



Second-Party Opinion

Colbún Green Financing Framework

Evaluation Summary

Sustainalytics is of the opinion that the Colbún Green Financing Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021 and the Green Loan Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds – Renewable Energy and Energy Efficiency – are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7: Affordable and Clean Energy.



PROJECT EVALUATION / SELECTION Colbún will establish a Sustainability Committee to oversee the selection of eligible projects (the “Eligible Green Projects”). The Sustainability Committee will be comprised of representatives from the Finance Division, the Engineering and Projects Division, and the Environmental Department. Colbún’s CFO will be responsible for the ultimate approval of Eligible Green Projects. Colbún’s environmental and social risk management system is applicable to all allocation decisions made under the Framework. Sustainalytics considers Colbún’s risk management system to be adequate and the project selection process to be in line with market practice.



MANAGEMENT OF PROCEEDS Colbún’s Sustainability Committee will be responsible for tracking net bond proceeds. Colbún expects to fully allocate within 36 months of the respective issuance date. Unallocated proceeds will be held on Colbún’s balance sheet, invested in cash, cash equivalents and/or other short-term liquid instruments in accordance with its Investment Policy. This is in line with market practice.



REPORTING Colbún intends to publish annual reports containing (i) a description of projects and the amount allocated to each Eligible Green Project, (ii) the unallocated amount, (iii) share of proceeds for financing and refinancing purpose. In addition, Colbún is committed to reporting on relevant impact metrics. This information will be posted on its website on an annual basis until full allocation. Sustainalytics views Colbún’s location and impact reporting as aligned with market practice.

Evaluation date October 1, 2021

Issuer Location Santiago, Chile

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Introduction

Colbún S.A. (“Colbún”, the “Issuer” or the “Company”) was created in 1986 as Empresa Eléctrica Colbún Machicura S.A. and became an independent entity in 1997 when it ceased to be a subsidiary of Corporación de Fomento de la Producción. Colbún is an energy company that produces, transports and supplies electricity in Chile and is the third-largest power generation company in the country. Its headquarters are located in Santiago, Chile, and the Company has, as of September 2021, 3,795 MW of installed capacity. Colbún’s generating portfolio includes 17 hydroelectric power plants, six thermoelectric power plants, and one solar power plant. In addition, Colbún owns a portfolio of solar and wind projects totalling approximately 3,100 MW, in different stages of development.

The Company has developed the Colbún Green Financing Framework (the “Framework”), under which it intends to issue one or more Green Financing Instruments (“GFIs”), including bonds and loans. The GFIs will fund existing and/or future eligible renewable energy and energy efficiency projects associated with Colbún’s operations. Projects financed or refinanced under this category will contribute to the transition to a low carbon economy and reduce greenhouse gas (GHG) emissions from the electricity sector in Chile. The Framework defines eligibility criteria in two areas:

1. Renewable Energy
2. Energy Efficiency

Colbún engaged Sustainalytics to review the Framework, dated September 2021, and provide a Second-Party Opinion on the Framework’s environmental credentials and its alignment with the Green Bond Principles 2021 (GBP)¹ and the Green Loan Principles 2021 (GLP).² This Framework will be published in a separate document.³

As part of this engagement, Sustainalytics held conversations with various members of Colbún’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of Colbún’s Green Financing Framework. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics’ opinion of the Colbún’s Green Financing Framework and should be read in conjunction with that Framework.

Scope of work and limitations of Sustainalytics’ Second-Party Opinion

Sustainalytics’ Second-Party Opinion reflects Sustainalytics’ independent⁴ opinion on the alignment of the reviewed Framework with the current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework’s alignment with the Green Bond Principles 2021, as administered by ICMA, and the Green Loan Principles 2021, as administered by LMA, APLMA and LSTA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer’s sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.10, which is informed by market practice and Sustainalytics’ expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of Colbún’s management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. Colbún

¹ The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

² The Green Loan Principles are administered by the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association and are available at <https://www.lsta.org/content/green-loan-principles/>.

³ The Colbún Green Financing Framework will be available on Colbún’s website at: <https://www.colbun.cl/en/inversionistas/informacion-financiera-consolidada/>.

