

Chapter draft:
**Disclosure of Information on Social and
Environmental Issues, including Climate Change**

EMPRESAS PÚBLICAS DE MEDELLÍN E.S.P.

In compliance with Circular 031 of 2021 of the Financial
Superintendence of Colombia (SFC, for the Spanish
original)

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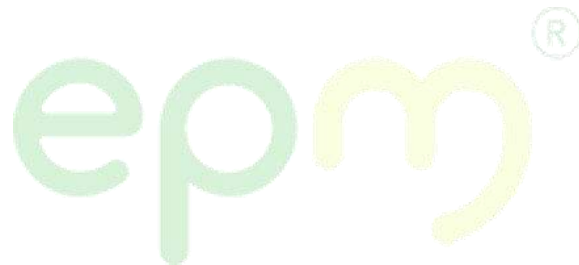


Introduction

This is the draft of the chapter that will be part of the periodic year-end report (containing the information of Notice 012) corresponding to the relevant events of 2023 of Empresas Públicas de Medellín (EPM) and its subsidiaries. This is to comply with the provisions of Notice 031 of 2021, Annex 2: on the disclosure of information on social and environmental issues, including climate issues, of the Financial Superintendence of Colombia.

This chapter is based on the result of the materiality exercise. The development of its contents considers the definition of the Task Force for Climate Related Financial Disclosure (TCFD) and the SASB Standards of the Value Reporting Foundation (VRF).

The structure of this chapter is based on the classification of material topics into Environmental, Social and Governance (ESG) matters.



Planning and Sustainability Model

Strategic Planning at the EPM Group is the directional dimension of the business architecture. It has four components, which are: Purpose, identity, action and results, all supported by the sustainability model, which is the fundamental basis for guiding its development, as follows:

Purpose: Architecture for a better world and commitment to the sustainable development goals (SDGs) of the 2030 Agenda.

The corporate purpose of the EPM Group is to "contribute to the harmony of life for a better world." It is the central element of Strategic Planning, and is consistent with the approaches of the architecture for a better world¹, which calls for corporate leadership capable of reconciling business objectives with sustainable human development priorities, recognizing the interdependence between stakeholders and sustainability, the relevance of partnerships and collective action, and supported by the 2030 Sustainable Development Goals and respect for universal principles on human rights, the environment, labor rights and anti-corruption.

Identity: Nature, Society and the Economy

The Identity component refers to the values and principles of the EPM Group. Connected to its principles and values, and with an ecosystemic vision, the EPM Group recognizes that generating sustainable and inclusive economic value is only possible by respecting social and environmental limits in the nature-society-economy relationship.

Action: Territory, Stakeholders and Materiality

The action component includes the strategies for achieving the business group's business objectives. The EPM Group recognizes the need to establish trusting relationships with the people who make up the territories in which it is present and to effectively, pertinently and coherently manage material or relevant sustainability issues.

Results: Sustainable Development Goals (SDGs)

The results component of the EPM Group includes the achievements expected to be reached based on the strategic objectives, contributions to the Sustainable Development Goals (SDGs) and the Big Hairy Audacious Goal (BHAG) in social, environmental and financial terms. These results are the basis for accountability to stakeholders and society in general through the sustainability report.

Materiality

Based on the EPM Group's materiality analysis in 2022, the organization recognizes the set of

¹ https://www.pactomundial.org/wp-content/uploads/2015/04/PublicacionArquitectosparaelFuturo2013_final1.pdf

material topics or priority ESG (Environmental, Social, Governance) matters in sustainability, including the vision of stakeholders, the vision of the corporate core and of the EPM Group's companies.

The EPM Group's materiality exercise allows visualizing the relevant topics for contributing to Sustainable Development and the organization's performance, including financial aspects. These issues reconcile organizational objectives with the contribution to sustainable human development, including the vision of its stakeholders and the internal vision of the organization, based on its strategic planning, operations and relationships with its stakeholders.

In 2023, other impacts of material topics on the organization's strategic elements, or "inward impacts," were incorporated into the materiality analysis and considered in the significance rating for further detail in light of the dual materiality criteria.

Environmental, Social and Governance (ESG)

At the EPM Group, the material issues identified with stakeholders are expressed through ESG (Environmental, Social, Governance) matters, as follows:

Environmental

It refers to environmental practices, natural resource management, climate change and relationship with the planet. Among other things, in this aspect:

- We work to reduce GHG emissions and increase the resilience of the infrastructure.
- We care for water and biodiversity.
- We perform responsible environmental management.

