



# SUSTAINABILITY REPORT / 2015



A COMMITMENT THAT FLOWS



# LETTER FROM THE PRESIDENT

## G4-1

With great pride, and for the eleventh consecutive year, I present Aguas Andinas' Sustainability Report corresponding to 2015 management. Through this annual act of transparency, we reaffirm our commitment to key stakeholders, to account for the company's performance on economic, social and environmental issues, and to follow the ten principles that promote the United Nations global compact on matters of human rights, labor, environment and anti-corruption, an initiative we've adhered to since 2009.

In 2015 we had to face the cruelty of natural disasters, increasingly frequent in the country. In just over a year, we were present as 8 catastrophes affected the country. All of us who work at Aguas Andinas are public servants, and we "go to bat" for our customers, always looking to go further.

## CLIMATE CHANGE

Climate change and the effects of the drought were felt for the sixth consecutive year. Fortunately, the phenomenon of the "Godzilla" El Niño gave us a break on water availability, recovering a large deficit of water and snow. As a result, today we have greater availability to ensure supplies for the coming seasons. However, as experts warn that dry periods will become more intense and frequent, we defined a strategic plan for the 2015-2020 five-year period and a 2015-2030 drought and climate change plan, with a focus on long-term resource sustainability.

The 2015-2020 strategic plan involves not only big investments but also transformations at the organizational and cultural levels, for the company to be flexible in responding effectively to these challenges. Organizational changes involved the creation of new deputy directors, the merging of teams, and the consolidation of a new and more systematic work methodology. Meanwhile, the cultural transformation involved a process of internal reflection of a large percentage of the company's employees, generating as a result a redefinition of the vision, corporate purposes and principles.

In labor news, the major milestone of 2015 was the anticipated collective bargaining with two-thirds of the company's negotiators. This event was a true reflection of the investment made by the company to maintain

open relations with all our unions based on mutual trust. The second milestone of the year was the early retirement program, which a total of 76 workers accepted.

## #USALOQUENECESITAS (UseWhatYouNeed)

That said, just as important as producing internal changes or building large projects is educating our customers about responsible water use. In 2015 we did not cease in our efforts to promote new initiatives such as the water dome, or strengthen existing ones, like our Gotagotham educational program. With the same objective, and approaching the COP 21 climate summit, we ended 2015 with our recent campaign of responsible water use and climate change #usaloquenecesitas (#usewhatyouneed), deployed in central areas of the city, which was received positively by Santiago residents.

As you will see, all our initiatives are embedded in the heart of sustainability, as they all have a positive impact on the environmental, economic and social performance of our company and the country. Validation of the company's new sustainability strategy, along with the adoption of new policies and procedures on corporate governance linked to standard 385, also indicate important progress in this area.



I can not fail to mention that during the first semester of 2015, as part of an investigation initiated by the Public Ministry, Aguas Andinas was required by the National Prosecuting Authority and the Internal Revenue Service to provide accounting records related to bills and invoices issued in 2010. In that application the company voluntarily provided all the required information, began an internal investigation and decided to rectify its declaration of expenditures to the Internal Revenue Service. Likewise, Aguas Andinas adopted internal measures necessary to strengthen management control. Aguas Andinas has not received any other requirement related to this issue.

#### **CHALLENGES**

2016 will see new regulations, more demands, and the uncertainty of climate change, on top of an adverse global economic outlook. With responsibility and conviction, we will present our point of view, because sustainable development needs companies that are able to meet their commitments and ours is the most vital of all. Reflected in this work are the awards received this past year, such as our honorable mention in Prohumana's ranking on corporate sustainability, the award for the company with the greatest value creation in the energy and basic services sector in the ranking done jointly by the Santander Global Banking & Markets and Capital magazine, and our entry into the Dow Jones Sustainability Index for emerging markets and for Chile. Thus, with the same strength and desire to be a better company for our customers, we will continue working for the city's operations and to bring wellbeing to its people, seeking to become leaders in environmental sustainability in Chile, and ensuring water for future generations.

**Felipe Larrain**  
President  
Aguas Andinas



## 2015 Milestones

2015 MILESTONES/

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#### **G4-5 y G4-31**

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# 2015 Milestones





# 2015 MILESTONES

## Organizational and cultural transformation, with new vision, values, and principles Review of Sustainability Strategy

### -Corporate governance

- Launch of online ethical complaints channel
- Compendium of Corporate Governance policies and procedures

### -Operational continuity and efficiency

- Pirque Pond
- 2015-2030 Drought and Climate Change Plan
- 2015-2020 Investment Plan
- Report to the CDP (Carbon Disclosure Project)

### -Labor practices

- Collective negotiation
- Variable compensation by objectives (DEO)

### -Responsibility with neighboring communities

- Avanza ("Advance") Program / incorporation of neighbors in supply chain
- Community strategy

### -Economic performance

- DJSI
- Bond issuance
- New information and transparency platform for investors
- Inclusion in the Euronext Vigeo Indices

### -Customer Responsibility

- New Management for Customer Experience
- New platforms
- Collections management: Under 3 types / Decrease in Complaints for service cuts

### -Supply Chain Responsibility

- Redesign of Purchasing Plan
- Supplier portal
- Open Gecon Day



**Chap 01**

**We Are  
Aguas Andinas**





# WE ARE AGUAS ANDINAS

## 1.1. Company profile

### G4-3, G4-4, G4-6

The Aguas Group is composed of nine companies all related to the sanitation market. Aguas Andinas S.A., Aguas Cordillera S.A., Aguas Manquehue S.A. and Empresa de Servicios Sanitarios de Los Lagos S.A. (ESSAL) are all concessionaires of sanitation services, subject to legislation that regulates the sector. These companies provide services including production and distribution of potable water, collection and disposal of wastewater, and other services related to those activities. The four remaining companies offer services related to liquid industrial waste; commercialization of materials and nonconventional renewable energies; laboratory analysis, and the development of energy projects related to the sanitation sector.

Aguas Andinas is the largest sanitary company in the country and one of the more important in Latin America. It is responsible for the supply of potable water and sewage collection for the majority of the city of Santiago de Chile.

For the purposes of this Report, when reference is made to Aguas Andinas it will include Aguas Andinas S.A., Aguas Cordillera S.A. and Aguas Manquehue S.A. ESSAL is not included in the analysis, nor are the non-regulated subsidiaries.



### 1.1.1. Our key figures in 2014 2015

#### G4-8, G4-9

Aguas Andinas is a company with a workforce of 1,193 professional and dedicated workers who each day strive to guarantee the quality and continuity of service for all of its customers. The company is responsible for the supply of potable water and sewage service to the Metropolitan Region, especially in the concession zone located in the Santiago watershed, which includes one of the areas with the highest concentration of people in the country.

In 2015, Aguas Andinas' clients, broken down by residential, commercial and industrial, reached a total of 2,149,673 for potable water and a total of 2,096,347 for sewage service, with the company billing a combined 562,187 m3 of potable water and 542,921 m3 of wastewater.

#### Total customers



#### Number of customers by company 2014

	2014		2015	
	Potable Water	Sewage Service	Potable Water	Sewage Service
Aguas Andinas	1.726.529	1.689.214	1.768.892	1.729.802
Aguas Cordillera	148.160	145.556	152.464	149.849
Aguas Manquehue	10.960	10.567	12.285	11.832

#### Consolidated number of customers<sup>1</sup>

	2011	2012	2013	2014	2015
Potable Water	1.966.639	1.984.132	2.039.298	2.096.999	2.149.673
Sewage Service	1.913.081	1.943.788	1.999.419	2.045.634	2.096.347

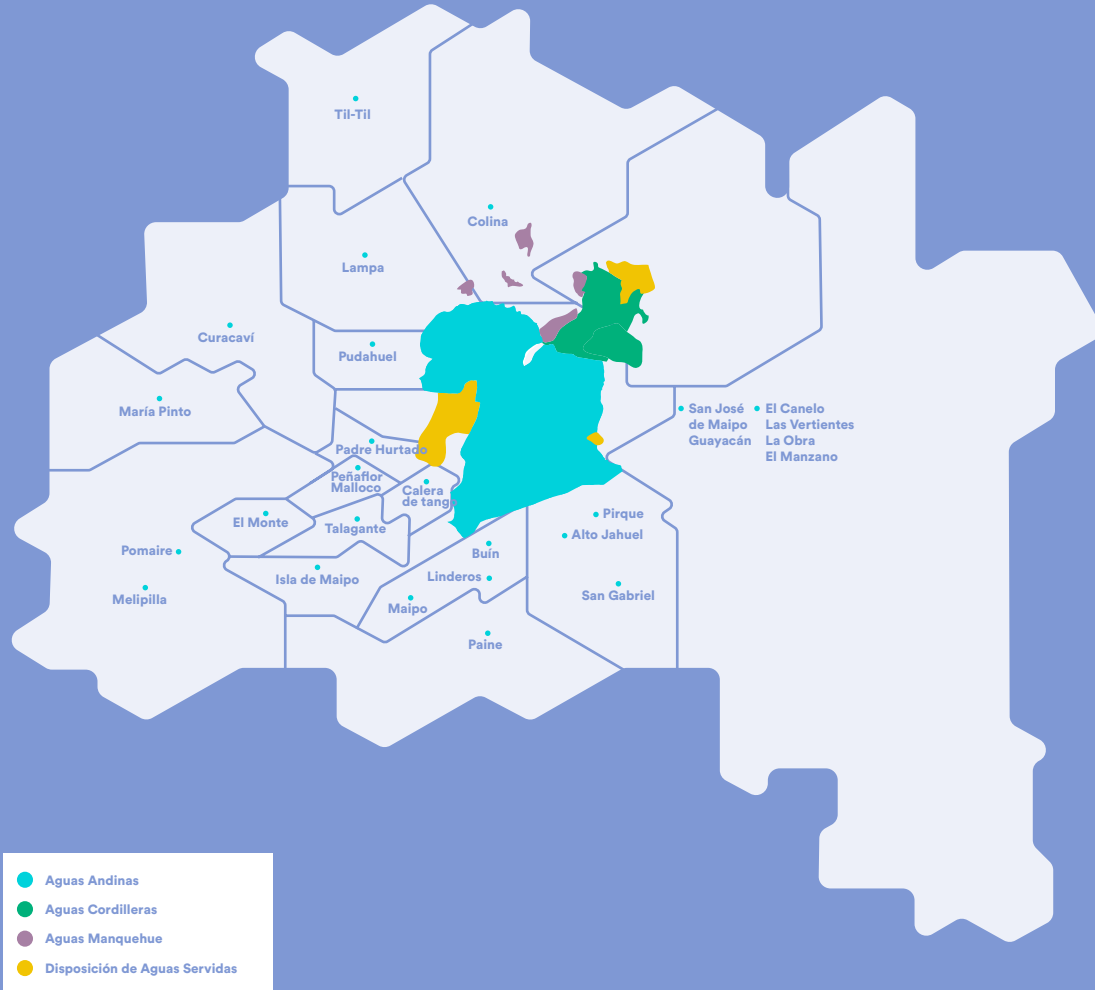
#### Cubic meters billed

	2015	
	Potable Water	Sewage Service
Aguas Andinas	455.371	432.841
Aguas Cordillera	66.313	63.799
Aguas Manquehue	13.913	12.333

#### Number of subsidies

2011	117.634
2012	117.009
2013	110.305
2014	113.385
2015	113.284

<sup>1</sup> Las cifras contenidas en esta tabla consideran los clientes de ESSAL S.A.



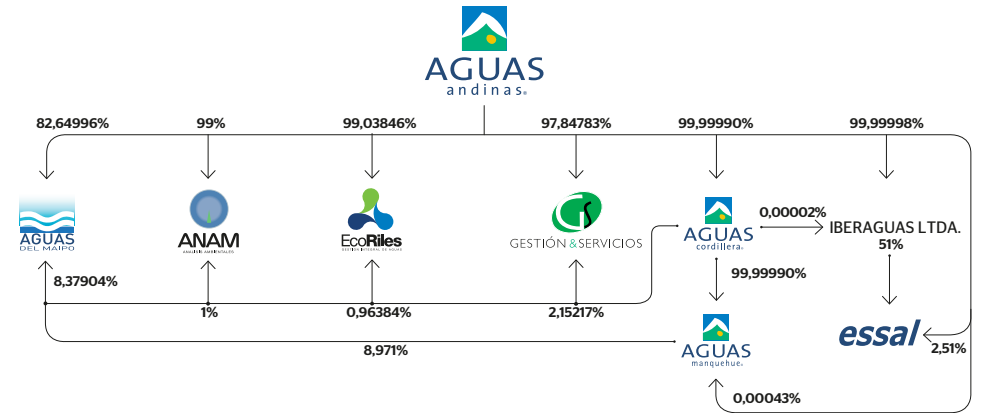
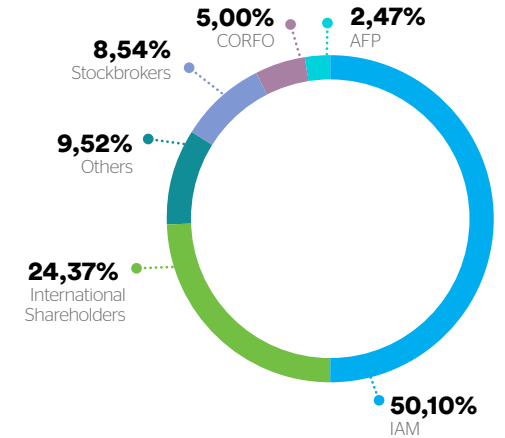
### 1.1.2. Ownership and control of Aguas Andinas

#### G4-7, G4-13, G4-17

Sociedad General de Aguas de Barcelona (AGBAR) is the controlling and strategic company of Aguas Andinas, since it indirectly controls 56.6% of the assets of Inversiones Aguas Metropolitanas S.A. (IAM), a company which in turn owns 50.1% of the shares in Aguas Andinas S.A.

With more than 145 years of history, AGBAR is an international leader in management of water and the environment, with a presence in 24 countries, in which it serves 256 million people daily.

100% of AGBAR is controlled by Suez Environnement España S.L., a company belonging to the Suez Group. With more than 120 years of experience and more than 79,000 employees, the Suez Group is a global leader in water and waste management and is present in more than 70 countries.



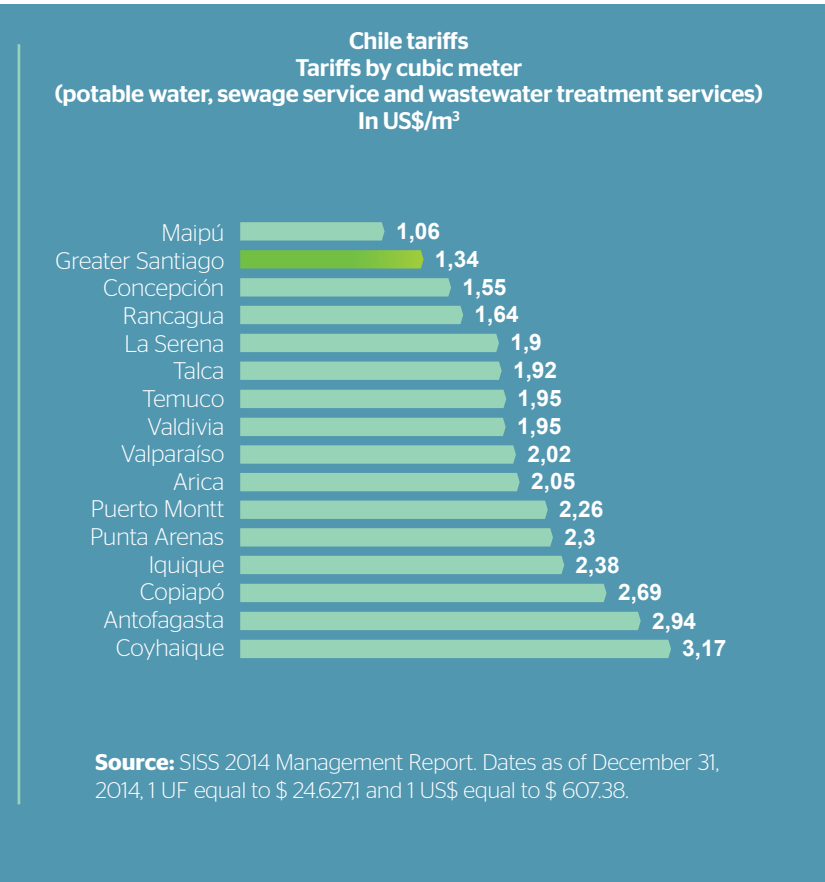
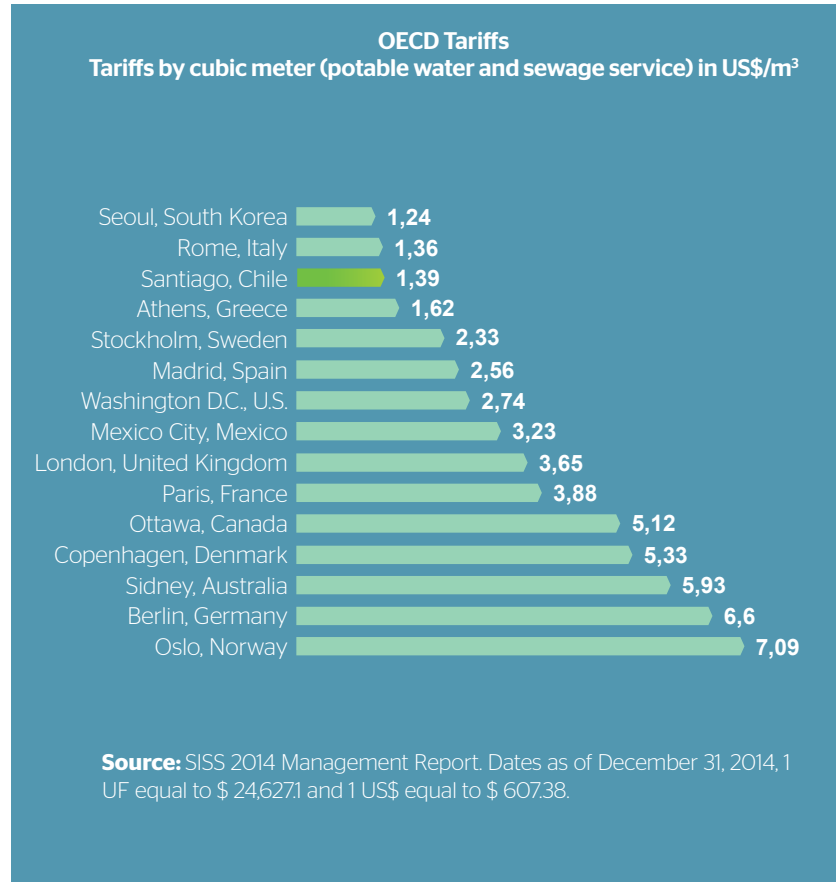
For more information on the company's ownership and financial statements, please review the Aguas Andinas S.A. Financial Report, page 108.



