



# GREEN BOND IMPACT REPORT

As of June 2022



## OFFERING MEMORANDUM EXTRACT

### MAIN FEATURES

**144<sup>a</sup>/REG-S**  
**US\$600 million**  
**Bullet**  
**Green Bond**  
**10 year**  
**Maturity 2032**  
**Coupon 3.15%**

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### USE OF PROCEEDS

*We estimate that the gross proceeds from the sale of the Notes will be approximately US\$598,956,000 before deducting the initial purchasers' discount and expenses associated with the offering. We intend to allocate an amount equal to the net proceeds from the offering of the Notes (the "Net Proceeds") to finance or refinance, in whole or in part, recently completed or future Eligible Green Projects (as defined below) with disbursements covering project expenditures for up to 24 months preceding the issuance date of the Notes and until and including the maturity date of the Notes, including the development and redevelopment of such projects. Pending the allocation of the Net Proceeds to such Eligible Green Projects, all or a portion of the Net Proceeds will be held on our balance sheet, invested in cash, cash equivalents and/or other liquid instruments, provided these investments are in accordance with the Green Financing Framework (as defined below).*

*We and the initial purchasers make no assurances as to (i) whether the Notes will meet investor criteria and expectations regarding environmental impact and sustainability performance for any investors, (ii) whether the Net Proceeds will be used for Eligible Green Projects or (iii) the characteristics of Eligible Green Projects, including their environmental and sustainability criteria of Eligible Green Projects.*

### Eligible Green Projects

*"Eligible Green Projects" are investments and expenditures made by us or any of our subsidiaries up to 24 months preceding the issuance date of the Notes and until and including the maturity date of the Notes, in eligible "Green Projects" as defined in and aligned with the four core components of the Green Bond Principles, 2021, as administered by the International Capital Markets Association (use of proceeds; process for project evaluation and selection; management of proceeds; and reporting) (the "Principles"). The Principles are laid out in our Green Financing Framework (the "Green Financing Framework").*

*Eligible Green Projects include the following (the "Eligibility Criteria"):*

**Renewable Energy:** *Expenditures related to the construction, development, expansion, production, acquisition, maintenance and operation of renewable including resources such as wind (onshore) and solar (photovoltaic and CSP) technology, including the processes of generation, storage, equipment and products to support such renewable energies; and*

**Energy References:** *Expenditures related to projects that improve energy efficiency of operations by at least 20% to 30%. Eligible projects may include: LED and other energy efficient lighting, energy storage systems, energy efficient heating, ventilation, air conditioning (HVAC), refrigeration and electrical equipment.*

*We will not knowingly allocate Net Proceeds to (i) activities involving the exploitation of human rights or fossil fuel related or thermoelectric projects or to large-scale hydroelectric projects of more than 25 MW of installed capacity (the "Exclusionary Criteria").*



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# COMPANY OVERVIEW

## ABOUT US:

Having more than 35 years of history, Colbun S.A. is one of the main energy companies in Chile, leader in power generation, commercialization and in the energy solution provision.

