



**2014** |

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# LETTER FROM THE CEO

I am very pleased to make available to you the 10th Aguas Andinas Sustainability Report, the first one that presents the financial, social and environmental performance of the company under the GRI4 requirements.

The 2014 management marked the start of a new cycle for the company, where we assumed that the adaptation challenge would be permanent and that, in order to reach sustainability; we must be flexible, innovative and foresighted. The climatic changes and phenomena, the water shortage affecting the Metropolitan Region of Santiago for fifth straight year, the growing expectation of our customers, neighbors and interest groups, are directly linked to the company's sustainability and, are being incorporated for this new five-year period.

According to this purpose, the company started a process of review and reformulation of its Sustainability Strategy, considering new risks, as well as the new business opportunities, perceptions and expectations of our stakeholders.

The new Aguas Andinas investment plan for the next period 2015-2020 also responds to this new social, environmental and financial surrounding. The efforts are focused in strengthening the safety of supply, decreasing water losses, updating network management, and making operative processes more efficient in order to be properly prepared towards crisis, as well as generating substantial improvements in the customers' experience.

A good part of these initiatives is gathered in the Operations Plan and the 2015 – 2020 Customer Strategic Plan, respectively, as well as in our Business Continuity Plan.

## 2014 MILESTONES

Amongst the most important events of 2014 is the culmination of the tariff setting process, which sets tariffs until 2020 and the closure of the collective agreement with the Company's unions that lasts until 2018. This process was not exempt from complexities and tensions, however, an agreement was reached and all those involved in the process learned lessons.

Thinking about our neighbors, in 2014 we incorporated new elements in our community relations plan in order to consolidate our links with the community and make our social investments more efficient at the same time.

In this context, we included a neighbor-oriented entrepreneurship program, aimed at promoting projects linked to the Company's value chain so that both the Company and the neighbors have the same encouragements.

Moreover, we implemented the Crime Prevention Model and set the foundation to operate a complaints channel, a channel that will be external to the company.

Our internal innovation program "Emerge" launched its first projects and we are still moving forward in our goal to become certified by the Gender Equality and Reconciliation of Work and Family Life Norm.

We proudly entered the Prohumana Sustainability Ranking, which measures and appraises the integral management in corporate sustainability, placing 17th with an honorable distinction mention.

## CHALLENGES

The major challenges that affect the industry, at a national and international level, emphasize the importance of deepening the Company's integration of a vision of sustainability and circular economy in all strategic processes effectively and transversely.

This effort will allow us to improve our position as a company in order to achieve more collaborative work, develop new skills, promote innovation and incorporate the advantages of technology in order to fulfill our mission of encouraging Santiago's development and improving the life standard of its inhabitants.



**Jordi Valls**  
CEO  
Aguas Andinas

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## 2014 MILESTONES AND FIGURES' SUMMARY

### SUSTAINABILITY REPORT

- Aguas Andinas is in the process of reformulating its Sustainability Strategy. This new strategy will deepen the Company's strategic management integration.

### CORPORATE GOVERNANCE AND ETHICAL MANAGEMENT

- We launched and became certified for our Crime Prevention Model
- We conducted an external evaluation of the Board of Directors and Senior Management in order to evaluate their management and operation of the Company.

### ECONOMIC PERFORMANCE

- The market acknowledged our responsible management of economic and financial resources, with the placement of a bond at a historical rate.
- We achieved a new tariff agreement with the SISS, which was achieved maintaining the previous water tariffs for the next five-year period (2015-2020); one of the lowest tariffs at an international level.

### OPERATIONAL CONTINUITY AND EFFICIENCY

- We were certified by the ISO 22.301 business continuity model.
- The Operational Plan was launched which redefines the maintenance, automation and control center plans, among others.
- The first stage of the security infrastructure works was completed, increasing autonomy from four to nine hours in high turbidity events.

### ENVIRONMENT AND INNOVATION

- We launched the Hydraulic Efficiency Plan that will increase water distribution efficiency and performance from 70% to 80% by 2020.
- The number of broken pipes found in the distribution network decreased, reaching levels below 0.1 faults/km.
- The use of biogas as energy source helped reduce 34,563 tons of CO<sub>2</sub>e.
- The non-conventional renewable energy production from biogas increased, covering about 70% of the energy requirement of the Mapocho-Trebal Sewage Treatment Plant.



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### RESPONSIBILITY WITH CUSTOMERS

- We launched the Customer Strategic Plan, which places the user and the citizen customer at the center of operations.
- Water quality compliance in Aguas Andinas is 99.6%, Aguas Cordillera 100% and Aguas Manquehue 100%.
- We performed a campaign to improve water bill comprehension and leak detection.
- We deepen water use awareness in 2014: The Gotagotham program reached over 5,900 children and more than 6,000 attendees to the Water Dome under the World Water Day framework.

### LABOR PRACTICES

- Aguas Andinas invested more than 68 thousand hours in worker training, increasing the average hours per worker to 57 hrs.
- We delivered performance assessments to 97% of workers.
- We worked on implementing the Chilean Norm 3262 regarding Gender Equality Management System and Reconciliation of Work, Family and Personal Life.
- We reduced the accident rate to 1.26, achieving a reduction of more than 60% in the last three years.

### COMPREHENSIVE SUPPLIER PLAN

- We made progress in the Supplier Development Plan, achieving ISO 9.001 standard quality compliance.
- We implemented the supplier website, which provides information and facilitates billing processes.
- We evaluated 78 suppliers to assess their compliance with our criteria of service quality provided, risk prevention and management and environmental impact minimization.

### RESPONSIBILITY WITH NEIGHBORING COMMUNITIES

- Impact management: working groups in seven communities; management of 100% of the requirements in "Aló Vecino" (Hello Neighbor) system; systems for walkers, particulate matter and vector control.
- The Competitive Funds Program funded 77 community projects.
- The "Avanza" Program was launched with a seed capital fund to incorporate micro enterprises to Aguas Andinas' value chain.



# 01

Chapter\_

## ABOUT AGUAS ANDINAS



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1 ABOUT AGUAS ANDINAS

# 1 ABOUT AGUAS ANDINAS

**Our mission is to give life to people and environment of Santiago's Basin.**



## 1.1 COMPANY PROFILE

G4-4, G4-6, G4-8, G4-9

Aguas Andinas is Chile's main sanitation company and one of the most important in Latin America. It belongs to Aguas Group, which is composed of a conglomerate of companies leading the sanitation industry with over two million customers and more than 50% of the industries' billed potable water in the country.

Aguas Group's subsidiaries are divided into regulated and non-regulated businesses. The regulated subsidiaries aim to manage the "integrated water cycle", that is, the collection of water from natural sources, the production of potable water through purification, distribution of potable water, as well as the collection, treatment, sanitation and restitution of water to the environment. Non-regulated subsidiaries offer complementary services in different stages of the integrated water cycle.

Aguas Andinas' (1) customers are classified into residential, commercial and industrial, which are distributed in concessionary areas, totaling an area of about 70,000 hectares within the Metropolitan Region. During 2014, potable water and sewerage services were provided to over 1.8 million customers in each case, resulting in total more than 522 million m<sup>3</sup> of potable water and managing over 513 million m<sup>3</sup> of sewages.

<sup>(1)</sup> In this report, the reference to Aguas Andinas considers Aguas Andinas, Aguas Cordillera and Aguas Manquehue. Empresa de Servicios Sanitarios de Los Lagos SA (ESSAL) is not included as it operates independently. The non-regulated subsidiaries EcoRiles SA, Gestión y Servicios SA, Análisis Ambientales SA (ANAM) and Aguas del Maipo SA were not considered

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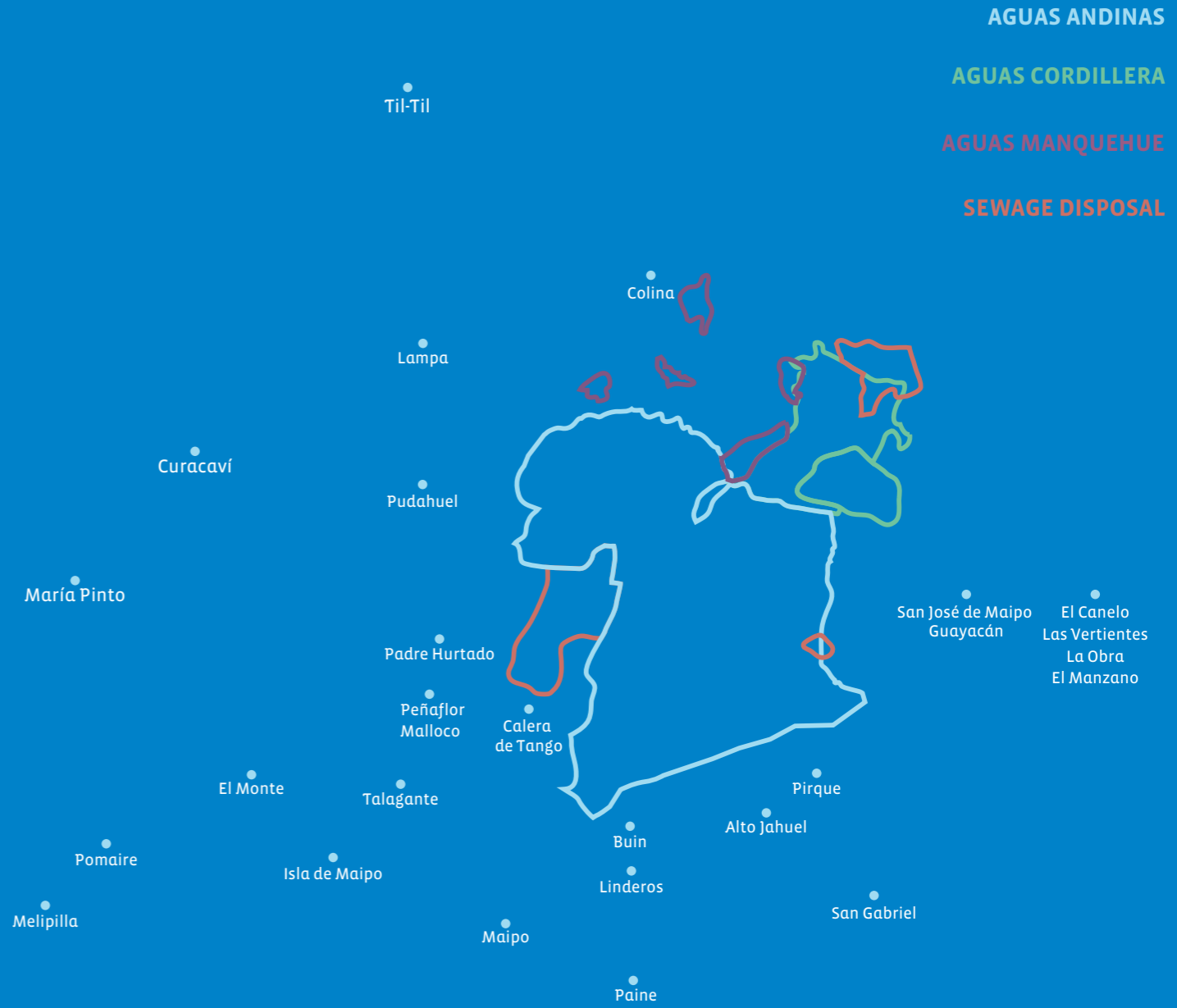
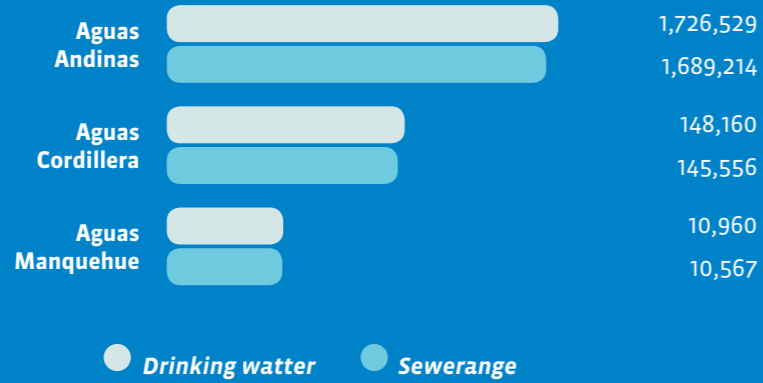
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1.1.1\_2014 CUSTOMERS



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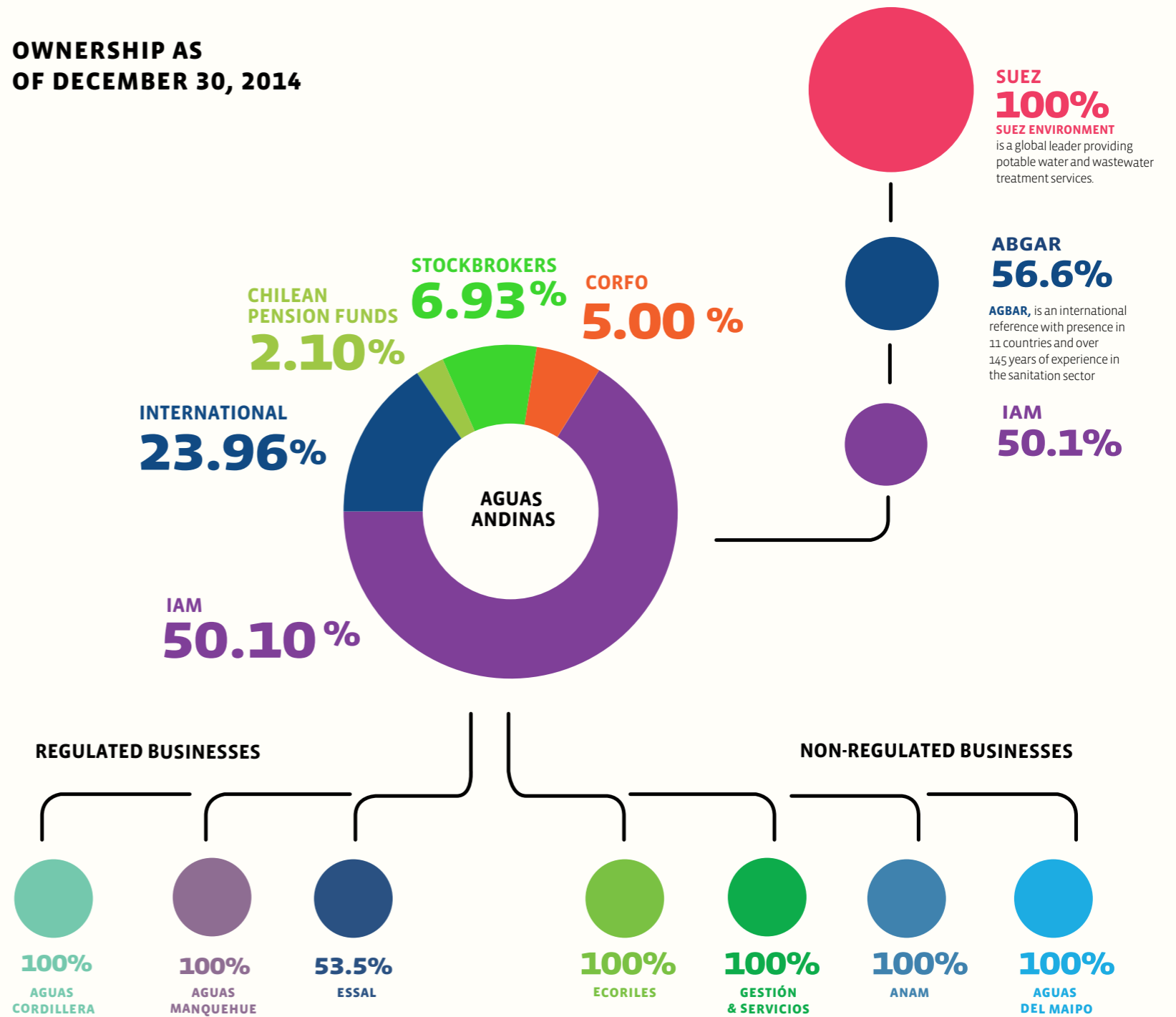
1 ABOUT AGUAS ANDINAS

1.1 2 AGUAS ANDINAS' OWNERSHIP AND CONTROL

G4-7

Aguas Andinas is an open corporation and Inversiones Aguas Metropolitanas (IAM) owns 50.1% of the Company's shares. IAM is controlled by Sociedad General de Aguas de Barcelona (Agbar), a company that is an international reference with presence in 11 countries and over 145 years sanitation industry experience. Meanwhile, Agbar is controlled by Suez Environnement SA, a world leader in water and waste management with over 120 years of experience and is present in nearly 70 countries<sup>(2)</sup>

OWNERSHIP AS OF DECEMBER 30, 2014



<sup>(2)</sup> For more information regarding the company ownership, see the Financial Report, page 16

1 ABOUT AGUAS ANDINAS

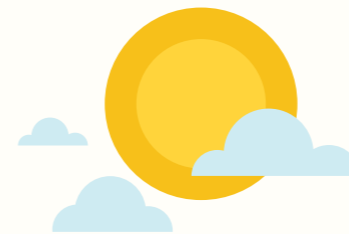
1.1.3 SETTING TARIFFS FOR 2015-2020

In Chile, sanitation service providers are under the supervision and regulation of the Superintendence of Sanitation Services (SISS).

Aguas Andinas' tariff model was defined by law more than 20 years ago and has operated steadily since then. The SISS is in charge of supervising the company's performance and acts as a regulatory counterpart in the tariff-fixing process.

Tariffs are updated every five years, a process in which companies participate along with the regulating body. The tariffs are adjusted by an objective and technical model, which considers the long-term total cost of a model company; a minimum annual return on assets of 7% after tax; and permissible adjustments between updates linked to polynomials indexed to the CPI and the WPI.

In 2014, an agreement with the SISS was reached in order to maintain tariffs for the next five years period, from 2015 to 2020, thus maintaining one of the lowest tariffs in the industry. Aguas Manquehue's tariffs will be reduced by 5% from May 19, 2015<sup>(4)</sup>.



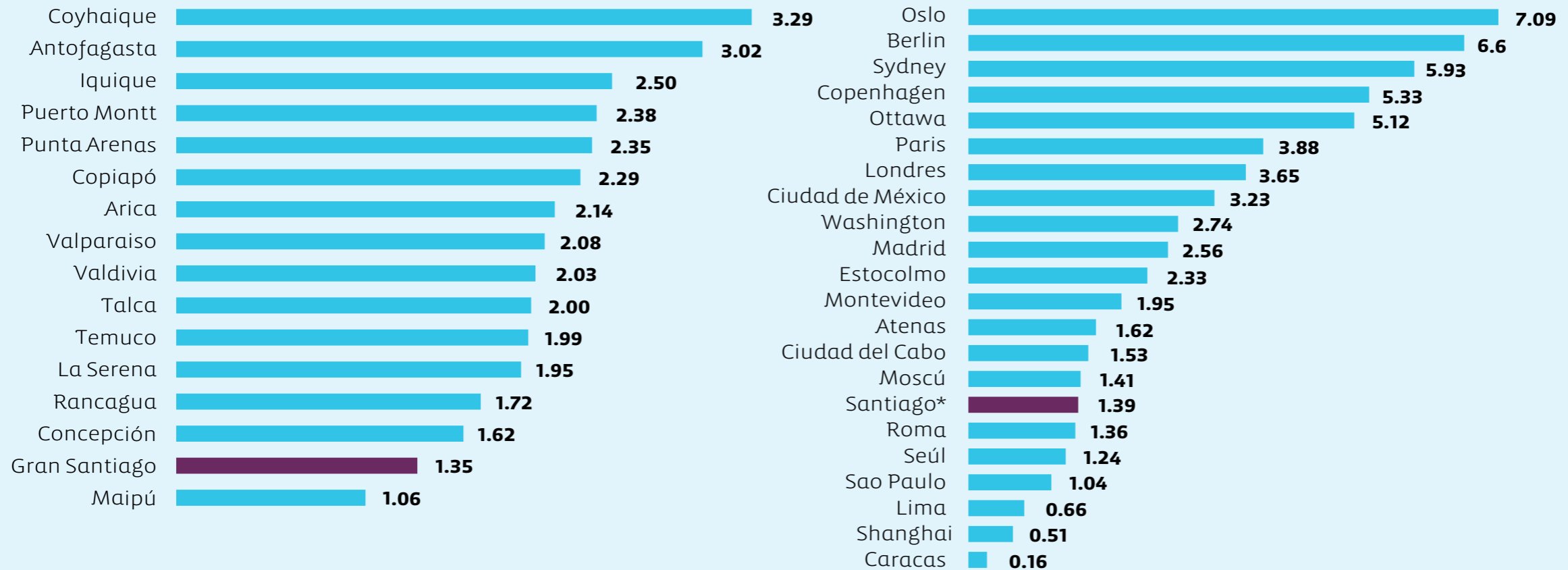
<sup>(4)</sup> For more information and industry statistics visit: [www.siss.cl](http://www.siss.cl)  
 You can find more information on the tariff process in the Financial Report, page 31-32, available at [www.aguasandinasinversionistas.cl](http://www.aguasandinasinversionistas.cl)

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1.1.4\_TARIFF BENCHMARKS

TARIFF PER CUBIC METER

(POTABLE WATER, SEWERAGE AND SEWAGE TREATMENT) US\$/M<sup>3</sup>



Source: 2013 SISS Management Report. Tarriffs to December 2013 considering US\$1 = \$523,76 \* Santiago includes Gran Santiago and Maipú



1\_ABOUT AGUAS ANDINAS

**1.2\_CORPORATE GOVERNANCE**

**G4-34, G4-39, G4-40**

Aguas Andinas' management and control depends on the Board of Directors. It consists of fourteen members, seven titular permanent members and seven alternate members, which have been selected by the General Shareholders Meeting considering their competence and suitability for the position<sup>(5)</sup>.

