

AES Andes Corporate Governance Guidelines



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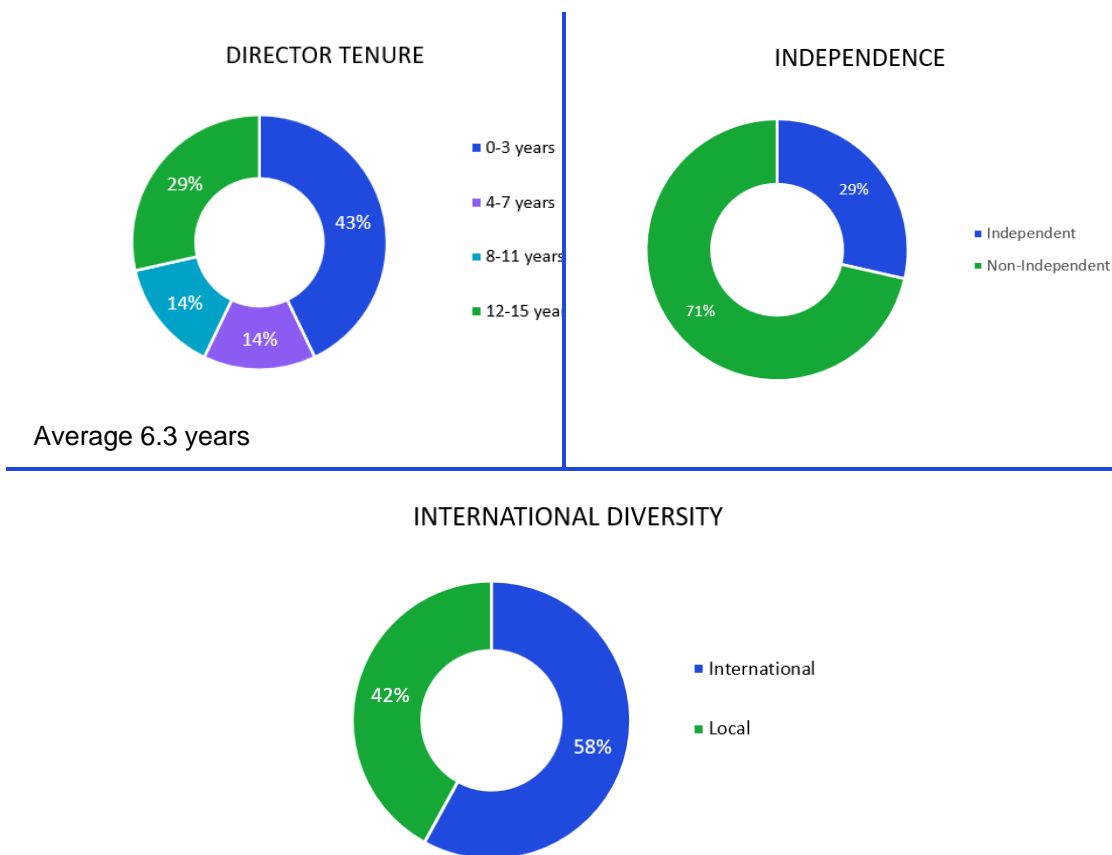
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Corporate Governance

This document intends to summarize relevant corporate governance aspects for AES Andes S.A. (“AES Andes” or the “Company”) and provide to our stakeholders and public in general a useful tool to understand our overall practices in this regard. The following information refers to the year 2020.

Director Facts

The following charts details the qualifications of our Board of Directors members. Further discussion on the qualifications and experience of Directors is included in the “Board composition” section.



Role of Board of Directors

AES Andes is managed by a Board of Directors which is the collegiate body which, in accordance with the Chilean Corporate Law and our bylaws, is responsible for the administration of the Company. The Board of Directors manages and represents AES Andes in general, except with respect to those matters which pursuant to Chilean law or the Company's bylaws are to be resolved by a shareholders' meeting, either ordinary or extraordinary.

Board Election Process

The Board is composed of seven members. As per local regulations, public corporations shall have at least seven members if they have a market capitalization of UF1,500,000 or more, and in which at least 12.5% of its shares are held by shareholders who individually control or own less than 10% of such shares.

There currently are five alternate members in the AES Andes Board of Directors that shall replace their respective regular Directors temporarily in the case of absence of the latter, or permanently in the case of vacancy.

As a public corporation under Chilean law, AES Andes must appoint at least one independent Director and establish a Directors' Committee whenever its traded shareholders' equity is equal or higher than UF1,500,000 and at least 12.5% of its voting shares are held by shareholders who individually control or own less than 10% of such shares.

All Board members are elected at the Ordinary Shareholders' Meeting and, per Chilean law, Board members are elected individually. In the Ordinary Shareholders' Meeting, shareholders can accumulate their votes in favor of one single candidate or distribute them in the way they consider convenient. Those candidates which obtain the highest number of votes, until completing the number of positions to be filled, will be elected. Nonetheless, at least one independent Board member shall be elected, even if an independent candidate does not receive sufficient votes to be among the 7 voted majorities. According to AES Andes by-laws, one share is equivalent to one vote.

Board of Directors Tasks

The Board's task is to manage and direct the Company, approve strategic decisions and evaluate management results. The Board shall appoint a General Manager, who will act as the Chief Executive Officer (CEO) of the Company, and other officers as the Board considers appropriate.

As a practical matter, the Board and management of the Company will be better able to carry out their respective responsibilities for strategic development if there is an ongoing dialogue among the CEO, other members of top management and other Board members.

Board members shall have access to the Company's management and, as appropriate, to the Company's employees and outside advisors. Board members will use judgment to assure that this access does not negatively affect the business operations of the Company.

