

Sociedad de Transmisión Austral

Green Financing Framework

November 2021

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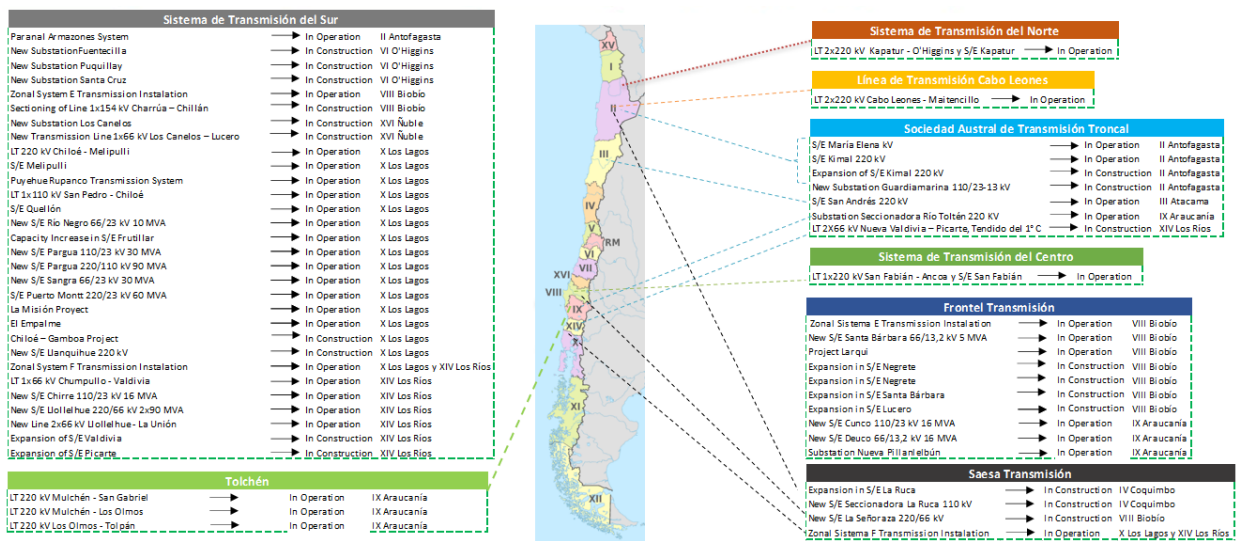
1. Introduction

1.1 About Sociedad de Transmisión Austral

Sociedad de Transmisión Austral (“STA” or “Company”) is a privately held (sociedad anónima cerrada) power transmission company, incorporated and existing under the laws of Chile, since December 30th, 2019. As per the requirements of the amended Chilean Electricity Law, STA was formed through a spin-off from its indirect controlling shareholders and integrated power utilities company Grupo Saesa. STA operations are located in Chile, specifically in the regions of Antofagasta, Atacama and Coquimbo in the north, O’Higgins, Ñuble, Bio Bio in the center, and Los Lagos and Los Rios in the south. All power transmission revenues are derived from regulated and unregulated services, with infrastructure comprising of 1,852 kilometers of high voltage circuit lines, 2,372 electric towers, 6,179 electric poles and 87 substations.

Through its group companies, Grupo Saesa is engaged in the electricity distribution and transmission business and to a lesser extent in the power generation business, being controlled by Inversiones Eléctricas del Sur S.A., the investee of the Ontario Teachers’ Pension Plan Board (OTPP) and Alberta Investment Management Corp (AIMCo). Grupo Saesa’s structure is operationally decentralized and centrally managed. This allows companies to maintain their presence and proximity to customers in the different concession areas.

Below find main projects under operation and construction as of November 2021:



1.2 STA’s ESG Strategy

As an operating company under Grupo Saesa, STA has adopted Grupo Saesa’s Sustainability Policy¹. Sustainability is one of the fundamental values that guide Grupo Saesa’s activities and form a central part of the group’s business strategy. This means that social, environmental, and economic performance is managed responsibly with current and future needs of the Company’s stakeholders being met.

To better respond to the major challenges facing the energy industry in the current context, in 2020 STA launched a new sustainable development strategy based on three fundamental pillars: responsible operation, environmental friendliness, and energy expansion.