**G4-35, G4-36, G4-42**

In addition to establishing the strategic direction and supervising the company's management, the Board determines the responsibility structure of each corporate area, delegating the main financial, social and environmental management duties of managers and executives. None of the members of the Board of Directors fulfills executive functions.

**G4-43**

After election, each Board member receives an introduction to the business, its risks, policies and procedures, main accounting criteria and legal framework. In addition to this, they have the means to seek external advice for the proper performance of their duties, if required.

**G4-37, G4-45, G4-46, G4-47, G4-49**

The Board members fulfill the duty of ensuring the proper identification, management and mitigation of the organization's main risks. To this effect, through the CEO and corporative managers, the main management aspects of the Company's risks and opportunities are reported monthly.

On their part, the CEO and corporative managers meet on a weekly basis in the Management Committee to deal with the Company's most important issues that are then taken to the Board. Key topics that are discussed with the Board include proposed investments, consulting expenses, staff recruitment and relevant concerns that stakeholders have expressed through various channels provided for this purpose.

**G4-44**

In order to improve Corporate Governance practices, it was defined in 2013 to hold an annual external management and performance evaluation of the Board, in order to identify and propose changes to improve their performance.

**G4-42**

**Aguas Andinas' sustainability depends on the Board, which reviews and determines the Company's values, policies and strategic guidelines.**

<sup>(5)</sup> For more information about the organization of the Board, the Directors Committee and Senior Management, along with information relevant to the remunerations of the Corporate Governance, refer to the Financial Report, p. 50-59, available on: [www.aguasandinasinversionistas.cl](http://www.aguasandinasinversionistas.cl)



1\_ABOUT AGUAS ANDINAS

### 1.3\_CORPORATE ETHICS MANAGEMENT



**G4-41, G4-44**

Aguas Andinas manages its corporate ethics through regulations and internal procedures ensuring strict adherence to the law. The Board has a code of conduct establishing a procedure to identify and declare potential conflicts of interest. The same code further defines how these conflicts are prevented and/or managed.

**G4-56**

Also, to bring the corporate values to life, Aguas Andinas has an ethical code that sets the expected behaviors and the basic principles to be respected by the Company's professionals, both in their actions and in their relations with stakeholders.\*

**G4-57, G4-58**

Aguas Andinas' ethical management system has a committee, ensuring the code application and establishing a control and enforcement system. The Company has the necessary means to attain counseling, and consultation and complaints channels, which are both internal and external. It has also established a person responsible for ethics, who is in charge of managing matters related to the integrity of the Company.

During 2014, a labor issue complaint was received that was managed by the corresponding investigation procedure, leading to

the disengagement of the worker who breached ethical standards. At the annual meeting of the President, CEO, Corporate Managers and Managers, a special section was dedicated to ethics and transparency issues.

**Aguas Andinas' values**

**01**

Excellence

Excellence in service delivery.

**02**

Innovation

Innovation as a source of competitive advantage and value-oriented at improving processes, products and services

**03**

Sustainable business development

A sustainable business model based on the development of individuals and responsibility criteria.

**04**

Dialogue

Promoting dialogue, cooperation and engagement with stakeholders.

**05**

Local development

Local development and involvement with the community where we operate.

**06**

Alliances

Alliances and partnerships to extend and improve water access.

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**CRIME PREVENTION MODEL**

At the beginning of 2014, the Aguas Group (2) Crime Prevention Model (1) was approved and implemented obtaining certification in December of that year.

The Crime Prevention Model (CPM) certification ensures compliance with the supervision and direction duties of the company.

**G4-SO3, G4-SO5**

During the preparation of the CPM, 60 processes were detected with a potential risk of bribery, with the charges that may be exposed in each Managerial Area. In order to avoid and prevent these risks, rules, protocols, and procedures were established as preventive measures that every person identified in these processes must respect, and classroom training for 600 people on the charges involved were performed.

The Board appointed a person responsible of ensuring compliance with the model (Responsible for Crime Prevention) and an external complaints channel was created, which will begin operating during the first quarter of 2015.

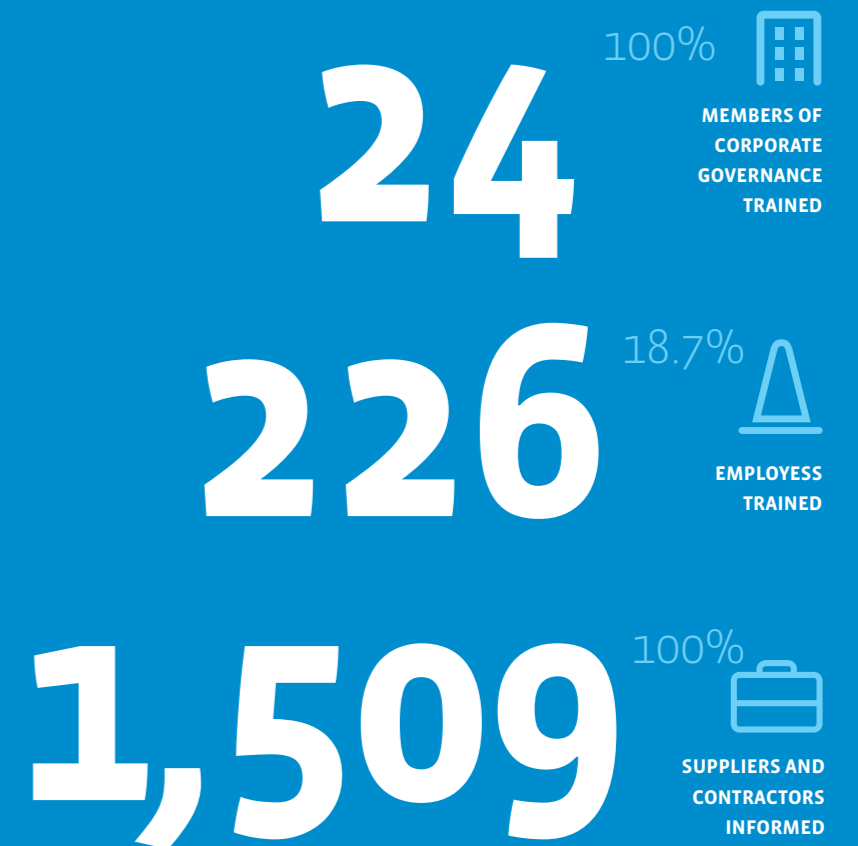
**G4-SO4**

Among the measures taken by the CPM, amendments were included in the Company's key executives' contracts, as well as existing supplier contracts.

In addition, the CPM was communicated to all the Company's suppliers and contractors via e-mail, and a certified letter was sent to the two hundred suppliers with higher turnover. The latter had to sign their adherence and explicit commitment to the model.

Finally, an internal communication campaign was performed to ensure that all Aguas Andinas' workers became familiar with the Code of Ethics and the Crime Prevention Model. In addition, a new worker survey was implemented, which is provided to employees once the Code of Ethics has been provided to them. This survey must be completed, signed, and archived in employees' personal folders.

Communication and training regarding ethics and anti-corruption in 2014

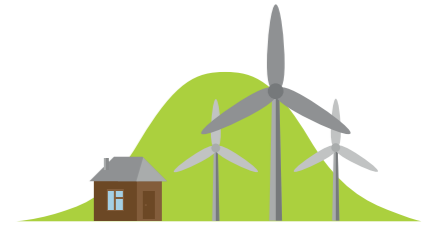


<sup>(1)</sup> In compliance with Law No. 20,393, of criminal liability of companies that deals with bribery, money laundering and terrorist financing.

<sup>(2)</sup> Including: Aguas Andinas, Aguas Cordillera, Aguas Manquehue, Gestión y Servicios.

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1.4 SUSTAINABILITY STRATEGY



Water is an essential and basic element for life, and as such, has a major impact on the population’s welfare and quality of life. Moreover, the management of this resource directly affects industrial, commercial and agricultural activity, and is an important factor for the conservation of the environment, biodiversity and the stability of ecosystems.

In this sense, Aguas Andinas’ sustainability is strongly linked to that of its stakeholders. Therefore, the Company has maintained an open and constant communication with them, from which public commitments have emerged through various programs and initiatives have been implemented for over a decade.

In recent years, the country’s economic, social and political environment and climate change, have led to changes within the Company that emphasize the importance of deepening the integration of sustainability in the company processes in an effective and transversal manner. Product of this reflection, Aguas Andinas decided to take a step further, starting in late 2014, with a review process of its sustainability strategy, in order to identify, manage and mitigate the impacts and risks of the Company in the new economic, social and environmental environment as well as maximize benefits and opportunities, for society, stakeholders and the Company itself.

The work began with the analysis of the sustainability approach that has guided the company’s performance in economic, social and environmental issues and updating it so that it reflects business reality.

This was conducted through internal and external analysis of major stakeholders’ perception and expectations of the Company, along with an assessment of the risks and opportunities that the Company faces today, with a forward thinking approach.

1.4.1 STAKEHOLDER ENGAGEMENT

G4-24, G4-25, G4-26, G4-27

The company has defined its main stakeholders in terms of the influence that they have on the Company and the impact the Company has on them. There are various channels of communication that allow the distribution of information to the major stakeholders and that allow the Company to learn their perception and expectations of the Company, providing an essential tool for the proper management of the business.

The degree of interaction and frequency of communication varies with each stakeholder and the arranged channels. This is reflected in the various involvement strategies described throughout this report.

COMMUNICATION WITH STAKEHOLDERS		
Stakeholder	Communication channel	Principal subjects of concern
<b>Workers</b>	Bulletin board	Career development and training; equal opportunities; communication and good working conditions and health and safety.
	Mailing	
	Internal campaigns	
	Aqua TV	
	Institutional magazines and newspapers	
<b>Customers</b>	Work meetings	Supply quality and continuity; customer service, channels for service and complaint management; transparency and accuracy in charges.
	Contact Center and websites	
	Commercial agencies	
	Bills	
<b>Shareholders</b>	Perception and satisfaction surveys	Rent profitability; investment stability; risk management and management transparency.
	Website (special section)	
	Responsible for investor relations shareholders meeting	
<b>Suppliers</b>	Annual shareholders meeting	Equal and transparent conditions; prompt payment; opportunities for development.
	Supplier website	
	Contract management relationship	
<b>Authorities</b>	Risk prevention area relationship	Compliance with standards; collaborative relations; contribution to local development.
	Work meetings	
	Reports	
<b>Neighboring communities</b>	Aló Vecino (system)	Impact management; dialogue and involvement and opportunities for local development.
	Working groups	
	Programs for community involvement	

G4-15, G4-16

Moreover, the company belongs to and supports various local and international initiatives in economic, social and environmental matters.

1 ABOUT AGUAS ANDINAS

**AGUAS ANDINAS' MEMBERSHIP AND ASSOCIATIONS**

- United Nations Global Compact, Aguas Andinas is part of this initiative since 2006,
- The Abertis Foundation's "2015: A better world for Joana" campaign, to disseminate the Millennium Development Goals (MDGs) of the United Nations.
- National Association of Sanitation Services (ANDESS).
- American Association of Sanitation and Environmental Engineering (AIDIS) Chile.
- Business and Professional Association for the Environment (AEPA)
- PROhumana Foundation
- Operating Committee of Service Companies (COESE)
- Chilean Safety Association (ACHS)
- Spanish Chamber of Commerce Chile
- Association of Municipalities Cordillera Park
- Action CSR. Representative in Chile of World Business Council for Sustainable Development
- Industrial Development Society (SOFOFA)



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## AGUAS ANDINAS WITHIN THE INDUSTRY'S CONTEXT



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# 2\_ AGUAS ANDINAS WITHIN THE INDUSTRY'S CONTEXT



**G4-EC2, G4-2**

Water is an essential resource for the development of cities, countries and people. Aguas Andinas assumes its task of preserving and efficiently managing this resource responsibly.

The global sanitation industry faces a number of challenges that require the attention and collaboration of various agents. Climate change, population growth, economic development and pollution are phenomena that undoubtedly put pressure on the availability and quality of the resource and the infrastructure requirements necessary to ensure continuous supply and quality.

In particular, climate change, attributed by the scientific community to global warming, produces effects with the potential to alter rainfall patterns and increase the risk of droughts, as well as the occurrence of extreme weather events such as severe storms, landslides, and floods.

Weather phenomena have affected the center-north of the country, causing one of the worst droughts in the past 100 years. In this context, Aguas Andinas has taken an active role in the search for solutions in the short, medium and long term, with the aim of safeguarding the availability of water for human consumption.



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**2.1\_SUPPLY CONTINUITY AND QUALITY ADDITIONAL WATER RESERVES**



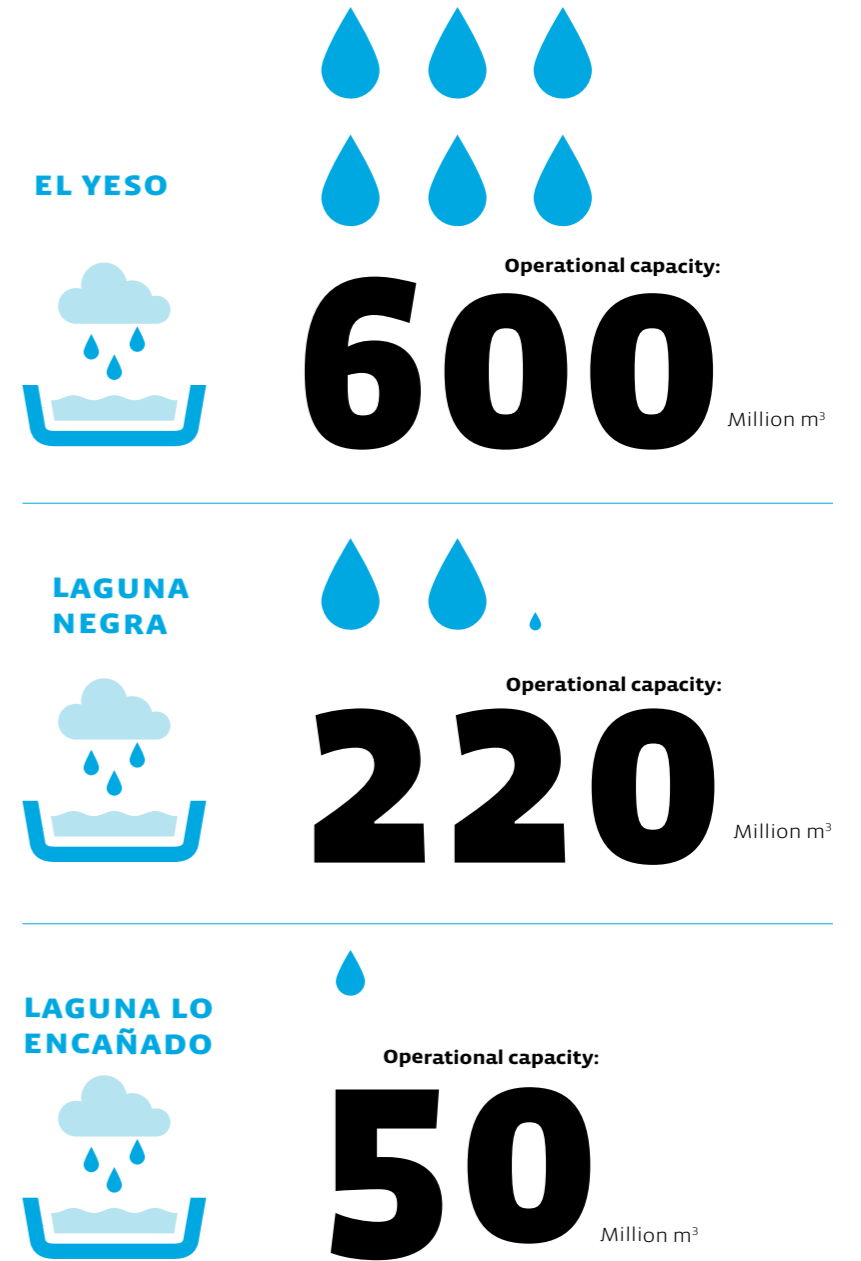
Water supply continuity and quality for Santiago's inhabitants is a challenge that has become more complex due to natural phenomena attributed to climate change, including drought, warm rains and the almost impossibility of predicting the climate.

In the past five years, the Metropolitan Region has faced an unprecedented drought and through its investments, the Company has promoted collaborative work among different users of the Maipo River, which has led to comprehensive resource management ensuring water to all production activities.

In addition, the high temperatures that cause the convective summer rainfalls are responsible for the Andean landslides that elevate the turbidity of the Maipo River to extreme levels. This high turbidity makes the production of potable water unfeasible. Faced with this risk, Aguas Andinas started an investment plan aimed at increasing the autonomy of the system by building new water reservoirs, which will provide greater security to supply in emergency situations. The first stage entered into operation in 2014 and represented a 25% increase in potable water reserves. The second phase will be operational in 2018 and involves the construction of raw water reserve.

The two before mentioned measures are in addition to the continued protection of existing reserves. This is conducted through the continuous monitoring of hydric recharge balances in respect to water supply needs. At all times, an optimal use is favored in order to ensure the continuity, quality and quantity of potable water. Since these sources are strategic and vital for the population, their physical security is controlled through inspections and restricted access.

**ADDITIONAL WATER RESERVES**



\*The volume collected in 2014 was 182.3 million m³.

2\_ AGUAS ANDINAS WITHIN THE INDUSTRY'S CONTEXT

2.1.1\_INITIATIVES TO MITIGATE THE EFFECTS OF DROUGHT

INITIATIVES TO MITIGATE THE EFFECTS OF DROUGHT



Aguas Andinas reached the following agreements in order to meet the adequate reservoir storage and supply goals for the 2015-2016 summer:



- ▶ Agreement with the Supervisory Board of the Maipo River under the formula of water lending from irrigators to Aguas Andinas.
- ▶ Raw water purchase from the Sociedades de Canalistas, according to availability of each associations.
- ▶ Water lending and/or purchase of raw water from power generation companies.

- The estimated cost of raw water purchase, in addition to the compensation paid to electricity companies for lower generation, is in the order of 3 billion pesos.
- Approval of the construction of a series of works that increase potable water production by 1250 liters per second:



- ▶ Increase in production capacity of the Padre Hurtado Plant by 750 liters per second, work that will go into operation in late 2016.
- ▶ Construction of wells at the Cerro Negro and Antonio Varas systems for a total of 500 liters per second, work that will go into operation in late 2015.

INITIATIVES TO INCREASE SUPPLY SECURITY



Aguas Andinas designed two sets of works that allow the Company to face high turbidity episodes in its surface water sources:

The first set of works (completed) increase the autonomy of supply in periods of high turbidity from four to nine hours. The works included:



- ▶ Construction of a 5 km pipeline for the interconnection from the El Yeso Reservoir to the Las Vizcachas Complex, which can dilute the high turbidity water entering the Las Vizcachas Complex.
- ▶ Construction of wells that will allow for the extraction of 300 liters per second in southern Santiago, increasing the availability of groundwater.
- ▶ Construction of 225,000 m3 of safety storage tanks

The second set of works consists of:



- ▶ Construction of a raw water reservoir with 1.5 million m3 capacity (operational in 2017) located upstream of the Las Vizcachas Complex, increasing the supply autonomy in high turbidity periods from nine to 32 hours.
- ▶ Improvement works at the Padre Hurtado Plant (operating in late 2015), increasing the automatic extraction of sludge from the plant that allow treating a larger flow in times of turbidity.



2\_ AGUAS ANDINAS WITHIN THE INDUSTRY'S CONTEXT

**2.2\_COMPREHENSIVE OPERATIONS MANAGEMENT**



Aguas Andinas ensures safety, efficiency and continuity in its business with a comprehensive management approach allowing continuous process improvements under international certifications.

Through its Quality, Safety and Environment Policy, the company has certified its environmental management under ISO 14001, its process quality assurance through ISO 9001, its workers occupational health through OHSAS 18001 and has recently certified its business continuity model under ISO 22301.

Aguas Andinas' business continuity model allows the organization to work transversally, directly interrelating risk management, and the ISO certification and management systems when dealing with an emergency and/or crisis.

Each corporate management area maps its major risks, risks which have been analyzed and mitigated through procedures that include actions to be taken in an emergency and how to manage communication and coordination with relevant stakeholders such as suppliers, emergency services, relevant staff and technological management of equipment and information.

This model allows us to manage the physical infrastructure or reputational consequences of an event, through the maintenance of critical processes or services that could be affected by a disruptive incident, and the maintenance and recovery of corporate systems (e.g. SAP, billing, web page, e-mail) and operational systems (e.g. SCADA).

The main challenges are improving management integration systems through the reduction of inefficiencies and increased coordination and synergies between the Company's areas involved in an event.



2\_ AGUAS ANFINAS WITHIN THE INDUSTRY'S CONTEXT

**2.3\_PROMOTING INNOVATION**

In recent years, research, development and innovation (R&D+i) have played a key role in all Aguas Andinas' work processes and the challenges involved in managing the integrated water cycle. In this context, the Company seeks to be a driving force behind initiatives, by itself or together with other governmental or academic institutions, to systematize the management of R&D+i in the Aguas Group, thus enabling the development, promotion and implementation of innovative solutions with high added value.

Studies related to water resources are performed continuously in order to increase awareness of these resources and their different sources, such as pluvial, nival, or glacial. For example, on the issue of water resources associated with glaciers, there has been progress in understanding the magnitude and value of their contribution to the Maipo River Basin surface water resources and how they are a relevant element during summer months and in particular during periods of drought. This is done through company studies and in the MAPA project framework, in collaboration with the Pontificia Universidad Católica de Chile.

**MAPA Project "MAIPO: Adaptation Plan"**

Project in which Aguas Andinas participates by contributing valuable information and resources is entering its third and last year. Led by the Center for Global Change at the Pontificia Universidad Católica de Chile, it has as its main objective to "Coordinate the development of an adaptation plan in regards to the variability and climate change in the Maipo River Basin derived from the analysis of the vulnerabilities of the different types of water users".



