



## LONG TERM COMPENSATION- COLOMBINA

### ➤ System Philosophy:

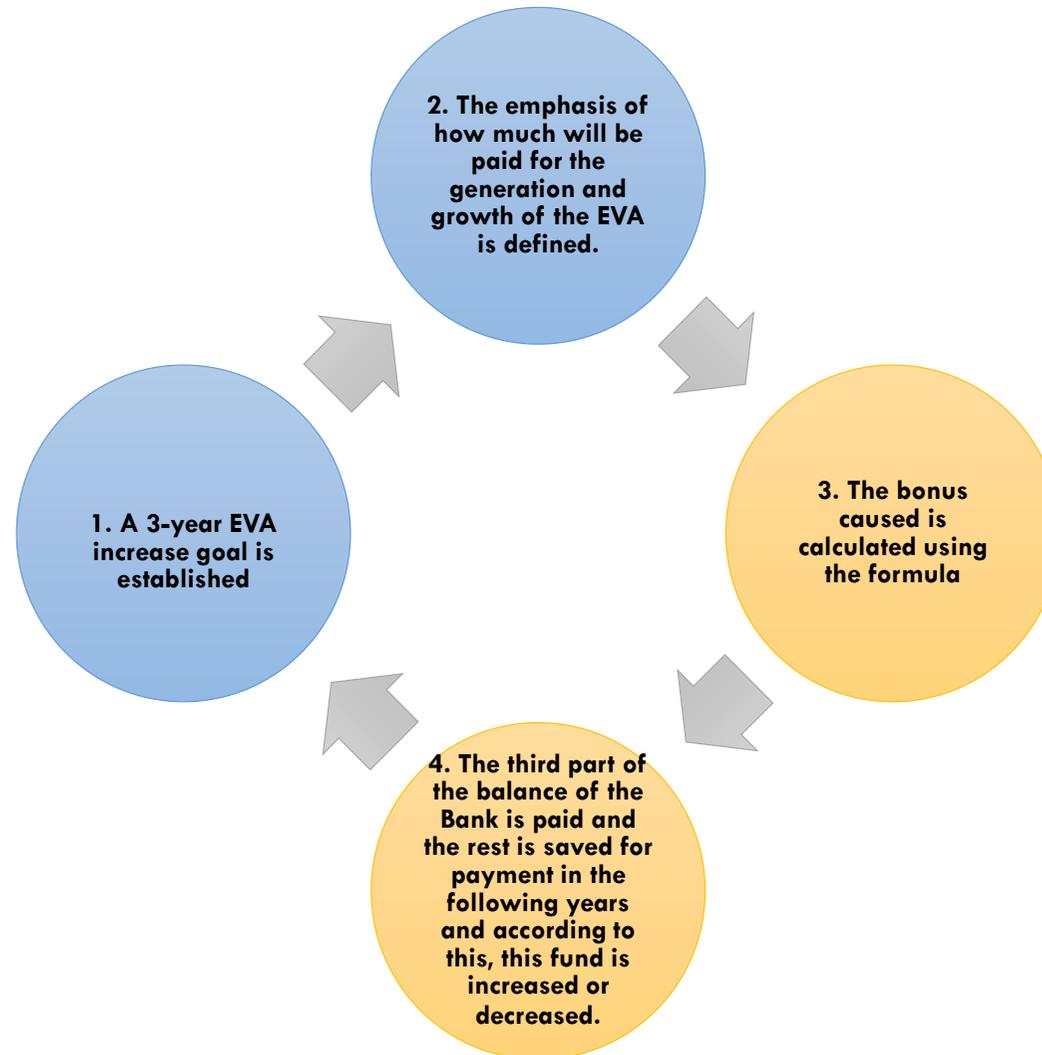
- The company have a strategic direction aimed at generating greater value in the market as a basis for growth and thus carrying out greater value to their shareholders, this is materialized in their winning proposal (value proposition to the market with favorable financial results) . The management of the company depends, in the long term, on the Board of Directors and senior management (executive group), and in the short term, on the administration and its main levels.
- The management of the company is in charge of ensuring that the operation of the company and its other investments are oriented under the strategic direction and create long-term value for shareholders.
- The value that a shareholder derives from his investment is a function of the money invested in the company, compared to the dividends and appreciation (or devaluation) that said investment suffers over time. This fact, under the scheme of created or added value, is called MVA (Market Value Added), which, by definition, is "the difference between the market value of a company and the amounts invested in it over time." .
- There is a high correlation between the MVA and the EVA (Economic Value Added) that the company achieves. However, it should not be forgotten that the EVA is an internal measure with which the company's result is being measured, which, in the long run, should be a representation of the behavior of those in the benefits that reach the shareholder.



## LONG TERM COMPENSATION- COLOMBINA

- When there is an adequate capital market and the shares are traded in it, achieving a market price reference, in accordance with the evaluation that it makes of the company and its future, said measurement of the market value, together with the history dividends received and repurchase of shares, if any, allow obtaining, clearly and directly, the MVA.
- On the contrary, when the company is not traded on the stock market, and there is no open market for its shares, the shareholder's profitability is more difficult to estimate and, in addition, it is affected by the liquidity limitations of its investment in the stock market. company.
- Consequently, to associate the value created for the shareholder, it is necessary to obtain a substitute for the MVA, although imperfect, which in our case would be based on the EVA, or added value that the company obtains in its operations and investments.
- The long-term compensation system for executives is based on a bond bank which allows to extend the interest horizon of the administration and the direction, to worry about the results of value creation of the company in a long period (3 years ). In the same way, the use of said fund dampens the oscillations in the bonds caused and allows the management of balances in the current account of each person (executive or CEO), which can be reduced when there is a negative bond caused during a period of time.

# LONG TERM COMPENSATION- COLOMBINA





## LONG TERM COMPENSATION- COLOMBINA

*¿How much to share and with whom to share?*

$$\text{Annual Shared Value} = [a\% \times \text{EVA}] + [b\% \times \text{DEVA}]$$

Applies for CEO & Top- level executives



EVA  
Generated year



ΔEVA  
vs. Last year

*¿How the payment is caused?*

