Aguas Andinas' Sustainable Financing Framework

April 2024

Introduction:

Aguas Andinas (the company) is an environmental services company, whose focus is providing drinking water, sewerage, and wastewater treatment services to more than two million customers, yielding a high level of competitiveness for the country.

The company believes that sustainable development constitutes the primary path towards ensuring a good future, both for Chile and the world. Accordingly, its activities contribute directly to the fulfillment of the Sustainable Development Goals (SDGs) set by the United Nations in 2015, specifically 15 of the 17 goals, and as such the company has become an outstanding ally for Chile and its citizens. In particular, Aguas Andinas contributes decisively to the fulfillment of SDG 6, which is related to clean water and sanitation.

Under this framework and through its corporate vision of **"*Going beyond water, managing resources sustainably,*"** Aguas Andinas has designed a strategy consisting of six strategic pillars that define the actions and challenges the company must take on in the medium term to ensure the sustainability of its operations. As such, all investments made by the company are guided by this strategy which is designed to assist the company in meeting its sustainable development commitment.

Fundamentals:

Aguas Andinas, the largest water treatment company in Chile and one of the largest in Latin America, places sustainability at the heart of its business.

The issuance of a Sustainable Bond is fully consistent with its development strategy, as it will allow the company to finance and refinance flagship projects related to access to water and water treatment, while also making its operations more resilient.

The Sustainable framework has been drawn up to ensure transparency, disclosure, integrity, and quality of issuance, and is aligned with both the Green Bond Principles and the Social Bond Principles (GBP and SBP). With this bond, Aguas Andinas expects to continue expanding its investor base while targeting responsible investors with a long-term view.

Application of the Sustainable Principles:

The Green Bond Principles and Social Bond Principles, updated from time to time by the International Capital Markets Association (ICMA), are a voluntary framework of guidelines outlining best practices when issuing green and social bonds.

These principles promote integrity in the Green and Social Bond market through guidelines that recommend transparency, disclosure and reporting, and sustainable objectives and commitments.

The Aguas Andinas' Sustainable financing framework will be aligned with the following **four core components of the GBP and SBP: Use of Proceeds, Process for Project Evaluation and Selection, Management of Proceeds and Reporting.**

I. Use of Proceeds:

Proceeds will be used to finance eligible assets that have made disbursements over the last 36 months, or less, prior to issuance. The balance will be used for disbursements under projects and/or assets scheduled for implementation over the next 24 months or before that.

Eligible projects and Assets are defined as investments that fall into the three categories described below, that meet social and environmental criteria, that prior to the issuance date are approved by the issuer, and that have been reviewed by a recognized sustainability consulting firm. These projects will be carried out by Aguas Andinas S.A. and its regulated subsidiaries Aguas Cordillera S.A. and Aguas Manquehue S.A. Information on all of these projects will be available on the Aguas Andinas Investor Relations website at www.aguasandinasinversionistas.cl.

In the event that any project or asset (i) no longer meets the established eligibility criteria, (ii) is controversial in nature or (iii) in the event of cancellation, all proceeds raised will be disinvested from the project or asset in question and used to finance other eligible projects or assets, as determined by the Green and Social Financing Committee, during the same session it becomes aware of the situation. Proceeds shall be redistributed within a 12-month period. Moreover, should the above situation occur, an ad hoc report on the matter will be issued to investors.

The three categories of assets eligible for the Sustainable are: **drinking water supply, resilient infrastructure, and wastewater treatment.**

- **Drinking Water Supply:** These assets are destined to three purposes. First, to increase drinking water production capacity, either through the construction of new installations or through the expansion/improvement of existing infrastructures. Second, the reduction of Unaccounted-for Water through a sum of projects that have been carried out since 2017. Third, Savings of use of energy

  The first assets (increase in drinking water production) are related to the supply of drinking water to certain neighborhoods in the city that have experienced continuous population growth. These assets include the construction, expansion, and adaptation of drinking water treatment plants, including civil works and equipment, materials, machinery, goods, and supplies. The results of the investments will be measured in cubic meters of produced water, and their impact will be measured in terms of the number of customers served.

  In a context of drought, the company has been diversifying its water resources matrix in order to ensure continuity of supply: on one hand, the participation of groundwater has increased from 16% to 24% in less than 10 years. On the other hand, an agreement was reached with other water users to ensure voluntary transfers (when they have available water) and mandatory transfers when conditions are adverse. This resulted in a reduction of mandatory transfers from 38% to 12% in less than 5 years. Voluntary contributions represented 8% of the crude water matrix in 2023.