## 2\_ AGUAS ANDINAS WITHIN THE INDUSTRY'S CONTEXT

During 2014, Aguas Andinas invested more than 427 thousand euros (over 300 million pesos) in various research and innovation projects, and expects to invest more than 652 thousand euros in 2015 (over 450 million pesos).

Chilean Water Research Center (Cetaqua Chile), is an initiative currently underway, which is expected to become an example in terms of taking advantage of the synergies between the academic, research and business worlds. Cetaqua Chile will be a non-profit corporation that promotes, develops, and communicates integral water management research, technological development and innovation throughout the country. This initiative includes the participation of Aguas Andinas, Federico Santa María Technical University, Aqualogy Chile and the Spanish National Research Council (CSIC). Amongst its benefits, this initiative will strengthen the link with the

Cetaqua Center Network. These institutions working conjointly to maximize the development of research and innovation projects on an international level.

Moreover, the “ Emerge: ideas born from water “ project was launched in 2014, which is Aguas Andinas’ new Management Innovation project. Among its main objectives is to attract and promote new ideas related to the water cycle, generating a pipeline of innovative projects, stimulating the culture of innovation, incorporating innovation in the company’s genetics and generating benefits for stakeholders.

The project has a Corporate Innovation Committee that meets to decide which of the innovative proposals continue to the next stage of “Development”, with Aguas Andinas’ technical and financial support.

Aguas Andinas was awarded with the “Outstanding Innovation Breakthrough 2014” award, in the ranking “Most Innovative Companies Chile 2014”, which is prepared by the ESE Business School, Universidad de Los Andes.



### INNOVATIVE PROJECTS OUTSTANDING IN THE “EMERGE” PROGRAM

#### AQUAGLASS

A mobile application that uses geographic information systems (GIS) and Augmented Reality technology to deliver support information for the inspection of works, domiciliary requirements and network management, providing instant information regarding networks, customers, work in progress, and historical information, among others.

#### NANOTECHNOLOGY

Aims to develop an arsenic removal system using nanoparticle technology so that it is applicable to a wide range of concentrations and reduces the Capex and Opex of current technologies.

#### HORUS

This project aims to optimize customer service channels, providing more information on flow and behavior using image analysis software, in order to increase customer satisfaction.

#### TELEWORKING

Aims to create a new system of labor flexibility for employees.

#### TECHNICAL WEBSITE

Implementation of the Aguas Group Technical Website that focuses on real estate information.

2\_ AGUAS ANDINAS WITHIN THE INDUSTRY'S CONTEXT



2.4\_ENHANCING COLLABORATION AND DIALOGUE

G4-S06

Aguas Andinas participates in various organizations in order to enhance and intensify dialogue, interaction and collaboration of various stakeholders, both public and private, related to the integrated water cycle.

The company is part of the Interamerican Association of Sanitation and Environmental Engineering (AIDIS), the Association of Businesses and Professionals for the Environment (AEPA) and the National Association of Sanitation Services A.G (ANDESS). Working hand in hand with these associations, Aguas Andinas seeks to encourage best practices in the industry and to be at the forefront of new technologies that allow for caring of water resources, sustainability and delivering excellent service.

ANDESS is responsible for guild communication with authorities. It is through this organization that industry feedback is provided to ministries or other institutions that require feedback regarding issues related to the sector (water, sanitation, environment, etc.)

Aguas Andinas also maintains good communication with authorities and regulators. This happened, for example, with the National Standard of Odors study, where a special committee of specialists from the different companies contributed to the discussion. Moreover, Aguas Andinas has been invited to publicize the industry's vision to the National Congress Committees on various bills related to the sector, such as amendments to the Water Code and sewage reuse, among others.

**Bureau of Water and Environment**

Aguas Andinas is part of the Bureau of Water and Environment, an initiative promoted by ANDESS and the Department of Environmental Sciences and Natural Renewable Resources of the University of Chile (DCA&RNR) which has been in operation for four years. This initiative is made up of civil society organizations, private agents, academics, innovation agencies, international organizations and authorities, the latter participate as observers.

The purpose of the Bureau is to analyze important issues and a set of short and long-term initiatives with a multidimensional view of the problems regarding water.

Finally, what is sought is to offer proposals to improve the regulatory and institutional arrangements, promoting best practices.

The result of the Bureau's dialogue in these four years is reflected in a series of consensus and proposals, as well as the identification of disagreements on matters that need to be worked together. These were presented at the seminar "Water crisis: diagnosis and proposals from the consensus of the Water and Environment Initiative", on July 24, 2014.





# Chapter\_03

## EFFICIENT AND ECO-FRIENDLY OPERATIONS



About Aguas Andinas

Aguas Andinas within industry's context

Efficient and eco-friendly operations

Service responsibility

Labor practices

Responsibility in supply chain

Responsibility in neighbor communities

Economic and financial performance

About this report

# 3 EFFICIENT AND ECO-FRIENDLY OPERATIONS

**G4-14**

Aguas Andinas efficient operations management is closely related to environmental protection. Accordingly, by managing the complete water cycle, it seeks:

- To promote sustainable management of water resources in the medium and long term.
- To contribute to the continuous improvement in resource quality and quantity.
- To strengthen environmental commitment.
- To optimize operational and maintenance resources, and investment management.



**IDENTIFICATION**

- Aspects identification and environmental impacts assessment.
- Hazards identification and labor risks assessment.
- Operational risks identification and assessment.



**MANAGEMENT**

- Plans related to emergencies, operations, safety, occupational health, environment and business continuity.
- Management plans for hazardous waste.
- Management systems periodic reviews with Senior Management.
- Internal and external audits of the comprehensive management system.



**COMPLIANCE**

- Control and monitoring of environmental qualification resolutions.
- Specific actions to prevent and mitigate significant impacts.
- Identification and evaluation of legal requirements compliance

### 3\_ EFFICIENT AND ECO-FRIENDLY OPERATIONS

#### 2015-2020 OPERATIONAL PLAN

##### G4-EN8, G4-EN9

In 2014, Aguas Andinas developed its 2015-2020 Operational Plan, which through 8 action plans and an estimated investment of over 220 billion pesos, is designed to increase the reliability and safety of processes and operations with a client-centric approach. One of the measures that will be implemented is the strengthening of controls and the reduction of operational risks, which will position the company among the most efficient companies worldwide by 2020.

Among its main objectives is to increase the level of automation of our water distribution network in order to allow us to have a reliable, strong, secure and timely operation, together with generating an efficient network renovation plan.

In addition, this project will allow the Operations Control Center (CCO) to operate at the highest international standards, becoming a center of advanced monitoring, with an improved strategy and technology in potable water quality control.

To complement water distribution improvements, the Company is currently working to improve maintenance strategies to ensure equipment availability and permanence, deliver product quality and continuing service. In addition, the maintenance activities are aimed at converting the Company's visible properties into key axis of integration with the community.

THE 2015-2020 OPERATIONAL PLAN CONSIDERS A SERIES OF INITIATIVES. AMONG THEM ARE:

**01**

**Hydraulic efficiency plan, which aims to reduce the company's physical and commercial losses from 29% to 20% in 6 years.**

**02**

**Comprehensive Maintenance Plan.**

**03**

**Facilities' Improvement Plan.**

**04**

**Strategic Operation Plan.**

**05**

**Potable Water Quality Control Plan.**

**06**

**Network Automation Plan to ensure reliable, strong, secure, immediate and timely operation ensuring continuity of service.**

**07**

**Plan to raise the technological standards of the Operations Control Center aimed at transforming it into a Company's resources management center.**

**08**

**Plan to technologically upgrade the Potable Water Production Plants, in order to improve and automate control processes.**



3\_ EFFICIENT AND ECO-FRIENDLY OPERATIONS

3.1\_INTEGRATED WATER CYCLE

The integrated water cycle management includes the processes of resource collection from natural sources, drinking water production, distribution, and sewage collection and treatment, and ends with the restoration of the clean water to the environment. A description of the process is presented alongside key performance indicators.



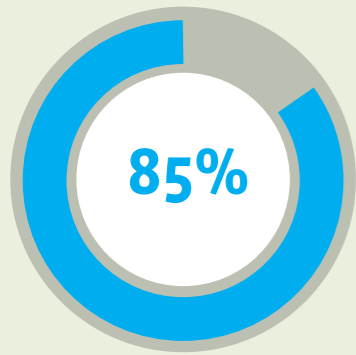
### 3\_ EFFICIENT AND ECO-FRIENDLY OPERATIONS

#### 3.1.1\_RAW WATER CAPTURE

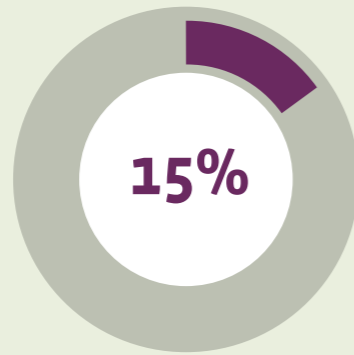
G4-EN8, G4-EN9

The drinking water production process starts with the raw water capture, coming from different sources in the Metropolitan Region. Eighty five percent of raw water collected by Aguas Andinas comes from surface sources, mainly from the Maipo and Mapocho Rivers. The remaining 15% is extracted from natural aquifers that cross the basement of the concessioned area. These underground sources consist of 283 deep wells and drains that extract water from three aquifers.

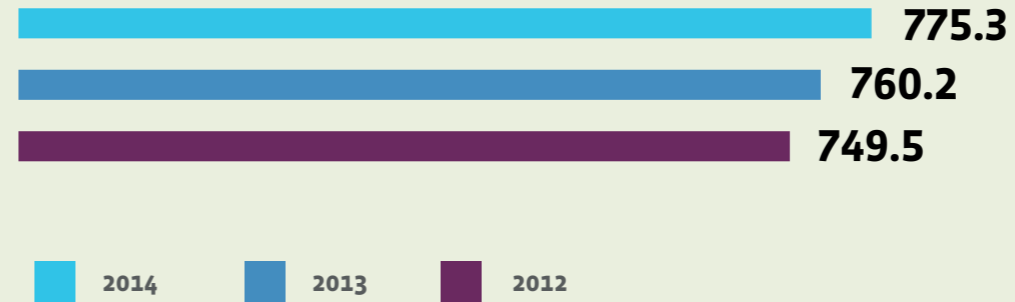
SURFACE WATER



UNDERGROUND WATER



#### QUANTITY OF RAW WATER COLLECTED (MILLIONS M³)



#### MAIN SURFACE SOURCES FOR WATER COLLECTION 2014

SOURCES	TOTAL VOLUME (M3)	COLLECTION (M3)	% WATER EXTRACTED FROM FLOW
Maipo River	2,202,700,090	528,970,790	24%
Mapocho River	64,092,902	37,424,470	58%
Arrayán Estuary	15,513,466	7,041,344	45%
<b>Total</b>		<b>573,436,604</b>	

### 3\_ EFFICIENT AND ECO-FRIENDLY OPERATIONS

#### 3.1.2\_DRINKING WATER PRODUCTION

Raw water has to be processed to become suitable for human consumption. This is done through two main processes:

- Physical processes that remove rubble, branches, paper, gravel, sand among other elements present in the collected water; and
- Physicochemical processes for water clarification, including primary coagulation, primary flocculation, pre-decantation, second stage of coagulation and flocculation

The production of drinking water is done in Las Vizcachas complex, La Florida's potable water production plant and 12 smaller facilities.

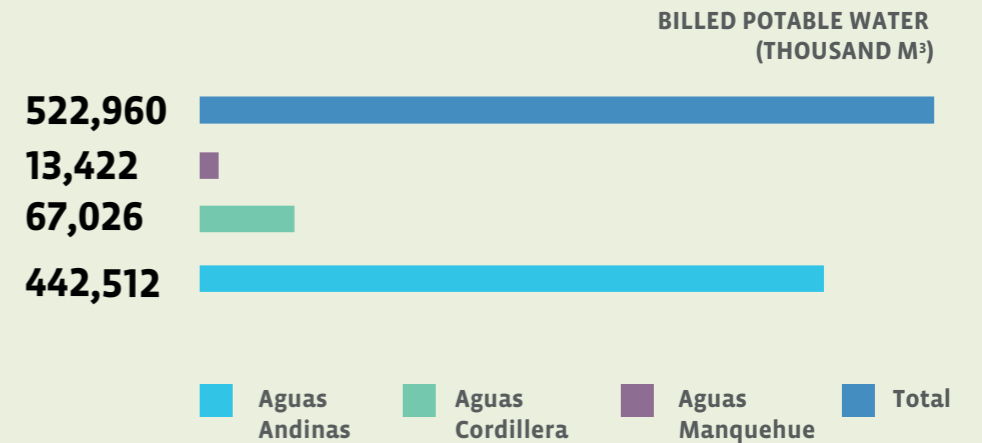
#### 3.1.3\_ STORAGE AND DISTRIBUTION

Drinking water from production plants passes through five major aqueducts towards 140 storage tanks having a capacity of 745 million liters. From there, water is transported through 13,047 kilometers of underground pipes that supply households or customer premises. The tanks are strategically located in different parts of the Metropolitan Region and they are filled every night in the lower consumption hours. Thus, they are full in the morning, allowing water to be continuously delivered to the whole population

Did you know that the average water consumption of a family of five is 25 thousand liters per month? This corresponds to about 100,000 glasses of water approximately.



During 2014, Aguas Andinas billed its customers 522 million m<sup>3</sup>.



### 3\_ EFFICIENT AND ECO-FRIENDLY OPERATIONS

#### HYDRAULIC EFFICIENCY AND LEAKAGE CONTROL

G4-EN27, G4-EN30

Because the efficient use and distribution of water is a strategic issue for Aguas Andinas, it is important to recognize that managing such an extensive distribution network presents challenges for sanitation companies in complying with the objective of maximizing efficiency, optimizing water production, distribution, maintenance works and renewal of assets. In this context and for our industry, water losses during the distribution process represent an organizational technical and operational management indicator.

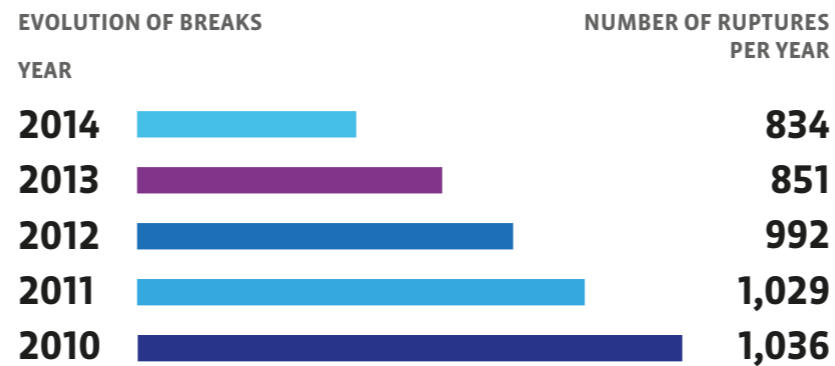
Aguas Andinas' unregistered water (ANR) is nearly 29%; this is the difference between the water entering the distribution system and the consumption volume turnover, which represents an efficiency greater than 70%.

Although this figure is higher than the national average, which is about 65%, the Company aims to be at the level of the most efficient and modern companies in the world, which hold an 80% efficiency. Consequently, the Director Plan of Hydraulic Efficiency (PDEH) has been developed and approved in 2014, which aims to achieve this 80% efficiency goal by 2020.

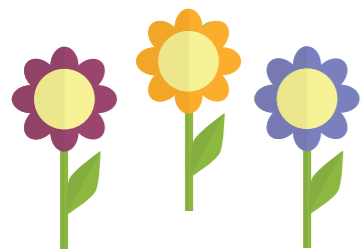
The Plan consists of three phases: Phase I, 2014-2015, plan evaluation and preparation; Phase II, 2016 - 2020, execution and construction of projects defined and designed in Phase I; and Phase III, 2016 and on, considering a stage of exploration and development. The objective of this phase is to achieve the commissioning of the Hydraulic Efficiency Plan gradually from 2016, so that at the end of 2020, the proposed goal is reached.

Regarding leak control, we are very proud to say that thanks to Aguas Andinas' comprehensive management of water networks, we drastically reduced the number of broken pipes in the distribution network, reaching levels below 0.1 faults/km. This rate is much lower than those considered as excellent by major global sanitation companies.

In 2014, there were 834 broken pipes, which meant 6.4 breakages per 100 km of network. With this, Aguas Group is below the national, regional and European average, according to data from the Superintendence (SISS) (\*) these are at 24, 19 and 228 pipe breaks per 100 kilometers respectively.



<http://www.siss.gob.cl/577/w3-article-10547.html>



### 3\_ EFFICIENT AND ECO-FRIENDLY OPERATIONS



#### 3.1.4\_SEWAGE COLLECTION

Through the sewerage system, sewage is collected to be transported to treatment plants. By the end of 2014, Aguas Andinas, Aguas Cordillera and Aguas Manquehue’s sewerage length reached 10,593 kilometers and more than 513 million m<sup>3</sup> of sewage was billed.

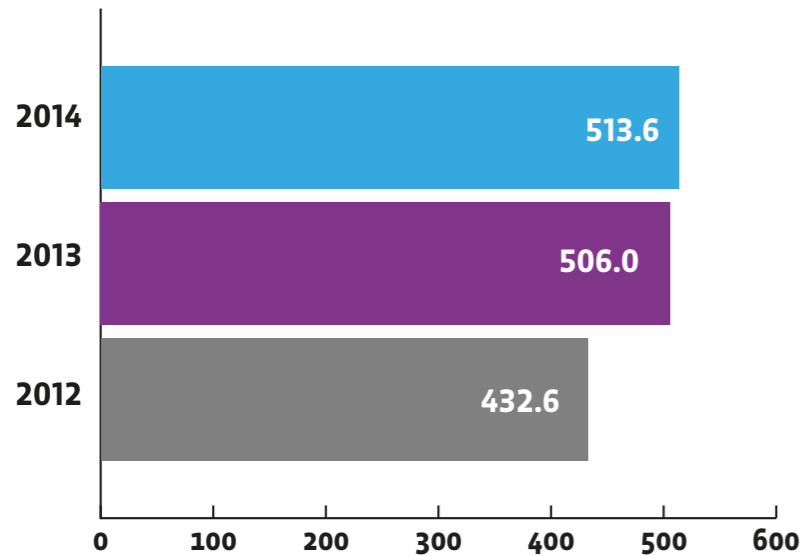
Santiago is the first city in the region to achieve 100% sewage decontamination in the basin. This was one of the most challenging and successful projects that the Company has performed.

#### G4-EN10

For this process, Aguas Andinas has three large plants: El Trebal (2001), La Farfana (2003) and Mapocho Plant (2013), in addition to 13 other smaller plants located in peripheral locations. The total treatment capacity of all plants amounts to about 16.456 m<sup>3</sup> per second.

In 2014, more than 523 million m<sup>3</sup> of decontaminated and safe waters there reintegrated to the system of natural waterways, thus completing the full water cycle<sup>(3)</sup>.

SEWAGE COLLECTED (MILLIONS M<sup>3</sup>)



<http://www.siss.gob.cl/577/w3-article-10547.html>

#### TOTAL OF TREATED SEWAGE DISCHARGE IN 2014

WASTEWATER PLANT	QUANTITY (M <sup>3</sup> )	PLANNED/ NOT PLANNED	DESTINATION	TREATMENT METHOD	WATER QUALITY	PARAMETER USED
Mapocho-Trebal	197,510,631	Planned	Mapocho River	Activated sludge	Water purified at plant	Supreme decree 90
Mapocho-Trebal	3,717,970	Planned	Mapocho River	No treatment	Raw water	Bypass in rain period
La Farfana	259,357,563	Planned	Mapocho River	Activated sludge	Water purified at plant	Supreme decree 90
La Farfana	1,520,175	Planned	Mapocho River	No treatment	Raw water	Bypass in rain period
La Farfana	30,968,010	Planned	Irrigators	Activated sludge	Water purified at plant	Supreme decree 90
Other locations	30,816,152	Planned	Depends on the location	Various	Water purified at plant	Supreme decree 90
<b>Total</b>	<b>523,890,501</b>					

Moreover, the sewage treatment process produced 358,115 tons of bio solids, byproduct from purification classified as non-hazardous waste. Bio solids were allocated 33% to landfill, 29% to the Center of Integral Management of Bio solids (CGIB) El Rural and 38% for reuse in agricultural processes.

#### 3.1.5\_DECONTAMINATION AND RECOVERY

The goal of sewage treatment is to purify and decontaminate the water collected before being reintegrated into waterways in a safe and optimal manner both for the environment and for people, complying with the rules and standards in force<sup>(2)</sup>.

<sup>(2)</sup> To guarantee wastewater quality, Aguas Andinas complies with Supreme Decree 90, which establishes the “Emission Standard for the Regulation of Pollutants Associated with the Discharge of Liquid Waste from Surface Marine and Inland Waters.”

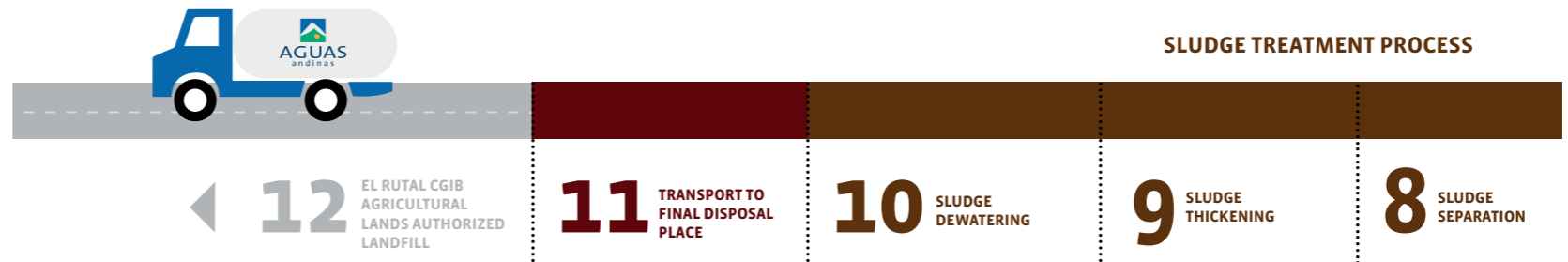
<sup>(3)</sup> There were no spills of hazardous substances that could have affected on human health or the environment during the period of this report. Moreover, Aguas Andinas has no discharge points on protected areas and/or areas rich in biodiversity.