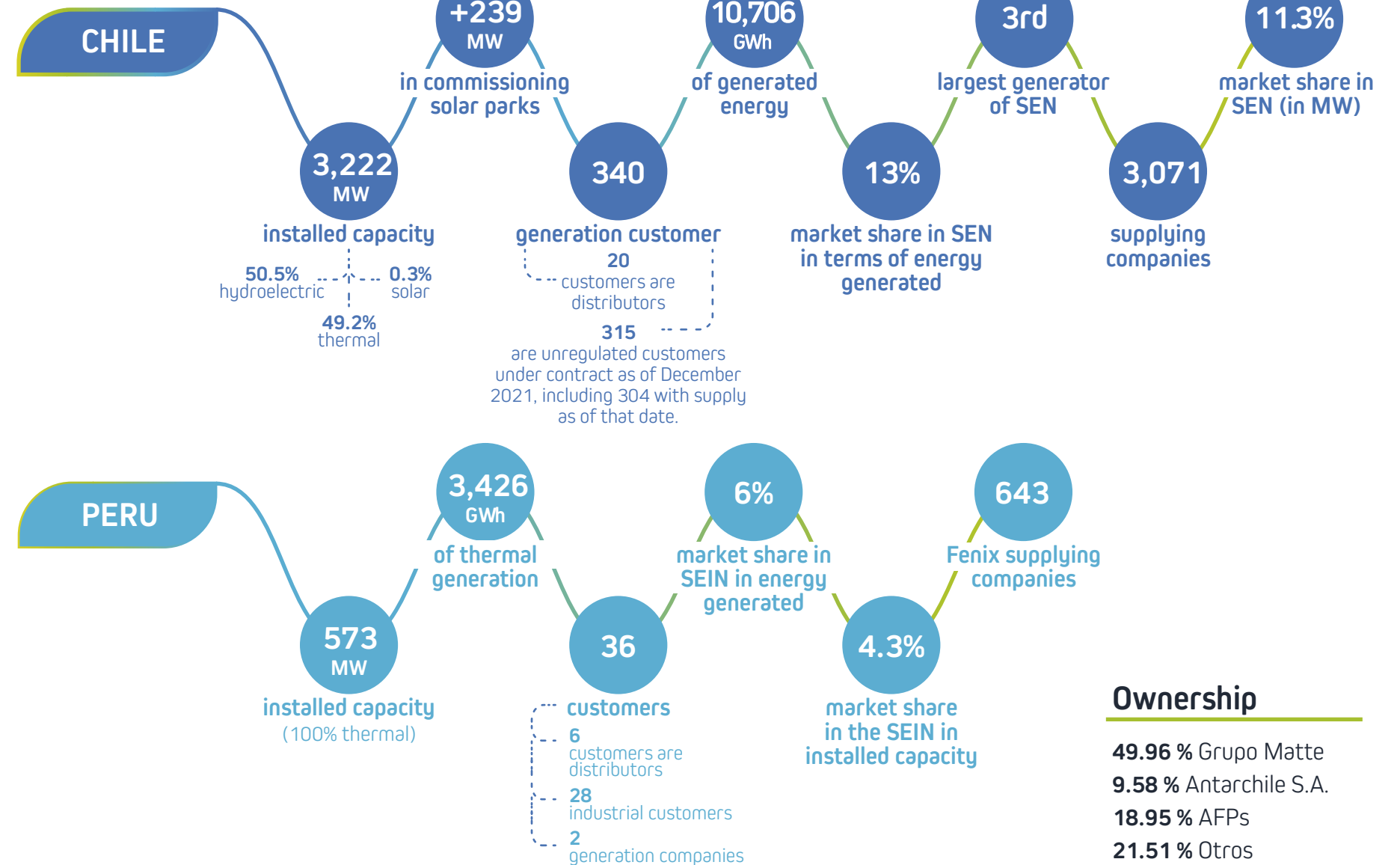
## OUR ORIGINS:

The company originates from Colbun-Machicura Complex, built by the then state-owned Endesa S.A., which began operating in 1985. In 1997 Corfo tendered the entry of private shareholders, and in 2005 the Matte Group became its controller. Since last decade the Company has been one of the leaders in sustainability indexes

## WHAT WE DO:

We supply safe, competitive and increasingly renewable energy to more than 350 customers in both countries with our 27 generation plants in Chile and Peru and an installed capacity of 4,000 MW. Our offer also includes infrastructure solutions for electro mobility, distributed energy, energy efficiency and storage, among others.