In order to adequately exercise their functions and have all the information necessary for correct decision-making, the directors must diligently internalize the company's operations, for which they will have the broadest powers to request and obtain information related to any aspect of the company, to examine its books, records, documents, and endorsements of its transactions.

The right of the directors to request the aforementioned information will be channeled through the General Manager or the Secretary of the board of directors, who will respond to the concerns of him or the directors, either by directly providing the information, putting the directors directly in contact with the person responsible within the organization, or by making arrangements for him or the directors to appear personally at the company's premises, as the case may be.

The Board of directors will have an annual budget, the amount of which will be set annually by the shareholders' meeting in order to hire the advice of specialists in accounting, financial, legal or other appropriate matters. The hiring of consultancies, as well as the election of advisers, will be approved by the majority of the directors attending the session in which the agreement is adopted. The advisory hiring procedure will be in charge of the Chairman of the board, who may delegate said function to the administration of the company.

Board Meetings

The Board encourages the CEO to bring other members of management from time to time into Board meetings to (i) provide management insight into items being discussed by the Board which involve the manager; (ii) make presentations to the Board on matters which involve the manager; and (iii) bring managers with significant potential into contact with the Board.

Information and materials that are important to the Board's understanding of the agenda items, and other topics to be considered at a Board meeting are to be distributed sufficiently in advance of the meeting to permit prior review by the Directors. Board material is shared through an electronic platform that is available to all Board members and ensures confidentiality of the material. In the event of a pressing need for the Board to meet on short notice or if such materials would otherwise contain highly confidential or sensitive information, it is recognized that written materials may not be available in advance of the meeting. Minutes of Board meetings are made available for review of all Board members and, upon signature of all voting attendees, they are also uploaded to the same electronic platform.

A Director is expected to spend the time and effort necessary to properly discharge its Director's responsibilities. Accordingly, a Director is expected to attend meetings of the Board and Committee (if applicable) on which such Director sits, with the understanding that on occasion a Director may be unable to attend a meeting. A Director who is unable to attend a meeting is expected to notify the Secretary of the Board in advance of such meeting. Directors also are expected to review Board materials provided prior to meetings and be prepared to participate and contribute in a productive manner at Board and Committee meetings (if applicable).

New Directors

The Company shall provide new Directors with an orientation program to familiarize such Directors with, among other things, the Company's business, strategic plans, significant financial, accounting and risk management issues, compliance programs, conflicts policies, code of business conduct and ethics, corporate governance guidelines, internal auditors, and independent auditors. Each Director is encouraged to participate in continuing educational programs in order to maintain the necessary level of expertise to perform his or her responsibilities as a Director. Some of the information to be considered for the orientation program for new Directors can be:

- Delivery of Annual Reports, financial statements, policies and financial information, accounting, legal, commercial and human resources information, relative to the current year and / or immediately prior years, as appropriate, so that the Directors can properly internalize about the situation of the company and the way in which its operations and businesses have been developed.
- Meetings with the General Manager and the main executives of the company, in order to know in detail the internal functioning of the company and learn about the functions, policies, procedures, main projects, challenges, difficulties, and regulatory frameworks that affect to its different areas.
- Presentation of the Risk Report and meeting with internal auditors.

Board composition

The Board of Directors is composed of seven regular members, of which five have been appointed by the majority shareholder and the remaining two were appointed by other shareholders. All are elected in the Ordinary Shareholders' Meeting. The members of the Board last three years in their positions and may be re-elected.

Current Directors encompasses a diverse range of skills and expertise including, but not limited to: leadership, finance, energy industry knowledge, global business, risk management, regulatory, corporate strategy, operations, human resources and compensation, governance, engineering and construction, technology, environmental & sustainability, cybersecurity and industry transformation.

Julián Nebreda, Chairman

Mr. Nebreda was born in 1967. He earned a law degree from Universidad Católica Andrés Bello in Caracas, Venezuela. He also earned a Master of Laws in Common Law with a Fulbright Fellowship and a Master of Laws in Securities and Financial Regulations, both from Georgetown University. Mr Nebreda has almost 20 years of experience in the energy sector. Since 2018 he has served as Senior Vice President and President of the South America SBU. Prior to assuming his current position, Mr. Nebreda served as the President of the AES Brazil SBU, and the President of the Europe SBU from June. Prior to June 2009, Mr. Nebreda held several senior positions, such as Vice President for Central America and Caribbean, Chief Executive Officer of EDC and President of AES Dominicana, in the Dominican Republic. Mr. Nebreda serves as Chairman of the Board of AES Andes and AES Tietê. Before joining AES, Mr. Nebreda has held positions in the public and private sectors, namely he served as

Counsellor to the Executive Director from Panama and Venezuela at the Inter-American Development Bank. Mr. Nebreda.

Arminio Borjas

Mr. Borjas was born in 1952. He earned a law degree from Universidad Católica Andrés Bello in Caracas, Venezuela. He also earned a graduate degree in International Studies from The American University, Washington D.C. He has over 15 years of experience in the energy sector. Since 2007 he serves as Regional Legal Counsel for the AES Corporation. He previously served as VP of Legal Affairs for La Electricidad de Caracas. Before joining AES, he was A PARTNER at Mendoza Palacios Acedo Borjas Paez Pumar & Cia. He has served in the Board of Director of other AES subsidiaries like AES Elpa SA and AES Tietê SA. Likewise, he is a member of the board of C.A. Ron Santa Teresa. He has been a law Professor at The Central University of Venezuela and Universidad Católica Andrés Bello.