3\_ EFFICIENT AND ECO-FRIENDLY OPERATIONS

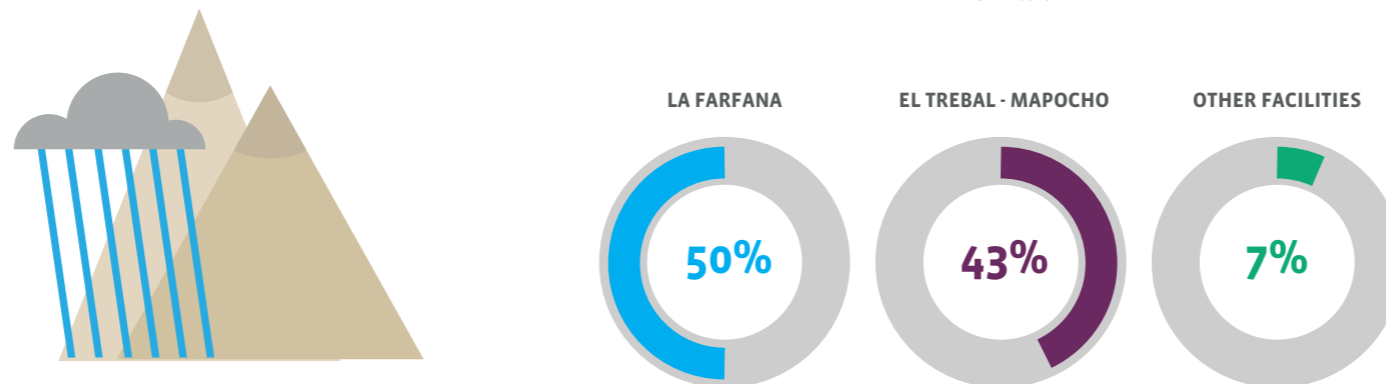


SEWAGE DECONTAMINATION PROCESS



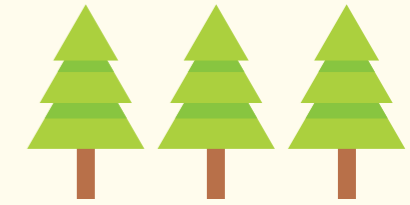
SLUDGE TREATMENT PROCESS

ORIGIN OF BIOSOLIDOS PER PLANT



3\_ EFFICIENT AND ECO-FRIENDLY OPERATIONS

3.2\_ CARBON FOOTPRINT IN THE WATER CYCLE



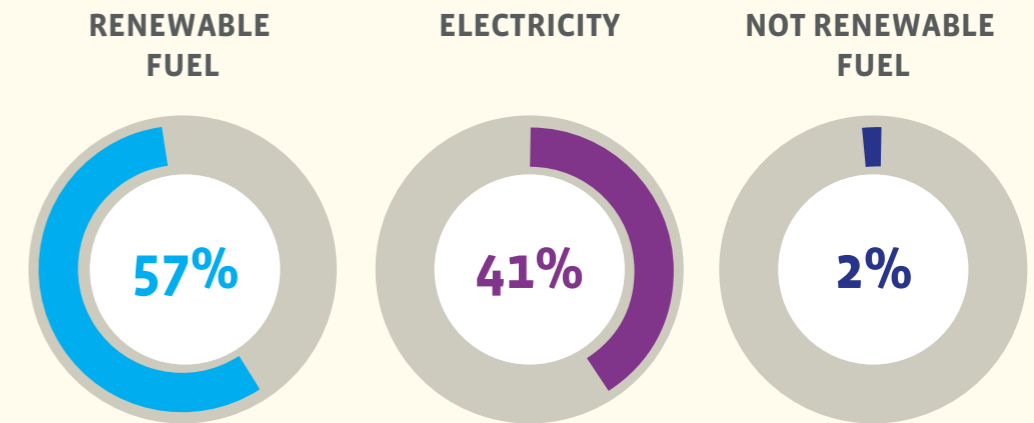
3.2.1\_ ENERGY CONSUMPTION

G4-EN3

Reducing Aguas Andinas' environmental footprint related to energy and greenhouse gases emissions (GHGs) depends on two major efforts: the efficient management of processes with high-energy demands and the selection of energy sources with less environmental impact. The latter, because non-renewable energy sources usually have higher GHG emissions.

Consequently, in addition to generating efficiencies in operational processes, Aguas Andinas has made a gradual innovation effort with the aim of increasing the proportion of non-conventional renewable energy used, using biogas generated as a by-product of the sewage treatment process as an energy source.

Today consumption of energy from renewable fuels represents 57% of the total, thus reducing the electricity consumption of the organization.



TOTAL ENERGY CONSUMPTION ACCORDING TO SOURCE <sup>(4)</sup>

ENERGY SOURCE	UNIT	2012	2013	2014
Non-renewable fuel	Gigajoule	61,990	29,433	48,113
Renewable fuel	Gigajoule	1,013,754	1,107,108	1,131,263
Electricity	Gigajoule	804,489	809,441	805,116
Energy Sales (City gas And electricity)	Gigajoule	273,882	203,416	81,300
<b>Total Consumption*</b>	<b>Gigajoule</b>	<b>1,606,351</b>	<b>1,742,566</b>	<b>1,903,192</b>

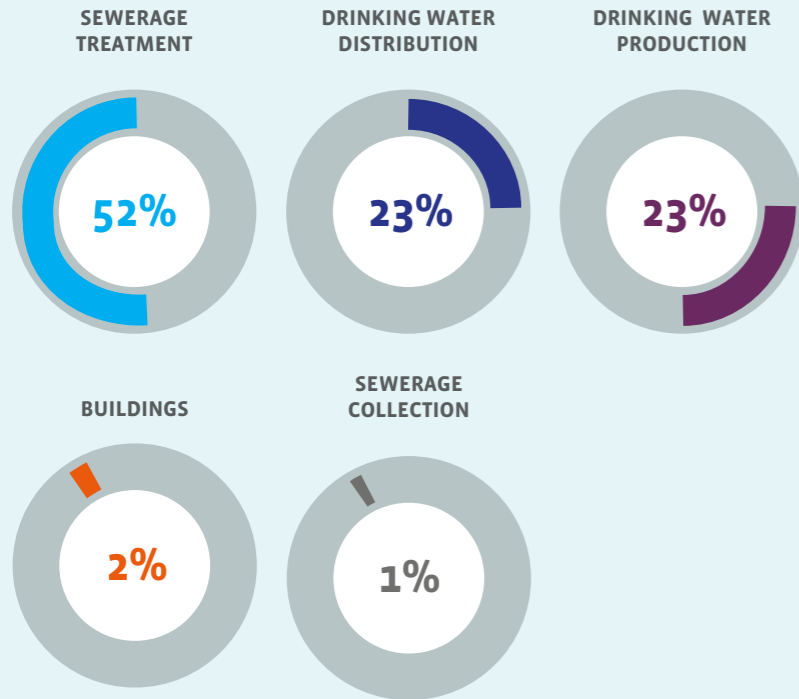
<sup>(4)</sup> Total energy consumption: total consumption of fuels + electricity consumption - total energy sales. Gigajoule is used as measurement unit to compare the consumption of different energy sources.



3\_ EFFICIENT AND ECO-FRIENDLY OPERATIONS

When evaluating energy consumption per process, it is observed that more than half of the consumption occurs in the sewage treatment process. Accordingly, efforts to optimize energy consumption are focused on that process.

ELECTRICITY CONSUMPTION PER PROCESS



Total energy consumption: total consumption of fuels + electricity consumption - total energy sales. Gigajoule is used as measurement unit to compare the consumption of different energy sources.

As a challenge, Aguas Andinas aims to certify its sewage treatment plants under the international standard of energy efficiency ISO 50001, starting in 2015.

G4-EN5, G4-EN6

During 2014, energy efficiency measures were implemented in the Mapocho-Trebal treatment plant that included a change of LED bulbs and improvements in the aeration systems of the biological ponds. This improved the ratio of energy consumed per m<sup>3</sup> of treated water in the plant from 0.3006 kWh/m<sup>3</sup> in 2013 to 0.2949 kWh/m<sup>3</sup> in 2014, representing a real saving of more than 1.12 million kWh in 2014.

In addition, a demand control during peak hours was added to the aeration logic modification process that began in 2013 at the La Farfana wastewater treatment plant. This allowed energy reductions of 18,669 GJ/year, improving the ratio of energy consumed in aeration per m<sup>3</sup> of treated water from 0.118 kWh/m<sup>3</sup> in 2012 to 0.099 kWh/m<sup>3</sup> in 2014. This process efficiency over the total plant consumption is reflected in the improvement of the ratio of energy consumption per m<sup>3</sup> of treated water: 0.279 kWh/m<sup>3</sup> in 2012 to 0.251 kWh/m<sup>3</sup> in 2014.

Finally, the Company keeps track of external energy consumption to complete the measurement of its carbon footprint. This consumption includes the transport of reagents, waste and bio solids; tasks that are performed by a third party and not by the Company. External consumption during 2014 was close to 1.58 million liters of diesel (equivalent to 60,591 Gigajoule).

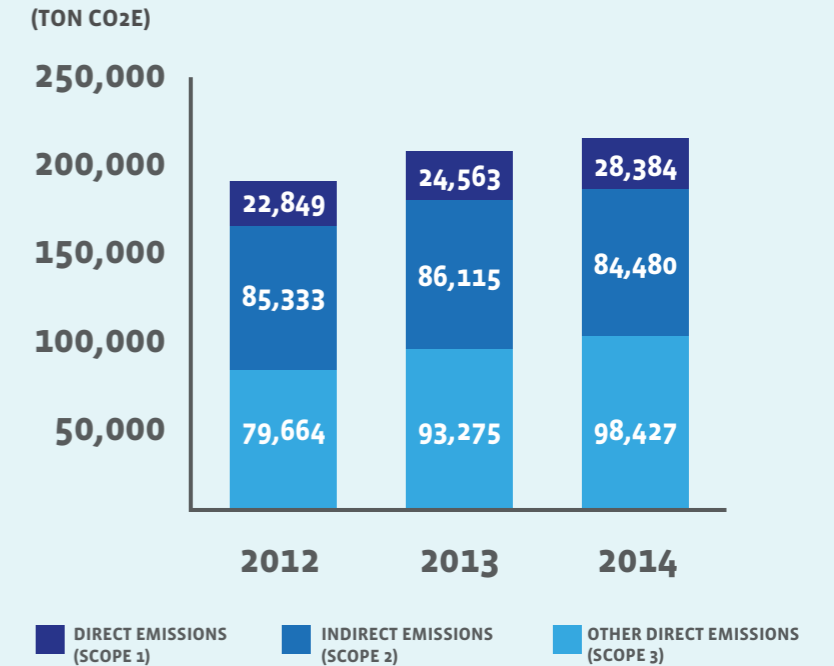
3.2.2 EMISSIONS

G4-EN4

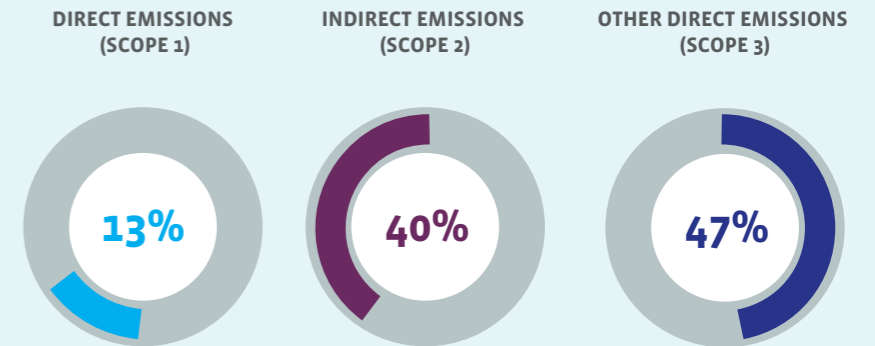
Starting in 2009, Aguas Andinas has measured its carbon footprint (GHG emissions) as part of its operational control process, implementing international GHG protocol-IPCC methodology.

During 2014, there was an increase in the direct emissions generated by the organization (Scope 1). This was mainly due to the production of potable water and its transport, a higher volume of raw water collected from groundwater sources and intensive well use. The reduction of indirect emissions by purchasing electricity (Scope 2) is due to the use of co-generated electricity from biogas in the Mapocho Trebal sewage plant, which by 2014 was able to supply nearly 70% of the facility's energy requirement.

AGUAS ANDINAS' CARBON FOOTPRINT



EMISSIONS PER SCOPE



### 3\_ EFFICIENT AND ECO-FRIENDLY OPERATIONS



#### AGUAS ANDINAS CARBON FOOTPRINT 2014

EMISSION SOURCE	UNIT OF MEASUREMENT	DIRECT EMISSIONS (SCOPE 1)	INDIRECT EMISSIONS (SCOPE 2)	OTHER INDIRECT EMISSIONS (SCOPE 3)	TOTAL
Drinking water production	CO2e Tons	748	21,702	3,605	26,055
Drinking transport and distribution	CO2e Tons	5,390	21,393	1,573	28,356
Non-productive buildings	CO2e Tons	457	1,966	55	2,477
Sewerage	CO2e Tons	1,568	450	11	2,029
Sewage treatment	CO2e Tons	20,222	38,970	93,183	152,375
<b>TOTAL</b>	<b>CO2e Tons</b>	<b>28,384</b>	<b>84,480</b>	<b>98,427</b>	<b>211,292</b>

#### G4-EN18

Just like energy consumption, over 70% of emissions are concentrated in the sewage treatment process. Therefore, the effect of energy efficiency in relation to the emission intensity of the treatment plants (quantity of CO2 emitted per m3 treated) is evaluated. During 2014, there has been a reduction of almost 7% of the emission intensity in this process, showing the success of efficiency and reduction initiatives.

#### SEWAGE TREATMENT EMISSION<sup>(9)</sup> INTENSITY

CONSIDERED FACTORS	MEASUREMENT UNIT	2013	2014
Emissions	Co2e Tons	151,762	152,375
Treated sewage	M3	484,017,782	518,652,356
Intensity	CO2e Kg	0.31	0.29

#### OTHER EMISSIONS

ORIGIN OF EMISSION	Actual data, operation hours				Data 24H/365 days			
	NOx Tons		Sox Ton		NOx Tons		Sox Ton	
	2013	2014	2013	2014	2013	2014	2013	2014
Farfana	2.40	3.84	3.20	4.48	5.77	10.28	8.00	12.26
Trebal-Mapocho*	0.60	4.88	0.15	0.17	5.70	8.4	1.18	1.08

Data increased because since 2014 electricity co-generation engines data is included (total data is presented: boilers and co-generation engines). **G4-22**

<sup>(9)</sup> The emission intensity is equal to: Total emissions of the sewage treatment/total flow of treated water (effluent).



### 3\_ EFFICIENT AND ECO-FRIENDLY OPERATIONS

#### 3.2.3 UNCONVENTIONAL RENEWABLE ENERGIES (URE)

Sewage treatment generates biogas as by-product of organic matter biodegradation. Through an innovation in its processes, Aguas Andinas harnesses this resource, generating energy that is consumed internally and sold to the system as electricity or as gas to generate city gas.

By harnessing biogas as an energy source, the Company reduces its emissions by changing the energy source, since it prevents emissions that would otherwise result in the burning of fossil fuels.

#### ANNUAL EMISSION REDUCTION

Emission	Measurement unit	2013	2014
Avoided	CO2 tons	32,301	5,172
Reduced	CO2 tons	29,661	34,563



#### MAPOCHO-TREBAL PLANT ELECTRICITY COGENERATION PROJECT

Biogas generated in the Mapocho-Trebal sewage treatment plant (WWTP) is suitable to be admitted as fuel to three cogeneration engines that produce electricity.

In addition, gases emanating from the combustion of the engines are used for generating thermal energy.

The electricity that results from the cogeneration process is transformed in order to be distributed to the plants core network and/or exported to the general electricity grid feeders of the central grid (SIC).

During 2014, the three-cogeneration engines produced 39 million kWh of electricity. This energy allowed to cover 68% of the energy needed to operate the plant. Part of the electricity generated is sold to the central grid (SIC).

Destination	Unit	2012	2013	2014
Internal consumption	Gigajoule	8,827	107,610	142,041
Sales (electricity)	Gigajoule	0	9,551	6,728

#### LA FARFANA CITY GAS PRODUCTION PROJECT

The biogas generated in the La Farfana sewage treatment plant (WWTP) has three main destinations: It is used in the WWTP boilers to heat the bio digesters; it is sent (until September 2014) to the Metrogas city gas factory, with which there is an agreement. Finally, unused biogas is flared.

Destination	Unit	2012	2013	2014
Internal	Gigajoule	205,919	241,761	205,800
Production of city gas	Gigajoule	293,481	217,974	87,118
Others (flaring)	Gigajoule	357,057	453,217	605,244



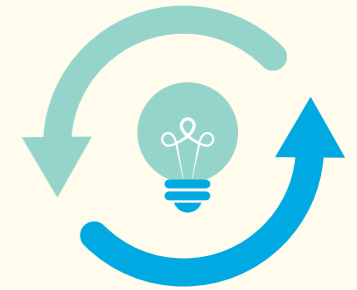
3\_ EFFICIENT AND ECO-FRIENDLY OPERATIONS

3.3\_ENVIRONMENT AND BIODIVERSITY PROTECTION

Aguas Andinas has a key role in preserving the Metropolitan Region’s environment, biodiversity and ecosystems. This is accomplished through a responsible and efficient water resource management, and the restoration of 100% of sewage to natural water resources free of contamination. As part of its Integrated Management Policy, the Company’s approach is always to act responsibly towards the environment, minimizing and mitigating potential impacts of its operations, seeking to raise the standard above mere compliance.

G4-EN11, G4-EN13, G4-EN14

Therefore, Aguas Andinas has implemented various projects for the conservation of unprotected areas rich in biodiversity, located in the Metropolitan Region, areas that the Company has decided to protect voluntarily. These areas are Aguas de Ramón Nature Park, the La Farfana Plant Environmental Lagoon and El Canelo <sup>(6)</sup>.



BIODIVERSITY-RICH AREAS CONSERVATION PROJECTS

NAME	TYPE OF AREA	DESCRIPTION	2014 INVESTMENT
<b>Aguas de Ramón Nature Park</b>	Unprotected area of the Metropolitan Region of great value for biodiversity.  36,000 hectares	Created on July 3, 2002 through an agreement between Aguas Andean, CORFO, PROTECT, CONAF.  It aims to promote the values of life outdoors, environmental education, recreation, sports and nature conservation in the inhabitants of Santiago.	<b>\$ 84,000,000</b> Permanent investment
<b>La Farfana Environmental Lagoon</b>	Lagoon hosting several bird species within the grounds of the La Farfana treatment plant.  15 hectares	Designed by the Chilean Ornithologists Union (UNORCH), its objective is the conservation of water birds and protection of the Santiago Basin ecosystem.  Experts were hired to monitor permanently water quality, diversity and preservation of species in the lagoon.	<b>\$42.000.000</b> Permanent investment
<b>El Canelo</b>	Small sub-basin of the Cajón del Maipo basin  20 hectares	It remains closed to public access, natural space rich in biodiversity (vegetation and avifauna) that is a source of potable water (Estuary El Canelo).	<b>Sin costo.</b> Only Access is restricted

<sup>(6)</sup> Aguas Andinas has no facilities in or near protected biodiversity-rich areas.

### 3\_ OPERACIONES EFICIENTES Y RESPETUOSAS CON EL MEDIO AMBIENTE

#### G4 - EN 13

During 2014, there was a significant increase in waterfowl in La Farfana Environmental Lagoon, which went from 220 to 311 specimens and from 16 to 21 species detected. Among the variety of birds, some classified as “rare” or “inadequately known” were identified, such as Pato Gargantillo and Pato Cuchara, respectively. Furthermore, the presence of a couple of black-necked swans was detected and for the first time they were left to nest and have two chicks. This reflects the conservation degree of this habitat allowing the species permanence and reproduction.

Regarding Aguas Andinas operations, no negative impacts on biodiversity were detected in the period of this report.

During 2014, the interconnection project between the El Yeso reservoir and the Laguna Negra aqueduct came into operation, in the 2013 Sustainability Report 2013 we reported the potential impact on a small wetland area of 0.25 hectares where the project was implemented. While the whole impact expected was not generated, progress was made in the restoration committed. Unfortunately, the restoration has not been as successful as hoped, partly because of the lack of water due to the drought that has lasted several years, and the presence of grazing animals such as horses and goats.

For next year, a Reforestation Plan will be developed of 11.75 hectares in the high mountains, planting xerophilic vegetation existing in the area.



# Chapter\_ 04

## SERVICE RESPONSABILITY



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4\_ SERVICE RESPONSABILITY

# 4 SERVICE RESPONSABILITY



Motivated to promote the development of Santiago and improve the quality of life of its inhabitants, Aguas Andinas operates under principles of excellence and continuous improvement. The service provided allows for the consumption of a vital resource for millions of people, and allows for the operation of 340 health centers, more than 3,500 schools and over 2,500 restaurants, among many other customers and users.

In this context, the Company works to go a step further to meet customer and citizens' expectations that are increasingly demanding, aware and empowered. This requires seamless work in every area of the organization, developing new skills, innovating and leveraging technological advantages in order to improve interactions and adapt ourselves to the changes in society, creating sustainable value for the inhabitants of the Metropolitan Region.