### Our Company in Figures



### Ownership

- 49.96 % Grupo Matte
- 9.58 % Antarchile S.A.
- 18.95 % AFPs
- 21.51 % Otros

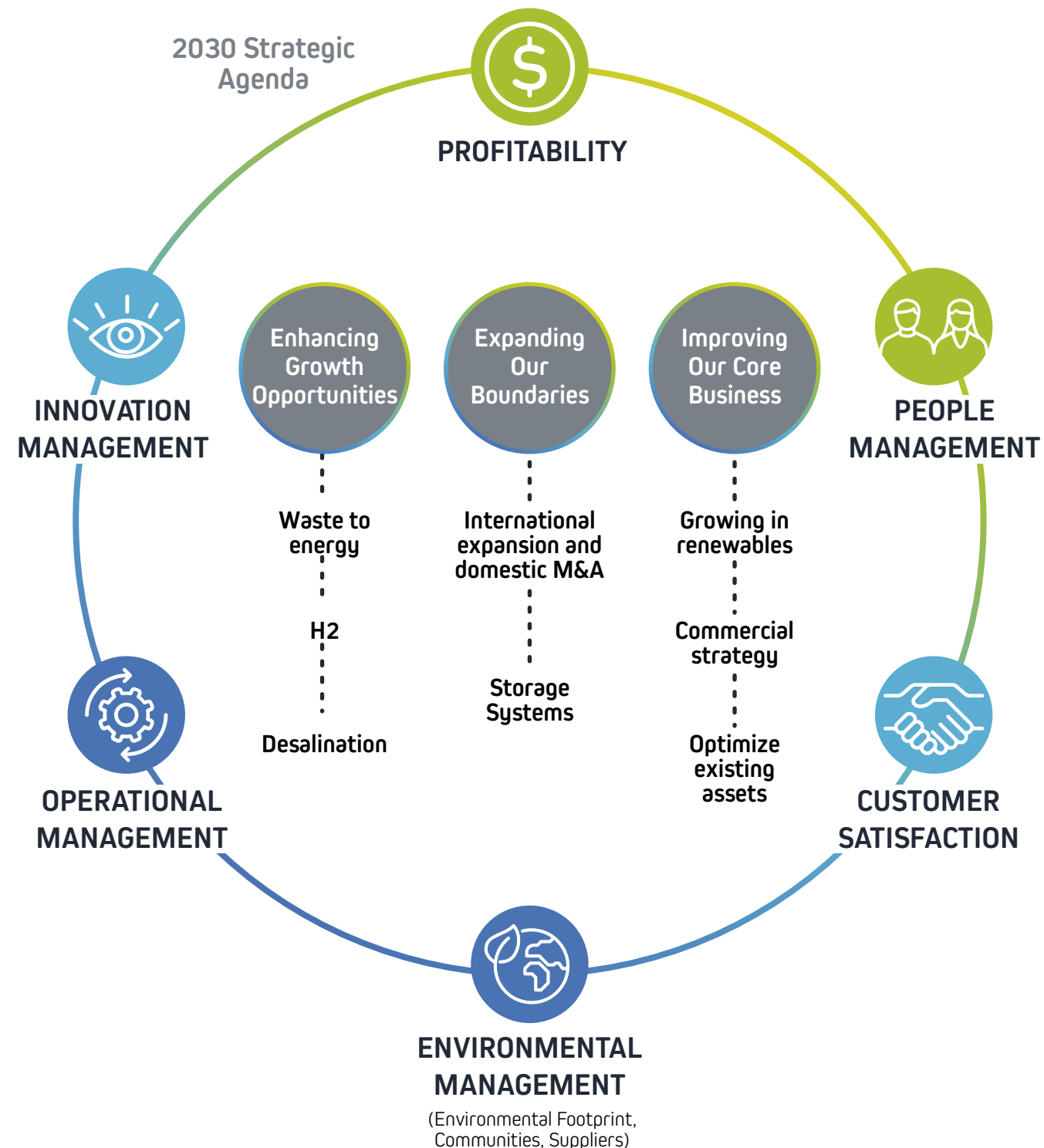
### 2021 Consolidated Figures



# STRATEGIC AGENDA AND VALUE CREATION MODEL

Colbun has a Strategic Agenda with a time horizon to 2030, based on three main axes and eight focuses:

- STRENGTHENING OUR CORE BUSINESS**, with three focuses: optimization of existing assets ; growth in renewable energy and growth in unregulated customers by expanding the value proposition to them.
- EXPANSION INTO NEW BUSINESSES**, with two focuses: energy storage and inorganic growth opportunities
- EXPLORE GROWTH OPPORTUNITIES IN ADJACENT BUSINESSES** (energy intensive infrastructure) with three focuses: de-pollution, waste-to-energy and green hydrogen .



## STRATEGIC ENABLERS AND SUSTAINABILITY FRAMEWORK

At Colbun, we are strongly convinced that it is not possible to generate good economic results if we do not have excellence in the management of our social and environmental performance.

Sustainability at Colbun is not a part of the business, but THE business itself. For the management and monitoring of the Strategic Agenda, we have identified a series of enablers that are key indicators for the sustainability of our business. Each enabler considers goals and objectives associated with our stakeholders: Company profitability (Investors), People Management (Employees), Environmental Management (Communities, Environment, Suppliers), and the Environment (Employees). (Communities, Environment, Suppliers), Customer Satisfaction (Clients), Operational Management and Innovation Management.

