EPM has focused its efforts on the implementation of a Group Corporate Governance model to enable its strategy in a legal framework that allows for the continuous engagement in the ordinary management of companies; a corporate governance aligned with the decision schemes of the Matrix and a decision and ownership network that respects the rights of minority shareholders and promotes the achievement of Group synergies, while facilitating the reconciliation of the particular interests of each company with the interests of the Group, as well as addressing the differences between defined engagement models.

EPM’s commitment to the implementation of Corporate Governance best practices in the whole Group has positioned it as a reference in this matter, not only in Colombia but also in Latin America. The Business Monitor of Corporate Reputation–MERCO 2015–recently confirmed EPM Group’s top position in the energy, gas and water supply industries, with a total of 9,035 points out of 10,000. Thus, EPM remains in the top five among the 100 most responsible Colombian companies with the best Corporate Governance practices.

Through this report, which informs on the compliance and the main achievements made in 2016 in terms of Corporate Governance, EPM, once again, honors its commitment to transparency and disclosure of information to its stakeholders and investors.

Conceptual Framework of EPM Group’s Corporate Governance

EPEPM remains the second largest business group in the country by recording revenues of USD 5.8 trillion and assets of USD 16.2 trillion in 2016. Its growth and consolidation as a Group trigger important challenges in Corporate Governance at the level of the highest international standards for public companies. In this sense, the implementation of the Group’s Corporate Governance model, aligned with the business purpose and “the 4C+1G” (Closeness, Coverage, Consolidation, Care for the environment and Growth), becomes an enabling mechanism that strengthens Corporate Governance by consolidating its performance as a business group and strengthening its relationship with stakeholders, keeping the right balance between ownership and management of the company.

During 2016, the framework of the Corporate Governance model was designed, in line with the Group’s governing bodies. This made it possible to strengthen the common language, identify current practices and opportunities for improvement in governance, as well as facilitate the Group’s long-term Corporate Governance planning. (Annex 1. Governing bodies and framework for action of the Group’s Corporate Governance)
Compliance and Progress in EPM’s Corporate Governance

During 2016, EPM was able to consolidate Good Corporate Governance practices that will be detailed in this chapter and that largely respond to practices suggested by global leaders in this area.

Ownership: Municipality of Medellin

La Alpujarra Administrative Center. Urban building complex where the official headquarters of the Medellin Mayor’s Office, the Medellin Council and the Antioquia Governor’s Office are located.

All the ownership rights of EPM are held by the Municipality of Medellin, represented by the Mayor of Medellin, who, in accordance to Act 142 of 1994 and the company’s bylaws, appoints the CEO, chairs the Board of Directors and directly designates the members who are part of it.

The relationship with the Municipality of Medellin, in its role as owner of EPM, is regulated by the Law and the internal regulations; the latter is contained in the Relations Framework Agreement signed in 2007 by the Mayor of Medellin and EPM. In this Agreement, interventions by the Municipality of Medellin, in its role as owner of EPM, are regulated, and the expectations of the city regarding the company management are set.
Among other topics, this Agreement establishes that the ownership of EPM is exercised by the Mayor of Medellin through his participation in EPM’s Board of Directors, governing body that also chairs.

Likewise, and in accordance with Municipal Agreement No. 69 of 1997 of the Medellin Council, EPM shall ordinarily transfer up to 30% of its profits to the Municipality every year. However, in exceptional cases, additional transfers beyond the defined amount can be ordered with prior approval by the Medellin Council.

Additional transfers must be analyzed and approved by the Medellin Council, after consulting the financial needs of the Municipal Administration and the financial sustainability of EPM, considering that the latter shall be validated by the financial team of EPM before the City Council. In general terms, the Relations Framework Agreement is an agreement of wills that describes the principles and the obligations that govern the relationship between the Municipality of Medellin, as the owner, and EPM. (Annex 2. Relations Framework Agreement Context.)

During 2016, the ordinary surplus transferred amounted to COP445,375,100.781, corresponding to 30% of the 2015 profits. Additionally, extraordinary contributions totaling COP 371,145,917,318 were made.

Ordinary transfers were made based on the accounting calculations of the financial surpluses at the end of the previous fiscal year. In all cases, extraordinary transfers were approved beforehand by the Medellin Council, after assessing the need stated by the city’s Mayor and the company’s investment plans.

According to EPM’s Bylaws and in compliance with the Relations Framework Agreement, transfers were analyzed and verified by EPM from a financial perspective and, as in previous years, amounts transferred do not compromise the company’s long-term financial viability.
Ordinary and extraordinary transfers to the Municipality of Medellín from 2012 to 2016 (figures expressed in COP million)

Administration of EPM’s Board of Directors

EPM is an official public utilities company, established as a Government industrial and commercial company, of the municipal order, subject to the rules of Law 142 of 1994 regulating the provision of residential public utilities in Colombia.

The Board of Directors is in charge of the direction of EPM and the CEO is responsible for the administration and representation of the entity.

Structure of the Board of Directors

The structure of EPM’s Board of Directors, is ruled by Law 142 of 1994 and, internally, by the Relations Framework Agreement and the EPM Corporate Governance Code. These documents establish that this deliberative body is made up by nine main members without substitutes as follows:
• The Mayor of the city of Medellín, who is the Chairman of the Board of Directors.
• Five people freely appointed by the Medellín Mayor, all of them acting independently in accordance with EPM internal regulations.
• Three people selected by the Medellín Mayor among the control spokespersons registered by the Development and Social Control Committees of residential public utilities (Article 27.6 of Law 142 of 1994).

The EPM Corporate Governance Code states that the following aspects are the criteria to be considered by the Mayor to appoint the members of the Board of Directors:

• Professional academic training in subjects related to the corporate purpose of EPM and to the functions proper of a member of the Board of Directors.
• Business or work experience in companies whose purpose is related to the public utilities industry.
• To be selected, control spokespersons are required to submit proof of the time of permanence in the Development and Social Control Committee that selected them, description of the relationship with it and evidence of the activities carried out in the development of their functions.

The members of the Board of Directors are subject to the system of disqualifications and incompatibilities established by Law.
In accordance with the Rules of Procedure of the Board of Directors, the main functions of the Chairman are:

• Freely appoint and remove members of the Board of Directors.
• Make sure that the Board of Directors efficiently sets and implements the strategic planning of the company.
• Coordinate and plan the work of the Board of Directors by means of an annual work plan.
• Ensure execution of agreements, compliance of responsibilities and active participation of the members of the Board.
• Lead the evaluation process of the Board and its Committees.
• Promote active coordination between the company and the subjects of interest for the city of Medellín, in compliance with the provisions of the Relations Framework Agreement, and ensure compliance of the rules of the Board of Directors.

The Secretary of the Board, who, according to the company's Bylaws, is, in turn, the Secretary-General of EPM, has the following functions:

• Call the meetings.
• Duly process the requests of the Board.
• Prepare the minutes of the Board of Directors and sign them jointly with the Chairman.
• Ensure preservation of the documents of the Board and legality of their actions.
• Define the procedure to effectively develop the sessions of the Board of Directors.
The Board of Directors is composed of people with different profiles required to face the challenges of a multilatina and multi-services public company.
In 2016, the Mayor of Medellín, Federico Gutiérrez Zuluaga, became the Chairman of the Board of Directors and designated Claudia Jiménez Jaramillo, Javier Genaro Gutiérrez Pemberthy, Elena Rico Villegas and Carlos Raúl Yepes Jiménez as new members of the Board.

The average number of years of permanence of the current members in the Board, as of December 31, 2016, was 3.7 years.

Seven members (77% of the Board) are independent, which exceeds the 25% required in Article 44 of Law 964 of 2005 for issuers of securities, and the 55.6% defined in the internal regulations.

Independent members of the Board receive this nature since the date they start their functions as members of the Board.

None of the members of the Board holds an executive position in EPM or its affiliated companies.

The deliberative quorum for the sessions of the Board of Directors is formed with the majority of its members. The decision-making quorum corresponds to the majority of those present at the respective session. Each member of the Board has a vote.

Management of the Board of Directors

In 2016, EPM’s Board of Directors focused its efforts on the analysis and decision-making on matters related to the company’s sustainability. The following are some of its most remarkable actions:

- Redefinition of the BHAG and approval of the challenges and goals for 2016 - 2019.
- Analysis of the EPM Group’s strategy and the evolution of the EPM’s corporate purpose.
- Update of the EPM Group’s risk map, review of the characterizations and assessment of the risks associated with strategic management.
- Approval of the Information Security and Cybersecurity policy.
- Follow-up and control to the development of the following megaprojects: Ituango Hydroelectric Project, Aguas Claras Waste Water Treatment Plant Park (in the municipality of Bello), Nueva Esperanza and Bello-Guayabal-Ancón.
- Constitution of the Project Monitoring Committee.
- Approval of the financial statements of EPM and the consolidated financial statements of the EPM Group, in accordance with the International Financial Reporting Standards (IFRS).

Management of the information related to the Board is subject to the Information Management Policy approved by the Board of Directors on December 2, 2014, with the purpose of ensuring its integrity, reliability, availability, transparency and dissemination, in order to allow an adequate decision-making process that promotes corporate growth and sustainability. Additionally, it adheres to the currently applicable regulations and the best practices on corporate governance.

During 2016, the Board received comprehensive and sufficient information and analyses from the Management area; therefore, hiring external consultancy services was not necessary.