Climate Change

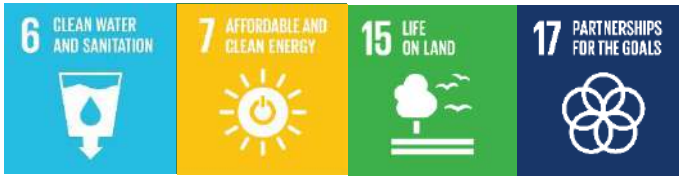
It refers to long-term changes in temperatures and weather patterns. Human activities have been the main driver, mainly from burning fossil fuels.

This has exacerbated climate variables affecting ecosystems, infrastructure, and communities, especially the vulnerable population.

Tackling climate change involves decarbonizing economies, adapting productive activities, and taking advantage of climate-related opportunities.

and climate change, guaranteeing access, continuity, and quality of services.

Relationship to the Sustainable Development Goals



Relevant Events

This section will be developed in the final chapter of the Periodic Report at the end of the fiscal year, among which the following are highlighted:

- The EPM Group's mission is to achieve resilient and carbon-efficient businesses by 2030, as well as to reach carbon neutral operation as of 2025. In this sense, the EPM Group seeks to contribute to Colombia's commitment to the 2015 Paris Agreement, updated in 2020, which seeks to reduce 51% of greenhouse gas (GHG) emissions by 2030 - base year 2010.
- Actions associated with reducing emissions were performed, such as: Estimating the Greenhouse Gas (GHG) emissions inventory of the EPM Group for 2022 (scopes 1 and 2) and the monitoring report corresponding to the reduction of emissions by operations.
- Progress was made in defining the climate change adaptation component for the EPM Group.

Renewable Energy

It recognizes the importance of generating solutions to the megatrends of decarbonization, decentralization, democratization and digitization, which demand diversifying the EPM Group's energy portfolio by harnessing opportunities to implement energy, such as solar and wind power, among others. These clean and reliable sources contribute to ensuring full and timely energy supply, maintaining productivity and environmental protection, ensuring the efficient use of energy and preserving renewable natural resources.

Relationship to the Sustainable Development Goals



Relevant Events

This section will be developed in the final chapter of the Periodic Report at the end of the fiscal year, among which the following are highlighted:

- EPM showed progress in building the Tepuy Photovoltaic Solar Park.
- Progress was made in creating a vehicle to promote the EPM Group's growth in renewable energies in the Americas.
- The company put residential, commercial, and industrial solar self-generation solutions into operation to contribute to the country's energy transition.

Water and Biodiversity

It requires joint action by the stakeholders of the territory in light of the challenges arising from the relationships between water, energy, food, industry and climate with the natural base. The interdependence between water and biodiversity highlights the importance of their integrated management to ensure the necessary ecosystemic services for the different water users, including the EPM Group.

Relationship to the Sustainable Development Goals



Relevant Events

This section will be developed in the final chapter of the Periodic Report at the end of the fiscal year, among which the following are highlighted:

- The business group committed to contribute to protecting 137,000 hectares (ha) in the watersheds supplying the systems and reservoirs by 2025, in addition to its own, with initiatives such as: Forest conservation, restoration and reforestation and sustainable use and practices, as well as new protection and compensation areas.

Social

It refers specifically to Human Rights, labor standards, diversity, equality, inclusion and relationships with society and local communities. Among other things, in this aspect:

- We provide access to quality public services with continuity and security.
- We strengthen the balance between work, personal and family life, occupational health and safety, and the ability to adapt.
- We are working on implementing new technologies and innovation to improve services to close gaps in the territories.

Access and Affordability

It implies developing conventional and non-conventional solutions, in accordance with the demographic dynamics and the particularities of the territories. Affordability addresses the options available to customers and users, considering their needs and preferences in relation to their ability to pay.

Relationship to the Sustainable Development Goals



Relevant Events

Quality and Safety of Products and Services

It comprises technical and commercial characteristics inherent to the service to meet customer and user expectations and regulatory and control requirements. This includes service quality, continuity and safety, customer service and satisfaction, and infrastructure development and improvement. The quality and safety of products and services is basic for the EPM Group's competitiveness and for maintaining and strengthening its reputational capital. Technology and innovation, the optimization of processes and business management systems ensure the quality of services in terms of greater economic value and market share. ®

Relationship to the Sustainable Development Goals



Relevant Events

This section will be developed in the final chapter of the Periodic Report at the end of the fiscal year, among which the following are highlighted:

- Progress is being made in improving the continuity and coverage of the water supply service, both in the metropolitan area of the Aburrá Valley and in the municipalities of eastern Antioquia.
- The Non-Domestic Wastewater Treatment Bid is moving forward.
- Projects were executed to replace and modernize sewage, water supply, and power generation and distribution infrastructure.
- Units 3 and 4 of the Ituango Hydroelectric Power Plant came into operation.
- Projects are carried out to improve the quality of service and the management of energy and water loss.

