2019 ANNUAL CORPORATE GOVERNANCE REPORT



Serena del Mar,
Cartagena, Colombia

IMAGINE WHAT
WE CAN BUILD TOGETHER

ARGOS

2019 ANNUAL CORPORATE GOVERNANCE REPORT

At Argos, we actively work to strengthen our practices of transparency, integrity and good governance as pillars for creating sustainable value for our stakeholders, mantain our good reputation and strengthen trust of thirds parties with whom we interact.

To foster transparency, fluidity and integrity of information, and in compliance with the provisions of our Code of Good Governance, we hereon present the Annual Corporate Governance Report of 2019.

The structure of this report complies with the recommendations of the *Codigo Pais* standars and the Global Reporting Initiative -GRI- standard in its core option, regarding corporate governance. Its purpose is to describe the way in which, during the year, the corporate governance guidelines adopted by the company were met and to describe the main changes that took place during the reporting period.

1 PROPERTY STRUCTURE:

CAPITAL

Authorized Capital:
$624.000.000.000 represented in 1.500.000.000 shares.

Subscribed and paid capital:
$592.569.425.760 represented in 1.424.445.735 shares.

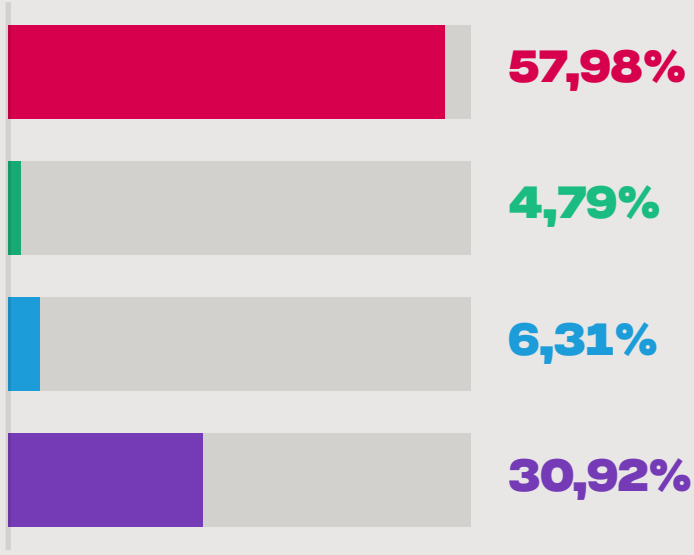
1.151.672.310
Outstanding common shares.

209.197.850
Outstanding preferred shares.

63.575.575
Buyback shares.

SIGNIFICANT SHAREHOLDERS

(Holders of common shares)



BUSINESS GROUP

GRUPO ARGOS

ARGOS CELSIA ODINSA

SHARES WHICH THE MEMBERS OF THE BOARD OF DIRECTORS ARE DIRECTLY OR INDIRECTLY OWNERS OF

Since 2007 Leon Teicher is the holder of 1,150 Argos common shares, there were no movements during 2019.

RELATION BETWEEN THE HOLDERS OF SIGNIFICANT PARTICIPATION AND THE COMPANY, OR AMONG THE HOLDERS OF SIGNIFICANT PARTICIPATION THEMSELVES

The operations we carry out with our parent company, Grupo Argos, are reported in the Special Report of the Business Group under the terms of article 29 of Law 222 of 1995. With the other significant shareholders, we did not have material commercial or contractual relations during 2019.