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics’ hallmarks is integrity, another is transparency.

representatives have confirmed (1) they understand it is the sole responsibility of Colbún to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and Colbún.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond and loan proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realized allocation of the bond and loan proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that Colbún has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Colbún Green Financing Framework

Sustainalytics is of the opinion that the Colbún Green Financing Framework is credible and impactful and aligns with the four core components of the GBP and GLP. Sustainalytics highlights the following elements of Colbún's Green Financing Framework:

- Use of Proceeds:
 - The eligible categories – Renewable Energy and Energy Efficiency – are aligned with those recognized by the GBP and GLP.
 - Under the Renewable Energy category, Colbún intends to finance the construction, development, expansion, production, acquisition, maintenance and operation of onshore wind, photovoltaic, concentrated solar power (CSP) and battery storage.
 - Colbún has communicated to Sustainalytics that eligible CSP plants will source at least 85% of the electricity generated from solar sources.
 - Sustainalytics considers investments in this category to be aligned with market practice.
 - Under the Energy Efficiency category, Colbún may finance projects that increase the energy efficiency of its infrastructure, including improvements on its equipment and systems such as the installation of LEDs and other energy-efficient lighting, heating, ventilation, air conditioning (HVAC), refrigeration and other electrical equipment, including battery storage systems.
 - The Framework includes a minimum energy efficiency gain of 20%, and Sustainalytics views positively the inclusion of a defined threshold for the installations of energy-efficient systems, equipment and technologies.
 - The Framework excludes financing for energy-efficient equipment powered by fossil fuels. This is in line with market practice.
 - The Framework includes exclusionary criteria for which Colbún will not knowingly allocate GFIs proceeds to projects involved in fossil fuel-related thermoelectric projects, or large hydroelectric projects (>25 MW). Sustainalytics is of the opinion that the exclusionary criteria strengthen the Framework.

- **Project Evaluation and Selection:**
 - Colbún will establish a Sustainability Committee comprised of members from the Finance Division, the Engineering and Projects Division, and the Environmental Department to oversee the selection and acquisition of Eligible Green Projects. This Committee will meet on a semi-annual basis to review and select projects. Colbún's CFO will be ultimately responsible for reviewing and approving Eligible Green Projects.
 - Colbún will evaluate environmental and social risks as per company-level policies and procedures. This is applicable to all allocation decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate. For additional details see Section 2.
 - Based on the establishment of a formal working group with executive-level oversight, Sustainalytics considers this process to be in line with market practice.
- **Management of Proceeds:**
 - The Sustainability Committee will be responsible for tracking net proceeds from the sale of any GFIs by establishing and maintaining an investment folder that compiles all expenses and documentation.
 - Any unallocated amount will be held on the Company's balance sheet and invested in cash, cash equivalents, and/or other short-term instruments as per the Company's Investment Policy.
 - In case any of the projects is not finalized, Colbún will divest from such projects and finance other Eligible Green Projects. Colbún intends to fully allocate proceeds from the respective GFIs within 36 months of issuance.
 - Eligible projects for refinancing include those funded 24 months prior to the respective issuance.
 - Based on a defined management approach of net proceeds, disclosure around the temporary use of proceeds, and time period for full allocation, Sustainalytics considers this process to be in line with market practice.
- **Reporting:**
 - Colbún is committed to reporting on GFIs allocations on the Company's website on an annual basis and until full allocation. The information reported will include (i) a description of Eligible Green Projects and funds allocated to each project, (ii) the share of proceeds for financing and refinancing purposes, and (iii) the unallocated amounts.
 - Colbún will also provide impact reporting, where feasible, including qualitative and quantitative environmental performance data of Eligible Green Projects funded such as Greenhouse Gas (GHG) emissions avoided (tCO₂e), renewable energy generated (MWh), the capacity of renewable energy plants (MW) and amount of energy saved (GWh).
 - Colbún will seek an external verification from an auditor on the compliance of Eligible Green Projects with the criteria established under the Framework.
 - Based on the above commitment to allocation and impact reporting, Sustainalytics views Colbún's reporting to be in line with market practice.

