH2S9wARtc%3d>. By the end of 2019 no complaints, claims or petitions were recorded from our third parties.

### **308-2 Negative environmental impacts in the supply chain and actions taken**

Ending 2019, Titularizadora Colombiana has in place environmental criteria for the selection of suppliers or the management of the associated risks, recorded on the third party engagement form which is updated on an annual basis to track our suppliers' status.



## SOCIAL STANDARDS

### EMPLOYMENT

#### 401-1 New employee hires and employee turnover Retirements



|              | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|--------------|-------------|-------------|-------------|-------------|-------------|
| Male         | 3           | 3           | 11          | 5           | 6           |
| Female       | 2           | 1           | 11          | 1           | 0           |
| <b>TOTAL</b> | <b>5</b>    | <b>4</b>    | <b>22</b>   | <b>6</b>    | <b>6</b>    |

#### New hires



|              | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|--------------|-------------|-------------|-------------|-------------|-------------|
| Male         | 4           | 5           | 6           | 4           | 2           |
| Female       | 1           | 1           | 5           | 2           | 6           |
| <b>TOTAL</b> | <b>5</b>    | <b>6</b>    | <b>11</b>   | <b>6</b>    | <b>8</b>    |

#### Turnover



|        | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|--------|-------------|-------------|-------------|-------------|-------------|
| Male   | 11%         | 11%         | 23%         | 5.9%        | 5.8%        |
| Female | 6%          | 3%          | 26%         | 5.9%        | 4.3%        |

#### 402-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees

The benefits to employees under an indefinite term employment contract are (i) life insurance, (ii) payment of 100% of leaves in the payroll, (iii) gym subsidy and (iv) subsidy of member of employee fund.

#### 401-3 Parental leave

In 2019, no collaborator went to maternal or paternal leave. The terms established by law as to the leaves are honored and supported by the company.



## **EMPLOYEE-COMPANY RELATIONS**

### **402-1 Minimum notice periods regarding operational changes**

It is worth clarifying that Titularizadora Colombiana has no unions; however, the corporate decisions and those impacting employment contracts are informed one month in advance to the employees.

## **HEALTH AND SAFETY IN THE WORKPLACE**

### **403-1 Workers representation in formal joint management-worker health and safety committees**

Titularizadora Colombiana has a workplace health and safety management system SG-SST in place since December 2015. There is a structure supporting the System. The rating of the self-evaluation carried out by the safety management entity ARL shows 94% compliance with the minimum standards established in Resolution 0312 of 2019 of the Ministry of Labor.



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Source: Titularizadora Colombiana



## General Report of System Management

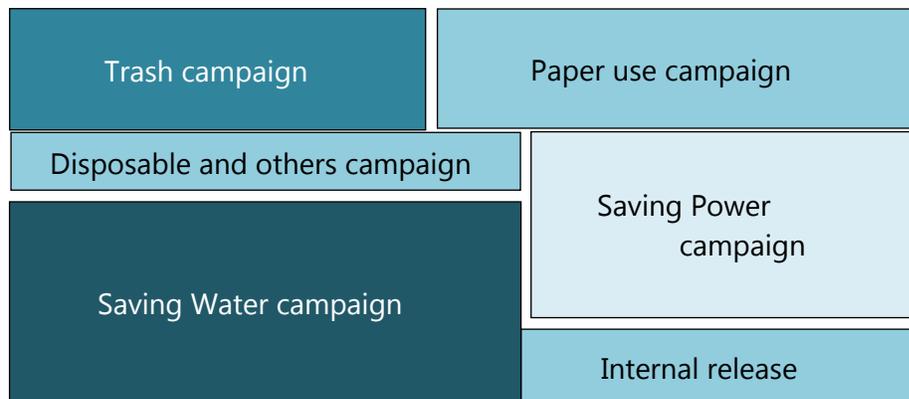
|  | Activity  | Result  |
|--|---|---|
| <b>MANAGEMENT SYSTEM FOR HEALTH AND SAFETY AT WORK</b> | Performance of the activities in the schedule of the Annual SG-SST Plan   | 89% performed   |
|  | Compliance indicator of SG-SST Program as certified by the safety management entity ARL   | 94% compliance  |
|  | External audit and certification of the workplace health and safety management system SG-SST                                    | 78 documents verified and approved. Update of policies.                 |
|  | Job related accidents and illnesses   | None recorded.  |
|  | Release of weekly and/or monthly information about prevention, topics of interest, emergencies, etc.                            | THE WHOLE COMPANY, 12 months  |
|  | Minor maintenance improvements to premises and job posts arising from the inspection conducted by the COPASST.                  | 41 repairs (electrical, cabling, cleaning, job post distribution, etc.) |
|  | Delivery of information post by post in case of earthquake. Adhesive notice placed on the base of the monitor of each computer. | THE WHOLE COMPANY   |
|  | Training in workplace health and safety management system SG-SST  | 5 members of the COPASST<br>14 of the crews.                            |
|  | Continuity of the active breaks program and the muscle-skeletal care schools (epidemic watch program)                           | 44 officers   |
|  | Purchase of new supplies to complement emergency kits, both on-site and portable  | 12 first-aid kits   |
|  | Information to all the company about incidents and job related accidents  | THE WHOLE COMPANY   |



