



CEO WATER MANDATE REPORT
Communication on Progress



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EPM

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INTRODUCTION

In order to achieve hydrological balance by ensuring water supply for public utilities provided by EPM, it is necessary to promote initiatives and projects that contribute to the conservation of hydrographic basins, water consumption management, and appropriate management of the waste water in the system the company operates. These types of actions contribute to take care of water resources and balance the natural availability through its uses and management.

Water is an essential commodity for life and society development. EPM strongly believes that it must contribute to the protection of hydrographic basins that tribute into its dams and systems, working together with public and private organizations, as well as the general community, —as it is a shared responsibility— in order to ensure the sustainability of this resource and the territories where it is present.

In order to ensure the provision of public utilities related to water supply and hydroelectric power generation, it is necessary to protect the tributary hydrographic basins, seeking to mitigate and prevent the ecosystem deterioration process, mainly occurring because of anthropic activities that may cause medium and long-term water availability problems. EPM strongly believes that activities such as the forest conservation, soil protección, environmental managemen, the efficient water use and saving in its processes, as well as the waste water treatment, contribute to the conservation of the basins and the sustainability of the water resource that they provide. That is the reason why it develops programs and projects related to basin conservation, to efficient water use and saving, to waste water management, and to promote the intelligent use of public utilities by its users and the community.



1. COMPANY PROFILE

<https://2018.sostenibilidadgrupoepm.com.co/pdf/1a.pdf>

2. MATERIAL ISSUES

The file in the link below, **pages 8-16**, describes the Materiality Analysis of EPM and its relevant sustainability topics. Some of the material issues identified by EPM are related to the care of water in its operations and in the watershed supplying reservoirs and systems:

<https://2018.sostenibilidadgrupoepm.com.co/pdf/6a.pdf>

The following link, **pages 12-15** contains the alignment between the Material topics of EPM and the Sustainable Development Goals – SDG:

<https://2018.sostenibilidadgrupoepm.com.co/pdf/7a.pdf>

3. DIRECT OPERATIONS

3.1. Water in our operations and the services we provide

This chapter provides information on the operations and services provided by EPM that are more intensive in the use and management of water, this highlights the importance of water protection for the Group.

- **Power Generation:**

See <https://2018.sostenibilidadgrupoepm.com.co/pdf/1a.pdf> page 8

- **Water supply and sanitation**

See <https://2018.sostenibilidadgrupoepm.com.co/pdf/1a.pdf> page 10

3.2. Access and purchasing power of public utilities.

EPM is responsible for ensuring the availability of public services through conventional and alternative solutions that promote human development and the development of territories.

Purchasability refers to the options and solutions available for users and customers to have the possibility to permanently enjoy public utilities, meeting their preferences and needs and taking into account their ability and willingness to pay. Purchasability solutions are as follows: Paga a tu



medida (Pay according to your needs), Prepaid Services, Financing of bills and the Loyalty and Rewarding Program of the EPM Group, “Somos.”

Access implies service availability, in compliance with regulations and standards, through infrastructure solutions such as rural electrification, Energía para el Retorno (Energy for the Return), Gas sin fronteras (Gas Without Borders), Dignifying Homes, public standpipes and community meters, which also aim at providing the service to populations living in areas with technical or legal restrictions for its provision.

Also, EPM Foundation runs a program called Agua para la Educación, Educación para el Agua (Water for Education, Education for Water), which aims at facilitating access to this service by installing water purification solutions in rural educational institutions in Antioquia.

The Universalization, understood as purchasability and access solutions, is a focus of the Corporate Social Responsibility policy of EPM. It is at the core of the business and is the essential contribution of the EPM Group to build sustainable territories.

See <https://2018.sostenibilidadgrupoepm.com.co/pdf/11a.pdf>

3.3. Water Consumption

In this regard, EPM seeks to understand how water is used in its processes and operations, in order to implement programs and projects that allow optimizing its use and promoting practices that contribute to the sustainability of this crucial resource.