## 4.1 CUSTOMER STRATEGIC PLAN

Customer Service continuous and strategic improvement is part of Aguas Andinas' DNA. The Company's strategic plans have been created and updated in order to gradually incorporate best practices in terms of communicating with customers, better service channels, technologies and information systems, process certification (ISO and OHSAS), technical and human resources development, among others.

The Company is aware that the only way to improve its service is to know and listen to the customer, through a proactive relationship. With this perspective in mind, Aguas Andinas initiated a review process that was the basis of the Customer Strategy Plan. This plan aims to strengthen the link between the Company and its consumers, enhancing sustainability

through three key areas: service availability and quality, service experience, and perception of benefits.

The plan includes 52 initiatives and projects aimed at ensuring basic service availability, enhancing the service experience, which must be agile, simple and decisive, and improving the perception of benefits generated by the Company's work for both the city of Santiago and its inhabitants. We aim to provide our service through multiple channels, apply technology in our customer relationships, develop virtual agencies and mobile applications that facilitates the interaction with our Company, and develop a new survey system that allows us to listen to the customers and include their point of view in our processes; implement a real estate website, among others. The project included three phases. The first consisted in listening to customers through focus groups and interviews to identify connections and links that people have with water and their main interests and concerns about the service.

With this information, the project passed to a second stage, which considered workshops with different company managers to redefine the value proposition. In the third and final phase, a plan was designed with specific goals and objectives such as reducing the average annual customer dissatisfaction from 15% to 8% by December 2020; achieving a 60% of net satisfaction rating in the National Index of Consumer Satisfaction (U. Adolfo Ibáñez y Praxis), among others.

### Citizen Customer

A differentiator of the Customers Strategy Plan is that it tries to recognize customer's dual role as service consumer and citizen. Aguas Andinas' customers deal with the service from two perspectives, as water users in their homes and as city dwellers, which enter into contact with the Company's works, facilities, advertising, and CSR programs, among others. In both areas, Aguas Andinas is able to create value, and therefore, it should integrate this approach in the Company's management and vision.





4\_ SERVICE RESPONSIBILITY

4.1.1 \_CALIDAD Y CONTINUIDAD DEL SUMINISTRO

G4-PR1, G4-PR2

Bearing in mind that sanitation services are an important factor that directly affects the health of its users, the Superintendence of Sanitation Services (SISS) regulates and monitors daily water quality distributed by providers of these services, assessing water quality indicators and service quality.

In addition, in order to comply with what the law<sup>(1)</sup> requires, Aguas Andinas has a quality management system, through which it implements indicative values that are more demanding than those values regulated by the SISS. Internal goals increase every year in order to bring internal defaults to zero. Moreover, there is a comprehensive plan for monitoring indicators that are sent to the SISS that is conducted by an external company<sup>(2)</sup>.



QUALITY COMPLIANCE

WATER QUALITY INDICATOR	AGUAS ANDINAS		AGUAS CORDILLERA		AGUAS MANQUEHUE	
	2013	2014	2013	2014	2013	2014
Bacteriology	99,8%	99,6%	100%	100%	100%	100%
Turbidity	100%	99,6%	100%	100%	97,9%	100%
Free residual chloride	100%	100%	100%	100%	100%	100%
Critical parameters	100%	100%	100%	100%	100%	100%
Non-critical parameters	100%	98,7%	100%	100%	100%	100%
<b>Average</b>	<b>99,9%</b>	<b>99,6%</b>	<b>100%</b>	<b>100%</b>	<b>99,6%</b>	<b>100%</b>

<sup>(1)</sup> In particular, compliance with NCH 409 ensures water safety and suitability for human consumption.

<sup>(2)</sup> During 2014, Aguas Andinas received no sanctions from the SISS in relation to quality of water or service.

QUALITY OF SERVICE COMPLIANCE

SERVICE QUALITY INDICATORS	2013	2014	INDUSTRY AVERAGE*
Potable water service pressure	0,995	0,998	0,991
Potable water quality	100,0%	99,8%	99,2%
Potable water service continuity	0,995	0,998	0,993
Sewerage service continuity	0,997	0,994	0,998
Sewage treatment quality	94,6%	99,8%	96,8%
Accuracy in charge	0,998	0,945	0,998
Companies' response to customers' complaints	0,932	0,889	0,918

\*Data from Management Report of the Sanitation Sector 2013, prepared by the SISS. At the time of writing this report, the Management Report 2014 had not been published.

4\_ SERVICE RESPONSABILITY

4.1.2 \_SERVICE EXPERIENCE

The customer service culture that has been developed within the Company consists of providing a solution to the underlying problem in each contact with the customer. In order to do this, we have a professional team with experience, training and commitment and attention platforms that are available to facilitate communication with customers 24 hours a day every day.

Sixty four top executives are in charge of customer service in the Company's sixteen commercial offices. In addition, the Contact Center operates a telephone helpline which provides 24/7 service, 365 days a year and has more than 80 executives answering 84% of customer calls within 20 seconds. In addition, complaints and comments can be sent through the website, by email and/or through social networks, which have specialized teams in each medium.

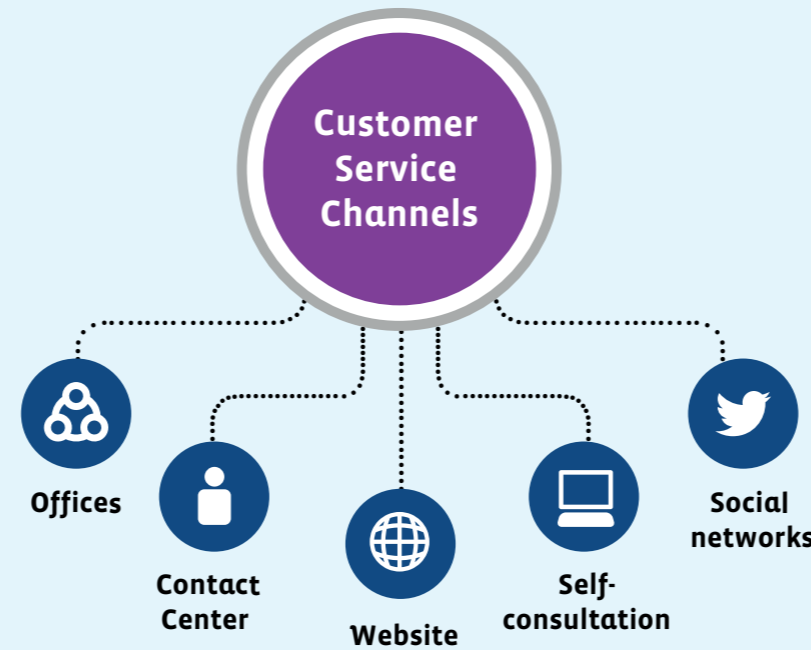
In addition, we have a commercial platform specialized with executives dedicated to claims, a specialized commercial executive unit dedicated to high complexity cases, and a commercial inspectors team on site. For cases in which the customer is not satisfied with the response provided, the Customer Representative intervenes in order to achieve a satisfactory result for the parties.

Its main objective is to guide the customer in solving the problem and identify flaws in the service processes and protocols that have led to the disagreement.

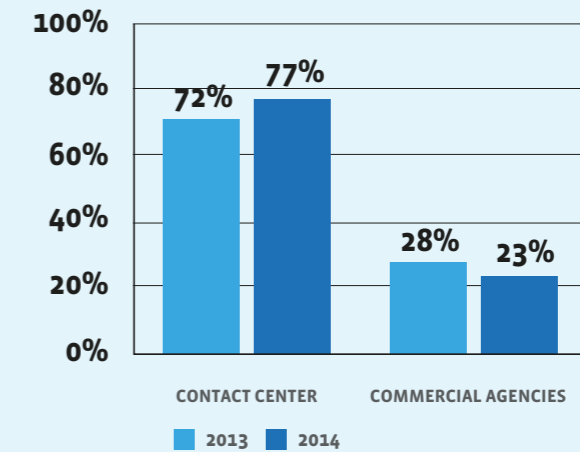
During 2014, 310,925 claims were received, of which 65% were related to the area of supply and networks, with the remaining 35% for commercial issues. Of these, 68% of complaints by network issues were resolved within 24 hours, and 81% of commercial claims were resolved within 1 week.

HOW TO ENSURE GOOD CUSTOMER EXPERIENCE?

- ✓ Training of all Company personnel, with assessments and continuous feedback.
- ✓ An area that performs quality monitoring in order to measure empathy, solution provided, and procedures adequacy, among others.
- ✓ Survey of closing to all commercial and technical claims, in order to ensure satisfaction with the solution provided and monthly satisfaction survey.
- ✓ Continuous customer service procedures review.



COMPLAINTS RECEIVED PER CHANNEL



4\_ SERVICE RESPONSABILITY

**WHO IS THE CLIENT REPRESENTATIVE AND WHAT DOES S/HE DO?**

- ✓ Analyzes each claim received from customers who disagrees with the Company's response in a customized way.
- ✓ Promotes mediation between the customer and the Company, ensuring that each case gets a proper response.
- ✓ Acts with impartiality, transparency, confidentiality, and independence from customer areas.
- ✓ During 2014, the Customer Representative handled about 1,600 cases, between seven and eight daily requirements with positive results.
- ✓ Provides feedback and suggestions for improving service processes.

**4.1.3 \_TRANSPARENCY, SAFETY AND EFFICIENCY IN COMMERCIAL PROCESS**

Commercial processes are based on robust computer systems that integrate the process of meter reading, consumption analysis, billing, collection, and customer notices. These processes have been certified under ISO 9001, 14001 and OHSAS 18001 since 2004 to present. In addition, the processes undergo permanent SISS supervision, without having fines in the last seven years.

**G4-PR8**

In addition, to ensure the protection of customers' personal data, the Company has permanent monitoring systems for all of its transmission channels, allowing the Company to end 2014 without any data leakage events.

**G4-PR3**

In order to improve the understanding of water bills, a campaign was carried out during 2014, in which a QR code was included on the bills that sends customers to a video that trains them in detecting leaks affecting consumption on their bill <sup>(3)</sup>.

In addition, customers are notified when there is an unusual increase in consumption is detected that can be due to a leak through a letter attached to their bill, in compliance with the provisions of regulations in force.

**4.1.4 \_CUSTOMER'S PERCEPTION AND SATISFACTION**

**G4-PR5**

Among the customer listening tools, Aguas Group performs the "Opina" survey (customer opinion survey) and an image study, conducted by Adimark. The results of these studies are taken into account for the adoption of necessary measures and will be reflected in the Customer Strategy Plan implementation.

The Opina survey is a quantitative study that measures customer satisfaction of clients that have had any requirements on a monthly basis on a scale of 1-7. These requirements are claims or requests that have been solved in the previous month to the surveys completion <sup>(4)</sup>. During 2014, 1,042 telephone surveys of approximately 20,000 monthly requirements were made. Overall a continuous line of satisfaction (score six and seven) that exceeds 70% was observed <sup>(5)</sup>.



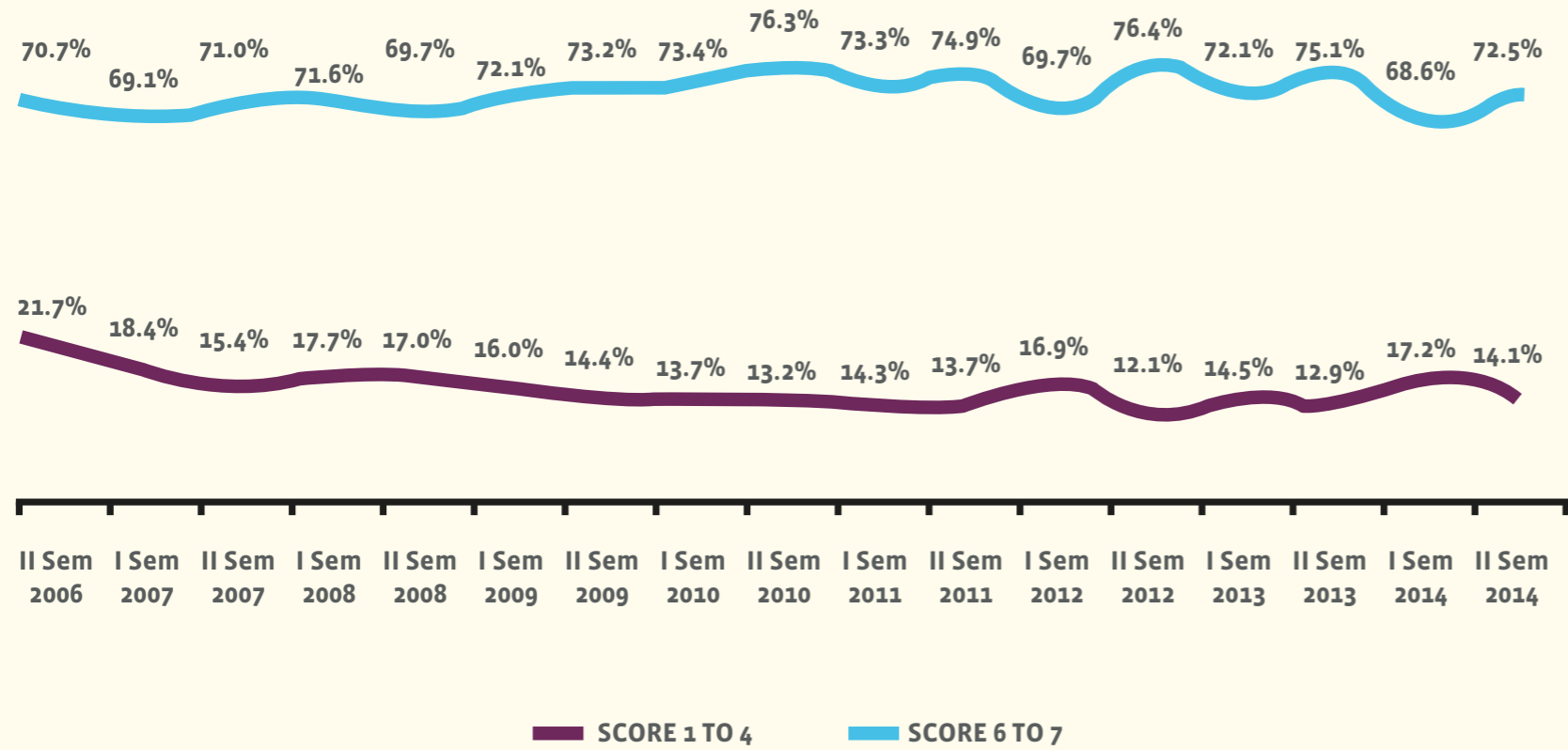
<sup>(3)</sup> For more information see the campaign video, available on:

<http://www.youtube.com/watch?v=LBOiyVYb-hc>

<sup>(4)</sup> The study was performed with a 95% confidence level and 5% sampling error.

<sup>(5)</sup> The variations between Sem. I 2012 and Sem. I 2014 are related to the launch of new commercial customer service systems (2012 Siebel: Requirement service and 2014 AguaCis: new billing system).

4\_ SERVICE RESPONSABILITY



The Adimark's Image Study measures the company's opinion, image and brand personality. With 600 telephone surveys per semester during 2014 to Aguas Andinas' customers with or without requirements, greater influence of external factors to company performance is observed, such as political, social, cultural and other factors. However, the results show that between August 2013 and August 2014 Aguas Andinas' customers satisfaction (Score 6 and 7) remains at 70%. In the case of Aguas Cordillera there was an increase of 78% to 84% of the scores between 6 and 7.



4\_ SERVICE RESPONSIBILITY

### 4.2\_CREATING AWARENESS OF THE VALUE OF WATER AND SEWAGE MANAGEMENT

G4-SO1

As an expert in the integrated water cycle and its challenges, Aguas Andinas assumes responsibility in promoting greater awareness of the value of water and its responsible use.

Therefore, Aguas Andinas implements a series of programs and communication initiatives to educate and influence the region's inhabitant habits and attitudes, creating a greater awareness of the shared responsibility for the care of the resource.

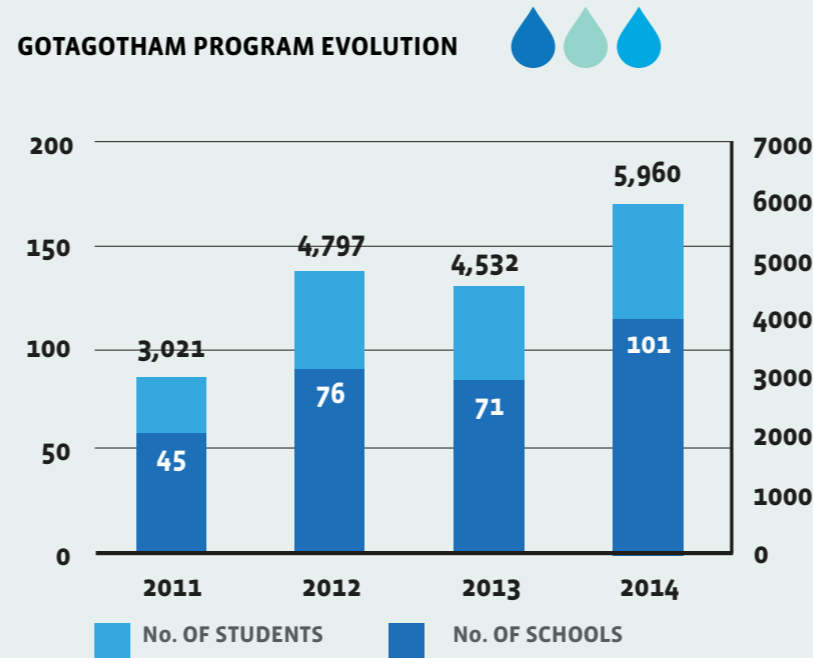
**GOTAGOTHAM**

In order to develop an educational program geared to generate specific lessons on environmental issues for students in 5th grade of the Metropolitan Region, Aguas Andinas implements its educational program for the responsible use of water, Gotagotham.

Besides creating environmental awareness, the methodology complements, in an entertaining way, environmental science subjects in technology education, with content of the curriculum of the Ministry of Education. Providing crucial support to teachers teaching about caring for water and the environment.

The program is recognized by the Ministry of Environment, and has been inserted into the culture of the schools involved, and these participate year after year, reaching more than 18,300 children since its launch in 2011<sup>(6)</sup>.

GOTAGOTHAM PROGRAM EVOLUTION



**Guided tours program**

Aguas Andinas implemented guided tours of the potable water production plants and sewage treatment plants over 10 years ago, with the aim of involving the school and the university community, as well as the neighboring communities of the same facilities, to the Company's work, its environmental importance, and the water cycle<sup>(7)</sup>.

Today, the tours are an important part of many school and university curriculums. Like Gotagotham, guided tours are aimed at strengthening environmental science courses, and complement academic content. Therefore, special educational material for visitors was developed during 2014, which aimed to support and assess the student and teacher of schools on guided visits to plants.

In addition, during 2014 a guided tours plan focusing on schools of vulnerable neighborhoods was established, achieving a participation of 37% of schools in these neighborhoods.

In addition, as part of its initiative to promote good habits regarding the care for and efficient water use, the Company, together with Wikirin.cl, launched the first Video Contest, The Value of Water, for 5th grade students of the Metropolitan Region. About 30 schools participated by submitting their videos, based on the methodology of storytelling, which seeks to create learning through the construction of stories.



<sup>(6)</sup> For more information: <https://www.aguasandinas.cl/gotagotham>

<sup>(7)</sup> For more information: <https://www.aguasandinas.cl/la-empresa/ desarrollo-sustentable/ visita-a-las-plantas>

4\_ SERVICE RESPONSABILITY

**Water dome**

During 2014, as part of World Water Day, Aguas Andinas conducted an awareness and education initiative designed to enable children to live a fun learning experience about responsible water use. A Water Dome was installed, where a series of activities were developed, such as mapping projections showing the entire water cycle, touch screen interactive games, and a section in which children could freely express their commitment to water.

With a 100 million pesos investment and the sponsorship of UNESCO, UNICEF, the Municipality of Providencia and Chile Foundation, the Dome offered guided tours to schools during the morning and to the public in the afternoon.

**Fire hydrant care campaign**

With the aim of promoting responsible behavior and care of fire hydrants for coping with emergencies by fire, Aguas Andinas conducted a campaign in coordination with the Fire Department of Santiago and the Metropolitan Municipality. The campaign was launched in December 2014 and lasted until February 2015.

With a total investment of 60 million pesos, it had appearances in print and digital media, as well as a series of activities during 60 days in the 39 Aguas Andinas' Water Squares. In addition, a Fire Cadet Club with children who voluntarily joined this campaign was created.



4\_ SERVICE RESPONSABILITY

4.3\_RELATIONSHIP WITH VULNERABLE CUSTOMERS

G4-SO1

Due to the nature of its services, Aguas Andinas SA recognizes a deep bond with the community and its environment, in particular with those vulnerable customers in its concessioned area. Approximately, 35% of the drinking water and sewerage services which are installed and which supply residential sectors are inhabited by families at social risk.

Therefore, Aguas Andinas has implemented the “Aguas Andinas en mi barrio” program, which performs work focused on neighborhoods and areas with vulnerable customers in the Metropolitan Region. This, in order to promote and encourage responsible water consumption, care of sanitation facilities, and strengthening the bond between the Company and communities.

After defining the socio-community and structural variables of the sector, a local actors’ network is established in order to promote coordination within these communities, and to support the program’s implementation and the various initiatives that this program includes.

The program has a series of activities and sub-programs, among which one of the main initiatives is the workshops that are held for children and whose purpose is to educate and raise awareness regarding the importance of adopting habits and behaviors consistent with responsible water consumption. Leadership workshops are also held for neighborhood leaders, promoting and enhancing their leadership as valid counterparts to implement the program and promoting the continuity of actions once the program implementation has ended.