The Board held 15 sessions in 2016. The total average attendance was 93%, an average that exceeds the national standard.
### Attendance of the Board of Directors

<table>
<thead>
<tr>
<th>Members</th>
<th>% Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alberto Arroyave Lema</td>
<td>100%</td>
</tr>
<tr>
<td>Andrés Bernal Correa</td>
<td>60%</td>
</tr>
<tr>
<td>Carlos Raúl Yepes Jiménez</td>
<td>86%</td>
</tr>
<tr>
<td>Claudia Jiménez Jaramillo</td>
<td>100%</td>
</tr>
<tr>
<td>Elena Rico Villegas</td>
<td>100%</td>
</tr>
<tr>
<td>Federico Gutiérrez Zuluaga</td>
<td>87%</td>
</tr>
<tr>
<td>Gabriel Ricardo Maya Maya</td>
<td>100%</td>
</tr>
<tr>
<td>Javier Genaro Gutiérrez Pemberthy</td>
<td>100%</td>
</tr>
<tr>
<td>Manuel Santiago Mejía Correa</td>
<td>100%</td>
</tr>
</tbody>
</table>

The attendance average is calculated based on the 15 sessions held and the date on which each member started the exercise of their position.

The Board of Directors defined in 2015 the guidelines for its conformation, including the profiles necessary to integrate it, with a multidisciplinary and independent character and with a global vision and a high sense of responsibility for the public service.

*(Annex 3. Matrix of Profiles of the Board of Directors.)*

### Management of the committees of the Board of Directors.

The Board of Directors Committees are bodies created to analyze in detail, prior to each session, the subjects that the Board will address, in order to ensure efficiency in the decision-making process. Such analysis is recorded in the minutes and recommendation reports of each Committee.

In line with the best Corporate Governance practices and the needs of the EPM Group, the Board of Directors created on May 24, 2016, the Project Monitoring Committee, whose main function is to follow up the projects prioritized by the Board.
2016 Board of Directors of EPM (from left to right): Alberto Arroyave Lema, Claudia Jiménez Jaramillo, Elena Rico Villegas, Javier Genaro Gutiérrez Pemberthy, Andrés Bernal Correa, Orlando Uribe Villa (Secretary of Treasury of Medellín and permanent guest of the Board), Gabriel Ricardo Maya Maya, Federico Gutiérrez Zuluaga (Mayor of Medellín and Chairman of the Board), Manuel Santiago Mejía and Carlos RaúlYepes Jiménez.
Structure, function and attendance of the Board committees:

**Strategy and Investment Committee**
Strategic planning, new businesses and investments, business policies. Corporate Governance Plan, infrastructure projects.

**Management Committee**
Assessment of the Senior Management's performance, management monitoring, remuneration, administrative structure, competitive advantages, stakeholders engagement plans, corporate reputation, corporate social responsibility, environmental management and sustainability.

**Audit Committee**
Supervision: Internal audit program, risk management, financial and non-financial information disclosure, external audit, responses to external bodies, Corporate Governance, compliance.

**Project Monitoring Committee**
Analysis of the management of the projects prioritized by the Board of Directors.

**Composition:**
- Claudia Jiménez Jaramillo, Elena Rico Villegas, Javier Genaro Gutiérrez Pemberthy
- Claudia Jiménez Jaramillo, Carlos Raúl Yepes Jiménez, Gabriel Ricardo Maya Maya
- Alberto Arroyave Lema, Andrés Bernal Correa, Javier Genaro Gutiérrez Pemberthy
- Elena Rico Villegas, Manuel Santiago Mejía Correa, Gabriel Ricardo Maya Maya
<table>
<thead>
<tr>
<th>Committee</th>
<th>Members</th>
<th>No. Sessions 2016</th>
<th>Average Attendance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategy and Investment</td>
<td>Elena Rico Villegas</td>
<td>14</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Javier Genaro Gutiérrez Pemberthy</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Manuel Santiago Mejía Correa</td>
<td></td>
<td>93%</td>
</tr>
<tr>
<td>Management</td>
<td>Claudia Jiménez Jaramillo</td>
<td>12</td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Carlos Raúl Yepes Jiménez</td>
<td></td>
<td>80%</td>
</tr>
<tr>
<td></td>
<td>Gabriel Ricardo Maya Maya</td>
<td></td>
<td>92%</td>
</tr>
<tr>
<td>Audit</td>
<td>Andrés Bernal Correa</td>
<td>13</td>
<td>92%</td>
</tr>
<tr>
<td></td>
<td>Javier Genaro Gutiérrez Pemberthy</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Alberto Arroyave Lema</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Project Monitoring</td>
<td>Claudia Jiménez Jaramillo</td>
<td>7</td>
<td>86%</td>
</tr>
<tr>
<td></td>
<td>Elena Rico Villegas</td>
<td></td>
<td>100%</td>
</tr>
</tbody>
</table>

The attendance average is calculated based on the number of sessions held and the date on which each member started the exercise of their position.

Remuneration of the Board of Directors

Remuneration amounts for the members of the EPM’s Board of Directors are set by the Mayor of Medellin through Decree 1165 of August 12, 2009. During 2016, the fees paid for attending each session of both the Board and the Committee was equivalent to three monthly minimum wages. The monthly minimum wage in 2016 was COP 689,454.
The members of the Board of Directors do not receive any kind of variable remuneration.

### Honorarios de la Junta Directiva 2016

<table>
<thead>
<tr>
<th>Members</th>
<th>Board (COP)</th>
<th>Committee (COP)</th>
<th>Total (COP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alberto Arroyave Lema</td>
<td>31,025,430</td>
<td>26,888,706</td>
<td>57,914,136</td>
</tr>
<tr>
<td>Andrés Bernal Correa</td>
<td>18,615,258</td>
<td>24,820,344</td>
<td>43,435,602</td>
</tr>
<tr>
<td>Carlos Raúl Yepes Jiménez</td>
<td>12,410,172</td>
<td>8,273,448</td>
<td>20,683,620</td>
</tr>
<tr>
<td>Claudia Jiménez Jaramillo</td>
<td>31,025,430</td>
<td>37,230,516</td>
<td>68,255,946</td>
</tr>
<tr>
<td>Claudia Jiménez Jaramillo</td>
<td>31,025,430</td>
<td>37,230,516</td>
<td>68,255,946</td>
</tr>
<tr>
<td>Federico Gutierrez Zuluaga</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Gabriel Ricardo Maya Maya</td>
<td>31,025,430</td>
<td>37,230,516</td>
<td>68,255,946</td>
</tr>
<tr>
<td>Javier Genaro Gutiérrez Pemberthy</td>
<td>26,888,706</td>
<td>47,572,326</td>
<td>74,461,032</td>
</tr>
<tr>
<td>Manuel Santiago Mejía Correa</td>
<td>31,025,430</td>
<td>28,957,068</td>
<td>59,982,498</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>213,041,286</strong></td>
<td><strong>248,203,440</strong></td>
<td><strong>461,244,726</strong></td>
</tr>
</tbody>
</table>

**Assessment of the Board of Directors**

The assessment of the Board of Directors is a comprehensive and periodic exercise of the Board of Directors and the Senior Management of EPM that allows identifying the quality and efficiency of the deliberative body’s performance and its improvement opportunities.

Based on the assessments of every term, a strengthening plan is designed aimed at improving the performance of the Board and its Committees, as well as its relationship with the Senior Management. Additionally, the Board of Directors Induction Plan was developed during 2016.

*(Annex 4. Context on the induction program of the Board of Directors.)*

Activities carried out as part of the induction and strengthening plan of the Board during 2016 focused mainly on:

- Strengthening the context of the new Board members regarding the work of EPM, the business cycles and the main investments of the Group; as well as generating spaces of conversation between the Board and the Administration, in order to align the expectations in the main topics of management of the company.
- Reducing the gaps found in the 2015 assessment exercise.

In addition, some members of the Board participated in different events that include the 18th Andesco Congress, the First Forum on Corporate Governance: “Corporate Governance as a Tool for Business Sustainability,” organized by the Chamber of Commerce of Medellín; as well as the conferences: “EPM’s Communications Strategy” and “Risks, Opportunities and Strategies of the Group for the Post-Conflict Scenario.”
The assessment of the Board of Directors of EPM for 2016 used the following sources of information:

- Board’s session assessment
- Self-assessment of the members
- Self-assessment of the permanent guests
- Survey by the CEO
- Survey by the first-level Vice Presidents
- Attendance
- Topics addressed (nature and relevance)
- Typical agenda
- Requests by the Board

The analysis focused on six areas:

**Assessed Areas and Results**

<table>
<thead>
<tr>
<th>Areas</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual performance of the members of the Board</td>
<td>4.57</td>
</tr>
<tr>
<td>Performance and efficiency of the deliberative body</td>
<td>4.4</td>
</tr>
<tr>
<td>Level of discussion and depth of the addressed topics</td>
<td>4.3</td>
</tr>
<tr>
<td>Role of both the Chairman and the Secretary of the Board</td>
<td>4.6</td>
</tr>
<tr>
<td>Performance of the Board’s Committees</td>
<td>4.7</td>
</tr>
<tr>
<td>Performance of the Senior Management regarding the Board of Directors</td>
<td>4.5</td>
</tr>
</tbody>
</table>

The results show a high level of commitment and responsibility of the Board to the organization, as well as interest in strengthening the detailed and permanent monitoring of the strategic projects, which is why the Project Monitoring Committee was created.

**Main Strengths:**

- High level of commitment of the Board members to the company's matters.
- High level of independence of the Board with respect to the Administration.
- High regulatory compliance with the statutory and regulatory functions of the Board of Directors.
• High standards of Corporate Governance.
• Considerable level of attendance (93%) of the members to the Board sessions.
• High level of value creation of the Board’s committees regarding the deep deliberation of the most critical topics of the company.
• High appreciation of the work of both the Chairman and the Secretary of the Board by the other members.

Finally, as part of the 2016 assessment exercise, the Board’s Management Committee, with the purpose of improving efficiency of the deliberative body, will define the Board of Directors’ strengthening plan for 2017.

Conflicts of interest

In the rules of procedure of the Board of Directors and its Committees, EPM defines the procedure that the members of the Board and its Committees should follow in case of identifying in the agenda a particular topic that could generate a conflict of interest. Such procedure consists in temporarily withdrawing from the Board or Committee while the topic is addressed. Additionally, the rules of procedure indicate that the doubt about the existence of a conflict of interest does not exempt the member from refraining from participating in the corresponding decision. Moreover, when the conflict is permanent and impedes the member from performing their functions with independence, they shall resign.