# STRATEGIC AGENDA

## ESG GOALS



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# PROGRESS ON SUSTAINABILITY GOALS AND TARGETS

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SDG INDICATORS	GOAL	INDICATOR/KPI/ MILESTONE	BASE LINE	2021 PROGRESS STATUS	LONG-TERM GOAL
7 ENERGÍA ASQUERABLE Y NO CONTAMINANTE	<b>Growth in solar and wind Renewable Energies</b>	Advances in the development of solar and wind projects	9 MW installed (2019)	Two solar projects for 239 MW entered the commissioning stage; construction began on a wind project for 778 MW. A baseline and early citizen participation process was carried out for a 360 MW wind project located in the south of the country. Environmental approval was also obtained for the Inti Pacha (468 MW) and Jardín Solar (537 MW) solar projects	4,000 MW by 2030
13 ACCIÓN POR EL CLIMA	<b>Carbon Footprint</b>	% reduction of the net GHG emission factor, with respect to the 2018 baseline, in Chile**	0,286 ton CO <sub>2</sub> e/ MWh (2018)***	0.372 ton CO <sub>2</sub> e/ MWh in Chile, 30% higher than the baseline. The increase is explained by the drought, which forced to generate more thermal energy	0.200 ton CO <sub>2</sub> e/ MWh (30% net reduction) by 2025; 0.172 ton CO <sub>2</sub> e/ MWh (40% net reduction) by 2030; to be a carbon neutral company by 2050
6 AGUA LIMPIA Y SANEAMIENTO	<b>Operational Water Footprint</b>	% reduction in freshwater withdrawal intensity for operation, with respect to 2018 baseline	0,4 m <sup>3</sup> water /MWh (2018)***	0.37 m <sup>3</sup> /MWh, 7% lower than the baseline	0.24 m <sup>3</sup> water/MWh (40% reduction) by 2025; 0.22 m <sup>3</sup> water/MWh (45% reduction) by 2030
6 AGUA LIMPIA Y SANEAMIENTO	<b>Non-Operational Water Footprint</b>	% reduction in freshwater withdrawal intensity for non-operational consumption, compared to 2018 baseline	246 mil m <sup>3</sup> water (2018)	165 thousand m <sup>3</sup> , 33% lower than baseline	146 thousand m <sup>3</sup> water (40% reduction) by 2025
12 PRODUCCIÓN Y CONSUMO RESPONSABLES	<b>Waste Footprint (Ash)</b>	% ash recovery	61% (average 2017-2020)	61% of the ash was valorized, mainly through its use in cement plants and the recirculation of slag at the Santa María power plant	98% by 2025
12 PRODUCCIÓN Y CONSUMO RESPONSABLES	<b>Environment: zero relevant environmental incidents*</b>	No. of significant environmental incidents	0	0	0
12 PRODUCCIÓN Y CONSUMO RESPONSABLES	<b>Occupational Safety and Health: safety management excellence and zero fatalities</b>	Accident frequency rate (lost time) of workers and contractors (FI); and No. of fatalities	N.A.	IF 2.5; 1 fatality	IF 1,0 0 fatalities
8 TRABAJO DECENTE Y CRECIMIENTO ECONÓMICO	<b>Unregulated Customer Net Recommendation Ratio*</b>	Net Promoter Score (NPS) of Unregulated customers	63 points (2020)	70 points in 2021	> 50 points by 2025-2030
8 TRABAJO DECENTE Y CRECIMIENTO ECONÓMICO	<b>Colbun's Employee Recommendation Index</b>		88% (2019)	90%	> 88%
5 IGUALDAD DE GÉNERO	<b>Diversity: increasing the workforce of women in the Company*</b>	% women in Colbun's total workforce, with focus on male-dominated areas	18% (2018)	20.4%	25% by 2025

Regarding the Company's Sustainability Management in 2021, the areas where there was the greatest focus and progress in 2021 were the management of the environmental footprint, water in communities, security and continuous energy supply, deployment of renewable energy projects and the gender equality agenda.

The following table summarizes the sustainability indicators and goals that Colbun manages and its progress in 2021.

Notes:

\* Consolidated figures for Chile and Peru.

\*\* Subject to the development of the renewables growth plan.

\*\*\* Carbon Footprint and Operational Water Footprint targets consider a P80 hydrological scenario, equivalent to the average hydroelectric power of the last 10 years.



