



**aes** Andes  
Green Financing Framework





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# 1. Introduction

AES Andes, an affiliate of The AES Corporation (“AES”), is a leading generation company in South America. We generate and sell electricity in Chile, Colombia and Argentina to customers, including mining, industrial, commercial and distribution companies, with the purpose of accelerating the future of energy, together. In addition, we sell energy to the spot market and to other generation companies.

We are committed to the sustainable development of South America through a diverse portfolio of energy generation facilities. We are one of the largest generation companies in Chile in terms of installed capacity and a relevant energy solutions provider as well.

# 2. Sustainability Strategy

The energy sector has undergone a series of changes and transformations in recent years, driven primarily by technological advances and innovations that enable the use of cleaner and more sustainable energy sources, as well as the significant progress being made around the world to address climate change.

AES Andes is a key player in this transformation, with a sustainable and innovative vision. Since 2018 we have taken firm step in the implementation of our transformational strategy, Greentegra.

With sustainability as a cross-cutting principle, we seek to effectively manage the risks and opportunities of our present and future to create value for all stakeholders through our three strategic objectives:



These strategic goals motivate us every day to continue decarbonizing our portfolio, growing our renewables business, and contributing to local development and social value in the communities where we operate.

We focus our efforts on three time horizons: short, medium and long term. The short term is typically a 1-2 year period, which we review and update frequently to maintain an accurate view of the market and the company’s results. In the medium term, we see a window of generally 5 years, including updating our project portfolio, reviewing Greentegra’s compliance with objectives, project construction, etc. Long term is generally considered to be a 20-year window for evaluating the development of new projects to be added to our portfolio, as well as for evaluating long-term renewable supply agreements.

We have been successful in transitioning from coal-based Power Purchase Agreements (PPAs) to renewable supply contracts. Since the launch of our Greentegra strategy, we have executed renewable PPAs totaling 14.6 TWh per year in Chile and Colombia, switching to green the energy supply of our new and existing customers. One of our ultimate objectives is to reduce the carbon intensity of our portfolio supported by our renewable pipeline of projects. We have added 1.6 GW of renewable capacity since the launch of Greentegra and we have an additional 0.8 GW under construction to start operations between 2024 and 2026.

Guided by our mission to improve lives by accelerating a more secure and sustainable energy future, and with our clear and well-defined values, we have set out to become South America's leading renewable energy company.

Through the implementation of Greentegra, we are transforming ourselves into a company of the future in the present, in line with society's expectations regarding sustainable energy and climate change. During 2022 and 2023 we continued to make progress toward achieving our objectives:

- We completed the final shutdown of Unit 1 of the Ventanas Thermoelectric Power Plant (June 30, 2022 – 114 MW)
- We completed the construction of the first two phases of Mesamavida (68 MW of Wind Power.)
- We started the construction of the San Matias (wind) and Andes Solar IV (solar) projects. From San Matías 17 MW are under operation and from Andes Solar IV, 12.5 MW of solar capacity and 12.5 MW of batteries are under operations.
- We completed the construction of Virtual Reservoir II (40 MW x 4 hours of BESS)
- We completed the construction of Andes Solar IIb (180 MW of Solar Power + 112 MW of Solar Power)
- In Chile, we executed a renewable energy supply agreement with Codelco, Teck and Google.
- In Colombia, we executed a renewable energy supply agreement with CHEC.
- We reactivated the exchange of energy between Chile and Argentina through the InterAndes line.
- We launched the first green hydrogen Open Season in Chile with the Adelaida project.
- We were recognized as a Great Place to Work in Colombia, Chile and Argentina in 2022 and 2023.

As part of our decarbonization process, to make supply more sustainable for our customers and reduce the carbon intensity of our portfolio, and as part of the Decarbonization Agreement entered into with the Chilean Government in 2019, we have retired or committed to retire 1,693 MW of our coal plants:

- We accelerated the retirement of Unit 1 of the Ventanas power plant in 2022. This unit ceased operations and was removed from the National Electric System on June 30, 2022, after receiving approval from the National Energy Commission to complete its early retirement after 58 years of operation in the country.