Bernerd Da Santos

Mr. Da Santos was born in 1963. He holds a B.A. in Economics and an M.B.A. from Universidad José María Vargas, Caracas, Venezuela. He has more than 30 years of experience in the energy sector. Since January 2015, Mr. Da Santos has been the Senior Vice President and Chief Operating Officer of The AES Corporation, responsible for AES' global operations including more than 30,000 MW and six utilities serving millions of people. He brings proven experience in international corporate finance and business transformation for generation, transmission and distribution companies in the United States, Latin America, Africa, Europe and Asia to his role as COO. Bernerd built his capabilities through positions of increasing responsibility prior to becoming COO. Most recently, he served as CFO for AES' Global Finance Operations. He was previously CFO for the Utilities group and for the Latin America and Africa group. Bernerd joined AES through its acquisition of La Electricidad de Caracas where he held a number of leadership positions. Mr. Da Santos also serves on the board of other AES companies.

Daniel Fernández

Mr Fernández was born in 1956. He is a civil engineer from the University of Chile and has a specialization in Spiral Dynamics at the National Values Center (California, United States). He has been the CEO of various companies in the engineering, oil & gas, urban transport, ports, mining logistics, TV and energy industries. He participated in various governments in the design and execution of Public Policies. Professor in undergraduate and master's courses in Engineering at the University of Chile and professor in Cultural Change Management at the University del Desarrollo. He is founding partner and Executive Director of MEMÉTICA and serve as consultant and advisor to companies. He is Chairman of the Board of the Teletón Foundation (Chile), Chairman of the Board of Directors of the Maritime and Port Chamber of Chile. Regular columnist in El Mercurio (economy and business) and President of the Fundación Encuentros del Futuro, co-organizer, together with the Senate, of the Congress of the Future.

Gonzalo Parot

Mr. Parot was born in 1952. He holds a B.A. in Engineering Sciences from the University of Chile, and a Master Degree in Industrial Engineering from the University of Chile and in Economics and a PhD in Business Economics from the University of Chicago. In 2016 and subsequently in 2017 and 2018 and 2019, he was appointed as a member of the board of AES Andes as an independent Director. He is currently the President of our Directors' Committee. Mr. Parot Palma has also served as CEO of COPESA, CMPC Tissue and Celulosa del Pacífico. Mr. Parot Palma is also a member of the board of directors of Embotelladora Andina and has previously been a member of the boards of several companies in different countries, like Inforsa, Celulosa del Pacífico and Papelera Concepción in Chile and Papelera del Plata in Argentina.

Gustavo Pimenta

Mr. Pimenta was born in 1979. He received a Bachelor's degree in Economics from Universidade Federal de Minas Gerais and a Master's degree in Economics and Finance from Fundação Getulio Vargas. He also participated in development programs in Finance, Strategy and Risk Management at New York University, University of Virginia's Darden School of Business and Georgetown University. Mr. Pimenta has over 10 years of experience in the energy sector. Since 2019 he has served as Executive Vice President and Chief Financial Officer. Prior to assuming his current position, Mr. Pimenta served as Deputy Chief Financial Officer, Chief Financial Officer for the MCAC SBU and as Chief Financial Officer of AES Brazil. Prior to joining AES in 2009, Mr. Pimenta held various positions at Citigroup, including Vice President of Strategy and M&A in London and New York City. Mr. Pimenta is a member of the boards of IPALCO, AES Andes and sPower.

Radovan Razmilic

Mr. Razmilic was born in 1952. He holds a Masters Degree in Civil Engineering from Universidad Politécnica Superior de Madrid Escuela de I.C.C. y P. In July 2011, he became a member of our Board of Directors. Currently, Mr. Razmilic is Chairman of the board of Inmobiliaria Yugoslava, a real estate company in Chile, and Molinera Azapa, a wheat flour processing company in Chile. He is also a member of the boards of various other Chilean companies, including , Inmobiliaria Estadio Croata, Molinera del Sur, Molinera Coquimbo, Molinera del Norte and Molinera e Industrial de Azapa. Previously, Mr. Razmilic served as Chairman of the Directors' Committee of Enap, and as director of Enap and B Bosch.

	Borjas	Da Santos	Fernández	Nebreda	Razmilic	Pimenta	Parot
Years of Service¹	12	14	1	3	8	2	4
Age	68	58	64	53	68	41	68

¹ Years of service is calculated from Ordinary Meeting to Ordinary Meeting

Board and Committee Governance

Director Independence

As per article 50 bis of Law 18.046, the *Comisión para el Mercado Financiero* (“CMF”) may determine the requirements and conditions that shall be fulfilled by Directors to be considered as independent. Nonetheless, Directors who have been found at any time within the last eighteen months in any of the following circumstances, will not be considered independent:

- 1) Maintained any economic, professional, credit or commercial connection, interest or dependence, of a relevant nature and volume, with the Company, the other companies of the group of which its part, parent company, or with the principal executives of any of them, or past Directors, managers, administrators, chief executives or advisors of these. The CMF may set forth the general criteria to determine what shall be understood as a relevant volume or nature.
- 2) Maintained a relationship of kinship up to the second degree of consanguinity or affinity, with the persons indicated in the previous number.
- 3) Were Directors, managers, administrators or main executives of non-profit organizations that have received contributions or relevant donations from the persons indicated in number 1).
- 4) Were shareholders or shareholders that have owned or controlled, directly or indirectly, 10% or more of the capital; Directors; managers; administrators or senior executives of entities that have provided legal or consulting services, for relevant amounts, or of external audit, to the persons indicated in number 1).
- 5) Were partners or shareholders that have owned or controlled, directly or indirectly, 10% or more of the capital; Directors; managers; administrators or senior executives of the main competitors, suppliers or customers of the Company.

In order to be elected as independent directors, candidates must be proposed by shareholders representing 1% or more of the company's shares, with at least ten days prior to the date set for the shareholders' meeting called to carry out the choice of directors.