The Board of Directors issued the “Manual for dealing with conflicts of interest and managing the Group’s decisions of interest” by means of Decree No. 390 of November 24, 2015, which constitutes the annex No. 8 of the Corporate Governance Code. The Manual contains the procedure that should be followed when, in the development of the relations between the EPM Group’s parent company and the subordinate companies, there is a situation of disagreement with the Group’s interest. This procedure is in line with the Governance Agreement signed by the companies of the EPM Group, the shareholders’ agreements, and the governance model defined for each subordinate company. Furthermore, it points out the actions that must be taken in every case by the Board of Directors of the subordinate company, by the Management Committee of the parent company, and by the Board of Directors of the latter and its corresponding committees.

The following conflicts of interest occurred in 2016:

• At the request of Mr. Andrés Bernal Correa, the Board of Directors accepted the existence of a conflict of interest regarding the possibility of a complaint to the insurance company for the damage occurred at the Guatapé hydroelectric power station.

• The Board also accepted the existence of a conflict of interest exposed by Mr. Gabriel Ricardo Maya Maya, who owns a plot located in the lands required for the development of the Cuencas La Iguaná - La García project.
In both cases, the Board followed the procedure described in the internal standards for the management of conflicts of interest.

**Management of the EPM’s Administration**

**Composition**

![EPM Administration Team](image)

_EPM’s Administration is composed of nine vice presidents who report directly to the CEO. They perform functions that affect the Group and, in general, they are responsible for directing, planning and verifying the fulfillment of the objectives, plans and goals of EPM and the companies of the Group._

During 2016, EPM’s Administration experienced the following changes:

1. Appointment of Jorge Londoño De la Cuesta as CEO by the Mayor of Medellin.
2. Appointment of John Alberto Maya Salazar and Ricardo José Arango Restrepo as Executive Vice President of Business Management and Vice President of Human and Organizational Development, respectively.
The high levels of experience and technical knowledge made it easier for the Senior Management to have an efficient performance and achieve the objectives set for 2016.

Evaluation of the CEO

The Board of Directors of EPM performs a systemic process that shows the achievements and challenges of the CEO’s performance in terms of results and methods for obtaining them (the what and the how).

Remuneration of the EPM’s Administration

Remuneration of EPM’s executives is based on a fixed payment that is not related to their performance. In general, compensation of EPM’s employees is defined in the previously established conventional agreements.

In 2016, the salary increase for executives both public servants and official employees, was 8.12% (CPI: 6.77% plus 1.35 points). These increases do not depend on their performance.
Salaries paid in 2016 are detailed below:

<table>
<thead>
<tr>
<th>Position</th>
<th>Monthly base salary</th>
<th>Payments earned as salary in 2016</th>
<th>Seniority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate Auditing</td>
<td>$ 23,420,604.97</td>
<td>$ 370,801,325.20</td>
<td>13</td>
</tr>
<tr>
<td>CEO</td>
<td>$ 31,326,829.79</td>
<td>$ 438,412,023.96</td>
<td>1</td>
</tr>
<tr>
<td>Secretary General</td>
<td>$ 23,420,604.97</td>
<td>$ 375,572,351.95</td>
<td>5</td>
</tr>
<tr>
<td>VP of Water and Sanitation</td>
<td>$ 23,420,604.97</td>
<td>$ 371,540,196.33</td>
<td>23</td>
</tr>
<tr>
<td>VP Commercial</td>
<td>$ 23,420,604.97</td>
<td>$ 263,559,166.58</td>
<td>17</td>
</tr>
<tr>
<td>VP of Corporate Communications and Relationships *</td>
<td>$ 21,395,386.41</td>
<td>$ 325,537,416.78</td>
<td>14</td>
</tr>
<tr>
<td>VP of Growth</td>
<td>$ 21,395,386.41</td>
<td>$ 351,442,247.04</td>
<td>26</td>
</tr>
<tr>
<td>VP of Human and Organizational Development</td>
<td>$ 23,420,604.97</td>
<td>$ 325,747,348.51</td>
<td>8</td>
</tr>
<tr>
<td>Executive VP of Strategy and Growth</td>
<td>$ 28,064,253.85</td>
<td>$ 438,537,040.85</td>
<td>32</td>
</tr>
<tr>
<td>Executive VP of Corporate Finance, Risk Management and Investment</td>
<td>$ 28,064,253.85</td>
<td>$ 464,949,176.76</td>
<td>2</td>
</tr>
<tr>
<td>Executive VP of Business Management</td>
<td>$ 28,064,253.85</td>
<td>$ 278,431,207.26</td>
<td>32</td>
</tr>
<tr>
<td>Executive VP of Projects and Engineering</td>
<td>$ 28,064,253.85</td>
<td>$ 434,434,318.17</td>
<td>21</td>
</tr>
<tr>
<td>VP of Corporate Strategy</td>
<td>$ 21,395,386.41</td>
<td>$ 352,828,838.17</td>
<td>21</td>
</tr>
<tr>
<td>VP of Gas</td>
<td>$ 21,395,386.41</td>
<td>$ 363,646,261.76</td>
<td>27</td>
</tr>
<tr>
<td>VP of Power Generation</td>
<td>$ 23,420,604.97</td>
<td>$ 389,298,501.66</td>
<td>19</td>
</tr>
<tr>
<td>VP of Power Generation Projects</td>
<td>$ 21,395,386.41</td>
<td>$ 378,271,471.35</td>
<td>32</td>
</tr>
<tr>
<td>VP of Shared Services and Supplies *</td>
<td>$ 23,420,604.97</td>
<td>$ 236,812,083.55</td>
<td>3</td>
</tr>
<tr>
<td>VP of Power Transmission and Distribution</td>
<td>$ 23,420,604.97</td>
<td>$ 404,622,550.37</td>
<td>32</td>
</tr>
</tbody>
</table>

The average seniority at the executive level in EPM is 18.22 years.
* Positions through interim arrangement

Management Support Committees

EPM’s Governance Committees were established as an integration mechanism for deciding, deliberating, building and directing the unity of purpose. They are classified by levels. CEO’s competence committees are those at the strategic level: Directorate Committee, Planning Committee and Contracting Committee.

Through Decree 2135 of 2016, governance committees were updated. However, strategic committees were not modified.
Committees are described below:

**Dirección**
To ensure the unity of purpose of the EPM Group and a decision-making process aimed at fulfilling the strategy.

- EPM Group’s policies
- Investment in acquisitions or new businesses
- Prioritization of projects
- Corporate Governance
- Business projects monitoring
- Innovation minutes
- Business management
- Financial management
- Critical topics of the business operation
- Delegations

**Planning**
To design, adjust and monitor the EPM Group’s strategy, and provide the necessary mechanisms for its compliance, through the coordination of all the support departments.

- EPM Group’s corporate strategy
- EPM Group’s integrated planning
- Budget
- Balanced Scorecard
- Approval and monitoring of the SLA
- Inter-group transactions
- Monitoring of programs, portfolio and business development projects
- Monitoring of strategic risks and comprehensive risk management
- Internal Audit and external insurance providers
- Internal control policies
- Stakeholders engagement
- Definition of the Board’s agenda
- Organizational structure
- Management of enablers (Management systems, human resources and IT)

**Contracting**
To analyze and make suggestions on procurement matters related to the process of acquiring goods and services.

- VP of Shared Supplies
- Executive VP of Projects and Engineering
- Executive VP of Business Management
- Executive VP of Corporate Finance, Risk Management and Investment
- Executive VP of Strategy and Growth
- VP of Human and Organizational Development
- VP of Corporate Communications and Relationships
- General Secretariat
- General Management
- Corporate Auditing

Conformación de los comités estratégicos:

- **Dirección**
- **Planning**
- **Contracting**
Performance of the Committees

During 2016, strategic committees held their corresponding sessions in line with their regulations, seeking to reaffirm their role as a decision-making environment based on a reasoned consensus among their members.

The following are the main statistics related to the performance of the Directorate and Planning Committee:

<table>
<thead>
<tr>
<th></th>
<th>Directorate Committee</th>
<th>Planning Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td># Sessions</td>
<td>40</td>
<td>41</td>
</tr>
<tr>
<td>Average attendance</td>
<td>95%</td>
<td>96%</td>
</tr>
<tr>
<td>Average topics</td>
<td>84%</td>
<td>87%</td>
</tr>
<tr>
<td>Average approving topics</td>
<td>84%</td>
<td>87%</td>
</tr>
</tbody>
</table>

During 2016, the Contracting Committee held 51 meetings aimed at analyzing contractual matters related to the procurement of goods and services of the CEO’s competence.

Evaluation of the Committees

Strategic committees are periodically evaluated for the purpose of monitoring their performance and identifying improvement opportunities that would contribute to strategic management. To this end, the organization conducts a survey on the perception of the members of the committees and consolidates the data extracted from the minutes of each meeting.

Monitoring and evaluation of the strategic committees during 2016 suggested to unify, in a single committee, the participation of the executives at the first level of report to the CEO, in such a way as to ensure integrality of decisions. This update will be implemented from January 2017.
Compliance and Progress on Corporate Governance in the EPM Group’s Companies

EPM Group’s shareholding structure is shown in detail on the Annex 5 of this report: EPM’s shareholding structure in affiliated and subsidiary companies.

Boards of Directors of the Group’s Companies in Colombia

Composition of the boards of directors of the national affiliates is in line with the engagement model established in the Group. In this way, the amount of internal members is dominant, as shown in the following tables, which also contain attendance percentages in 2016, evidencing a high commitment by the main members with average attendances above 75%.

