

Compensation

The **Variable Compensation Plan (VCP)** is part of the Grupo Argos's total rewards system. It has two main programs: Long-term plan (LTP) and Short-term plan (STP).

Both programs use Key Performance Indicators (KPI) to measure financial success, external perception, operations efficiency, risk management and environmental performance among others, and the main objective is to ensure cash flow generation, sustainability, and profitability.

The VCP objectives are:



To align teams with the shareholders' interest, and to focus them on long term goals and sustainability.

To stimulate long-term thinking.

To recognize and encourage high performance among teams.

To strengthen total rewards competitiveness align with the organizational strategy to attract, motivate and retain the best talent.

The Short Term program

This program is measured and paid out on an annual basis, and it is a mix of a company's financial indicators (70% - 60% - 50% - 40%) and area/business' indicators (30% - 40% - 50% - 60%).

The STP aims to recognize and to encourage the high performance of teams by accomplishing business competitiveness and the alignment with the organizational processes. It also looks to strengthen competitiveness in compensation and to reward superior performance. This program represents 25% of the total reward system of the Corporate Executive Committee. Short-term indicators for 2019 are:

Indicator

EBITDA
Net profit
Primary Surplus
Net debt/EBITDA
Health and safety at work

For the CEO, the Executive Committee and the Top Management, as an optional alternative, up to the 100% of the short-term award can be paid through equivalent units of Celsia / Grupo Argos shares.

In 2019, the percentage of the short-term bonus deferred in the form of equivalent units of Celsia / Grupo Argos' shares for the CEO was 35,4%.

The Long Term Program

The LTP performance period is 3-years, and it has a vesting period of 3.25 years. It aims to encourage the decision-making processes based on a long-term vision, in order to achieve and exceed goals in a sustainable way.

The payout of this program is through a stock fund established to invest in equivalent units of shares. This system represents 15% of the total compensation of the CEO, the Corporate Executive Committee and the Top Management. Long-term indicators for 2019 are:

Indicator

ROCE
Operating cash flow to EBITDA
Delta TSR Celsia vs. ICOLCAP
Sustainability

If the CEO leaves the company, with or without cause (The CEO leaves the company with cause in case of business misconduct, falsehoods in financial reports, fraud, violation of law/internal rules, among others) before the vesting time, our claw back policy establish that the LTP incentives that have not been consolidated must be refunded to the Company from the Fund, except in case of death, retirement, permanent disability, or promotion to another Grupo Argos' subsidiary.

The CEO and the executive committee has stock ownership requirements up to 0,75 times the annual base salary.

The CEO has 0,64 times the annual base salary in company shares, and the other executive members have in average 0,60 times the annual base salary.