Based on the foregoing, Mr. Parot and Mr. Fernández each qualify as independent Directors. In addition, according to the Security Exchange Commission definition ([link](#)), a Director qualifies as independent if: “has no material relationship with the listed company, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company”; therefore, for internal governance matters, Mr. Radovan Razmilic, also qualifies as an independent director.

We believe that the number of independent experienced Directors that make up our Board, benefits our Company and our Stockholders.

Board Leadership Structure

Our Corporate Governance Guidelines and applicable laws require the separation of the offices of the Chairman of the Board (“Chairman”) and CEO. Furthermore, as per internal policies, no officer of the Company can serve as a Director of AES Andes.

We believe the separation described above provides strong leadership for our Board, while positioning our CEO as the leader of the Company for our investors, counterparties, employees and other stakeholders and preventing potential conflicts of interest between the management and the Board. Our current structure, which includes independent Directors, helps ensure independent oversight over the Company. This structure also allows the CEO to focus his energies on management of the Company.

A number of our independent Board members are currently serving or have served as Directors or as members of senior management of other public companies.

Board Assessment

Board members respond to an annual self-assessment of the Board’s performance. Results are discussed with the full Board. The assessment includes a review of areas in which the Board believes the Board can make a better contribution to the management of the Company including issues such as independence of the Board, communication between Directors and management, the relationship between the CEO and Chairman, and other matters that may be relevant to our Directors’ Committee leadership structure.

In addition, per Chilean regulation, AES Andes respond to an [annual self-evaluation questionnaire](#) with relation to the implementation of a set of Corporate Governance practices. AES Andes responses are available [here](#).

Conflict of interest

Directors must avoid situations in which conflicts of interest may arise between the duties and responsibilities of their position and their particular interests, and must ensure that all acts and contracts in which they have an interest, whether they act on their own or on behalf of third parties, comply with the provisions of article 146 of Law 18,046, and other applicable regulations, as well as the provisions of the Habituality Policy approved by the company's board of directors.

Directors must inform the board of directors of any circumstance that may give rise to a conflict of interest as soon as they become aware of it, in the terms established in the current legal regulations or in the policies implemented by the company for these purposes.

Without prejudice to the cases included in the following legal regulations, the following situations, among others, will constitute conflicts of interest of the directors:

- Have a direct or indirect economic interest with or in relation to an AES Andes competitor, supplier, client, strategic partner or consultant.
- Invest in an external business opportunity in which AES Andes has an interest.
- Take part in any AES Andes decision involving any of the persons mentioned in article 146 of Law 18,046, on public limited companies (“Related Persons”).
- Take part in any decision by AES Andes to hire any Person Related to the director.

- Take part in any AES Andes decision that involves supervising or determining the compensation of any Person Related to the director.

Information to the market

The Board must ensure that the company provides to the market and its investors, credible conditions of opportunity, equity and transparency in the delivery of relevant information for making financial or other decisions, in compliance with current legal regulations. It will be the responsibility of the Board to disclose in a complete and timely manner the essential information related to the company.

The information relating to the company will be disclosed to the market mainly through the following means:

- Annual report and quarterly and annual financial statements prepared and published in accordance with the provisions of the current legal regulations.
- Information and communications sent to the CMF and other relevant supervisory authorities and stock exchanges.
- Presentations and conferences with investors.
- Press releases and company website which will have a section in which shareholders can access all public information of the company.

In order to facilitate the communication of investors with the company, the website will include a link or application that will allow them to contact the company about concerns regarding the situation, progress and business of the company that are of public knowledge.

The Board will evaluate, whenever it deems pertinent, the suitability of the means and procedures through which the company discloses the information to the general public, as well as the sufficiency, timeliness and relevance of said information, ensuring permanently to improve the quality of the information provided by the company.

The company has a unit responsible for the relationship with institutional investors, whose purpose is to provide, in a transparent and timely manner, relevant information about the company, with full and unrestricted respect for the legal provisions that protect simultaneous and equitable access to such information. This unit meets periodically with local analysts to present the official results of the company, explain the business strategy, discuss the projects under development and answer questions. Additionally, the unit participates in various meetings and conferences with local and foreign investors.

Director Qualifications

Director candidates are selected on the basis of, among other things, experience, knowledge, skills, expertise, integrity, ability to make independent analytical inquiries, understanding the Company's global business environment and willingness to devote adequate time and effort to Board responsibilities so as to enhance the Board's ability to oversee and direct the affairs and business of the Company.

Diversity

AES Andes has adopted a Diversity and Inclusion policy that includes the Board of Directors. The composition of the Board is reviewed to ensure it has the “appropriate balance” of attributes. Consistent with the Policy and to ensure appropriate balance Director nominees are considered on the basis of, among other things, experience, knowledge, skills, diversity (not only gender, but also other aspects such as race or country of origin), expertise, integrity, ability to make independent analytical inquiries, understanding of the Company’s global business environment and willingness to devote adequate time and effort to Board responsibilities. As part of our annual Board self-evaluation process, the Board evaluates whether or not the Board as a whole has the skills and backgrounds for the current challenges facing the Company.

Director Attendance

Under our Corporate Governance Guidelines, Directors are expected to attend Board meetings and meetings of Committees on which they serve in person, by telephone, video conference other technological means, and Directors are encouraged to attend the Ordinary and Extraordinary Shareholder’s Meeting.

Meetings of the Board of Directors may be ordinary or extraordinary. According to Chilean law, the Board of Directors of a public corporation must hold ordinary meetings at least once a month. Directors may attend meetings by technological means that ensure that their participation in the proceedings of the meeting shall be simultaneous and permanent.

In 2020, our Board convened eleven times in ordinary meetings and seven times in extraordinary meetings. The minimum required attendance for Ordinary meetings for our board members is 75% and the average attendance was 98%.