<table>
<thead>
<tr>
<th>Nature</th>
<th>Names</th>
<th>EDEQ</th>
<th>CHEC</th>
<th>ESSA</th>
<th>CENS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal</td>
<td>Juan Carlos Duque Ossa</td>
<td>88%</td>
<td>75%</td>
<td>67%</td>
<td>88%</td>
</tr>
<tr>
<td></td>
<td>Juan Rafael López Foronda</td>
<td>100%</td>
<td>88%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Carmen Helena Marín Ospina</td>
<td>88%</td>
<td>75%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mauricio Castaño Vargas</td>
<td>88%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Alberto Mejía Reyes</td>
<td>88%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Inés Helena Vélez Pérez</td>
<td>92%</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>John Jairo Celis Restrepo</td>
<td>67%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Jaime Alberto Villa Valencia</td>
<td></td>
<td></td>
<td>63%</td>
<td></td>
</tr>
<tr>
<td>External</td>
<td>Gilberto Saffón Arango</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partners</td>
<td>Ricardo Gómez Giraldo</td>
<td>88%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>José Octavio Cardona León</td>
<td>50%</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Didier Alberto Tavera Amado</td>
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<td>25%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Mauricio Mejía Abello</td>
<td></td>
<td>67%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>William Villamizar Laguado</td>
<td></td>
<td></td>
<td>25%</td>
<td></td>
</tr>
</tbody>
</table>

Convenciones
- Representation as main member in green
- Representation as substitute member in gray
### Average Attendance of main members

<table>
<thead>
<tr>
<th></th>
<th>EDEQ</th>
<th>CHEC</th>
<th>ESSA</th>
<th>CENS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Attendance of main members</td>
<td>94%</td>
<td>88%</td>
<td>63%</td>
<td>63%</td>
</tr>
</tbody>
</table>

### Average Attendance of substitute members

<table>
<thead>
<tr>
<th></th>
<th>EDEQ</th>
<th>CHEC</th>
<th>ESSA</th>
<th>CENS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Attendance of substitute members</td>
<td>88%</td>
<td>71%</td>
<td>67%</td>
<td>76%</td>
</tr>
</tbody>
</table>

### Boards of Directors of Colombian Water and Sanitation Affiliates

<table>
<thead>
<tr>
<th>Nature</th>
<th>Names</th>
<th>Aguas de Oriente</th>
<th>Aguas Regionales</th>
<th>Aguas de Malambo</th>
<th>Aguas Nacionales</th>
<th>Emvarias</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Internal</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Jorge Londoño De La Cuesta</td>
<td>8</td>
<td>13</td>
<td>12</td>
<td>11</td>
<td>11</td>
</tr>
<tr>
<td></td>
<td>John Alberto Maya Salazar</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Santiago Ochoa Posada</td>
<td>86%</td>
<td>77%</td>
<td>67%</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td></td>
<td>Wilson Chinchilla Herrera</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>73%</td>
</tr>
<tr>
<td></td>
<td>Santiago Diaz Gutiérrez</td>
<td>71%</td>
<td>85%</td>
<td>67%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Jorge William Ramírez Tirado</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Marta Lucía Londoño Toro</td>
<td>71%</td>
<td>38%</td>
<td></td>
<td></td>
<td>45%</td>
</tr>
<tr>
<td></td>
<td>Juan Carlos González Ramírez</td>
<td>21%</td>
<td>8%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Edgardo Gerardo Martínez Echeverri</td>
<td>14%</td>
<td>15%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Carlos Israel Orduz Aguilar</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Juan Carlos Castro Padilla</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Adriana María Londoño Carvajal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>External</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Luis Fernando Arango Arango</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Juan Camilo Restrepo Gómez</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Partners</strong></td>
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</tr>
<tr>
<td></td>
<td>Juan Camilo Botero Rendón</td>
<td>86%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Carlos Mario Salazar Bermúdez</td>
<td>86%</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Luz Edilma Aguirre Londoño</td>
<td></td>
<td>29%</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Jaime Arturo López</td>
<td></td>
<td></td>
<td>57%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>James Gallego</td>
<td></td>
<td></td>
<td></td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Jairo Enrique Orfiz Palacios</td>
<td></td>
<td></td>
<td></td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Efraín Bello Camargo</td>
<td></td>
<td></td>
<td></td>
<td>33%</td>
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</tr>
<tr>
<td></td>
<td>Dairo Patermina</td>
<td></td>
<td></td>
<td></td>
<td>42%</td>
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</table>

<table>
<thead>
<tr>
<th>Legend</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Representation as main member in green</td>
</tr>
<tr>
<td></td>
<td>Representation as substitute member in gray</td>
</tr>
</tbody>
</table>
### Boards of Directors of the companies of the Group in Latin America

At the international affiliates of the EPM Group, there is a greater number of external members who contribute strategic and independent vision to the boards of directors and who, in addition, know the market and the territories deeply, which generates value for all stakeholders. The tables below show the composition of the international boards and the percentages of attendance to the sessions, with a general average over 85%.

#### Average Attendance of main members

<table>
<thead>
<tr>
<th></th>
<th>Aguas de Oriente</th>
<th>Aguas Regionales</th>
<th>Aguas de Malambo</th>
<th>Aguas Nacionales</th>
<th>Emvarias</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Attendance</td>
<td>80%</td>
<td>56%</td>
<td>60%</td>
<td>77%</td>
<td>100%</td>
</tr>
<tr>
<td>of main members</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Average Attendance of substitute members

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Attendance</td>
<td>30%</td>
<td>21%</td>
<td>44%</td>
<td>55%</td>
</tr>
<tr>
<td>of substitute members</td>
<td></td>
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</table>

#### Boards of directors of international energy affiliates

<table>
<thead>
<tr>
<th>Role</th>
<th>Names</th>
<th>Delsur</th>
<th>Colmegsa-Comegsa</th>
<th>ENSA</th>
<th>HET (Bonyic)</th>
<th>EPM Chile S.A.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sessions held during the year</strong></td>
<td>11</td>
<td>8</td>
<td>6</td>
<td>9</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>Internal</td>
<td>Inés Helena Vélez Pérez</td>
<td>50%</td>
<td>75%</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Diego Humberto Montoya Mesa</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>José Enrique Salazar Velásquez</td>
<td>64%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Adriana Maria Londoño Carvajal</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Carlos Mario Jaramillo Duque</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Juan Rafael López Foronda</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Juan Carlos Duque</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>John Alberto Maya Salazar</td>
<td>50%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Carlos Alberto Solano Bonnett</td>
<td></td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Luis Javier Vélez Duque</td>
<td></td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Esteban Barrientos Moreno</td>
<td></td>
<td>50%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Luz Marina Escobar Arango</td>
<td></td>
<td>63%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Alberto Mejía Reyes</td>
<td></td>
<td>50%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Carlos Mario Tobón</td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Santiago Villegas Yepes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>External</td>
<td>Ramiro Valencia Cassio</td>
<td></td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Raúl Edmundo Archila S</td>
<td></td>
<td>80%</td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Luis Guillermo Suárez</td>
<td></td>
<td></td>
<td></td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Luis Enrique Córdova</td>
<td></td>
<td>82%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partners</td>
<td>José Roberto Quijano</td>
<td></td>
<td></td>
<td></td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>José Agustín Moscoso</td>
<td></td>
<td></td>
<td></td>
<td>83%</td>
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</tr>
</tbody>
</table>

#### Conventions

<table>
<thead>
<tr>
<th>Representations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Representation as main member</td>
</tr>
<tr>
<td>Representation as substitute member</td>
</tr>
</tbody>
</table>
### Average attendance of main members

<table>
<thead>
<tr>
<th></th>
<th>Delsur</th>
<th>Eegsa - Comegsa - Trelec</th>
<th>ENSA</th>
<th>HET Bonyic</th>
<th>EPM Chile S.A.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average attendance of main members</td>
<td>66%</td>
<td>92%</td>
<td>77%</td>
<td>83%</td>
<td>100%</td>
</tr>
<tr>
<td>Average attendance of substitute members</td>
<td>82%</td>
<td>57%</td>
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</tr>
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</table>

### Boards of directors of international water and sanitation affiliates

<table>
<thead>
<tr>
<th>Role</th>
<th>Names</th>
<th>Ticsa</th>
<th>Aguas de Antofagasta</th>
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</thead>
<tbody>
<tr>
<td>Sessions held during the year</td>
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<td>12</td>
<td></td>
</tr>
<tr>
<td>Internal</td>
<td>Jorge Londoño De La Cuesta</td>
<td>92%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>John Alberto Maya Salazar</td>
<td>85%</td>
<td>67%</td>
</tr>
<tr>
<td></td>
<td>Wilson Chinchilla Herrera</td>
<td>85%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Santiago Ochoa Posada</td>
<td>92%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Eduardo Esteban Cadavid Restrepo</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>External</td>
<td>Gilberto Escobero</td>
<td>92%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Luis Guillermo Suárez</td>
<td>92%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Álvaro García Hurtado</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td>Partners</td>
<td>José Alfredo Primelles Williamson</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

### Conventions

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Representation as main member</td>
</tr>
<tr>
<td></td>
<td>Representation as substitute member</td>
</tr>
</tbody>
</table>

### Average attendance of main members

<table>
<thead>
<tr>
<th></th>
<th>Ticsa</th>
<th>Aguas de Antofagasta</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average attendance of main members</td>
<td>91%</td>
<td>90%</td>
</tr>
</tbody>
</table>

### Remuneration of the boards of directors of the companies of the Group

At the EPM Group, the levels of remuneration were defined from studies that consider the main trends of the market in terms of compensation of boards. Additionally, aspects such as geography, size of the company and degree of intervention of EPM were taken into account. It is also important to highlight that, at the EPM Group, the attendance not only to the sessions of the board are registered, but also to the committees in the companies that have these spaces. The following tables show in detail the remunerations of the national and international companies of the Group during 2016.
### Remuneration of the boards of directors of the Colombian affiliates

