



AES Gener Green Bond Framework

September 25, 2019



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1. Introduction

AES Gener is an affiliate of The AES Corporation (“AES”) with a presence in Chile, Colombia and Argentina. We are committed to the sustainable development of South America through a diverse portfolio of power generation facilities. We are the second largest generation company in Chile in terms of installed generation capacity as of June 30, 2019. We are very proud to continue to improve lives by providing sustainable, affordable and reliable energy solutions to the continent. All this is underpinned by our long-term investment grade ratings.

Aligned with AES’ strategy of reducing the carbon intensity of its portfolio, our strategy, Greentegra, also contemplates a reduction of the intensity of CO² with a commitment not to build more coal-based power plants (the last power plant to enter into operations was Cochrane in 2016) and by advancing the development of new renewable projects, including the implementation of technological innovations that will provide greater flexibility and reliability to the system. AES Gener’s current carbon intensity is measured at 0.60 CO₂ metric tonnes/MWh (equity adjusted values) at the end of 2018 and it expects to decrease that carbon intensity in the medium term. Greentegra is our transformational plan which forms the basis of our strategy over the next few years (2018-2023). Greentegra puts our customers in the center of our decisions and is based on the development of a renewable energy matrix that is complementary to existing technologies. In this plan, our existing renewable portfolio plays a leading role, together with the addition of non-conventional renewables to the portfolio (photovoltaic and wind energy).

In June 2018, we officially launched our new Greentegra strategy to become the energy solution provider of choice in South America, through the integration of additional green or renewable energy projects. We have adopted a customer centric model, focused on providing our customers or business partners, as the case may be, with five business solutions under our Greentegra umbrella, backed by five proven technologies aimed at integrating renewable energy into our portfolio. We are strongly committed to continuing our focus on our customers and continuously enhance our capabilities to better serve South America’s energy needs. Our Greentegra strategy includes, among other things, our pursuit of the following commercial opportunities:

- *Coal to Green*, whereby we aim to green the mining sector by partially replacing the pass-through of variable costs component of certain of our PPAs with a fixed price component backed by renewables. As of the date of this Green Bond Framework, we have identified take or pay PPAs with a contracted capacity of approximately 10.5 TWh/year in our portfolio that may qualify for this opportunity, although we offer no assurance as to if and when we will be able to make the change.
- *Blextend*, whereby we aim to incorporate renewable output into the supply of energy while extending the life of existing conventional PPAs in order to deliver a competitive energy solution at all hours of the day. As of the date of this Green Bond Framework, we have identified conventional PPAs with a contracted capacity of approximately 3.2 TWh/year in our portfolio that may qualify for this opportunity.



- *GenerFlex*, whereby we aim to target new customers to integrate PPAs and cutting-edge technology, including energy management, storage and distributed energy, to provide energy solutions in line with the needs of an evolving market. As of the date of this Green Bond Framework, we have identified a contracted capacity of approximately 2.3 TWh/year in possible GenerFlex contracts in Chile and Colombia.

As a recognition of our sustainability efforts, in the Corporate Sustainability Assessment published by SAM on September 13, 2019, for the fifth consecutive year we were included in the DowJones Sustainability Index for Chile, with our most recent ranking placing us higher than 83% of the companies in our industry worldwide. We were also included in the regional DowJones Sustainability Index for the MILA Pacific Alliance.

In the framework of our Greentegra strategy, together with the Ministry of Energy of Chile, we signed a Bilateral Agreement for the disconnection and cease of operations of two coal-fired units, Ventanas 1 (November 2022) and Ventanas 2 (May 2024), subject to the approval and inclusion of a new operating state called "Strategic Reserve Operating State".

Currently, we have under construction 704MW of renewable energy (run-of-river hydroelectric, batteries, solar and wind). By the end of 2019, we expect that the total generation capacity of our renewable projects under construction will be 868 MW. In addition, we are currently exploring the potential acquisition of new assets, including the 110 MW Los Cururos Wind Farm which we announced on September 17, 2019 that we are in the process of acquiring from EPM Chile S.A.

