Aguas Andinas' Green and Social Bond Framework

Introduction:

Aguas Andinas (the Company) is an environmental services company, whose focus is to provide potable water, sewerage and wastewater treatment services to more than two million customers, generating high competitiveness for the country.

The Company considers that sustainable development is the primary pathway to ensure a good future, both for Chile and for the world. That is why its management contributes directly to the achievement of the Sustainable Development Goals (SDO) set forth by the United Nations in 2015, making a tangible contribution to 15 of the 17 goals and thus becoming a great ally for Chile and its citizens. In particular, it makes a strong contribution to the implementation of SDO No. 6, which relates to clean water and sanitation.

Within this framework and in addition to its corporate vision of ***"Going beyond water, managing resources in a sustainable manner"***, Aguas Andinas has developed its Santiago Deserves a 7 (SM7) strategy, which consists of 7 strategic pillars or axes that outline the Company's pathway and challenges in the medium term, in order to ensure the sustainability of its operations. In this manner, all the investments made by the company are placed under this strategy that seeks to fulfill its commitment to sustainable development.

Fundamentals:

Aguas Andinas, Chile's largest water utility company and one of the largest in Latin America, has sustainability at the core of its operation.

The issuance of a Green and Social Bond is fully consistent with its development strategy, since it will enable the Company to finance and refinance flagship projects regarding access to water and sanitation, while making its operations resilient.

The Green and Social Bond framework has been created to ensure the transparency, disclosure, integrity, and quality of the issuance. This framework is aligned with the principles of Green Bonds and the principles of Social Bonds (GBP and SBP). By means of this bond, Aguas Andinas expects to continue expanding its investor base, focusing on attracting responsible investors with a long-term outlook.

Application of the Green and Social Bond Principles:

The Green Bond principles, updated in July 2018 and the Social Bond principles, updated at the same date by the International Capital Markets Association (ICMA), are voluntary procedural guidelines to ensure best practices in Green and Social Bond issuance.

These principles recommend transparency, disclosure, and promote integrity in the Green and Social Bonds market.

The framework of Aguas Andinas' Green and Social Bonds will be aligned with **the four pillars of the GBPs and SBPs: Use of Funds, Evaluation and Selection Process, Fund Management and Reporting.**

I. Use of Funds:

The proceeds will be used to fund eligible projects which have had expenditures in the last 24 months prior to issuance, which correspond to approximately 40% to 50% of the funds. The balance will be used for project expenditures over the next 12 months.

Eligible projects are defined as those investments which fall into the three categories described below, that meet social and environmental criteria, that prior to the date of issuance have been approved by the issuer, and that have been reviewed by a recognized sustainability consultant. These projects will be conducted by Aguas Andinas S.A. and its regulated subsidiaries Aguas Cordillera S.A. and Aguas Manquehue S.A. All these projects will be available on the Aguas Andinas Investors website (www.aguasandinasinversionistas.cl).

The three categories of projects eligible for the Green and Social Bond are: **potable water supply, resilient infrastructure and wastewater treatment.**

• **Potable water supply:** Projects to increase potable water production capacity, either by building new facilities or by expanding/improving existing infrastructure processes. These projects have been submitted to their corresponding Environmental Impact Assessments (EIA) and are associated with granting access to potable water to sectors of the city that have had a high population growth. These projects include the construction, expansion and upgrading of potable water treatment plants. This includes civil works and outfitting, materials, equipment, consumables and supplies. The results will be measured in cubic meters produced and their impacts will be measured based on the number of clients supplied.

The social benefit of the projects in this category is that they allow access to potable water for sectors of the city that have experienced high population growth, ensuring continuity and quality of supply.

Within this category is the Chamisero Potable Water Production Plant. This installation, which is 99% complete, is in its phase of White March contemplating its reception in May 2019 and involves the uptake of raw water from the Batuco waterway and, in addition, from Lo Pinto Wells, in order to potabilize it and, in this way, satisfy the growing demand of the sector.

• **Resilient infrastructure:** These are projects that seek to increase the availability of autonomy hours of potable water supply in cases of extreme turbidity in the Maipo and Mapocho rivers, the Company's main sources of uptake. These projects include the construction of new assets and the upgrading of existing infrastructure including the construction of new tanks, the increase of groundwater production and the habilitation of wells.

