



Relevant Information



Regarding the claim on the All-Risk Construction and Assembly insurance policy of the Ituango Hydroelectric Project that was filed in connection with the contingency that began in April 2018, EPM informs the following:

Process carried out with the insurer Mapfre Seguros Generales de Colombia S.A. to file the claim for the claim event and consequently for the insurer to pay it

Since the contingency began in April 2018, EPM gave notice to the insurance company Mapfre Seguros Generales de Colombia S.A on the event and the possible claim on the policies taken out to cover the Ituango Hydroelectric Project, including the All-Risk Construction and Assembly policy. Also, since that date the claim event has been managed in order to adequately comply with the provisions prescribed by article 1077 of the Code of Commerce regarding proving both the occurrence of the event and the amount of the loss.

The process of proving the occurrence, which is equivalent to proving the cause and events that gave rise to the contingency, has been carried out in accordance with the policy's coverage. This process took 16 months, period during which large volumes of technical information on the project's construction and the contingency were shared, concluding successfully with the issuance of a confirmation letter of coverage signed by Mapfre and received by EPM on September 16, 2019, which is a normal and central matter in claim events of this type.

Now then, regarding the burden of proving the amount of the loss, the amount that will be recognized by the insurer and the corresponding indemnity payment, reimbursing the costs incurred in the claim event, it will be the result of a rigorous analysis for the quantification of the damages, the results of which will be linked to the terms of the policy, such as deductibles, limits, sub-limits, additional coverage and exclusions, among others.

To this effect, EPM, the Project's Contract Supervisor and a team of expert adjusters appointed by the insurer, have been working jointly on reviewing the costs associated with the contingency as such, taking into consideration that because it is a project under construction, at the time of the claim event the works and installation of equipment had not been completed, and that not all assessments have been completed to its fullness due to the magnitude of the works and the difficulties in accessing the sites affected by the contingency.

Síguenos en



EPM estamos ahí



@epmestamosahi



Relevant Information



Claims adjusting is a complex process that requires separating normal project construction costs from the cost of the repairs or replacements associated with the damages produced by the contingency and covered by the policy, according to its terms and conditions, and excluding those on which no coverage is provided, such as external works or improvements associated with the new construction realities of the project due to the contingency.

To repair the material damages, EPM has made progress and has completed several activities, but it continues to work on the diagnosis of the damages and the interventions required by the works, the design of solutions for repair or reconstruction, the contracting processes required to replace the equipment and performance of certain reconstruction or repair solutions, and consequently the precise quantification of the costs associated with the claim event, and which are subject to continuous assessment in the aforementioned adjustment process.

Regarding coverage for the delay in starting up operations, the total costs that can be claimed under the policy will only be known once the generation units begin commercial operations, which is estimated to take place in the first half of 2022. Additionally, until the project is completed it will be necessary to incur in the repair costs associated with the claim event, and consequently, the full and final amount of the costs covered by the policy will only be known when the 8 units begin commercial operations.

Conditions established for payments, indicating whether they were agreed between the parties or were the result of the adjustment process. In the event the payments were agreed by the parties, an explanation is requested on the reasons that led to such payment.

Once insurance coverage for the claim event was confirmed in September 2019, and given the difficulties in having adjusted and final figures for the losses produced by the contingency and claimable under the policy, given the complexity of certifying the amount of the loss at a single point in time in a claim event of the characteristics of the Ituango project, which is under construction with a partial rather than total loss, but in view that EPM has incurred in outlays to replace the equipment and repair the works affected by the claim event, and that the policy expressly provides for the possibility of agreeing on advance payments, on November 29, 2019, EPM and Mapfre signed a Framework Agreement on Payments, under which conditions were established for making advance payments.

In this regard, it is important to note that the purpose of the payments is to provide the insured a cash flow that enables the coverage of repairs and/or replacements that are known to have been caused by the claim event, and that are proven during the adjustment process, once it is possible to demonstrate the loss amounts with appropriate supporting documents.

Síguenos en



EPM estamos ahí



@epmestamosahi



Relevant Information



On the All Risk Construction and Assembly Policy No. 2901211000362, to date, MAPFRE has made three advance payments, the first on December 4, 2019 for USD 150 million, for general damages to civil works, the second on September 15, 2020, for

USD 100 million, for general damages on civil works and replacement of equipment, and the third on August 31, 2021, for USD 100 million, also for general damages. The three advance payments, which are not assigned to any policy coverage in particular, are the amounts recommended by the adjuster based on the expenses and investments made by EPM for the recovery of the project to date, but by no means do they represent the full indemnity, nor an adjusted amount of the damages caused by the contingency. To date, the advance payments made to EPM add a total of USD 350 million.

Scope of the coverage of the policy issued by Mapfre Seguros Generales de Colombia S.A compared to the damages produced by the contingency.

The All Risk Construction policy No. 2901211000362 that EPM had at the time of occurrence of the contingency at the Ituango project establishes an insured limit of USD 2,556 million for coverage of material damages to infrastructure and equipment, but there is also coverage for Delay in Start Up (DSU) (amounts not received due to the delay produced by the damages derived from the contingency) for USD 628 million before applying deductibles, as agreed in the policy since it was signed, and these amounts represent the insurer's maximum liability.