Board’s Role in Risk Management

Management is responsible for the management and assessment of risk at the Company, including communication of the most material risks to the Board. The Board provides oversight over the risk management practices implemented by management. In addition, if a particular risk is material or where otherwise appropriate, the Board may assume oversight over a particular risk. The Board reviews occur primarily through the receipt of regular reports from management to the Board on these areas of risk, and discussions with management regarding risk assessment and risk management as follows:

The Board of Directors has entrusted the management of the Company with reviewing the operation of the risk management process. For these purposes, the Company has a Risk Committee and a Risk Manager.

The Risk Committee meets monthly to analyze situations and operations detected that could constitute a risk for the Company, in order to pronounce and adopt resolutions regarding them. The powers of the Risk Committee are limited depending on the nature of the risks detected and the evaluation of the estimated amount of the same. The Board has the authority to meet with the Risk Committee when deemed appropriate.

Based on the information provided by the Risk Manager; the Risk Committee; the Internal Audit Department and the external auditors, the Board periodically evaluates the quality and sufficiency of the procedures and policies of management control. At least twice per year the

Risk Manager attend board meetings to provide to Board with updates on risk assessment and policies.

Directors' Committee

Under Chilean law, AES Andes must establish a Directors Committee given that its traded shareholders' equity is equal or higher than UF1,500,000 and at least 12.5% of its voting shares are held by shareholders who individually control or own less than 10% of such shares.

AES Andes has a Directors' Committee comprised of three members of which two, according to article 50 bis of Law 18.046, are independent Directors.

We place great value on stockholder outreach and engage regularly with our investors to gain insight into the governance issues about which they care most. We seek a collaborative and mutually beneficial approach to issues of importance to investors that affect our business and aim to ensure that our corporate governance practices are informed by, and generally are in line with, our stockholders' expectations.

During year 2020, the Committee met regularly and held 19 meetings, complying with its legal duties established in Article 50 Bis of the Chilean corporate law, informing the Board of Directors of its agreements and recommendations, regarding:

- (1) The Financial Statements, the reports of the external auditors and the balance sheet, and the pronouncement prior to their submission to the shareholders meeting;
- (2) The appointment of external auditors and private risk rating agencies;
- (3) Transactions between related parties pursuant to Title XVI of the Chilean corporate law;
- (4) The remuneration systems and compensation policy of the managers, senior executives and employees of the Company; and,
- (5) Other matters entrusted or presented to the Committee due to their relevance to the Company.

Director Compensation

As per AES Andes by-laws, Board members do not receive compensation for their services. During the year 2020, the Directors of the Company did not receive any kind of remuneration for other functions, nor expenses of representation, per diem, royalties, or any other stipend; the foregoing, with the exception of those directors who are members of the Directors' Committee and whose compensation is detailed in the following paragraph.

At the Ordinary Shareholders' Meeting, held on April, 2021, it was agreed to set the amount of UF 300, equivalent approximately to USD\$10,600 monthly, as remuneration of the members of the Directors Committee.

Directors' Committee compensation is intended to meet the following goals:

- Promote the engagement of talented and experienced Directors to the AES Andes Board;
- Compensate outside Directors for the increased workload inherent in a public board Director position; and
- Retain a strong financial incentive for Directors to maintain and promote the long-term health and viability of the Company.

Our Directors' Committee compensation structure remained consistent with past practice.

The following table contains information concerning the compensation of our Directors' Committee members.

Committee Member	Compensation
Gonzalo Parot, <i>Chair— Committee</i>	US\$ 127,000
Daniel Fernández	US\$ 127,000
Radovan Razmilic	US\$ 127,000

Executive Compensation

The Board of Directors must annually review and approve the Compensation for Senior Executives of the Company, which will establish general guidelines to prevent the compensation and severance structure from generating incentives for said executives to expose the company to risks that are not in accordance with the policies defined by it, or the commission of eventual illicit acts.

For the purposes of the foregoing, the variable component of executive compensation will be structured considering variables based on the strategic objectives of the company, and medium and long-term incentives, among others.

AES Andes executive compensation philosophy emphasizes pay-for-performance. Our philosophy is to provide executive compensation opportunities that approximate the 50th percentile of survey data based on our revenue size and industry. Our incentive plans are designed to reward strong performance, with greater compensation paid when performance exceeds expectations and less compensation paid when performance falls below expectations.

Our executive compensation reflects best practices:

Target Total Compensation at 50 th Percentile	Executive Compensation Clawback Policy
Independent Consultant Retained by the Company for benchmark of compensation practices	Annual Review of Risk Related to Compensation Programs
AES Andes Specific Performance Goals	Relative Pay-for-Performance Alignment

Our Executive Compensation Philosophy

AES Andes executive compensation philosophy emphasizes pay-for-performance. Our philosophy is to provide executive compensation opportunities that approximate the 50th percentile of survey data based on our revenue size and industry. Our incentive plans are designed to reward strong performance, with greater compensation paid when performance exceeds expectations and less compensation paid when performance falls below expectations.

In applying this philosophy, survey data is used to assess the impact of any changes on the competitiveness of target total compensation opportunities relative to the 50th percentile. The Human Resources (HR) Compensation Team views the Willis Towers Watson, Mercer and Hay surveys data (according to executive level) as an appropriate benchmark of compensation practices and levels of similarly-sized companies, including companies with international operations against whom we compete for talent.

AES Andes HR Compensation Team has a practice of reviewing executive compensation program components, targets and payouts on an annual basis to ensure the strength of our

pay-for-performance alignment. The HR Compensation Team considers additional factors in making its decisions on executive’s target total compensation opportunity. The specific factors include:

- Individual performance against pre-set goals and objectives for the year, and Company performance;
- An individual’s experience and expertise;
- Position and scope of responsibilities;
- An individual’s future prospects with the Company; and
- The new total compensation that would result from any change and how the new total compensation compares to survey data.

