MOODY'S RATINGS

ASSESSMENT

4 March 2025

Send Your Feedback

Analyst Contacts

Gonzalo Marambio
Sustainable Finance Analyst
gonzalo.marambio@moodys.com

Serena Canjani
Associate Lead Analyst-SF
serena.canjani@moodys.com

Virginia Barbosa
Sustainable Fin Associate
virginia.barbosa@moodys.com

Matthew Kuchtyak
SVP-Sustainable Finance
matthew.kuchtyak@moodys.com

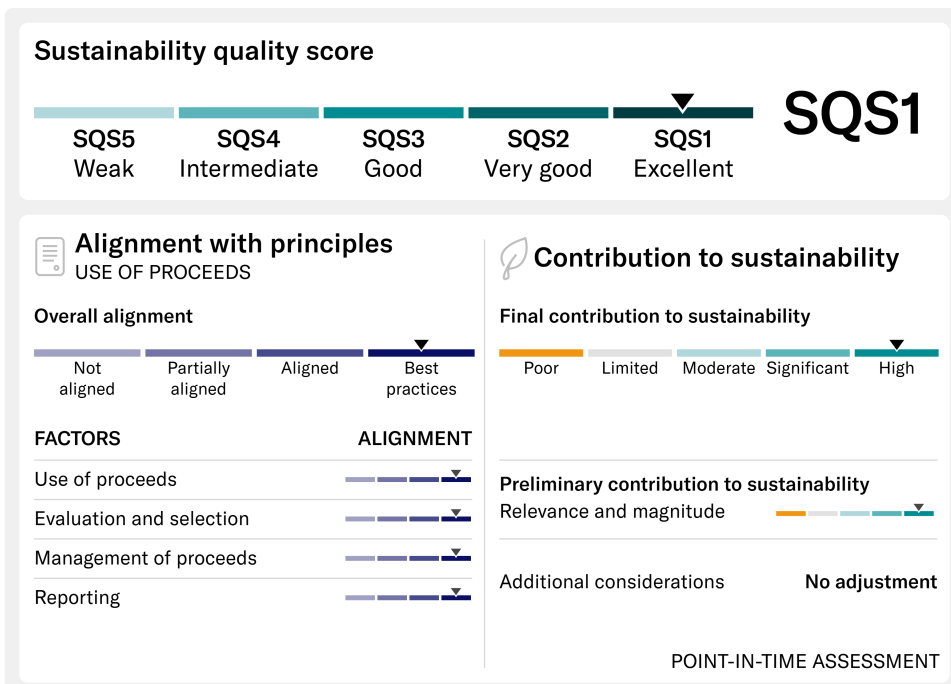
Swami Venkataraman, CFA
Associate Managing Director
swami.venkat@moodys.com

Colbun S.A.

Second Party Opinion – Green Financing Framework Assigned SQS1 Sustainability Quality Score

Summary

We have assigned an SQS1 Sustainability Quality Score (Excellent) to Colbun S.A.'s green financing framework dated March 2025. Colbun has established its green financing framework with the aim of financing projects across four eligible green categories. The framework is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2021 (with the June 2022 Appendix 1), the Loan Market Association, Asia Pacific Loan Market Association and Loan Syndications & Trading Association's (LMA/APLMA/LSTA) Green Loan Principles (GLP) 2023, and the company has also incorporated all Moody's Ratings identified best practices for all four components. The framework demonstrates a high contribution to sustainability.



Scope

We have provided a Second Party Opinion (SPO) on the sustainability credentials of Colbun's green financing framework, including the framework's alignment with the ICMA's GBP 2021 (with June 2022 Appendix 1) and the LMA/APLMA/LSTA's GLP 2023. Under the framework, Colbun plans to issue green financing instruments to finance projects across four green categories, as outlined in Appendix 3 of this report.

Our assessment is based on the last updated version of the framework received on 3 March 2025, and our opinion reflects our point-in-time assessment[1] of the details contained in this version of the framework, as well as other public and non-public information provided by the company.

We produced this SPO based on our Assessment Framework: Second Party Opinions on Sustainable Debt, published in November 2024.