### 1.1.3. Tariffs for the 2015-2020 period

Current tariffs for Aguas Andinas, Aguas Cordillera and Aguas Manquehue were set in the tariff-setting process corresponding to the 2015/2020 period, under the provisions of the Tariffs Law governing the sanitation sector (D.F.L. MOP N°70/1988). The tariff process is technical and considers a series of phases, all public knowledge. The first phase is the formulation of the base level, in which all parties that have a direct interest can make observations. Once the basis is defined, both the company and the Superintendency develop their proposals within an established period, which are then exchanged. The company formulates observations that can be accepted or rejected by the Superintendency. The law contemplates a negotiation process and a Committee of Experts in the event the parties do not succeed in resolving discrepancies.

The current tariff process ended in agreement and determined that for the 2015-2019 period, Aguas Andinas and Aguas Cordillera will maintain the base tariffs for potable water, sewage service and wastewater treatment services, while for Aguas Manquehue tariffs would be lowered by 5%. In accordance with information published by the SISS, the tariffs for Aguas Andinas' potable water and sewage services (in cubic meter/ US\$) are the lowest at the national level and one of the lowest among OECD countries (Report of Sanitation Sector Management 2014, p. 59)





## Our challenges in 2015-2020 - Seven keys for the next five-year period

### 1.2. Corporate strategy

#### 1.2.1. 2015-2020 Challenges



Looking to keep up with changes and new requirements, Aguas Andinas designed a strategic plan for the next five years, which puts the customer at the center of its work, to seek out and respond to their expectations and needs.

This plan called **Our Challenges 2015- 2020** involves investments amounting to US\$890 million, which aim to strengthen the security and continuity of potable water services; modernize the company's business processes; enhance its service platforms to provide a more personalized and efficient service; and strengthen teamwork, among others.

- 1 **Strengthening** the security and continuity of potable water and wastewater.
- 2 **Modernizing** our operations, introducing new technologies into the management of our operating centers.
- 3 **Expanding** our ability to serve our customers and be closer to them.
- 4 **Improving** the skills and competencies of Aguas Group employees.
- 5 **Speeding up** the company's response time to customer needs.
- 6 **Strengthening** our links with our communities and neighbors.
- 7 **Consolidating** a relationship of trust with our suppliers.

To implement the Strategic Plan, an investment plan was designed where water service will account for 60% of the total, equivalent to US\$545 million. Wastewater service will make up the remaining US\$345 million.

#### Major investments in 2015-2020

	 <b>Potable Water services</b>	 <b>Wastewater services</b>
Replenishment and operational improvement plans	US\$280 millions	US\$130 millions
Growth, security and quality of service	US\$265 millions	US\$215 millions
<b>Total</b>	<b>US\$890 millions</b>	





### 1.2.2. New vision and purpose

In order to move towards a more efficient and functional structure to the challenges imposed, the company initiated a process of Organizational and Cultural Transformation focused on finding efficiencies through: the modernization process; reorganization of areas that are key and critical to the customer experience and value chain; introduction of new forms of work better linked to a matrix organization; among the main ones.

Culturally, the company launched an internal reflection that culminated in a new corporate vision setting new and greater challenges for the company in terms of business sustainability, both today and for the future. The process was thorough and involved the participation of not only the company's senior executives but also its employees.

With that, the company's vision was changed for its workers and internal operations, and the company's role was redefined in the face of its customers, suppliers, contractors, neighbors and the wider community, thus resulting in the new purpose of Aguas Andinas .

### Aguas Andinas Vision

**Become a leader in environmental sustainability in Chile, ensuring water for future generations.**

### Aguas Andinas Purpose

**We work for the proper functioning of the city and the wellbeing of its residents.**



### 1.2.3. New sustainability strategy

The company also initiated a review of its sustainability strategy, with the goal of identifying, managing and mitigating the impacts and risks to the company in the new economic, social and environmental surroundings, as well as maximizing benefits and opportunities for Aguas Andinas and its stakeholders. As a result of the evaluation, during 2015 a new strategy and sustainability policy was developed.

Among the challenges of this new sustainability strategy is developing new KPIS and commitments linked to the expectations of stakeholders defined by the company, and transforming practices into policies, among the main points.



## Sustainability Strategy - Aguas Andinas

**Promoting an ethical and transparent culture**

**Protection, development and commitment of our talents**

**Quality, service availability and satisfaction for our customers**

**Maintaining fair and responsible relationships with our suppliers and contractors**

**Efficient and environmentally friendly operations**

**Development of our neighboring communities to our operational facilities**

In this context, in 2015 Aguas Andinas reflected upon its corporate sustainability policy, where it is committed to developing the business to ensure sustainable development of its major stakeholders, serving a number of premises in the performance of their activities.

### Sustainability Policy - Aguas Andinas

The company recognizes its role as a provider of a basic and essential service for the population, and in this sense, understands the importance of integrating its beliefs transversely in all of its day-to-day activities. Through dialogue and continuous improvement, it will ensure improved quality of life and the harmonious development of its employees, customers, shareholders and strategic partners.

Both the sustainability strategy and policy of Aguas Andinas were finalized in 2015, but its final validation was postponed to the first quarter of 2016, so that it is the company's Board of Directors who will issue final approval for both statements.





### 1.2.4. Stakeholders and memberships

#### G4-15, G4-16, G4-24, G4-25, G4-26, G4-27

The definition of the company's primary interest groups is based on the influence each of them have on the company and the impact the company has on them.

The company therefore understands the importance of maintaining regular and transparent communications with its key stakeholders, for which it uses different communication channels that allow it to transmit information along with collecting perceptions and expectations.

The company communication with each of its stakeholders varies depending on the channel available, and the relationship strategy that the company has defined for that group.

Stakeholder	Method of communication	Main areas of concern
Employees	<ul style="list-style-type: none"> <li>• Bulletin Board</li> <li>• Mailings</li> <li>• Internal Campaigns</li> <li>• Water TV</li> <li>• Newspapers and institutional magazines</li> <li>• Work meetings</li> </ul>	Career development and training; equal opportunities; good working conditions and communication; health and safety.
Customers	<ul style="list-style-type: none"> <li>• Contact Center and web platforms</li> <li>• Commercial Agencies</li> <li>• Bills</li> <li>• Perception and satisfaction surveys</li> </ul>	Service quality and continuity; customer service, attention channels, and , attention channels and complaint management; transparency and accuracy in collection.
Shareholders	<ul style="list-style-type: none"> <li>• Investors website</li> <li>• People in charge of investor relations</li> <li>• Shareholders meeting</li> </ul>	Profitability; investment stability; corporate governance practices; risk management; transparency.
Suppliers and contractors	<ul style="list-style-type: none"> <li>• Suppliers portal (web platform)</li> <li>• Relations with contract administrators</li> <li>• Relations with risk prevention area</li> </ul>	Transparent and fair conditions; timely payment; growth opportunities.
Authorities	<ul style="list-style-type: none"> <li>• Work meetings</li> <li>• Reports</li> </ul>	Regulatory compliance; collaborative relationships; contribution to local development.
Neighbor communities	<ul style="list-style-type: none"> <li>• Hello Neighbor</li> <li>• Working Groups</li> <li>• Community relations programs</li> </ul>	Impact management; dialogue and relationships; local development opportunities.



Aside from the communications the company maintains with its stakeholders, the company participates in associations related to water, the sanitation sector, and socially responsible development.

### **Memberships and associations in which Aguas Andinas participates**

- United Nations Global Pact.
- National Association of Sanitation Services Companies (ANDESS)
- Inter-American Association of Sanitation and Environmental Engineering (AIDIS)
- Association of Companies and Professionals for the Environment (AEPA)
- Prohumana Foundation
- Operational Association of Service Companies (COESE)
- Chilean Security Association (ACHS)
- Chile Official Spanish Chamber of Commerce
- Cordillera Park Association of Municipalities
- Acción Foundation: Chile Representative in the World Business Council for Sustainable Development
- Sociedad de Fomento Fabril (SOFOFA)



### 1.3. Corporate Governance

#### G4-34, G4-38, G4-39, G4-40

The highest body of corporate governance in Aguas Andinas is the company's Board of Directors, composed of 14 directors, all male, of which seven are named directors and seven their respective alternates. In turn, two board members are independents, with their respective alternates. None of them fulfill executive functions in the company.

It involves board members with experience in the business world, with various of them currently holding executive or board positions in other companies.



#### Board Member Attendance - Aguas Andinas

Cargo	Nombre	%
President	Felipe Larraín Aspillaga	100
Vice President	Josep Bagué Prats	92
Director	Ricardo Escobar Calderón	83
Director	Herman Chadwick Piñera	100
Director	Bruno Philippi Irrázabal	92
Director	Rodrigo Manubens Moltedo	92
Director	Gonzalo Rojas Vildósola	100
Alternate Director	Oliver Jaquier	42
Alternate Director	Fernando Samaniego Sangroniz	92
Alternate Director	Xavier Amorós Corbella	83
Alternate Director	Lorenzo Bernaldo de Quiroz	50
Alternate Director	Jorge Cosme Sagnier Guimón	92
Alternate Director	Rodrigo Terré Fontbona	58
Alternate Director	Jaime Cuevas Rodríguez	67

For more information on the structure of the Board, its members and Committees, please see Aguas Andinas S.A. Financial Statement, pages 23 to 25.

#### 1.3.1. Description and participation of the Board of Directors

##### G4-35, G4-36, G4-37, G4-42, G4-43, G4-44, G4-49, G4-50

Regarding the functioning of Aguas Andinas, the Board of Directors sets the strategic guidelines and supervises the administration and management of the company, which managers and executives are entrusted with. For this, the Board defines the structure of corporate management responsibilities for each and then delegates authority on economic, environmental and social matters.

The Board also participates in the validation of the company's most relevant sustainability instruments, such as strategy, policy, and the sustainability report.

Meanwhile, managers and executives bring before the Board the most important issues of the company's management through the Management Committee, composed of the CEO and 7 corporate managers. Among the issues that the Committee communicates to the Board are relevant investment proposals, questions and concerns expressed by stakeholders.



## Standard N°385 - SVS

On November 25, 2015 the company's Board of Directors adopted a series of agreements under General Rule No. 385 of the Superintendency of Securities and Insurance (SVS), which have been collected in the Compendium of Policies and Procedures on Corporate Governance<sup>1</sup>, which includes agreements and practices implemented voluntarily.



Some of the practices approved by the board include the formal induction process for new board members and the formalization of the processes of training and updating board members in areas like corporate governance, inclusion, diversity, and risk management, among others. This document includes the Board's commitment to submit itself every two years to the assessment of a third party to identify and implement improvements in its organization and operation

### 1.3.2. Risk management

#### G4-45, G4-46, G4-47

In 2015, the Board validated the Aguas Andinas Risk Map and established, as a risk management and control policy, that each management division will annually conduct a survey of its main risks and propose actions to mitigate them, which must be implemented and accredited at the request of internal auditors. The General Manager shall be in charge of determining which of these risks are the most relevant, and shall submit monitoring results to the Board will know of these matters at least annually.

### 1.3.3. Management of corporate ethics

#### G4-41, G4-56, G4-57, G4-58, G4-SO3, G4-SO4, G4-SO5, G4-SO6

Aguas Andinas has different regulations and procedures that ensure that the company's operation is in strict compliance with the legal framework. In this context, the company has a Board of Directors Code of Conduct regarding conflicts of interest and a Code of Ethics, instruments that also reinforce the ethical performance of the professionals, executives and managers of Aguas Andinas.

The Code of Conduct was adopted in 2013, at which time it became applicable to all directors of the company, in relation to conflicts of interest they may face. This meant defining what the company means by conflict of interest, establish procedures to identify and report these potential conflicts, and define mechanisms to prevent and/or manage them.

The Code of Ethics is the instrument in which Aguas Andinas establishes its corporate values, and further states that ethics is a fundamental principle that guides behavior and commits to compliance with laws and regulations, integrity, loyalty, honesty and respect for all people. In this sense, it is expected that its professionals act in accordance with these ethical principles in all circumstances and whatever their work or their degree of responsibility and dialogue.

The Management Committee of Aguas Andinas is the first guarantor of implementing the Code, promoting the company's ethical commitment and making it suitable for ethical management structures. This structure includes standards, divisions, procedures and professional practices for ethical management. Supervision lies with the Corporate Manager of People, Organization and Innovation, which manages the appropriate means for implementing the Code of Ethics and exercises the necessary authority to ensure compliance.

The company **has made available to the internal and external public** different reporting channels, among those highlighted being the newly created virtual channel for the company's own workers. This is an internal complaints mechanism consisting of a form through the intranet or page under an option labeled 'Hotline.' All complaints by this channel require the complainant to be identified, in order to track the process online.

<sup>1</sup> Available at: <https://www.aguasandinasinversionistas.cl/>

During 2015, Aguas Andinas received a few allegations of ethical issues, however they were not filed through the formal enabled channels. This is partly explained due to the newness of these new platforms, and the company's internal organizational culture. However, beginning next year it is expected that the formalization of complaints will be enhanced through formal channels, so as to keep better track of cases.

The company also has a certified Crime Prevention Model, which addresses the crimes of bribery, money laundering and terrorist financing, and seeks to implement a form of corporate organization to prevent the commission of other crimes by some members of the company. Notwithstanding the foregoing, the rules, protocols and procedures stipulated by the Model also include suppliers and contractors.

**For the launch and certification of this Model, the company earned recognition by the Chilean Network of Global Compact in relation to the fight against corruption.**

The model incorporates a reporting procedure which is based on three fundamental pillars: timeliness, confidentiality and efficiency. The reporting channel is anonymous unless the worker, partner or supplier expressly wants to be identified. This channel was incorporated into the company intranet and consists of a pre-established form through an option called 'Aguas Group Complaint Line.' No complaints were received by this means in 2015.

During 2014 a strong effort was implemented for training and outreach on the Crime Prevention Model and its reporting channel, both for Aguas Andinas employees and for suppliers and contractors. This management also included an internal communication campaign of the company's Code of Ethics. Given all the work done, no new instances of this kind were generated in 2015.

### **National Prosecutor's Investigation**

During the first semester, as part of an investigation initiated by the Public Ministry, Aguas Andinas was required by the National Prosecuting Authority and the Internal Revenue Service to provide accounting records related to tickets and invoices issued in 2010. In that application, the Company voluntarily gave all the required background and began an internal investigation. Upon not locating the corresponding backups, the company decided to correct its declaration of expenditures to the Internal Revenue Service (SII) and also adopted the necessary measures to strengthen its management control measures. Aguas Andinas has not received any other requirement from the Public Ministry or the SII in relation to these facts.





## 1.4. Transformation Program

### G4-13

The Transformation Program was led by the Corporate Management of People, Organization and Innovation, supported by external consultants.

Organizational changes mainly involved four of the seven Corporate Management divisions, which together oversee more than 80% of the company's workers and executives. Given the size of the program, a Deputy Director of Transformation was created to be responsible for implementation, execution, monitoring of the transformation programs for each of the involved areas, and at the same time enhance training methodologies and introducing tools of change, how to ensure that the adjustments are effective.

In addition, a Transformation Committee composed of the Corporate Management Divisions and the Deputy Director of Transformation was created, in order to review and validate the deliverables set for each Transformation Program, as well as support the monitoring of the objectives committed to each.



The main changes made during 2015 are presented below:

- New organizational design for Corporate Management of Operations, in order to align with the strategy and principles of organizational efficiency. Results of this sub-project was a strengthening of the Networks, Equipment Maintenance and Water Quality areas, as well as defining the corporate needs shared processes between the Corporate Management of Operations and other Corporate Management Divisions (Customer Service / Planning, Engineering and Systems), in order to improve coordination of these processes. The main milestone was the creation of the Network Management Division, responsible for aligning the operation of the major and minor networks, ensuring streamlined operations.
- New organizational design of the Customer Service Corporate Management Division, to align with the challenges of the "Customer Strategy Plan." A new Management for Customer Experience was created that addresses the Commercial Management and Customer Service and centralized management of all service channels into a single centralized unit. In addition, the commercial function was strengthened, grouping the divisions of New Services and APR into the Business Development Management Division. (More information in Chapter 4)
- Optimizing the Management Control function so as to align with Management's specific strategy, through the identification of critical and relevant activities and responsibilities and through standardization and automation of reporting systems. As a result, all functions are centralized in the Office of Management Control, being divided into three areas: Financial - Strategic Control, Management of Reports, Data Models and BI, and Operational Management Control. To do this a Deputy Manager of Operational Management Control was created, as well as a Controller Business Partner (CBP) entity as an advisor to each of the Corporate Management Divisions, improving analysis of economic and operational variables.
- A new operating model for purchasing in order to analyze the organizational the structure, processes and technological tools to enhance the current model. This establishes a strategy for each purchasing category and giving a look at the total cost of ownership, so as to increase the quality and achieve savings. To realize these processes the Manager of Purchasing was created and incorporated new roles depending on the Management of the purchases: Purchasing Manager, Contracts Manager and Platforms Manager. Additionally, an Assistant Purchasing Manager was created and a Manager of Purchasing Categories was incorporated.



## Identified economic benefits

While the process of transformation has put the focus on process improvement, and the relationship types between different areas within the Organization, it has also managed to identify potential cost efficiencies, where the Procurement Transformation Project has identified about MM\$5,400 that can be retained over the next 5 years which are generated from the processes of strategic negotiations with various suppliers of products and services.

In parallel to designing more efficient processes and adjusting the organizational structure to these processes, potential savings over the next three years of nearly \$ 600 MM have been identified, which are heavily leveraged in the 2015 early retirement project.