In August 2023, we requested the National Energy Commission the definitive retirement and cease of operations of Unit 2 of the Ventanas coal-fired plant as of December 31, 2023. On October 12, 2023, we received the approval from the National Energy Commission. This Unit 2 was disconnected as of December 31, 2023. With the disconnection of this Unit, approximately 2.5 million tons of CO<sub>2</sub> will be reduced.

- We have committed to retire 4 additional units: Ventanas Units 3 and 4, located in Puchuncaví in Chile, and Angamos Units 1 and 2, located in Mejillones in Chile, which will be retired by 2025, or as soon as the safety, adequacy and economics of the system allow. Once these 4 units are decommissioned, approximately 6 million tons of CO<sub>2</sub> will be reduced, the equivalent of removing more than 2.4 million private vehicles from the roads of Chile.
- We informed the National Energy Commission, the definitive disconnection from the National Electric System, Units 1 and 2 of the Norgener coal-fired generation plant, located in Tocopilla in Chile, as of December 31, 2025. Subsequently, on December 7, 2023, we requested the CNE to move forward the definitive disconnection of the coal-fired generation units Norgener 1 and 2 to March 31, 2024, and on February 8, 2024, this request was approved. Once these 2 units are disconnected, approximately 1 million tons of CO<sub>2</sub> will be reduced, the equivalent of removing more than 0.4 million private vehicles from the roads of Chile.

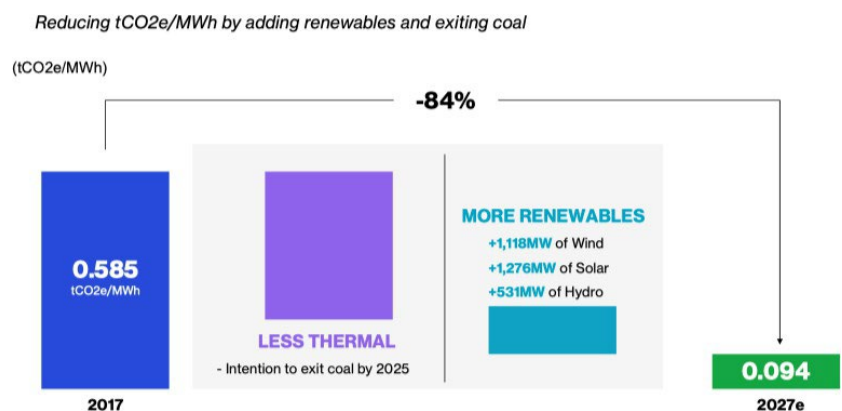
We continue accelerating the sustainable energy transition in Chile, Colombia and Argentina, we continue to design and build smart, competitive and sustainable energy projects and solutions. This will allow us to add 4.1 GW<sup>1</sup> of renewable and battery capacity to our portfolio by 2027.

As part of the Company's participation in the United Nations Climate Change Conference 2022, we announced the reactivation of energy exchanges between Chile and Argentina, which will accelerate the energy transition of both countries, allowing up to 80 MW to be exported from Chile to Argentina during the day and up to 200 MW to be imported at night. In this way, it will be possible to displace diesel generation in Chile during the night, reducing systemic costs, emissions and also the injection of renewable energy into the Argentine electrical system.

In 2022, we also announced the first green hydrogen Open Season in Chile with the Adelaida project, which will be located in the facilities of the current Angamos power plant in the municipality of Mejillones. The process aims to activate the green hydrogen market for the first time and to generate a concrete demand from companies in the Antofagasta region interested in using green hydrogen to make their operations more sustainable. Our goal is to pave the way for large-scale use of this fuel in the future.

**Our Commitment:** With the implementation of Greentegra, 90% of our capacity and more than 90% of our EBITDA will come from renewable energy sources by 2027. The integration of renewable energy projects into our portfolio and a gradual and responsible decarbonization process will reduce our CO<sub>2</sub> intensity by approximately 84% by 2027.

We are committed to ensuring that our coal-fired plants do not operate one day



<sup>1</sup> Based on projects announced as of December 31, 2023

longer than necessary to meet our contractual obligations and ensure the reliability of the electrical system.

We have set the aggressive intention to fully phase out our coal power plants by 2025, via retirement, technology conversion or through potential asset sales. We know that the path to carbon neutrality will not be without challenges, but at AES Andes, we see a 100% renewable future.