NEGOTIATIONS FROM THE MEMBERS OF THE BOARD OF DIRECTORS AND THE SENIOR MANAGEMENT WITH COMPANY SHARES

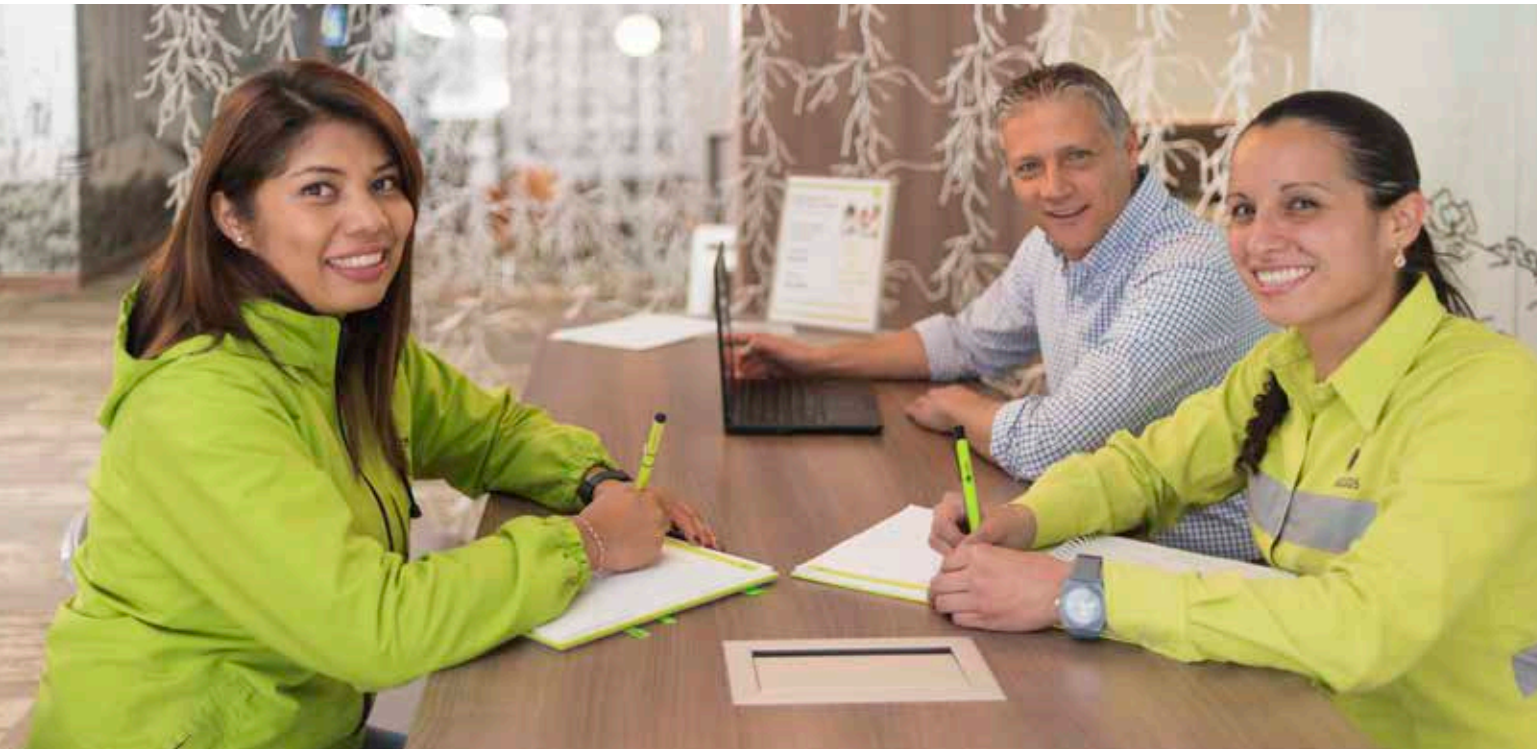
In 2019, the members of the Board of Directors and Senior Management did not carry out operations with company shares.

SHAREHOLDERS AGREEMENTS

There are no Shareholder agreements registered in the company´s General Secretary.

OWNED SHARES UNDER COMPANY POWER

We have 63.575.575 buyback shares.
During 2019 there were no buyback shares.



2 GOVERNANCE STRUCTURE

BOARD OF DIRECTORS

Governance body where the Shareholders Assembly delegates the management of the company, conferring within its functions the direction and review of the long-term strategy, the implementation of the company's policies in economic, social and environmental matters, establishing actions regarding sustainability, monitoring of strategic risks, monitoring the internal control system, among others (102-19, 102-26, 102-29, 102-30).

The Board of Directors is made up by seven members that have

THE PERSONAL QUALITIES, KNOWLEDGE AND EXPERIENCE

to appropriately guide the company.

