

**Decree No. 644**

**April 26, 2022**

**Whereby the Rules of Procedure of the Audit Committee of the Board of Directors of Empresas Públicas de Medellín E.S.P. are amended.**

**THE BOARD OF DIRECTORS OF EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P.,** in exercising the powers conferred in Article 11 of its Rules of Procedure, contained in Decree 579 of June 29, 2015, "Whereby the Rules of Procedure of the Board of Directors of Empresas Públicas de Medellín E.S.P., Annex 5 of the Code of Corporate Governance, are amended," **and**

**WHEREAS**

1. Article 45 of Law 964 of 2005, *"whereby general rules are issued and the objectives and criteria to which the National Government must adhere in order to regulate the activities to manage, use and invest resources collected from the public through securities and other provisions are stated,"* establishes the obligation for the securities issuers to create an Audit Committee.
2. Pursuant to Agreement No. 32 of 2006, the Council of Medellín added Article 17bis to the bylaws of EPM in the following terms: *"Article 17bis. Audit Committee. In order to comply with the objectives set forth in Law 964 of 2005, Article 45, the "Audit Committee" shall be formed under the terms and scope indicated therein, which shall be composed of at least three (3) members of the Board of Directors, including all independent members. The Chairperson of said Committee shall be an independent member. Decisions made within the Committee shall be adopted by a simple majority. The members of the Committee shall have adequate experience to fully comply with the Committee's duties. The Committee, in its operation, purposes, meeting periods and decision-making, shall be strictly subject to the provisions of the aforementioned law and the rules that develop it. The EPM Board of Directors shall be responsible for appointing the members of the Audit Committee and regulating the aspects to be addressed by said Committee."*
3. Article 11 of the Rules of Procedure of the Board of Directors establishes: *"The Board of Directors shall create such committees as it deems necessary, whether*

*standing or temporary, depending on the subject matter involved. When it creates committees, the Board shall regulate their operation."*

4. The Financial Superintendence of Colombia, through External Circular Letter 28 of 2014 Colombia, adopted a New *Código País* indicating measures and recommendations that are suggested to be implemented by securities issuers in matters of corporate governance, including, among others, the duties of audit and risk committees.
5. Decree 1700 of October 23, 2015, issued by the Mayor's Office of Medellín, by means of which *"... the Manuals that develop the Strategic Guidelines of the Management Pillars of the Municipality of Medellín Public Conglomerate Model"* are adopted, states that it is the obligation of the decentralized entities of the Municipality of Medellín to have a permanent Audit Committee, in Component 18 of Chapter 2, referred to the management bodies of the decentralized entities.
6. Decree 648 of April 19, 2017, issued by the President of the Republic, which amended the Single Regulatory Decree of the Public Service Sector, Decree 1083 of 2015, sets forth the following in paragraph 3 of Article 2.2.21.1.6: *"In entities where there is an audit committee, this committee shall assume the duties related to paragraphs b), c), e) and f) of this article and shall report to the institutional internal control coordination committee on its status and development."*
7. In accordance with the best Corporate Governance practices and EPM's needs as a legal entity and as Holding Company of the EPM Group, it is advisable for the Board of Directors to have a committee to advise it in matters related to internal control, internal auditing, risk management, supervision and disclosure of comprehensive financial and non-financial information, assessment of accounting procedures and budget execution, evaluation of compliance with legal obligations and relations with the External Auditor.
8. The Management Committee, in the meeting held on April 18, 2022, analyzed the proposal to amend the Rules of Procedure of the committees that support the Board of Directors and recommended the Board of Directors to approve it. This proposal was approved by the Board of Directors in the meeting held on April 26, 2022.

9. Consequently, it is applicable and necessary to amend the Rules of Procedure of the Audit Committee, provided in Decree 469 of October 29, 2019, to change its name to Audit and Risk Committee and adjust it to the current regulations. According to these considerations, the Board of Directors:

### **HEREBY DECREES**

**Article 1.** To amend the Rules of Procedure of the Audit and Risk Committee of the Board of Directors of EPM.

**Article 2.** To compile the Rules of Procedure of the Audit and Risk Committee of the Board of Directors of EPM in this Decree.

**Article 3.** This Decree is effective as of its date of issuance and repeals any regulations otherwise, particularly Decree 469 of October 29, 2019.

Issued in Medellín on April 26, 2022.