<table>
<thead>
<tr>
<th>Affiliate</th>
<th>Remuneration Board of Directors Session</th>
<th>COP</th>
</tr>
</thead>
<tbody>
<tr>
<td>EDEQ</td>
<td>2 SMLMV</td>
<td>$1,378,908</td>
</tr>
<tr>
<td>CHEC</td>
<td>2 SMLMV</td>
<td>$1,378,908</td>
</tr>
<tr>
<td>ESSA</td>
<td>2 SMLMV (sesión no presencial)</td>
<td>$1,378,908</td>
</tr>
<tr>
<td></td>
<td>1 SMLMV (sesión no presencial)</td>
<td>$ 689,454</td>
</tr>
<tr>
<td>CENS</td>
<td>2 SMLMV</td>
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</tr>
<tr>
<td>Aguas de Oriente</td>
<td>1 SMLMV</td>
<td>$ 689,454</td>
</tr>
<tr>
<td>Aguas Regionales</td>
<td>1.5 SMLMV</td>
<td>$1,034,181</td>
</tr>
<tr>
<td>Aguas de Malambo</td>
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<td>$ 689,454</td>
</tr>
<tr>
<td>Aguas Nacionales</td>
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</tr>
<tr>
<td>Emvarias</td>
<td>1.5 SMLMV</td>
<td>$1,034,181</td>
</tr>
</tbody>
</table>

### Remuneration of the boards of directors of the international affiliates

<table>
<thead>
<tr>
<th>Affiliate</th>
<th>Remuneration Board of Directors Session</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delsur</td>
<td>1,600 USD</td>
</tr>
<tr>
<td>Eegsa - Comegsa - Trelec</td>
<td>2,000 USD</td>
</tr>
<tr>
<td>ENSA</td>
<td>2,000 USD</td>
</tr>
<tr>
<td>HET Bonyic</td>
<td>1,000 USD</td>
</tr>
<tr>
<td>EPM Chile S.A.</td>
<td>2,000 USD</td>
</tr>
<tr>
<td>Ticsa</td>
<td>1,600 USD</td>
</tr>
<tr>
<td>Adasa</td>
<td>55 UF*</td>
</tr>
</tbody>
</table>

*1 UF = 26,436 Chilean Pesos
Assessment of EPM Group Managers

For EPM Group, it is important, not only to measure the quantitative results of the managers’ performance (the what), but also the method to obtain such results (the how). That is the reason why, during the annual evaluation of all the managers in the companies that make up the Group, how the results of the Balanced Scorecard were obtained is evaluated as well as the coherence of the management style of each manager with the behaviors and actions that EPM Group has determined for its leaders. All of this results in the indicator called Management Style, within the Balanced Scorecard.

For 2016, the Management Style indicator was measured based on a multi-rater tool which enabled the assessment of the descriptors associated to the 9 organizational actions defined for EPM Group. The actions are behaviors that show the presence of cultural features of EPM Group, described to enable its strategic planning.

Multi-rater tool

To assess the descriptors associated to the 9 organizational actions defined for EPM Group.
Results

The assessment of the Management Style indicator is made during the first meeting of the Board of Directors of that year. Using a methodology based on discussion, each Board of Directors concludes if the manager:

- Does not comply.
- Complies with the actions.
- Shows superior actions that allow him or her to be a role-model leader in the Group.

This evaluation is part of the CEO’s goal chart, CEO Leadership indicator and, in the cases the company has variable pay, it makes a difference to the annual bonus.

Group’s executives meeting

Since 2014, EPM Group implemented the EPMGroup’s Executives Meetings. They are biannual spaces for management alignment in which EPM’s Senior Executives and the managers of each one of the national and international affiliate companies get together in order to create a strategic agenda framed by two cross-cutting objectives:

1. To create a shared vision of the Group.
2. To empower the companies’ leaders as Group leaders.

During the two meetings of 2016, the EPM Group’s leaders strengthened their understanding of and alignment with three main management points defined for this four-year term: closeness, growth and consolidation.

During the fifth meeting on July, the executive team had the opportunity to live an experience from the children’s point of view. The messages focused on the importance of simplicity and flexibility, as well as on the ability to keep relationships of trust with our stakeholders.
As for the sixth meeting held on December, the conversation focused on building the actions to make progress in the consolidation aspect. Being leaders willing to serve, so that relationships and interactions improve and objectives proposed as a Group are achieved.

**Governance mechanisms of EPM Group - Governance Agreement**

Since 2013, the EPM Group companies signed a governance agreement to establish the terms of engagement among them. This agreement favors the engagement to strengthen the best practices in the Group and capture synergies among the companies, applying corporate governance international recommendations and adhering to market prices.

The contractual instruments (agreements) that formalize this engagement are presented below, as well as the main figures of the agreements signed of the governance agreement among the companies that make up the EPM Group:

- **Interaction agreements**
  Optimization of processes, adoption of integrated procedures, best practices and, in general, new ways of doing things with a business group logic.

- **Transaction agreements**
  Provision of goods and services among the companies of the Group to create synergies. There is a cost for the contractor and a payment of the contracting party, adjusted to market prices.

- **Intervention agreements**
  Implementation of guidelines of the core that apply to strategic activities to comply with the unity of purpose of the Group, and the global business case is positive. Exceptional model.

**Main figures**

During the 2014-2016 period, the EPM Group companies signed 352 agreements regarding the governance agreement, with a greater amount of transaction agreements (88%).

Among the main services provided among the Group companies, those related to processes stand out: Commercial cycle, information technology, finance and administrative management services.
In 2016, there was an increase of 355% in the transaction value, boosted by the adoption of best practices in the industry of water with projects for waste water treatment in the department of Antioquia.

As shown in the following chart, the amount of transaction agreements decreases by 35%, which shows the optimization in the process of signing the agreements, due to the integration of more services in fewer documents. This proves that the EPM Group processes have been in process of adjustment and standardization.

Interaction agreements associated with the Group processes evolve in the long term, hence the increase in the number of signed agreements is not constant, since the general processes were agreed at the beginning of this engagement and, currently, the focus is placed on standardizing specific procedures.

Finally, intervention minutes referring to random situations behave as expected since they were enabled as an engagement option among the Group companies.

![Chart showing the amount of agreements of the governance agreement per year](chart.png)

*Number of agreements of the governance agreement signed between 2014 and 2016*
Since the governance agreement was entered into and through transaction agreements, the Colombian companies of the Group have provided services to EPM for the optimization of competitive advantages. Thanks to that, EPM Group has strengthened its strategic capabilities for the benefit of the territories where it operates.

The different relationships among the Group companies, formalized through the agreements of the governance agreement, contribute to strengthening the unity of purpose and direction, thus establishing conditions to better use the advantages and to transfer knowledge or expertise. This is done by adopting international corporate governance practices.
EPM Group Policies

Policies are documented statements that direct management in specific aspects, which help meet the strategy and achieve goals, functions and duties. Colombian companies of the Group have made progress in the adoption of 20 policies defined by the EPM Group:

Consolidated percentage of progress in the adoption of policies per national affiliates to December 31st, 2016

Policies pending approval and implementation are part of a plan in accordance with the nature and features of each affiliate company. 100% of the Colombian affiliates of the Group adopted the policies of internal control and engagement with suppliers and contractors.

Operations with engaged parties

During 2016, operations with engaged parties inside the EPM Group were reviewed. It was identified that, in this regard, the Group implements good practices defined in the governance agreement among the constituent companies, presents the transactions in the notes to financial statements in accordance with the international standards and, every six months, submits a report to the Board of Directors of EPM. In addition, progress was made in the design of a policy of these operations in alignment with the recommendations of the Financial Superintendency of Colombia.
Accountability

Definitions of EPM Group control environment

Its legal nature and its 100%-public capital, the economic sector in which it operates and its condition as an issuer of securities are reasons why EPM is a company broadly controlled by external entities and internal control bodies regulated by the law, as well as those that have been voluntarily adopted and have been implemented in the companies of the Group.

Control environment is a comprehensive concept grouping every issue related to risk management, internal control system, compliance and both internal and external verification. It allows the company to have policies, processes, procedures, activities and information that ensure that both purpose and direction stay aligned and that they comply with the internal and external legal framework that regulates us, all of this intending to achieve the objectives and the BHAG of the Group. It also allows cohesion between the companies that are part of it.

Control Environment

- Comprehensive Risk Management
  - It comprises the definition of risk policies as well as the definition and execution of methodologies for risk identification, evaluation, measuring, management, monitoring and reporting.
  - It requires an internal control system that enables us to ensure, by means of controls, that risks are properly managed in accordance with the defined policy and methodologies and that these are effectively applied in practice.

- Internal Control
  - (Act 87 of 1993) “A system consisting of the organization scheme and the set of plans, methods, principles, standards, procedures and mechanisms of verification and assessment adopted by an entity in order to ensure that all activities, operations, and actions, as well as data and resource management are conducted in accordance with the constitutional and legal regulations within the policies outlined by the Directorate and in regards to the previously set goals or objectives.”

- Compliance
  - Risk management regarding money laundry and terrorism funding, which pose a significant threat for the economical, social, and political stability of a country and the worldwide markets.

- Internal Audit
  - It evaluates the internal control system. This evaluation is defined as an independent and objective activity of enquiry and insurance. It intends to help improve the organization’s management and the accomplishment of its goals.
  - It provides a comprehensive approach to evaluate and improve the effectiveness of the comprehensive risk management, the controls and the governance.

- External Financial Audit
  - It evaluates accounting information in general and financial statements, as well as gives an independent opinion as to how reasonably this information reflects the financial situation of EPM at the end of each fiscal period.

- External Controls
  - They are also part of the control environment of the company because of its legal nature, since their purpose is to ensure the development of the governance process within public administration.

Details of some concepts associated with the control overview.
Comprehensive Risk Management

Defined by the process and policy of Comprehensive Risk Management, applied in every company of the EPM Group, the organization achieved a maturity level concerning this management.

Achievements:

- Encourage decision-making based on risks.
- Empower more the different levels.
- Increase the levels of culture and awareness regarding risk management in the different organizations.

In 2016, the EPM Group risk map was updated through meetings held with the leaders of each risk to review the characterizations and assess the risks associated with the strategic planning. This action was validated by the CEO, the Planning Committee and the Audit Committee.