Alignment with Green Bond Principles 2021 and Green Loan Principles 2021

Sustainalytics has determined that the Colbún Green Financing Framework aligns to the four core components of the GBP and GLP. For detailed information please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of Colbún

Contribution of framework to Colbún S.A.'s sustainability strategy

Sustainalytics is of the opinion that Colbún demonstrates a commitment to sustainability by aiming to reduce its environmental footprint as outlined in its latest Annual Integrated Report 2020.⁵ As part of its strategy, the Company expects to install 4,000 MW of solar and wind power in the coming decade in order to reduce the net CO₂ emission factor of Colbún in Chile by 30% by 2025 and 40% by 2030 (compared to 2018, in ton CO₂e/MWh generated). Furthermore, the Company has developed a Sustainability Policy, which is meant to be applied to all its operations, and it has mandated its Public Affairs Management Department to promote and support the implementation of sustainability criteria across the Company's activities.

⁵ Colbún, "Annual Integrated Report 2020", at: https://www.colbun.cl/wp-content/uploads/2021/06/MEMORIA_COLBUN_WEB_INGLES_junio11.pdf

In a materiality assessment performed by the Company as part of the 2018 Integrated Report, Colbún identified (i) transitioning to a 100% renewable energy mix and climate change, and (ii) emissions, water and biodiversity as two key points for the Company to take into consideration for its sustainability strategy.⁶ Accordingly, Colbún has a Climate Change Strategy which incorporates an internal carbon pricing mechanism in its decision-making process and includes a strategy to develop project portfolios that can issue carbon credits to offset emissions. Colbún has measured its carbon footprint since 2001, and since 2009 has submitted annual reports on its climate change management to the CDP. Furthermore, the Company has six renewable energy plants accredited to issue carbon credits, four under the UN's Clean Development Mechanism (CDM) and two under the Verified Carbon Standard (VCS).

Beyond its operations, Colbún is an active member of the Center for Business Leaders for Climate Change (CLG Chile), which promotes climate change mitigation actions in the private sector. In 2020 Colbún was recognized with the maximum distinction by the Ministry of the Environment, "Huella Chile Seal,"⁷ in recognition of the Company's efforts to quantify, report and manage its GHG emissions.

Considering the above, Sustainalytics is of the opinion that Colbún's sustainability strategy and actions demonstrate its commitment to reduce GHG emissions and contribute to the decarbonization of the energy supply mix where it operates. Sustainalytics also believes that the issuance of GFIs under the Framework will support the Company's overall sustainability strategy and goals.

Well-positioned to address common environmental and social risks associated with the projects

While the eligible projects to be financed by the GFIs are anticipated to deliver overall benefits and are recognized by the GBP and GLP for having positive environmental impacts, Sustainalytics is aware that such projects could also lead to negative environmental and social outcomes. Based on the use of proceeds categories, some of the risks include worker health and safety, adverse impacts on land use and biodiversity, and community relations concerns.

Colbún has incorporated various risk mitigation and management measures into its business and the Company has in place policies and procedures to address risks that may arise. While the management team "is responsible for developing and applying policies and procedures required for maintaining an adequate risk management and control," the Company's procedure to address risk includes the Risk and Sustainability Committee composed of the Chief Executive Officer and senior executives, including representatives of the Board of Directors.

The Company's Control and Risk Management Department is responsible for monitoring and analyzing the main risks, which include those associated with climate patterns. The Control and Corporate Risks Management Department is responsible for the design and implementation of the risk model, based on ISO 31000 ("Risk Management"), while supporting other departments during the implementation phase and regularly reporting to the Risk and Sustainability Committee.⁸

In addition, Colbún has the following set of policies to manage and address projects risks that may arise:

- Safety, Occupation Health, Environmental and Quality Policy – The policy aims to address health and safety issues that could affect the company's personnel. Additionally, it sets out environmental management aspects to prevent, mitigate, and minimize environmental impacts from Colbún's operations.⁹
- Declaration of Biodiversity Strategy¹⁰ – This strategy, which aligns to the principles of the UN Global Compact¹¹ prioritizes environmental management plans, supporting in situ conservation of biodiversity, and the promotion of knowledge and understanding of biodiversity among staff.
- Community Relations Policy¹² – This policy expresses Colbún's approach to ensuring good community relations, driven by transparency, collaboration, providing job opportunities, and improving the quality of life of local communities.