**CHAIRMAN,**

**DANIEL QUINTERO CALLE**

**SECRETARY,**

**MARÍA CRISTINA TORO RESTREPO**

## **Empresas Públicas de Medellín E.S.P.**

### **Rules of Procedure of the Audit and Risk Committee**

**Article 1. OBJECTIVE.** These rules of procedure define the regulations and procedures that regulate the operation of the Audit and Risk Committee, as well as the rules of conduct of its members.

**Article 2. SCOPE OF APPLICATION.** These rules of procedure are directly applicable to the Audit and Risk Committee, as a collegiate body, and to its members who, individually considered, contribute to forming the will of said body.

**Article 3. BINDING NATURE.** It is the duty of the members of the Audit and Risk Committee to know, comply with and enforce these Rules of Procedure. The EPM Board of Directors shall adopt the appropriate measures to make sure these Rules of Procedure are widely spread among the various stakeholders.

**Article 4. INTERPRETATION.** These rules of procedure are complementary and supplementary to the provisions established for the Board of Directors in the Bylaws of EPM, Rules of Procedure of the Board of Directors and commercial rules that, in each case, may apply to the composition and duties of the Audit and Risk Committee. The Board of Directors is responsible for resolving any doubts regarding the interpretation and application of these Rules of Procedure, pursuant to the applicable legal and statutory regulations and in accordance with the principles and recommendations of the Code of Corporate Governance.

**Article 5. APPROVAL AND AMENDMENT.** The rules of procedure of the Audit and Risk Committee shall be approved by the EPM Board of Directors, and it is up to the Board to amend them when required.

**Article 6. NATURE OF THE COMMITTEE.** The Audit and Risk Committee is a permanent advisory body to the Board of Directors and shall be governed by the law, the EPM Bylaws, Rules of Procedure of the Board of Directors and these Rules of Procedure. The main objective of the Audit and Risk Committee is to work to support and advise the Board of Directors in matters related to internal control, internal auditing, risk management, supervision and disclosure of comprehensive financial and non-financial information, assessment of accounting procedures and budget execution, evaluation of compliance with legal obligations and relations with the External Auditor.

**Article 7. DUTIES AND POWERS.** The Audit and Risk Committee shall have the following duties:

1. Supervising the efficacy and compliance with the internal control system. In that regard, it shall:

- 1.1 Analyze the structure, procedures, and methodologies necessary for the operation of the internal control system presented for consideration by management and recommend its approval to the Board of Directors, as well as evaluate whether it is in line with the needs, objectives, goals and strategies determined by the Entity.

- 1.2 Monitor compliance with the instructions provided by the Board of Directors regarding the Internal Control System.

- 1.3 Periodically monitor compliance with the elements required for the organization's ethical management and promote developing improvement instruments for their management.

2. Guiding the operation of internal audit activities and compliance with the work plan; in this regard, it must:

- 2.1 Evaluate the internal audit work plan and its amendments, and recommend its approval by the Board of Directors. The plan must be consistent with corporate principles and values, as well as with the strategic guidelines of the EPM Group. It should be based on the risk assessment.

- 2.2 Monitor: i) the results of the internal audit work, ii) compliance with the criteria of purpose, responsibility, authority and performance in the development of its work plan, iii) compliance with the Statute of Audit Activities, and iv) other relevant aspects of governance, risk management and control.

- 2.3 Promote the adjustments required for the effectiveness of the internal audit activity.

- 2.4 Ensure the independence and effectiveness of the internal audit function, receive regular information on its activities and make sure management takes into account the conclusions and recommendations of its reports.

In developing this duty, the Audit and Risk Committee is responsible for being aware of and resolving conflicts of interest that affect the independence of the Vice President of Corporate Auditing and resolving any differences that may arise in the development of the internal audit.