Issuer profile

Headquartered in Santiago, Chile, Colbun S.A. is an operational holding company engaged in power generation in Chile (87% of consolidated EBITDA in 2024); and Peru, through its controlling stake in Fenix Power Peru S.A. As of December 2024, the company had around 4,207 megawatts (MW) of total capacity, composed of 38% hydroelectric power plants, 5% solar photovoltaic (PV) power plants, 6% wind farms and 51% thermal power plants, across a total of 28 facilities in Chile and Peru.

Colbun is exposed to carbon transition risk due to the strict environmental regulations in Chile, which increase risks for its one coal asset in operation. However, these risks are partially offset by the company's diversified energy portfolio and its planned expansion of its renewable capacity.

Strengths

» Financing of best-in-class wind and solar assets, which will contribute to a low-carbon economy

» A clear, structured and detailed process for project evaluation and selection

» Allocation period will be up to 24 months, in line with market best practices

» Commitment to obtain an independent third-party review on both the allocation of proceeds and impact reporting

Challenges

» Broad description of some categories with few specific examples limits visibility into whether the strongest technical approaches will be consistently used

Alignment with principles

Colbun's green financing framework is aligned with the four core components of the ICMA's GBP 2021 (with June 2022 Appendix 1) and the LMA/APLMA/LSTA's GLP 2023. For a summary of alignment with principles scorecard, please see Appendix 1.

☑ Green Bond Principles (GBP)	☑ Green Loan Principles (GLP)
○ Social Bond Principles (SBP)	○ Social Loan Principles (SLP)
○ Sustainability-Linked Bond Principles (SLBP)	○ Sustainability Linked Loan Principles (SLLP)

Use of proceeds

Not aligned	Partially aligned	Aligned	Best practices ▼

Clarity of the eligible categories – BEST PRACTICES

Colbun has clearly communicated the nature of expenditures and the location of the eligible projects for all project categories. The financing under the present framework can include capital spending and operational expenditures. The framework includes four eligible green categories. All eligible projects will be located in Chile.

Clarity of the environmental or social objectives – BEST PRACTICES

The company has clearly outlined the environmental objectives for all four categories, which include climate change mitigation, climate change adaptation and protection and restoration of biodiversity and ecosystems. All the eligible categories under the framework are relevant to their respective environmental objectives. The company has also referenced the United Nations' (UN) Sustainable Development Goals (SDGs) in articulating the objectives of the eligible categories, making the framework coherent with international standards (see Appendix 2 for more details).

Clarity of expected benefits – BEST PRACTICES

The company has identified clear expected environmental benefits for all the eligible categories. The benefits are measurable and will be quantified in the company's annual post-issuance report. Operational expenditure will qualify for a look-back period of up to 36 months for refinancing, while capital spending will have no limitation period; nevertheless, Colbun has confirmed that the look-back period will be communicated before each transaction. Colbun has also committed to disclose the estimated share of refinancing before each transaction.

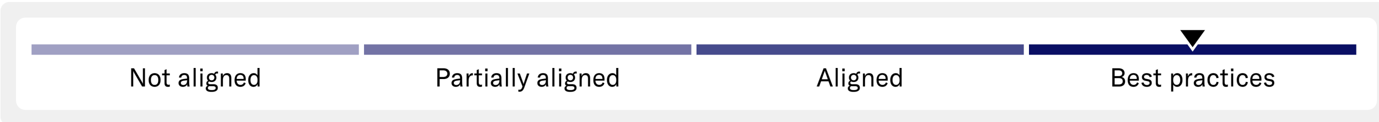
Process for project evaluation and selection

Not aligned	Partially aligned	Aligned	Best practices ▼

Transparency and clarity of the process for defining and monitoring eligible projects – BEST PRACTICES

Colbun has established a clear and structured decision-making process for determining the eligibility of projects. This process is detailed in the framework, which will be publicly available. The development committee will evaluate and select the eligible green projects, and will also monitor the allocation of proceeds to such projects. The committee will comprise the chief financial officer, and the chief sustainability and corporate affairs officer. Projects will be reviewed at least annually during the life of the instrument, and in case a project fails to meet the eligibility criteria, the committee will reallocate the funds to new eligible projects. All projects within the framework will follow Colbun's ESG Risk Management policies, which are publicly available on the company's website.