## 1.5. Excellence Plan

During 2015 and already in its fourth year of implementation, the company made an effort to reflect on its Plan of Excellence, a continuous improvement tool that permits initiating a review process by referring to how it should evolve. There is a need for the Excellence Plan to be aligned directly with Aguas Andinas' process of Transformation and its Strategic Plan. In this context, the activities of the areas that today participate in the Plan continued to be fully developed, but parallel review process regarding the future of the Plan began.

In September 2015 the position of Deputy Director of the Excellence Plan was removed, and its functions become part of the Deputy Director of Transformation. From that point on it began to take action to define the path which the company's Efficiency and Cultural Change Program should take, in place since 2012. So far the results delivered have been very good, especially from the perspective of the organization's culture. Between the months of October and December 2015, actions were developed afterwards to help develop this plan, including Brainstorming sessions between the Deputy Director and the various groups involved in this dynamic. Also included was the development of a diagnostic Plan by a group of MBA students from the University of Chile, which lent an external view of the current status and recommended actions that should be made in the future. The goal with all of this is to specifically identify the benefits of this program, the elements it should involve, and procedures that are not providing value, which should be reconfigured.

All of the work in 2015 will make it possible in 2016 to carry out the necessary actions aimed at converting the Plan of Excellence into a platform that strongly drives process improvement and the ongoing strengthening of cultural change in the organization.





## Cultural Transformation

The Cultural Transformation process had as its main objective the initiation of an internal reflection on the vision, purpose and values of the company based on new challenges. To achieve greater involvement of the company's employees, various divisions were considered, including: the Transformation Committee, composed of the company's senior executives; a Bureau of Culture, composed by executives from different areas; open meetings with executive officers and leaders; and an internal survey of all company's employees. From this dialog emerged a new Vision (Being a leading company in environmental sustainability and ensuring water for future generations), a new Purpose (We work to ensure the functioning of the city and provide well-being to its inhabitants) and Aguas Andinas' Nine Organizational Principles.

## Aguas Andinas Principles



**I think about the future to serve in the present.**



**I act with honesty and transparency.**



**I go to bat for our clients.**



**I listen, ask and take action.**



**I contribute to my team and that of others.**



**I say things straight.**



**I am consistent: If I say it, I do it.**



**I seek improvements to innovate.**



**I thank and acknowledge a job well done.**



# Chap 02

**Aguas Andinas  
in the Industry  
Context**



# AGUAS ANDINAS IN THE INDUSTRY CONTEXT

## G4-2, G4-EC2

International organizations and various scientific studies indicate that water resources, especially fresh water, will meet increasing global demand, as a result of population growth, socioeconomic development and the effects of climate change.


















Water is a vital resource for both industry and the public. Nationally, although Chile is considered one of the privileged countries regarding availability of water resources, such availability experiences significant levels of inequality throughout the country



## 2.1. Aguas Andinas in the context of the industry.

In November 2015, the member countries of the United Nations (UN), which includes Chile, approved 17 Sustainable Development Goals (SDG) to end poverty, fight against inequality and injustice, and address climate change.

### Sustainable Development Goals

	End poverty in all its forms everywhere		Reduce inequality within and among countries industrialization and foster innovation
	End hunger, achieve food security and improved nutrition and promote sustainable agriculture		Make cities inclusive, safe, resilient and sustainable
	Ensure healthy lives and promote well-being for all at all ages		Ensure sustainable consumption and production patterns
	Ensure inclusive and quality education for all and promote lifelong learning		Take urgent action to combat climate change and its impacts
	Achieve gender equality and empower all women and girls		Conserve and sustainably use the oceans, seas and marine resources
	Ensure access to water and sanitation for all		Sustainably manage forests, combat desertification, halt and reverse land degradation, halt biodiversity loss
	Ensure access to affordable, reliable, sustainable and modern energy for all		Promote just, peaceful and inclusive societies
	Promote inclusive and sustainable economic growth, employment and decent work for all		Revitalize the global partnership for sustainable development
	Build resilient infrastructure, promote sustainable industrialization and foster innovation		

Additionally, in the same year, the Chilean government issued the National Water Resources Policy, aimed, among other goals, to assign a new role to the State and redesign public institutions, incorporating a greater degree of decentralization and greater operational capacity for regional governments.

Under this global context of concerns about climate change and the resulting water crisis that could occur, given increased temperatures and decreased rainfall, Aguas Andinas, as well as measuring and working to reduce its carbon footprint, is carrying out various initiatives to ensure access to quality potable water and sanitation and hygiene services.

As part of its short and long term operations, the company has helped increase access to and quality of potable water for residents of the Metropolitan Area, along with improving sanitation and substantially increasing the efficient use of water resources.

Major challenges remain, and Aguas Andinas expects to become a leader in environmental sustainability at the national level, ensuring water for future generations.





### 2.1.1. Supply continuity and quality

To ensure supply continuity and quality, Aguas Andinas has focused on 3 major projects to ensure the continuity of service and operational robustness

#### Management of critical points

The plan aims to eliminate potential risks of quality and continuity failures. Compliance is defined as 100% for regulations of arsenic, nitrate, and improvements in the facilities of seven critical WWTPs.

#### Network Renewal

100% renewal of networks resulting from asset management methodologies and the incorporation of new technologies into its renovation.

#### Availability and continuity of equipment

The comprehensive maintenance plan aims to reduce the corrective time by 25% and increase availability of critical equipment up to 98%.

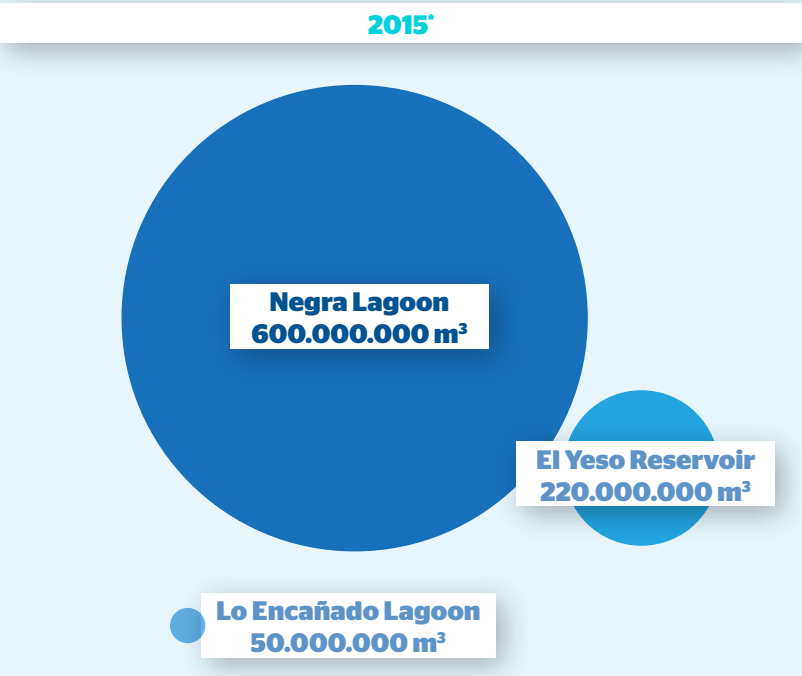
The plan is furthered by the existence of water reserves, whose importance lies in ensuring the supply of potable water within Aguas Andinas' concession area, particularly in times of water shortage due to drought or rainfall events above normal levels.

The safeguarding of these reserves is made through the permanent control of the water recharge levels regarding usage needs for water supply, giving priority at all times to the optimal use that ensures the continuity, quality and quantity of potable water. Given the nature of being strategic water sources, physical security is monitored with restricted inspections and control.

Complementing the above, the company owns the Vizcachas Potable Water Security Ponds, with an operating capacity of 160,000m<sup>3</sup>, which provide up to nine hours backup supply.

One of the biggest investments planned for 2016 is the construction of the Pirque pond, a major infrastructure project. Along with increasing our raw water reserves, it will allow us to increase the autonomy of the system from 9 to 32 hours in cases where extreme turbidity requires closure of the independent intake in the Maipo River.

The raw water pond, which will have a capacity of 1,500,000 cubic meters, is in the phase of Environmental Impact Assessment and is expected that the public participation phase will take place in 2016. Its entry into operation is planned for 2019. Finally, as an additional safety measure, a loan and purchase of water in the Maipo River is planned to meet potential shortfalls of water from the El Yeso reservoir.

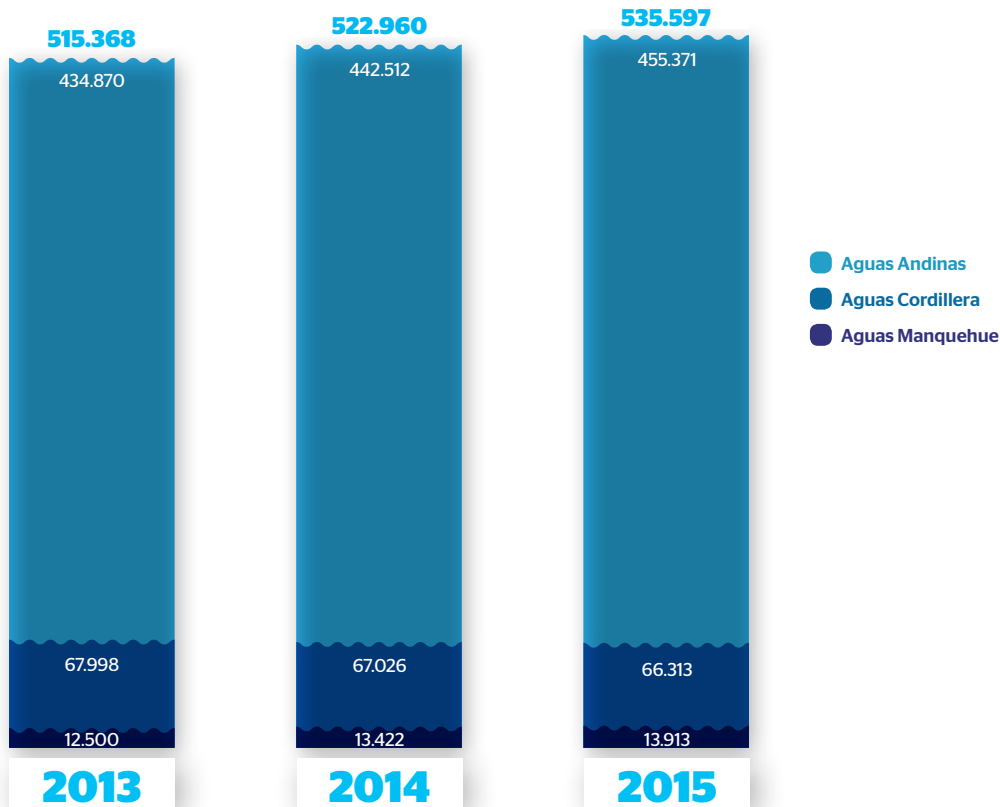


\*The peak volume of water held in the reservoir 2015 was 172.7 million m<sup>3</sup>.



These actions have helped maintain the continuity and amount of water required to supply potable water to customers, which is reflected in the steady increase of m3 of potable water billed to customers.

**Potable Water billed to customers (million m<sup>3</sup>)**



In order to ensure Aguas Andinas' continuity of service, a number of improvements were implemented during 2015 including:

- Actions under the hydraulic efficiency master plan: Implementation of the plan began in order to minimize uncontrolled water, starting with a process for optimizing the metrology of the meters, a model of subsectors and micro sectors to optimize the location of leaks by controlling minimum nightly consumption, and finally proper pressure management. (More information in the Hydraulic Efficiency Master Plan in Chapter 3).
- Extended the Vizcachas Potable Water Treatment Plant: In order to increase the treatment capacity in 1600 L/s of surface water, expanded the PWTP, incorporating new filters and improvements to the adduction process.
- Improvement works on Padre Hurtado Potable Water Treatment Plant: a total of \$1,450 million was invested to increase the production capacity of the PWPA from 1200 L/s to 1400 L/s
- Supply of the northern zone from Lo Pinto: The go-ahead was given for the construction of the Chamisero Plant which will supply potable water to concessions in the northern zone (Chamisero and Chicureo), reaching a capacity of 120 L/s.
- Construction of the Lo Gallo - San Antonio discharge: The objective of the project is to provide water from the Maipo River to the Aguas Cordillera system, drawing water from Lo Gallo to San Antonio, with the consequent increase from 250 L/s to 500 L/s.



## 2.1.2. Initiatives to mitigate the impacts of drought

Drought went from being a seasonal phenomenon to a structural issue, and as a company, Aguas Andinas must anticipate this, because it has impacts not only on resource availability but also on quality.

Today drought affects 60% of the population, which is also where 70% of national GDP is produced, and the temperature of the central zone of Chile increased between 1 and 2°C over the last century. This situation is complex, considering that it has produced a reduction in the Metropolitan Region's glacial area, which is what provides 60% of the flow of the Maipo River during drought periods!

Global climate forecast models indicate that drought and water shortages will continue, and even worse, a water deficit is expected in Santiago of up to 57% in 2030 and 66% in 2050.<sup>2</sup>

Against this backdrop, the company has implemented a number of initiatives, grouped into 3 areas:

- 1 The 2015 - 2020 Drought and Climate Change Plan
- 2 The development of scientific studies that enhance knowledge and decisionmaking on the subject
- 3 User involvement through communications campaigns.



### Measures to increase water availability

- Integrated management of Maipo River users. Groundwater recharge, creation of Water Communities. Purchase of water, leasing of rights.
- Access to new sources: desalination, transfer from neighboring watersheds to the Metro Region, reservoirs for regulating levels.
- Intervention in rivers, oversight of illegal withdrawals
- Recovery and increased production of groundwater. (Drilling of new drillholes for a total flow of 600 l/s, equal to an annual volume of 19 hm<sup>3</sup>).



### Measures to increase efficiency

- Management of risk loss. Hydraulic Efficiency Master Plan.
- Management of networks: Reduction in breaks. Estimated recovery of 100,000 m<sup>3</sup> per year.



### Monitoring measures

- System for monitoring groundwater levels.
- Climate monitoring.



### Emergency infrastructure

- Increase in 25% of potable water reserves

<sup>1</sup> Source: What are the challenges and opportunities for a more sustainable, fair and transparent management of water resources? Water and Environment Initiative - ANDESS and CIPMA

<sup>2</sup> Chilean Meteorological Directorate Dirección Meteorológica de Chile





In parallel to these concrete initiatives, a series of studies was begun to continue designing and implementing measures to mitigate the effects of this phenomenon.

### Development studies associated with the Drought and Climate Change Plan



#### Projections of Demand:

- Analysis of the historical evolution of consumption and customers
- Projected growth in base demand through 2030



#### Demand Management

- National analysis of factors that explain residential consumption and irrigation of green areas.
- International review of practical measures to reduce consumption of water and irrigation.
- Quantification of three scenarios of potable water for the 2015-2030 period.



#### International Experience in Droughts

- Analysis of measures of success in drought management conducted in California, Sao Paulo and Australia.



#### Projection of Water Availability

- Analysis of climate change impacts in the watersheds of the Maipo and Mapocho rivers for the 2015-2030 period.
- Quantification of current and future availability scenarios in times of drought and climate change.



#### Synergies at the User Level

- Project Feasibility for water exchanges between different users of the watershed.
- Agreements with irrigators and hydroelectric users.
- Reuse of treated water and swaps with irrigators.
- Third-party treatment for irrigation of green areas.
- Purification of treated water.



## 2.2. Enhancing collaboration and dialogue

Aguas Andinas plays a proactive role in addressing reality and industry challenges, informing the community about the importance of efficient resource use and investing in innovation and development.

### National Association of Sanitation Services A.G.

As a member of the National Association of Sanitation Services A.G. (ANDESS), Aguas Andinas participates in industry discussions on topics of interest and participates in the National Congressional Committees when invited to publicize the sector's vision in various bills. These include Amendments to the Water Code, the Draft Bill to regulate collection and disposal services of gray water and the Glacier Law, among other topics of interest.

### Chilean Corporation for Water Research

Considering the challenges facing Aguas Andinas to continue ensuring the quality, quantity and continuity of sanitation services to all its customers, the company promoted the idea of establishing the Chilean Corporation for Water Research.

It consists of a non-profit Technology Center that promotes, conducts and disseminates research, technological development and innovation in water management. Participants in the initiative include Aguas Andinas, Aqualogy Chile, the Federico Santa Maria University and the Higher Council for Scientific Research.

Its aim is to generate technological solutions in the field of comprehensive water cycles with high potential value for the company, through the development and innovation of procedures and technologies to efficiently manage resources, minimize risks and ensure the care and proper use environment.

### Water and Environment Bureau

Since 2011, the Water and Environment Initiative works to construct an integrated vision of water resources and its social, economic and environmental implications, under the current leadership of ANDESS A.G. in conjunction with the Department of Environmental Sciences and Natural Resources of the University of Chile.

It is designed with the main goal of contributing to cross-sector dialogue to generate a comprehensive view of water resources and their environmental aspects, as well as aiming to establish a shared technical basis on which to base public policy instruments.

At the end of 2015, the Bureau sent a document to all sectors related to water and environmental issues, entitled Water: How much to expect? Manifest of the agreements of the Water and Environment Bureau, with the main approaches that have come from the dialogue within this initiative as a contribution in the search for supporting the discussion. With this, the Bureau indicated that the current scenario of growing pressure and conflicts around water resources requires urgent measures to ensure their sustainability, and that climate change poses an urgent challenge that must be considered together.



### 2.3. Integrated operations

Aware of the importance of anticipating and being prepared to take risks that threaten the continuity, security and efficiency of its operations, Aguas Andinas has procedures and methodologies in place to identify and assess risks and prioritize and implement actions to mitigate them. These include its policy of quality, safety and the environment, as well as the following certifications: ISO 14001 on environmental management; ISO 9001 on quality management processes; and OHSAS 18000 on occupational health.

Currently the management systems for Aguas Andinas, Aguas Cordillera and Aguas Manquehue are managed jointly using the three aforementioned certifications. Additionally, Aguas Andinas holds the ISO 22301 certification on Business Continuity and ISO 50001 on Energy management systems.

One of the main challenges in relation to the management system is achieving integration to generate greater synergies between areas, reducing inefficiencies and improving management. For this, progress has been made on identifying the company's stakeholders, identifying and evaluating applicable legal requirements, leadership, policies, and training, among other common elements of the systems. This allows generating a global vision of management tools that is not split up for each system.