Similarly, the Company seeks to install technical skills through workshops and training courses in plumbing, so that residents have the tools to solve basic sanitation facility problems independently.

In addition, different actions are performed for problem detection and improvement in sewerage and potable water systems in the homes of the targeted villages. This is done through a group of technicians outsourced by Aguas Andinas and in collaboration with the local actors’ network.

During 2014, the focus of program activities was in the neighborhood of Melipilla, where the cadaster and identification of communities in Villa Los Lagos I, II and III was conducted in order to implement the program.

“CUENTA AMIGA” PROGRAM

For the most vulnerable families in the community, a special program of debt renegotiation and standardization is available, called “Cuenta Amiga”.

This program is aimed at generating a debt renegotiation process which offers favorable conditions and which provides information and support to those in need to obtain subsidies from the Municipality. In 2014, 3,200 accounts were condoned for a total of \$ 1,154 million pesos.

YEAR- NUMBER OF ACCOUNTS-AMOUNT CONDONED (\$)

YEAR	NUMBER OF ACCOUNTS	AMOUNT CONDONED (\$)
2010	2,137	753,132,498
2011	2,197	736,956,396
2012	6,928	2,458,972,898
2013	5,581	1,718,113,296
2014	3,200	1,154,161,749

Plumbing Workshops

During 2014, Aguas Andinas worked in the creation of a professional plumbing program aimed at providing support and tools to vulnerable customers. This will be implemented in 2015, with the existing surplus of SENCE.

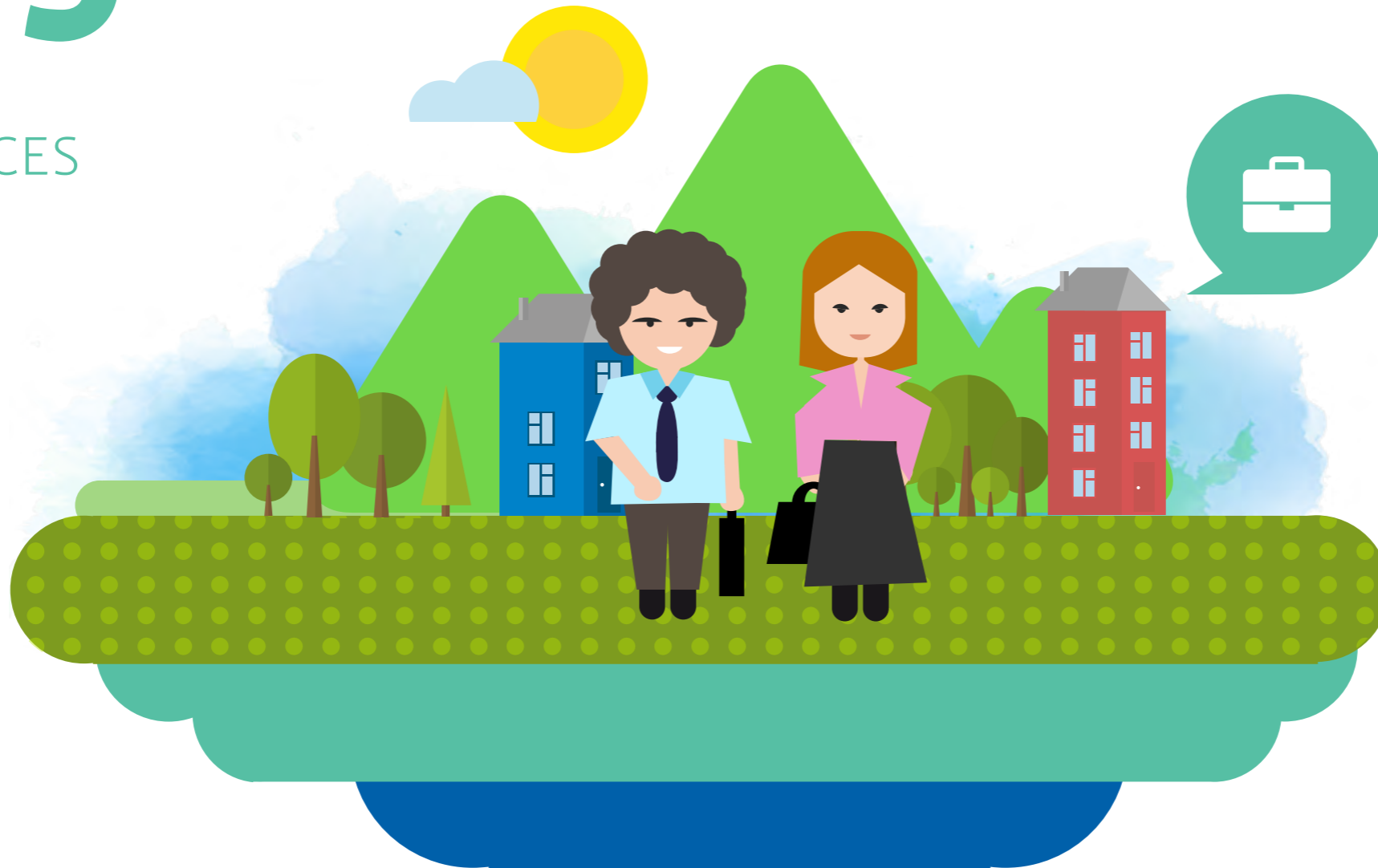




# 05

Chapter\_

## LABOR PRACTICES



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5\_ PRÁCTICAS LABORALES

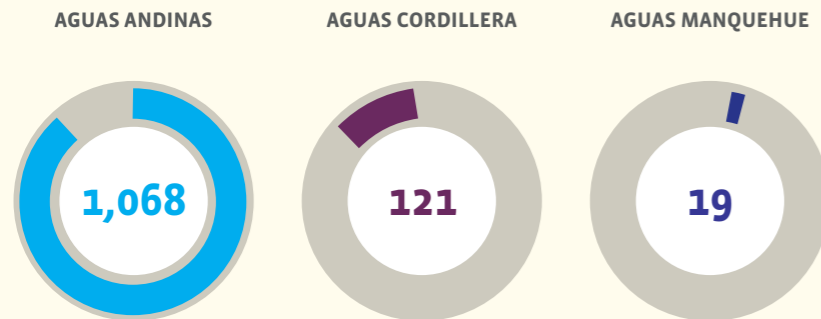
# 5 LABOR PRACTICES

G4-10, G4-LA12

Aguas Andinas' success is directly linked to the effort, skills and commitment of its workers, who play a fundamental role in delivering a continued service of excellence. Consequently, Management strives to create optimal working conditions, ensuring the integrity, development and welfare of its workers.

As of December 31, 2014, Aguas Andinas' staff consisted of 1,208 workers, where 99% have a contract for an indefinite term. The increased presence of men in the organization responds in part to the type of activities of the company, a trend seen in other companies of the industry. However, Aguas Andinas has implemented various initiatives and programs that aim to reduce this gap.

STAFF PER COMPANY



AGUAS ANDINAS'S STAFF

PROFESSIONAL CATEGORY	2013				2014			
	MEN		WOMEN		MEN		WOMEN	
	N°	%	N°	%	N°	%	N°	%
Executives	51	89%	6	11%	51	86%	8	14%
Leadership	76	71%	31	29%	83	73%	30	27%
Professional	263	69%	119	31%	268	67%	131	33%
Technical	204	79%	53	21%	199	78%	56	22%
Administrative	32	40%	49	60%	31	40%	46	60%
Operational	290	98%	7	2%	298	98%	7	2%
Subtotal	916	78%	265	22%	930	77%	278	23%
<b>Total</b>	<b>1181</b>				<b>1208</b>			

G4-LA1

One thing to note is that during 2014, there was a reduction in the average rotation rate. This presented an added value for the Company as it allowed it to have stable staff and get a return of the investment that the Company has made in training and development, retaining the experience and expertise of each employee.

AGUAS ANDINAS' ROTATION RATE

ROTATION PER GENDER AND AGE	2013		2014	
	REDUCTIONS	ROTATION	REDUCTIONS	ROTATION
Men	74	6,3	79	6,5
Women	29	2,5	20	1,7
<b>Total</b>	<b>103</b>	<b>8,7</b>	<b>99</b>	<b>8,2</b>
Younger than 30	35	3,0	36	3,0
Between 30 and 50	46	3,9	48	4,0
Older than 50	22	1,9	15	1,2
<b>Total</b>	<b>103</b>	<b>8,7</b>	<b>99</b>	<b>8,2</b>

\*Calculation of rotation: the number of staff reductions in 2014\*100/Total workforce at the end of 2014.



5\_ PRÁCTICAS LABORALES

### 5.1\_COMPREHENSIVE TALENT MANAGEMENT

In order to generate adequate conditions of adaptability to changes, challenges and new demands arising from society within the industry’s context, in 2013, the Aguas Group implemented the Comprehensive Talent Management Program, which seeks to provide tools to encourage employees growth and development, by aligning their professional objectives with the Company’s strategy.

The Comprehensive Talent Management Program is made up of a set of programs linked to the recruitment and selection processes, performance assessment systems, career development and training plans, and knowledge of the management processes.

#### 5.1.1\_CAREER DEVELOPMENT

G4-LA11

Aguas Andinas seeks to create the right conditions so that each collaborator finds an area for professional and personal development within the organization. To that end, the performance assessment system, called “SGD-Crecer”, contributes to the achievement of the Company’s strategic objectives through a management tool that detects gaps between the current and expected performance of each worker, generating instances of career planning and talent development.

The evaluation system applies a “Top-Down” methodology together with other more sophisticated alternatives such 360° assessments, to set the Company’s talent map that identifies organizational requirements in key positions. The people who achieve the best evaluations go through a thorough evaluation process; called Assessment Center, which is performed by an external company, and allows insight into the strengths, weaknesses, job prospects and opportunities for improvement.

Finally, through performance assessments, the Organizational Development area generates career development plans and individual training in order to reduce gaps in skills needed to meet the expectations of each function and position, taking into account the organizational strategy.

It also encourages people’s promotion and internal mobility who have demonstrated their potential for development in the Company based on the principle of meritocracy, equality and equal opportunities.

#### PERFORMANCE ASSESSMENT 2014

TOTAL OF EMPLOYEES*		PEOPLE ASSESSED	%
Women	%	256	95%
Men	910	888	98%
<b>Total</b>	<b>1,179</b>	<b>1,144</b>	<b>97%</b>

\*The staff at August 31, 2014 is considered, due to the date of performance assessment completion.



G4-LA10

**Aguas Andinas made a commitment with its employees in terms of supporting them in the last stage of their careers and generational change,** which is a Voluntary Retirement Program, promoting quality of life, taking into account the different needs and interests that arise in this stage of life.

Whilst in 2014 there were no people benefiting from this program, it offers a package of benefits to those who are close to retirement age and opt for voluntary retirement. This benefit is also available for those workers who suffer from disabling health problems, under the same logic of improving the Company’s worker’s quality of life.



5\_ LABOR PRACTICES



5.1.2\_TALENT DEVELOPMENT

G4-LA10

Talent development and delivery of training are strategic pillars for Aguas Andinas’ sustainability. The Company has a number of programs divided into three general categories: technical, regulatory and behavioral, which are part of the annual training plan.

The plan is designed based on three main information sources:

- Training needs general detection (DNC).
- Performance management system, “Crecer”.
- Identification of specific needs that may arise within the year.

The DNC of each area is performed biannually, and the information identified is incorporated and implemented within the next two years, based on the priority and urgency of the requirement.

During 2014, more than 2,400 workers participated in training programs where the focus was mainly on cover specific technical needs, for which innovative courses were developed in relation to asset management and hydraulic efficiency. On the other hand, training and leveling of technical knowledge is still implemented at the operators and technician level through the Aguas Andinas’ Corporate Diploma in order to address issues such as water treatment and plant operation.

Another major focus of training is linked to risk prevention, incorporating a life-saving rules program, aimed at all those working in the field, which will continue during 2015. In addition, trainings were incorporated in the field of fundamental rights, ethics, crime prevention and soft skills.

AGUAS ANDINAS’ ANNUAL TRAINING HOURS

G4-LA9

LABOR CATEGORY	2013			2014		
	NO. OF WORER	TRAINING HOURS	AVERAGE PER EMPLOYEE	NO. OF WORKERS	TRAINING HOURS	AVERAGE PER EMPLOYEE
Executives	57	2.137	37	59	3,662	62
Leadership	107	5.543	52	113	11,036	98
Professional	382	23.687	62	399	26,728	67
Technical	257	14.609	57	255	8,994	35
Administrative	81	7.525	93	77	6,910	90
Operational	297	10.187	34	305	11,343	37
<b>Total</b>	<b>1181</b>	<b>63.689</b>	<b>54</b>	<b>1208</b>	<b>68,673</b>	<b>57</b>

EXCELLENCE PLAN

With more than two years since its inception, the Excellence Plan has become a management tool and a work methodology that promotes continuous improvement, focusing on the efficiency, quality and safety areas.

This achievement is due in part to the creation of the Excellence 2.0 working group, which became a regular communication channel with Company’s different areas and hierarchical levels, which has served to exchange experiences and opportunities for improvement, harnessing possible synergies.

This approach is made up of three key concepts:

- ✓ Identification of tasks and responsibilities as well as measuring the quality of execution (through direct supervision) in order to identify improvement opportunities.
- ✓ Leverage or improvement initiatives by all team members in the working groups.
- ✓ Achievement of a cultural change towards greater involvement of all sectors of the Company.

5\_ LABOR PRACTICES

5.1.3\_KNOWLEDE MANAGEMENT

The Knowledge Management Program (GeCon) primary purpose is to identify, preserve and share the key and strategic knowledge that exists in the Company as part of the process and the individual experience of its employees, putting the knowledge available to the organization and enabling synchronicity generation, teamwork and innovation.

The GeCon program relies on digital technology and resources, becoming a tool of knowledge dynamic exchange that connects the different organizational areas in a faster, more flexible and effective way. The GeCon program three main pillars are: Knowledge Domains, Collaborative Environments and Digital Library.

The initiative Knowledge Domains is a set of tools and web platforms to interact with experts from other countries and/or locations. It is an effective way to share technical and academic knowledge, including all of the global network group members' experience.

The Digital Library brings together all the publications and digital documents that Aguas Andinas has with various international journals about water and environment, and is constantly updated.

The third pillar of GeCon is Collaborative Environment development, which includes the creation of communities within the organization. This involves the constitution of working groups to develop projects and work on issues of high strategic importance for the Company. Currently, there are four main communities, Excellence 2.0, Integrated, Regulation, and Management Committees.

In 2015, the "Emerge" communities aimed at promoting innovation projects and the Unregulated Commercial community that aims to create new opportunities for crossed sales for the Aguas Group will be launched. In addition, a Risk Map project will begin in the integrated community framework.



EXCELLENCE DOMAIN

- ✓ It has 157 current users.
- ✓ 67% active users per year.
- ✓ About eleven thousand pages seen
- ✓ 285 actions performed per year.



DIGITAL LIBRARY

- ✓ Currently has 262 users.
- ✓ Over 1,370 publications available.
- ✓ 61 journals available.

5\_ LABOR PRACTICES

**AGUAS GROUP COMMUNITIES**

**Excellence 2.0**

Space created to support the areas transformed by the plan of Excellence, becoming the communication channel of that plan and repository of all the documentation generated thereof.  
**Made up of 131 users**

**Integrated**

Commissioning of 5 Projects of interest to the Company: Asset Management, Energy Efficiency, Water Rights, On Line AP Quality Control and Teleworking  
**Made up of 115 users**

**Regulation**

Space that manages the communication flow between the SISS and the Company, in addition to various documents of VI tariff process that has already completed.  
**Made up of 133 users**

**Management committees**

Aguas Andinas' Management Committees support platform, coordinated by the Company's CEO.  
**Made up of 14 users**



**COLLABORATIVE ENVIRONMENTS**

- ✓ Currently has 262 users.
- ✓ Generated 3,780 new contents and over 3,800 actions during the year.
- ✓ Carried out 21 workshops to make the functioning of communities more dynamic.

5\_ LABOR PRACTICES

5.2\_DIVERSITY AND EQUAL OPPORTUNITIES

G4-EC6

The Company promotes and respects the meritocracy and equal opportunities criteria, recognizing that it is essential for effective management to have a skilled, diversified and motivated workforce. The Company's compensation policy defines the recruitment, promotion and annual assessment procedures and is applied equally without discrimination, regardless of gender or other staff distinction.

As part of an international holding, Aguas Andinas' Senior Management has four top executives of Spanish nationality, the rest being of Chilean nationality. Their hiring and/or internal promotion is based on merit and competence, without any procedures that favor hiring one over the other.

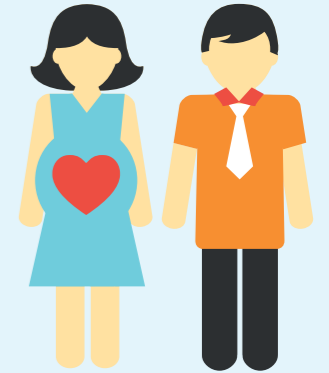
G4-LA13

Regarding salaries, differences that can be seen between the average income of men and women are related to factors such as years of experience and allocation of bonds by zones, shifts or work on holidays or on Company days, which generally are not performed by women. While this difference is less than that which exists at national level, where according to the Superintendence of Pensions the level would have been 20% in 2013(1), this undoubtedly represents a challenge for the organization.

G4-54, G4-55

The relationship between the remuneration of the Company's highest paid person and the average wage is 2.8. As for the percentage increase in wages, no significant variations are observed between the staff average increase (8.7%) relative to the increase in the category that receives the highest income (8%).

(1) For more information see: Informe Principles Integration System Report of Global Compact 2014.



RELACIÓN SALARIO BASE PROMEDIO\* DE MUJERES RESPETO AL DE HOMBRES

PROFESSIONAL CATEGORY	2013			2014		
	MEN BASE SALARY	WOMEN BASE SALARY	WAGE RATIO	MEN BASE SALARY	WOMEN BASE SALARY	WAGE RATIO
Executives	5,079,962	4,175,261	82%	5,479,811	4,517,819	82%
Leadership	2,911,803	2,572,498	88%	3,167,347	2,685,277	85%
Profesional	1,956,891	1,600,664	82%	2,074,517	1,715,646	83%
Technical	1,236,697	1,030,399	83%	1,344,391	1,096,770	82%
Administrative	968,669	1,144,202	118%	1,066,959	1,280,851	120%
Operational	963,593	875,139	91%	1,056,741	959,808	91%
<b>Total</b>	<b>1,582,881</b>	<b>1,519,569</b>	<b>96%</b>	<b>1,726,636</b>	<b>1,645,418</b>	<b>95%</b>

\* Average gross income general role

5.2.1 RECONCILING WORK AND FAMILY LIFE

With the conviction of becoming a benchmark regarding quality of life, family reconciliation and equality, the Company began working in 2014 on the implementation of the 3262 Chilean Norm on Management System for Gender Equality and Reconciliation of Work, Family and Personal Life, under the "Equilibra" Program.

Thus, it aims to maintain and improve development conditions and opportunities for all the Company's employees, regardless of gender. At year's end, the norm's internal audit was conducted, with the stated objective to achieve certification by 2015 and become one of the first companies nationwide to make this leap.

G4-LA3

In particular, the Company has endeavored to create conditions to support female workers who are in the early years of motherhood. In this regard, in addition to have a nursery and kindergarten for children up to 5 years of age, financial support is provided in order to support them in the care of children. As a result, out of the 19 women who took postnatal leave in 2014, 100% of them rejoined their work activities normally.

5\_ LABOR PRACTICES

### 5.3 LABOR RELATIONS AND ORGANIZATIONAL CULTURE

For Aguas Andinas it is essential to be in tune with the needs and concerns of each of its workers, and therefore it is necessary to establish an environment of respect and trust, creating opportunities for direct and close dialogue within the Company.

**G4-LA4, G4-11**

Currently, six unions, representing 977 people, mediate the formal relations between the Company and its workers. These unions represent the equivalent of 81% of the total staff. Moreover, there are different collective agreements, which establish among other things, a notice period of one month to incorporate operational changes in the organization.

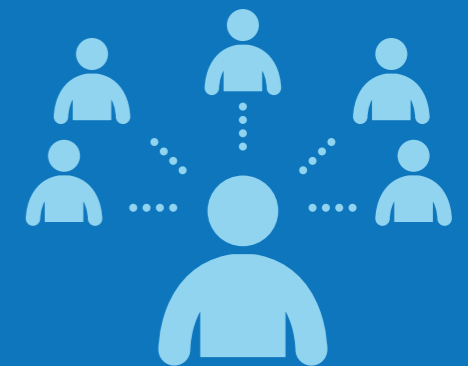
During 2014, the Company underwent a collective negotiation process. Although this process was not exempt from difficult times, such as a weeklong strike in the corporate building and other commercial premises, it concluded with a dialogue, which enabled forward negotiations by achieving an agreement between the parties. Among the main agreements reached, the increase in basic salary and the addition of bonuses were included.

It should be noted that the negotiating process of Aguas Cordillera' unions was held in a cordial atmosphere, through working groups, where finally the same agreements which were made with other were made.

Aguas Andinas aims to build relationships of trust for the future, improving dialogue, everyday relationships and closeness with its workers. The Company's success depends on each of the organization's member's contribution and that this effort is shared and goes in the same direction.

**WORKERS COVERED BY COLLECTIVE AGREEMENT, 2014**

COLECTIVE AGREEMENT	YEAR	WORKERS SIGNED	DOTATION AVERAGE
Sindicatos 1 y 2 Aguas Andinas	ago-14	521	43%
Sindicato de profesionales y técnicos Aguas Andinas	ago-14	324	27%
Sindicato 1 Aguas Cordillera y Manquehue	dic-14	35	3%
Sindicato 2 Aguas Cordillera y Manquehue	dic-14	52	4%
Sindicato de trabajadores y supervisores Aguas Cordillera y Manquehue	dic-14	45	4%
Contratos Individuales		231	19%
<b>Total</b>		<b>1.208</b>	<b>100%</b>





5\_ LABOR PRACTICES

5.4\_HEALTH AND SAFETY



Operating under the highest standards to ensure employees' and contractors' health and safety is a fundamental value for Aguas Andinas, where the internalization of a set of values, principles, attitudes and practices designed to incorporate a prevention culture and self-care behaviors of all personnel are promoted throughout the organization. This is reflected in the Health and Safety Policy and the Strategic Plan of Occupational Risks (PRL), certified under OHSAS 18001, operating under the de Integrated System of Quality, Safety and Environmental Management.