THE RESUMES OF THE MEMBERS OF THE BOARD OF DIRECTORS CAN BE CONSULTED AT:



JORGE MARIO VELASQUEZ

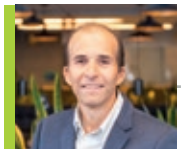
Grupo Argos CEO. Chairman of the Board of Directors

Member since 2016
Board of Directors
Attendance: 100%
Committee Attendance: 100%
Colombian

Participation in Board of Directors of other companies: Celsia, Odinsa, Grupo Sura, Grupo Nutresa

SKILLS:

- Strategy
- Corporate finance
- Business matters
- Construction materials industry
- Crisis management
- Sustainability
- Government Public Policy
- International affairs



CAMILO ABELLO

Senior Sustainability Director Grupo Argos

Member since 2012
Board of Directors
Attendance: 92%
Committee Attendance: 100%
Colombian

Participation in Board of Directors of other companies: Sociedad de Acueducto, Alcantarillado y Aseo de Barranquilla, Country Club Barranquilla

SKILLS:

- Risks
- Internal control
- Construction materials industry
- Crisis management
- Legal matters
- Sustainability
- Government Public Policy
- International affairs



ALEJANDRO PIEDRAHITA

Grupo Argos CFO

Member since 2018
Board of Directors
Attendance: 100%
Committee Attendance:100%
Colombian

Participation in Board of Directors of other companies: Celsia, Odinsa, Grupo Sura, Pactia, Mapa (family company)

SKILLS:

- Strategy
- Risks
- Internal control
- Corporate finance
- Business matters
- Construction materials industry
- Crisis management
- Government Public Policy
- International affairs



CECILIA RODRIGUEZ

President of the Bioparque Corporation

Member since 2012
Board of Directors
Attendance: 100%
Committee Attendance 100%
Colombian

Participation in Board of Directors of other companies:
Bioparque Proyectos

SKILLS:

- Construction materials industry
- Crisis management
- Legal matters
- Sustainability
- Government Public Policy
- International affairs



CARLOS GUSTAVO ARRIETA

Partner at Arrieta Mantilla & Asociados

Member since 2012
Board of Directors
Attendance: 92%
Committee Attendance 100%
Colombian

Participation in Board of Directors of other companies:
Ico medios

SKILLS:

- Construction materials industry
- Crisis management
- Legal matters
- Sustainability
- Government Public Policy
- International affairs



ESTEBAN PIEDRAHITA

President of the Chamber of Commerce of Cali

Member since 2012
Board of Directors
Attendance: 100%
Committee Attendance 100%
Colombian

Participation in Board of Directors of other companies:
Ecopetrol, Centro de Eventos Valle del Pacifico

SKILLS:

- Strategy
- Risks
- Internal control
- Corporate finance
- Business matters
- Construction materials industry
- Crisis management
- Sustainability
- Government Public Policy
- International affairs



LEON TEICHER

Independent Consultant

Member since 2012
Board of Directors
Attendance: 100%
Committee Attendance 100%
Colombian

Participation in Board of Directors of other companies:
Continental Gold

SKILLS:

- Risks
- Internal control
- Corporate finance
- Business matters
- Construction materials industry
- Crisis management
- Sustainability
- Government Public Policy
- International affairs

KIND OF MEMBER

- Executive
- Independent according to the criteria of the Good Governance Code
- Independent according to the criteria of Dow Jones Sustainability Index

BOARD OF DIRECTORS COMMITTEE

- Appointment and Remuneration
- Sustainability and Corporate Governance
- Audit, Finance and Risk

The absences to Board of Directors meetings of some of the members were due to extraordinary situations which were reported by the Directors in advance and in all cases were updated on the topics discussed in the meetings.

IN 2019

There were no changes in the Board of directors

MEMBERS OF THE BOARD OF DIRECTORS OF THE MATRIX IN THE BOARD OF DIRECTORS OR IN DIRECTOR ROLES IN THE COMPANY

No member of the Board of Directors of Grupo Argos is part of the Board of Directors of Argos or holds managerial positions in the company.

Jorge Mario Velasquez, Camilo Abello and Alejandro Piedrahita, members of the Board of Directors of Argos, are CEO, Senior Director of Sustainability and CFO of Grupo Argos, respectively.

APPOINTMENT OF THE BOARD OF DIRECTORS

102-24 Procedure: in accordance with the Law and the Bylaws, the Board of Directors is elected by the General Assembly of Shareholders through the application of the electoral quotient system, based on the proposals submitted by the shareholders at least five business days in advance to the date set for the meeting.

