

# Grupo de Inversiones Suramericana S.A. Proxy Statement

Annual Ordinary shareholders' Meeting 2017



Georgeson

Medellín, 1<sup>st</sup> March, 2017

**Proxy Statement**  
**Annual Ordinary Shareholders' Meeting**  
**Grupo de Inversiones Suramericana S.A**  
**31<sup>st</sup> March 2017**

To: **Holders of Preferred Shares of Grupo de Inversiones Suramericana S.A.**  
(ISIN: COT13PA00060, SEDOL: B4ZRC96)

Object: **Proxy Statement for the Upcoming Annual Ordinary Shareholders' Meeting**

Dear Madam / Sir:

We are pleased to inform you that you, as shareholders of Grupo de Inversiones Suramericana S.A. ("Grupo Sura"), shall receive from the Company sufficient and complete information regarding all matters relating to the upcoming Annual Ordinary Shareholders' Meeting, to be held on March 31<sup>st</sup>, 2017, at 10:00 a.m., in the city of Medellín, specifically at the Gran Salón de Convenciones de Plaza Mayor, Calle 41 # 55 – 80.

Grupo Sura's Investor Relations Department is on hand to answer any questions you may have with regard to attending this meeting or being represented at such as well as providing you with any supplementary information or documents you may require.

In this case, please contact our Investor Relations staff, whose contact details are provided below:

**Investor Relations Contact Information:**

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**MAIN INFORMATION REGARDING THE UPCOMING  
ANNUAL ORDINARY SHAREHOLDERS' MEETING**

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**Date of Meeting:** 31<sup>st</sup> March 2017 at 10:00 am.

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**Venue:** Gran Salón de Convenciones de Plaza Mayor, Calle 41 # 55 – 80, Medellín.

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**Agenda:** The items contained in the agenda for this meeting can be found on the Company's [website](#).

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**Record date:** The shareholders entitled to participate in the Annual General Meeting shall be those whose shares have been recorded at March 31<sup>st</sup> 2017.

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**Documentation:** The following documents have been made available on the Grupo Sura website: Notice of Meeting, Agenda and Proposed Update to the Share Issuance and Placement Rules and Regulations Corresponding to the Preferred Shares Issued in 2011.

The aforementioned documents can be downloaded at the following [link](#).

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## **APPENDIX 1: Proxy Statement**

Grupo Sura has built up a corporate governance system which contains rules and regulations that are mandatory for the Parent Company and its Subsidiaries and their respective employees in terms of ethics and corporate governance. Additionally, it establishes clearly defined mechanisms to ensure that such rules and regulations are effectively complied with, as part of the Organization's clear commitment to good corporate practices that in turn is reflected in each of the countries where Grupo Sura and its Subsidiaries are present, together with an all-abiding respect for the law.

To date, Grupo Sura is the only Latin American Company from the Diversified Financial Services sector that forms part of the Dow Jones Sustainability Index which lists the world's leading companies from the standpoint of best economic, environmental and social practices.

**At the upcoming Annual Ordinary Shareholders' Meeting, Grupo Sura's Board of Directors shall be proposing an update to the Preferred Dividend Shares' Issuance and Placement Regulation governing the Company's Preferred Shares, as issued in October 2011, as well as the Company's Proposed Distribution of Dividends which this year covers a scrip dividend in the form of preferred shares.** Both proposals are intrinsically linked since, in order to be able to pay a scrip dividend, the Rules and Regulations governing the Company's preferred shares must be updated.

### **Proposed update to Preferred Dividend Shares' Issuance and Placement Regulation**

The proposal for updating the Preferred Dividend Shares' Issuance and Placement Regulation, is the only item on which the holders of preferred shares shall be entitled to vote on. The aim of this initiative is tri-fold, that is to say: (i) aligning said rules and regulations with widely-held market practice; (ii) improving the terms and conditions for the shareholders; and (iii) providing the Company with additional flexibility with which to manage its capital structure.

As part of the Company's aim to update the aforementioned Rules and Regulations based on market terms, Grupo Sura's Board of Directors **proposes to increase the minimum preferred dividend from zero point five percent (0.5%) to one percent (1.0%)**, as well as to update the Preferred Share price, with which such minimum preferred dividend is established, according to the mechanism defined by the Board of Directors.

Also, with the aim of improving the terms and conditions for its shareholders, **Grupo Sura is granting inspection rights to holders of Preferred Shares**. By law, inspection rights are conferred only on holders of common stock. As a result of this newly conferred right, said shareholders shall be entitled access to the Company's internal information and documentation fifteen (15) business days prior to the Annual Ordinary Meeting to be held this year (for example: the minutes both of the General Assembly of Shareholders and the Board of Directors corresponding to last year, the Board of Directors' report on the

Company's economic and financial situation, the accounting books, as well as other records that are not subject to confidentiality or trade secrets).

Finally, in order to obtain the required flexibility to manage its capital structure, Grupo Sura is proposing to **change one of the voting rights conferred on holders of preferred shares**, based on the following:

Grupo Sura previously granted voluntary voting privileges to holders of preferred shares, this in order to differentiate itself from other local and international issuers that did not offer such benefits to this type of shareholder. Moreover, this objective constituted a voluntary and additional benefit, not required by the Colombian Regulatory Authorities.

