

## **BANCO DE OCCIDENTE AUDIT COMMITTEE REGULATION**

### **I. PURPOSE**

Internal Control System (ICS) is understood as the set of policies, principles, standards, procedures and verification and assessment mechanisms established by the Board of Directors, the Senior Management and other officers of an organization for providing a reasonable degree of security regarding the achievement of the following objectives:

- i. Improve the efficiency and effectiveness in the operations of supervised entities. For such purpose, effectiveness is understood as the ability to achieve the goals and/or results proposed; and efficiency, the ability to produce maximum results with the minimum of resources, energy and time.
- ii. Prevent and mitigate the occurrence of fraud, originating both inside and outside the organizations.
- iii. To implement adequate risk management.
- iv. Increase reliability and timeliness in the Information generated by the organization.
- v. Provide adequate compliance with the regulations and provisions applicable to the organization.

Item 6.1.2 of Chapter IV, Title I, Part I of External Circular Letter 029 of 2014 (Basic Legal Circular Letter of the Financial Superintendence of Colombia) states that for the proper fulfillment of the work of the Boards of Directors, the same shall have an Audit Committee, dependant on such corporate body, responsible for the assessment of internal control, as well as its continuous improvement.

The Audit Committee shall provide a communication channel between Senior Management, Statutory auditors, internal audit and the board of directors.

The Audit Committee shall not replace anytime the responsibility of the Board of Directors and the Management regarding the supervision and implementation of internal control of the entity; its responsibility shall be limited to provide support to the management processes, to the decision-making regarding control and its improvement, in order to achieve an adequate development of the corporate purpose.

### **II. FUNCTIONS**

The Audit Committee shall have as primary functions, the following:

1. Propose for approval by the Board of Directors, the structure, procedures and methodologies necessary for the operation of the ICS.
2. Submit the proposals relating to the responsibilities, capacities and limits assigned to the different positions and areas with respect to the management of the ICS, including risk management.
3. Assess the structure of the bank's internal control in such a way to establish whether the procedures designed reasonably protect the assets of the entity, as well as those managed or under its custody for third parties, as well as the existence of controls for verifying that transactions are being adequately authorized and recorded.
4. Inform the Board of Directors about non-compliance with the managers' obligation of providing the information required by the control bodies for the performance of their duties.
5. Oversee the preparation, presentation and disclosure of financial information pursuant to

- regulations in force, verifying that the necessary controls exist.
6. Review the financial statements and to draft the corresponding report for consideration by the Board of Directors, based on the assessment not only of the relevant drafts, with their notes, but also of the opinions, observations of the control entities, as well as the results of assessments carried out by the competent committees and other documents related thereto.
  7. Propose to the Board of Directors programs and controls to prevent, detect and respond adequately to the risks of fraud and misconduct, understanding by fraud a willful act committed to obtain an unlawful gain, and understanding by misconduct the violation of internal laws, regulations or policies, and to assess the effectiveness of such programs and controls.
  8. Supervise the functions and activities of the internal audit or body that may replace the same, in order to determine its independence and objectivity in connection with the activities audited, to determine the existence of limitations that prevent its adequate performance and to verify whether the scope of its work meets the control needs of the entity.
  9. Monitor risk exposure levels, their implications for the entity and the measures taken to control or mitigate the same, at least every six (6) months, or more frequently if appropriate, and submit to the Board of Directors a report regarding the most important aspects of the processes carried out.
  10. Assess internal control reports carried out by internal auditors, comptrollers, or other bodies, verifying that the management has observed its suggestions and recommendations.
  11. Follow up compliance with the instructions given by the Board of Directors, in connection with the ICS.
  12. Request reports that deemed appropriate for the proper development of its functions.
  13. Analyze the operation of information systems, their reliability and integrity for decision-making.
  14. Submit to the General Shareholders' Meeting, through the Board of Directors, the candidates to hold the position of statutory auditor, without prejudice to the of shareholders' right to propose other candidates at the respective meeting. In this regard, the role of the committee shall be to collect and analyze the information provided by each of the candidates and to submit the results of the review carried out for consideration of the highest corporate body.
  15. Prepare the report to be submitted by the Board of Directors to the General Shareholders' Meeting regarding to the operation of the ICS, which shall include, among others:
    - a) The general policies established for implementing the entity's ICS.
    - b) The process used for reviewing the effectiveness of the ICS, with an express mention of aspects relating to risk management.
    - c) The most relevant activities developed by the Audit Committee.
    - (d) Material deficiencies identified, recommendations made and the measures adopted, including, but not limited to, those that could affect the financial statements and the management report.
    - e) Observations submitted by supervisory bodies and sanctions imposed, as the case may be.
    - (f) Submit the assessment of the work developed by the Internal Audit, including, among others, the scope of the work carried out, the independence of the role and the

resources allocated.