Also, given the high dependence that exists today with information technologies, which provide support for the company's critical processes, Aguas Andinas decided to work on developing continuity plans oriented at technological risk scenarios considering the contingency information already available.

Systems in 2015 that were incorporated into the project scope were Topkapi Scada (Centralized control center), SCT, WSP (Debt consultation), Genesys, and email, among others. During 2016 new systems are expected to be incorporated that were not considered in the initial scope.

Additionally, in 2015 work was reinforced on the Management Crisis and Organizational Resilience Service (Secro). A major milestone was the holding of a work day among the companies participating in Serco and the management team of the National Emergency Organization (ONEMI). The main objective was to engage their cooperation in crisis management and emergencies, in order to become an active player in the National Risk Management System.

Aguas Andinas in particular worked to develop a comprehensive model for infrastructure and applications recovery by service, using the Disaster Recovery Plan documents (DRP). The idea of this model is to reflect the current operating scenario with a sufficient level of detail to allow recovery by competent staff, according to a prioritized and easy-to-understand application structure. This work was completed during the second half of 2015, culminating in November and December with model testing and preliminary results.



## 2.4. Promoting Innovation

Aguas Andinas, as it has done in recent years, allocated a percentage of its investment budget to research projects related to water, which in 2015 reached a total of €335,000<sup>1</sup>.

### Completed projects in 2015

#### Production process of biodiesel from waste and biosolids in the sanitation sector

Biodiesel is a biofuel substitute for diesel, whose properties have made it widely applicable worldwide.

The project's objective is to develop a strategy of biodiesel production from waste fats and oils extracted in the pretreatment and primary treatment of wastewater, generating direct and indirect environmental and economic benefits. The initiative was held in conjunction with the Pontificia Universidad Católica de Valparaíso (PUCV).

#### Predictability study of convective storms in the Andean sector of the Metropolitan Region

The study considers an analysis that quantitatively determines the predictability of convective storms in the mountains of the Metropolitan Region. The study uses several data sources, the most important being electric discharges of the WWLLN (World-Wide Lightning Location Network). Based on the results, criteria are established for an early warning system, which have been implemented into a new web application that was developed as part of the study.

### Projects initiated in 2015 that will continue in 2016

#### Water consumption scenarios in Santiago for the 2015-2030 period

The main objective is to analyze possible future potable water scenarios in the city of Santiago, based on levels of implementation for different measures for adaptation to climate change.

Thus, it is expected to synthesize analysis of factors that serve to explain the consumption of potable water occurring at the residential level and for irrigation of Santiago's parks and green areas; a review of international practices for reducing potable water consumption in cities, which could be implemented in Santiago; and develop three scenarios of potable water for customers supplied by the Aguas Group in the city of Santiago for the period 2015-2030.

#### Estimate the impact of climate change in the watersheds of the Maipo and Mapocho River for the 2016-2030 period

It is a new climate change study oriented around characterizing impacts in the near future, i.e. within 10 to 20 years and not through the end of the century like studies that are currently available. The study will focus on use of the latest generation of global projections and hydrological modeling systems that are able to take into account all aspects of hydrological levels that could be affected by climate change.



<sup>1</sup> It should be noted that the indicated amount includes projects that were in development and were completed in 2015, projects in development that will continue through 2016, and finally projects that began in 2015 and will continue in 2016.



### 2.4.1. MAPA Project “Maipo: Adaptation Plan”

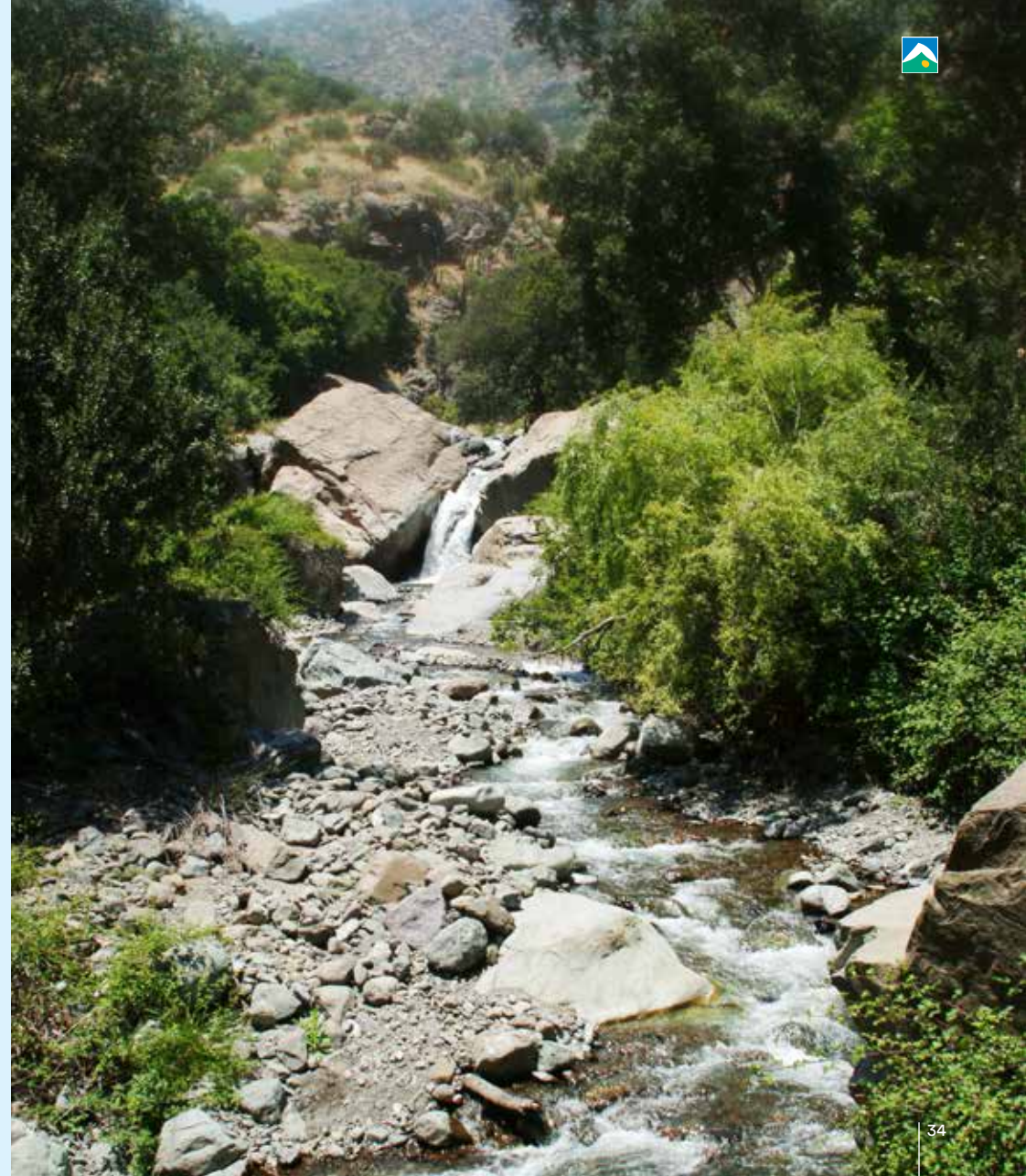
Aguas Andinas has, for several years, defined a strategy to address the effects of climate change. These effects must be constantly monitored to adapt to the new knowledge we have of this phenomenon and effects that can be identified in the future.

MAPA has helped strengthen that strategy. Also, this new way of analyzing a problem like climate change, by convening a working group made up of public sector institutions, water users and civil society, allows a shared vision and proposing solutions considering the each stakeholder’s interests.

### The MAPA project “Maipo Adaptation Plan”

It is an initiative funded by Canada’s International Development and Research Center (IDRC) and coordinated by the Center for Global Change of the Pontificia Universidad Católica de Chile. It aims to coordinate the development of an adaptation plan for climate variability and change in the Maipo River watershed, from an analysis of vulnerabilities to different water users.

While the project is funded by an international organization, Aguas Andinas contributed monetarily to the logistics of the meetings held in 2015 in the Maipo Canyon. This contribution amounted to the sum of \$2,600,000.





### 2.4.2. Outstanding innovative projects in the Emerge Program.

To innovate is to work today towards a vision for the future; it is about focusing the talent and knowledge that people have to create products, services or processes, either new ones or by improving existing ones. Thus innovation goes beyond creativity to make new things.

Aguas Andinas believes in innovation. That is why in 2014 we decided to launch a management project whose objectives are to capture and promote new ideas related to the water cycle, generate a group of innovative projects, promote a culture of innovation, and create value for the company and people.

#### EMERGE: Ideas born from water

It is the name and slogan chosen by online voting to nominate the Innovation Management project. The focus of the project is people, solidly supported on 4 pillars: strategy, culture, process and governance.

In 2015 the EMERGE project made progress in the tracked goal of becoming a process through which, by promoting the talent of people and supporting their ideas, innovative projects that add value to the company arise.

For the second consecutive year the project was able to recruit Aguas Andinas employees to join this initiative, inviting them to communicate their innovative ideas with very good results. While the number of received ideas is similar to the prior year (134 projects), the difference arose from the quality of the ideas. Company workers have learned and understood more about this process, mainly due to the experience of the previous process but also because of the training scheduled this year, complemented by a series of special workshops.

For the 2015 process, the Corporate Innovation Committee, based on the Company's interests, decided that the ideas would be framed on three challenges: Green Company (G); Friendly Company (F) and Smart Company (S). A total of 47, 46 and 41 ideas for each were received respectively, 12 were pre-selected for further exploration, of which ultimately four were selected to continue with the technical and financial support of EMERGE in 2016.





## Selected projects 2015 - Emerge



### Water Membrane (S)

Tool to cut the supply or isolate said water flow of components found in the distribution network, all in short stretches without scheduled jobs associated with customers.



### Glycerol Codigestion (S)

The co-digestion of WWTP sludge with other waste allows an increase in biogas generation and provides greater stability to the system. The use of residual glycerol would enhance this residue resulting in increased energy production in treatment plants without compromising operational safety of the process.



### Montenegro Low-cost Reuse (F)

Build a project using the best technologies for the town of Montenegro, seeking to find a solution to the sanitation deficit and reduce water stress in the area through the reuse of gray and/or black water.



### Microturbines (M)

To show that the company is constantly looking for new technologies to approach a more sustainable world, a "GREEN TOTEM" powered by a "MICRO TURBINE" will be implemented within a Commercial Agency.

In addition, in 2016 two projects will continue which were hatched under EMERGE's wing in 2014.

## Selected projects 2015 - Emerge

### Feasibility of using video surveillance to optimize customer service processes

The project uses a software that takes images from cameras located in commercial agencies to obtain quantitative data such as customer counting in the areas of attention, flow of people, and online alerts for waiting times and queue length.

The aim is to help improve the service, achieving greater customer satisfaction.

### Application for mobile devices, mainly equipment like Google Glass, also applicable to smartphones and tablets.

It seeks to develop an application for mobile devices that allow users viewing the devices to simultaneously see the reality on the ground with information from the SIG and Siebel through augmented reality technology.

Users can receive Work Orders on their devices, be assisted to follow the route of travel, view networks, clients, access work in progress and historical information.



# Chap 03

**Efficient Operations  
that Respect the  
Environment**





# EFFICIENT OPERATIONS THAT RESPECT THE ENVIRONMENT

## G4-14

The corporate vision defined in 2015, imposes a challenge on Aguas Andinas: "Become a leader in environmental sustainability in Chile, ensuring water for future generations." For this, the company has implemented a series of projects that will generate large environmental benefits for all residents of the region.

### Environmental Management Pillars - Aguas Andinas



Promote sustainable management of water resources in the medium and long term.



Contribute to continuous improvements in quality and quantity of the resource.



Strengthen commitment to the environment.



Optimize operating and maintenance resources and investment management

The Integrated Management Policy determines corporate actions on environmental issues and is part of the company's management system that was recertified in 2015 under the ISO 9001, 14001 and OHSAS 18001 standards. This system provides for the following activities that are critical to the company, taking into account the precautionary principle:



- Identification of aspects and environmental impact assessment.

- Identification of hazards and assessment of occupational hazards.

- Identification and assessment of operational hazards.



- Plans for emergencies, operations, safety, occupational health, environment and business continuity.

- Hazardous waste management plans.

- Periodic reviews of management systems with upper management.



- Internal and external audits for integrated management system.

- Specific actions to prevent and mitigate significant impacts.

- Identification and evaluation of compliance with legal requirements and environmental qualification resolutions.



### 3.1. Major Initiatives 2015-2020 Plan of Operations

#### Comprehensive Maintenance Plan

- Reduce corrective time by 25%
- Increase in Replacement Plan of MM\$500/year
- Ensure 98% availability of critical equipment

#### Plan of critical points

- 100% Compliance with regulations on arsenic and nitrate
- Reduce Critical Points in the treated water Network
- Ensuring supply-demand balance for 100% of supply systems
- Migration to hypochlorite or installation of neutralization towers and facilities for chlorine gas

#### Plan for potable water quality control

- 100% compliance with sampling plan
- 100% availability and redundancy of dosing equipment for chlorine and fluorine
- 47 online checkpoints for water quality
- Accreditation according to ISO 22000 standard

#### CCO upgrade plan

- 100% upgrades for CCO-based hardware and software platforms
- Lay the groundwork for Resource Management Center
- Implementation of help tools for operation, information disclosure and data analysis

#### Hydraulic efficiency plan

- 10% reduction in unbilled water
- Recovery of 70 cubic hectometers
- Achieve 80% technical performance

#### Improvement Plan enclosures

- Improve the Company's 400 operating enclosures
- Annual conservation plan
- Adequacy of rules for 100% of the enclosures

#### Strategic Plan of operation

- Backup power and 12-hour autonomy in all facilities
- Interconnection of systems
- Ensure the existence of backup equipment (condition n+1) in the pumping plants

#### Network Automation Plan

- Automation of 100% of the filling valves for ponds and pumping plants
- 99% system availability
- 90% availability of communications

#### Network upgrade plan

- 100% upgrading of networks using asset management methodologies
- Incorporation of new network upgrade technologies

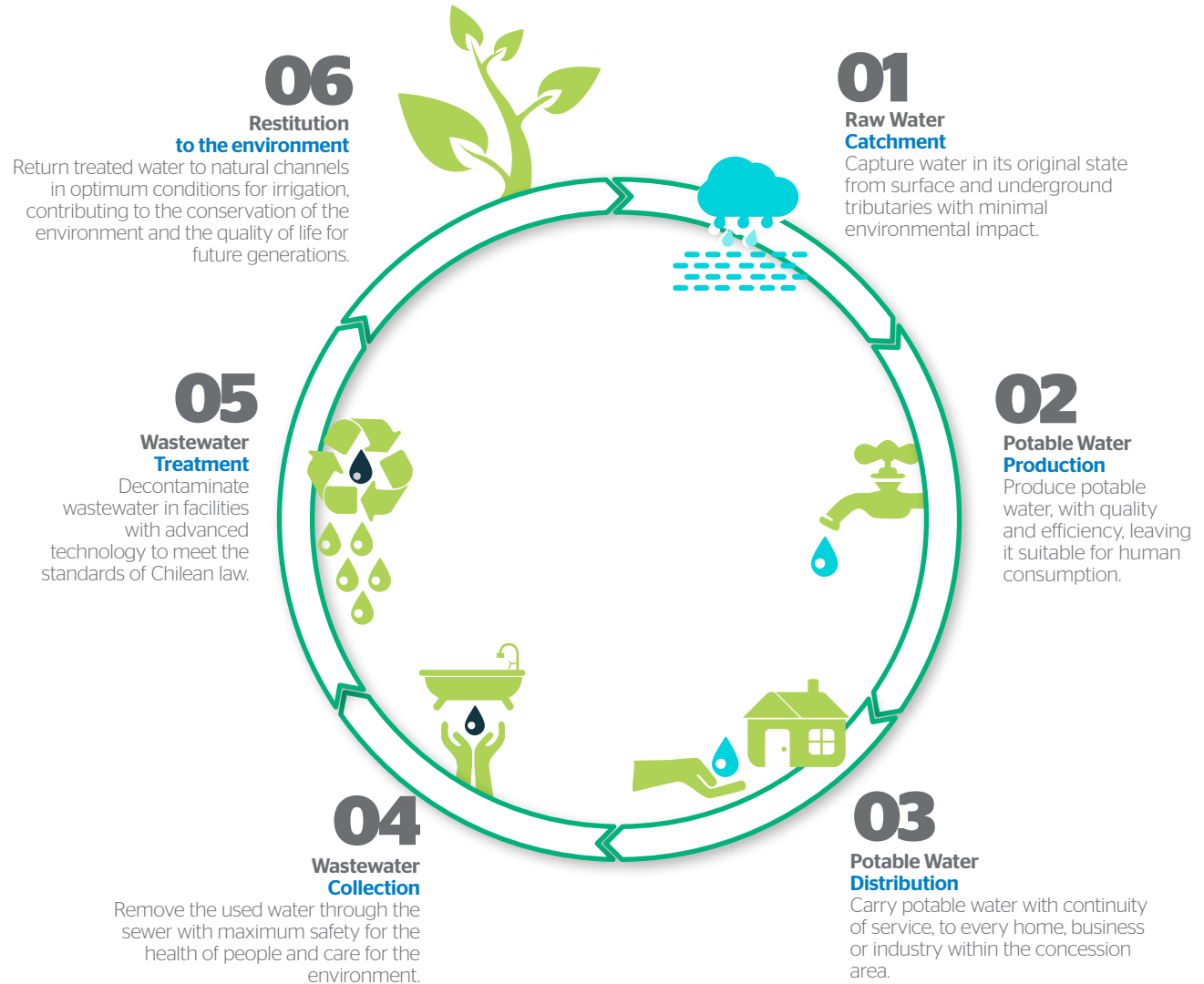
#### Potable Water treatment plant upgrade plan

- Modernization of processes
- Automation and remote operation
- Renewal of filters in the Vizcachas PWTP



### 3.2. The integrated water cycle

The integrated water cycle consists of 6 stages, with Aguas Andinas responsible for proper management within the concession area. The process begins with the capture of the resource from natural sources, production of potable water, distributing it through the aqueducts, and afterwards the collection and treatment of wastewater, ending with the return of the resource to the environment.



