



Green Finance Framework

Inversiones Latin America Power Limitada

May 2021



ILAP Green Finance Framework

Background

Latin America Power Holding B.V. (“**LAP**”) was created in September 2011 as a power generation company with the goal of improving the energy matrix for Chile and Peru through the development of renewable energy sources, while also maintaining close relationships with neighboring communities and protecting the environment. LAP identifies, develops, builds and operates hydro and wind projects. LAP’s first investment in Chile was the purchase of water rights in the Araucania region in order to develop a hydroelectric plant in the local area. Shortly thereafter, LAP acquired two operating hydroelectric projects and two projects under construction in Peru. Since its inception, LAP has delivered value and added growth through accretive acquisitions and seamless project execution, and currently owns a total of 10 operating projects totaling approximately 341.34 MW of total capacity.

LAP is owned and backed by leading Latin American power generation developers including BTG Pactual (45.85%), Pátria Investimentos (“Pátria”) (45.85%), and GMR Energy (“GMR”) (8.3%) (collectively, the “**Sponsors**”). The Sponsors have a strong track record of developing and operating renewable power assets in Latin America.

Inversiones Latin America Power Limitada (“**ILAP**”) is a fully-owned subsidiary of Latin America Power S.A. and owner of a 100% ownership interest in the San Juan and Totoral assets. Latin America Power S.A. is wholly owned by LAP.

- San Juan¹ is a 193.2 MW facility located in Freirina, Atacama region, Chile, which is about 650 km north of Santiago, consisting of 56 Vestas V117-3.45 MW wind turbines, which started operating in the first quarter of 2017
- Totoral² is a 46.0 MW facility located in Canela, Coquimbo region, Chile, which is about 300 km north of Santiago, consisting of 23 Vestas V90-2.0 MW wind turbines, and has been operating since 2010

ILAP is committed to operate in a way that supports the United Nations Sustainable Development Goals (“**SDGs**”) by making renewable energy the source of power to societies and communities in order to preserve the environment while creating social and economic value for the communities in which ILAP operates. ILAP’s key SDG contributions are connected to the core of its business as they increase the share of green energy in the global energy mix (**SDG 7**) while mitigating climate change (**SDG 13**). Additionally, ILAP’s investments in green energy are also a source of sustainable economic growth (**SDG 8**).

 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL
 <p>13 CLIMATE ACTION</p>	TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

Source: UN

¹ Environmental Impact Report for San Juan: https://seia.sea.gob.cl/expediente/expedientesEvaluacion.php?modo=ficha&id_expediente=2141864334

² Environmental Impact Report for Totoral: https://seia.sea.gob.cl/expediente/expedientesEvaluacion.php?modo=ficha&id_expediente=3169811#-1

ILAP Green Finance Framework

Background (Cont'd)

The ILAP Green Finance Framework describes the approach of ILAP and its subsidiaries for issuing green debt instruments to finance and/or refinance investments in renewable energy. ILAP's Green Bonds and / or Green Loans will provide investors and lenders with an opportunity to access a broad range of accredited green debt instruments that contribute to climate change mitigation.

This Framework is developed in alignment with the ICMA Green Bond Principles¹ and the LMA – APLMA - LSTA Green Loan Principles² and it addresses the four core components of these Principles and their recommendations on the use of external reviews:

1. Use of Proceeds
2. Project selection and evaluation process
3. Management of proceeds
4. Reporting

Use of Proceeds

An amount equivalent to net proceeds of ILAP's Green Bonds and Green Loans will be allocated to the financing, or re-financing, in whole or in part, of a pool of renewable energy Eligible Projects that meet the Eligibility Criteria defined below.

Eligible Projects may be subject to financing from several and various types of Green Bonds and / or Green Loans provided that the financed amounts are not 'double-counted'. The legal documentation for each of ILAP's Green Bond or Green Loan shall provide a reference to this framework.

Eligibility Criteria

Eligible Projects include acquisition, development, construction, operation, maintenance and upgrades of:

- Wind energy generation projects with a minimum of 85% of electricity generated from wind energy resources and up to 15% of electricity generated by other sources of renewable power generation
- Other types of renewable energy generation projects that meet the Climate Bonds Standard³, including its relevant asset specific criteria, particularly:
 - Onshore wind energy generation facilities
 - Transmission infrastructure wholly dedicated to supporting wind generation facilities

Eligible Projects include projects financed after the issuance of the green debt instruments or up to 60 months prior to issuance.

¹ International Capital Markets Association, "The Green Bond Principles 2018", published on June 14, 2018.

<https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2018/Green-Bond-Principles---June-2018-140618-WEB.pdf>

² Loan Syndications and Trading Association, "Green Loan Principles", published on December 11, 2018.

<https://www.lsta.org/content/green-loan-principles/>

³ Climate Bond Standards, "Wind Energy Sector Criteria", published on their website.