We have developed an efficient financing strategy that includes the incorporation of partners, contributions from our shareholders, debt and cash from the sale of non-strategic assets and our operations. The majority of the investment needs of the projects built to date have been covered by AES Andes' capital, and we are also incorporating additional financing through partnerships with third parties for the development of renewable energy projects.

**Customer Engagement:** Our customers are always at the center of our decisions, and during 2022 we worked to design a strategy to support the Greentegra strategy at AES Chile. Its objective is to positively impact all the results of our business by providing an optimal, quality experience with the highest standards for all customers, focusing on their needs to deliver innovative energy solutions that add value, increase their competitiveness, reduce their risk and allow them to achieve their sustainability goals. In this way, we explore, co-create and develop together projects based on business solutions that are part of Greentegra: Coal to Green, Blextend, Transflex, GenerFlex and WPA.

 <p><b>Decarbonizing our customers' supplies</b></p> <ul style="list-style-type: none"> <li>▪ Based on existing Tolling Agreement</li> <li>▪ New Green PPA supplies customer's demand</li> <li>▪ Customer continues to pay fixed monthly charge under the Tolling Agreement</li> <li>▪ Customer benefits from less volatile cost of energy and lower CO2 footprint</li> <li>▪ AES Andes has no impact on the margin of the original contract and incorporates an additional margin for the new renewable energy contract.</li> </ul>	 <p><b>Extending our business relationships</b></p> <ul style="list-style-type: none"> <li>▪ Based on conventional coal PPAs</li> <li>▪ The customer is offered an immediate discount on the price of its energy supply in exchange for a longer tenor and renewable supply</li> <li>▪ Customer benefits from a renewable supply and a lower cost of energy in the short term, without having to wait for the expiration of the coal PPA</li> <li>▪ Profitability of the contract is maintained, and the relationship with the customer is preserved, allowing for green growth</li> </ul>	 <p><b>New customers &amp; Tailored energy solutions</b></p> <ul style="list-style-type: none"> <li>▪ New contracts offering the full range of renewable energy solutions tailored to the customers needs</li> </ul>
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### 3. Green Financing Framework

#### 3.1 Use of Proceeds

AES Andes has developed this Green Financing Framework under which AES Andes or any AES Andes subsidiary and/or affiliate will be able to issue Green Bonds, Loans, or other financial instruments (together "Green Finance Instruments"). This Framework has been developed in alignment with The Green Bond Principles, 2021 ("GBP") and Green Loan Principles, 2023

(“GLP”), all of which are voluntary process guidelines for best practices when issuing or borrowing Green Finance Instruments.

AES Andes intends to allocate an amount equal to the net proceeds from the sale of any Green Bond issuance or raised from and Green Loan transaction to finance or refinance, in whole or in part, one or more new or existing Eligible Green Projects, as defined below:

Eligible Green Project Categories	Eligibility Criteria	UN SDGs
<p><b>Renewable Energy</b></p>	<p>Development, construction, installation, and/or acquisition of renewable energy:</p> <ul style="list-style-type: none"> <li>• Wind</li> <li>• Solar PV</li> <li>• Transmission lines and other ancillary equipment dedicated to renewable energy generation</li> </ul>	
<p><b>Energy Storage</b></p>	<p>The installation, maintenance, operation, and storage of energy storage systems and technologies, defined as:</p> <ul style="list-style-type: none"> <li>• Battery Energy Storage Systems (BESS) associated with renewable energy generation</li> </ul>	 
<p><b>Green Hydrogen</b></p>	<p>The installation, maintenance, operation, and storage of hydrogen systems and technologies, defined as:</p> <ul style="list-style-type: none"> <li>• Electrolyzers and associated systems to produce green hydrogen<sup>2</sup></li> <li>• Hydrogen charging stations</li> <li>• Infrastructure dedicated to the transport and delivery of green hydrogen</li> </ul>	

<sup>2</sup> Produced using renewable energy

## Exclusions

Net Proceeds will not be allocated to the following investments:

- Investments which received an allocation of Net Proceeds under any other Green Finance Instrument issued by AES Andes
- Fossil fuel generation and fossil fuel energy efficiency investments
- Gas transmission and distribution infrastructure

Eligible Green Projects may include both expenditures during the 24 months preceding the issue date of any such Green Finance Instrument and expenditures to be made at any time following the issue date of any Green Finance Instrument up to and including the maturity date.