The strategic lines of the Health and Safety Policy, which guide the Strategic Plan, goals and concrete actions for the period 2015-2016, are as follows:

- ✓ 1. The gradual and progressive rate accident reduction.
- ✓ 2. Zero tolerance on risk exposure, this includes subcontractors.
- ✓ 3. Integrating prevention function in business activities.

The strategy's management is based on an organizational structure that is led by the PRL committee, formed by the CEO and Corporate Managers, who delegate the guidelines, planning activities, responsibilities, practices and processes, and resources necessary to implement and achieve goals proposed to various functional committees present in each subsidiary.

Moreover, the risk prevention management has the support of the 13 Health and Safety Parity Committees which are formally constituted and who together account for 100% of the Company's staff. Made up of six workers' representatives and six Management's representatives, they have the responsibility to take action in common accordance, leading to prevent and control occupational hazards generated in the processes and operations execution.

**RISK IDENTIFICATION RELATED ACCIDENTS OR ILLNESSES**  
**G4-LA7**

TYPE OF WORKER	RISK IDENTIFIED
Operator of Potable Water Plant	Exposure to chlorine gas; work in confined spaces.
Person in charge of equipment maintenance	Exposure to chlorine gas; contact with chemicals; failure of the lifting equipment; intervention of energized equipment; access to confined space.
Operator of potable water transportation	
Operator of Wastewater treatment Plant	Exposure to chlorine gas; contact with chemicals; transfers by public streets and access to confined space.
Operator of Wastewater Networks Maintenance	Exposure to biological agents; failures of the lifting equipment.
	Exposure to be hit by entering the confined space; accidents at work in the street.

We have identified the main risks of accidents and occupational diseases, by way of establishing the action lines to ensure prevention. In the case of exposure risk to chlorine gas and chemicals, the administering body ACHS evaluated and determined that this exposure is well below the permissible limits, being solely the result of an emergency event. Consequently, there have been courses for handling chlorine gas in an emergency (Hazmat course), and the staff was provided with the necessary elements such as encapsulated suits with breathing apparatus, among others, and devices to contain or neutralize leakage or spillage.

**G4-LA5**

Moreover, during 2014, the Company promoted an Incident Report campaign and the Plan for the Strengthening the Rules that Save Lives, in strategic alliance with the Chilean Safety Association (ACHS) and the Polytechnic University of Catalonia (UPC).

**G4-LA6**

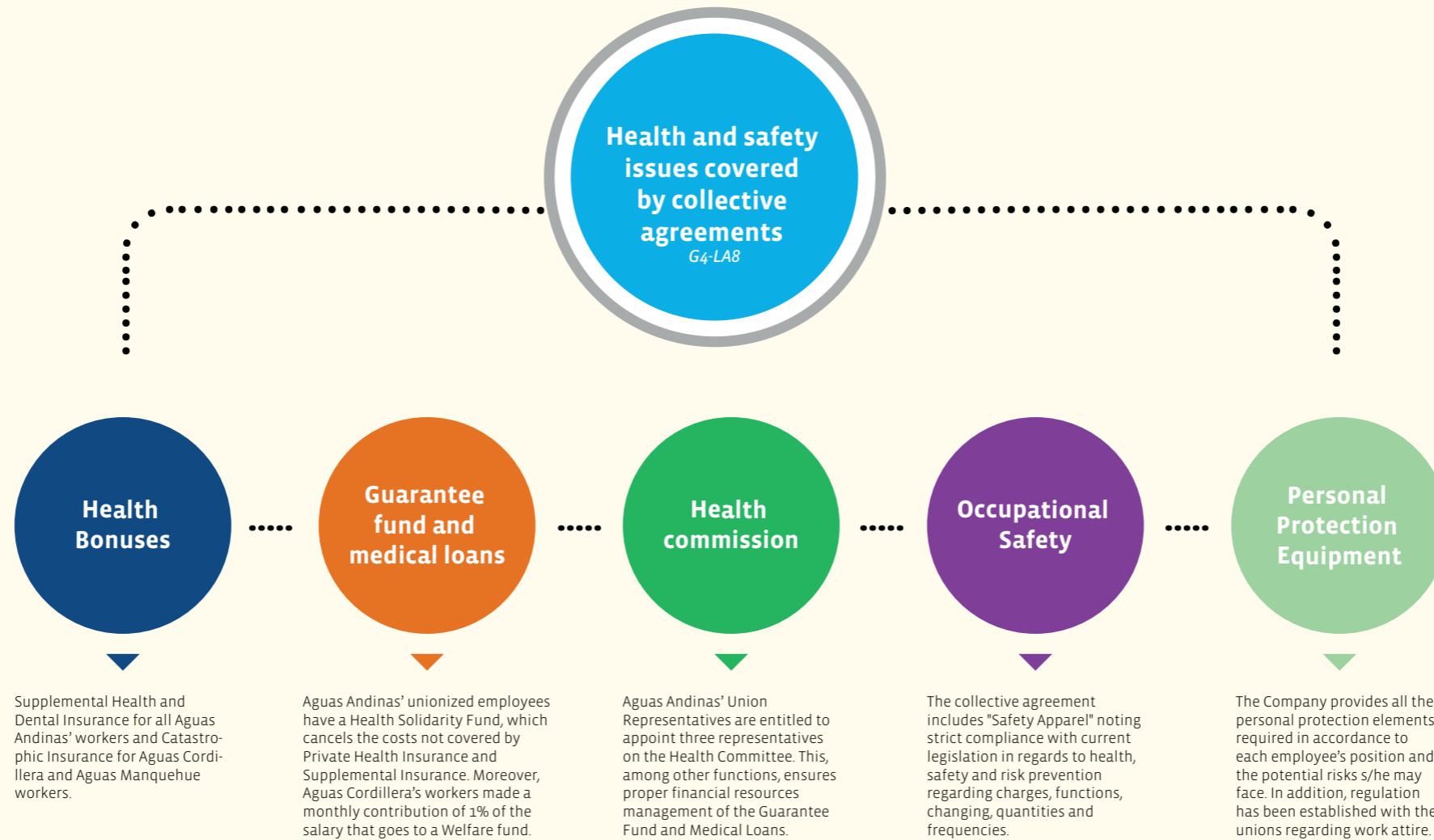
The main result of the joint efforts of the Company's Management and all employees in implementing the PRL Strategic Plan and self-care and prevention guiding principles is that for the third consecutive year the reduction in the rate of accidents has been maintained, achieving more than 60% in the reduction of this rate over the past three years. Moreover, no fatal accidents occurred.

The increased number of days lost through accidents is due to a major accident that occurred in 2013 in Aguas Cordillera, which had an effect in the accident rate of 2014.

5\_ LABOR PRACTICES

OCCUPATIONAL HEALTH AND SAFETY INDICATORS (SSO)<sup>2</sup>

COMPANIES	NO. OF ACCIDENTS WITH TIME LOST			NO. OF DAYS LOST DUE TO ACCIDENTS			ACCIDENT RATE			DISASTER RATE		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
Aguas Andinas S.A.	20	15	12	290	143	139	1.98	1.47	1.14	28.70	13.97	13.20
Aguas Cordillera S.A.	4	5	1	13	199	223	3.02	3.89	0.81	9.82	154.81	181.10
Aguas Manquehue S.A.	0	0	2	0	0	36	0.00	0.00	10.53	0.00	0.00	189.50
<b>Aguas Group</b>	<b>24</b>	<b>20</b>	<b>15</b>	<b>303</b>	<b>342</b>	<b>398</b>	<b>2.06</b>	<b>1.71</b>	<b>1.26</b>	<b>26.06</b>	<b>29.20</b>	<b>33.34</b>



# 06

Chapter\_\_

## RESPONSIBILITY IN THE SUPPLY CHAIN



About  
Aguas Andinas

Aguas Andinas  
within industry's  
context

Efficient and  
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Labor  
practices

Responsibility  
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Responsibility  
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Economic and  
financial performance

About  
this report

6\_ RESPONSABILITY IN THE SUPPLY CHAIN

# 6 RESPONSABILITY IN THE SUPPLY CHAIN

G4-12, G4-EC9

Aguas Andinas' suppliers and contractors are the Company's strategic allies in its critical processes, including the construction of major works, operational management, emergency and commercial management, among others.

Therefore, it is very important that Company strengthen its bond with more than 1,400 goods and services suppliers and with the hundreds of contractors that employ around 2,200 subcontractor workers. This has to be conducted through relationships based on trust, transparency and shared value. For that, Aguas Andinas decided to move forward in the redevelopment of its Suppliers Policy, in order to strengthen its comprehensive supplier management system. During 2014, the Procurement and Property Management's mission was outlined, incorporating new objectives, together with the revision and update of the purchasing process. This process also includes the revision of suppliers and contractors' sustainability policy as well as the inclusion of what is expected of suppliers, contractors and internal customers of this Management area.

Drinking Water production and Sewage purification

Drinking Water

Transport and distribution networks

Sewage

**01 Commercial management support**

- Customer service contractor
- Meter reading contractor

**03 Comprehensive suppliers' management**

- ✓ Operation sustainability
- ✓ Long-term relationships and valueshared
- ✓ Supplierdevelopment
- ✓ Logistics management
- ✓ Impact assessment
- ✓ Continuous feedback
- ✓ Improvement plans

**02 Support for operations**

- Input suppliers
- Plant Maintenance
- Networks Maintenance
- Hydraulic Maintenance
- Infrastructure Maintenance

**AGUAS ANDINAS' SUPPLIERS AND CONTRACTORS**

SUPPLIER	NUMBER
National suppliers of goods and services	1,402
National contracting companies	107
International suppliers	25
<b>Total</b>	<b>11,534</b>

**SUBCONTRACTOR WORKERS**

Total subcontractors	2,212
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**EXPENSES PROPORTION 2012 IN LOCAL SUPPLIERS**

SUPPLIER	NUMBER	%
Nacional	\$ 215,358,352	99.6 %
Foreing	\$ 791,857	0.4%
<b>Total</b>	<b>\$216,150,208</b>	<b>100 %</b>

6\_ RESPONSABILITY IN THE SUPPLY CHAIN

6.1\_COMPREHENSIVE SUPPLIER PLAN

The Comprehensive Supplier Plan aims to improve Aguas Andinas' value chain' quality, productivity and competitiveness, creating optimal conditions for the development of suppliers, raising quality and service standards, aligning the objectives and reducing outsourcing management risks. In particular, the plan aims to:

- ✔ Promote and develop a continuous improvement process within suppliers, increasing their competitiveness.
- ✔ Promote partnership and cooperation between groups of suppliers to achieve better position in the negotiation process.
- ✔ Reduce costs in the supply chain.
- ✔ Ensure the supply of goods and services to the internal customer .

Likewise, it is important to note that there was an improvement in the SAP system related to the Suppliers Master Program, where now suppliers are categorized according to their activity, in order to improve management efficiency. Moreover, control in the procurement process has been optimized, improving communications with suppliers and payment processes.

6.1.1\_SUPPLIER DEVELOPMENT PLAN

The Supplier Development Plan (PDP) was launched in late 2013, under the Comprehensive Suppliers Plan, with the aim of strengthening Aguas Andinas' suppliers' competitive position in the market, ensuring their permanence and maintenance over time. The PDP initially included 20 suppliers and contractors, under three main lines of action (1): quality, environmental management and risk prevention.

The plan has a diagnostic phase, where the criteria to be assessed are defined, the gaps are measured and a development plan is made for each supplier. The second phase consists of implementing the plan, reducing gaps, and capacity installation for suppliers.

During 2014, there was significant progress in implementing the plan, achieving compliance in terms of quality under standard ISO 9001, particularly in relation to purchasing processes and information, verification of products purchased, and the evaluation of suppliers. Moreover, there was an improvement in suppliers' control on labor issues, risk prevention and service quality, thanks to the development of a new bidding process incorporating these criteria.

The PDP development stage will continue during 2015 in order to close the gaps identified in the 20 suppliers participating in the plan. In addition, the Company seeks to launch a new PDP process with a group of water trucks suppliers, which are strategic in the event of potable water outages.

6.1.2\_TRANSPARENT AND COMPETITIVE BIDDING

An efficient and effective procurement process management is critical for the Company's success, as it allows for cost savings in time and resources to meet domestic requirements. This process includes analyzing internal requirements and procurement planning, application and evaluation of bids, supplier selection and negotiation of conditions. In addition, after the agreements are formalized, monitoring and compliance evaluation activities are performed.

As a regulated company, purchases of larger amounts (UF 5,000) are managed through processes of public, transparent and competitive bidding, publishing the bases through mass media in order to attract the largest number of interested suppliers.

For 2015, Aguas Andinas intends to put forward the Company's annual expenses and investments plan so that its suppliers and contractors know in advance, what the future requirements will be so they can organize themselves in a timely manner. This measure improves the suppliers' participation and competitiveness under the "win-win" criterion.

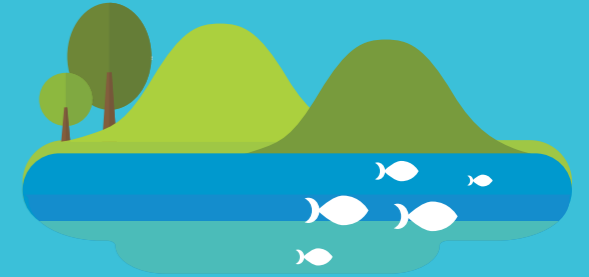
**Suppliers Website**  
 Aguas Andinas has put special emphasis on the efficient management of payments to suppliers, so that they can plan and schedule their trade, labor and financial commitments in a timely manner. During 2014, the Supplier Website was implemented, which provides online information on the billing status. Moreover, the function of information and publication of all bidding processes of the Company through this platform is being developed.



<sup>(1)</sup>As a reference the Chilean Standard 2029, Quality Management.

6\_ RESPONSABILITY IN THE SUPPLY CHAIN

6.2\_PROMOTING RESPONSIBLE ACTION IN THE SUPPLY CHAIN



For Aguas Andinas, it is essential to promote responsible behavior with people and the environment in a transversal manner across the value chain. Consequently, in addition to requiring suppliers' behavior to act in accordance to Aguas Andinas' Ethics Code, various suppliers and contractors are evaluated and constantly monitored, identifying opportunities for improvement and promoting good practices throughout the supply chain.

Bidding processes are the first suppliers' evaluation instance, where a series of background checks on each organization is requested. Subject to unconditional applicable regulatory compliance (2), the supplier who wins a tender must comply with the "Environment, Safety and Health Special Regulation at Work for Contractors and Subcontractors of Aguas Group and Related Companies", respecting the documentary requirements established therein. Additionally, a Work Inspection Department oversees the proper implementation of projects including civil works.

**G4-LA14, G4-LA15, G4-HR10, G4-HR11, G4-EN32, G4-EN33, G4-SO9, G4-SO10**

Moreover, the Company conducts annual evaluations of a group of its suppliers as part of compliance with ISO 9001. For the 2014 period, 78 suppliers were evaluated to determine the quality service they provided, their compliance with prevention and control regulation and under environmental impact minimization criteria. From all suppliers evaluated, none had significant negative impacts that could affect the Company's operations continuity.

In case of finding gaps in relation to Aguas Andinas' required standards, mitigation plans agreed with the suppliers are established to address these risks in an appropriate and timely manner. To date, the termination of any supplier due to breaches has not been necessary.

**6.2.1 \_ CONTRACTORS' HEALTH AND SAFETY**

The development and integration of a prevention culture and efficient management of occupational risks is a strategic priority and commitment that Aguas Andinas transfers to its entire value chain. To do this, we work with contractors through training and transfer of good practices that prevent occupational accidents and diseases. During 2014, the VI Contractors' Annual Meeting was held, where the emphasis was on the "Rules Saving Lives" program and on improving the skills of contractors' workers in critical hazards such as working at height, confined space access, among others.

A committee was created that brings together Aguas Andinas' executives and contractors in order to make strategic decisions in safety and health matters. In addition, the contractors' pilot plan for document management and compliance verification in health and safety continued.

**"RULES SAVING LIVES" TRAINING PROGRAM**

1. Do not transit under suspended loads.
2. Work in heights and risk identification.
3. Work in confined spaces and associated risks.
4. Work in ditches.
5. Lack of energy sources.
6. Stay away from machinery and moving vehicles.
7. Before turning or backing up, signal, reduce speed, and look in the mirrors.
8. The effects of alcohol or other drugs.
9. Do not use phones or other communication devices while driving.
10. Make sure that there is no risk of fire or explosion when performing hot work

<sup>(2)</sup> In particular with that disposed in the Law 20.123 on outsourcing and Supreme Decree No. 40 on prevention of occupational risks. It is also a mandatory condition to meet all payments of pension contributions for the employees of the company providing services.

# Chapter\_07

## RESPONSIBILITY WITH NEIGHBORING COMMUNITIES



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7\_ RESPONSABILITY WITH NEIGHBOURING COMMUNITIES



# 7 RESPONSABILITY WITH NEIGHBORING COMMUNITIES

Through its involvement plan with the society, Aguas Andinas formally addresses management of the impact that its facilities has in neighboring communities. Similarly, the Company has developed programs that contribute to strengthening neighboring communities' development capacities and possibilities.

## 7.1 IMPACT MANAGEMENT ON COMMUNITIES

**G4-EC7, G4-EC8**

There are several positive externalities arising from efficient management of the integrated water cycle generating a contribution to the individuals' quality of life, society and the environment protection. Aguas Andinas has made significant infrastructure investment that achieves 100% sewage treatment coverage in the Metropolitan Region and prevents untreated waters to reintegrate into waterways and be used for food products irrigation consumed by the population, thus avoiding the transmission of diseases like hepatitis, typhoid, and cholera, among others.

**G4-SO2 y G4-SO10**

However, every activity is also subject to the risk of causing certain negative externalities, and thus the responsibility has been established regarding the proper identification, management and mitigation.

The Company's main impacts are related to the sewage treatment process and bio solids management. In particular, this is due odor generation, vector attraction in landfills or "drying courts," and particulate matter emission by the circulation of trucks on unpaved roads. These impacts are constantly monitored and mitigated through various initiatives.

**IMPACTS MONITORING AND MANAGEMENT**

IMPACT	MEASURE	COMPLIANCE PURPOSE	GOAL ACHIEVED
Odor Emission	Mitigation: Application of chemicals (catalyst) to minimize the odorous gases emission in bio solids drying (19,860 liters. applied at center El Rotal in 2014).	Beyond legal compliance	Yes
Odor Emission	Mitigation: Agricultural reuse in remote areas of the population (141,104 tons of spread in 2014).	Maintain regulatory compliance	Yes
Odor Emission	Mitigation: Use of trucks that prevent odor emissions. Contractors have 18 watertight and closed trucks for the transport of bio solids.	Maintain regulatory compliance	Yes
Odor Emission	Mitigation: Bio-drying and solar-drying process to minimize stockpiling (105,387 tons of bio solids entered El Rotal).	Maintain regulatory compliance	Yes
Odor Emission	Mitigation: Bio solids management procedures. In winter, the bio-drying process is used (incomplete composting) and in summer, solar-drying is performed.	Beyond legal compliance	Yes
Vectors	Mitigation: Annual program of vector control. Fumigation plan conducted by a specialized company. Monitoring by Pest Management Centre of the University of Chile	Maintain regulatory compliance	Yes
Particulate Matter	Mitigation: Emission-offsetting. PM10 emission assessment.	Maintain regulatory compliance	Yes
Particulate Matter	Prevention: Reducing speed of trucks on unpaved roads	Maintain regulatory compliance	Yes



## 7\_ RESPONSABILITY WITH NEIGHBOURING COMMUNITIES



### 7.1.1\_INVOLVEMENT WITH NEIGHBOURING COMMUNITIES

The Buen Vecino (Good Neighbor) program is an initiative that seeks to establish relationships with the communities surrounding major facilities of Sewage and Bio solids Management Centre and promotes its development.

The program was created in 2014 with two major initiatives: Working Groups and Competitive Funds, both aimed at the communities surrounding the treatment plants La Farfana and Mapocho-Trebal (Casas Viejas, La Farfana, Comité de Allegados de La Farfana, Maipú Urbano and el Trebal), as well as those neighboring of El Rotal Bio solids Management Center (Rungue and Montenegro).

In addition, as part of Aguas Andinas’ community strategy, there are development programs that provide concrete assistance aimed at social organizations and vulnerable communities located in neighboring localities to such facilities.

#### WORKING GROUPS AND INVOLVEMENT

**G4-EC7, G4-EC8**

Working groups are a formal mechanism for dialogue, consisting of representatives of the community and the Company. On a monthly basis, Aguas Andinas’ working groups meet and discuss the operational performance of the Company’s facilities, the measures that have been implemented by the Company in the event that there has been an unintended impact, and the feedback from the neighbors is recorded. In addition, these working groups address the progress of the Company’s programs and projects with the neighbors.

Over time, this instance has allowed early detection of problems or discomfort and has allowed for the establishment of agreements between the Company and the community.

As a way of strengthening the working groups and managing any inconvenience in a timely manner, the Company implemented a toll-free telephone line called “Aló Vecino”, which operates 24 hours.

This line is associated with an odor management program that has the support of experts from the National Center for the Environment (CENMA) of the University of Chile, who note the origin and source of odors (produced by Aguas Andinas’ processes or external) in the field as well as their intensity. These professionals contact the person who made the call and explain to him what the source of the perceived odor was.