Our total development pipeline includes approximately 4.6 GW of renewable energy to be added to our portfolio as summarized in the table below:


Technology	Under construction (MW)	Start construction by 2019 (MW)	Under Development (MW)	Total (MW)
Run-of-river Hydro	531	-	-	531
Wind	62	164	2,838	3,064
Solar	101	-	680	781
Battery	10	-	240	250

2. Alignment with Green Bond Principles

2.1 Use of Proceeds

For any notes issued under this Green Bond Framework, we intend to allocate an amount equal to the net proceeds from the sale of any such notes to finance and refinance Eligible Green Projects (as defined below), in alignment with the four core components of the Green Bond Principles, 2018.

“Eligible Green Projects” are defined as:

Eligible Green Project Categories	Eligibility Criteria	UN SDGs
Renewable Energy	Development, construction, installation, and/or acquisition of renewable energy including: <ul style="list-style-type: none"> • Wind • Solar • Battery storage facilities 	

Eligible Green Projects may include both projects with disbursements made during the 24 months preceding the issue date of any such notes and projects with disbursements to be made at any time following to issue date of any such notes up to and including the maturity date of any such notes.

2.2 Process for Project Evaluation and Selection

We have created an internal committee comprised of members from the Sustainability, Finance, and Development teams that will select Eligible Green Projects that meet the criteria set forth above for review and approval by the local internal functional areas and our Finance Team. The Finance Team will be responsible for tracking the allocation to Eligible Green Projects. We have established policies and procedures consistent with environmental management systems. Specifically, GENERA is our Integrated Management System that is structured according to OHSAS 18001:2007 and ISO 14001:2015 and manages our environmental, occupational health, and safety areas. All of our businesses are certified under the ISO 14001:2015 and ISO 55001:2014 (asset management systems).

2.3 Management of Proceeds

As would be described in the relevant offering document for any issuance of notes under this Green Bond Framework, pending allocation, we may use an amount equal to the net proceeds of any such issuance to prepay indebtedness. We will establish an internal tracking system to monitor and account that an amount equal to the net proceeds from any issuance of notes has been allocated to Eligible Green Projects. Payment of principal and interest on any such notes will be made from our general account and will not be directly linked to the performance of the Eligible Green Projects. To the extent not used to prepay indebtedness an amount equal to the net proceeds not yet allocated to Eligible Green Projects will be held in cash and/or cash equivalents.

2.4 Reporting

Annually, until an amount equal to the net proceeds from any issuance of notes under this Green Bond Framework have been fully allocated to Eligible Green Projects, we will publish updates in a Green Bond Report on our website at <https://www.aesgener.cl/investors/news/> detailing, at a minimum, the



allocation of an amount equal to the net proceeds of any such notes to Eligible Green Projects and expected impact metrics, where feasible.

Allocation Reporting:

- i. Amount of net proceeds allocated to Eligible Green Projects
- ii. Amount of net proceeds yet to be allocated to Eligible Green Projects

Impact Reporting:

- i. Expected annual greenhouse gas emissions avoided in metric tons of CO₂
- ii. Expected annual electricity output in GWh

3. External Review

Our updates will be accompanied by (i) an assertion by management that an amount equal to the net proceeds of any such offering were invested in Eligible Green Projects, and (ii) a report from an independent accountant in respect of the independent accountant's examination of management's assertion conducted in accordance with attestation standards established by the International Standard on Assurance Engagements (ISAE) 3000.

We have retained an outside consultant with recognized expertise in environmental, social, and governance research and analysis to provide a second party opinion on our Green Bond Framework. The objective of the second party opinion is to provide investors with an independent review and (i) assess our Eligible Green Projects and alignment with the Green Bond Principles, and (ii) obtain a second party opinion from such consultant that will be made available on our website at <https://www.aesgener.cl/investors/news/>.



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