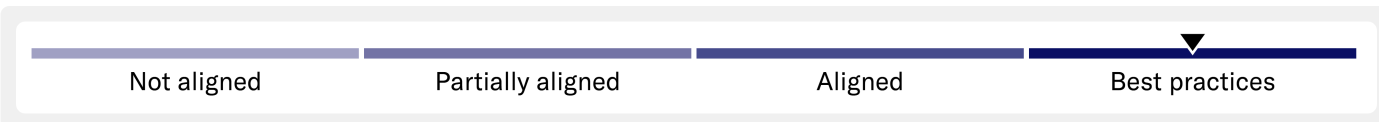
Management of proceeds



Allocation and tracking of proceeds – BEST PRACTICES

The company has defined a clear process for the management and allocation of proceeds in its framework. Net proceeds from issuances under the framework will be held in Colbun's treasury accounts and will be allocated within 24 months after issuance. The company's development committee will keep track of the proceeds and ensure their allocation to eligible projects. The allocation of net proceeds to eligible projects will be matched at least annually. Temporarily unallocated proceeds will be invested in cash, cash equivalents or other liquid instruments, in accordance with Colbun's investment policy. The company has pledged that unallocated funds will not be used to finance investments or projects that are not aligned with the eligibility and exclusion criteria outlined in the framework.

Reporting



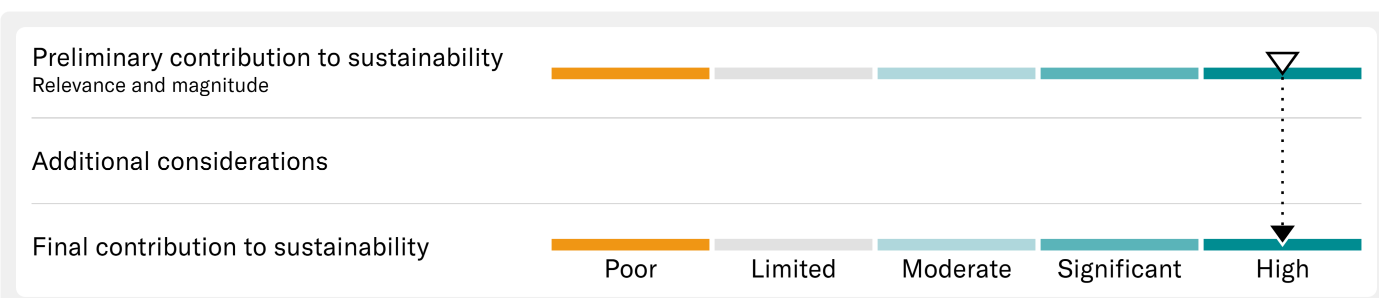
Reporting transparency – BEST PRACTICES

On an annual basis, the company will publish an allocation and impact report on the amount of the proceeds allocated to each eligible category. The report will be publicly available on the company's website. The allocation report will be published until full allocation of funds and thereafter in case of material developments on the portfolio of green projects. The allocated proceeds, the balance of unallocated proceeds, and the share of financing and refinancing will be disclosed in the report.

Colbun has also identified relevant environmental and social reporting indicators for each eligible category in the framework. The impact report will be reported the instrument maturity. The company commits to disclose any relevant methodologies and assumptions used to report on environmental and social impacts. Both the allocation and impact reporting indicators will be externally verified at least until full allocation of proceeds.

Contribution to sustainability

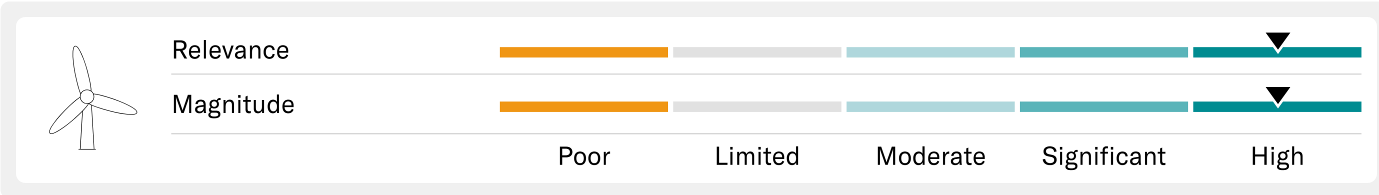
The framework demonstrates a high overall contribution to sustainability. This reflects a preliminary contribution to sustainability score of high, based on the relevance and magnitude of the eligible project categories, and we have not made an adjustment to the preliminary score based on additional contribution to sustainability considerations.