Overview of AES Andes Total Compensation

Elements of Compensation

The following table presents each element of compensation and explains (i) the objective of each element, (ii) what the element is designed to reward, and (iii) why we choose to pay each element.

Objective	What It Rewards	Why We Pay
Base Salary		
Provide fixed cash compensation that reflects the individual’s experience, responsibility and expertise	Accomplishment of day-to-day job responsibilities, taking into account individual performance and market considerations	Market competitiveness; attract and retain our people
Performance Incentive Plan (annual bonus incentive plan)		
Provide performance-based, short-term cash compensation relative to the achievement of pre-set individual and Company’s objectives and performance, based on a payout range of 0-200%	Achievement of specific pre-set performance thresholds related to safety, financial, operational and strategic objectives	Direct incentive to achieve the Company's safety, financial, operational, growth and strategic objectives for the year
Long-Term Compensation (LTC) for high level executives		
Provide awards that align the interests of our executives with those of our Stockholders over the long term	Share price growth, dividend performance and attainment of long- term financial goals	Directly links NEOs’ interests with those of Stockholders and AES’ long-term financial performance

2020 Compensation Guidelines

Base Salary

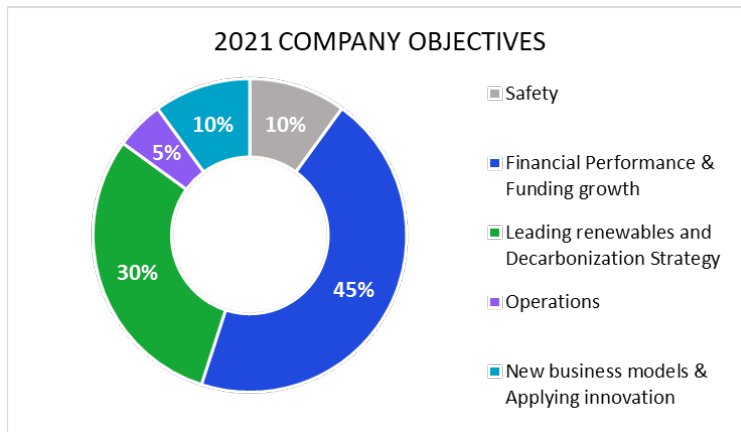
HR Compensation Team reviews the target total compensation, including base salaries, of our Executives annually. In addition, the HR Compensation Team will review the base salary of an Executive if there is a promotion or in the case of a newly hired Executive.

Performance Incentive Plan Payouts (Bonus Plan)

Company Performance Score Targets: Our Executives are eligible for annual incentive awards under the Performance Incentive Plan. As detailed more fully below, Company measures performance in seven categories: Safety, Financial, Green Growth, Customer Centricity, New Businesses Models and Operational and Construction Objectives.

In setting these performance measures, it was considered information provided by management about the Company’s financial budget for the year as well as strategic and operational objectives. The graph below reflects the measures for current Company Scorecard.

The following predefined metrics are relevant for the CEO and executive’s compensation:

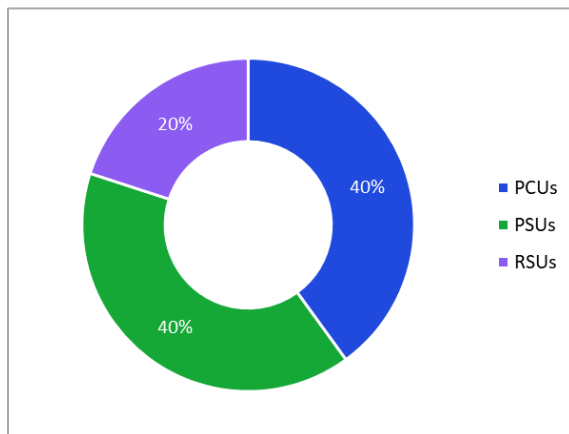


<ul style="list-style-type: none"> • Safety <ul style="list-style-type: none"> ○ No Serious Safety Incidents ○ Proactive Safety Metrics • Financial Performance <ul style="list-style-type: none"> ○ Adjusted PTC in USDMM ○ Subsidiary distribution in USDMM • Operations <ul style="list-style-type: none"> ○ Operational metrics 	<ul style="list-style-type: none"> • Leading renewables and Decarbonization strategy <ul style="list-style-type: none"> ○ Renewable growth ○ Portfolio decarbonization • New Business models & applying innovation <ul style="list-style-type: none"> ○ Global Energy start program ○ Develop new innovative projects ○ Green hydrogen pilot
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Long-Term Compensation (LTC)

Overview of the LTC Program

The Long-Term Compensation award is comprised of Performance Cash Units (PCUs), Performance Stock Units and Restricted Stock Units (RSUs). The award split is shown below:



Performance Cash Units (PCUs)

Performance cash units represent the right to receive a cash-based payment subject to performance- and service-based vesting conditions. Performance cash units granted in 2020 are eligible to vest subject to AES' Total Stockholder Return from January 1, 2020 through December 31, 2022 relative to companies in three different indices.

Performance Stock Units (PSUs)

Performance stock units represent the right to receive a single share of AES common stock subject to performance- and service-based vesting conditions. Performance stock units granted in 2020 are eligible to vest subject to our three-year cumulative Proportional Free Cash Flow performance

Restricted Stock Units (RSUs)

Restricted stock units represent the right to receive a single share of AES common stock subject to service-based vesting conditions. Restricted stock units vest based on continued service with the Company in three equal installments beginning on the first anniversary of the grant.