  The second assets mentioned (water efficiency) correspond to three types of measures. First, a plan to reduce losses in the pipelines that transport crude water from its sources to the drinking water treatment plants resulting in 40 hm^3 per year of crude water recovered thanks to these measures since 2017. Second, an efficiency plan in the networks that corresponds to reducing

the Unaccounted-for Water explained by physical losses -22,96%- (network leaks, filtrations in regulation structures, among others) and apparent losses -7,69%- (water consumed without registering or fraud) with the objective of reaching 29% in the medium term with assets such as sectorization of the network in district metering areas, smart meters, increased network renewal, among others. Finally, in order to have a integrated water management, Aguas Andinas is concerned with raising public consciousness of water use, which has had a result, together with the change in organic behavior, of 50 hm^3 recovered compared to the projections made. As of 2022, the increase in Unaccounted-for Water, which had been increasing in recent years, has been controlled. For more information, see chapter 3 of the 2023 Integrated Report.
The social benefit of the assets in this category is the provision of access to drinking water to certain neighborhoods in the city that have experienced high population growth, ensuring the continuity and quality of supply.
Finally, the third asset (energy efficiency) aims to reduce energy intensity by 4% by 2026, with 2021 as the base year, driven by Law 21,305. To this end, the plan is to reduce consumption ratios in processes, with emphasis on those with the highest levels, such as groundwater extraction, drinking water lifting plants and the largest wastewater treatment plants. By the end of 2023, energy savings from reduced emissions of 1.8 ktonCO2e will be achieved.

- **Resilient Infrastructure:** These assets are designed to boost the availability (in number of hours) of autonomous drinking water supply in cases of extreme turbidity in the Maipo and Mapocho rivers, the company's main catchment sources. These assets include the construction of new assets and retrofitting of existing infrastructure, including the construction of new reservoirs, increased groundwater production and the rehabilitation of wells.

  The social benefit of the assets in this category is enabling the continuity of supply and therefore access to drinking water for the population in the event of extreme turbidity events and other climate change-related phenomena. In terms of environmental benefits, these assets constitute climate change adaptation measures.

  In recent years, there have more and more cases of mountain rains occurring at a high zero-degree isotherm. This phenomenon can trigger avalanches and river overflows that lead to extreme turbidity in riverbeds which may prevent water treatment plants from conducting water purification operations. In order to address this matter, Aguas Andinas has been *building works* to increase its resilience to these events so as to prevent widespread service outages and ensure the continuity of drinking water supply and access.

  Investment results will be measured in the number of hours of treatment plant autonomy, and their impact will be measured in terms of the number of outages avoided and the number of customers who were not affected by a widespread outage.

  One of the most outstanding assets in this category is the Cerro Negro - Lo Mena Wells project. This project entails drilling 14 wells in the southern part of the Metropolitan Region, primarily intended to address drought and turbidity events.

- **Wastewater Treatment:** These assets are designed to increase wastewater treatment capacity, either through the construction of new facilities or through the expansion/improvement of existing infrastructure, especially in towns, with a view to guaranteeing access to wastewater treatment

services for all Metropolitan Region residents, especially those residing in neighborhoods located farthest from downtown. These assets entail the construction, expansion, and adaptation of sewage treatment plants, including civil works and equipment, materials, machinery, inputs, and supplies.

Also included in this category is a self-supply energy project that consists of capturing biogas generated during the wastewater treatment process and installing a nitrate treatment system for removing nitrogen emissions.

In terms of social benefits, these assets improve citizen's quality of life by mitigating health risks posed by direct contact with contaminated water or the consumption of food irrigated with wastewater and fostering healthy environments by doing away with untreated water discharged into watercourses. As for the environmental benefits, the assets protect water ecosystems by enabling existing biodiversity to develop in the bodies of water while averting risks to human health by eliminating direct contact with contaminated water and consumption of vegetables irrigated with wastewater.