Preliminary contribution to sustainability

The preliminary contribution to sustainability is high, based on the relevance and magnitude of the eligible project categories. Based on information provided by the issuer, the vast majority of the proceeds are likely to be allocated to the renewable energy category. Hence, we have assigned a higher weight to this category in our scorecard. A detailed assessment by eligible category has been provided below.

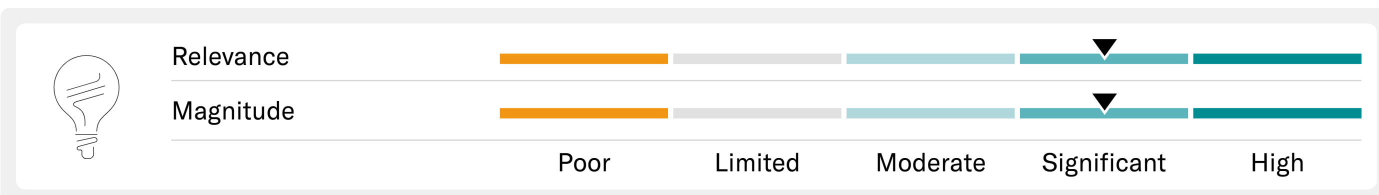
Renewable energy



Increasing renewable energy capacity is highly relevant for energy providers looking to contribute to less carbon-intensive and more sustainable energy systems. According to the International Energy Agency's (IEA) net-zero scenario, almost 90% of global energy in 2050 should come from renewable energy, with solar and wind energy together accounting for nearly 70%.[2] Given the substantial importance of decarbonization to the utility industry, these projects are highly relevant to the company's sector and operations. Furthermore, there is no saturation of renewable energy projects in Chile. The electricity generated from coal, oil and natural gas represented 35.6% of the total electricity generated in Chile,[3] which demonstrates a significant gap in terms of renewable energy in the country.

Overall, the eligible projects under this category are likely to generate a highly positive long-term impact. The category encompasses different types of renewable energy technologies and related infrastructure, namely onshore and offshore photovoltaic (PV) and wind power, and hydrogen production and storage. The issuer has communicated that in this category, financing will primarily be provided to solar PV and wind power projects. PV and wind projects represent best-in-class technologies, and are not likely to have lock-in effects or significant negative externalities. Additionally, according to Colbun, hydrogen will be produced through electrolysis using only renewable sources.

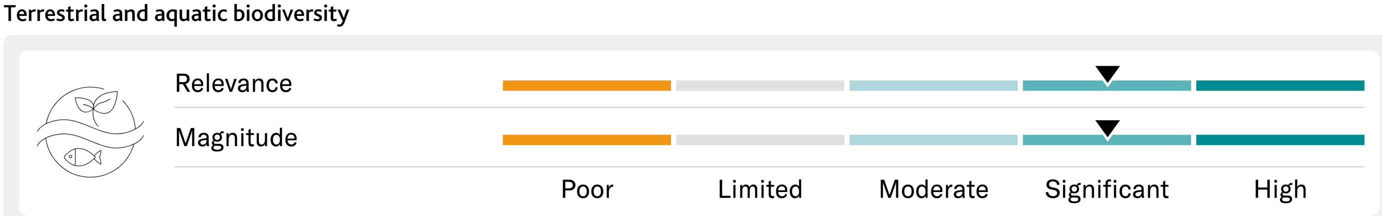
Energy efficiency



The relevance of this category is significant. Measures to promote energy savings and improvement in energy performance are key to reducing energy-related emissions in the broader economy. By investing in energy efficiency, the company addresses a relevant issue, but not the main source of its carbon footprint.

The magnitude of this category is significant. Projects in this category focus on improving the energy efficiency of customers, covering activities related to energy consumption reduction, and maintenance and repair of equipment, which are likely to provide energy efficiency improvements of at least 20% compared with a baseline scenario. The category also includes projects that aim for a 30% reduction of primary energy demand for building-related projects, in line with international standards. Projects related to consulting services provided by Colbun to its clients, such as energy audits and the implementation of energy management systems, are also included. While these activities are likely to have a positive environmental impact without significant negative lock-in effects, the limited visibility into specific projects hinders our ability to identify that the company consistently adopts the most advanced technologies to achieve maximum energy savings.