- 2.5** Be aware of the results of the internal audit quality assurance and improvement program and the corresponding internal and external evaluations.
- 2.6** Request the Internal Auditor to perform the necessary evaluations to know the actual status of EPM's risk, control and governance processes.
- 2.7** Be aware of and report to the Board of Directors on the acceptance of risks by management that, taking into account the corporate definitions on the matter, are considered unacceptable by the internal auditor.
- 2.8** Review the proposed statute for the internal audit activity and the internal auditor's code of ethics and its amendments, as well as recommend its approval by the Board of Directors.
- 3.** Supervising the preparation, presentation and disclosure of the holding company and EPM Group's financial and non-financial information, in accordance with the provisions of the law. In this sense, it shall:
  - 3.1** Be aware of the year-end and special purpose financial statements, in order to recommend their presentation to the Board of Directors for approval.
  - 3.2** Periodically monitor the financial statements of the holding company and EPM Group.
  - 3.3** Make sure the accounting criteria in force at all times are properly applied in preparing the financial statements and reliable internal information for decision-making.
  - 3.4** Be aware of the process for preparing, presenting and disclosing financial information and make the recommendations it deems pertinent.
  - 3.5** Analyze the budget and its amendments, in order to recommend its presentation to the Board of Directors for approval.
  - 3.6** Issue a statement regarding the qualifications or unfavorable opinions of the external auditor regarding the content and scope of the financial statements. This statement shall be made known to the public securities market through EPM's website. Additionally, it must make sure management takes into account the external auditor's recommendations.
  - 3.7** Make sure investors and the market in general have full, accurate and timely access to EPM's information to be disclosed.

- 3.8** Verify the proper functioning of the space dedicated to investors on the company's website, as well as other mechanisms for disclosing financial information.
- 4.** Maintaining a direct relationship with EPM's External Auditor. In this regard, it shall:
- 4.1** Analyze information on the contracting process of the external auditor before entering into the contract and make any observations it deems pertinent.
- 4.2** Monitor the external auditor's work plans and results, as well as any improvement actions defined by management to resolve the relevant findings identified in said evaluations.
- 4.3** Inform the Board of Directors of all situations that may limit the external auditor's access to information or jeopardize its independence and any other situations that may prevent or limit its functions related to the auditing plan and performing the financial audit.
- 5.** Supervising the effectiveness of and compliance with the comprehensive risk management system. In this sense, it shall:
- 5.1** Review and evaluate the integrity and adequacy of the company's risk management function.
- 5.2** Periodically monitor and report to the Board of Directors on the effective implementation of the company's risk policy, for the main financial and non-financial risks to be adequately managed.
- 5.3** Review the classification of the company's risks and its mitigation mechanisms and make the recommendations it deems pertinent to management and the Board of Directors.
- 5.4** Propose the company's risk policy to the Board of Directors for its approval.
- 5.5** Analyze and monitor EPM's risk management, including risk control systems and tools.
- 5.6** Supervise the efficiency of the regulatory compliance function, and the prevention of the risks of money laundering, terrorist financing, fraud and corruption.
- 5.7** Formulate improvement initiatives for the infrastructure, internal risk management and control systems, as deemed necessary.
- 5.8** Promote adapting the company's risk management to a model that allows configuring a risk profile that is in line with the strategic objectives and monitoring the degree of adaptation of the assumed risks, in accordance with said profile.

6. Analyzing EPM's loan proposals and their amendments, as holding company, to the subsidiaries of EPM Group, and recommending their approval to the Board of Directors.
7. Monitoring compliance with the plans defined by EPM, in response to the evaluations and recommendations made by internal and external control entities, and reporting failure to comply with the managers' obligation to provide the information required by the supervisory bodies to perform their functions, to the Board of Directors.
8. Examining and reporting to the Board of Directors on the operations the company performs directly or indirectly with related parties and recommending the Board of Directors to approve operations that, due to their amount, nature, or conditions, constitute risks for the company or business group.
9. At the request of the Board of Directors, informing it of the operations it must authorize according to the law, rules of procedure or an internal or external provision.
10. Evaluating and informing the Board of Directors of continuous or sporadic conflict of interest situations in which members of the Board of Directors or other Managers could be immersed directly, indirectly or through a related party, making the necessary proposals to manage the situation. This includes conflicts of interest that could arise between EPM and the Group's companies.
11. Verifying the Company's compliance with intellectual property and copyright regulations.
12. Reviewing the annual corporate governance report and recommending its approval to the Board of Directors.
13. Reporting to the Board of Directors on the work carried out by the Committee.

**Paragraph.** The scope of the support committees of EPM's Board of Directors does not cover the entire business group. However, the Typical Agenda of each Committee meeting includes information on matters of their interest, with a Group-wide scope.