Human Rights

It consists of the commitment the EPM Group assumed to respect human rights in its engagement with stakeholders, both in its own operations and in those carried out by third parties while performing activities derived from an agreement signed with the Organization. This is a challenge for the Group in terms of its own sustainability, and it assumes it with the conviction that respect for human dignity is a fundamental commitment in the sustainable human development agenda.

Relationship to the Sustainable Development Goals



Relevant Events

This section will be developed in the final chapter of the Periodic Report at the end of the fiscal year, among which the following are highlighted:

- Progress is being made in implementing a human rights due diligence procedure for the business group.
- EPM seeks to reduce inequalities by managing Diversity, Equity and Inclusion, promoting equal treatment and opportunities.

Technology and Innovation

It consists of adapting the infrastructure, processes and organizational culture to new technologies and innovation, including the development of actions to close the gaps that technology generates between stakeholders due to their socioeconomic and educational conditions, geographic location, among other factors, increasing access to information and knowledge.

Relationship to the Sustainable Development Goals



Relevant Events

This section will be developed in the final chapter of the Periodic Report at the end of the fiscal year, among which the following are highlighted:

- Progress is being made in innovation management with the Innóvate program.
- We continue managing the private equity fund (PEF) for entrepreneurship and innovation.
- Management focuses on Energy Transformation, Digital Transformation, the Circular Economy and the Profitability of operations through training, skills-building and by adopting new technologies.

Occupational Well-being and Adaptability

It coordinates the balance between work, personal and family life, occupational health and safety, competitive and equal salaries, and non-economic remuneration, as well as the ability to adapt both employees and the Organization to new challenges to processes, organization, technology, culture, and information, required by the strategy. The disruption caused by the COVID-19 pandemic made it even more evident that adaptability and especially resilience are a strategic asset for competitiveness in a volatile, uncertain, complex, and ambiguous world.

Relationship to the Sustainable Development Goals



Relevant Events

This section will be developed in the final chapter of the Periodic Report at the end of the fiscal year, among which the following are highlighted:

- Collective bargaining agreements were negotiated with several of the EPM Group's labor unions.
- Training processes were strengthened within the EPM Group companies to contribute to developing the capabilities of the EPM Group's People.
- Efforts were focused on promoting occupational health and safety in the EPM Group.
- EPM has well-being programs for its employees and their families, as well as training, development, and human talent promotion programs.

Governance

It relates to the company's corporate structure and governance, business ethics, fight against corruption, collective action, transparency and decision-making. It has both internal and external impacts and serves to strengthen ethical leadership from the sustainability agenda. Among other things, in this aspect:

- We strengthen relationships with stakeholders through ethical and transparent management.

- We provide clear and timely information.
- We make progress in the governance system to increase competitiveness and strengthen unity of purpose and direction.

Corporate Governance

It represents the principles, standards, values, processes, and practices on which the business group has based its actions, denoting the balance and independence between the District of Medellín and the EPM Group's business management, seeking transparent decision-making with stakeholders and based on the sustainability of the business. The demands of investors and other stakeholders to adopt and promote sound governance for sustainability require ethical and transparent decision-making both within the Organization's governing bodies and in its relationships with EPM 's People and external stakeholders.

Relationship to the Sustainable Development Goals



Relevant Events

- The Corporate Governance component will be developed in Part Three of the Periodic Report at the end of the fiscal year, specifically in: Sustainability and responsible investment practices of the issuer.
- In this section, we will develop the issues associated with climate change, from the perspectives of strategy, governance, risk control and metrics and objectives.

Transparency

It involves managing information and communications in terms of sufficiency, relevance, timeliness, and clarity to maintain trust and strengthen relationships with stakeholders.

Relationship to the Sustainable Development Goals



Relevant Events

- Ethics is part of the essence of our companies; by being at the service of the community, we seek to contribute to the common good. This responsibility to society makes business ethics an imperative and a constant in all our actions.
- We have a code of ethics, which guides the values and principles of corporate action.

- Relevant events related to transparency in hiring and personnel selection processes shall be reported.

Financial Solidity

It requires establishing goals and obtaining medium and long-term achievements that guarantee the balance between the financial sufficiency and efficiency of the EPM Group in terms of competitiveness and business growth, from a perspective that involves sectoral trends, innovation and information technologies and territorial dynamics.

Relationship to the Sustainable Development Goals



Relevant Events

- This section will be developed in the second part of the Periodic Report at the end of the fiscal year, specifically in: Securities Market and Financial Performance.