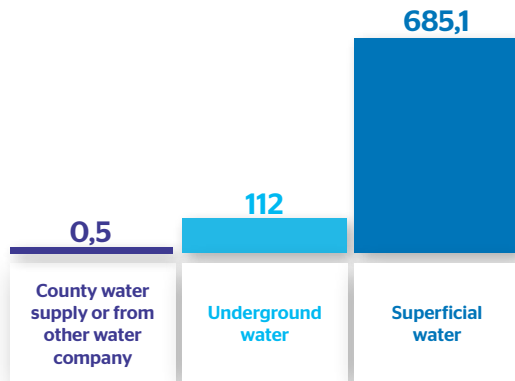


### 3.2.1. Catchment

#### G4-EN8, G4-EN9

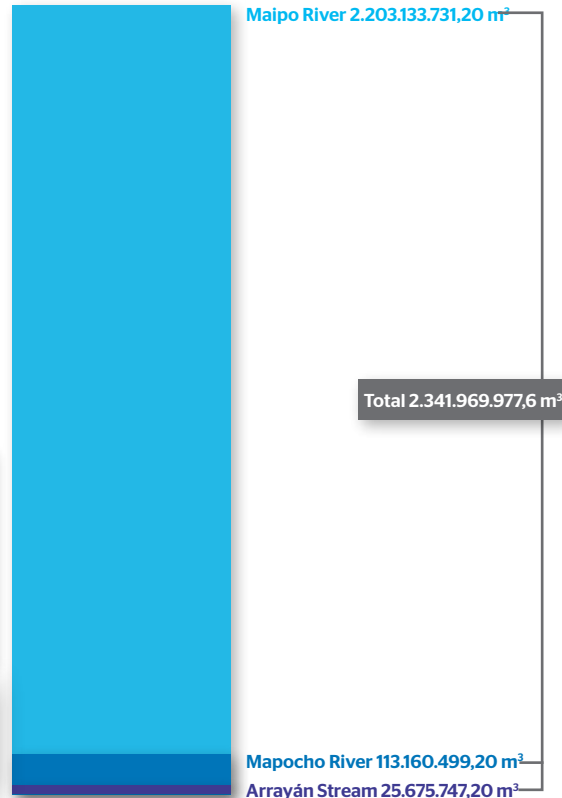
In order to produce potable water, Aguas Andinas captures 84% of raw water from surface sources, mainly from the Maipo and Mapocho rivers. The remaining 14% is extracted from underground sources in the concession area, formed by 204 deep wells and drains that draw water from three aquifers.

Catchment source (millions m3)

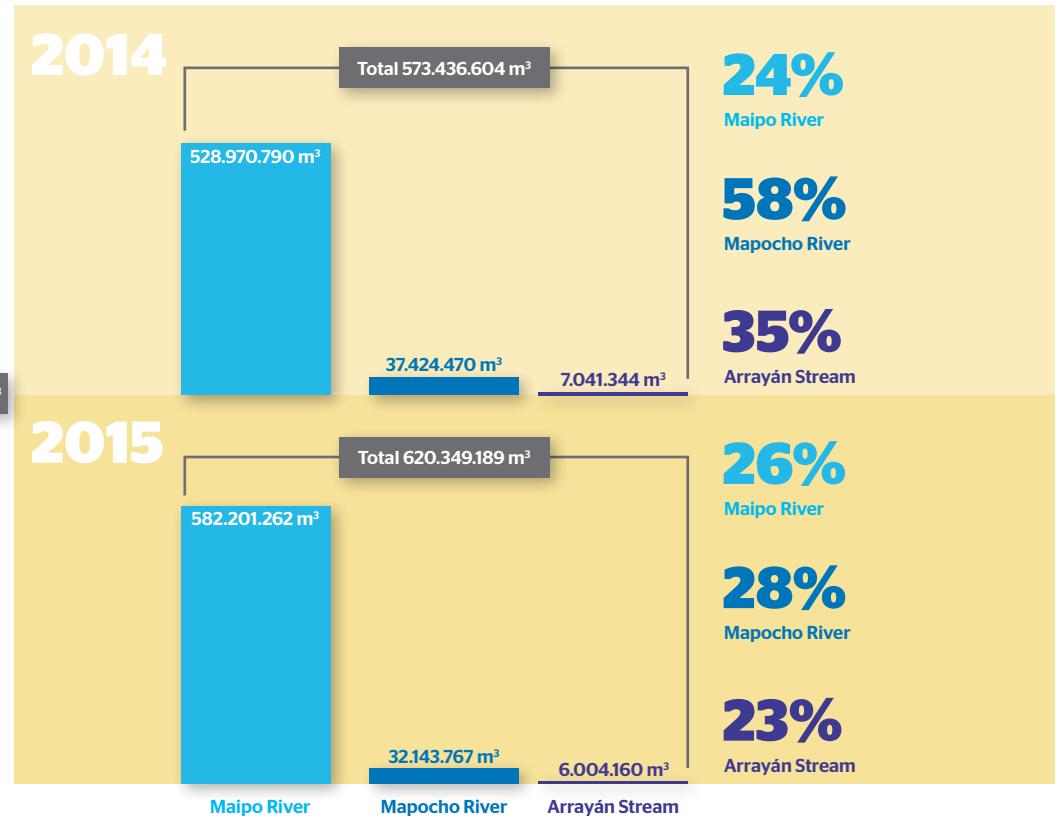


#### Major surface sources of catchment in 2015<sup>1</sup>

Size of the source



Catchment



<sup>1</sup> During 2015 the total volume (m3) of Mapocho river increase in a 43% and the volume of the Arrayan stream increase in a 40%





### 3.2.2. Production

Potable Water is produced through two types of processes: physical processes, where branches, bark, gravel, sand, etc. are eliminated; and physical-chemical processes, where water is clarified through coagulation and sedimentation processes.

In order to transform the raw water into water suitable for human consumption, Aguas Andinas operates the Vizcachas complex, the La Florida potable water production plant, and 14 smaller facilities, such as Padre Hurtado, Lo Gallo, San Enrique and El Sendero. In addition, the company has four arsenic abatement plants.

#### Production in 2015

# 763 million m<sup>3</sup>

### 3.2.3. Storage and distribution

#### G4-EN27, G4-EN30

For storage and distribution of potable water, Aguas Andinas maintains numerous ponds in Greater Santiago with a capacity greater than 1,200,000 m<sup>3</sup>, which gives high autonomy to the system.

The ponds are strategically located in different parts of the Metropolitan Region and are filled every night during low peak hours. From there the water is delivered **through 13,132 kilometers of underground pipes that supply customers in the Metropolitan Region.**

At this stage of the cycle, it is one of the critical points in the efficient management of water resources and therefore Aguas Andinas has implemented a model of integrated management of potable water networks that allowed it to drastically reduce the number of breakages in the network, reaching levels below 0.1 failures/km, a figure significantly lower than the industry average internationally.

Despite the implementation of this model, in 2015 there was an increase of 7.8% in the number of breaks over the previous period, reaching 899 cases.

### Hydraulic Efficiency Master Plan (PDEH)

The management of such an extensive distribution network presents challenges for all sanitary companies. In this context, water losses during the distribution process for this industry represent an indicator of the organization's technical and operational management.

In 2015, Aguas Andinas' unregistered water (ANR)<sup>1</sup> was close to 29%. While this figure is below the national average (35% loss) the company aims to achieve best practices at the international level where losses border on 20%. Consequently, since 2014 the Hydraulic Efficiency Master Plan (PDEH) has been developed and approved which aims to achieve the challenging goal of 80% efficiency by 2022 and reach a level of recovery of 70 cubic hectometers in 2020.

The project's objective is to gradually achieve operability of the Hydraulic Efficiency Plan starting in 2016. In 2015, implementation of the first stage began, which consisted of the design of a plan to transform the distribution network, regarding infrastructure, methodology and organization. For this purpose a series of pilot tests were implemented that will adjust methodologies, specific technologies and procedures used in future stages. In 2016 the implementation phase will begin.



<sup>1</sup> ANR: Water entering the distribution system - the volume of billed consumption



### 3.2.4. Collection, decontamination and restoration

#### G4-EN10, G4-EN22

Wastewater from the Metropolitan Region is collected at Aguas Andinas treatment plants through a collection network of 10,651 kilometers. The company's 14 treatment plants (El Trebal, La Farfana and Mapocho Plant), plus 11 plants<sup>1</sup> with smaller operating levels that operate 24x7 and have a treatment capacity of 16,494 cubic meters per second, treat 100% of wastewater in the region.

During the year a total of 526 million m<sup>3</sup> of wastewater was billed, slightly lower than reported in 2014.

The treated wastewater is restored to watercourses in compliance with current legislation and under safe and optimal conditions both for the environment and people.

#### Treated wastewater total discharged 2015

Discharges	Quantity (m <sup>3</sup> )	Planned / not planned	Discharges	Treatment method	Water quality	Parameters utilized
Mapocho-Trebal	6.289.777	Planned	Mapocho River	Without treatment	Raw Water	Bypass during rainy season
Mapocho-Trebal	185.362.072	Planned	Mapocho River	Activated Sludge	Water purified in wastewater plants	DS 90
Mapocho-Trebal	16.329.600	Planned	Irrigation	Activated Sludge	Water purified in wastewater plants	DS 90
La Farfana	284.948.505	Planned	Mapocho River	Activated Sludge	Water purified in wastewater plants	DS 90
La Farfana	2.830.429	Planned	Mapocho River	Without treatment	Agua Cruda	Bypass en período de lluvia
La Farfana	29.197.918	Planned	Irrigation	Activated Sludge	Water purified in wastewater plants	DS 90
Other Localities	27.668.441	Planned	Destination depends depending on locality	Varies depending on plant	Water purified in wastewater plants	DS 90
Other Localities	93.185	/	Destination depends depending on locality	Without treatment	Raw Water	Bypass during rainy season
Other Localities	Without Registration	Planned	San Pedro Mine	Activated Sludge Extended Aeration SBR	Water purified in wastewater plants	DS 90
<b>Total</b>	<b>517.434.459</b>					

<sup>1</sup> The WWTP for Isla de Maipo is not online.

<sup>2</sup> EN-24: There were no spills of hazardous substances that may have affected human health or the environment during the period of this report (which only ended with the cleanup of the spill in Talagante produced in 2015). In addition, Aguas Andinas has no discharge points on protected areas and/or areas rich in biodiversity.

During 2015, more than 517 million m<sup>3</sup> of decontaminated and safe waters were reintegrated into the system of natural waterways, thus completing the full water cycle.

In addition, the process of wastewater treatment produced 321,903.23 tons of biosolids, a byproduct of the purification classified as non-hazardous waste. Aguas Andinas reuses these solid wastes for fertilization and recovery of agricultural soils.

#### Destination of biosolids for major plants - 2015

Destination	Tons	%
Landfill	68.201,96	21,8
El Rotal Comprehensive Biosolids Management Center (CGIB)	104.822,23	32,56
Agricultural Use	148.879,16	46,24
<b>Total</b>	<b>321.903,35</b>	<b>100</b>



### 3.3. The Carbon Footprint in the water cycle

#### 3.3.1. Energy consumption

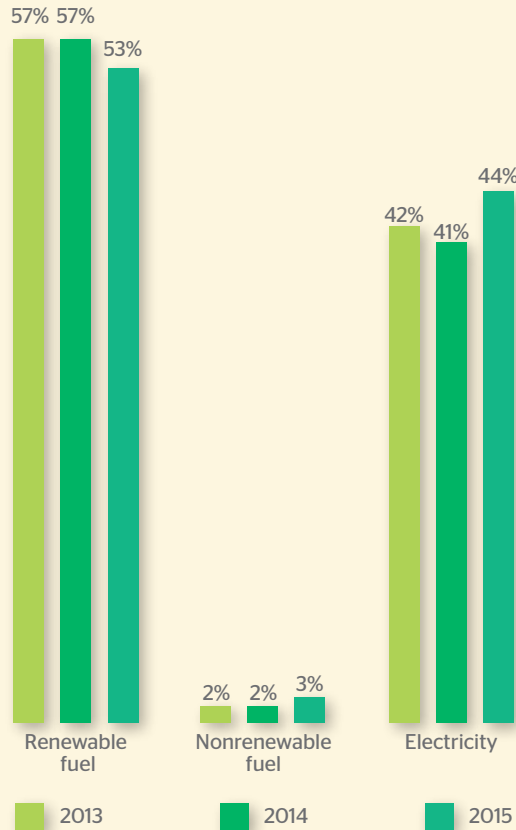
##### G4-EN3, G4-EN4, G4-EN5, G4-EN6

The Aguas Group's Energy Efficiency Plan is primarily aimed at reducing operating costs, reducing the carbon footprint of the company, promoting the inclusion of renewable energy technologies in their processes, and training workers to become involved and participate actively in this challenge.





During 2015 implementation of this plan began through a series of initiatives, such as team training and the development of an Energy Management System. However, implementation of the initial phase of the plan considers the application of energy audits to enable the development and monitoring of specific projects, and the implementation of a Master Plan, which will progress gradually.

In turn, the company continues to promote innovation in this area, promoting the generation and use of non-conventional renewable energy, so as to mitigate emissions from its operations. Specifically, during 2015 the trend in energy use continued in terms of prioritizing renewable fuels as the main source.

Total energy consumption by source



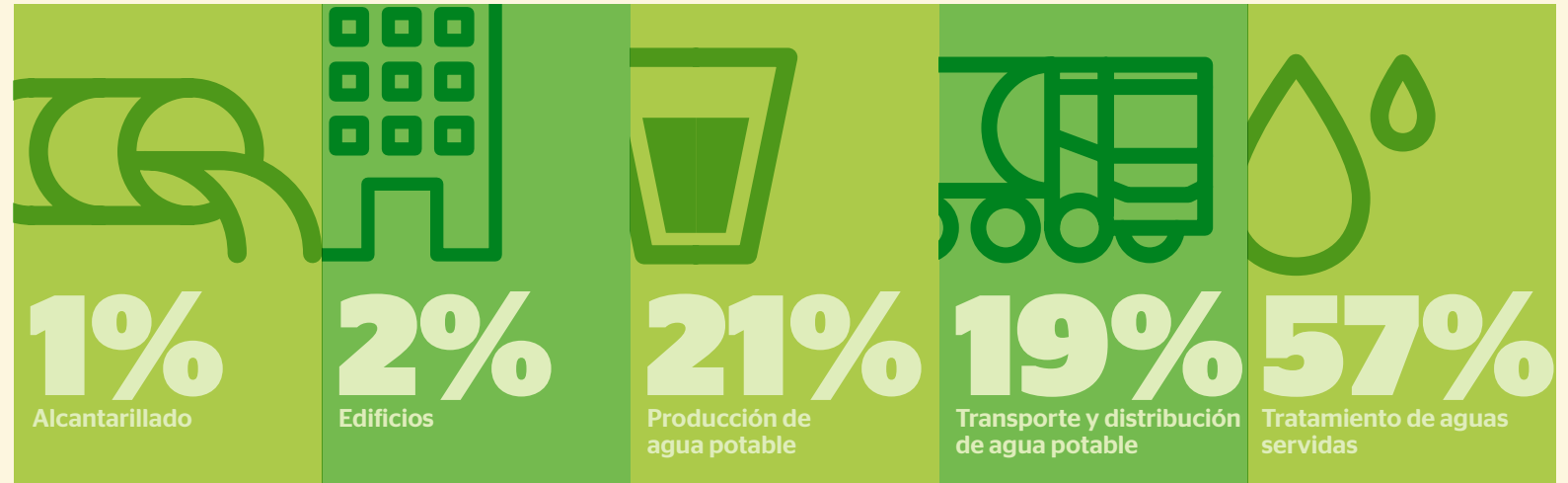
Total energy consumption by source (in gigajoules)

Energy source	2013	2014	2015
 Nonrenewable fuel	29.433	48.113	56.074
 Renewable fuel	1.107.108	1.131.263	1.172.084
 Electricity	809.441	805.116	976.447
 Sale of energy (city and electric gas)	(203.416)	(81.300)	(138.064)
<b>Total consumption</b>	<b>1.742.566</b>	<b>1.903.192</b>	<b>2.066.541</b>



The 57% of the internal current consumption is concentrated in the wastewater treatment process. Followed by the drinking water production with the 21% and the drinking and wastewater distribution with the 19%.

### Electricity consumption by process 2015



**In 2015, the Mapocho-Trebal Wastewater Treatment Plant obtained the ISO 50001 certification for energy efficiency, as well as generated specific action plans to reduce its electricity consumption. This is reflected in its energy intensity indicator, which decreased from 0.295 KWh/m3 in 2014 to 0.283 kWh/m3 treated in 2015.**

### Electric energy intensity<sup>1</sup>

Ítem	2015		
	Mapocho - Trebal*	La Farfana**	Ptas Localidades***
Total energy consumption	55.980.465 KWh/year	73.017.825 KWh/year	12.261.613 KWh/año
Specific measure of organization	197.552.927 m3/year	284.948.505 m3/year	31.747.514 m3/año
Intensity	0,283 KWh/m3	0,256 KWh/m3	0,386 KWh/m3

\* Includes only domestic consumption.

\*\* Considers the internal and external consumption of the biogas plant.

In turn, the energy intensity expresses the amount of energy required per unit of activity, product, or any other measure that the organization determines. This measure is often considered a standard metric of environmental impact, which facilitates their interpretation and comparison.




In other sewage treatment plants, no change was observed in the intensity indicator, remaining at 0.386 KWh/m3 in 2015.

<sup>1</sup> Denominator for calculation: amount of treated water (effluent).



Finally, Aguas Andinas is also concerned about tracking its external energy consumption, in order to monitor these numbers and identify opportunities for efficiency. External energy consumption of the company is related to the transport of reagents, biosolids and waste, and in 2015 amounted to 61,968.46 gigajoules, slightly higher than last year's figure.