One of the current additional benefits for holders of Preferred Shares is the voting right in the case of a change in the number of issued and outstanding Preferred Shares. In order to approve this voting right a favorable vote of seventy per cent (**70%**) of the shares in which the Company's subscribed capital, this to include the affirmative vote of all non-voting preferred shares in this same percentage and proportion. Despite this being considered a good initiative, Grupo Sura's current shareholder structure is significantly disperse. This, together with the lack of voting rights being exercised by a great number of international funds, presents a challenge for Grupo Sura in complying with the aforementioned favorable vote of seventy per cent (70%), as mentioned above, which is required for any change to be made to the number of shares. This not only creates an unnecessary restriction but also affects the Company's flexibility to make the decisions that are required.

The proposed text waives the voting right in case of a change in the number of issued and outstanding preferred shares. Therefore, the holders of these preferred shares shall be entitled to attend all shareholders' meetings, but may only be conferred speaking and voting privileges when the following matters are discussed:

- i. Converting preferred shares to ordinary shares,
- ii. Modifications that may impair the terms and conditions or rights inherent to the holders of Preferred Shares,
- iii. A change in the Company's corporate purpose.

**In all three of the aforementioned cases, a favorable vote of seventy per cent (70%)** of the shares in which the Company's subscribed capital, this to include the affirmative vote of all non-voting preferred shares in this same percentage and proportion, is required. In this sense, and with the aim of **achieving the required flexibility** for managing its capital structure, the Company shall be able to take advantage of financial mechanisms such as:

- Preferred Share Dividend payments (scrip dividends),
- Possible future issuance of shares and / or convertible bonds,
- Share repurchase programs,
- Paving the way for a potential upgrade to level 3 for the Company's preferential ADRs.

With the three measures mentioned above, Grupo Sura would be able to achieve the triple objective of aligning the Company with customary market practices, improving the terms and conditions of all those holders of its preferred shares as well as providing it with the flexibility needed to manage its current capital structure.

### Scrip Dividend Proposal

Upon approving the updating of the Preferred Dividend Shares' Issuance and Placement Regulation, the Company shall be able to propose a scrip dividend that would not only provide an economic benefit to the holders of both ordinary and preferred stock but would also serve as a means for optimizing the inherent tax obligations going forward.

The cash flow generation of the Company is healthy; however, the proposed scrip dividend would strengthen its capital structure after what has been a period of considerable investment.

Although holders of preferred shares shall not be able to vote the profit distribution project, should the scrip dividend be approved, they shall be entitled the following benefits:

- **The option of receiving their dividends either in the form of freed-up Preferred Shares or in cash.**
- The aforementioned dividend shall be increased by seven per cent (7%) over that paid out last year whether said payment is made in cash or in the form of preferred shares.
- In addition to this increase, the scrip dividend option shall be accorded a discount of a four per cent (4%), which may result in an increase in the case of the scrip dividend compared to the dividend payment in cash. The basis for calculating this discount is shown below:

The average of the weighted average daily prices of the Company's preferred shares, as published by the Colombian Stock Exchange in its Daily Bulletin, during a period of sixty (60) calendar days prior to the date on which the Annual Ordinary Shareholders Meeting is scheduled to be held (that is to say, from January 29, 2017 to March 30, 2017), less a discount of four per cent (4%) on the average price thus obtained.

- Finally, this dividend shall be paid out in the form of a single installment between April 21<sup>st</sup> and 30<sup>th</sup> of 2017, as opposed to the four quarterly installments which has been the Company's usual practice up to now. This would represent for the shareholder an additional benefit in terms of the time value of money.

Grupo Sura is fully committed to provide greater shareholder value as well as granting additional voting rights to holders of its preferred shares. Should the shareholders approve the proposals described above, the Company would be able to comfortably continue enhancing its track record of growth and ensure its ongoing sustainability.

Thank you in anticipation of your kind interest, participation and support in the upcoming Annual Ordinary Shareholders' Meeting.

## **APPENDIX 2: Agenda**

The Agenda below shall be submitted to the Assembly's consideration, **holders of preferred shares will only vote item 9.1 of the Agenda.**

1. Quorums verification.
2. Appointment of the commission to approve the minute.
3. Management Report from the Board of Directors and the President.
4. Presentation of Financial Statements as of December 31, 2016.
5. External Auditor's Report.
6. Approval of the Management Report from the Board of Directors and the President.
7. Approval of Financial Statements as of December 31, 2016.
8. Approval of the External Auditor's Report.
9. Update of the Preferred Dividend Shares' Issuance and Placement Regulation (Reglamento de Emisión y Colocación de Acciones) issued on October 2011 and Profit Distribution Project.  
**9.1 Update of the Preferred Dividend Shares' Issuance and Placement Regulation (Reglamento de Emisión y Colocación de Acciones) issued on October 2011.**
- 9.2 Profit Distribution Project – Payment of dividends by means of Preferred Dividend Shares (payment option in cash, at the Shareholder's choice)
10. Approval of fees for the Board of Directors.
11. Approval of fees for the External Auditor.