**Article 8. COMPOSITION.** According to the provisions of Municipal Agreement No. 32 of 2006, the Audit and Risk Committee shall be comprised of between three (3) and five (5) members of the EPM Board of Directors, who are independent. A representative of EPM's external auditor and the General Secretary shall participate in the Committee, with voice but without vote.



The Committee's members shall have knowledge, skills and experience related to the issues and functions of the Committee, to understand the scope and complexity these matters entail in EPM. They should have knowledge and experience in subjects related to finance, accounting, administration, economics and oversight and risk management.

**Paragraph.** Depending on the agenda or the nature of the specific topics addressed in meetings, the Committee may invite members of EPM's Senior Management and those it considers necessary for the meeting's good performance to participate in meetings through the Secretary. The Committee must approve guests' participation at the meetings and shall leave a record of it in the minutes.

Those who participate as guests and are external to EPM must sign a confidentiality agreement before participating in any Committee meeting, which shall only be signed once.

**Article 9. CHAIRPERSON AND SECRETARY.** The Committee shall appoint a Chairperson from among its independent members with sufficient capacity and availability to perform the role. In the event of the temporary absence of the Chairperson of the Committee, they shall be replaced by the member appointed for said purpose by the other members present at the meeting.

EPM's Vice President of Corporate Auditing shall be the Secretary of the Committee. The Secretary of the Committee shall appoint the person to replace them in the event of temporary absences, and shall inform the Committee in advance.

**Article 10. DUTIES OF THE CHAIRPERSON OF THE COMMITTEE.** The chairperson of the Committee shall be responsible for:

1. Presiding over meetings and organizing the discussion of the topics submitted for consideration by the Committee, promoting the active participation of the other members and attendees.
2. Presenting the Committee's reports and recommendations regarding the issues and topics submitted to its consideration in all meetings of the Board of Directors, after analysis and review.
3. Presenting a consolidated report once (1) a year to the Board of Directors with the topics the Committee analyzed and with the secretary's support.
4. Making sure Committee meetings address the topics and discussion in depth and generate recommendations for the Board of Directors, while presenting the conclusions, recommendations and main agreements generated in the Committees to the Board of Directors.

**Article 11. DUTIES OF THE SECRETARY OF THE COMMITTEE.** The Secretary of the Committee shall perform the following duties:

1. Calling for ordinary meetings according to the work plan and the availability of the members of the Committee, or extraordinary meetings, if necessary.
2. Preparing and publishing the agenda for the Committee's meetings.
3. Inviting employees or advisors who must present the Committee's topics, in order to support or elaborate on the information on each item on the agenda.
4. Coordinating the timely delivery of documentation to members of the Committee and standing guests.
5. Prepare the minutes of the meeting in which the topics discussed, reports and recommendations to be submitted to the EPM Board of Directors are recorded.
6. Coordinating any other logistical aspects necessary for the normal operation of the Committee.

**Article 12. APPOINTMENT AND CESSATION OF DUTIES OF MEMBERS.** Committee members shall be appointed by the Board of Directors to perform their duties for the same period corresponding to each one of them as member of the Board of Directors. They may be removed at any time and cease their functions:

1. When they lose their status as members of the Board of Directors.
2. When they are no longer independent members.
3. By decision of the Board of Directors.
4. By resignation accepted by the Board of Directors.

**Article 13. CALL FOR MEETINGS.** The call for Committee meetings shall be carried out through the Board of Directors' information system and taking the following parameters into account:

1. At the beginning of each fiscal year, the Committee shall approve a schedule of ordinary meetings, which shall consult the agenda of the EPM Board of Directors and availability of the members of the Committee. If changes are made to the planned agenda, the Secretary shall coordinate the required adjustments to the Committee's agenda, as well as the necessary logistics for its development.
2. When necessary, extraordinary meetings shall be called, for which the Secretary of the Committee shall report the date and time of the meeting. However,

Committee meetings shall also be valid when all its members are present and agree to hold the meeting.

3. The Committee's face-to-face meetings shall be held at EPM's headquarters or where indicated in the notice of meeting, although its members may designate another place for a meeting.

The Committee may also meet remotely, through the mechanisms established in the Rules of Procedure of the EPM Board of Directors.

4. The agenda shall be submitted to the Committee through the Board of Directors' information system at least three (3) days in advance.

**Article 14. QUORUM AND MINUTES.** A meeting of the Committee shall be considered validly constituted when the majority of its members are present. The Committee's recommendations shall be adopted by a simple majority and be recorded in minutes.