Criteria to consider for the election: personal characteristics, knowledge, background, diversity and experience in business management. Directors may not be older than 72 years. They must have experience participating in boards of directors and provide some professional specialty that is relevant to the activity of the company.

Term: one year and re-eligible indefinitely. However, directors will lose their status as independents when they have maintained this condition for 10 consecutive years.

POLICIES APPROVED BY THE BOARD OF DIRECTORS IN 2019

- Good Governance Code Update.

The Company policies are published at:

ACTIVITIES OF THE BOARD OF DIRECTORS

102-34 Among the main issues addressed by the Board of Directors in 2019 are:

- Corporative strategy
- Competitive strategy
- Performance of each region
- Financial results
- Legal matters
- Risks
- Sustainability
- Environmental strategy
- Occupational health and safety
- Innovation

REMUNERATION OF THE BOARD OF DIRECTORS AND THE SENIOR MANAGEMENT

102-35, 102-36, 102-37
For the term from April 2019 to March 2020 the established fees are as follows

$6.500.000 PER DIRECTORS MEETING AND $6.500.000 PER BOARD OF DIRECTORS COMMITTEE MEETING.

- The fees set for the term had an increase of 3.8% over the previous term.
- The employees of Grupo Argos who are members of the Board of Directors Committees do not receive remuneration for their participation in them.
- The remuneration of the Board of Directors is defined annually by the Shareholders' Meeting, in accordance with the provisions of the Appointment, Remuneration and Succession Policy of the Board of Directors.
- The remuneration of Senior Management is defined in accordance with the remuneration policy and guidelines defined by the Appointments and Remuneration Committee of the Board of Directors.

QUORUM OF THE BOARD OF DIRECTORS

In accordance with the Bylaws, the Board of Directors will deliberate validly with the attendance of the majority of its members and will decide with the majority of those present.

CHAIRMAN OF THE BOARD OF DIRECTORS

The chairman of the Board of Directors is Jorge Mario Velasquez, whose duties are in the Social Statutes.

SECRETARY OF THE BOARD OF DIRECTORS

The General Secretary is Maria Isabel Echeverri, who was appointed to replace Rafael Olivella in 2019. Her duties are found in the Bylaws and the Code of Good Governance.

RELATIONSHIPS DURING THE YEAR OF THE BOARD OF DIRECTORS WITH THE STATUTORY AUDITOR

To ensure the autonomy and independence of the Statutory Auditor, in the ordinary session of the General Shareholders Meeting of 2019, the designation of the KPMG firm in replacement of Deloitte was approved. During their term, both Fiscal Audit firms participated in the meetings of the Audit, Finance and Risk Committee and presented reports on the execution of their functions.

EXTERNAL ADVICE RECEIVED BY THE BOARD OF DIRECTORS

102-27 During 2019 the Board of Directors paid visits to facilities, clients and strategic works, where they received technical information about the markets where the company operates. Likewise, he had external advice specialized in internal control and financial controls.

INFORMATION MANAGEMENT OF THE BOARD OF DIRECTORS

102-31, 102-33 The members of the Board of Directors have a digital tool that allows greater and easier interaction between the administration and the Directors. Through this tool the Board can know in advance of the meetings, the information of interest that is required for the development and exercise of their tasks.

SUPPORT COMMITTEES TO THE BOARD OF DIRECTORS



The company's Board of Directors has three support committees to his work (102-22, 102-32):

- Audit, Finance and Risk Committee.
- Appointments and Remuneration Committee.
- Sustainability and Corporate Governance Committee.



The rules of operation for the Committees are found in the Bylaws and in the Good Governance Code.

ACTIVITIES OF THE BOARD OF DIRECTORS COMMITTEES



SUSTAINABILITY AND CORPORATE GOVERNANCE

- Determine and monitor the sustainability strategy.
- Monitoring of Health and Safety at Work indicators.
- Tracking of indicators in environmental matters.
- Analysis of best corporate governance practices.
- Follow-up of to the Compliance Program.
- Approval of the update of the materiality matrix.
- Review of the results of the externalities measurement.



AUDIT, FINANCE AND RISK

- Review of financial results.
- Monitoring of strategic risks, monitoring the quantification of the associated impacts and the insurance scheme of the company.
- Follow-up of the annual audit plan and the implementation of the action plans defined for the reinforcement of internal control.