See <https://2018.sostenibilidadgrupoepm.com.co/pdf/15a.pdf> pages 21-28

3.4. Wastewater management

Grupo EPM's subsidiaries take measures for managing effluents resulting from their activities and processes. Also, the group manages the wastewater produced in its own facilities and that collected from its users through the sanitation service, thus avoiding the direct discharge without treatment, of millions of m³ of wastewater to water sources and soils.

See <https://2018.sostenibilidadgrupoepm.com.co/pdf/15a.pdf> pages 21-28

3.5. Water Risk management

Grupo EPM's Comprehensive Risk Management Framework, is structured based on several elements, among which the CRM policy stands out as a statement on the commitment of senior management to risk management and mitigation. In order to obtain a complete picture of the risks to which the group is exposed, these are identified in the different management levels within the organization, and different reporting lines are defined based on to their criticality. Another of the fundamental elements for this management is the existence of the Comprehensive Risk Management process officially defined in the organization's process model and its associated organizational structure.

As part of the CRM process, a “toolbox” has been developed for the identification and qualitative and quantitative risk assessment, all under the corporate methodology of comprehensive risk management that takes as reference the best national and international practices, including the ISO 31000.

See <https://2018.sostenibilidadgrupoepm.com.co/pdf/1a.pdf> pages 26-32

3.6. Water Care Culture

EPM and its subsidiaries develop other projects and activities that contribute to the protection of watersheds and the strengthening of the water culture to raise awareness on the importance of the conservation of water supply sources and their rational and efficient use.

Awareness-raising on the conservation of water and the environment: as part of the strengthening of water culture, EPM, free-standing and also in association with other entities, held events during the celebration of environmental anniversaries, ludic and educational activities, environmental awareness-raising programs with the EPM Foundation, participation in the Aló EPM radio program, delivery of information on the subject in different publications, talks on environmental issues in different events and deployment of an intense campaign regarding the efficient use and conservation of water.

See <https://2018.sostenibilidadgrupoepm.com.co/pdf/15a.pdf> pages 12-19.

It is worth highlighting some EPM Foundation programs such as: Water for Education, Education for Water and the Water Museum.

See <https://2018.sostenibilidadgrupoepm.com.co/pdf/23a.pdf> pages 12-13.

4. SUPPLY CHAIN AND WATERSHED MANAGEMENT

4.1. Water Conservation

Protection and improvement of hydrographic basins and the environmental services they provide are crucial to ensure the protection of water resources, the sustainability of territories, and the quality of life of the communities benefiting from such services.

The environmental conditions of basins have a direct effect on water supply sources of reservoirs and other systems. In order to contribute to improve these conditions and prevent the risks associated with water resource availability to the population served, the EPM Business Group undertakes—freestanding and with other participants—programs and projects such as the comprehensive management of water resource and biodiversity, erosion control, environmental sanitation, environmental management in reservoirs, forest management, restoration, fauna management, environmental awareness and monitoring.



See <https://2018.sostenibilidadgrupoepm.com.co/pdf/15a.pdf> pages 12-19.

4.2. Supply Chain

EPM does not know the exposure of its suppliers to the risks related to water. However, progress has been made in the matter due to the efforts done for the strengthening and development of EPM suppliers and contractors, in the following matters:

Environmental aspects

In our procurement process, preliminary studies are carried out to identify the relevant aspects to be considered, among others the regulatory ones that must be met, such as some environmental requirements, permits and licenses, depending on the type of good or service that is contracted. Likewise, environmental issues related to the application of good practices are included.

The methodological guide for the performance of the contractors establishes a systemic and systematic process that allows the performance assessment of the contractor. The results of this evaluation will be considered in future processes to ensure the acquisition of goods and services with quality and opportunity in the economic, social and environmental dimensions.

See <https://2018.sostenibilidadgrupoepm.com.co/pdf/1a.pdf> pages 34-35.

See <https://2018.sostenibilidadgrupoepm.com.co/pdf/14a.pdf>

Strengthening suppliers and contractors

The registration process of suppliers and contractors in the information system allows EPM to track their implementation of economic, social and environmental practices through the information provided in their certifications, their financial information and their CSR practices. In addition, the acceptance of the code of conduct of the registered suppliers establishes criteria and commitment in legal, ethical, environmental, social and governance aspects that allow generating a shared commitment in the extended value chain of the EPM Group.

