

ORDINARY SHAREHOLDERS MEETING 2017 BACKGROUND INFORMATION

AGUAS ANDINAS S.A.

In accordance with what has been established by Articles 58 and 59 of the Open Corporations Law, this document contains a review of the matters which will be put forth for knowledge and shareholder approval at the Company's Ordinary Shareholders Meeting which will take place on April 24 at 9:15 am at Avenida Presidente Balmaceda 1398, Tenth Floor, Santiago, all in accordance to what has been agreed upon by the Company's Board of Directors on March 29 2017.

The agenda for the Ordinary Shareholders Meeting will be as follows:

1. Examine the External Auditors Report, approving the Annual Report and Financial Statements corresponding to the exercise from January 1 to December 31 2016.
2. Agree on the distribution of net income and the distribution of dividends corresponding to the exercise of the year 2016.
3. Exhibition on the Company's dividend policy.
4. Inform about Operations with related parties (Titles XVI Law 18.046).
5. Designate the External Independent Auditors for the 2017 exercise.
6. Designate the Rating Agencies for the 2017 exercise.
7. Determine the remuneration of the Board of Directors for the 2017 exercise.
8. Give an account of the expenses of the Board of Directors during 2016..
9. Determine the remuneration and Budget for the Directors' Committee for the 2017 exercise.
10. Give an account of the activities and expenses of the Directors' Committee during 2017.
11. Determine the newspaper where the notices for shareholders meetings, dividend distribution, results, and other matters of interest for shareholders will be published.
12. Other matters of interest and competence of the board.

The Board of Directors will be presenting the following proposals in the Shareholders Meeting.

- Annual Report. The Board of Directors has approved the text of the annual report for 2016 (available on www.aguasandinasinversionistas.cl), in the same manner that the Directors Committee has approved the External Auditors Report, Balance Sheet, and Financial Statements.
- 2016 Earnings Distribution. It is proposed that 89.89% of net earnings obtained by the Company during the 2016 term, amount that totals **\$150,575,666,027** pesos, is distributed. Keeping into consideration the interim dividend which was paid in January 2016, distributable earnings amount to **\$93,358,056,946** pesos. The latter enables a dividend payout of \$14.4539 pesos per share which will be payable on May 22 2017. It is noted that, after the payment of the definitive dividend, there will be a remnant of \$1,078,928 which will be assigned to future dividend reserves.
- Dividend Policy. During the Shareholders Meeting, it is necessary to inform the Company's dividend policy, putting forth the Board of Directors' proposal to maintain the distribution of 100% of the distributable earnings of the term: 30% as a mandatory dividend and the remaining 70% as an additional dividend. The latter will be enforced as long as the current levels of capitalization and

the policy set forth is compatible with the investment and financing policies which are determined during the term.

- Transactions of related parties. During the Shareholders Meeting, the operations, which were conducted in 2016 that fall under the XVI Title of Law N° 18.046, will be informed.

All of these operations, which are part of the Company's habitual policy, were approved unanimously by the members of the Board of Directors present and were favorably informed previously by the Directors Committee, as the Annual Report that was conducted by said Committee has pointed it out.