APPOINTMENT AND REMUNERATIONS

- Determine and monitor the talent management strategy.
- Monitorig of on diversity goals and human capital indicators.
- Approval and monitoring of the goals of the Organizational Results Premium.
- Follow-up of succession plans.
- Execution of the evaluation process of the president of the company.

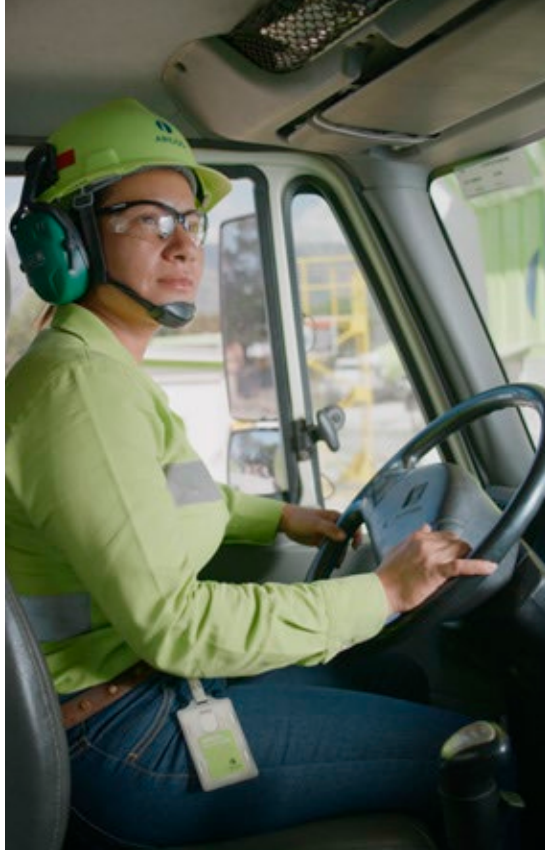
PERFOMRANCE APPRAISAL OF THE BOARD OF DIRECTORS AND THE SENIOR MANAGEMENT

102-28 To know the performance of the Board of Directors we alternately perform external evaluations and performance appraisal. Through these procedures we examine the performance of the Board as an organ and the dynamics within the Board of Directors.

During 2019 the performance appraisal of the Board of Directors and some members of senior management was carried out with the support of the AT Kearney firm. Based on the results of this process, the following recommendations were made to ensure better performance in the meetings of the Board of Directors:

1. Review the composition and training plans of the Board of Directors.
2. Strengthen the functioning of the committees to support the Board of Directors.
3. Develop a Board of Directors action plan more focused on strategic issues, which includes goals, priorities and monitoring indicators.
4. Continue strengthening the comprehensive risk management system from the Board of Directors.
5. Determine the priority behavior of the Directors as an individual aspect and as a collegiate body to increase the dynamics of the meetings of the Board of Directors.

3 OPERATIONS WITH RELATED PARTIES



DUTIES OF THE BOARD OF DIRECTORS TO OPERATIONS WITH RELATED PARTIES

Transactions with related parties are regulated in the Bylaws where it is defined that they require approval from the Board of Directors when they have a material impact, are out the normal course of business or market conditions. It is responsibility of the Audit, Finance and Risk Committee to analyze and issue a statement on the possible operations that are planned to be held with related parties and that must be approved by the Board of Directors.

OPERATIONS OF MATERIAL IMPACT WITH RELATED PARTIES

IN 2019

We did not carry out material impact operations outside the normal course of business or out of market conditions with our related parties.

The details of the operations carried out between the companies of the Grupo Argos Business Group can be found in the Special Report made under article 29 of Law 222 of 1995, which is part of the documentation of the Shareholders' Meeting that is available at:

MANAGEMENT OF POTENTIAL CONFLICTS OF INTEREST

102-25 The Directors must reveal the potential conflicts in which they may be involved in relation to the topics discussed during the meetings of the Board of Director. Additionally, they addres the Annual Statement of Potential Sources of Conflicts of Interest. In the event that there are conflicts that may affect their independence and objectivity, the necessary measures are established for its proper management according to the guidelines established in the Code of Business Conduct.

DURING 2019

The Directors filled out the Annual Statement of Potential Sources of Conflicts of Interest. The potential conflicts declared by the Directors correspond to their participation in the Boards of Directors of other companies. Such participation complies with those established in our Code of Good Governance and does not represent incompatibilities for the exercise of their duties.