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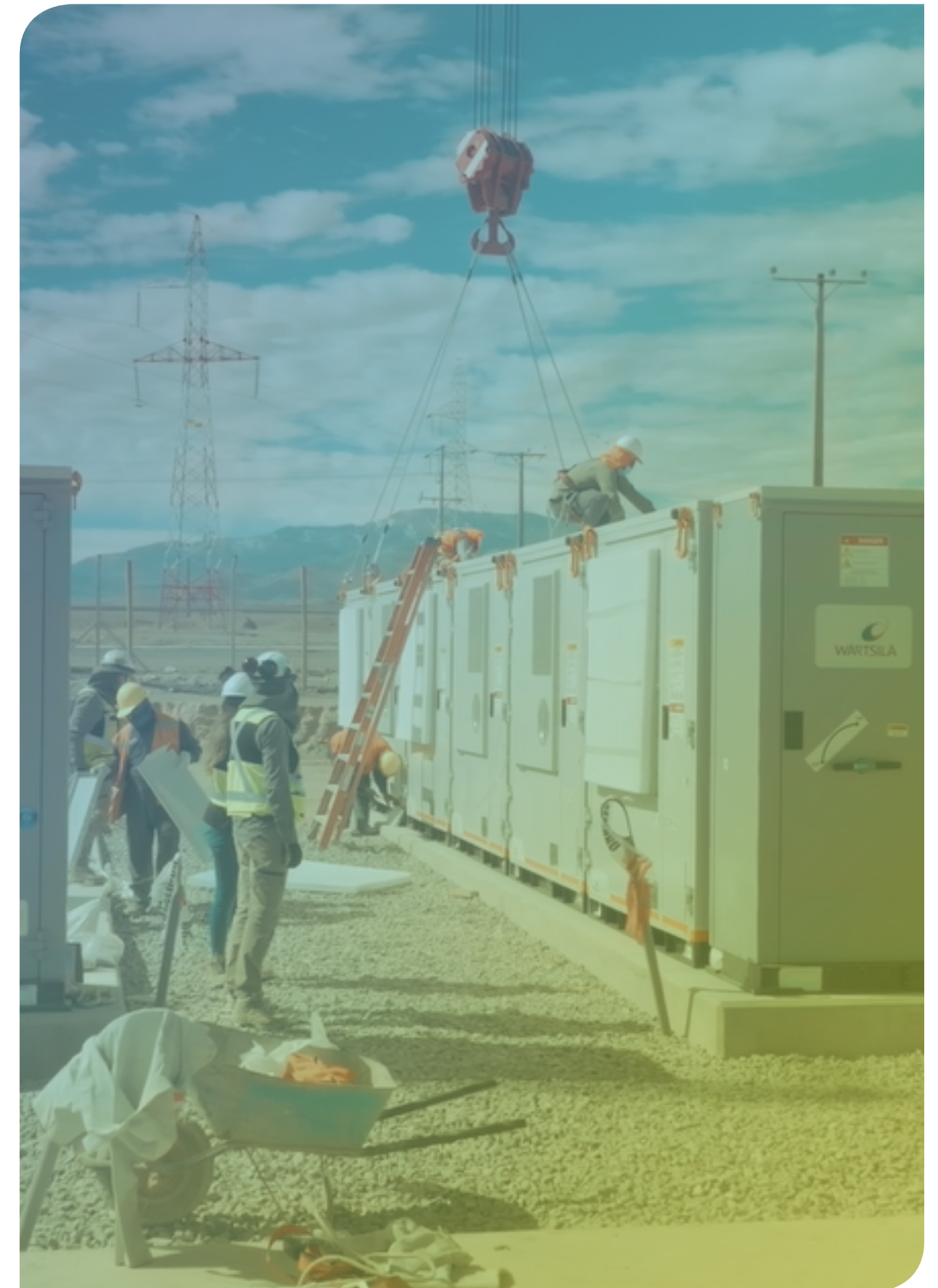
# GREEN FRAMEWORK

## RATIONALE TO ISSUE A GREEN FINANCING INSTRUMENT

Colbún is committed to generate long-term value to its stakeholders with a focus on the sustainable performance in every area of our business. Anchored in this vision, among the Company's sustainable-linked goals are:

- To incorporate 4,000 MW of renewable capacity by 2030 in Chile, with a special focus on solar and wind sources.
- To achieve operational, environmental and safety management excellence
- To perform a continuous community outreach work, developing a relationship of closeness and trust with local communities

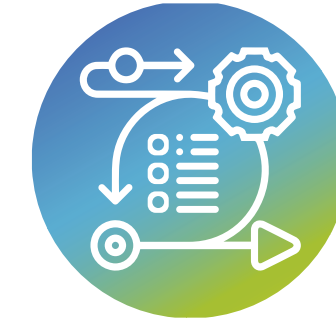
The issuance of a Green Financing Instrument (GFI) will allow the Company to fund initiatives the Company is developing to achieve these goals, at the same time expanding its investor base, attracting environmentally conscientious and socially responsible investors with a long-term view.