¹ <https://web.gruposaes.cl/documents/20121/0/Sustainability+Report+Grupo+Saesa+2020.pdf/4a27ccd2-8638-1bc1-1097-a35eca55205b?t=1632258036015>

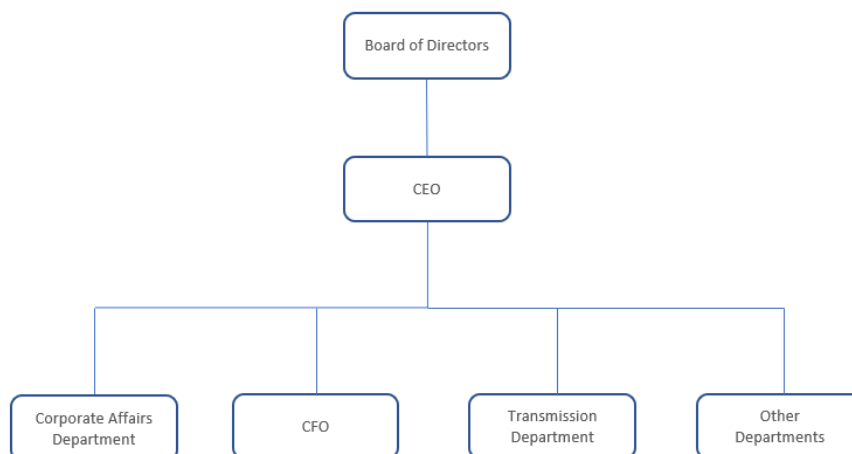


Responsible Operation: Together with our employees, suppliers, and contractors we supply energy to our customers every day, delivering a safe, modern, and quality service and ensuring regulatory compliance and environmental care.

Environmental Friendliness: We take care of our relationship with the community, engaging in continuous dialogue, potential labor developments, community sports, healthy living, and a safe and sustainable culture.

Energy Expansion: We offer services and sustainable alternatives to expand the use of electric power in our concession areas, accompanying energy replacement and ensuring supply in remote areas.

The STA sustainability policy is conducted by a Sustainability Committee, directed by the Corporate Affairs officer, which is composed of executive committee members with sessions reported to the Board of Directors on a 6-month basis. In terms of environmental impact, mitigation and risk management, plans are contemplated within the Risk Management Program of the Company, where twice a year all strategic risks are reported to the Board and action plans are presented. Monthly meetings with the Transmission Business manager for follow ups are also conducted.



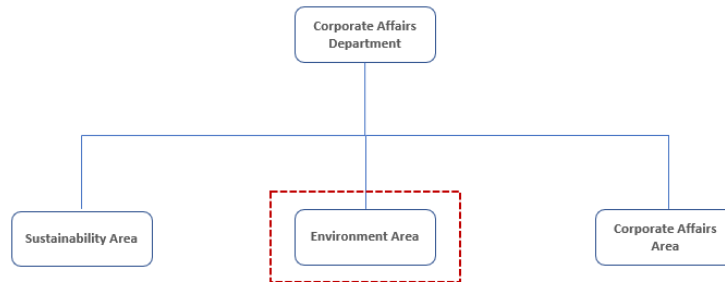
Shareholder Decarbonization Commitment

In line with its sustainability strategy, Grupo Saesa has conducted a GHG inventory to measure its Scope 1 and 2 GHG footprint from 2019 to present across Grupo Saesa companies, including STA. STA will use the results of this inventory to inform its GHG management program moving forward. This will include setting relevant emissions targets soon and will also directly inform broader investor objectives. As noted below, Grupo Saesa's investors are actively engaging with their portfolio companies on the topic of carbon emissions.

AIMCo: As per its 2020 TCFD Report², AIMCo continues to engage with issuers, individually and collaboratively, to better understand their climate strategy and processes to mitigate exposure to climate change risks. The Infrastructure & Renewable Resources portfolio has invested \$3.7 billion in low-carbon assets with 95% of the Canadian office assets having green building certifications.

OTPP: In September 2021, Ontario Teacher's Pension Plan announced targets to reduce portfolio carbon emissions intensity by 45% by 2025 and two-thirds (67%) by 2030 as part of its journey to achieve net zero investment activities by 2050.³

Social and Environmental Assessment Process



To evaluate the possible socio-environmental impacts that a project could have, the Company's Environment Area of the Corporate Affairs Department carries out third party consultant "Stakeholder Surveys". The purpose of these surveys is to be able to cross-reference information that is available on public service pages with field work results. Thereafter, findings are reflected as components of "Human Environment", in the Company's Environmental Impact Statement.

STA works with "Stakeholder Survey" reports and "Environmental Pre-feasibility Reports", which are the main inputs used to gather a deeper understanding about an investment area and raise early warning signs, where a potential project could be built. Finally, and after analyzing this information, actions are carried out in the field related to environmental evaluation and social impact.