- i. Session N° 453, on January 20 2016: Approves (I) the conclusion of a framework agreement with the Chilean Water Research Corporation (Cetaqua), whose purpose is to establish the terms and conditions under which Cetaqua will carry out the research, development and research projects commissioned by maximum annual amount of 51,590 unidades de fomento; and (ii) to contract Suez Advanced Solutions Chile Limitada (formerly Aqualogy Solutions Chile Limited) for the supply of household cold water meters, in the amount of \$ 830,830,466.
 - ii. Session N°454, on February 29 2016: The renewal of the civil liability policy for Directors and Executives with Orion Seguros Generales S.A., with the abstention of the titular director Mr. Rodrigo Manubens, for being involved or having interest in the operation.
 - iii. Session N° 459, on July 27 2016: The modification of the operation and maintenance contract of the Mapocho-Trebal Serviced Water Treatment Plant was signed with the Mapocho-Trebal Wastewater Treatment Ltd. by virtue of the entry into operation of the Module 4 of the Wastewater Treatment Plant Trebal-Mapocho, for the sum of 5,920 unidades de fomento.
 - iv. Session N° 460, on August 31 2016: The modification of the Supply, Assembly and Start-up Contract of Module 4 of the Trebal-Mapocho Sewage Treatment Plant subscribed with Degrémont Agency in Chile was approved, which agrees to a provisional partoañ reception that allows to receive different installations of Module 4 prior to the scheduled date.
 - v. Session N° 462, on October 26 2016: It was approved to hire Suez Advanced Solutions Chile Limitada (formerly Aqualogy Solutions Chile Limitada) for the supply of butterfly shut-off valves and flow logger, within the framework of Stage I of the Master Plan for Hydraulic Efficiency, for a total of approximately \$ 14,000,000.
- External Auditors: In accordance to what has been put forth in Circular N° 718 of the Superintendence of Securities and Insurance (SVS), quotes were requested to two of the main external auditing companies of the country, EY and Deloitte. These companies were chosen as they have a recognized trajectory in the country, both are one of the most important in the market, and they have international support. These companies have audited or currently audit companies in the sanitation industry, they fulfill the independence, experience, and trajectory requirements that would enable to fulfill the role, and they are accredited by the SVS.

The differentiating factors in the proposals refer mainly to the proposed value of the required services, resulting in EY's quote being lower than Deloitte's.

It is important to note that EY is also the external auditor of the Company and its subsidiaries since 2011 and currently audits the parent companies of the Company (Agbar and Suez)

demonstrating great experience in both. It is noted that the partner in charge of auditing, Mr. Gastón Villarroel has been in this post since 2016.

Due to this, during the Shareholders Meeting, the following companies, in order of priority, will be proposed as external auditors for the 2017 term, (1) EY and (2) Deloitte. Through this, it is noted that this proposal is in accordance to the proposal agreed to by the Directors Committee.

- Credit Rating Agencies: During the Shareholders meeting, it will be proposed that the current credit-rating agencies, Fitch Chile and ICR, be maintained as the credit-rating agencies for the Company's shares due to their trajectory, prestige in the industry, and performance in the role. The latter is in accordance to the proposal agreed to by the Directors Committee.
- Board of Directors Remuneration for the 2016 term: It will be proposed to maintain the remunerations which have been perceived since 2009, these are:
 - Fixed monthly remuneration: Monthly payment of 100 unidades de fomento (U.F.) for the President, Monthly payment of 75 unidades de fomento (U.F.) for the Vice-president, and Monthly payment of 70 unidades de fomento (U.F.) for named and alternate directors;
 - Remuneration for session attendance: 80 unidades de fomento (U.F.) for the President; Presidente; 60 unidades de fomento (U.F.) for the Vice-President; 20 unidades de fomento (U.F.) for named and alternate directors, only when they replace the named directors.
- Expenses. It is noted that the Board of Directors had expenses for \$3,353,000 during 2016.
- Remuneration and expense budget for the Directors Committee for 2015: it will be proposed to maintain the current remunerations which have been maintained since 2001, this is:
 - Fixed monthly remuneration: 25 unidades de fomento (U.F.);
 - Remuneration for session attendance: 20 unidades de fomento (U.F.).

In regards to the expense budget for the functioning of the committee, 3,000 unidades de fomento (U.F.) will be proposed.

Regarding the expenses incurred by the Committee and its activities, matters that are informed in the Ordinary Shareholders meeting are those that are included in the Annual Report issued by the Directors Committee. In addition to this, the expenses incurred by the Director's Committee amount to \$73,600,000 which are for the payment of consulting services paid during the period and the Committee's Secretary Fees.

- Newspaper: During the Shareholders Meeting, it will be proposed that the El Mercurio newspaper be the newspaper in Santiago where the Shareholders Meeting notices and other matters of interest for shareholders will be published.

Santiago, April 2017