## APPLICATION OF THE GREEN BOND PRINCIPLES

The Green Bond Principles (GBPs) 2021 elaborated by the International Capital Markets Association (ICMA) and the Green Loan Principles (GLPs) 2021 by the Loan Market Association (LMA) are voluntary procedural guidelines to ensure best practices in GFI, which include Green Bond, Green Loans and other debt instruments that fund green projects.

This Green Finance Framework has been created to facilitate transparency, disclosure, and promote the integrity of Colbún's GFI issuances. The framework is aligned with the four pillars of the GBPs:



### 1 Use of Proceeds

The Green Projects eligible to be funded with the proceeds of the GFI belong to the "Renewable Energy" category for being generation projects from renewable sources, including solar and wind energy.

The proceeds will be used to fund "Eligible Green Projects", which have had disbursements in the last 24 months prior to the issuances and/or will incur such expenditures in the future. The KPI of the "Eligible Green Projects" will be the CO2 emission prevention (ton/year).

For a list of the "Eligible Green Projects" from the Company's current pipeline of projects please refer to the Appendix.

**Exclusionary Criteria:** proceeds from Colbún's GFI will not be allocated to thermoelectric projects or to large-scale hydroelectric projects (of more than 25 MW of installed capacity).

### 2 Project Evaluation and Selection Process

Additionally, Colbún will establish a Sustainability Committee, which will meet on a semi-annual basis and will be comprised of representatives of the Finance Division, the Engineering and Projects Division and the Environmental Department. The Sustainability Committee will oversee the selection of "Eligible Green Projects" and acquisitions, reviewing the funds allocation.

### 3 Management of Proceeds

The Sustainability Committee will oversee the monitoring process of the selected Green Projects and of keeping track of the allocated resources. Proceeds not yet allocated to Eligible Green Projects will be hold on the Company's balance sheet, invested in Cash, Cash Equivalents and/or other liquid instruments, in accordance with the Company's Investment Policy.

If any of the projects is not carried out, the funds raised will be divestment from the project in question and used to finance other Eligible Green Projects, as determined by the Sustainability Committee.

### 4 Reporting

Until the maturity of the GFI, Colbún is committed to disclose, in an annual basis through the Company's website, the following information:

1. Update of the description of the Eligible Green Projects and amount of proceeds allocated to each one.
2. Amount of net proceeds that haven't yet been allocated.
3. Impact Report: where feasible, qualitative and quantitative environmental performance data relating to the Eligible Green Projects funded: the amount of CO2 emission (ton/year) prevented by the project or other relevant metrics.



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### EXTERNAL REVIEW

#### 1.1 Second Party Opinion

Colbún has appointed Sustainalytics to provide a Second Party Opinion on Colbún's Green Finance Framework. Sustainalytics applies its own methodology in line with market norms and the Green Finance Principles 2021 guidelines to carry out this assessment.

This Second Party Opinion, as well as the Green Finance Framework, will be published in the Investors section of the website of the Company.

#### 1.2 External Verification

Annually, until the Net Proceeds are fully allocated to Eligible Green Projects, Colbún will contract an external auditor to deliver a report on the compliance in all material respects of the Eligible Green Projects with the criteria approved in Colbún's Green Finance Framework and by the Green Bond Principles.





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# DESCRIPTION OF PROJECTS

## HORIZONTE WIND FARM PROJECT



The project is located 170 kilometers south of Antofagasta Region, 130 kilometers northwest of Taltal and 80 kilometers east of the town of Paposo. It is located in a wind reserve area defined by the Ministry of National Assets. Area with high wind potential given the intensity, frequency and regularity of local winds. The property was awarded to Colbún for power generation purposes by the Ministry of National Assets, as a result of a public bidding process.



### CONSTRUCTION PHASE

Temporary works  
Camp (1,200 people)  
2 site facilities  
Concrete plants, crushers, dumps, loans

### OPERATION PHASE

Permanent works  
140 wind turbines  
Medium voltage network (48 circuits - 24 in each S/E)  
02 Elevating substations (2x220MVA – 220/33kV)  
02 Transmission lines (2x220kV – 9.9km and 19km)  
02 Panels connection S/S Parinas  
01 Operations building  
100 km of internal roads



# DESCRIPTION OF PROJECTS

## DIEGO DE ALMAGRO SOLAR PROJECT

Photovoltaic project with an installed capacity of 232 MW, located in the Commune of Diego de Almagro, Chañaral Province, Atacama Region, approximately 25 km south of the city of Diego de Almagro and 92.5 km northeast of the city of Copiapó.