PROCEDURES TO RESOLVE CONFLICTS OF INTERESTS BETWEEN RELATED PARTIES

In accordance to the provisions of the Relationship Policy between Related Companies, in the event that conflicts of interest arise within Argos Business Group, conflicts will be managed according to the the principles established in the Bylaws and the Good Governance Code of each company.

4 RISK MANAGEMENT SYSTEM

INTERNAL CONTROL SYSTEM

We have implemented the
ISO 31000, COSO AND COBIT
Standards to design and manage the internal control system.

The system seeks to ensure the efficiency and effectiveness of our operations, the reliability of the information we generate and regulatory compliance in all our actions.

To do so, control structure is supported by the functions of the Audit, Finance and Risk Committee of the Board of Directors, the External Auditor, the Internal Audit Management, the Risk Management and the Compliance Department.

MATERIALIZATION OF RISKS IN 2019

DURING 2019

Some operational and market risks materialized; and did not have a material impact. Operational risks were recovered through the current transfer procedures hired by the company, while for market risks, action plans were implemented to reduce their impact.



RESPONSE PLANS AND SUPERVISION FOR THE MAIN RISKS

During 2019 we developed models to quantify the impacts scenarios of the strategic risks of the company and provide alerts for the business to generate the action plans that mitigate their impacts.

RISK POLICY

At Argos, we have a Risk Management Policy and the Maual of the System of Risk Management, which set the elements and the general framework of action for the comprehensive management of risks to which the company is exposed.

The comprehensive risk management process includes:

- **Identify** possible risk scenarios.
- **Analyze** and assess the degree of exposure of possible risk scenarios.
- **Monitor** the execution and effectiveness of the mitigation actions defined for the risk scenarios.
- **Manage** according to actions focused on the origin of risks that allow its mitigation and optimization of resources.

5 SHAREHOLDERS ASSEMBLY

Governance body composed by holders of common shares of the company, who have the right, among others, to know in an comprehensive and timely manner the relevant information for decision-making, participating in decisions that may affect them, and making proposals for the best company performance and receive fair and equal treatment (102-19).

DIFFERENCES BETWEEN THE SHAREHOLDERS' ASSEMBLY OPERATION THE LEGAL REGIME AND THE REGULATIONS OF THE GENERAL ASSEMBLY

At Argos, we comply with the applicable legal regime regarding Shareholders Meetings and we have also adopted the following additional good governance practices:

1. We allow shareholders to request specialized audits of the company
2. Under any circumstance we include in the summon points such as others matters or similar, that interfere in having accuracy all of the issues to be discussed in the meeting.
3. In the events that the Assembly of Shareholders intends to deals with the substantial change of the corporate purpose, it waives the right of preference in the subscription of ordinary shares, change of registered office, early dissolution or segregation of the company, such matters must be expressly indicated in the convening of the meeting.
4. Shareholders can propose the introduction of one or more points to be discussed in the agenda of the Shareholders' Meeting and present alternative proposals to those presented by the administration or other shareholder, in the terms indicated in the Bylaws.
5. Live streaming of the Assembly of Shareholders through the website of the company is provided.
6. When in a meeting, and an election of members of the Board of Directors is foreseen, the information must be available for the shareholders and must include the proposal of candidates to be members of the board.



MEASURES TO PROMOTE PARTICIPATION OF SHAREHOLDERS AND STAKEHOLDERS 102-21



Website in English and Spanish, with information of interest for shareholders, investors and other stakeholders.



Investor Relations Office
ir@argos.com.co
Tel: (574) 9198457
Cr 43A # 1A Sur
143 Medellin.



Customer service
Fiduciaria
Bancolombia
(Emissions broker).



Quarterly teleconferences and events addressed to shareholders, investors and analysts where the Vice Presidents and the CEO participate.



INFORMATION PROCEDURES TO SHAREHOLDERS

We have the following means of contact available to our shareholders:

- Website.
- Investor support line operated by Fiduciaria Bancolombia, as well as face-to-face assistance in the offices of this entity throughout the country.
- Investor Relations Office.
- Results report and quarterly results teleconference.
- Face-to-face meetings with analysts from commission firms, pension funds, investment funds, foreign funds and other shareholders.
- Shareholder Assembly Meetings.
- Right of inspection.
- Transparency Line operated by external and independent personnel.
- Publication of Relevant Information on the website of the Financial Superintendence and on the company's website.
- Integrated Report with the main information on the economic, environmental and social management of the company.