Additionally, the Company maintains a platform called Integrated Environmental Management System (known in Spanish as SIGEA), which is an environmental management software where all environmental commitments and obligations of transmission projects that have Environmental Qualification Resolution (known in Spanish as RCA⁴) are administered. The "Verifiers" are loaded into SIGEA to monitor compliance. This system seeks to show the status of compliance with the commitments established in each Environmental Qualification Resolution, according to the construction and operation phase of the Projects.

² <https://assets.ctfassets.net/lyt4cjmfjno/7lwoTGpMYtK3KMXI6sflL/ce7de5414cc2544cc24797bf99159142/TCFDRreport-2020.pdf>

³ <https://www.otpp.com/news/article/a/ontario-teachers-releases-ambitious-interim-net-zero-targets>

⁴ The RCA is an administrative document that is obtained once the environmental impact assessment process is completed, which is coordinated by the Environmental Assessment Service of Chile (known in Spanish as SEA).

Alignment to Chile's National Energy Strategy

To support Chile's national climate and energy strategy, STA is making critical investments in energy transmission infrastructure, as a key enabler of transitioning the grid and facilitating connections of renewable power across the country. Chile has committed to reducing its CO2 emissions per unit of GDP by 30% by 2030 (from 2007 levels), along with a commitment to switch to renewable energy sources in cooperation with utility companies, aiming to generate 70% of electricity through renewable energy by 2030 and close Chile's coal-fired generational plants by 2040⁵. The country has also recently updated its Nationally Determined Contribution (NDC) under the Paris Climate Agreement to reach net zero carbon emissions as a country by 2050. The development and expansion of transmission infrastructure is vital to ensure the continued supply of power at pace with new renewable power generation assets coming online, the avoidance of curtailment of renewable energy, and the achievement of Chile's renewable energy and climate goals.

2. Rationale for the Framework

Aiming to enhance the power of STA to address environmental issues while effecting positive change, STA has created this Green Financing Framework ("Framework"). Through this Framework, the Company expects to contribute with the development of green financing solutions, with the objective of raising funds for new and existing projects which provide environmental benefits.

STA is determined to support the development of increased sustainable energy sources by promoting transmission activities that respect the environment, value the people involved and the life of local communities, while contributing to the social, environmental, and economic development of Chilean population.

This framework will be applicable to green instruments, which may include green bonds and/or loans of the Company, its affiliates and/or subsidiaries in the local and/or offshore markets ("Green Instruments").

Please note that the Framework provides a high-level approach to new Green Instruments. Potential capital providers should refer to the relevant documentation for any specific details relating to new issuance/loan.

⁵ <https://www.wri.org/insights/chiles-enhanced-climate-plan-sets-example-other-countries>

3. Overview of Framework

Green Instruments are financing options where the proceeds are exclusively applied to finance or refinance green projects. The Green Bond Principles⁶ (2021) (“GBP”) administered by the International Capital Markets Association (“ICMA”) recommend alignment with its core components. Likewise, the Green Loan Principles⁷ (2021) (“GLP”) provide guidelines for any type of loan instrument that finances or refinances green projects. The GBP and GLP (together the “Principles”) outline eligible project categories for green projects.

The Principles are voluntary process guidelines that recommend transparency, disclosure and promote integrity for best practices when raising funds with Green bonds and/or loans. The Framework is aligned with the four core components of the GBP and GLP and contains the following structure:



1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

3.1 Use of Proceeds

An amount equal to the net proceeds of the Company’s Green Instruments will be used to finance and/or refinance, in whole or in part, new or existing green projects, assets or activities (hereafter “Eligible Green Projects”).



These projects are in service of the STA carbon footprint reduction strategy and the strategic areas where the Company believes the most positive environmental impact can be made.

The Company anticipates that its Green Instruments will support the achievement of the United Nations Sustainable Development Goals, as noted below, and will fall within the Company’s key sustainability priorities. Eligible green projects include projects and expenditures that meet, among others, the following eligibility criteria:

Eligibility Criteria	Projects	Environmental Objectives	SDG Alignment
Renewable Energy	<p>Investments for projects relating to the construction, installation, development, acquisition, maintenance and/or operation of transmission infrastructure that supports the connection of renewable energy sources and facilitates the increased transmission of low-carbon and renewable energy sources into the grid, specifically the following sources:</p> <ul style="list-style-type: none"> - Solar (PV) - Wind - Hydro (small hydro, run-of-river, or lifecycle emissions of <100g CO2e/kWh and/or power density >5W/m2) - Geothermal (direct emissions < 100g CO2e/kWh) 	<p>Mitigation of Climate Change</p> <p>Adaptation to Climate Change</p>	 

⁶ Green Bond Principles, 2021, by International Capital Market Association.

⁷ Green Loan Principles, 2021, by Loan Market Association.