Committee meetings must be documented in minutes signed by the Chairperson and Secretary of the Committee or the people acting in their stead, and held in a minute's book of the Committee, to be kept by the Secretary. Minutes must be approved and signed at the end of the ordinary meeting of the month after their completion. A copy of the minutes shall be sent to all members of the Board of Directors.

**Article 15. CONFLICTS OF INTEREST.** When the topics to be discussed at Committee meetings directly affect any of its members or a related party and, in general, when said member could fall into a conflict of interest situation (according to the terms established in the Rules of Procedure of the Board of Directors and the Conflict of Interest Manual), said member shall state it at the beginning of the meeting, in order to temporarily withdraw while the topic is being discussed. This situation shall be recorded in the corresponding minutes.

Doubts regarding the configuration of a situation that implies a conflict of interest related to a given topic does not exempt the Committee member from the obligation to abstain from participating in the respective deliberations.

**Article 16. ACCESS TO AND CONFIDENTIALITY OF INFORMATION.** Committee members may have free access, through the Secretary of the Committee, to the information or documentation available at EPM considered necessary for compliance with their duties.

It is the duty of Committee members to preserve the reservation and/or confidentiality of the information or documentation submitted for their consideration, when so indicated in the respective document or as advised by the area responsible for the information, and they may only use it for the Committee's own purposes.

**Paragraph.** The Committee may determine that the information to be submitted for consideration by the Board of Directors with respect to a matter shall not be previously published on the Board's information system or subsequently provided to members of the Board. In this case, the decision shall be reported to the other members of the Board of Directors prior to the respective meeting.

**Article 17. OPERATION OF THE COMMITTEE.** The Committee shall meet at least every two (2) months when called by its Secretary and, extraordinarily at any moment, at the request of at least two (2) of its members or the Chairperson of the Committee.

At the first meeting of each year, the Committee shall approve its typical agenda, in accordance with its functions and the typical agenda of EPM's Board of Directors.

**Article 18. OPERATIONAL RULES OF THE MEETINGS:** The Committee must observe the following operational rules to optimize times and ensure compliance with its functions:

1. Listening to presenters before speaking. Committee members may question presenters when formulating questions or to request clarification of an aspect related to the topic being presented.
2. Being concise, clear and constructive in presentations. Always seeking to enrich discussions and analysis.
3. Not repeating what other Committee members already stated.
4. The following must be taken into account during discussions: (i) The Chairperson's prior authorization is required to take the floor; (ii) The Chairperson shall give the floor in the order it was requested; (iii) The discussion shall be ended when the Committee Chairperson decides the topic has been sufficiently presented and analyzed; (iv) Committee members shall only refer to the topic currently under discussion.
5. Once the Committee has analyzed and concluded a topic, it shall only discuss it again if new elements arise.

**Article 19. EXTERNAL ADVISORS.** The Committee may request contracting external and independent advisors at its discretion and with the approval of the Board of Directors, to effectively fulfill its functions.

**Article 20. PRINCIPLES APPLICABLE TO THE COMMITTEE'S ACTIONS.** In addition to complying with the provisions of Law 964 of 2005, the Audit and Risk Committee constitutes a mechanism that promotes effective corporate governance within EPM, providing confidence to its owner, investors and other stakeholders regarding EPM's management and administration. Therefore, the Committee's actions must be in accordance with EPM's values and principles.

**Article 21. EVALUATION OF THE COMMITTEE.** The members of the Committee shall conduct an annual review of their work in the form of a self-evaluation and report the results to EPM's Board of Directors.

**Article 22. REMUNERATION OF THE COMMITTEE.** Committee members shall have a right to receive remuneration for attending and participating in meetings, according to the current provisions.

**Article 23. COMMITMENTS TO ACT.** In addition to their duties and responsibilities as members of the Board of Directors and those established in these Rules of Procedure, Committee members must attend meetings, prepare the topics to be discussed and maintain the confidentiality of the Committee's discussions.

**Article 24. TERM.** This Decree is effective as of its date of issuance and repeals any regulations otherwise, particularly Decree 469 of October 29, 2019.

Issued in Medellín on April 26, 2022.

**CHAIRMAN,**

**DANIEL QUINTERO CALLE**

**SECRETARY,**

**MARÍA CRISTINA TORO RESTREPO**