|  |  |  |
|--|--|--|
|  | Strengthening the emergency signaling  | ALL THE PHYSICAL AREAS   |
|  | Ergonomic assessment of job posts and execution of the improvement plan                                | 18 people  |
|  | Health Week (osteomuscular specialized medical assessment, basic lab tests, audiometry, optometry)     | 91% participation  |
|  | Purchase of ergonomic items as a result of the epidemic watch program and inspections to the job posts | 20 chairs, 12 footrest, 14 monitor bases. 10 mats for active breaks. |

Source: Titularizadora Colombiana

## 2019 CAMPAIGNS

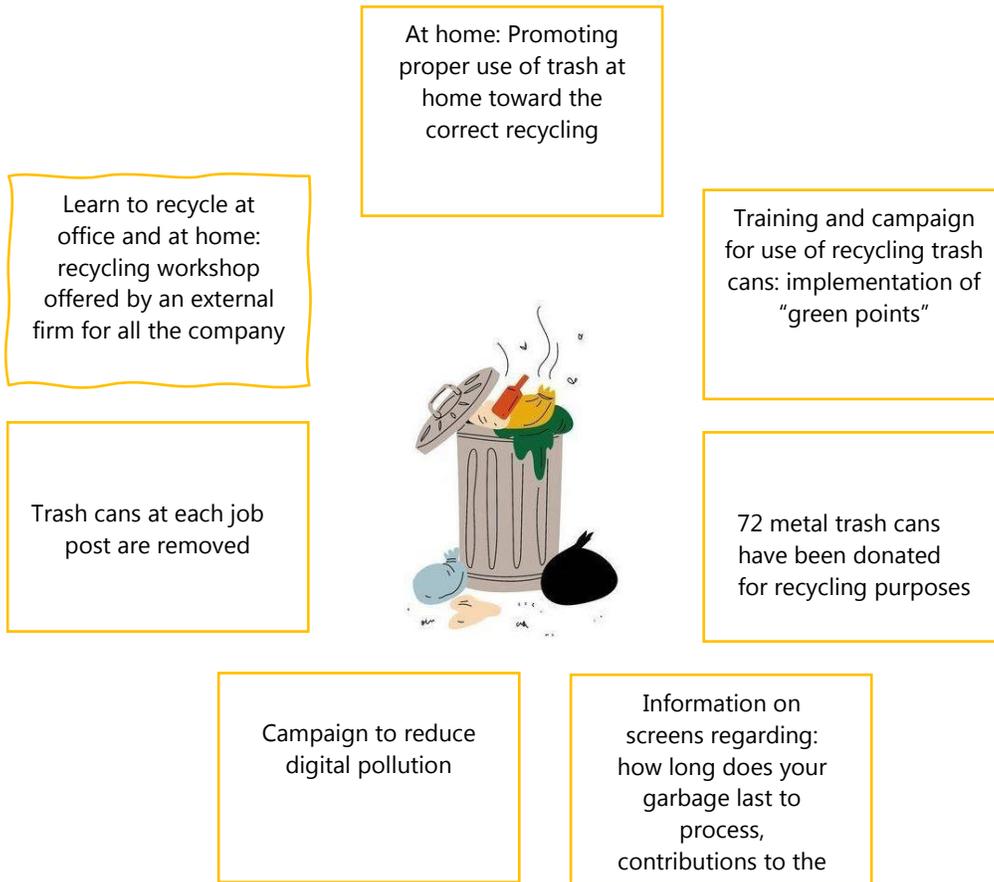


Think green campaign “Leave your footprint on the planet,” included:

Oriented to environmental sustainability, the program **“Think green: Committed to sustainability,”** was strengthened with various internal communication campaigns:



## TRASH CAMPAIGN



## PAPER USE CAMPAIGN

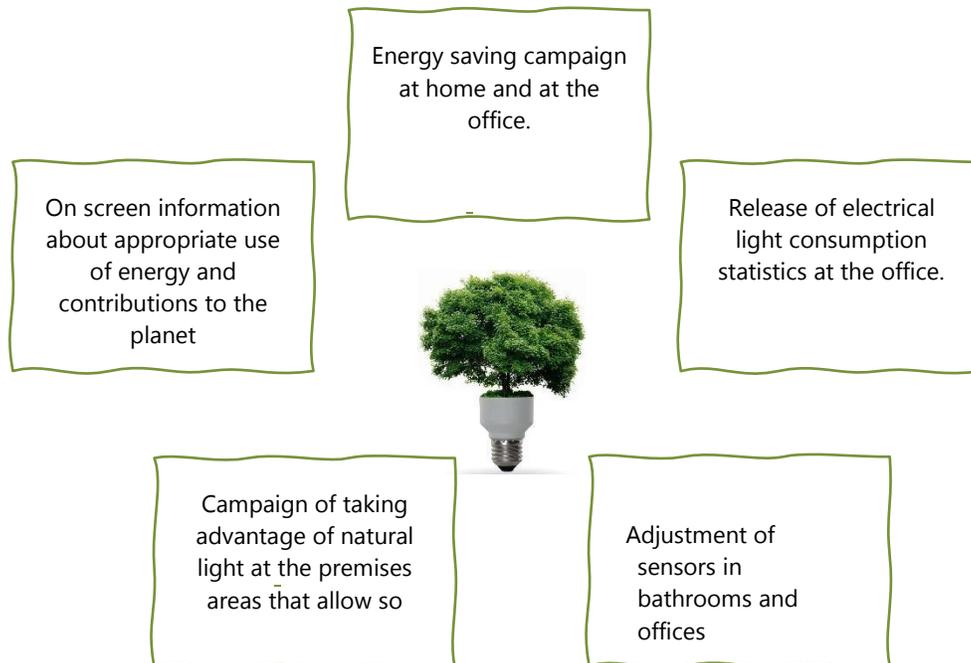




## CAMPAIGN OF DISPOSABLES AND OTHERS



## SAVING POWER CAMPAIGN

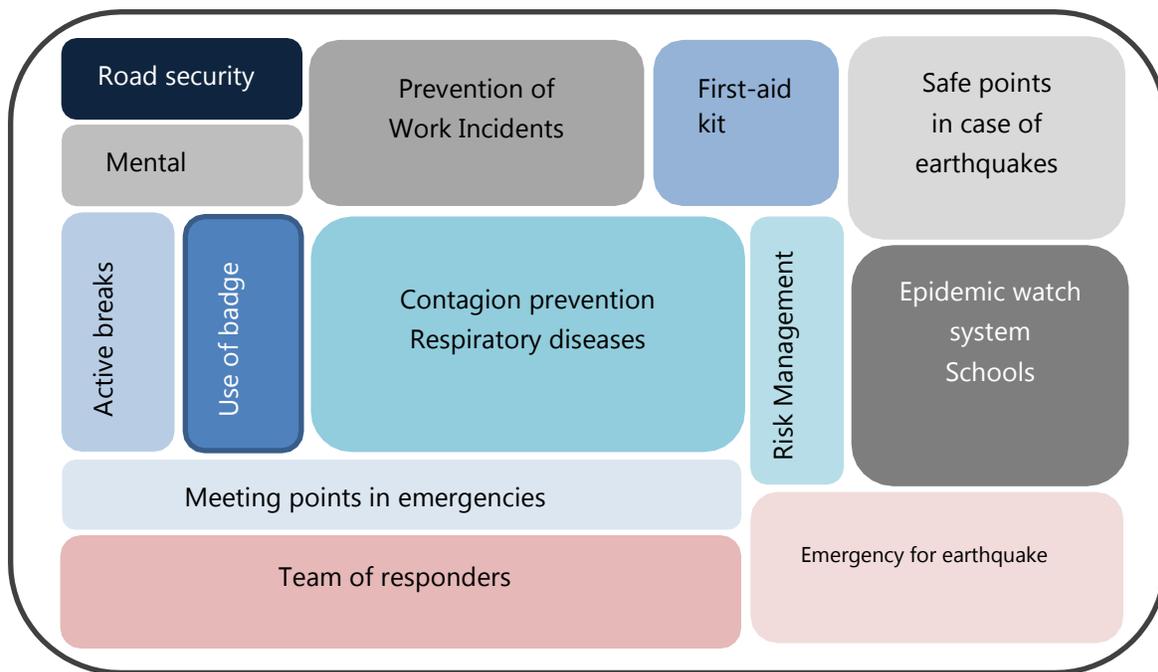




## SAVING WATER CAMPAIGN



## INTERNAL RELEASE



## TRAINING AND TEACHING

### 404-1 Average hours of training per year per employee

| <u>LEVEL</u>                            | <u>NUMBER OF EMPLOYEES</u> |
|---|----------------------------|
| President                               | 1                          |
| Vice Presidents, managers or directors  | 11                         |
| Area chiefs, coordinators               | 3                          |
| Professionals and analysts              | 44                         |
| Assistants, tellers, secretaries, other | 5                          |
| <b><u>TOTAL</u></b>                     | <b><u>64</u></b>           |



In 2019 92% of the company employees attended or received training, including the financial support for programs of external training and seminars, conferences and short courses in update, deepening or informative topics. It was not possible to total the hours because most training activities were carried out in conferences and the estimation of hours could not be verified.