Clawback Policy

The Company has adopted a "clawback policy" that provides the discretion to seek the reimbursement of any annual incentive payment or long-term compensation award, as defined under the policy, from key executives of the Company, including AES Andes's CEO and Vice Presidents when:

- The initial payment was calculated based upon achieving certain financial results that were subsequently the subject of a material restatement of the Company's financial statements;
- The executive engaged in fraud or willful misconduct that caused, or substantially caused, the need for the restatement; and
- A lower payment would have been made to the executive based upon the restated financial results.

In each such instance, the HR Compensation Team, with the appropriate approvals, has the discretion to determine whether it will seek recovery from the individual executive and has discretion to determine the amount.

Additional Governance Matters

Environmental, Social and Governance - ESG

AES Andes is dedicated to improving lives and making a lasting difference in the communities in which our businesses operate. We are committed to a wide range of social, economic and environmental initiatives that will improve the lives of our employees, customers and their communities; empower our people and businesses; and improve long-term returns to our investors.

In addition to our Governance practices, AES Andes has a number of environmental and social initiatives described in further detail below.

Environment

The core of our corporate sustainability efforts centers on understanding the environments in which we operate and committing to the development of environmentally responsible energy solutions. Environmental stewardship and leadership are a key part of our business. Our Environmental Management System, environmental measurement metrics, and certificates and standards demonstrate our tangible commitment to environmental sustainability. AES Andes' Integral Management System named GENERA is based on the ISO 45001:2018 & 14001:2015. All AES Andes businesses are certified under both norms.

The foundation of our environmental management approach is embodied in the following four principles included in our Environmental Policy:

- Meet the requirements of environmental rules and regulations imposed by local, regional, and national governments and by participating financial institutions.
- To prevent, reduce and manage environmental impacts in our operations, and to promote the efficient use of natural resources, environmental awareness, and the relationship with the communities in which we operate.
- Promote the conservation of areas of high value for biodiversity and ecosystems in the areas where our businesses are located, protecting and promoting the knowledge of species under conservation category.
- Strive to continually improve the environmental performance at every business.
- To incorporate mitigation and adaptation to climate change in the analysis and development of the business, in line with the regulation and the commitments adopted by each country in this matter.

AES Andes management and Board have undertaken long-term strategy only after significant consideration and business planning, taking note of, and responding to, market and regulatory developments and the express interests and concerns communicated to us by our Stockholders.

AES Andes strategy aims to lower the intensity of our greenhouse gas emissions and create a clean energy future by using less carbon-intensive sources of generation with an emphasis on zero-carbon technologies like wind and solar. Our business strategies are formulated with the express intent and purpose of achieving Stockholder value creation.

Social

Safety. Safety comes before everything at AES Andes. We harness one of the world's most powerful forces: electricity. Our people put their lives on the line when they come to work each day. Ensuring safe operations at our facilities around the world, so each person can return home safely, is the cornerstone of our daily activities and decisions. We always put safety first, and we measure our successes by how safely we achieve our goals.

AES Andes has an integral policy for all businesses to ensure that our actions and decisions align with the safety beliefs and principles. This applies to all our employees and contractors. Our actions focus on six principles aligned with our policy that promotes safety among our people and the communities.

AES Andes's Integral Management System named GENERA is based on the Norms ISO 45001:2018 Occupational Health and Safety & 14001:2015 Environmental Management System (EMS). GENERA provides a consistent framework for all AES Andes operational businesses and construction projects to set expectations, measure performance and drive improvements in our management of safety and environmental aspects. GENERA also includes specific operational and construction safety and environmental standards that are based on global electric utility best practices. In addition, AES Andes has different proactive activities that help us move towards an incident-free place including an annual Safety Day, Monthly Safety Message, Safety Walks, Internal and External Audits among others.

Community Engagement. We strive to strengthen relationships through meaningful engagement with our stakeholders. AES Andes has implemented varying levels of engagement with their local communities and focus on programs that can make a community stronger economically, socially or environmentally. Our strategy seeks to develop and execute projects of social investment for the communities having as guiding principle the local development. The approach is based in three areas of action (education and capacity building; development of community infrastructure projects; contribute with local development), which aligned with three sustainable development goals (quality education; communities and sustainable cities; decent work and economic growth).

Human Rights. AES Andes operates under a broad range of economic, social and cultural customs, and traditions as well as different local and regional laws and regulations. We believe it is our duty and responsibility to conduct business with the highest level of integrity, ethics and compliance in all situations. AES Andes has a Human Rights Policy that formalizes our commitment to uphold and respect human rights.

Our People

We recognize that our people are our energy. AES Andes people set the foundation to achieve the Company's long-term goals. The energy our people bring to their work makes everything possible and we know we need to have the right people in the right place at the right time to meet the Company's commitments and sustain our success. Our comprehensive approach to attracting, developing and energizing our talented workforce helps our people develop to their

fullest potential.

Diversity. We are a diverse and inclusive company and our employees are actively encouraged and empowered to share their perspectives. The diversity of our employees - in race, ethnicity, culture, gender, sexual orientation, perspective and experience (among others) - is essential to our ability to continue to grow and succeed in our markets.

We have a long-standing commitment to our employees to create a business working environment that fosters engagement through personal innovation, achievement, wellness, advancement and training/development opportunities, promoting health and safety, and investments in their communities. These efforts culminate in creating a business culture of achievement and loyalty that enables us to minimize turnover in our global workforce and succeed in competitive and challenging marketplaces.

AES Andes Code of Business Conduct

Our Code of Conduct has been adopted by the Board. The Code of Conduct is intended to govern, as a requirement of employment the actions of everyone who works at AES Andes, including employees of AES Andes's affiliates and our Directors.

The [Code of Conduct](https://www.aesandes.com/en) and the Corporate Governance Guidelines are available on the Company's website (<https://www.aesandes.com/en>). If any amendments to, or waivers from, the Code of Conduct are made, we will disclose such amendments or waivers on our website (<https://www.aesandes.com/en>).