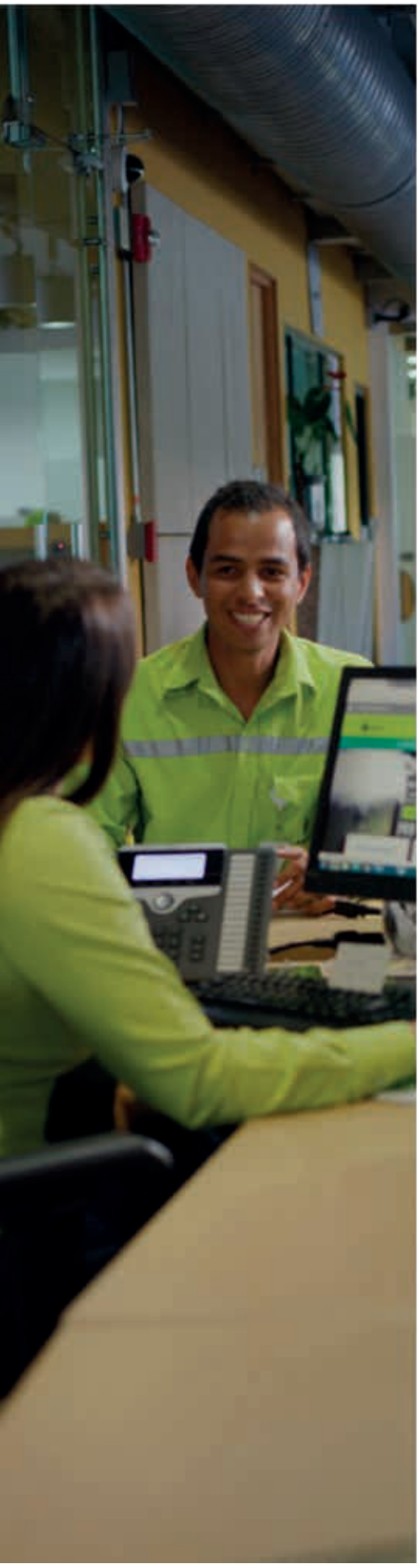
COMMUNICATION WITH SHAREHOLDERS

Customer service at the Investor Relations Office:

- Results presentation calls: 4

Customer service by the broker firm:

TYPE OF REQUIREMENT	NUMBER OF REQUIREMENTS ATTENDED
Tax Certificates	149
Change of depositors	13
Dividend payment update	7
General Certificates	16
Transfers outside the stock exchange	2
Record certificates	7
Petitions	1
Data update	1
Calls	43
Visits to the customer service center	7
Total requirements attended	246



24 ANALYSTS PERFORM A FOLLOW UP ON THE COMPANY:

NATIONAL:	INTERNATIONAL:
• Acciones y Valores	• Bank of America
• AdCap Colombia	• Barclays
• Alianza Valores	• BTG Pactual
• BBVA	• Credit Suisse
• Casa de Bolsa	• HSBC
• Corpbanca	• Itaú BBA
• Credicorpcapital	• JP Morgan
• Davivienda Corredores	• LarrainVial
• Global Securities Colombia	• Morgan Stanley
• UltraSerfinco	• On Field Investment Research
• Valores Bancolombia	• Santander
	• Scotiabank
	• UBS

ATTENDANCE DATA TO THE 2019 SHAREHOLDERS ASSEMBLY

83,2%
of the company's total outstanding common shares

958.480.715
SHARES PRESENT OR REPRESENTED

MAIN DECISIONS OF THE 2019 SHAREHOLDERS ASSEMBLY

The following decisions were made at the ordinary meeting of the Shareholders Assembly of 2019:

- Approval of the Management Report of the Board of Directors and the Chairman.
- Approval of the Financial Statements to December 31st, 2018.
- Approval of the Profit Distribution Project.
- Approval of destination of resources for social benefit.
- Setting of Board of Directors fees.
- Election of the External auditor and setting of their fees.
- Approval of statutory reform to modify the term to summon the Shareholders' Meeting from 30 to 25 days and extend it to the term of exercising the right of inspection, reduce the period of the Board of Directors from 3 to 1 year and extend the period to lose independence from 3 periods to 10 years and establish as requirement to conform the list of candidates to be part of the Board of Directors that the majority must accredit being independent member.