Six risks were also prioritized to be monitored and supported by the EPM’s Board of Directors.
Actions to mitigate risks

Each risk identified in the EPM Group risk matrix has someone in charge which is the Vice President of the Group, responsible for defining the improvement actions to mitigate the risk and engage the relevant stakeholders in the risk management. By the end of 2016, improvement actions to deal with the risks of the Group were proposed. Each action was documented in detail with a clear expected result, start and end dates, leader in charge and person responsible for implementation.

In the risk management plan, different actions have been identified, among others:

- Implement the Infrastructure Project Management model.
- Implement the Asset Management System in the Infrastructure Project Management.
- Evaluate the offer/demand/infrastructure of acquisition 2016-2050.
- Promote the partnership with the CuencaVerde Corporation.
- Manage the structure of the local and regional development plans and the LUPs (Land Use Plans).
- Establish mechanisms to strengthen the relationships with the Medellín Council.
- Manage safety comprehensively.
- Encourage the engagement with law enforcement.

Occurrences in 2016

During 2016, some risks that affected the policies taken by EPM and through which the risks of the company are transferred to the insurance market became a reality:

1. **Property damage policy**: some events that affected the infrastructure occurred and materialized in equipment breakdown, mainly transformers. Likewise, a fire occurred in Guatapé’s cabling system which caused its total loss and left the plant out of order during 4 months.

2. **Civil responsibility policy**: several lawsuits and out-of-court complaints were filed against the company for damages caused to third parties when developing its corporate purpose.

3. **Policy for directors and managers**: some research was conducted by the control bodies having involved the recognition of defense expenditure.

4. **Compliance policy**: breaches of contract by contractor companies occurred and were reported to insurers according to the required contractual guarantees, and the corresponding compensations were paid.

In financial terms, EPM received a compensation of COP 418,999,837,713 and USD 16,776,341 on account of consequential damages and loss of profits due to the accident in the Guatapé plant.

EPM received compensations of around COP 3,300,000,000 on account of other damage to other assets and compliance and management complaints.
Achievements of the 2016 comprehensive risk management

The risk map of the EPM Group is the main input for updating the maps of the management levels defined in the comprehensive risk management model, such as:

- **Risk Map of International Companies**: Los Cururos Wind Farm, Adasa, HET, Ticsa and Delsur. The first version of the risk map of ENSA, EPM Group’s affiliated company located in Panama, was developed.

Also, the following results were achieved:

- Risk maps of the documented and prioritized processes were updated in the Group companies.
- Risk analyses were conducted in 74 projects.
- Risk analyses were conducted in 87 contracts over 5,000 current legal monthly minimum wages in EPM.
- 54 specialty risk analyses were conducted.
- Cross-section risk analyses concerning staff shortage, company unity, outsourcing and occupational health and safety were conducted.
- A procedure to manage exchange risk was prepared by the contracting area, and it was applied in tenders published during 2016.
- Documentation of the process was made equivalent to the new process model – ESSA, CENS and Emvarias.
- The Comprehensive Risk Management methodology was updated, the methodology of correlations was documented and the risk library was surveyed.
- The business continuity plan was implemented analyzing the impact of the transmission and distribution (EPM – EDEQ), water supply and waste water business units; the protocol of assistance to events and crisis (Padec) was updated; and executives received training.
- The program of insurances and brokerages for all the national affiliated companies was strengthened, keeping the technical and service conditions optimized, with savings of COP 709.9 million and USD 0.87 million.
- The Multilatino policy of CERs was structured, including affiliates from Chile, Panama and Mexico; progress was made in the consolidation of the program of Multilatino insurances for the operation’s most relevant policies.
- A special procedure to acquire goods and services, buy insurances and develop the contracting process this year was structured; the contracting processes became time-efficient and the procedure and support documents of the contracting process were adjusted to the special features of the insurance contracting process.
- Maxseguros was granted, by AM Best, a higher credit quality, raising it to “A-”, which shows reliability and assurance in its actions.
It is important to highlight that Maxseguros, as a specific-purpose means and a risk management tool, has managed to obtain significant benefits reducing insurance costs and generating value for the EPM Group over the last three years. In the same way, by participating in one of the reinsurance layers of the damage to property and loss of profit policy, in which it assumes a risk percentage in such placement, Maxseguros has managed to prove the total reliability of the EPM Group regarding its comprehensive risk management, allowing us to move closer to the international reinsurers.

Maxseguros managed to become another reinsurer, which allows it to receive first-hand information.

Corporate Audit Management

The corporate audit activity aims to improve and protect the organization value, providing assurance, advice and analysis based on risks.

Pursuant to the purpose during 2016, the risk-based audit plan was executed, and it was approved by the Board of Directors, covering thus the processes with the highest risk level in accordance with the defined prioritization criteria.

227 assurance and advice audit activities in EPM related to business and support processes were executed. As a result of these audit activities, improvement opportunities were identified. These improvement opportunities are managed by the corresponding responsible people and departments by means of the formulation of improvement plans. 98 improvement plans were formulated during 2016 in EPM as a result of the audit activities carried out.

The following activities were performed within the framework of the Corporate Audit Project, whose objective is to standardize the Group’s internal audit activities:

XXVII Meeting of EPM Group’s Internal Auditors.

The following activities were performed within the framework of the Corporate Audit Project, whose objective is to standardize the Group’s internal audit activities:
Implementation of evaluation and management tools that are transversal to EPM Group’s processes.
Updating of the internal audit strategic alignment with the Group goals.
Scope of the audit team to strengthen technical capacities subjects regarding the business.

Also, the audit team of EPM allocated 15% of the operating time to support the Audit Plan of the Group’s affiliated companies. Training events were carried out to strengthen the skills of the Group’s auditors, such as the twenty-sixth and twenty-seventh Meeting of EPM Group’s Auditors and the sixth Congress of Effective Audit in the Energy Sector.

For 2017-2020, the main challenges are framed within six initiatives:

- Consolidating the internal audit activity for the whole Group.
- Generating trust relationships.
- Implementing R+D for the development of the activity.
- Developing a high-performance team.
- Promoting the implementation of the improvement programs.
- Being self-regulation references.

Compliance Plan

The activities that formed the Compliance Plan 2016 are listed below:

- Extending the scope of the Ethics Hotline: Transparent Contact in all the national affiliated companies.
- Updating the guidelines and business rules related to the prevention of risks for fraud and corruption.
- Implementing the best practices according to the ranks achieved in the Dow Jones Sustainability Index.
- Participating in the National Government initiatives related to the incorporation of Colombia in the OECD as to become a “company active in the anti-corruption compliance (abbreviated EACA in Spanish).
- Being recognized in the real sector as one of the companies with the best practices in the areas of prevention of fraud and corruption.
- Giving reach to the strategic direction to operationally engage with the national affiliated companies, taking due diligence, as a group, of the various stakeholders.
- Being recognized in the real sector as one of the companies with the best practices in the areas of prevention of ML / TF.
External Audit Plan

Due to its legal nature as an industrial and commercial state company, EPM is not obliged to have external financial audits represented by a fiscal reviewer or external auditor. EPM hired an external financial auditor as a good corporate governance practice, and in order to fulfill the commitments the company has with multiple banks. The audit scope includes the opinion on the financial statements, an annual evaluation of the company’s Internal Control System (which is relevant for the preparation and reasonable submission of the financial statements), an audit to the information reported to the CREG (Spanish abbreviation for Energy and Gas Regulation Commission) by the network operators and related to the expenses of administration, operation and maintenance (abbreviated AOM in Spanish), and a specific audit to certify EPM’s fulfillment of the commitments established in the Legal Stability Contract, as well as the verification of the corporate environmental management index (abbreviated IGAE in Spanish) and the financial audit for the La Alpujarra District Cooling project.

Deloitte & Touche was selected as the financial external auditor by EPM for 2016. This company was also proposed as the fiscal reviewer and external auditor for the Group’s affiliated companies.

Deloitte & Touche is a leading private firm that provides professional services worldwide, and it has been cataloged within the four major audit firms in the world. The services it provides worldwide revolve around consultancy, taxes, legal advice, financial advice and auditing.

<table>
<thead>
<tr>
<th>Contract No.</th>
<th>Purpose</th>
<th>Payments in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>CT-2013-000094-R3</td>
<td>EPM requests the contractor to provide external audit services required by Empresas Públicas de Medellín E.S.P.</td>
<td>COP 1,693,600,000 (VAT included)</td>
</tr>
</tbody>
</table>
Assurance suppliers

During 2016, EPM addressed 716 requirements made by the diverse external assurance suppliers in charge of fiscal, disciplinary and legal monitoring, in order to comply with its accountability responsibility towards said suppliers.

Compliance Management

Mechanisms to prevent fraud, corruption and bribery

Given the initiatives and self-regulatory instruments applied by EPM Group, especially those that aim at keeping the operation in an environment of security, transparency and confidence, EPM provides all the stakeholders with overall parameters of performance, in order to minimize the materialization of situations associated with risks related to fraud, corruption, bribery, money laundering and terrorist financing, among others.

These best practices are a way of facilitating the fulfillment of the business purpose, strategy and objectives, both statutory and legal, and as the foundation of a culture based on ethical values and principles. Such practices are: Code of Ethics, Manual of Business Behavior, Corporate Governance Manual, Code of Conduct for Suppliers and Contractors and Zero Tolerance Policy to fraud, corruption and bribery, as well as the report channel Ethics Hotline: "Transparent Contact".
EPM Management:

- **Ethics Hotline**: “Transparent Contact”: it was adopted by the international affiliated companies Eegsa (Guatemala) and DelSur (El Salvador), covering thus all the companies of the EPM Group through the Internet.

- **Development and implementation of the mobile application Ethics Hotline**: “Transparent Contact” in both iOS and Android.

- **Transparency statement**: acceptance as a voluntary initiative by 89% of the collaborators of EPM and those with a possible conflict of interests stated it so. The purpose of these statements was to strengthen the confidence between the company-employee and the business-citizenship relationships and to ensure transparency in the work of the EPM Group.