<https://www.climatebonds.net/standard/wind>

ILAP Green Finance Framework

Project Selection and Evaluation Process

ILAP has established a Green Finance working group which will be responsible for the ultimate review and selection of the pool of Eligible Projects. This working group comprises representatives from both ILAP's management and from its Sponsors and includes team members responsible for construction oversight, operations and maintenance, permitting and due diligence, treasury, finance, investor relations as well as internal sustainability experts.

The working group includes members of ILAP's Sponsors who will identify and screen existing and future projects that align with the Eligibility Criteria and maintain a register of projects to track the Eligible Projects and outstanding Green Bonds and Green Loans.

Environmental, Sustainability and Social Objectives

Sustainability is the guideline of all actions carried out by ILAP, with a strong commitment to our communities' social and environmental sustainable development and always in accordance with in our sustainability strategy, which we update annually and make available on our website.

- ILAP conducts all of its operations in harmony with the ecosystem in which it operates, always looking after the people. Our operations count with established high-standard occupational health and safety protocols and policies that must be followed by employees or contractors operating within the facilities. These are certified under ISO 45001:2018 standard and reinforced through a prevention of occupational hazard insurance against work accidents and occupational diseases through an agreement in force with Mutual de Seguridad.
- ILAP permanently works in conjunction with its neighbors with the objective of bedding a constant contributor to the sustainable development and growth of the communities and the environment. For this purpose our management policies are certified under the ISO9001:2015 standards and our environmental management systems are certified under the ISO14001:2015. Certifications can be found on our website.

ILAP has three corporate guidelines that act as Sustainability Pillars:



Socio-Environmental Policy

It is essential for ILAP to develop and operate its Projects in an environmentally friendly manner, ensuring a rational use of natural resources with clean technologies and minimizing waste. ILAP seeks to contribute to the development and growth of the jurisdictions in which it operates, adhering to current legislation and environmental requirements, and carrying out projects that have a positive impact for the communities



Investment in Clean Energy Projects

ILAP only participates in Renewable Energy projects, minimizing environmental impact while contributing to the formation of an environmentally-friendly society



Relationship with the Community

ILAP works to distinguish itself by maintaining a respectful and acceptance approach towards the different cultures, values and traditions of the communities where it operates, through sustainable management and by actively participating to be part of the sustainable development and growth of such communities

ILAP Green Finance Framework

Management of Proceeds

The net proceeds of ILAP's Green Bonds and Green Loans and the associated pool of Eligible Projects will be tracked in its project register and reviewed and validated by its Green Finance working group on a semi-annual basis. The net proceeds of ILAP's Green Bonds and Green Loans will be managed according to its usual cash management policies and investment mandates, however this may vary based on the type and format of the debt financing instruments and agreement with the lenders or counterparts. ILAP's business is wholly dedicated to renewable energy, and as such proceeds will not be temporarily invested in greenhouse gas intensive assets which are inconsistent with the delivery of a low carbon and climate resilient economy.

Allocations to Eligible Projects will not exceed ILAP's ownership share in those projects. However, due to the timing of transactions (financings and asset sales/purchases), the net proceeds from outstanding Green Bonds and Green Loans may temporarily exceed the value of the pool of Eligible Projects.

ILAP will endeavor to maintain a stable pool of Eligible Projects but may, at any time, and subject to its own discretion, substitute one or more projects in the pool with other Eligible Projects. If, for any reason, an Eligible Project no longer meets the Eligibility Criteria, it will be removed from the pool of Eligible Projects and a subsequent notification will be published on our website.

Reporting

ILAP will annually publish details on its green finance activities which will contain at least the following:

- Confirmation that the use of proceeds of its Green Bonds and Green Loans complies with the ILAP Green Finance Framework;
- A summary of the outstanding Green Bonds and Green Loans;
- A summary of the pool of Eligible Projects¹ with descriptive statistics such as location, technology, type of off-taker, construction/operations stage, age of project;
- Case studies on select Eligible Projects;
- Impact reporting elements as described below

Impact Reporting

ILAP's Green Finance reporting will include qualitative performance indicators and, where feasible, quantitative performance measures of the outcomes or impacts of the pool of Eligible Projects. The Report will include, to the extent available, the following data for Eligible Projects:

- Total capacity of renewable energy production (MW)
- Annual renewable energy generation (MWh)
- Greenhouse gas emissions reductions (tons CO₂)

External Review

This Green Finance framework has been reviewed by Standard & Poor's who have issued a Second Party Opinion which will be made available on our website. For certain green debt instruments, ILAP may choose to provide separate reports directly, and non-publicly, to the lenders or counterparts

¹ The disclosed project lists/summaries and descriptive statistics maybe partial and may vary year on year subject to data availability, confidentiality and competition considerations



Disclaimer

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