⁶ Colbún, "Annual Integrated Report 2018", at: <https://www.colbun.cl/wp-content/themes/colbun/memoria/MEMORIA-COLBUN-18-INGLES-Final-ok-compressed.pdf>.

⁷ Ministerio del Medio Ambiente, "Huella Chile: Programa de Gestión del Carbono", at: <https://huellachile.mma.gob.cl/>.

⁸ Colbún, "Policy – Risk Control & Management", (2015), at: https://www.colbun.cl/wp-content/uploads/2016/08/Risk-Control-Management-Policy_Junio-2017_consolidada.pdf

⁹ Colbún, "Occupational Safety & Health, Environmental and Quality Policy", (2015), at: <https://www.colbun.cl/wp-content/uploads/2017/07/SAFETY-OCCUPATIONAL-HEALTH-ENVIRONMENTAL-AND-QUALITY-POLICY.pdf>.

¹⁰ Colbún, "Declaración de áreas protegidas según clasificación de la IUCN", at: <https://www.colbun.cl/wp-content/uploads/2016/08/Declaracion-de-Biodiversidad.pdf>.

¹¹ Un Global Compact, "The Ten Principles of the UN Global Compact", at: <https://www.unglobalcompact.org/what-is-gc/mission/principles>.

¹² Colbún, "Community Relations Policy", (2015), at <https://www.colbun.cl/wp-content/uploads/2016/08/COMMUNITY-RELATIONS-POLICY.pdf>.

Based on these policies and practices, Sustainalytics is of the opinion that Colbún has implemented adequate measures and is well-positioned to manage and mitigate relevant environmental and social risks associated with the projects being financed under the Framework.

Section 3: Impact of Use of Proceeds

The use of proceeds categories, renewable energy and energy efficiency, is recognized as impactful by the GBP and GLP. Sustainalytics has focused on the impact on the local context.

Contribution of renewable energy and energy efficiency improvements for Chile's transition to a low carbon future

As a signatory of the Paris Agreement, Chile has committed to reduce absolute CO₂ emissions by 95 MtCO₂e by 2030 and to achieve carbon neutrality by 2050.¹³ As part of these efforts, Chile passed Law 20/25, which promotes the diversification of Chile's energy mix through the roll-out of non-conventional renewable energy¹⁴ and phase out coal by 2040.¹⁵ On its path to achieving carbon neutrality, current national targets are set for achieving 20% of the country's energy mix and 45% of all electric generation capacity from renewable sources by 2025.¹⁶ With over 78% of GHG emissions in Chile coming from the energy sector,¹⁷ investment in the development of renewable energy projects has the potential to significantly reduce national GHG emissions. In 2020, after a high rate of deployment of renewable energy technologies, the country managed to increase its share of generation from renewable energy sources by 46.5%.¹⁸

Furthermore, to improve the nation's energy efficiency, the Energy Efficiency Law was enacted in February 2021. The regulation enables better energy management practices amongst companies, the implementation of incentives to increase efficiency, transparent information on residential energy consumption and the promotion of effective energy use in government buildings. Policies under this regulation will help Chile reduce its energy intensity by 10% by 2030 and reduce CO₂ emissions by 28.6 million tons thus, allowing the nation to achieve its carbon neutrality goal by 2050.¹⁹

As the third-largest power generation company in the National Electric System (*Spanish acronym: SEN*), Colbún is expected to play a significant role in achieving, or not, the national targets on renewable energy and GHG emission reductions. Current figures show that the SEN, which supplies 99.3% of the population with electricity, had an installed generation capacity of 24,644 MW out of which 46.3% came from renewable energy sources including 28% hydroelectric, 11% solar, 7% wind and 2% biomass. Additionally, as a key member of the SEN, Colbún is also expected to implement energy-efficient infrastructure for power generation, as mandated by the Coordinador Eléctrico Nacional.²⁰

Sustainalytics believes that Colbún's GFIs will promote the adoption of renewable energy and energy efficiency and support a shift towards a low-carbon economy in Chile.

¹³ UNFCCC, "Chile's Nationally Determined Contribution – Update 2020", at: https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Chile%20First/Chile%27s_NDC_2020_english.pdf

¹⁴ Climate Action Tracker, "Chile", at: <https://climateactiontracker.org/countries/chile/>.