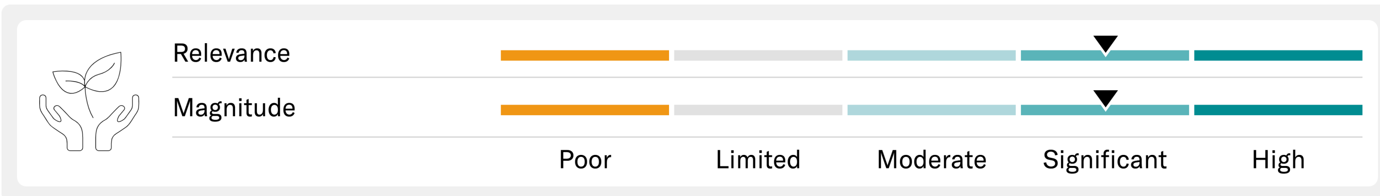
Terrestrial and aquatic biodiversity



The relevance of this category is considered significant. Chile is a country that is rich in biodiversity, with 25% of its species unique to the country[4]. Additionally, hydroelectric power plants can harm biodiversity through the fragmentation of river systems and the disruption of aquatic habitats. However, most of the company's future projects are related to PV and wind, which tend to have a more limited biodiversity impact because such projects are associated to less land use externalities than large-scale dams.

The magnitude of the category is significant. Projects in this category largely focus on reduction and compensation measures (that is, rescue and relocation measures for fauna, reforestation efforts, and aquatic biota and water quality monitoring) during the construction and operation phases. These projects are likely to help the company reach the targets set in its biodiversity strategy and action plan 2022-26. Although we acknowledge the potential contribution of the projects to be financed under this category, the limited visibility into specific future projects to be financed limits our visibility into the extent of their benefits.

Climate change adaptation



The relevance of this category can be considered significant. According to the World Resources Institute, Chile is likely to be one of the most affected countries in terms of water scarcity by 2040[5]. Although it is a relevant issue at the country level, given the expected reduction over time of electricity generated from thermal power, the issue is not considered the most material at the company level.

The magnitude of this category is significant. Projects in this category aim to improve the resilience of the company's operations, including projects to reduce the water consumed in company's renewable energy operations and the construction of infrastructure for climate resilience. For water-related projects, the issuer has established a thresholds of minimum 20% of water savings, in line with stringent international standards. However, the broad description of projects limits our visibility into the extent of benefits of the projects financed.

Additional contribution to sustainability considerations

We have not made an adjustment to the preliminary contribution to sustainability score based on additional considerations.

Regarding ESG risk management, Colbun has adequate and comprehensive assessment processes in place. The company's risk management process is based on ISO 31000:2018 and follows guidelines from regulatory bodies in the Chilean energy industry. The Internal Audit Management team works with external experts to verify the implementation, effectiveness and quality of controls. The Environmental Management Manual covers environmental risks from pre-project phases to operation, and the climate risk assessment adopts the recommendations from the Task Force on Climate-related Financial Disclosures.

Colbun's green financing framework is coherent with its wider sustainability strategy. The company has a Strategic Agenda that focuses on renewable energy generation, energy transition, international expansion and diversification, green hydrogen, among other topics. Accordingly, the company has been investing in increasing its renewable energy generation while optimizing its operations to deliver a reliable supply.