The Project considers around 475,000 photovoltaic panels distributed in 331 ha.

The energy generated is conducted through 46 Inverters to a boosting substation, where the voltage is raised from 33kV to 220kV. Then, to inject energy into the National Electric System (SEN), the project has a 2.6 km transmission line that connects the project with the Illapa substation, which, in turn, transmits electricity to the SEN.



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# FUNDS DISBURSEMENT

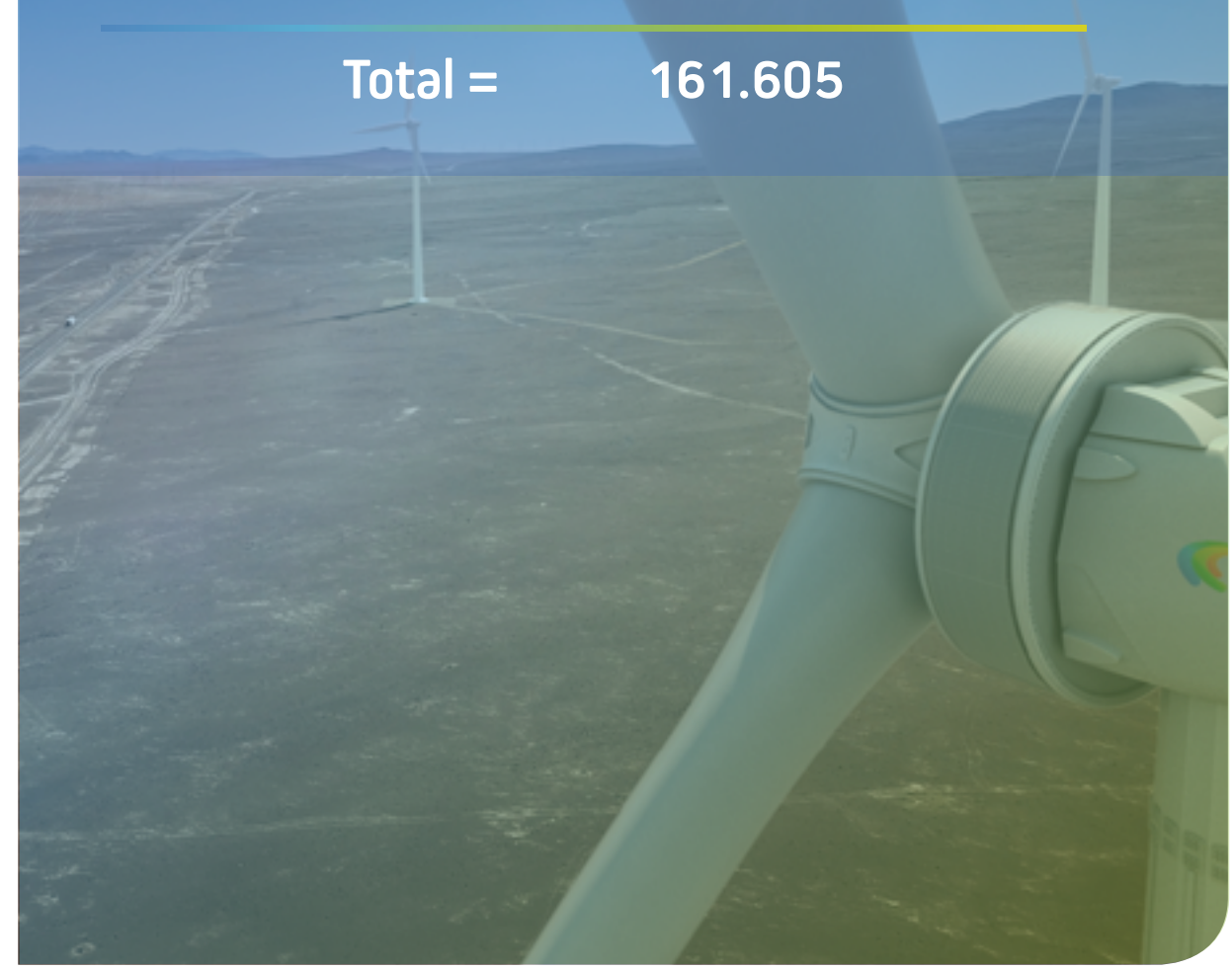
Thousand of U.S. dollars

## HORIZONTE WIND FARM PROJECT



2020	2021	As of June 2022
2.600	35.918	66.784

**Total = 161.605**



## DIEGO DE ALMAGRO SOLAR PROJECT



2020	2021	As of June 2022
8.562	138.848	14.196

**Total = 105.302**





# FUNDS ALLOCATION SUMMARY

Thousand of U.S. dollars



Allocated funds	266.907
To be allocated	333.093
<b>Total</b>	<b>600.000</b>

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# REPORT VALIDATION LETTER



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## INDEPENDENT REVIEW REPORT GREEN BOND ISSUANCE 144<sup>a</sup> COLBUN S.A.