The social benefit of projects under the resilient infrastructure category is that they allow for continuity of supply and thus access to potable water for the population in the event of extreme turbidity and other climate change-related events. In terms of environmental benefits, these projects enable adaptation to climate change.

In recent years, mountain rainfall with high zero isothermal has become frequent, phenomena that may cause mudslides and river overflows, generating extreme turbidity in the waterways and, are therefore, able to prevent water potabilization. Due to this situation, Aguas Andinas is building works to increase its resilience to these events, in order to prevent massive interruptions of water and ensure continuity of the supply and

access to potable water.

The results of these projects will be measured in hours of autonomy and their impact will be measured by the number of interruptions avoided and, consequently, the number of clients who were not affected by a massive interruption.

Within this category, there are Complementary Emergency Works for Turbidity Events and Phase 2 of the Security Work Plans, the Pirque Tank.

The Complementary Emergency Works consider the construction of 8 tanks that will store 51,500 cubic meters of water, generating an increase in the volume to secure potable water supply. In addition, they include an increase in the production of groundwater, including the construction of 4 new wells for a total flow rate of approx. of Q=400 l/s and the commissioning of a further 12 existing wells, for a total flow rate of approx. of Q=500 l/s. These works as a whole will increase the city's potable water supply autonomy from 9 to 11 hours. All the works alluded ended in March 2018 being 100% operative.

Phase 2 of the Security Works Plan for the Pirque Tank includes the construction of six mega tanks that will store 1.48 million cubic meters of water for potabilizing in emergency situations that will prevent the catchment of raw water with high turbidity level directly from the river. The project will increase the Company's autonomy from 11 to 34 hours by 2019. Currently, it is reported a 67% progress in phase II. Few days ago, it was completed the incorporation of technology that complete the water recirculation system, consisting of an impulsion and pipes and wells network ready to recirculate 600 l/s and achieve the total oxygenation of accumulated water.

• **Wastewater treatment:** Projects to increase wastewater treatment capacity, either through the construction of new facilities or through the expansion/improvement of existing infrastructure processes, especially in localities, guaranteeing access to sanitation for all inhabitants of the Metropolitan Region, especially in the areas furthest from the center of the capital. This includes the construction, expansion and upgrading of wastewater treatment plants. This includes civil works and outfitting, materials, equipment, consumables and supplies.

To this, it adds an energy supply project that catches biógas generated by water sanitation process and the installation of nitrate treatment system that allowed the nitrogen emissions removal.

As a social benefit, these projects improve the quality of life of citizens, reducing the risk to health posed by direct contact with contaminated water or the ingestion of food irrigated with untreated water and promoting the enjoyment of healthy environments with the elimination of discharges to untreated waterways. In terms of environmental benefit, the projects provide protection of the water ecosystems, allowing the development of the existing biodiversity in the water body and avoiding the risk to the health of people, either by direct contact or by consumption of vegetables irrigated with wastewater.

These projects will be measured in cubic meters treated and their impact will be measured by the number of customers that will receive this service. Among these projects is the expansion of the wastewater treatment plants in Curacaví and Talagante, among others. Details of the projects that fit into these three categories are shown below:

Category	Project name	Goal
Potable Water Supply	Chamisero Potable Water Treatment Plant (Batuco Channel)	Treated flow 500 l/s
Resilient infrastructure	Pirque Tank and Emergency Works for Turbidity Events	34 hours of autonomy
Sanitation	Curacaví Wastewater Treatment Plant Extension	Annual average flow of 52,877 m3/day in 2024 N° eq. inhab. favored: 298,067
	Talagante II Wastewater Treatment Plant Expansion	Annual average flow of 4,150 m3/day in 2029 N° eq. inhab. favored: 25,330
	Expansion of Third Wastewater Treatment Plant	Increase in treatment capacity by 2.2 m3 to 2029 N° eq. inhab. favored: 931,641
	Buin-Maipo Wastewater Treatment Plant Expansion	Annual average flow of 13,832 m3/day in 2032 N° eq. inhab. favored: 96,800
	2018 Expansion of El Monte Wastewater Treatment Plant	Annual average flow of 8,227 m3/day in 2032 N° eq. inhab. favored: 42,733
	Farfana Biofactory Nitrate Treatment System Installation	Removal of 90% ammonium concentration from the line of dehydration centers in order to the effluent water quality from the Plant fulfill the nitrogen parameter < 50 mg/l established in DS 90
	Mapocho-Trebal Biofactory Cogeneration	Take 100% of biogas produced by the Plant to generate electric power and meet the internal needs of this. In addition, avoid the burning greenhouse gases