Appendix 1 - Alignment with principles scorecard for Colbun's green financing framework

Factor	Sub-factor	Component	Component score	Sub-factor score	Factor score
Use of proceeds	Clarity of the eligible categories	Nature of expenditure	A	Best practices	**Best practices**
		Definition of content, eligibility and exclusion criteria for nearly all categories	A		
		Location	A		
		BP: Definition of content, eligibility and exclusion criteria for all categories	Yes		
	Clarity of the objectives	Relevance of objectives to project categories for nearly all categories	A	Best practices	
		Coherence of project category objectives with standards for nearly all categories	A		
		BP: Objectives are defined, relevant and coherent for all categories	Yes		
	Clarity of expected benefits	Identification and relevance of expected benefits for nearly all categories	A	Best practices	
		Measurability of expected benefits for nearly all categories	A		
		BP: Relevant benefits are identified for all categories	Yes		
		BP: Benefits are measurable for all categories	Yes		
		BP: Disclosure of refinancing prior to issuance and in post-allocation reporting	Yes		
		BP: Commitment to communicate refinancing look-back period prior to issuance	Yes		
Process for project evaluation and selection	Transparency and clarity of the process for defining and monitoring eligible projects	Clarity of the process	A	Best practices	**Best practices**
		Disclosure of the process	A		
		Transparency of the environmental and social risk mitigation process	A		
		BP: Monitoring of continued project compliance	Yes		
Management of proceeds	Allocation and tracking of proceeds	Tracking of proceeds	A	Best practices	**Best practices**
		Periodic adjustment of proceeds to match allocations	A		
		Disclosure of the intended types of temporary placements of unallocated proceeds	A		
		BP: Disclosure of the proceeds management process	Yes		
		BP: Allocation period is 24 months or less	Yes		
Reporting	Reporting transparency	Reporting frequency	A	Best practices	**Best practices**
		Reporting duration	A		
		Report disclosure	A		
		Reporting exhaustivity	A		
		BP: Allocation reporting at least until full allocation of proceeds, and impact reporting until full bond maturity or loan payback	Yes		
		BP: Clarity and relevance of the indicators on the sustainability benefits	Yes		
		BP: Disclosure of reporting methodology and calculation assumptions	Yes		
		BP: Independent external auditor, or other third party, to verify the tracking and allocation of funds	Yes		
		BP: Independent impact assessment on environmental and social benefits	Yes		
				Overall alignment with principles score:	**Best practices**

Legend: BP - Best practice, A - Aligned, PA - Partially aligned, NA - Not aligned

Appendix 2 - Mapping eligible categories to the United Nations' Sustainable Development Goals

The four eligible categories included in Colbun's framework are likely to contribute to seven of the UN SDGs, namely:

UN SDG 17 Goals		SDG Targets
GOAL 6: Clean Water and Sanitation	*- Climate change adaptation*	6.4: Increase water-use efficiency across all sectors and ensure sustainable supply of freshwater to reduce water scarcity
GOAL 7: Affordable and Clean Energy	*- Renewable Energy* *- Energy Efficiency* *- Climate Change Adaptation*	7.2: Increase substantially the share of renewable energy in the global energy mix
		7.3: Double the global rate of improvement in energy efficiency
GOAL 9: Industry, Innovation and Infrastructure	*- Energy Efficiency* *- Climate change adptation*	9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with all countries taking action
GOAL 12: Responsible Consumption and Production	*- Energy Efficiency* *- Climate change adaptaton*	12.2: Achieve the sustainable management and efficient use of natural resources
GOAL 13: Climate Action	*- Climate change adaptation*	13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
GOAL 14: Life Below Water	*- Terrestrial and aquatic biodiversity*	14.2: Sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts
GOAL 15: Life on Land	*- Terrestrial and aquatic biodiversity*	15.1: Ensure the conservation and sustainable use of terrestrial and inland freshwater ecosystems and their services
		15.A: Mobilize and increase financial resources from all sources to conserve and sustainably use biodiversity and ecosystems

The UN SDGs mapping in this SPO considers the eligible project categories and associated sustainability objectives/benefits documented in the issuer's green financing framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance and the UN SDG targets and indicators.