Our Values

Our values are at the heart of our operations and we believe these values set us apart from others in our industry. Every day, our people and businesses around the world are guided by the following core values:

Safety First

We will always put safety first—for our people, contractors and communities.

Safety is at the core of everything we do at AES Andes. We always identify potential risks to our people, contractors, customers, communities, and partners, and measure success by how safely we conduct our work together while contributing to a greener energy future.

Highest Standards

We act with utmost integrity towards our people, customers, partners, and communities, and hold the solutions we deliver together to global standards of excellence.

All Together

We work as one team across our business and with our people, contractors, customers, partners and communities. We meet changing customer needs with agility and have fun solving meaningful challenges as a team.

Related Person Policies and Procedures

According to Article 146 of Chilean Law N° 18,046, related parties' transactions are any negotiation, act, contract or operation in which the Company must intervene and, in addition, any of the following persons:

- 1) One or more persons related to the Company, pursuant to article 100, of Chilean law N° 18,045.
- 2) A Director, manager, administrator, chief executive officer or liquidator of the Company, by himself or on behalf of persons other than the Company, or their respective spouses or relatives up to the second degree of consanguinity or affinity inclusive.
- 3) Companies in which the persons indicated in the previous number are owners, directly or through other natural or legal persons, of 10% or more of their capital, or Directors, managers, administrators, principal executives.
- 4) Those that are establish the bylaws of the Company or that are properly identified by the Directors' Committee, as the case may be, even when they are those indicated in the final paragraph of article 147.
- 5) Those in which the Director, manager, administrator, chief executive or liquidator has performed as Director, manager, administrator, chief executive or liquidator of the Company, within the last eighteen months.

AES Andes may only enter into transactions with related parties when they are intended to contribute to the corporate interest and their price, terms and conditions are similar to those prevailing in the market at the time of their approval, and comply with the requirements and procedures set forth in Title XVI of Law 18,046, which are the following:

- 1) The directors, managers, administrators, chief executives or liquidators who have an interest or participate in negotiations leading to the execution of an operation with related parties of the corporation, shall immediately inform the board of directors or whoever the latter designates. Those who breach this obligation will be jointly and severally liable for the damages that the operation may cause to the company and its shareholders.
- 2) Before the company grants its consent to an operation with a related party, it must be approved by an absolute majority of the board members, excluding the directors or liquidators involved, who nevertheless must make their opinion known regarding the operation transaction if they are required by the board of directors, and their opinion must be recorded in the minutes. In addition, the reasons for the decision and the reasons why these directors were excluded should be recorded.
- 3) The resolutions adopted by the board of directors to approve a transaction with a related party will be announced at the next shareholders' meeting, with mention of the directors who approved it. In this matter, an express indication will be made in the citation to the corresponding meeting of shareholders.
- 4) In case the absolute majority of the members of the board should abstain from voting the transaction, approval can only be carried out by the unanimity of the members of the board not involved or, failing that, if in an extraordinary shareholders meeting with the agreement of two thirds of the shares issued with the right to vote.

- 5) If an extraordinary shareholders' meeting is convened to approve the operation, the board of directors shall designate at least one independent evaluator to inform the shareholders about the conditions of the operation, its effects and its potential impact on the company. In their report, the independent evaluators must also decide on the points that directors' committee, if any, has expressly requested to be evaluated. The directors' committee may appoint an additional independent evaluator, in case they do not agree with the selection made by the board.

The reports of the independent evaluators will be made available by the board of directors to the shareholders on the next working day after they are received by the company, in the company's corporate offices and on the website of the company, if the company possesses such means, for a minimum period of 15 working days from the date on which the last of these reports was received, the company must inform the shareholders of this situation by issuing a material event.

The directors must decide on the convenience of the operation for the social interest, within 5 business days following the date on which the last of the reports of the evaluators was received.

- 1) When the directors of the company must decide on operations of Title XVI of Law 18,046, they must specify the relationship they had with the counterparty of the operation or the interest that they have in it. They must also take charge of the convenience of the operation for the social interest, of the objections or objections that the board of directors expressed, as the case may be, as well as of the conclusions of the reports of the evaluators or experts.

These opinions of the directors must be made available to the shareholders the day after they are received by the company, in the corporate offices as well as on the website of the company if such means are available, and this situation must be informed by the company through a material event.

- 2) Without prejudice to the corresponding sanctions, the infraction of this article will not affect the validity of the operation but will grant the company or the shareholders the right to demand, from the infringing related person, the reimbursement of a sum equivalent to the benefits that the operation would have reported to the related counterpart, in addition to the compensation of the corresponding damages. In this case, it will be up to the defendant to prove that the operation was in accordance with the provisions of this article.

Notwithstanding the provisions of the preceding numbers, the following operations with related parties may be executed without the requirements and procedures established in the previous numbers, with prior authorization of the board:

- a. Those operations that are not of relevant amount. For these purposes, it is understood that any act or contract that exceeds 1% of the corporate assets is of relevant amount, provided that said act or contract exceeds the equivalent of UF 2.000 and, in any case, when it exceeds UF 20.000. It is presumed to constitute a single operation all of those that are perfected in a period of 12 consecutive months by means of one or more similar or complementary acts, in which there is identity of parties, including related persons, or object.
- b. Those operations that, in accordance with general policies of regularity, approved by the company's board of directors, are ordinary in consideration of the corporate purpose. In the latter case, the agreement that establishes such policies or their modification shall

be approved with the recommendation of the Director's Committee and will be reported as a material fact and made available to shareholders in the corporate offices and on the website of the company. Such policies shall contain the minimum requirements that shall be determined by the CMF. On December 2020, AES Andes approved its current policy on habitual operations.

- c. Transactions between legal persons in which the company owns, directly or indirectly, at least 95% of the counterparty's property.