### External power consumption (gigajoules)

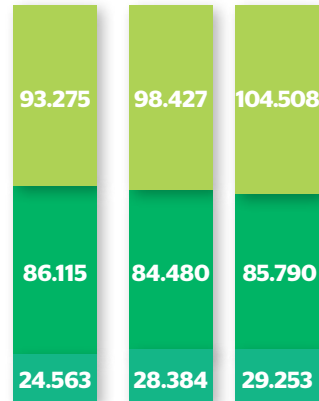
	Transport of reagents	16.554,90
	Transport of reagents	40.526,26
	Waste transportation	4.897,29
<b>Total consumption</b>		<b>61.968,46</b>

### 3.3.2. Emissions




#### G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN20, G4-EN21

Aguas Andinas, as part of its commitment to mitigate its environmental impacts, measured its carbon footprint, applying the GHG international IPCC protocol methodology. In 2015, the company issued a total of 219,551 tons of CO2 equivalent, which was higher than 2014. This increase was mainly reflected in the emissions generated in operations external to the organization (Scope 3), which suffered a variation of a 6% from 2014. In contrast, direct and indirect emissions only saw minor increases of 3%.

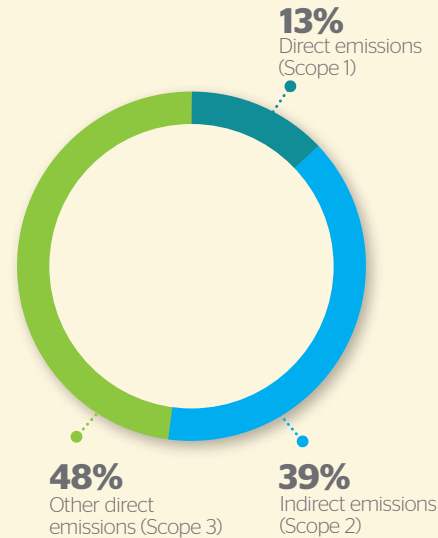
### Carbon Footprint Aguas Andinas (tons CO2e)



2013      2014      2015

-  Direct emissions (Scope 1)
-  Indirect emissions (Scope 2)
-  Other indirect emissions (Scope 3)

### Emissions by scope



### Aguas Andinas carbon footprint

Emission Source	Scope 1	Scope 2	Scope 3	Total
Production of potable water	732	20122	4.307	25161
Transport and distribution of water	6100	24.507	1.506	32113
Nonproductive buildings	494	1.744	54	2.292
Sewage Service	1.798	495	11	2.304
Wastewater treatment	20.130	38.921	98.629	157681
<b>Total</b>	<b>29.257</b>	<b>85.790</b>	<b>104.508</b>	<b>219.551</b>



Following the trend of energy consumption, wastewater treatment is the process that generates the largest share of emissions with 72% of the total. Therefore, the emission intensity is the only unit measured at this stage of the water cycle at the two main treatment plants: Mapocho-Trebal and La Farfana.

During 2015 the intensity of emissions in the process was observed remaining steady, showing the success of efficiency and reduction initiatives.

### Emissions intensity in sewage treatment

Item	2013	2014	2015
Emissions (TonCO2e)	151.763	152.375	157.680
Intensity MWh/ml (million litres)	0,29	0,28	0,276

### Other emissions

Emission source	Actual data, Hours of Functioning				24H/354 day Data			
	Tons of NOx		Tons of SOx		Tons of NOx		Tons of SOx	
	2014	2015	2014	2015	2014	2015	2014	2015
Mapocho-Trebal	4,88	0,43	0,17	0,16	8,4	2,33	1,08	1,88
La Farfana	3,84	3,97	4,48	3,67	10,28	10,39	12,26	9,07

In the case of the Mapocho- Trebal Plant, in 2015 the NOx values decreased compared with 2014, seeing as in the case of cogeneration engines, measured values decreased from 0.14 Kg/ha to 0.02Kg/h and from 0.18 Kg/h to 0.016 Kg/h respectively, which caused a considerable reduction in NOx emissions. In the La Farfana plant, in 2015 similar values of NOx and VOC remain, but with a strong reduction in SOx.

### Refrigerants gases

The amount of refrigerant used in Aguas Andinas' Corporate Headquarters was:

- 3 Cylinders of R-22 (common refrigerant)**
- 2 Cylinders of 410-A (ecological refrigerant)**

Considering an approximate weight of 13.5 kilograms per cylinder, conversion is obtained by:

- 3.71 kg CFC11eq of R-22**
- 0 kg CFC11eq of R410**







### 3.3.3. Non Conventional Renewable Energies (NCRE)

#### G4-EN19D

In 2015, Aguas Andinas achieved significant reductions in emissions of greenhouse gases in the La Farfana and Mapocho- Trebal Plants, resulting from the use of biogas generated as a byproduct of the process of biodegradation of organic matter in the wastewater treatment for energy consumption.

The company's reduced and avoided emissions are due to the use of biogas both in internal operations (heating of sludge and use of cogenerated energy: electricity and heat), and for external operations (sale of biogas and electricity) .

#### Annual emissions reductions (ton/CO2/year)

Emission	2014	2015
Avoided	5.172	7.676
Reduced	34.563	34.277

**NOTE:** The calculation includes reduced and avoided emissions that occur only in wastewater plants, thanks to the production of biogas, given that in 2015 the more relevant emissions reductions were from co-generation of electricity and heat at the Mapocho-Trebal plant.

### 3.3.4. Co-generation of electricity project in the Mapocho-Trebal Plant

The Mapocho-Trebal Plant is Aguas Andinas' second largest treatment plant in Chile and treats an average flow of 6.6[m3/s]. An important aspect of the management of this plant is the generation of biogas, which is suitable for use as fuel for co-generation engines of electricity, which is consumed mainly in the same facility; and heat energy, which is used for heating and sludge treatment.

The plant opened in 2013, a restructuring process that adopted the concept of energy efficiency as its operational standard, a process that culminated with certification under the ISO 50001 standard.



**2013**  
Energy Audit



**2014**  
Seal of Energy Efficiency



**2015**  
Certification ISO 50001

Energy Diagnostics made in 2013 on Plant use and consumption with an external consultant. Identification of areas and equipment of higher consumption, energy saving opportunities, etc.

Recognition given to the operator of the Mapocho-Trebal WWTP by the Ministry of Energy to companies that have established an Energy Policy and initiatives, targets and indicators of EE.

Aguas Andinas at the Mapocho-Trebal WWTP integrates the new ISO 50001 standards into the Comprehensive Management System for Quality, Environment, Safety and Occupational Health.

Destination	Unit	2013	2014	2015
Internal Consumption	GJ/año	107.610	142.041	144.710

Regarding the rate of reuse of only biogas in cogeneration, a drop was observed in 2015. The main causes of the drop were the entry into operation of the LOOS boiler, consumption that was not contemplated in the baseline; the unavailability of one of the three motors for most of 2015; and at some points, as in February and November, the simultaneous unavailability of two motors.



### 3.3.5. La Farfana City Gas Production Plant

The biogas generated in the La Farfana and Talagante wastewater treatment plants is used in boilers to heat the digesters, while unused biogas is flared.

#### Annual reduction in emissions (ton/CO2/year)

Destination	Unit	2013	2014	2015
Internal consumption	GJ/año	241.761	205.800	128.731
Manufacturing of city gas	GJ/año	217.974 <sup>1</sup>	87.118 <sup>1</sup>	135.263
Others (burning torches)	GJ/año	453.217	605.244	501.287

In 2014, 67,143 TMV/year were processed in digestion, whereas in 2015 this figure dropped to 65,007 TMV/year. Specific biogas production for both years was 52% on average, and the reduced biogas production in 2015 was only due to a smaller treated load. This is because with smaller treated loads there is also a lower biogas requirement for heating the boilers.

Regarding the city gas, in October 2014 it stopped delivering gas to Metrogas due to the start of work on the company's new Methanation plant. Then in 2015 the plant came online and in the last period of the year increased delivered volumes between September and December. This resulted in increased shipping to Metrogas in 2015.

### 3.4. Environmental protection

#### 3.4.1. Biodiversity

##### G4-EN11, G4-EN12, G4-EN 13, G4-EN14, G4-EN26

The company's Comprehensive Management Policy promotes environmentally responsible management, avoiding negative externalities generated in its operations and mitigating any impacts, seeking to go beyond the fulfillment of the obligations under the existing regulatory framework.

In compliance with this premise, the company has not generated negative impacts on biodiversity in 2015, nor does it have discharge points on protected areas and/or areas rich in biodiversity. On the contrary, the company has voluntary conservation projects in areas of high biodiversity value that are not safeguarded by the State's national system of wild protected areas. These projects are the Aguas Ramón Natural Park and the La Farfana Plant Environmental Lagoons, El Canelo and Melipilla. In these three areas, the company has operational facilities<sup>2</sup>.

<sup>1</sup> The 2013 and 2014 values correspond to manufacture energy available for city gas

<sup>2</sup> Aguas Andinas has no facilities in or near protected areas that are rich in biodiversity



Name	Type of Area	Description	Investment 2015
Aguas de Ramón Natural Park	Non-protected area in the Metropolitan Region of high biodiversity value. 36,000 hectares.	Created on July 3, 2002 through an agreement between Aguas Andinas, CORFO, PROTEGE and CONAF. Aims to promote the values of outdoor living, environmental education, recreation, sport and nature conservation in the inhabitants of Santiago.	\$ 101.297.236 Ongoing investment.
La Farfana Environmental Lagoon	Lagoon that hosts several species of birds within the property of the La Farfana plant. 15 hectares.	Designed by the Chilean Ornithologists Union (UNORCH), it aims to conserve water fowl and maintain a protected ecosystem for life that grows naturally in the Santiago Watershed. Carries out permanent monitoring of water quality and diversity and preservation of species in the lagoon. This monitoring is performed by an independent entity.	\$42.000.000 Ongoing investment.
El Canelo	Small sub-watershed of the Maipo watershed, which includes potable water intake. 20 hectares	Remains closed to public access, and is a natural area rich in biodiversity (vegetation and birds) that is a source of potable water (Estero El Canelo). During 2015 a survey of the flora and vegetation of the area was conducted, covering approximately 40 ha of the basin	\$1.300.000 Targeted investment.
Melipilla Environmental Lagoon	Lagoon which hosts several species of birds, located within the property of the Melipilla wastewater plant. 4.3 hectares.	Remains closed to public access, and is a natural area rich in biodiversity (birds). During 2015 monitoring began of the birds present in the lagoon, finding an important number of birds in the area.	\$ 1.700.000

In 2014 we proceeded to restore a small wetland at the interconnection between the El Yeso reservoir and the Negra Lagoon aqueduct. The success of the initiative has been relative, due to lack of water and the constant presence of grazing animals and people visiting the area. Therefore, in 2015 we proceeded to fence off the area and thus reduce the possibility of degradation of the sector due to the passage of animals and people. In addition, in late 2015, the company began a process of reforestation for an 11.75 hectare plot located in the high mountains, under the Forest Management Plan for the installation of a water pipe leading to the El Yeso reservoir.

During 2015 there was a decrease in the amount of water fowl in the lagoon of La Farfana, from 311 to 233 individuals. Among the species that inhabit the sector are some classified as "rare" or "inadequately known," such as the Cuchara Duck, Gargantillo Duck and Rinconero Duck. Likewise, the presence of a family of Black Neck Swans, a species listed as vulnerable by IUCN, continued nesting in the sector this year, demonstrating the conservation status of this habitat. Moreover, in September 2015 a monitoring was carried out of the avifauna located in adjacent area to the La Farfana lagoon, reporting a total of 32 species of land birds, none of them listed under a category of protection.



### 3.4.2. Waste G4-EN23

The daily operation of Aguas Andinas generates various byproducts, in addition to sludge and biogas already mentioned. These wastes can be classified as hazardous or non-hazardous, and come from the various activities the company carries out.

#### Dangerous residues

In addition to the products beofre mention such as sludge and biogas , above , in the daily operation of Aguas Andinas different residues are classified as follows are generated:

Type of hazardous waste (tons)	2014	2015
Used oil	18,449	26,068
Coolant oil	0	0,8
Contaminated fat	0	1,036
Lead Batteries	1,275	1,574
Oil drums	1,003	3,160
Containers containing no hazardous substances	7,641	4,459
Batteries	0,045	0,025
Fluorescent tubes	0,985	0,914
Material contaminated with hydrocarbons and oils	1,464	8,249
Contaminated EPP	0,609	0,509
Oil filters	0,14	0,235
Aerosols	0,106	0,07
Chemical reagents	4,707	4,419
Acids (COD)	0,38	0,345
Contaminated glass	0,007	0
Lead washers	0,004	0,005
Toner	0,144	0,123
Spills by chemical inputs	602,065	30,443
Acidic dregs and sludge (Est.IQ)	1,255,568	14,868
Activated carbon	0	51,370
Electronic components	0	0,2
<b>Total</b>	<b>1.895</b>	<b>149</b>

The decrease in non-hazardous waste in 2015 is due to the significant decrease in the chemical stabilization process of the mixed sludge (limed sludge).

#### Non-hazardous waste

Plants (tons)	2014	2015
La Farfana	189,435	197,239
Mapocho-Trebal	157,699	142,615
Mantenimiento	55,6	31,4
<b>Total</b>	<b>347.190</b>	<b>339.885</b>



# Chap 04 **Responsibility of Service**





# RESPONSIBILITY OF SERVICE

## 4.1. Customer strategy 2015-2020

The company is aware that its relationship with its customers is two-fold: from the direct Customer Use relationship; and the city of Santiago, as Citizen Customer. In both areas, the company has the opportunity to create value and give meaning to its work and business.

This double view of the customer is an essential part of Aguas Andinas' new Customer Strategy, which aims to strengthen the bond with customers, promoting sustainability through three key areas: availability and quality of service, service experience, and perception of benefits.

### Customer strategy - Aguas Andinas



#### Availability and quality of service

Has to do with the basics of the business, which is potable water and sanitation. If this fails, all other efforts are weakened or simply fail to impact customers.



#### Service experience

Relates to the set of customer interactions that complement consumption.



#### Perceived benefits

Considers actions to carry out for customers and citizens to recognize daily and in a consistent manner the set of benefits that Aguas Andinas brings to them.

The strategy, which has a 5-year horizon, began to be implemented during 2015 and is broken down into a total of 52 initiatives to be implemented until 2020.

Major advances in the implementation of the strategy related to the development of pay channels, incorporating new survey methodologies, implementation of a new system of cuts and implementation of improvements in the Contact Center platform.





#### 4.1.1. Changes in business structure

Under the Transformation project, the organizational structure of the Corporate Management for Customer Service was redesigned. The aim of the change was to identify opportunities for improvement in the Management's organizational structure and propose further changes to align with the challenges of the new Client Strategy.

The Customer organizational redesign will be addressed in 3 phases, of which the first two have already been completed in 2015. Phase I involved multiple and profound changes including:

# 1

Creation of the Management Division for Customer Experience, responsible for commercial management and customer care.

# 2

Creation of the Deputy Management Division for Customer Care, and an operating unit for commercial agencies, which centralizes management of all service channels into a single unit.

# 3

Concentrate the New Services and Rural Potable Water (APR) unites into in the Business Development Management Division, to strengthen the commercial function.

# 4

Improved coordination between regional deputy managers for operations and Corporate Operations Management Division, through the definition of operating unites with the Management of Networks.

Phase II aimed to strengthen the commercial focus of the stages of the process of incorporating customers, with emphasis on the link and closeness to customers/users, to increase non-regulated revenue generated by the Corporate Management for Customer Service. During 2016 the third phase of the restructuring will begin.



## 4.2. Service experience

The culture of care at Aguas Andinas is based on commitment to the community and its customers, knowing that the service provided by the company is first and foremost a necessity, and that therefore it is vital to deliver timely and quality responses to all customers. The company's new mission and vision, together with organizational changes made to the Corporate Management for Customer Service, reflect this. They allude not only to the role of business in today's society, but also to the vision of the future that society should have on the business role, ensuring current and future customer interactions.

Aguas Andinas seeks to ensure the best service experience, taking care of not only the problem posed by the client but also any emotional reaction that exists after the request. In this sense, the job is first to identify and handle the emotions generated on the client, be it anger, uncertainty, pressure or embarrassment, then generate the best solution to their problem.

For this, the company has been conducting training and rehearsals with care staff, as well as developing improvements to their service platforms like the Contact Center.



## New contact center platform

In mid-2015, Aguas Andinas implemented a new Contact Center platform for its customers. This new tool allows greater potential for interactions, with an excellent and efficient level of care. Specifically, this platform can recognize the phone number and history of client contacts, so as to facilitate and expedite their attention.

Aguas Andinas' contractors are also part of the service experience that the company delivers to its customers. In this sense, the company seeks, through different mechanisms, to ensure quality standards are based on the administrative basis governing the bidding process.

Some of the requirements established in this first stage has to do with the corporate image in the type of clothing, vehicles using by the contractors and ID cards. Training for the contractor's workers are also provided, in relation to the care they should give customers in the field. Finally, compliance with risk prevention regulations and Aguas Andinas' internal rules of hygiene and safety is required, as well as the company's Code of Ethics.

To ensure that services conducted by contractors and suppliers comply with the standards required in the realm of customers, site inspections are established, as well as monthly phone surveys following the claims and services requested by customers. Along with this, suppliers and contractors are certified to provide quality services to customers through semiannual assessments in the field of service quality, a process that is audited by an external certification company.



### 4.2.1. Customer representative

The figure of Customer Representative is responsible for promoting mediation between customers and Aguas Andinas, ensuring that each case has an answer and mediation, with the main challenge being transforming the contact into a positive experience of mutual learning. The Customer Representative serves approximately six to eight daily requirements arising from the company's commercial survey, and claims with high media impact in the press or on social networks.

By acting with impartiality, transparency, confidentiality and independence, the Customer Representative fulfills a mission of defending and protecting the rights of clients arising from the relationship with the company.

### 4.2.2. Claims

During 2015, Aguas Andinas received 379,820 claims from its customers, with 63% of them related to networks and service provision, and the remaining 37% for business issues, thus following the trend seen from the previous year. This allows us to estimate that on a monthly basis, only 1.2% of customers bring a claim against the company.

### Claims admitted by channel

Channel	2015	
Contact Center	313.950	83%
Commercial agencies	65.870	17%
<b>Total</b>	<b>379.820</b>	<b>100%</b>

### 4.3. Transparency, safety and efficiency in business processes

#### 4.3.1. Billing and collection processes

##### G4-PR3

Aguas Andinas seeks to ensure that the customer billing process is done transparently and continuously, in compliance with current regulations, applying the established tariffs, through investment in multiple interconnected systems that deliver information online and allow a clear answer about charges made.