- **Policy of zero tolerance to fraud, corruption and bribery**: adopted by all the national operating affiliated companies, including Emvarias. This policy provides measures aimed at minimizing the materialization of risks situations related to these scourges.

- **Measurement of the ethical climate**: the first internal measurement was conducted by surveying 2,515 collaborators of EPM. The purpose of this measurement is to know whether the fraud, corruption and bribery prevention tools proposed in EPM are in line with the practices, actions and perceptions inside our organization, have a “baseline” of measurement of the ethical climate and develop an improvement plan from the obtained results.

- **Identification of risk scenarios from EPM’s employees**: this preventive control has been developed in EPM for three years. For 2016, other variables which allowed extending and strengthening their analyses were added. The scenarios identified were discussed in most of the EPM’s vice presidencies and in several dependencies in particular. This control generates warnings regarding the possible materialization of some scenario associated with fraud, corruption or bribery.

- **Collective Agreement of the electricity sector**: participation in the agreement on combating corruption and promoting free competition. It was promoted by the National Operation Council (abbreviated CNO in Spanish) and XM S.A. E.S.P., with the inspection of the Secretariat of Transparency of the Presidency of the Republic of Colombia, Transparencia por Colombia and the UNODC. All the Colombian energy affiliated companies of the EPM Group are also part of this agreement, and requirements for members have been met, with reports to inspectors.
Pursuant to the requirements of 2016, progress was made in:

- The publication of the agreement using presentations to different stakeholders (clients and users, suppliers and contractors, EPM Group people and community), press releases on the company's website, the intranet and other media, as well as presentations to Management Committees and the Board of Directors.
- The closure of gaps with the international transparency principles, in accordance with the corporate transparency measurement conducted by Transparencia por Colombia.
- The construction of the EPM's corruption risk map and its publication on the website.
- The construction of the competition risk map of the sector.
- The support to all the working groups.
- The measurement of the ethical climate in EPM.

**Mechanisms to prevent money laundering and terrorist financing (ML / TF)**

- Standardization of the ML / TF risk management criteria in the Colombian operational affiliated companies.
- Development of an online course on ML / TF risk management for the employees of the international affiliated companies of El Salvador, Guatemala and Mexico.
- **Committee of Compliance Officers from the real sector of Antioquia**: participation and leadership in this committee as a collective initiative, in which EPM holds the presidency.
- **National money laundering prevention day**: EPM was the host and leader of the activities associated with the celebration of this day, with the attendance of around 400 people, including guests, speakers, authorities and experts on the subject.

**Mechanisms for the protection of personal data (PPD)**

- **Accountability guidelines**: pursuant to the provisions of Act 1581 of 2012 and its regulatory decrees, the organization started to implement the activities described in these guidelines to demonstrate its diligence and commitment to the management of the EPM stakeholders’ personal information.
- **Model contract of international data transmission**: to meet the provisions of the regulation when processed personal data are submitted to third-party countries, a model contract, which should be attached to the main contracts, was designed. Moreover, contractual clauses were defined to regulate the obligations of the parties when personal data are processed.
- In compliance of Decree 886 of 2014, activities were conducted for the national database registration (abbreviated RNBD in Spanish). Workshops were carried out to get an inventory of the organization’s personal databases.
Risk map of protection of personal data: the map was prepared as a collective construction in workshops carried out with those responsible for each database inventoried in the organization.

Habeas data procedure: it was formalized for all the interaction channels responsible for data, as required by the guidelines.

Assistance and advice were provided to all the national affiliated companies to implement the accountability guidelines, the inventory of databases and the compliance with the baseline in this regard.

Annual Management Report for Stakeholders

Public Accountability

EPM assumes the process of public accountability as a commitment to transparency and openness of information with its stakeholders and the society in general. In this sense, the accountability of the Group’s management, corresponding to 2015, took place on April 29 of 2016. During this event, the Group announced the progress of the main projects and the consolidation of EPM as a business group, the evolution of strategic decisions and the social, environmental and financial achievements.

The key subjects addressed during the accountability event include:

- Public utilities and sustainable human development.
- Commitment to sustainability.
- Management indicators.
- Progress in infrastructure projects.
- Financial results.
- Main challenges 2016-2019

Main Corporate Governance Metrics

“Código País” Survey

In accordance with the regulation of the Financial Superintendency of Colombia, each year, EPM responds the Código País survey. In January, 2016, the Implementation Report (IR) of the new Código País was presented, which reports the corporate governance practices applied during January 1st and December 31st of 2015. The report shows 118 recommendations adopted, 23 not applicable and 7 not adopted. Each response is duly defended.

The new Código País has 23 recommendations associated with specific corporate governance practices for conglomerates, of which 18 have been adopted by EPM and 5 are part of an implementation plan that is expected to be achieved in 2017 with the definition of a policy of operations with engaged parties and the procedure to update the map with engaged parties.
“Transparencia por Colombia” (Transparency for Colombia)

In the 2016 Transparencia por Colombia survey, EPM reported on the practices that the whole Group has implemented in terms of transparency concerning the components of clear rules, dialog, openness and control.

With an overall average rate of 87.5 points, EPM places itself as a company with a moderate risk level of corruption in the components of clear rules and dialog and a low risk level in the components of openness and control.

The following are the detailed scores per subcomponents:
Dow Jones

In 2016, the Dow Jones Sustainability Index (DJSI) questionnaire had no changes in terms of corporate governance. During this period, EPM focused on actions addressed to implement improvements suggested in the 2015 survey, which, in general, are summarized below:

- Make explicit in the declaration of independence of the Board of Directors’ members the number of years in which they had not been hired by EPM.

In the form “Statements to hold the position of member of the Board of Directors of EPM”, a field referring to the aforementioned improvement was included.

Additionally, the Corporate Governance Report includes the time during which the independent members of the Board of Directors have had such independency.

- Design a matrix to represent synthetically the distribution of responsibilities among the current Board of Directors’ members and make such information public. Moreover, conduct a gap analysis which can be used to improve responsibilities or select new Board of Directors’ members.

The matrix and the gap analysis were designed. They are included in the Corporate Governance Report.

- Increase the number of Board of Directors’ members with experience in the sector of public services.

The Board of Directors of EPM was constituted by Decree No. 0137 of January 21 of 2016 of the Medellín Mayor’s Office. Elena Rico Villegas, spokeswoman of the Committee of Social Development and Control of Residential Public Utilities and with work experience in the sector of residential public utilities, was among the members appointed.

In addition, Mr. Javier Genaro Gutiérrez Pemberthy was named as a member of the Board of Directors of EPM by Decree No. 0438 of March 9 of 2016 of the Medellín Mayor’s Office. He has experience in the sector of residential public utilities.

The two aforementioned appointments increase by 2 the number of Board of Directors’ members with experience in the sector of public utilities.
Credit Risk Rating

EPM continues its practice of keeping constant communication with the risk rating firms, the investors and the financial market in general, corroborating the commitment of delivering sufficient and timely information under the transparency and equality criteria established in the Corporate Governance Code.

During 2016, the company’s local and international risk ratings were stable. This shows that the company keeps the credit risk agencies’ and the local and international markets’ reliability, in spite of the simultaneous confluence of critical events such as i) the El Niño phenomenon between 2015 and 2016, ii) the behavior of the COP vs. the USD between the last three months of 2014 and the whole 2015 and iii) the incident that took place in the Guatapé power plant which prevented it from operating during almost four months in 2016. EPM managed to keep its international ratings in investment level: “Baa3” since 2009 with a positive perspective since August 11, 2014, with Moody’s; and “AAA” as the local rating and, since 2014, “BBB+” as the international rating with Fitch Ratings.

The ratings granted definitely supported the feasibility of the 2016 financing strategy which included credits for USD611.4 million with the international financial sector, intended for the financing of the general investment plan and the Ituango Hydroelectric Project.
EPM Grupo Corporate Governance Plan

Monitoring to the 2016 plan

Each year, the EPM’s Board of Directors approves the “Annual Plan of Corporate Governance,” voluntary practice implemented since 2006 to keep the constant evolution in this regard. Activities to be carried out by the different EPM’s dependencies are included in this Plan; they aim at improving the relationship among the company’s and the Group’s governance bodies, allowing the achievement of the unity of purpose and direction in a transparent manner and the accountability to the stakeholders.

The Annual Corporate Governance Plan is evaluated every six months with the purpose of knowing the development of the proposed activities and suggesting improvement actions that enable their compliance.

These are the main achievements and progress of the 2016 plan:

<table>
<thead>
<tr>
<th>N</th>
<th>Activity</th>
<th>Conventions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Strengthening of the institutional management of ownership of the EPM Group.</td>
<td>77%</td>
</tr>
<tr>
<td>2</td>
<td>Strengthening of EPM Group’s governing bodies.</td>
<td>79%</td>
</tr>
<tr>
<td>3</td>
<td>Strengthening of mechanisms for evaluating the Group’s governing bodies.</td>
<td>100%</td>
</tr>
<tr>
<td>4</td>
<td>Implementation of governance tools for operational involvement.</td>
<td>63%</td>
</tr>
<tr>
<td>5</td>
<td>Strengthening of corporate audit of the EPM Group.</td>
<td>70%</td>
</tr>
<tr>
<td>6</td>
<td>Institutionalizing ethical management in the EPM Group.</td>
<td>93%</td>
</tr>
<tr>
<td>7</td>
<td>Strengthening of risk management in the EPM Group.</td>
<td>50%</td>
</tr>
</tbody>
</table>

The main milestones obtained during the year were:

EPM
- Orientation to the new CEO of EPM and members of the municipal cabinet.
- Evaluation and strengthening plan of the EPM’s Board of Directors for 2016.
- Planning of the Board of Directors for 2017 (timetable and typical agenda).