Investment results will be measured in cubic meters treated and their impact will be measured in terms of the number of customers served. Included in this suite of projects is the Mapocho-Trebal Nitrate Treatment solution which aims to remove nitrogen from the centrifuge line for constant compliance with DS-90[1], which establishes a maximum concentration of 50 mg/l at the plant outlet. A detailed description of projects falling into these three categories is provided below:

Category	Project Name	Target	Environmental Impact	Social Impact	COD	Allocation of Proceeds (%)
Drinking water supply	Expansion of Padre Hurtado Wastewater Treatment Plant (WWTP)	Additional Q = 2,300 L/s	-	Number of equivalent persons served by the new drinking water supply (Equivalent Persons)	Apr-2022	19%
	Hydraulic Efficiency Plan	Reduce unbilled water and improve the water extraction management	Reduction use of energy in kWh and saved water in m3.	Number of equivalent persons served by saved water. (Equivalent Persons)	Apr-2022	19%
Resilient Infrastructure	Adduction works to Cerro Negro-Lo Mena	Additional Q = 1,400 L/s (equivalent for additional 3 hours of autonomy)	Increase in 3 hours of autonomy in case of natural disasters.	Number of customers who would have been affected by outages had the project not been implemented	may-22	30%
Wastewater Treatment	Nitrate treatment at trebal-mapocho plant	The objective is the remotion of Nitrogen which allows a maximum concentration of 50mg/L at the exit of the wastewater treatment plant	The remotion of Nitrogen allows to reduce CO2 emissions.	-	oct-22	21%
	Nitrate Treatment at Farfana Plant	The objective is the remotion of Nitrogen which allows a maximum concentration of 50mg/L at the exit of the wastewater treatment plant	The remotion of Nitrogen allows to reduce CO2 emissions.	-	oct-21	11%

[1] Standard for ILW discharged into Marine and Inland Surface Waters.

II. Process for Assets Evaluation and Selection:

The company has an Investment and Expenditure Committee presided over by the CEO of Aguas Andinas and comprised of corporate board members and other related executives. This Committee meets weekly to analyze and submit for approval each and every one of the company's investments and expenditures exceeding 1,000 UF before VAT and related companies' awarded contracts. The Committee prepares and approves the company's investment budget and is responsible for the ongoing, systematic monitoring of its correct compliance, in terms of cost, terms, quality and safety.

Aguas Andinas has formed another committee to evaluate all assets selected for bond issuance. This committee *will be responsible for overseeing the management of proceeds from the Green and Social Bonds,* and is comprised of members from the *Finance, Business Control, Sustainability, Compliance and Corporate Governance Divisions.* It meets at least once a month and may meet more frequently if necessary.

It should be noted that all projects selected by the company are subject to the provisions of the company's Integrated Management Policy, thereby complying with the environmental and social criteria used during the process of evaluation and selection of eligible projects. The following environmental and social factors were considered among the items examined during the project selection process:

- Environmental Issues:
    - Environmental management strategy
    - Prevention and control of environmental emergencies and incidents and contamination
    - Biodiversity protection
    - Minimizing environmental impacts
    - Promoting the use of renewable energy
    - Protecting water resources
    - Atmospheric emissions management
    - Climate change adaptation capacity
    - Local pollution (noise, odor, aesthetic, etc.) management
- Social Issues:
    - Respect for human and labor rights
    - Occupational health and safety management for all project workers
    - Quality of working conditions for all project workers

III. Management of Proceeds:

Aguas Andinas will monitor until 100% of an amount equal to the proceeds have been allocated to eligible assets. The Bond Committee will oversee the management of proceeds and their proper linkage to eligible assets, while also ensuring that they meet the criteria outlined under the Sustainable Bond framework.

Until all proceeds are completely allocated, Aguas Andinas pledges to disclose the value of unused proceeds in its annual reports and/or disclose when the proceeds have been completely allocated. This will be reported on the company's website.

During the life of the Green and Social Bond, the balance of proceeds under examination will be periodically adjusted to match eligible project allocations made during the period. The company will disclose the types of temporary placement of unallocated proceeds that it plans on making, and these will be held exclusively in:

- Cash, short-term deposits, or low-risk money market instruments, in accordance with the company's financial risk policies.
- Used temporarily to reduce renewable indebtedness before being distributed and/or disbursed to eligible projects.

Aguas Andinas pledges that temporarily unallocated proceeds will not be invested in controversial activities.

In the event that any asset or project (i) no longer meets the established eligibility criteria (ii), is controversial in nature or (iii) in the event of cancellation, all proceeds raised will be disinvested from the project in question and used to finance other eligible projects, as determined by the Green and Social Financing Committee, during the same session it becomes aware of this situation. Proceeds shall be redistributed within a 12-month period. Moreover, should the above situation occur, an ad hoc report on the matter will be issued to investors.