[1] Note: equivalents inhabitants favored considers 55 and 45 grDBO/day as a contribution of equivalent inhabitant for Great Saniago (Metropolitan area) and peripheral localities respectively (applies to all projects)

II. Selection and Evaluation Process:

The Company has an Investment and Expenses Committee led by the CEO of Aguas Andinas and formed by its corporate directors and other related executives. This Committee meets weekly to analyze and submit for approval each and every one of the investments and expenses of the company that exceed 1,000 UF excluding VAT and 500 UF in the case of relatad companies. The Committee prepares and approves the company's investment budget and permanently and systematically monitors its correct compliance in terms of cost, time, quality and safety.

Also, Aguas Andinas has created a Committee regarding this matter, with the purpose of evaluating the projects selected for this issuance, as well as *Will be responsible for overseeing the management of Green and Social Bond funds.* This Committee, which is composed of members of the *Finance, Sustainability and Development, (and) Operations and Circular Economy divisions*, meets at least once a month and may meet more frequently if necessary. It will be the responsibility of the committee to oversee the management of the Green and Social Bond funds.

It should be noted that the projects selected by the Company fit within its Integrated Management Policy and therefore comply with the environmental and social criteria used during the evaluation and selection process of eligible projects. The following environmental and social factors were considered among the items analyzed to select the projects:

- Environmental Factors:
  - Environmental management strategy.
  - Prevention and control of environmental emergencies, incidents and pollution.
  - Protection of biodiversity.
  - Minimization of environmental impacts related to energy use.
  - Protection of water resources.
  - Management of atmospheric emissions.
  - Capacity to adapt to climate change.
  - Management of local pollution (noise, odors, visual, etc.).

- Social Topics:
  - Respect for human and labor rights.
  - Management of the health and safety at work of all project workers.
  - Quality of employment conditions for all project workers.

III. Management of the Funds:

Aguas Andinas will create a specific bank account for the funds collected in this issuance to finance and refinance the expenditures of the eligible projects. This procedure will be monitored until 100% of the funds raised have been allocated. The Bond Committee will oversee the management of the funds and their proper relationship to eligible projects, as well as ensure that they meet the criteria of the Green and Social Bond framework.

Until the funds are fully allocated, Aguas Andinas is committed to disclosing the amount of unused funds in its

annual reports and/or when these funds are fully allocated. This will be reported through the Company's website.

During the life of the Green and Social Bond, the balance of the analyzed funds will be periodically adjusted to correspond with the allocations of the eligible projects made during that period. The expected types of temporary placement of unallocated fund balances will be disclosed and will be maintained at:

• Cash, short-term deposits or low-risk money market instruments, in accordance with the financial risk policies established by the company.

• Used temporarily to reduce debt of a renewable nature before being distributed and/or allocated to eligible projects.

If any of the projects is not carried out, the funds raised will be disinvested from the project in question and used to finance other eligible projects, which will be determined by the Green and Social Financing Committee in the same session at which it becomes aware of this situation. The deadline for reallocating these funds will be 12 months. In addition, in the event that this occurs, an ad hoc report to the investors will be made on the matter.

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

IV. Reports:

Annually and until maturity of the issuance, Aguas Andinas will provide its investors with information regarding the Green and Social Bond, which will be contained in its Integrated Report or document which replaces it. This document will be audited annually by an external auditor and its report will be included in the report. This information will be available on the website: www.aguasandinasinversionistas.cl.