In this regard, it is important to clarify that there may be a difference between the insured amount, the amount of the loss and the final indemnity paid, i.e., the final amount reimbursed, which will depend on the insured limits and other policy conditions such as deductibles, limits, sub-limits, and additional coverage, among others, which will be known once the technical adjustment process is completed, and which is currently in progress.

Consequently, the loss amount that is currently estimated that could be included in the coverage of the All Risk Construction and Assembly insurance policy is COP 5.3 billion or USD 186,000,000 (considering the repair costs spent and budgeted to date, the cost of the affected systems and equipment and the revenue affectation model), which is the amount claimed in the request for conciliation and the subsequent lawsuit filed before the Arbitration Tribunal of the Chamber of Commerce of Medellín¹, but it is highly likely that the final amount to be recognized will be lower once it is filtered through the adjustment process with application of policy conditions such as deductibles, limits, sub-limits and additional coverage, among others.

¹ As reported by EPM in relevant information published through the Financial Superintendence of Colombia last June 23, 2021, EPM and Mapfre have agreed to an 8-month suspension of Arbitration Tribunal proceedings, i.e., until February 18, 2022, considering that an agreement already exists in the mutual interest of both parties to continue with the adjustment process that is currently in progress.

Síguenos en



EPM estamos ahí



@epmestamosahi



Relevant Information



Timetable of the coverage recognition process

Confirmation of coverage for the April 2018 claim event was received in 2019, based on which advance payments have been received from the insurer, as indicated above. Reception of additional indemnity payments will only be possible as the adjustment process advances, which in turn is fully dependent on the progress made in the works, i.e., on finally determining the scope of the damages suffered by the project and undertaking the respective repairs to start up operations, which will determine the DSU coverage.

Due to the above, there is no detailed timetable of payments for the claim event, because, as indicated above, they depend on the recovery of the affected works, and on fulfilling the burden of proof in terms of demonstrating the loss amount, as well as the technical discussions on the application of the coverage, exclusions and sub-limits, which are aspects that determine the progress of the adjustment and payments.

Information broadcasted on October 27, 2021, by the W Radio station:

Lastly, regarding the information broadcast by said channel, according to which:

"(...) Mapfre signed an agreement with EPM in November last year, three months after having in its power an adjustment indicating that it has to pay, in which the insurer agreed only to make advance payments on the claim event. Why doesn't it pay? Because EPM agreed to receive advance payments that do not solve the problem for EPM, (...) It is said that the interim report justified making two advance payments for USD 250 million, but in report number 7 it was already concluded that EPM had the right to payment, so it is not appropriate to continue making advance payments, but they should just pay. What should happen is that the insurer should pay 100% of the fiscal damages and final payment.

(...)

This document signed by Jorge Londoño of EPM with Mapfre accepts advance payments and not final payments, which would allow the cancellation of the coverage, in which case EPM may have to return the money it received as simple advance payment."

EPM clarifies the following:

1. As indicated above, the claim event adjustment process is complex, is in progress and has not yet been completed. Even though occurrence of an event that is not excluded from

Síguenos en



EPM estamos ahí



@epmestamosahi



Relevant Information



the insurance policy coverage has already been certified, and for this reason the coverage has been confirmed by Mapfre, the full amount of the indemnity has not yet been determined, because repairs of the damages have not been completed and the project's generation units have not yet begun to operate. Consequently, there is no final adjustment report indicating that a definitive and final payment must be made on the claim event by the insurer.

2. As indicated above, EPM and Mapfre signed a Payment Framework Agreement, the purpose of which is to provide cash flow to the insured to the extent that covers the outlays it has incurred to for repairing the civil works and equipment affected by the claim event and covered by the policy.
3. The advance payments received to date for USD 350 million represent recognition of the costs in which EPM has incurred to date and that have been technically adjusted, but in no way do they represent final recognition, because the adjustment process continues to make progress, in a technical and amicable manner between the parties.
4. Neither the Payment Framework Agreement, nor the advance payments, are in any way related to any cancellation of the insurance policy, because the payments received to date are not advance payments as such, but indemnity payments made on the basis of the adjuster's recommendations, because they are equivalent to outlays proven by the insured that are covered by the insurance policy.
5. EPM has no knowledge of the reports based on which such statements were made. If it refers to reports from the adjustment process, they are not known by EPM as insured party because, according to jurisprudence, reports of this type are considered papers of the trade company, and consequently their contents are confidential according to the provisions of the Code of Commerce.
6. The note on coverage of the insurance policy received by EPM in September 2019 continues to be valid, based on which the payments have been received to date by EPM.
7. The insurance contract implies, on the one hand, the definition of insured risk as a sudden and unforeseen event that does not depend on the will of the insured (art. 1054 and 1055 of the Code of Commerce) and, on the other, it is strictly ruled by the principle of indemnity (art. 1088 of the same law), which implies that the insurance policy focuses on indemnifying the damages caused to the project as a result of the April 2018 contingency in terms of the policy sections: material damages and delay in startup (DSU), as a result of the material damages, taking into consideration any deductions, sub-limits and exceptions established in the insurance contract, and not on any other type of considerations related to fiscal damages.

Síguenos en



EPM estamos ahí



@epmestamosahi