Sirs  
Colbun S.A.:

From our consideration:

Colbun S.A. has asked us to conduct a limited review of its Impact Report regarding the use of funds for the issuance of the green bond 144<sup>a</sup> to conclude that:

- The green projects financed by the Green Bond declared in its Report on the use of funds, is in compliance with the eligibility criteria of the projects defined in the report that considers the period between January 1<sup>st</sup>, 2020, and June 30<sup>th</sup>, 2022, which corresponds to a calendar year from the issuance of the Green Bond.
- That the use of funds to issue the green bond is presented, in all material aspects, to reflect the actual use of the proceeds.
- The environmental benefits of green projects financed by the Green Bond, as stated in the Report on the Use of Revenues, in all material respects, are in accordance with the basis of preparation as set out in the Report on the Use of Funds.

### Scope

Colbun S.A. limited assurance review of its internal tracking system to monitor and account for an amount equivalent to net income. The bond proceeds have been used to finance the purchase and construction of two renewable projects, including wind and solar that are part of Colbun S.A. renewable growth portfolio.

### Standards and verification processes

We have performed our work in accordance with the International Standard on Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000), issued by the International Auditing and Assurance Standard Board (IAASB) of the International Federation of Accounts (IFAC).

Our review work has consisted in the evaluation of documents and their backups, where we worked with various units and management of Colbun S.A. that supported the verification process, as well as the application of analytical procedures and review tests described below

- Meeting with the team that led the process of issuing the Green Bond 144<sup>a</sup>.
- Initial analysis of the Green Bond 144<sup>a</sup> and evaluation of the context.
- Request for requirements and review of evidence with the participating areas of the Green Bond 144<sup>a</sup> issuance.
- Analysis of the transaction universe of the applied funds of its two projects, which include a wind project and solar project, both located in Chile.
- Verification through revisions of the quantitative and qualitative information of each project according to the needs and characteristics of each one, which would correspond to the Wind and Solar projects considered in the structure of the process of issuance of the Green Bond 144<sup>a</sup>.

Our procedures include meetings with Colbun S.A. personnel responsible for the collection, elaboration and presentation of the "Impact Report", going through the relevant supporting documents, analyzing and reviewing the information obtained, and other procedures related to the information collection process. Specifically, the procedures include:

- Obtaining and reviewing systems and documents related to the evaluation and selection of green projects, revenue management, and evaluation of environmental benefits and reporting to know the internal management status of the Green Bond.
- Interview key staff responsible for the Green Bond to understand the policies, processes, internal controls related to green project assessment and revenue management of screening, environmental benefits assessment and reporting.
- Verify the Green Bond registry, project approval documents, and other related project materials to assess whether projects funded by the Green Bond comply with the evaluation criteria.
- Sample account receipts, issue the cost, and proceed with allocation to understand the actual use of the receipts.
- Verify project-related materials and environmental benefit assessment tools, checking that the calculation of the environmental benefit is reasonable.

### Conclusions

Regarding the verified information, we can state that no aspect has been revealed that makes us believe that the use of funds for the issuance of Colbun S.A. Green Bond 144<sup>a</sup> has not been executed in the aspects indicated in the scope.

### Responsibilities of Colbun S.A. and Deloitte's Management

- Our responsibility is to provide an independent report, based on the procedures applied in our review.
- This report has been prepared exclusively in the interest of Colbun S.A., according to the terms established in agreements between the parties involved.
- We have performed our work in accordance with the independence standards required by the IFAC Code of Ethics.
- The verification conclusions made by Deloitte are valid for the last version of the data in our possession, received on October 6<sup>th</sup>, 2022.
- The scope of a limited assurance review is substantially less than that of a reasonable assurance audit or review, and therefore we do not provide an audit opinion on the use of funds for the issuance of the Green Bond 144<sup>a</sup>.



David Falcón  
Partner  
October 07, 2022

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