#### **404-2 Programs for upgrading employee skills and transition assistance programs**

Programs implemented and assistance provided to improve employees skills lead to the management of training to provide for the requirements and necessities in education of the employees. At another level, there are no programs of continuous employability or planning prior to retirement.

#### **404-3 Percentage of employees receiving regular performance and career development reviews**

One hundred percent of the employees under indefinite term employment contract receive a quarterly assessment and a year assessment for completing and reviewing of the goals for the next evaluation period. All the employees must determine on an annual basis with their direct supervisors the goals to work on and record them on the company platform for performance management.

### **DIVERSITY AND EQUAL OPPORTUNITIES**

#### **405-1 Diversity of governance bodies and employees**

#### **405-2 Ratio of basic salary and remuneration of women to men**

New suppliers that were screened using social criteria There is not any difference in the remuneration per gender of the employee, equal and fair participation of employees is promoted, definition of personnel selection is linked to the abilities and skills of the employees.

### **NO DISCRIMINATION**

#### **406-1 Incidents of discrimination and corrective actions taken**

No discrimination cases were reported in 2019. Titularizadora has a community committee to channel all the situations relating to workplace harassment and manage the best practices for resolution of that type of conflicts.



## **FREEDOM OF ASSOCIATION AND BARGAINING AGREEMENT**

| <b><u>KEY TOPICS</u></b>  | <b><u>VALUATION</u></b> |
|---|-------------------------|
| <b>407-1</b> Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk | <b>N/A</b>              |

## **CHILD LABOR**

### **408-1 Operations and suppliers at significant risk for incidents of child labor**

There is no evidence of a significant risk of operations and vendors that use child labor to perform their activities. In fulfilling the commitment to the quality standard ISO 9001 of 2015, in 2018 Titularizadora Colombiana strengthened the selection criteria related to entering into contracts with and managing suppliers, including verification and certification of child labor handling by suppliers.

In 2020, the overall strengthening of the policies on procurement and supplier management will be continued.

## **FORCED OR COMPULSORY LABOR**

### **409-1 Operations and suppliers at significant risk of incidents of forced or compulsory labor**

There is no evidence of a significant risk of operations and vendors that use child labor to perform their activities. In fulfilling the commitment to the quality standard ISO 9001 of 2015, in 2018 Titularizadora Colombiana strengthened the selection criteria related to entering into contracts with and managing suppliers, including verification and certification of child labor handling by suppliers.

In 2020, the overall strengthening of the policies on procurement and supplier management will be continued.



|                                  |  |     |
|----------------------------------|--|-----|
| Practices on security            | 410-1 Security personnel trained in human rights policies or procedures  | N/A |
| Rights of indigenous communities | 411-1 Incidents of violations involving rights of indigenous peoples   | N/A |
| Evaluation of human rights       | 412-1 Operations that have been subject to human rights reviews or impact assessments  | N/A |
|                                  | 412-2 Employee training on human rights policies or procedures   | N/A |
|                                  | 412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening | N/A |
| Local communities                | 413-1 Operations with local community engagement, impact assessments, and development programs                                   | N/A |
| Social evaluation of suppliers   | 414-1 New suppliers that were screened using social criteria   | N/A |
|                                  | 414-2 Negative social topic impacts in the supply chain and actions taken  | N/A |
| Public Policy                    | 415-1 Political contributions to parties and/or politicians  | N/A |
| Health and safety of customers   | 416-1 Assessment of the health and safety impacts of product and service categories  | N/A |



|                           |   |      |
|---------------------------|---|------|
|                           | 416-2 Incidents of non-compliance concerning the health and safety impacts of products and services | None |
| Marketing and labeling    | 417-1 Requirements for product and service information and labeling                                 | N/A  |
|                           | 417-2 Incidents of non-compliance concerning product and service information and labeling           | None |
| Customer Privacy          | 418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data  | None |
| Socio-economic compliance | 419-1 Non-compliance with laws and regulations in the social and economic area                      | None |