## 3.2 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, CONECTADOS is our Integrated Management System that is structured according to ISO 45001:2018 and ISO 14001:2015 and manages our environmental, occupational health, and safety areas. All of our businesses are certified under the ISO 14001:2015, ISO 45001:2018 and most of them under the ISO 55001:2014 (asset management systems)

## 3.3 Management of Proceeds

As would be described in the relevant offering document for any issuance of Green Finance Instruments under this Green Financing 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 Green Finance Instrument has been allocated to Eligible Green Projects. Payment of principal and interest on any such Green Finance Instrument will be made from our general account and will not be directly linked to the performance of the Eligible Green Projects. AES Andes expects to fully allocate the net proceeds from the sale of any Green Bonds or Loans as soon as practicable. 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, and/or held in accordance with our general liquidity policy.

## 3.4 Reporting

Annually, until an amount equal to the net proceeds from any Green Finance Instrument under this Green Financing Framework have been fully allocated to Eligible Green Projects, we will publish updates in a Green Finance Report on our website at <https://www.aesandes.com/en/investor-resources/> detailing, at a minimum, the allocation of an amount equal to the net proceeds of any Green Finance Instrument to Eligible Green Projects and Eligible Green Project Categories as well as expected impact metrics, where feasible.



#### Allocation Reporting:

- i. Amount of net proceeds allocated to Eligible Green Projects and Eligible Green Project Categories
- 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 CO<sub>2</sub>
- ii. Expected annual renewable electricity output in GWh
- iii. Expected energy storage capacity in MW x hour

## 4. External Review

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 Financing Framework. The objective of the second party opinion is to provide investors and lenders with an independent review and (i) assess our Eligible Green Projects and alignment with the Green Bond Principles and Green Loan Principles, and (ii) obtain a second party opinion from such consultant that will be made available on our website at <https://www.aesandes.com/en/investor-resources>.

Our updates will be accompanied by (i) an assertion by management that an amount equal to the net proceeds of any such offering or borrowing 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.

## Disclaimer

The information and opinions contained in this Green Financing Framework are provided as at the date of this document and are subject to change without notice. AES Andes. does not assume any responsibility or obligation to update or revise any such statements, regardless of whether those statements are affected by the results of new information, future events or otherwise. This Green Financing Framework does not constitute or form part of, and should not be construed as, an offer or invitation to sell securities of AES Andes or its consolidated subsidiaries (the “AES Andes Group”), or the solicitation of an offer to subscribe for or purchase securities of the AES Andes Group, and nothing contained herein shall form the basis of or be relied on in connection with any contract or commitment whatsoever. Any decision to purchase any securities of the AES Andes Group should be made solely on the basis of the information to be contained in the offering memoranda produced in connection with the offering of such securities. Prospective investors are required to make their own independent investigations and appraisals of the business and financial condition of the AES Andes Group and the nature of the securities before taking any investment decision with respect to securities of the AES Andes Group. The offering memoranda may contain information different from or additional to the information contained herein. This material is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation. Persons into whose possession such documents may come must inform themselves about, and observe, any applicable restrictions on distribution.

**Forward-Looking Statements** This Green Financing Framework contains certain forward-looking statements that reflect AES Andes’ management’s current views with respect to future events and financial and operational performance of the AES Andes Group. These forward-looking statements are based on AES Andes’ current expectations and projections about future events. Because these forward-looking statements are subject to risks and uncertainties, actual future results or performance may differ materially from those expressed in or implied by these statements due to any number of different factors, many of which are beyond the ability of AES Andes. to control or estimate precisely, including changes in the regulatory environment, future market developments, fluctuations in the price, impact of climate and other risks. You are cautioned not to place undue reliance on the forward-looking statements contained herein, which are made only as of the date of this document. AES Andes. does not undertake any obligation to publicly release any updates or revisions to any forward-looking statements to reflect events or circumstances after the date of this presentation. The information contained in this Green Financing Framework does not purport to be comprehensive and has not been independently verified by any independent third party.