16. Whenever there are any disclaimers in the report of the Statutory Auditor, the President or any member of the Audit Committee may give its opinion on this matter before the General Shareholders' Meetings.
17. Submit reports to the Chairman of the General Shareholders' Meeting, whenever required, regarding specific issues requiring further extension, complementing or development of activities relating to the functions of the Audit Committee.
18. Others set forth by the Board of Directors, within its internal regulations.

### **III. COMMITTEE STRUCTURE**

The Committee shall consist of at least three members of the Board of Directors, who shall have experience, knowledgeable, among others, of accounting, financial and other matters associated with the functions assigned to the Audit Committee, being independent, understanding by independent those persons who no case are:

- Employees or directors of the entity or any of its affiliates, subsidiaries or controlling entities, including those persons who have had such capacity during the year immediately prior to the appointment, except for the re-election of an independent person.
- Shareholders who directly or under an agreement direct, guide or control a majority of voting rights of the entity or who determine the majority structure of the administrative, management or supervisory bodies of the entity.
- Partners or employees of associations or companies providing advisory or consulting services to the entity or companies belonging to the same economic group of which the entity is a member, whenever the income for such services represents twenty percent (20%) or more of their operational income.
- Employee or director of a foundation, association or company that receives significant donations from the entity. Significant donations are deemed to represent more than twenty percent (20%) of the total donations received by the respective institution.
- Manager of an entity in whose board of directors a legal representative of the entity participates.
- Person who receives from the entity any remuneration other than the fees as a member of the board of directors, the Audit Committee or any other committee created by the board of directors.

Committee members shall remain in office for a minimum period of one (1) year. However, efforts shall be made regarding continuity of the Committee and in the event of a change of its members, the Committee shall have at least one member with experience in its operation.

The Audit Committee shall appoint a Secretary, who may or may not be a member of the Board of Directors.

The permanent guests shall be as follows: the President of the Bank, the Financial Vice-President, the Vice President of Risk and Collection, the Manager of the SOX Unit, the Statutory Auditor and the Internal Auditor. The Senior Vice President of the Corporate Comptroller of Grupo Aval Group shall also be a permanent guest.

Any other Bank officer may be summoned to the Committee's meetings for submitting reports or provided relevant information as the Committee may deem necessary.

### **IV. FREQUENCY OF MEETINGS**

The Committee shall meet six (6) times per year or as many additional times as it may deem

necessary regarding circumstances such as disclosure of deficiencies in the internal control system requiring urgent assessment and corrective measures, significant changes in the entity's policies or the provisions that regulate the operations of the entity, etc.

The meetings shall be summoned by the chairman of the Committee, or by the person delegated for this purpose, through a written communication addressed to each of the members and permanent guests, at least five (5) days in advance, stating all the issues to be considered including the draft of the previous minutes.

In addition, copy of the presentations as well as the documentation relating to the agenda foreseen shall be sent to the attendees, at least two (2) days in advance.

## **V. COMMITTEE'S AGENDA**

In order to assure the proper fulfillment of the functions assigned to the Audit Committee, an annual schedule shall be submitted for approval by the Committee, covering all the minimum issues required by the herein regulations.

Notwithstanding the foregoing, it is clear that the Committee may meet as it deems appropriate and that the Comptroller and Statutory Auditor shall inform, at any of the meetings, any relevant facts relating to internal control, with reference to the requirements received from the Colombian Financial Superintendence.

## **VI. COMMITTEE'S REPORTS**

Decisions and actions of the Audit Committee shall be recorded in minutes, which shall comply with Article 189 of the Code of Commerce.

Documents known to the Committee supporting its decisions shall form integral part of the minutes, for which, in the event that they are not transcribed, they shall be submitted as annexes thereto. Thus, each time minutes are delivered, the interested party shall receive both the main body of the same and all its annexes, which shall be adequately identified and numbered, and kept under appropriate conservation and custody measures.

Whenever situations of significant importance are detected, a special report shall be submitted to the Board of Directors and to the legal representative.

The Board of Directors shall submit to the General Shareholders' Meeting, at the end of the financial year, a report regarding the work carried out by the Committee.

## **VII. APPROVAL AND MODIFICATIONS TO THE REGULATIONS**

The herein regulations and their amendments shall be approved by the Board of Directors of Banco de Occidente, due to changes in the legislation or for adapting to the requirements of the entity.

Approval:

Audit Committee: November 27, 2009

Board of Directors: December 11, 2009

Board of Directors: December 16, 2016