Appendix 3 - Summary of eligible categories in Colbun's framework

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Renewable Energy	Construction, acquisition, development, investment, maintenance or operation of: - Renewable energy generation facilities (and related connection, transmission and distribution infrastructure) that produce electricity from: - Solar power, using either solar photovoltaic (PV) or concentrated solar power (CSP) technology (where at least 85% of the electricity is generated from solar power); - Wind power, either on- or off-shore; - Facilities related to the production and storage of hydrogen and hydrogen-based synthetic fuels, using energy from renewable generation	Climate change mitigation	- Annual greenhouse gas (GHG) emissions reduced/avoided (in Mt of CO2e) - Annual renewable energy generation (in MWh or GJ, where applicable) - Capacity of renewable energy plant(s) developed or rehabilitated (in MW) - Annual absolute (gross) GHG emissions (in Mt of CO2e)
Energy efficiency	Construction, acquisition, development, investment, maintenance or operation of projects, assets or measures that reduce energy consumption, improve energy efficiency and/or reduce electricity losses, consisting in installation, maintenance or repair of energy efficiency equipment, devices or appliances, where an energy efficiency improvement at least equal to 20% vs existing alternative would be expected, on a best-efforts basis (Building-related projects should lead to a reduction of primary energy demand (PED) of at least 30%). These activities may include: - Electricity storage equipment or assets (e.g. battery storage/pumped hydropower storage); - Consumption management software (e.g. Utility Bill Management) for multipoint customers with multiple power connections; - Energy audits to commercial and industrial clients with the aim of detecting and implementing energy use improvements; - Implementation of energy management systems according to ISO 50001 standard; - Systems that allow monitoring and controlling customer loads to reduce electrical consumption at night and during peak hours; and - Projects for thermal processes electrification, aimed at replacing the use of fuels with electrical systems that generate heat (e.g. electric boilers, heat pumps, among others) (Electric heat pumps should be below the refrigerant threshold of 675 GWP);	Climate change mitigation	- Annual energy savings (in MWh or GJ, where applicable) - Reduction in absolute energy usage (in %) - Annual GHG emissions avoided/reduced (in Mt of CO2e) - Expected energy storage capacity (in MWh x hour)

Eligible Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Terrestrial and aquatic biodiversity	Expenditures on projects related to the conservation, protection and restoration of existing natural resources and/or biodiversity, including maintenance, protection and identification of endangered flora and fauna in areas where Colbun operates. These activities may include: - Use of Geographic Information Systems (GIS) platforms to evaluate biodiversity attributes on company property, allowing progress towards strategic objectives (impacts and dependencies); - Monitoring of endangered fauna species in operating power plants; - Creation of new conservation areas on company property, with the presence of threatened ecosystems and/or key species, or areas with high environmental/social value; - Implementation of Conservation Plans in the company's protected areas; - Trainings for company employees on biodiversity present in Colbun's facilities; - Trainings for local communities on biodiversity present in the territory where Colbun is located; - Implementation of biodiversity initiatives together with various relevant stakeholders (community, academia, NGOs, etc.)	Protection and restoration of biodiversity and ecosystems	- Maintenance/ safeguarding/ increase of protected and/or natural areas (including forest) (in km^2) - Number of protected species that are deemed sensitive in protected/conserved area - Absolute number of endangered species under a monitoring program - Absolute number of native species of flora or fauna restored through the relevant project - Number of conservation plans implemented in protected/conserved areas - Number of workers trained in biodiversity - Number of people trained in biodiversity outreach activities - Number of local organizations trained in biodiversity - Number of biodiversity initiatives implemented together with various relevant stakeholders
Climate Change Adaptation	Construction, acquisition, development, investment, maintenance or operation of systems that aim to improve the safety, reliability and resiliency of renewable energy systems against the impact of climate change, including weather-related events, floods, severe storms, droughts, water stress, landslides and wildfires (e.g. software, technical consultancy, information support systems, climate observation, early warning systems, also including technologies improving water management and efficiency through measures such as reduction of water consumption, reduction of leakages or reduction of unaccounted-for water (water projects should lead to a reduction of water consumptions of at least 20%.).	Climate change adaptation	- Number of people and/or enterprises (e.g. companies or farms) benefitting from measures to mitigate the consequences of weather-related events, floods, severe storms, droughts, water stress, landslides and wildfires; - Reduction in number of operating days lost due to those events; - Reduction in emergency and unplanned repair and replacement of infrastructure damaged by those events; - Reduction in land loss from flooding erosion; - Increase in, energy generation, and storage in MWh

Endnotes

1 Point-in-time assessment is applicable only on date of assignment or update.

2 Net zero by 2050, International Energy Agency

3 Chile profile, International Energy Agency

4 BioDB, Chile

5 Ranking the World's Most Water-Stressed Countries in 2040, World Resources Institute.

REPORT NUMBER 1431455