Group
- Engagement with partners plan carried out in 2016.
- Evaluation of all the managers of the Group’s operational companies in 2016.
- Planning of meetings and assemblies of the companies of the Group for 2017.
- Proposal of modification of the bylaws of the companies of the Group.
- Progress in the definition of the Group’s Code of Ethics.
- Proposal of modification of the guidelines for the formalization and management of agreements of the governance agreement.

2017 - 2019 Corporate Governance Plan

During 2016, a long-term Corporate Governance vision was consolidated for the EPM Group, while the 2017-2019 Corporate Governance Plan was designed.

The components of the Plan are listed below:

1. **Strengthening of the Ownership Management**
   - Majority shareholder declaration.
   - Framework Agreement update.
   - Formalization of interactions with the Municipality of Medellin (including guidance material interactions).
   - Updating of bylaws of national companies (including enforceability of codes of governance, resolution of disputes among shareholders and administrators, structure of the Board of Directors).
   - Rules of procedure of the assembly of shareholders for the Group’s companies.
   - Approval of management reports for Assembly of shareholders.
   - Engagement management in electoral cycle and plan of handover.

2. **Strengthening of the Group’s governing bodies**
   - Updating of Rules of Procedure of Boards of Directors of national companies (including induction and training).
   - Updating of Corporate Governance codes of national companies (including enforceability of framework for action, substitute members).
   - Board of Directors strengthening plan (strengthening of specific roles, Role of Chairman, CEO and Secretary, including mechanisms for dissemination of evaluation to the Board and executives in the management report).
   - Rules of procedure of the Board of EPM and affiliates (Representatives - EPM Group’s Spokespersons - External Relations, Executive Sessions in affiliated companies).
   - Qualities of the Board members, availability and participation in other Boards.
   - Implementation of succession plan for senior executives in EPM and managers in affiliated companies (GH articulated).
   - Evolution of the evaluation mechanism of the Group’s Board (emphasis on contributions and donations policy [Sustainable development and communications and relations]).

3. **Strengthening of the inter-group engagement**
   - Updating of guide for subscription and administration of minutes.
   - Management plan Risk 4: Inappropriate implementation of engagement models.
   - Evaluation of inter-group engagement and impact models (transactions - interactions - interventions).
   - Implementation and regulation of practices regarding transactions with related parties.
   - Inclusion of transactions with related parties in the code of conduct.

4. **Strengthening of the Framework for action, Governance model and their relationships**
   - Updating of governability statute (Decree 2179 of September 24, 2002): Including formalization of framework for action.
   - Training, dissemination and monitoring program of Framework for Action milestones according to the year.
   - Information disclosure policy (finance and communication and relations).
   - Contributions and donations policy (Sustainable development and communications and relations).
   - IT strategy that enables (current and target) framework for action.
   - Formalization of ethical management tools for the Group (Codes and Committee).
   - Implementation of governance risk management and auditing mechanisms for the Group.
   - Corporate governance assessment (audit - control – enforceability).
   - Strengthening of the Group’s compliance management.

Legend:
- 2017
- 2018
- 2019
Annexes to the Corporate Governance Report

| Annex 1: | Schematic representation of the different levels of governance and context of the Framework for Action of the Group’s Corporate Governance Model. |

### Governing Bodies and Framework for Action of the Group’s Governance Model

The interaction among the different levels of governance in the EPM Group should ensure an appropriate exercise of the rights of ownership and decision-making, and the responsibilities of each level, always within an atmosphere of control and accountability, in such a way that the governance model optimizes the creation of value for the whole business group.

The governance structure of the EPM Group is aimed at preserving the balance between the interests and the information of all its governing bodies, in order to ensure a good relationship between them, as well as the attainment of the corporate goals, i.e. the Unity of Purpose and Direction.
Thus, the Corporate Governance works in two ways: on the one hand, it sets the rules for all the governing bodies to interact with the others, identifying the rights of decision-making and the responsibilities of each regarding the others; and on the other hand, it is responsible for implementing control mechanisms that make possible to verify the compliance with those rules. Therefore, a review of strategic elements was carried out in order to build a framework for action aligned with the governance practices of the EPM Group.

The framework for action graphically represents the management practices around the Group’s governing bodies and responds to questions such as: What do we do? What activities and mechanisms do we have or will have implemented? Who is involved in the governance model? What are the key interactions to strengthen the governance model?
Context on the Relations Framework Agreement

The Relations Framework Agreement signed by EPM and the Municipality of Medellín in 2007 reflects the common goal of these two entities of creating conditions of business management in EPM that enable sustainability and creation of value for its stakeholders, but, especially, that make the company viable as a growing and sustainable source of revenue for the city of Medellín.

Performance responsibilities of the Municipality of Medellín, as owner of EPM, are also recorded in this Agreement, in such a way that the interest of the Municipality agrees with the imperative of growth, profitability and efficiency that should encourage EPM actions, regardless of its strategy.

Consequently, the principles of the owner-company relationship are determined in the Agreement. They go beyond the legal conditions that both entities must meet, and give room to self-regulations that limit the exercise of ownership and business management, creating a system of counterbalances where responsibilities and self-limitations for each part are established. They are graphically represented below:
To summarize, below is a list of the main responsibilities of the Municipality of Medellín, represented by the Mayor of the city in its role as representative of the company’s ownership:

- Ensure respect for the administrative and financial autonomy of EPM.
- Carry out a formal interlocution with EPM, exercising the rights of ownership over the company only through participation in its Board of Directors.
- Appoint Board’s members and a CEO with the best personal and professional qualities, who meet eligibility requirements for these designations.
- Promote the continuity of the EPM’s management team, according to the results of its work.
- Do not take part in the ordinary management of the company, i.e. recruitment processes, procurement of goods and services, and other tasks not included in the functions of the EPM’s Board of Directors.

For its part, the Municipality of Medellín demands the commitment of EPM to comply with the following premises in the management of this company as a public heritage of the city:

- Perform an efficient and productive administration of its assets.
- Agree upon the plan of transfers to its owner, ordinarily contributing 30% of the profits generated in each period to the Municipality of Medellín.
- Use the legally established channels for the company-owner communication.
- Align its investment plans with the Municipal Development Plan.
- Always act with transparency, impartiality and objectivity.
- Contract a recognized external audit that certifies its good financial practices.
Board of Directors’ Profiles

The following matrix identifies the areas of knowledge and experience of each member of the Board:

<table>
<thead>
<tr>
<th>Education and experience / Board’s Member</th>
<th>Federico Gutiérrez Zuluaga</th>
<th>Andrés Bernal Correa</th>
<th>Claudia Bernal Correa</th>
<th>Javier Genaro Gutiérrez</th>
<th>Manuel Santiago Mejía Correa</th>
<th>Alberto Arroyave Lema</th>
<th>Elena Rico Villegas</th>
<th>Gabriel Ricardo Maya</th>
<th>Carlos Raúl Yepes Jiménez</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business management with an emphasis on international business</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
</tr>
<tr>
<td>Financial management</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>Management of residential public utilities or other EPM's corporate sectors, including urban development</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>Ethics, sustainability and corporate social responsibility</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td></td>
</tr>
<tr>
<td>Public management or legal management</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td>✔️</td>
<td></td>
</tr>
</tbody>
</table>

The “profile” concept is understood as the area of knowledge in which someone has training and experience.
Context on the Induction Program of the Board of Directors

Main statistics of the induction program:

- **9** Sessions scheduled
- **9** Sessions held
- **45** Hours of induction scheduled
- **63** Hours of induction performed
- **65%** Of the time on business matters
- **10** Months of induction

- **9** sessions
- **63** hours

- Average attendees per session: 5
- General attendance to the program: 51%
- Attendance of new members: 83%

- There were 4 private sessions with some members of the Board of Directors.
- All the vice presidencies presented their functions and main projects.
Assessment of the induction program:

Average 4.6

- Contents of the program.
- Length of the program (number and time of sessions.)
- Clarity and depth of the topics covered.
- Information and logistics before the sessions.
- Logistics during the sessions (food, transport, locations.)
- Satisfaction with the attention to tasks derived from the sessions.
Annex 5: EPM Group’s Shareholding structure

EPM’s Shareholding Structure in Affiliated and Subsidiary Companies

Affiliated and Subsidiary Companies in Central America and the Caribbean

EPM inversiones (Colombia)

- GESA (Guatemala) 98.98%
  - Eegsa (Guatemala) 80.88%
    - Comegasa (Guatemala) 78.90%
      - Trelec (Guatemala) 80.88%
        - Amesa (Guatemala) 99.67%
          - Indirect participation

- DECA II (Guatemala) 9.9999%
  - Energica (Guatemala) 66.69%
    - Ideamsa (Guatemala) 80.88%
      - Credieegsa (Guatemala) 80.87%
        - Direct participation

- Maxseguros (Bermuda) 100%
  - HET (Panama) 99.99%
    - PDG (Panama) 100%
      - ENSA (Panama) 51%

- EPM Latam S.A. (Panama) 100%
  - Delsur (El Salvador) 86.41%
    - Innova (El Salvador) 0.0003%
      - Promobiliaria S.A. (Panama) 100%
        - EV Alianza Energética S.A. (Panama) 51%

- EPM  E.S.P. - Matrix

Affiliates Subsidiaries
Affiliated and Subsidiary Companies in Chile

EPM Inversiones (Colombia)

EPM E.S.P. - Matrix

- EPM, Chile S.A. (Chile)
  - Parque Eólico Los Cururos Ltda. (Chile)
  - Inversiones y Asesorías South Water Service SpA (Chile)
  - Aguas de Antofagasta S.A. (Chile)

Indirect participation

Direct participation

Affiliates

Subsidiaries
Affiliated and Subsidiary Companies in Mexico

EPM E.S.P. - Matrix

EPM Inversiones (Colombia) 4.28% 38.54% 16.58% 40.59%

EPM Capital (México) 98% 99.999%

Indirect participation

Tecnología Intercontinental - Ticsa 80%

Direct participation

EPM Latam S.A. (Panamá) 100%

Affiliates

Subsidiaries