#### 2014 NUMBER OF COMPLAINS

Center	No. Of calls	No. resolved
La Farfana WWTP	41	100%
Mapocho Trebal WWTP	1	100%
El Rotal CGIB	100	100%



7\_ RESPONSABILITY WITH NEIGHBOURING COMMUNITIES

**SUPPORT FOR RURAL COMMUNITIES: NATIONAL RURAL POTABLE WATER PROGRAM**

**G4-EC8**

Aguas Andinas is an active contributor to the rural sector of the Metropolitan Region through the National Rural Potable Water Program promoted by the Ministry of Public Works in order to contribute to the development, social integration and quality of life of rural communities.

The current Agreement covers the period 2013 - 2015 where the Company acts as a technical unit that provides assistance and advice to 104 community organizations responsible for the operation and maintenance of water supply systems in operation. Aguas Andinas shares its experience and knowledge in health and safety, administration and finance, support for overcoming emergencies, among others.

Additionally, the Company procures and inspects studies, the designs waterworks construction and engineering in order to expand the potable water coverage in rural areas as mandated by Waterworks Directorate. During 2014, various engineering designs for new works of improvement and coverage for more than 7,370 million pesos were developed, which will be implemented during 2015.

In addition, investments for 4,075 million pesos were implemented, mainly for the construction of service improvement works, increased coverage and probe construction, with a focus on the sectors most affected by the water shortage that affects the country's central region.



7\_ RESPONSABILITY WITH NEIGHBOURING COMMUNITIE

## 7.2 CONTRIBUTION TO LOCAL DEVELOPMENT

### COMPETITIVE FUNDS

G4-SO2 y G4-SO10

Competitive Funds were created in 2006 and cover the neighborhoods of Padre Hurtado, Maipú, Pudahuel and Til Til.

This program seeks to develop social organization development projects to help improve the quality of life of their communities. In this line, assessment criteria for selecting projects that meet requirements of partnership, sustainability and community development has been established.

The projects are presented to a jury and technical secretariat, which are responsible for assessing its suitability and feasibility. During 2014, 77 projects were funded, with more than 145 million pesos invested. With these, 374 projects funded have been funded since the program's inception, with more than 758 million invested.

### "AVANZA" PROGRAM

G4-SO1

The Company started a local entrepreneurship project "AVANZA", together with the ACCION foundation as a way to deepen the commitment to sustainable development of neighboring communities.

This initiative promotes the creation of shared value in the Company-Community relationship in the Win-Win relationships context, with a focus on strengthening and developing projects associated to the Company's value chain, improving quality of life and the environment in which these communities are inserted. Based on the concept of co-creation, co-responsibility and sustainability, we work in the community with and from the entrepreneurs, their development potentials and their entrepreneurial ideas.

During 2014, Aguas Andinas started working with the El Trebal community and a preliminary assessment was conducted during the second semester to determine the type of entrepreneurship that could be incorporated into the Aguas Andinas' value chain. Participatory activities were conducted with neighbors in order to identify the installed capacities in the community and determine lines of work. Once defined, these were presented to the community for its registration and participation in the program. Enrollees will have to attend a training process that will help them to develop their business plan and apply for the Aguas Andinas' Seed Money.

By 2015, it is expected that this program will be completed with the El Trebal community and extended to other communities.



## CHANGES IN THE INVOLVEMENT MODEL

In 2014, Aguas Andinas conducted an evaluation of the Good Neighbor Program in order to ascertain whether the initiatives undertaken were contributing to the communities' sustainable development. As a result, in 2015, a socioeconomic diagnosis in neighboring communities will be carried out in order to identify opportunities to create entrepreneurship that can be inserted into the Aguas Andinas' value chain and serve as a basis to build management indicators so that the involvement program would be sustainable over time.

As part of this process, the AVANZA local entrepreneurship program for El Trebal community emerged, which was developed with the ACTION Foundation.



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## ECONOMIC AND FINANCIAL PERFORMANCE



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8\_ ECONOMIC AND FINANCIAL PERFORMANCE

# 8 ECONOMIC PERFORMANCE

**G4-EC1**

The economic value generated by the Company is distributed among the different stakeholders involved in the value creation process, either through the creation of jobs, hiring services, purchasing equipment and materials from suppliers, contributions to the State in form of taxes, among others. In this regard, the importance of having responsible economic and financial resources management is observed, due to the impact it has on various stakeholders.

During 2014, it is observed that the increase in total revenue for the year, allowed increasing investment by the company in respect of wages and benefits for its employees in more than 12%. In addition, an increase in the payment to capital suppliers is observed, in particular for the payment of duties to financial institutions and the result from indexation units. The increase in operating costs was lower than the increase in income for the period.

The retained economic value, which is destined for operations and business continuity, also shows a significant increase during the year, with a percentage increase exceeding 15%.

**ECONOMIC VALUE GENERATED AND DISTRIBUTED BY AGUAS ANDINAS**

	2012	2013	2014	VARIATION 2013-2014
<b>Created Economic Value</b>	<b>391,805,449</b>	<b>410,916,120</b>	<b>446,452,493</b>	<b>8,6%</b>
1. Revenues derived from ordinary activities	382,885,743	402,623,592	440,734,172	9,5%
2. Other Profits	628,694	1,326,676	414,486	-68.8%
3. Financial Income	8,291,012	6,965,852	5,303,835	-23.9%
<b>Distributed Economic Value</b>	<b>329,990,833</b>	<b>349,494,057</b>	<b>376,084,322</b>	<b>7.1%</b>
1. Operational Costs	102,294,112	114,890,847	121,765,741	6%
1.1 Consumption of raw and secondary materials	29,162,856	27,416,534	30,182,683	10.1%
1.2 Itemized Expenses	73,131,256	87,474,313	91,583,058	4.7%
2. Salaries and social benefits for employees	38,187,964	40,455,749	45,331,445	12.1%
3. Payment to Capital Suppliers	153,446,726	164,655,151	183,521,265	11.5%
3.1 Financial Costs	24,170,380	28,885,840	30,738,756	6.4%
3.2 Dividend Payment	115,387,450	122,813,373	118,530,781	-3.5%
3.3 Results of indexed units	13,888,896	12,955,938	34,251,728	164.4%
4. Payments to Government	35,793,146	29,311,608	25,045,174	-14.6%
5. Community investments (donations)	268,885	180,702	420,697	233%
<b>Retained Economic Value</b>	<b>61,814,616</b>	<b>61,422,063</b>	<b>70,368,171</b>	<b>14.6%</b>



## 8\_ ECONOMIC AND FINANCIAL PERFORMANCE

### 8.1\_ FINES AND BREACHES

#### G4-S08

In 2014, Aguas Andinas received five penalties by the authority. Of these, two fines, totaling 80 monthly tax units (UTM), were paid. The first was paid to SEC because alleged deficiencies on the installation management of liquid fuels, which supply our vehicles on El Rital campus; and the second one to the Health Authority (SEREMI) of the Metropolitan Region, because of alleged deficiencies in the Potable Water Treatment Plant.

The remaining three penalties, filed by the SISS for 110 UTM, were contested by the Company and are in the process of resolution.



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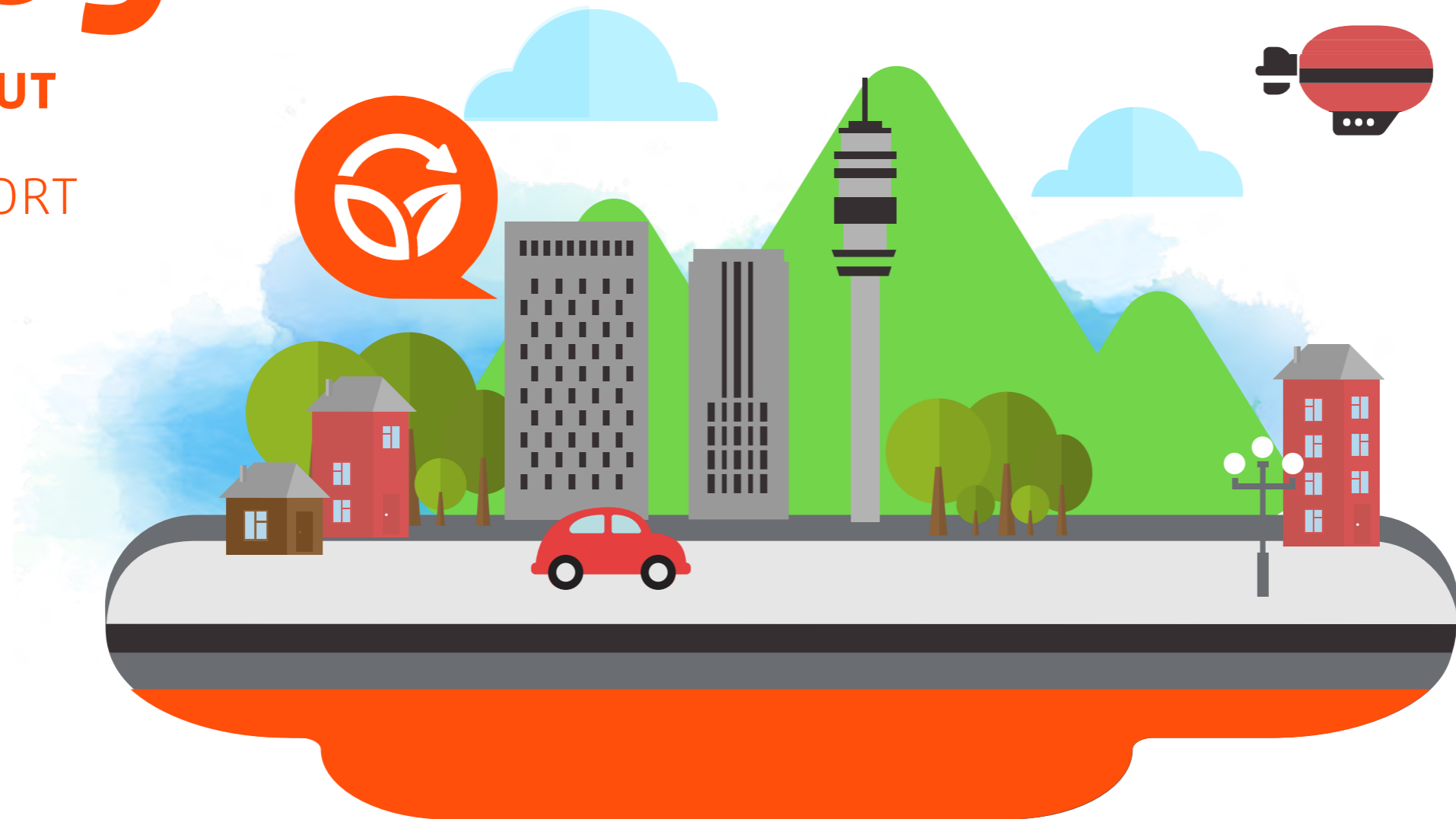
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# 9 ABOUT THIS REPORT

## 9.1\_REPORT SCOPE AND PROFILE

**G4-28, G4-29, G4-30, G4-32, G4-33**

This is Aguas Andinas' 10th Sustainability Report, which covers the management of 2014. This annual report has been prepared in accordance with the Report Elaboration Guide guidelines of the Global Reporting Initiative (GRI), G4 version, according to the comprehensive option. In addition, the process of defining issues and reporting information has undergone an external verification process.

**G4-17, G4-23**

Like the previous year, the information covers the management of Aguas Andinas' companies. This includes the management of Aguas Andinas S.A., Aguas Cordillera S.A. and Aguas Manquehue S.A., and excludes the information relating to the autonomous company Servicios Sanitarios de Los Lagos S.A. (ESSAL) and non-regulated subsidiaries EcoRiles S.A., Gestión y Servicios S.A., Análisis Ambientales S.A. (ANAM) and Aguas del Maipo S.A.

## 9.2\_REPORT CONTENTS DEFINITION

**G4-18**

The process of defining relevant issues to include in this report has followed the guidelines of the GRI methodology for defining the material issues (1), which includes identification, prioritization and issues validation stages from senior management.

The issues' preliminary identification is based on a review and consultation process of primary and secondary information sources that establish the sustainability context in which the organization operates. With this, we continued with the relevant issues collection process through consultation of various primary information sources, which involved conducting interviews to senior management of the organization and review of different stakeholders.

### IDENTIFICATION PROCESS OF RELEVANT TOPICS FOR THIS REPORT

Secondary Sources	Primary Sources
Industry Benchmark	Interview with Corporate Managers (7).
Press Review	Interview with the Chairman
Review of internal documents (policies, plans, strategy, etc.).	Survey to Aguas Andinas Workers (405) conducted by PROhumana
2013 Sustainability Report.	Interview with the Risk Manager.
Background documents (ANDESS, SISS).	Aguas Andinas Customer Perception Study 2013 (SISS).
2013 Management Report, SISS.	Prioritization workshop with managers (12).
Review of relevant publications (Sustainability Topics for Sector, DJSI, and RobecoSAM).	Prioritization workshop with the Corporate Managers and the Chairman of the Board (8).



<sup>(1)</sup> The material aspects are those that reflect the significant impacts of the organization in economic, social or environmental matters or substantially affect the assessment and decisions of stakeholders.





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After the identification of material issues, two prioritization activities were conducted: a prioritization workshop with 12 company’s managers and another with seven Corporate Managers and the Chairman of the Board, where an instrument of quantitative assessment was administered to define the priority of each issue.

G4-19, G4-20, G4-21, G4-48

Because of the materiality exercise, the material issues for Aguas Andinas were defined (see table). These issues define the structure and content of the sustainability report and include the review of the Corporate Communications Manager and the validation of the company’s CEO.



AGUAS ANDINAS’ MATERIAL ISSUES

RELEVANT ISSUES	WHERE IS IS IMPORTANT?	RELEVANT ISSUES	WHERE IS IS IMPORTANT?
<b>Good governance and economic performance</b>		<b>Responsabilidad medioambiental</b>	
Ethics and anti-corruption management	Aguas Andinas	Integrated water management: acquisition, production, distribution, collection, treatment and restitution	Aguas Andinas
Climate change effects on business and operations	Aguas Andinas	Energy efficiency and carbon footprint	Aguas Andinas; Suppliers
Business continuity and efficiency	Aguas Andinas	Non-conventional renewable energies (biogás)	Aguas Andinas
Public-private partnership (participation in public policies)	Aguas Andinas; Authorities	Biodiversity protection	Aguas Andinas
Research development & Innovation (R&D+i)	Aguas Andinas	<b>Labor Practices</b>	
Economic performance, profitability and significant fines	Aguas Andinas	Integrated talent management (training and performance assessment)	Aguas Andinas
<b>Responsibility with customers</b>		Occupational Health & Safety	Aguas Andinas
Service continuity and quality	Aguas Andinas	Talents Attraction and Retention	Aguas Andinas
Service experience (satisfaction and complaint management)	Aguas Andinas; Contractors	Labor Relationships	Aguas Andinas
Customer perception and satisfaction	Aguas Andinas; Contractors	Diversity and equal opportunities	Aguas Andinas
Collection transparency and safety of commercial information	Aguas Andinas	<b>Responsibility in supply chain</b>	
Relationship with vulnerable customers	Aguas Andinas	Supplier Development	Aguas Andinas
Awareness of water value and its responsible use	Aguas Andinas	Supplier and Contractor Assessment	Aguas Andinas
<b>Comunidades vecinas</b>		Contractors' Health and Safety	Suppliers and Contractors
Gestión de impactos en la comunidad	Aguas Andinas	Transparent Bidding and timely payment	Aguas Andinas
Aporte al desarrollo local	Aguas Andinas	Description of relevance	High
Relacionamiento con comunidades vecinas	Aguas Andinas		Medium

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LETTER FROM THE AUDITOR



EY Chile  
Avda. Presidente  
Riesco 5435, piso 4,  
Santiago

Tel: +56 (2) 2676 1000  
www.eychile.cl

**Limited Assurance**  
**Statement of Aguas Andinas S.A.'s Sustainability Report 2014 (free translation from the original in Independent spanish)**

To the President and Directors of  
Aguas Andinas S.A.

**Scope**

We have performed an independent limited assurance engagement on the information and data presented in Aguas Andinas S.A.'s 2014 Sustainability Report.

Preparation of the Sustainability Report is the responsibility of the Management of Aguas Andinas S.A. The Management of Aguas Andinas S.A. is also responsible for the data and affirmations included in the Sustainability Report, definition of the scope and management and control of the information systems that have provided the reported information.

**Standards and Assurance Procedures**

Our review has been performed in accordance with the International Standard on Assurance Engagements ISAE 3000, established by the International Auditing and Assurance Board of the International Federation of Accountants and the version G4 of the guidelines for the preparation of sustainability reports under the Global Reporting Initiative (GRI).

We conducted our assurance procedures in order to:

- ▶ Determine whether the information and data presented in the 2014 Sustainability Report are duly supported by evidence.
- ▶ Verify the traceability of the information disclosed by Aguas Andinas S.A. in its Sustainability Report 2014.
- ▶ Determine whether Aguas Andinas S.A. has prepared its 2014 Sustainability Report in accordance with the Content and Quality Principles of the GRI G4 guideline.
- ▶ Confirm Aguas Andinas S.A.'s self-declared "Core" option of the GRI G4 guidelines to its report.

**Work Performed**

Our assurance procedures included enquiries to the Management of Aguas Andinas S.A. involved in the development of the Sustainability Report process, in addition to other analytical procedures and sampling methods as described below:

- ▶ Interviews with key Aguas Andinas S.A. personnel, in order to assess the 2014 Sustainability Report preparation process, the definition of its content and its underlying information systems.
- ▶ Review of supporting documents provided by Aguas Andinas S.A.
- ▶ Review of formulas and calculations by recalculation.
- ▶ Review of the 2014 Sustainability Report in order to ensure its phrasing and format does not mislead the reader regarding the information presented.

**Our Responsibility**

Our responsibility is limited to the procedures mentioned above, corresponding to a limited assurance which is the basis for our conclusions.

**Conclusions**

Subject to our limitations of scope noted above and on the basis of our procedures for this limited assurance of Aguas Andinas S.A.'s Sustainability Report, we conclude that nothing has come to our attention that would cause us to believe that:

- ▶ The information and data disclosed in Aguas Andinas S.A.'s 2014 Sustainability Report are not presented fairly.
- ▶ Aguas Andinas S.A.'s 2014 Sustainability Report has not been prepared in accordance with the G4 version guideline for the preparation of sustainability reports under the Global Reporting Initiative.
- ▶ Aguas Andinas S.A.'s self-declared "Core" option does not meet the GRI G4 version requirements for this option.

**Improvement Recommendations**

Without affecting our conclusions as set out above, we have detected some improvement opportunities for Aguas Andinas S.A.'s Sustainability Report 2014, which are detailed in a recommendations report presented to Aguas Andinas S.A.'s Administration.

Truly Yours,

EY Ltda.

Diego Balestra  
June 1<sup>st</sup>, 2015.  
I - 00701/15

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## GENERAL BASIC CONTENTS

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<b>Strategy and Analysis</b>		G4-29	9.1 Report scope and profile
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G4-2	2. Aguas Andinas within the industry context	G4-31	Cover
<b>Company profile</b>		G4-32	9.1 Report scope and profile
G4-3	Cover	G4-33	9.1 Report scope and profile
G4-4	1.1 Company profile	<b>Corporate Governance</b>	
G4-5	Cover	G4-34	1.2 Corporate Governance, Ref. Annual report pg. 66, 67, 73 and 76
G4-6	1.1 Company profile	G4-35	1.2 Corporate Governance
G4-7	1.1.2 Aguas andinas' ownership and control	G4-36	1.2 Corporate Governance
G4-8	1.1 Company profile	G4-37	1.2 Corporate Governance
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G4-10	5. Labor Practices	G4-39	1.2 Corporate Governance
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G4-24	1.4.1 Stakeholder engagement	G4-55	5.2 Diversity and equal opportunities
G4-25	1.4.1 Stakeholder engagement	<b>Ética e integridad</b>	
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<b>Management of ethics and anti-corruption</b>		<b>Attracting and retaining talent inside de company</b>	
DMA	Corporate ethics management	DMA	5. Labor practices
G4-SO3	Crime prevention model	G4-10	5. Labor practices
G4-SO4	Crime prevention model	G4-LA1	5. Labor practices
G4-SO5	Crime prevention model	G4-LA12	5. Labor practices
<b>Effects of climate change on the business and operations</b>		<b>Comprehensive talent management</b>	
G4-EC2	2. Aguas Andinas within the industry's context	DMA	5.1 Comprehensive talent management
<b>Business continuity and efficiency</b>		G4-LA9	5.1.1 Career development
Aguas Andinas indicator	2.1 Supply continuity and quality additional water reserves 2.2 Comprehensive operations management	G4-LA10	5.1.2 Talent development
<b>Public-private partnership (participation in public policies)</b>		G4-LA11	5.1.1 Career development
DMA	2.4 Enhancing collaboration and dialogue	<b>Diversity and equal opportunities</b>	
G4-SO6	2.4 Aguas Andinas not make contributions of this kind	DMA	5.2 Diversity and equal opportunities
<b>Research development and innovation (R + D + i)</b>		G4-54	5.2 Diversity and equal opportunities
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<b>Integrated water cycle management</b>		G4-LA13	5.2 Diversity and equal opportunities
DMA	3. Efficient and eco-friendly operations	G4-EC6	5.2 Diversity and equal opportunities
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G4-EN5	3.2.1 Energy consumption	DMA	6. Responsibility in the supply chain
G4-EN6	3.2.1 Energy consumption	G4-12	6. Responsibility in the supply chain
G4-EN7	Does not apply	G4-EC9	6. Responsibility in the supply chain
G4-EN15	3.2.2 Emissions	<b>Suppliers evaluation</b>	
G4-EN16	3.2.2 Emissions	DMA	6.2 Promoting responsibleaction in the supply chain

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