Energy Efficiency	Investments related to energy efficiency improvements to transmission infrastructure, including but not limited to: <ul style="list-style-type: none"> - Installation, replacement, or refurbishment of equipment relating to existing transmission lines to increase energy efficiency of network and substations and reduce energy losses - GHG reducing network modifications to increase energy efficiency, such as increases in conductor capacity, construction of new substations and enhancements reducing energy losses in transmission system - Smart sensors/meters, and automation systems to improve energy efficiency of the grid - Acquisition, connection, construction, development and/or operation of renewable energy storage and battery systems 	Mitigation of Climate Change Adaptation to Climate Change	 
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The Company will not finance projects that are solely dedicated to connecting and/or expanding production plants that are fossil-fuel based and/or have direct emissions >100 g CO₂e/kWh, or that improve energy efficiency of fossil-fuel related projects.

3.2 Process for Evaluation and Selection

A Green Finance Committee (the “Committee”) consisting of representatives from the Company’s Sustainability, Treasury/Finance and Corporate Affairs teams shall be appointed and responsible for the assessment of eligible projects to use the Green Instrument funding, on an annual basis, to ensure they are in alignment with the Eligible Green Project categories and the scope set forth in this Framework, including relevant exclusions. From time to time, other representatives of STA may be admitted as additional members of the Committee. Projects identified will be brought to STA’s CFO and Corporate Affairs Manager for final approval. The Committee will meet on a semiannual basis.

As part of STA’s integrated Environmental Management System and Risk Management Program, project selection and evaluation include the consideration of community consultations via stakeholder surveys, environmental and social risks associated with transmission projects are assessed, reviewed, and reported to the Board on a 6-month basis.

3.3 Management of Proceeds

The Company will establish internal tracking systems to monitor and account for allocation of an amount equal to the net proceeds from the offering of the Green instrument(s) to (i) refinance the Green instrument(s) (the proceeds of which were initially used to finance Eligible Green Projects), and (ii) finance new Eligible Green Projects. Pending such allocation, the Company may use the funds for general corporate purposes, dividend payments and/or hold funds in cash or cash equivalents in accordance with

STA's internal liquidity policy. The Company will not use any of the proceeds to finance fossil-fuel operations.

The Company intends to issue Green Instruments for Eligible Green Projects that have been originated and approved, however net proceeds may be used to refinance investments associated with Eligible Green Projects made by the Company in the 36 months preceding the issuance of a Green Instrument. The Company intends to utilize net proceeds within 36 months of an offering.

3.4 Reporting

Annually, until full allocation of the net proceeds from the offering of the Green instrument(s), STA will make available an allocation report on the following website <https://web.gruposaes.cl/sustentabilidad>. STA will engage a third party to complete an annual verification of its allocation of net proceeds issued to Eligible Green Projects until full allocation. The annual allocation report will include details of:

- Amount of net proceeds allocated to Eligible Green Projects
- Project descriptions
- Amount of net proceeds not yet allocated to Eligible Green Projects
- Expected impact metrics, if available
- Other information deemed relevant by the Company

STA will provide information on environmental impact metrics for applicable Eligible Green Projects and if feasible and practical may provide information as per Annex I. This information will be publicly available on the STA corporate website at <https://web.gruposaes.cl/sustentabilidad>.

4. External Review

The Company has mandated a consultant with experience in environmental, social, and corporate governance matters to provide a Second Party Opinion (SPO) on the environmental benefits of the Framework, as well as the alignment with the relevant Principles.

The SPO is available on <https://web.gruposaes.cl/sustentabilidad>.

5. Assurance

The Annual Green Financing Report will be accompanied by (i) assertions by management that an amount equal to the net proceeds of the applicable Green Instruments were allocated to Eligible Projects, and (ii) a report from an independent third party in respect of its examination of management's assertions or an independent compliance review.

The Company undertakes to disclose all relevant information in compliance with relevant legislation, confidentiality agreements or conflicts of interest.

Annex 1

Potential ESG Metrics for Monitoring and Reporting

The following are examples of monitoring indicators and metrics for each project and eligibility criteria listed in the Green Bond Framework that may include, but are not limited to:

Eligibility Criteria	Impact Metrics
Renewable Energy	<ul style="list-style-type: none">- Annual GHG emissions reduced / avoided in tons of CO2 equivalent- Amount of renewable energy sources connected to Chile's grid (MW)
Energy Efficiency	<ul style="list-style-type: none">- Annual energy savings in MWh/GWh- Estimated annual GHG emissions reduced/avoided in tons of CO2 equivalent- Annual Absolute (gross) GHG emissions from the project in tons of CO2 equivalent