6 BEST PRACTICES



Through our corporate governance practices, we seek to strengthen trust of our stakeholders in the company, ensure the balance of power and decisions between administration, management and control bodies and ensure transparency and fluidity of information to the market.

DURING 2019 WE HIGHLIGHT THE FOLLOWING ADVANCES ON CORPORATE GOVERNANCE:

We reviewed the Bylaws and the Code of Good Governance for the implementation of best corporate governance practices.

We modified the term of the Board of Directors from three years to one year.

We established as a requirement to conform the list of candidates for electing of the Board of Directors to be a majority of independent members.

We carried out the performance appraisal of the Board of Directors with the support of the company AT Kearney.

We were recognized by the Institutional Investor magazine for the best professional and investor relations team in the cement and construction sector.

We filled out and processed to the market the Country Code survey where we report the best practices adopted by the company.

We achieved, for the fifth consecutive year, the Investors Relation (IR) recognition from the Colombian Stock Exchange.

We received from the Financial Superintendence for the fifth consecutive years the certification as Known and Recurrent Issuer.

We achieved the following certifications that within the evaluated factors recognize our work in the voluntary implementation of government practices:

vigeo eiris merco Dow Jones Sustainability Indexes

INTEGRITY IS IN OUR CORE

Through the Global Government and Compliance Program, our business ethics program, we seek to foster actions that are consistent with the pillars of our corporate culture and making integrity the guiding principle of action, thus contributing to safeguard the company's good reputation and consolidate ourselves as a competitive company in the capital markets and a reliable company for investors and other interest groups.



DURING 2019 WE DEVELOPED THE FOLLOWING ACTIVITIES WITHIN THE FRAMEWORK OF THE GLOBAL GOVERNMENT AND COMPLIANCE PROGRAM:

- We updated our internal guidelines for preventing fraud, corruption, competition, money laundering and FINANCING OF TERRORISM.
- We ADVANCE IN THE UPDATE in all our operations OF our assessment matrices of risks associated to the Global Government and Compliance Program.
- We received 276 complaints through our Transparency Line that allowed us to take the necessary corrective measures.
- We advanced on the implementation of the controls associated with the program, highlighting the automation of the consultation in restrictive lists of our customers, suppliers and other third parties.
- The Global Government and Compliance Program was audited by our Internal Audit team.
- The Business Conduct Committee and the Sustainability and Corporate Governance Committee of the Board of Directors monitored the program, demonstrating the support of our leaders and their commitment to ethics and transparency.
- We worked on the design of the control panel as an indicator management tool of the Global Government and Compliance Program.

YOUR COMMITMENT

to integrity and transparency strengthens business ethics and the compliance culture to our company.



ARGOS

COMMITTED
Transparency & Integrity

Within the framework of the Committed Communications campaign, we continue strengthening the culture of ethics and compliance of employees in all our operations and of our value chain, highlighting:

Conduct online training of 4,862 employees.

Face-to-face training of 595 employees on the Code of Business Conduct and its related policies.

Competition and antitrust workshops for employees.

Regular conduct communications to our suppliers.

CHALLENGES FOR 2020

- 103-2 To expand the coverage of the campaign **Committed** and achieve training of all our employees on conduct, enriching **the program of cultural diversity** of our company, overcoming the limitations of access to technological tools of many of our employees and the geographical dispersion of our operations.

- To strengthen our controls for preventing **fraud, corruption, money laundering, financing of terrorism, fraud and competition,** promoting their automation for an adequate management of the high volume of information of our company and the different data systems in our operations.

- To strengthen the operation of the Transparency Line and the procedures for detecting and investigating alleged improper actions in the three regions.



From the 2019 activities,
we highlight the conduct online course known as

ROLE MODELS,

that includes real stories from our employees who faced ethical dilemmas and that with their honest and transparent actions became an example of behavior in our company.

COMMITTED
Transparency & Integrity

At Argos, we will continue to permanently analyze the best practices on corporate governance and compliance and will voluntarily adopt measures that improve business management and contribute to the sustainability and transparency of the company.


ARGOS