

Environmental and Social Review Summary (ESRS) Electricity Tariff Stabilization Liquidity Facility II – CHILE

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1. General Information of the Project

On August 2, 2022, Law No. 21,472 (the "MPC Act"), which creates the Tariff Stabilization Fund (the "Fund") and establishes a New Transitional Electricity Price Stabilization Mechanism for Customers subject to Price Regulation, was published in the Official Gazette of the Republic of Chile. The MPC Act regulates the terms and conditions under which electricity tariffs are to be stabilized and paid in the future. The Fund is intended to pay the differences that may arise between invoicing by distribution companies ("DisCos") to end customers for the energy and power component, and the amount payable to generation companies ("GenCos") for the supply of electricity under the contractual conditions in force.

Under the terms of the MPC Act, GenCos operating in the Republic of Chile and party to power purchase agreements entered into with the DisCos affected by the MPC Act are expected to receive credit documents ("Payment Certificates") denominated in U.S. dollars. The Fund, which will be managed by the General Treasury of the Republic of Chile, will be financed with certain revenues collected by the DisCos from end users of the electricity sector and with an unlimited top-up obligation by the Government in the event that such funds are insufficient to cover scheduled payments under the Payment Certificates.

This transaction (the "Project") consists of a monetization structure under which IDB Invest, acting as the sole "Purchaser of Record," agrees to purchase all Payment Certificates to provide liquidity to the Chilean electricity system.

2. Scope of IDB Invest's Environmental and Social Review

The environmental and social analysis of the proposed transaction consisted of a desk review of the environmental and social performance of the GenCos and DisCos (the "Clients") over time, with emphasis on compliance with the following Performance Standards (PS): PS1: Assessment and Management of Environmental and Social Risks and Impacts; PS2: Labor and Working Conditions; PS3: Resource Efficiency and Pollution Prevention; and PS4: Community Health, Safety, and Security.

3. Environmental and Social Categorization and Rationale

The Project has been classified as a Category C operation according to IDB Invest's Environmental and Social Sustainability Policy, given that the incremental impacts it will generate are null or negligible and that the proceeds of the Transaction will be used only to provide liquidity to the GenCos and DisCos participating in this transaction, thanks to the acquisition of the Payment Certificates. Project funds will be used exclusively to acquire Payment Certificates and will not finance any type of capital investments ("capex").

4. Environmental and Social Risks

4.1 Assessment and Management of Environmental and Social Risks and Impacts

All Clients possess the applicable Environmental Qualification Resolutions ("EQR"), equivalent to an environmental license, duly in force. This instrument includes plans, programs, and actions to avoid, mitigate, and compensate the environmental and social impacts and risks identified as relevant in their respective environmental assessments (an Environmental Impact Assessment, or "EIA," or an Environmental Impact Statement, or "EIS"). These prevention, restoration, mitigation, or compensation actions are being implemented by each of the Clients through their environmental and social management systems.

The environmental audit has determined that Clients have been in substantial and consistent compliance with the requirements of their EQRs and applicable Chilean standards.

4.2 Labor and Working Conditions

Labor issues in Chile in terms of working hours, wages, paid annual leave, worker compensation, and labor regimes, among other aspects, are very well regulated by the legislation in force.

As Chile is a signatory to International Labor Organization ("ILO") Convention 105, Chilean legislation prohibits child labor in general terms, except for children aged 15 to 18, who may perform certain types of light tasks when all of the following conditions are met: i) the proposed tasks are not harmful to their health or physical or mental development; ii) their parents, family members, or guardians authorize them to work; iii) the proposed work does not interfere with their studies; iv) the number of hours worked do not exceed 30 per week if the minor is still studying; and v) the number of hours worked daily does not exceed 8 hours in any case. The law also expressly prohibits forced or unpaid labor, as well as discrimination against workers on the basis of race, skin color, gender or sexual orientation, ancestry, marital status, religion, political participation, and nationality, among others. Freedom of association and the formation of trade unions are constitutional rights in Chile.

The Clients comply with the requirements of the Chilean State regarding labor and working conditions.

4.3 Resource Efficiency and Pollution Prevention

Most of the Clients produce clean energy from hydraulic, wind, photovoltaic, photothermal, or geothermal sources. A group of them, however, produce part of their energy from non-renewable sources, as follows: i) Colbún, which produces 1,586 megawatts ("MW") of its 3,437 MW of installed capacity from thermal plants (1,104 MW correspond to gas-fired, 374 MW to coal-fired, and 108 MW to diesel-fired plants); ii) Enel Generación Chile, which produces 3,504 MW of its 5,937 MW of installed capacity from renewable energy and 2,433 MW from thermal plants (almost 58% gas-fired), of which only 350 MW correspond to a coal-fired plant (scheduled to be disconnected by September 30, 2022); iii) AES Andes, which produces 2,129 MW of its 3,294 MW of installed capacity in Chile from coal-fired plants; iv) Engie Energía Chile, which produces 2,033 MW of its 2,175 MW of installed capacity, including its subsidiary Eólica Monte Redondo, from thermal plants (1,066 MW correspond to coal-fired, 610 MW to gas-fired, and 91 MW to diesel-fired plants); and v) GM Holdings S.A., which produces 379 MW of its 750 MW of installed capacity in Chile from gas and steam combined cycle plants and 371 MW from diesel-fired plants (of which 132 MW of the diesel-fired plant will be converted to gas by December 2022). These

companies have voluntarily joined the Chilean State's effort to decarbonize its matrix by decommissioning the first existing coal-fired generation units by 2025 and eliminating all coal-fired power plants by 2040. The target is a carbon neutral matrix by 2050.

All Clients have regularly reported to the Superintendent of the Environment ("SMA") and relevant sectoral authorities on their compliance with the environmental, social, and occupational health and safety provisions required by the legislation in force.

4.4 Community Health, Safety and Security

All Clients have their respective emergency prevention and response plans, which are in effect and duly approved through their EQRs. The review conducted shows that, to date, no situations have arisen that could have endangered the health or safety of the population.

5. Proposed Management Measures

The monitoring reports that, pursuant to legislation and the EQRs, are regularly submitted by the Clients to the SMA and to the environmental, social, and occupational health and safety authorities indicate that the management measures contained in the approved plans and programs are being implemented as planned and are achieving the set goals. As such, no additional management measures are required.

6. Additional Information

For inquiries about the Project, please contact the Clients:

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Additionally, and as a last resort, affected communities can access the IDB Invest Independent Consultation and Investigation Mechanism (ICIM) as follows:

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