Here is what will be included in this annual report:

i. Updating of the description of the projects and the funds allocated to the eligible green and social projects, which will be the responsibility of the Green and Social Financing Committee, a will be responsible for making the information available in a timely manner.

ii. The methodology and/or rationale behind the publicly exposed metrics in the reports.

iii. The amount of unused funds.

iv. Relevant indicators associated with the projects by category, which will be the following:

Categories of Eligible Projects	Type of Project	Results Indicators	Environmental Impact Indicators	Social Impact indicators
Potable Water Supply	Investment in Infrastructure	Volume of water introduced into the supply system (m^3).	Not applicable.	1. Number of equivalent inhabitants favored with the new potable water supply (Equiv. inhab.). 2. Percentage increase in m^3 added into the system with relation to those corresponding to the supply sector where the project is located. (%).
Resilient Infrastructure	Investment in Infrastructure	Additional hours of supply system autonomy provided by the project (h).	Number of hours of use of reservoirs that count how long potable water plants would have stopped delivering water to the city (h).	Number of clients who would have been affected by supply interruptions if the project had not been executed (N°).
Sanitation	Investment in Infrastructure	Volume of treated water returned to the waterway (m3).	1. Non-compliance with the quality regulations of at the outlet of the fecal coliform, DBO5 and Total suspended solids plants. 2. Decreased water footprint (m^3) due to the treatment of new flows (consumptive and	1. Number of equivalent inhabitants favored by the new wastewater treatment system (Equiv. inhab.) 2. Share of increase in treated wastewater in relation to the total for the sector (%).

			degrading uses; ISO 14,046).	
	Investment in reduction of nitrogen emissions	Nitrogen flow reduction of dehydration returns (%).	Number of breaches of quality standards by the nitrogen parameter	Not applicable.
	Investment in energy self-supply with renewable energy	Percent of biogas made by the plant use to electric generation (%) Electric power generated by biogas produced by the plant (kWh per year) NOx concentration in exhaust gases from engines (mg/Nm3)	Percent of plant' energy self-supply (% reduced greenhouse gases emissions (eq ton CO2) Greenhouse gases emissions avoided (eq ton CO2) Greenhouse gases emissions (eq ton CO2/m3 treated water)	Not applicable.

In terms of the fund overseeing and reporting process, the Green and Social Bond Committee is formed by seven members, who are divided mainly into:

• A President (who, in the event of a draw in a given vote, will decide on the matter with his vote).
• A Secretary (who will compile the agreements reached at the committee meetings and circulate the minutes as well as work with the Management Control, Treasury and Accounting areas to oversee the expenditures of the instrument).
• The rest of the committee is formed by delegates.

The members, as previously mentioned, belong to the *Finance, Sustainability and Development, and Operations and Circular Economy divisions*. These members will work hand in hand with the Corporate PMO to manage the investment portfolio, as well as the programs and projects in which these will be used. The PMO was designed under the international standards of the PMI (Project Management Institute). The projects in the bond portfolio are managed with the methodology structured under this tool, in which by enabling the action, the human and material resources available, the deadlines, the risk matrix and other aspects related to the planning and successful execution of the project are defined. Monitoring and control with the PMO provides objective information that the project is progressing as planned (in terms of scope, quality, cost and timeframe) or highlights the need to intervene and take action to ensure that the objectives of the project are met.

External Review

Second Party Opinion

Aguas Andinas has hired Vigeo Eiris to provide a Second Party Opinion on its Green and Social Bond framework. Vigeo Eiris has reviewed this framework for its social and green qualities and its alignment with the principles of 2019 Green and Social Bonds.

The purpose of the Second Party Opinion is to provide investors with an independent opinion. This Second Party Opinion, as well as the Green and Social Bond Issuance framework, will be published in the Bondholders section of the Aguas Andinas investor site at the following URL:

- www.aguasandinasinversionistas.cl/en/debt-holders/bond-issuances/green-social-bonds

Annual Verification Report

The Company agrees to engage an independent auditor to provide annual external verification until 100% of the funds have been used, confirming that an amount equal to the amount of the bond placement has been allocated in accordance with all material on eligible projects that have been determined under the Green and Social Bond framework and in the Use of Funds section of this document. In the event that a project is replaced, this information will be found in the Sustainability Report or the document that replaces it, as well as the information referred to in the first part of this paragraph, which is audited by an external consultant.