¹⁵ Bloomberg Law, "Chile to Phase Out Coal-Fired Power Generation by 2040", (2019), at: <https://news.bloomberglaw.com/environment-and-energy/chile-to-phase-out-coal-fired-power-generation-by-2040>

¹⁶ Centre for Public Impact, "Clean energy targets in Chile: 20/25 and the contribution of solar power", (2016), at: <https://www.centreforpublicimpact.org/case-study/clean-energy-targets-chile-2025>

¹⁷ Gobierno de Chile. "Plan de Acción Nacional de Cambio Climático 2017-2022", at: <https://www.ndcs.undp.org/content/dam/LECB/docs/pubs-reports/undp-lecb-cpp-chile-action-plan-for-climate-change-spanish-2017-0824.pdf>.

¹⁸ BNamericas, "Chilean renewables. 2021 expected to break records", at: <https://www.bnamericas.com/en/analysis/chilean-renewables-2021-expected-to-break-records>

¹⁹ Government of Chile, "President Pinera enacts the Energy Efficiency Law in Chile: The time for a diagnoses is over; now is the time for action, commitment and resolve", (2021), at: <https://www.gob.cl/en/news/president-pinera-enacts-the-energy-efficiency-law-in-chile-the-time-for-diagnoses-is-over-now-is-the-time-for-action-commitment-and-resolve/>

²⁰ Government of Chile, "Report – Energy: Projection and Opportunities in Chile", (2021), at: <https://investchile.gob.cl/wp-content/uploads/2021/04/03ebook-energia-eng-pdf>

Alignment with/contribution to SDGs

The Sustainable Development Goals (SDGs) were set in September 2015 by the United Nations General Assembly and form an agenda for achieving sustainable development by the year 2030. The bond(s) and loan(s) issued under the Colbún Green Financing Framework advances the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Renewable Energy	7. Affordable and Clean Energy	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency		7.3 By 2030, double the global rate of improvement in energy efficiency

Conclusion

Colbún has developed the Colbún Green Financing Framework under which it may issue one or more Green Financing Instruments ("GFI") to finance and/or refinance eligible renewable energy and energy-efficient projects. Sustainalytics considers that the projects funded by the GFIs proceeds are expected to provide positive environmental impact.

The Colbún Green Financing Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact where feasible. Furthermore, Sustainalytics believes that the Colbún Green Financing Framework is aligned with the overall sustainability strategy of the company and that the green use of proceeds categories will contribute to the advancement of the UN SDG 7: Affordable and Clean Energy, and will also contribute to the advancement of Chile's national targets to reduce GHG emissions and meet its intended goals. Additionally, Sustainalytics is of the opinion that Colbún has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects funded by the proceeds.

Based on the above, Sustainalytics is confident that Colbún is well-positioned to issue GFIs, and that the Colbún Green Financing Framework is robust, transparent, and in alignment with the four core components of the Green Bond Principles (2021) and the Green Loan Principles (2021).

Appendix

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Colbún S.A.
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Colbún Green Financing Framework
Review provider's name:	Sustainalytics
Completion date of this form:	October 1, 2021
Publication date of review publication:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|--|--|
| ☒ Use of Proceeds | ☒ Process for Project Evaluation and Selection |
| ☒ Management of Proceeds | ☒ Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---|--|
| ☒ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification | ☐ Rating |
| ☐ Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section (if applicable):

The eligible categories for the use of proceeds Renewable Energy and Energy Efficiency are aligned with those recognized by the Green Bond Principles and the Green Loan Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDG 7.

Use of proceeds categories as per GBP:

- | | |
|---|--|
| ☒ Renewable energy | ☒ Energy efficiency |
| ☐ Pollution prevention and control | ☐ Environmentally sustainable management of living natural resources and land use |
| ☐ Terrestrial and aquatic biodiversity conservation | ☐ Clean transportation |
| ☐ Sustainable water and wastewater management | ☐ Climate change adaptation |
| ☐ Eco-efficient and/or circular economy adapted products, production technologies and processes | ☐ Green buildings |
| ☐ Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | ☐ Other (please specify): |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section (if applicable):

Colbún will establish a Sustainability Committee to oversee the selection of eligible projects (the "Eligible Green Projects"). The Sustainability Committee will be comprised of representatives from the Finance Division, the Engineering and Projects Division, and the Environmental Department. Colbún's CFO will be responsible for the ultimate approval of Eligible Green Projects. Colbún's environmental and social risk management system is applicable to all allocation decisions made under the Framework. Sustainalytics considers Colbún's risk management system to be adequate and the project selection process to be in line with market practice.