These systems integrate the processes of meter reading, consumption analysis, collection, billing, customer care and debt consultation. All of them are certified under ISO 9001 and are pending certification under ISO 22301 for business continuity.

Aguas Andinas has a wide network of external collectors that allow the expeditious collection of payments of bills and invoices issued to customers.

### Payment Migration Project

In order to facilitate access to customers, the company carried out the Payment Migration project, where it sought to prioritize external collection channels and gradually focus the agencies' own services in the search for solutions to the problems and requirements of customers. In December 2015, 50.8% of payments made by Aguas Andinas customers were made in one of more than 5,000 established points (virtual and physical) through external collectors.

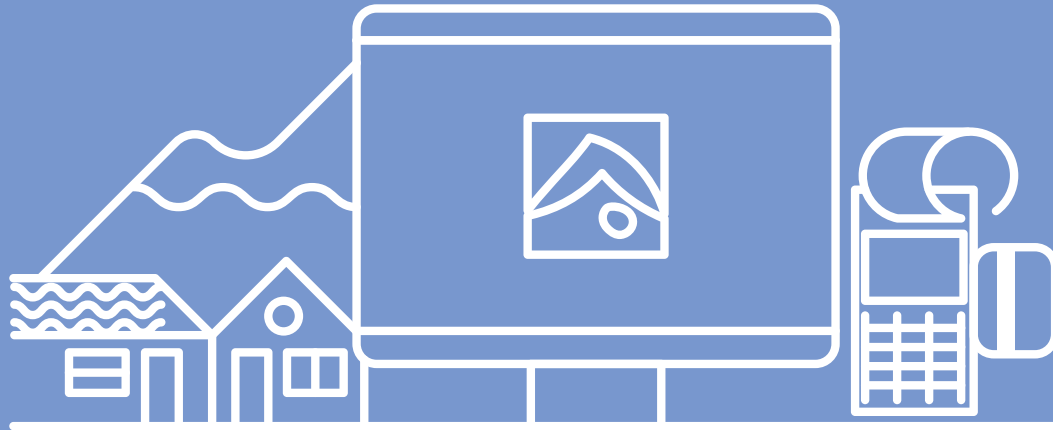
The rest of the payments were made through the Internet (32.3%), through PAC or PAT (11.6%) and in Commercial Agencies that still maintain the Payment Service, which collected just 5.3% of payments.

In 2015, there was a sudden migration of customers to electronic means: In December 2014 the company had 15,172 accounts with electronic payments, and in December 2015 it reached 32,520 accounts, which means it achieved a growth of 114%.





Another important measure was the implementation of a new management model for service cuts due to debt, which promotes the regularization of debt in situ without leaving customers without supply. To do this, and taking the principle that the service cutting process is an additional tool for managing collections, and not an end, the role of the service cutter migrated to a collection manager, whose new goal is to give the customer payment options to avoid cutting service.



In 55% of collection efforts made during 2015 under this new model, it was possible to avoid cutting service (27% paid up at the visit to cut service, 72% paid online, and 1% paid in situ). The cutting redesign project is still in the implementation period, with final results to be reflected in 2016.

#### Viewing bills

In order to allow customers to verify their bill, Aguas Andinas' mobile site was enabled to provide access to a summary of their account where they can view the debt, payment, payment history and a copy of the last bill or invoice issued.

### Collection efforts prior to service cuts for debts

#### SERVICE CUT VISIT (NOTIFICATION)

Offers customers a deadline for payment of the debt by signing a debit authorization voucher. If the customer fails to make payment within the prescribed period, a new order to cut service is issued automatically.

#### WEB PAYMENT

Allows customers to make a payment online from home and suspend the cutting of the service, at no cost to the customer.

#### PAYMENT IN SITU

Allows the customer to pay on site by credit card, credit or debit. This form of regularization will be enabled for the entire company beginning in January 2016, but during the third quarter of 2015 it was already enabled in the Mapu  Mountain Zone.



### 4.3.2. Safeguarding customer information

#### G4-PR8

Ensure the safeguarding and protection of customer information is one of the fundamental objectives of Aguas Andinas' Comprehensive Security Policy. To meet this goal, the company has various mechanisms such as permanent monitoring systems for all transport channels, and has made specific information and awareness campaigns on protection of information. Additionally, in 2015 it implemented projects aiming to protect customer information, including initiatives to control and protect access; control activity on servers; and protect information.

Project	Objective
Double authentication factor for all VPN users / Swivel	Strengthen security measures for remote access to the corporate network, by requesting a second password, thereby mitigating the risk that exists when users share their passwords.
Password and Administration Management / Cyberark	Allow safeguarding and control the allocation of credentials to special users in the organization, limiting the usage time and opportunity through centralized management.
Control of System Administrator Activity / Observe IT	Develop the ability to generate audit logs and video recordings of all actions that administrators perform on computer systems, to generate evidence that meets forensic standard
File Encryption / Prot-ON	Develop the ability to encrypt files and take control of shared documents.
Control of Information Leaks/ DLP Network	Develop the ability to monitor the information that comes out of the Aguas Andinas network, to detect possible information leaks.
Access Protection	Protect and control access to the corporate network.

**As a result of all the company's work done in 2015, there were no cases or claims of customer information leaks or violations of privacy.**

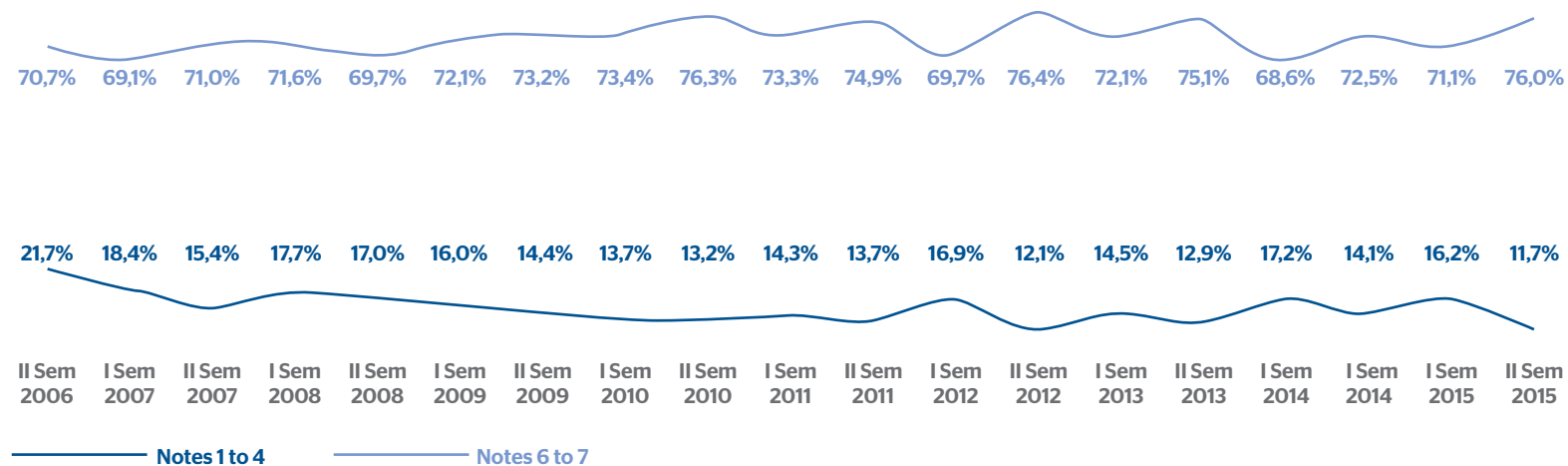




## 4.4. Perception and customer satisfaction

### G4-PR5

To measure customer satisfaction, Aguas Andinas has two tools it applies every year. The first is the Opina survey, a quantitative study that measures customer satisfaction on a scale of 1 to 7 for those who have a requirement (claim or request) during the month prior to the completion of the survey, and which the company declared resolved. In 2015, 1,042 telephone surveys were made, of a total of 20,000 monthly requirements.



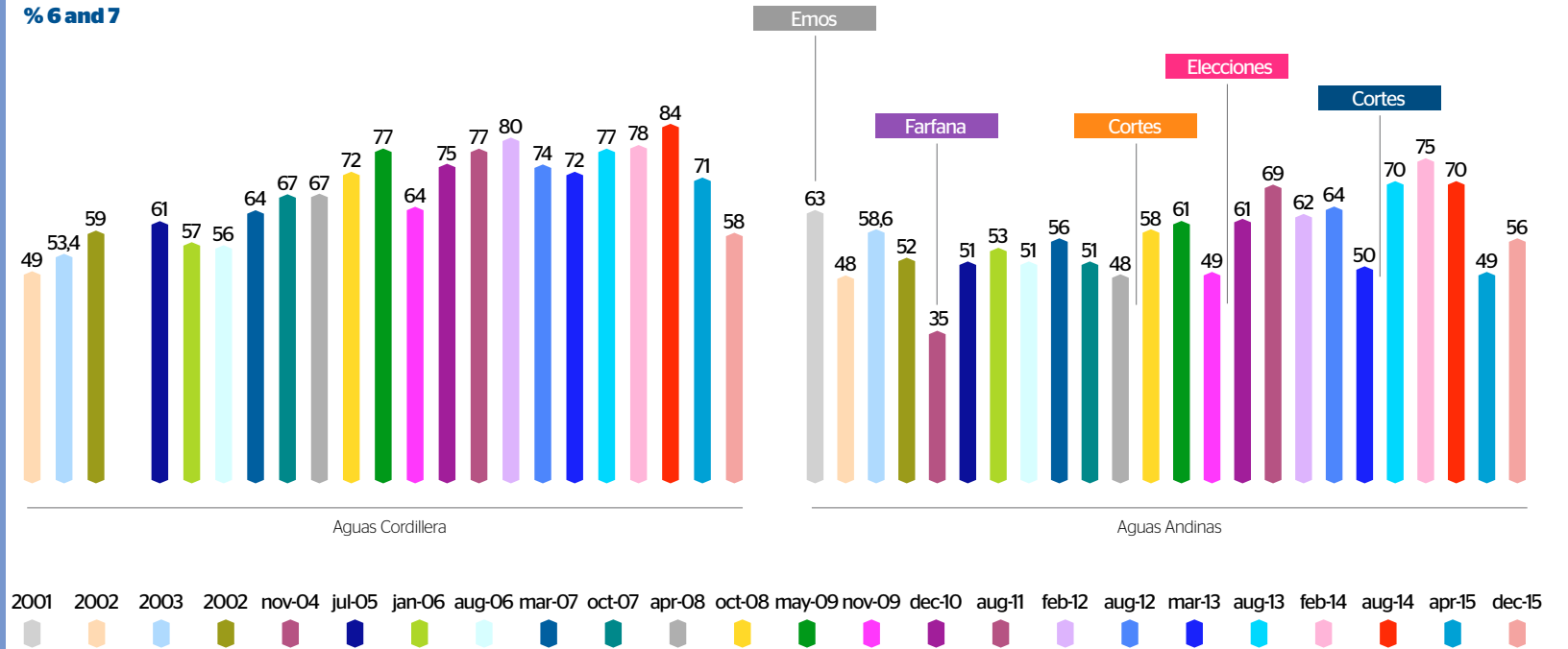
A continuous line of satisfaction can be seen that exceeds 70%, showing an improvement in the second half of 2015. This positive change has to do with the launch during the first half of 2015 of a new centralized claims attention model.



The second tool is an imaging study performed externally, which aims to measure the opinion, image and brand personality of the company. It consists of 600 telephone surveys conducted semiannually to customers of the Aguas Group, whether or not they presented requirements.

In 2015 the Aguas Group suffered a considerable decline, while Aguas Andinas decreased from 70% to 56% and Aguas Cordillera dropped from 84% to 58%. These declines reflect the company's internal factors as well as factors specific to the political and social context of the country. Similarly, a detailed analysis of these tools identified opportunities for improvement, which were taken into consideration in the design of the new customer strategy.

**% 6 and 7**





## 4.5. Quality and continuity of service

### G4-PR1, G4-PR2

The levels of water quality and sanitation services quality are regulated in the country by the Superintendency of Sanitary Services (SISS) which monitors daily levels. Within Aguas Andinas, the management of these indicators considers warning levels that are more stringent than the measurement standards established under the standards.

In addition, for each year of work more restrictive goals are set regarding tolerance for noncompliance of these indicators, in order to move towards quality assurances with internal breaches approaching zero.

### Water quality compliance

Water quality indicators	Aguas Andinas		Aguas Cordillera		Aguas Manquehue	
	2014	2015	2014	2015	2014	2015
Bacteriology	99,6%	100%	100%	100%	100%	100%
Turbidity	99,6%	99,6%	100%	100%	100%	100%
Free chlorine residual	100%	100%	100%	100%	100%	100%
Critical parameters	100%	100%	100%	100%	100%	100%
Noncritical parameters	98,7%	98,7%	100%	100%	100%	100%
Summary	99,6%	99,6%	100%	100%	100%	100%

### Compliance with service quality

Service quality indicators	2014	2015	Promedio industria
Pressure of potable water service	0,996	0,998	0,991256
Potable Water quality	99,8%	99,9%	97,86%
Service continuity of potable water	0,999	0,999	0,994941
Service continuity of wastewater collection (Sewage Service)	0,995	0,997	0,998072
Quality of wastewater treatment	99,8%	99,2%	98,1%
Billing accuracy	0,953	0,997	Xx
Business response to customer complaints	0,923	0,921	Xx

Finally, as part of the changes implemented in 2015, Aguas Andinas has a new system of scheduled cuts involving execution of a special protocol for those cuts affecting 10,000 or more customers. This new protocol specifies that in these cases, the company must provide notice 30 days prior to each affected customer, as well as be present in street markets and places with large crowds with promoters and brochures, and coordinate with the affected municipalities, among other measures.



#### 4.6. Awareness of the value of water

The drought and the effects of climate change are issues of great relevance globally, especially for sectors such as sanitation, which bases its operation and sustainability on water availability.

In this context, Aguas Andinas has generated different investment plans aimed at increasing the availability of the resource and ensuring continuity of service. However, these measures will not be sufficient if not complemented by a cultural change around the responsible use of water by the whole of society.

In this regard, the company has been part of this awareness process through various campaigns and educational programs among customers, schools, social networks, and others.

#### G4-S01

With the goal of developing a an educational program aimed at generating direct learning for 5th-grade students in the Metropolitan Region on environmental issues, in 2011 Aguas Andinas implemented the Gotagotham (Gotham-Drop) educational program for responsible water use.

The specific objectives of the program are to support teachers in teaching environmental content through recreational education applicable in the classroom; encourage the educational community in changing attitudes and creating environmental awareness; strengthen the technological education subsector as the space for development; and promote environmental education into the school.

Gotagotham seeks to create environmental awareness through a methodology that complements science subjects of education technology in an entertaining way environmental, strengthening the curriculum content presented by the Ministry of Education.

#### Gotagotham Kindergartens

Early childhood education is a fundamental pillar of the formal educational process, as learning experiences that occur in the early years are crucial for further development. Aware of this, Aguas Andinas in conjunction with the Lo Barnechea Foundation developed this program to help kindergartens raise awareness among children about the environment and the importance of taking care of natural resources, especially in developing habits for the care of water and sustainable and efficient use of water resources. This program will be implemented in 50 kindergartens in the Metropolitan Region in 2015.

	2013	2014	2015
Students	4.648	5.801	5.706
Schools	71	101	100
Certified schools	13	31	43

#### 4.6.2. Guided visits program

##### G4-S01

More than 10 years ago Aguas Andinas implemented guided tours to potable water and treatment plants, with the aim of bringing the company's work to the school and university communities, as well as neighboring communities.

Since 2014 a plan of guided tours focused on schools in vulnerable communities was established, reaching 37% of the schools in these districts. Specifically in 2015, and with the support of the Lo Barnechea Educational Foundation, an educational program was developed that seeks to deepen what they have learned in visits to the Potable water Treatment Plants and/or Wastewater Treatment Plants and strengthen and implement what they learned to other subjects, considering the content of the curriculum at each level and subject.

##### Participants in site visits

Adults	<b>527</b>
Children	<b>1.523</b>

#### 4.6.3. Water dome

##### G4-S01

During 2015 and in the framework of the World Water Day, Aguas Andinas held the second Water Dome in Bustamante Park, where a number of activities were carried out, such as projections of maps showing the entire water cycle, interactive games on touchscreens, and a section where children could freely express their commitment to water.

The dome was open to the public for almost two weeks, offering guided visits to schools during the morning and for the general public during afternoon visits. Given the demand from schools in the Metropolitan Area, the company decided to extend the activities three days more than planned.

This activity, the product of the size of the project, meant a greater contribution from the company compared to other awareness campaigns of water use, reaching \$258,709,779.

##### Participants in site visits

Adultos	<b>2.861</b>
Children	<b>3.383</b>







#### 4.6.4. Campaign: #UsaLoQueNecesitas (“UseWhatYouNeed”)

##### EN-27, G4-SO1, E

In 2015 Aguas Andinas launched the Campaign for Responsible Water Use and Climate Change #Usaloquenecesitas (“Usewhatyouneed”), an initiative that is part of the company’s 2015-2030 Drought and Climate Change Plan. The plan seeks to raise awareness among the inhabitants of Santiago on the resource vulnerability.

The campaign started on November 16 and was presented during a seminar with sanitation industry experts from Australia and Brazil. The four basic messages of the campaign were:

**“Your grass is just as green with a short watering”**

**“Your hair is just as clean with a 5-minute shower instead of 20”**

**“Your dishes get just as clean washing them as running the tap”**

**“Your teeth are just as white with the tap on or off”**

The campaign was deployed in monuments located throughout the city, along main streets and bus stops, in the Santiago Metro, on radios, digital displays, social networks, among others.

These campaigns were joined by other events, such as the world walk for water, water tasting events at offices, and support for the Mapocho Water of Light display.



## 4.7. Relationship with vulnerable customers

The performance of all workers in Aguas Andinas starts by assuming a fundamental commitment to society, which is included in the company's mission to deliver an essential and quality service to customers, helping to improve the quality of life for inhabitants in the Santiago watershed.