Principal and interest payments will be made from Aguas Andinas' general accounts and will not be related to the performance of eligible projects.

A total of eight members sit on the Green and Social Bonds Committee, as follows:

- A chairman (who, in the event of a tie in a given vote, shall break the tie with his/her vote).

- A secretary (responsible for compiling all agreements reached at committee meetings and for circulating the minutes, in addition to working with the Business Control, Treasury and Accounting Divisions to follow up on instrument disbursements).

- The remaining six committee members are delegates.

Committee members, as explained above, belong to the Finance, Sustainable Development, Compliance and Corporate Governance Divisions. These members will work hand in hand with the Corporate PMO to manage the investment portfolio and its related programs and projects.

IV. Reporting:

On an annual basis and until bond maturity, Aguas Andinas will provide its investors with information on the Green and Social Bonds, as part of its integrated annual report. This document will be audited annually by an external auditor, whose report will be included in the company's integrated annual report. This information will be available on the company's Investor Relations website at www.aguasandinasinversionistas.cl.

The following is a detailed account of what will be included in this annual report:

i. Updated description of assets and proceeds allocated to eligible green and social assets. The Green and Social Financing Committee will be responsible for providing ~~said~~ update and for making the required information available in a timely manner. The percentage allocated to refinancing and financing will be explicitly reported.
ii. The methodology and/or rationale behind the metrics publicly disclosed in the reports.
iii. If applicable, a report on ESG disputes related to the selected asset portfolio, to be included in the integrated annual report for the corresponding year.
iv. The amount of unallocated proceeds.
v. Relevant asset indicators listed by category, as follows:

Category	Project Type	Performance Indicators	Environmental Impact Indicators	Social Impact Indicators
Drinking Water Supply	Infrastructure Investments	Volume of water added to the supply system (m3).	-	1. Number of equivalent persons served by the new drinking water supply (Equivalent Persons). 2. Percentage increase in m3 added to the system with respect to the m3 corresponding to the supply sector where the Asset is located (%).
	Investment in energy efficiency	Savings of use of energy	1.- Lower use of energy in kWh 2.- Percentage of greenhouse gas emissions reduced (ton CO2 eq), greenhouse gas emissions prevented (ton CO2 eq), greenhouse gas emissions	-
	Investment in hydraulic efficiency	Reduction of water losses	1.- Reduction of water losses measured in hm3. 2.- Percentage of greenhouse gas emissions reduced (ton CO2 eq), greenhouse gas emissions prevented (ton CO2 eq), greenhouse gas emissions	1.- Number of equivalent persons served by drinking water supply (from saved water).
Resilient Infrastructure	Infrastructure Investments	Additional hours of autonomy for the water supply system provided by the project (h).	Number of hours of autonomy that account for the time that drinking water plants would not be able to deliver water to the city (h) due to adverse weather events.	Number of customers who would have been affected by outages had the project not been implemented.
Wastewater Treatment	Investments in nitrogen emissions reduction	Reduction of nitrogen flow from dehydration returns (%)	1.- Number of non-compliances with nitrogen quality standards. 2.- Percentage of greenhouse gas emissions reduced (ton CO2 eq), greenhouse gas emissions prevented (ton CO2 eq), greenhouse gas emissions	Number of equivalent persons (EP) served
	Investments in self-supply renewable energy	Percentage of biogas produced by the plant and used for electric power generation (%) Electric power generated with biogas produced by the plant (kWh per year) Concentration of NOx in turbine exhaust (mg/Nm3)	Percentage of plant's self-supplied energy [Percentage of greenhouse gas emissions reduced (ton CO2 eq), greenhouse gas emissions prevented (ton CO2 eq), greenhouse gas emissions (ton CO2 eq/m3 of treated water)]	Number of equivalent persons (EP) served

External Review

Second Party Opinion

Aguas Andinas has engaged Moody's ESG Solutions to provide a Second Party Opinion on its Sustainable framework. Moody's ESG Solutions has conducted a review of the framework, considering its social and green attributes and its alignment with the Green Bond and Social Bond principles, year 2021.

The purpose of the Second Party Opinion is to provide investors with an independent opinion. This Second Party Opinion, as well as the Sustainable Bond Issuance framework, will be published under the Bondholders section on the Aguas Andinas Investor Relations site at:

- https://www.aguasandinasinversionistas.cl/es/tenedores-deuda/emision-bonos/bonos-verdes-sociales