Evaluation and selection

- | | |
|--|---|
| ☒ Credentials on the issuer's environmental sustainability objectives | ☒ Documented process to determine that projects fit within defined categories |
| ☒ Defined and transparent criteria for projects eligible for Green Bond proceeds | ☒ Documented process to identify and manage potential ESG risks associated with the project |

- ☒ Summary criteria for project evaluation and selection publicly available ☐ Other (please specify):

Information on Responsibilities and Accountability

- ☒ Evaluation / Selection criteria subject to external advice or verification ☒ In-house assessment
- ☐ Other (please specify):

3. MANAGEMENT OF PROCEEDS

Overall comment on section (if applicable):

Colbún's Sustainability Committee will be responsible for tracking net bond proceeds. Colbún expects to fully allocate within 36 months of the respective issuance date. Unallocated proceeds will be held on Colbún's balance sheet, invested in cash, cash equivalents and/or other short-term liquid instruments in accordance with its Investment Policy. This is in line with market practice.

Tracking of proceeds:

- ☒ Green Bond proceeds segregated or tracked by the issuer in an appropriate manner
- ☒ Disclosure of intended types of temporary investment instruments for unallocated proceeds
- ☐ Other (please specify):

Additional disclosure:

- ☐ Allocations to future investments only ☒ Allocations to both existing and future investments
- ☐ Allocation to individual disbursements ☐ Allocation to a portfolio of disbursements
- ☒ Disclosure of portfolio balance of unallocated proceeds ☐ Other (please specify):

4. REPORTING

Overall comment on section (if applicable):

Colbún intends to publish annual reports containing (i) a description of projects and the amount allocated to each Eligible Green Project, (ii) the unallocated amount, (iii) share of proceeds for financing and refinancing purpose. In addition, Colbún is committed to reporting on relevant impact metrics. This information will be posted on its website on an annual basis until full allocation. Sustainalytics views Colbún's location and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--|---|
| ☒ Project-by-project | ☐ On a project portfolio basis |
| ☐ Linkage to individual bond(s) | ☐ Other (<i>please specify</i>): |

Information reported:

- | | |
|--|--|
| ☒ Allocated amounts | ☐ Green Bond financed share of total investment |
| ☒ Other (<i>please specify</i>):
Unallocated amount | |

Frequency:

- | | |
|---|--------------------------------------|
| ☒ Annual | ☐ Semi-annual |
| ☐ Other (<i>please specify</i>): | |

Impact reporting:

- | | |
|--|---|
| ☒ Project-by-project | ☐ On a project portfolio basis |
| ☐ Linkage to individual bond(s) | ☐ Other (<i>please specify</i>): |

Information reported (expected or ex-post):

- | | |
|---|---|
| ☒ GHG Emissions / Savings | ☒ Energy Savings |
| ☐ Decrease in water use | ☒ Other ESG indicators (<i>please specify</i>): Renewable energy generation in MWh, and renewable energy capacity built, reduction in absolute energy usage |

Frequency

- | | |
|---|--------------------------------------|
| ☒ Annual | ☐ Semi-annual |
| ☐ Other (<i>please specify</i>): | |

Means of Disclosure

- | | |
|---|--|
| ☐ Information published in financial report | ☐ Information published in sustainability report |
| ☐ Information published in ad hoc documents | ☒ Other (<i>please specify</i>): Company's website |
| ☐ Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

Colbún will publish annual reports on its website (<https://www.colbun.cl/>)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|--|--|
| ☐ Consultancy (incl. 2 nd opinion) | ☐ Certification |
| ☐ Verification / Audit | ☐ Rating |
| ☐ Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. Second-Party Opinion: An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. Verification: An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. Certification: An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. Green Bond Scoring/Rating: An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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