We also have a diagnostic survey that allows us to identify gaps at the economic, social and environmental levels to mitigate risks, propose improvement plans and support the decision-making.

Based on these sources, we define the problems that will be addressed in the events with suppliers and contractors. Events are organized including talks related to air quality and care the integral management of water resources in EPM and various topics related to environmental management.



5. COLLECTIVE ACTION

Grupo EPM is committed to the sustainability of the territories where it operates and establishes synergies through agreements, inter-administrative contracts, working groups, and other strategic alliances that seek to develop actions for the protection and improvement of the environment and conditions of life of the surrounding communities.

See <https://2018.sostenibilidadgrupoepm.com.co/pdf/8a.pdf> pages 37-44.

6. PUBLIC POLICY

- ✓ **Global Compact:** EPM is adhered to the Global Compact and as such not only discloses its annual progress report but actively participates in the Colombian node of Global Compact, which is actively involved in promoting the achievement of Sustainable Development Goals.
- ✓ **Guilds and Inter-Institutional Management:** EPM Group finds a unique opportunity to interact with other companies, under an atmosphere of collegiality, in the active participation in guilds and related associations. Through the guilds, collective actions are promoted which positively impact sectorial public policy and the sustainability of all actors in the extended chain of public services. It also seeks that these actions generate value for all stakeholders and lead to competitiveness and the development of the country.
- ✓ **Relations with the State:** the EPM Group builds up its relationship with the State (Congress and national and local governments) based on ethical principles and in accordance with its Corporate Responsibility and Communication policies, which are guided by transparency criteria and values, and following relationship plans with every stakeholder (Congress and governments), prioritizing the general benefit.
- ✓ **Guilds:** Through the public utilities guilds of which it is a member, and in some cases acting individually due to direct concern, EPM proactively participates in the regional or national regulative and legislative activities related to important issues for the sector, in order to reach an optimal regulation that refers to global interests and value generation for all stakeholders.
- ✓ **Regulation monitoring:** the company permanently monitors the regulations that have an impact on utilities sector, classifying it according to the impact on EPM and the Group. In the cases on which a regulation requires observations by EPM, they are timely presented before the competent authority, always taking care of the balance of interests among the stakeholders within the framework of our sustainability policy.

See <https://2018.sostenibilidadgrupoepm.com.co/pdf/8a.pdf> pages 31-35

7. COMMUNITY ENGAGEMENT

For the universalization of Public Services, EPM undertakes actions such as:



- Habitable homes
- Pay according to your needs
- Public power stacks and community meters
- Unserved population
- Prepaid services

See, Access and purchasing power of public utilities:
<https://2018.sostenibilidadgrupoepm.com.co/pdf/11a.pdf>

8. TRANSPARENCY

Grupo EPM's companies develop communication, education, and engagement strategies, based on truthfulness, completeness, appropriateness, timeliness, and clarity of the information delivered concerning the company's management, in order to guarantee the stakeholders' trust.

Below are the most relevant actions on the subject:

Information for stakeholders

Grupo EPM shares its business management with its stakeholders directly and through mass media as one of the mechanisms to strengthen and transcend the informative purpose and strengthen the relationships with stakeholders.

Transparency practices

To preserve trust and credibility of all its stakeholders, Grupo EPM incorporates in its management clear rules regarding organizational culture standards and principles, and its mechanisms for engagement, interaction, and verification of objective and goal accomplishment.

This set of actions raise stakeholders' awareness so that they become responsible, engage, get to know and exercise their rights and obligations, actively promote integrity, and fight corruption.

Grupo EPM aims to be a corporate benchmark in transparency practices by including international standards in its compliance management, actively participating in collective actions that generate high impact on society and managing best transparency practices.

See Transparency actions 2018:
<https://2018.sostenibilidadgrupoepm.com.co/pdf/21a.pdf>