In this sense, the company is committed to all of its customers, especially those who belong to low-income sectors, promoting programs and initiatives that support them. It should be noted that approximately 35% of potable water and sewage services provided by the company are installed and supply residential areas that are inhabited by families at socioeconomic risk.

### 4.7.1. Friendly Billing Program

#### G4-SO1

One of the solutions offered by Aguas Andinas to delinquent customers in vulnerable areas is the Friendly Billing project, which provides payment facilities through a social agreement with split portions (a municipal contribution and customer input), providing the customer with a solution and generating a habit of payments for the future.

The contract is an agreement to make 36 no-interest installments, with an expiry margin of 8 unpaid installments, sufficient to generate the habit of payment on the customer and facilitate the regularization of debt deadlines, and where the value of the share corresponds to 25% of monthly sales. Once the 36 installments have been billed, and provided that the customer has paid its share at least 34 times, the company forgives the difference, leaving the account current.

For customers to get this benefit, Aguas Andinas' employees, in agreement with municipalities and neighborhood associations, conduct operations on the ground directly with customers. As an alternative, cards are mailed for them to access the municipality directly, who then informs the company of the commitment that is made.

During the year 2015, 6,274 agreements were made under this system, 3,074 more than in 2014, and provided effective debt relief to 2,031 clients, for a total amount of \$788,508,536.

#### Friendly Billing

Year	Number of social agreements	Amount forgiven
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
2015	6,274	\$ 788,508,536

### 4.7.2. Plumbing workshops

#### G4-SO1

Another example of the company's active involvement with residents of the concession area, and in particular those living in the most vulnerable neighborhoods, was the implementation of professional plumbing workshops. The aim of the workshops was that graduates could serve as a plumber or gas appliance installers, work in areas of maintenance and production of gas networks for home use, and as installers of both potable water and sewage services.

In addition, of the 33 course participants during 2015, 21 took the certification test conducted on gas network installations - Class 3, regulated by the Superintendency of Electricity and Fuels, whose results will be available in 2016.



# SUSTAINABLE DEVELOPMENT.

**We are responsible for the water cycle in its full development, taking water from nature, processing it for use in homes and industry, collecting it, and returning clean water to the environment in a responsible manner.**



# Chap 05

**Labor  
Practices**

# LABOR PRACTICES

## 5.1. Allocation

### G4-10, G4-LA12

To meet the objectives of the transformation project, the commitment of the entire organization is required. For this, having qualified, diverse and motivated workers is essential for effective management and to achieve strategic goals and objectives. During 2015 we continued to work on projects related to quality of working life and the professional development of each employee.

As of 31 December 2015, 98% of Aguas Andinas' 1,158 workers had permanent contracts. At the end of the period the trend of recent years regarding the gender distribution was maintained, with 78% of staff male.

### Allocation per company

Company	2014	2015
Aguas Andinas / MR	1.068	1.036
Aguas Cordillera / MR	121	108
Aguas Manquehue / MR	19	17
<b>Total</b>	<b>1.208</b>	<b>1.193</b>

Category	2014				2015			
	Man		Woman		Man		Woman	
	Nº	%	Nº	%	Nº	%	Nº	%
Executives	51	86%	8	14%	55	87%	8	13%
Leader	83	73%	30	27%	78	74%	28	26%
Professional	268	67%	131	33%	281	69%	128	31%
Technical	199	78%	56	22%	193	78%	53	22%
Administrative	31	40%	46	60%	30	45%	37	55%
Operational	298	98%	7	2%	296	98%	6	2%
Sub Total	930	77%	278	23%	933	78%	260	22%
<b>Total</b>	<b>1.208</b>				<b>1.193</b>			







### 5.1.2. Turnover

#### G4-LA1

To have the best talent, in 2010 Aguas Andinas approved a selection policy that establishes guiding principles for recruitment, selection and retention. This policy seeks to ensure fair and transparent opportunities for development, depending on the talent and the best professional practices on the basis of non-discrimination and equal opportunities for all people.

During 2015, total turnover increased by 14% compared to 2014, mainly explained by the 75 people who chose to benefit from the voluntary retirement plan.

Turnover	2014		2015	
	Nº	%	Nº	%
Men	79	6,5	89	7,4
Women	20	1,7	27	2,2
Total	99	8,2	116	9,6
Under 30	36	3,0	15	1,2
Between 30 and 50	48	4,0	45	3,7
More than 50	15	1,2	56	4,6
<b>Total</b>	<b>99</b>	<b>8,2</b>	<b>116</b>	<b>9,6</b>

Calculation of turnover: N° of departures in 2014 \* 100/Total workforce as of December 31, 2015.

### 5.2. Integrated Talent Management

In 2013 the project of Comprehensive Talent Management began, which through its 4 foci (training, people development, knowledge management and system objectives) covered all company employees, providing them with the necessary tools to encourage their growth and development and aligning their professional objectives with company strategy.

After two years the consolidation phase began. In 2015 efforts focused on selection of staff, improving systems performance evaluation, and generating development plans and career training aligned to business needs and the interests of workers.





### 5.2.1. Performance Management

#### G4-LA11

As a way to encourage meritocracy and internal promotion, Aguas Andinas has a map of talents, complemented by a succession plan and/or critical positions, which are fed with information collected through the comprehensive talent management plan, and particularly through the annual SGD-Creecer performance evaluation and technical Assessment Center.

Notably, from 2015 the Top Down assessment (SGD-Creecer) was applied to all company employees, developing in parallel a 360° evaluation of the group of the leaders.

Meanwhile, evaluations by the Assessment Center, applied to professionals who have seen outstanding performance and that may be likely successors to positions of greater responsibility, have been performed for approximately 13.1% of the allocation since it began to apply this methodology. As a result of this, over 90% of vacancies of leadership to manager positions have been occupied by internal staff.

Percentage evaluated (SGD-Creecer)	2014	2015
Women	95%	90%
Men	98%	94%
<b>Total</b>	<b>97%</b>	<b>93%</b>

### 5.2.2. Talent Development

#### G4-LA9, GA-LA10

The annual training plan had as its main focus the development of leadership skills in business, training in psychosocial risks and strengthening interpersonal skills. Other areas of training included upgrading legislative and project management information, together with awareness on CSR issues. 95% of employees participated in at least one of these programs.

Likewise, 60% of employees were the subject of health and safety training, and almost 50% on the company's activities, followed by 35% who also received training on soft skills.

Total investment in training during 2015 exceeded \$315,000,000, which resulted in an average amount per employee of \$272,160.

Category	2014			2015		
	Nº of employees	Nº of training hours	Average training hours	Nº of employees	Nº of training hours	Average training hours
Executives	59	3.662	62	63	5.723	91
Leader	113	11.036	98	106	7.533	71
Professional	399	26.728	67	409	35.406	87
Technical	255	8.994	35	246	13.249	54
Administrative	77	6.910	90	67	4.363	65
Operational	305	11.343	37	302	16.108	53
<b>Total</b>	<b>1.208</b>	<b>68.673</b>	<b>57</b>	<b>1.193</b>	<b>82.382</b>	<b>69</b>



### 5.2.3. Knowledge Management Program (GeCon)

The GeCon program aims to identify, preserve and share the key and strategic knowledge of people to make it available to the rest of the organization and thus implement new ways of generating synergies from teamwork. The program consists of three pillars; Knowledge Domains, Collaborative Environments and the Digital Library. As part of this program for 2015 the following milestones were implemented:

**In the Knowledge Domains, an international network of water experts and environment of the AGBAR Group, successfully integrated more than 170 Aguas Andinas professionals, sharing relevant experiences for the whole group.**

**The Comprehensive Collaborative Environments and Excellence 2.0 was strengthened. Additionally, three new Collaborative Environments were launched: Unregulated Business Community, Emerge Community, and the ESSAL Integration Community, which were born from the needs identified by professionals of the Aguas Group.**

**Open Gecon 2015 took place, the first event where suppliers of the Aguas Group were invited to participate, with the intention of generating and strengthening ties, developing new forms of work, and bringing these strategic concepts of Open Company and Knowledge Management.**

### 5.2.4. Variable Remuneration per Objectives - DEO

#### G4-51, G4-52 y G4-53

Aguas Andinas has a variable compensation system that allows it to set, approve by the leadership, and evaluate targets to remunerate workers annually based on accomplishments achieved.

This system is based on the definition of three levels of objectives, which are weighted depending on the level of the employee.



Global objectives, aligned with the company's Strategic Plan, which involve all staff.

Sphere of Influence objectives that support the leverage of each management project or group of Influence (may be Business or Functional).

Individual objectives set in agreement with the leadership, based on direct responsibilities and goals of the employee.

		Global Objectives	Sphere of Influence Objectives	
		(Weight)	Business Objectives (Weight)	Functional Objectives (Weight)
Profile 1	General Manager	70%	30%	0%
	Corporate Directors		15%	15%
Profile 2	Directors/Area Subdirectors and Subsidiaries	50%	25%	25%
Profile 3	Leadership	30%	35%	35%
	Professionals			



During 2015, significant changes to the system of objectives were made, so as to achieve greater alignment between variable remuneration and the company's strategic objectives.

**The main challenges of the Comprehensive Talent Management Plan are:**



**Training**

Generating greater impact through training, increased technical training and incorporating new dynamic training. In 2016 the company will seek to integrate ESSAL in these initiatives and increase participation in training programs in Spain.



**Development**

Consolidation of the talent map as a strategic tool for decision-making.



**Knowledge Management**

Development of new collaborative environments based on strategic needs and promoting greater integration of workers in the area.

**5.3. Diversity and equal opportunities**

**G4-LA3**

Aguas Andinas promotes and respects the principles of meritocracy and equal opportunities, recognizing them as essential to the effective management of talents.

Aguas Andinas' commitment to equal opportunities was formalized in 2010 with the signing of the agreement with SERNAM to receive the Iguala Seal (predecessor of the current Iguala Seal-reconciliation), and the creation and implementation of the Equilibra Program.

During 2015 and based on the results of an internal audit of Standard NCh3262, a process of internal work was initiated to comply with the requirements and gaps in order to achieve certification. Likewise, and as a way to strengthen and monitor the measures implemented, the Equality and Reconciliation Committee was created.

In this context, the company worked on the formalization of an Equality and Reconciliation policy, which is responsible for promoting equal opportunities without discrimination by gender, race, political or religious belief, or any personal concept that violates the dignity of fundamental rights. This policy was validated by the Management Committee in January 2016.

Additionally, under the Balance program, the company implemented two other important measures to improve the quality of life of its employees:



**Implementing Telecommuting:** helps improve the quality of life of employees, reducing travel times and increasing savings in travel costs, providing flexible hours and greater autonomy. This program began in December 2015 with seven employees, it is voluntary and is of limited duration



**Flexible Schedule:** consists of the anticipation of summer time two weeks before 2014. Beginning the first week of December and running through the first week of March, this flexible schedule allows workers to end their workday on Fridays at 2:00 PM.

In 2016 work will begin on a communications plan that seeks to disseminate and communicate to all workers the importance of Standard NCh3263, and then perform the external certification audit during the first quarter of 2016.

**Aguas Andinas has defined a policy, objectives and an action plan that addresses the areas of labor participation, access to positions of leadership and decision-making and reconciliation of family, work and personal life, with targets and indicators.**

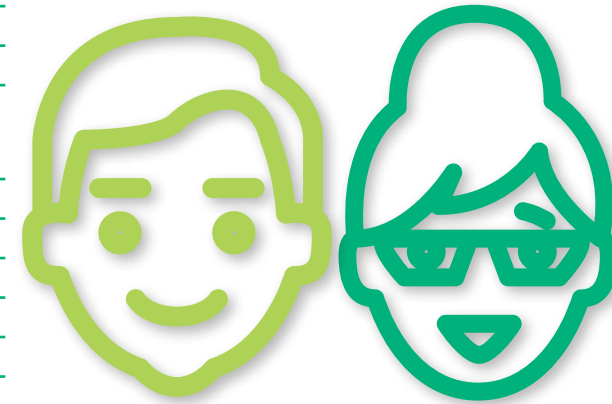
**All the work done by the company towards enhancing work and family reconciliation is reflected in 100% of reinstatement of the 22 employees who were absent for their postnatal.**

### 5.3.1. Equal Pay

#### G4-LA13, G4-54, G4-55

The company's compensation policy defines procedures for recruitment, promotion and annual appraisal, which are applied equally without discrimination, regardless of gender or any other staff distinction.

Average <sup>1</sup> base salary ratio of women compared to men						
Category of Executives	2014			2015		
	Base salary men	Base salary women	Salary ratio	Base salary men	Base salary women	Salary ratio
Leader	5.479.811	4.517.819	82%	5.736.302	4.899.351	85%
Professional	3.167.347	2.685.277	85%	3.428.602	2.866.942	84%
Technical	2.074.517	1.715.646	83%	2.202.779	1.816.850	82%
Administrative	1.344.391	1.096.770	82%	1.404.112	1.121.263	80%
Operational	1.066.959	1.280.851	120%	1.135.505	1.350.825	119%
Category	1.056.741	959.808	91%	1.095.921	1.038.174	95%
<b>Total</b>	<b>1.726.636</b>	<b>1.645.418</b>	<b>95%</b>	<b>1.812.724</b>	<b>1.744.766</b>	<b>96%</b>



The differences between the incomes of men and women are only due to general differences such as seniority or type of position (regional, shifts, or working on holidays vs. business days).

The relationship between the remuneration of the highest-paid person<sup>1</sup> at Aguas Andinas and the average salary at the company is 2.8 times. While the increase in average compensation relative to 2014 was 5.3%, the highest salary was 6.2%.

<sup>1</sup> Calculation made according to base staff salaries corresponding to general roles.



## 5.4. Labor relations

### G4-LA8, G4-LA10, G4-11

The formal relationship between the company and employees is done through the six unions, which unite 87% of the allocation.

2015 marked a crucial milestone in terms of relations with unions, the result of early collective bargaining with unions 1, 2 and 3 of Aguas Andinas, which in sum accounted for two-thirds of the company's negotiators. This event was of vital importance for the company because, in addition to delivering an immediate end to the conflict, it allowed to unify the benefits for the three unions and anticipate negotiations for a period of three years.

Among the most prominent negotiating issues, an agreement on the early retirement program was reached which is open to all those workers over 62 and women over 57 years of age, in addition to those with disabling diseases. People who took early retirement enjoyed economic incentives in their compensation and retained health insurance and payment of social laws until retirement age. During the first year of this program's operation, a total of 76 workers were welcomed.

Collective agreements also include a number of benefits that seek to improve health conditions and safety of workers both inside and outside the company, through complementary health insurance and solidarity funds that cover the costs not covered by the ISAPRES and supplementary insurance.

In addition, the agreements establish a minimum of 4 weeks notice to workers and their representatives, before the company implemented significant operational changes that could substantially affect them.

### Workers covered by collective bargaining

Collective Agreement	Nº of signed employees	As a percentage of all employee payroll
Unions 1 and 2 Aguas Andinas	501	43%
Unions of Professionals and Technical Staff Aguas Andinas	375	32%
Union 1 Aguas Cordillera and Manquehue	31	3%
Union 2 Aguas Cordillera and Manquehue	47	4%
Union of workers and supervisors Aguas Cordillera and Manquehue	41	4%
Individual Contracts	163	14%







#### **5.4.1. Work quality of life**

Aguas Andinas promotes various initiatives aimed at improving the quality of life of its employees. This follows the premise that to attract talent, build commitment and foster a better place to work, we must recognize the needs and interests of the people who make up the place, developing initiatives aimed to improve their well-being and physical and mental health.

The main initiatives are associated with the promotion of sport and physical activity through types of sports, agreements with gyms and maintaining a proper sports stadium in La Farfana.

To support the balance between work and family life, a flextime policy was established during summer, finishing the work on Fridays at 2:00 PM. Beginning in December 2015, a voluntary pilot telecommute program was launched, which for 6 months will involve five areas within the company, where selected workers develop work from home, following the same work schedule stipulated in their contract.

#### **5.4.2. Psychosocial Risks Monitoring Protocol**

In December 2015, the Psychosocial Risks Monitoring Protocol was implemented to identify the presence and level of exposure to risks that may affect mental health and improve quality. The measurement was performed through the application of an anonymous and voluntary questionnaire by all workers of companies in the Aguas Group. It is expected that the results of the assessment will be delivered in January 2016.



## 5.5. Health and safety

### G4-LA5, G4-LA6, G4-LA7

Under the company's Comprehensive Management System for Quality, Safety and Environment, it developed and implemented a specific Health and Safety Management system, certified under OHSAS 18001, and headed by a Corporate Operations and Occupational Hazard Management Division.

The system consists of a Health and Safety Policy and a Strategic Plan for Occupational Health and Safety (PRL), which has as its goals for the 2015 to 2016 period:

- ✓ Gradual and progressive reduction in accident rates.
- ✓ Zero tolerance to risk exposure, including for subcontractors.
- ✓ Integration of the role of prevention in business activities.

Likewise, the entire structure and management dedicated to protecting the health and safety of persons directly complements the activities of the 13 formally constituted joint committees on health and safety, which cover 100% of the workers.

### Identification of hazardous risks or occupational disease

Type of Employee	Hazard or disease to which they are exposed
Potable Water Plant Operator	Chlorine gas exposure, work in confined spaces.
Equipment Maintenance Person	Chlorine gas exposure, contact with chemicals, lifting equipment, intervention with energized equipment, confined space entry.
Potable Water Transport Operator	Exposure to chlorine gas, contact with chemicals, transportation on public roads and confined space entry.
Wastewater Treatment Plant Operator	Exposure to biological agents, lifting equipment.
Sewage Network Maintenance Operator	Harmed by confined space entry and work on public roads.

Together with the Chilean Safety Association, Aguas Andinas carried out qualitative and quantitative evaluations that determined the main risks the operations could face in emergencies related to exposure to chlorine gas and chemicals. Faced with this risk, management courses were conducted and staff were given specific devices to contain or neutralize leaks or spills. However, it was determined that the risk of exposure to these components is well below the permissible limits set by the Supreme Decree 594.

As a result of the initiatives implemented during the year and resulting from a culture of safety that has been implemented in conjunction with the system for the fourth consecutive year, the accident rate managed to be reduced, from 1.30% to 0.9% at the end of 2015. During the period there have been no fatal events.

Company	Nº accidents with time lost		Nº of days lost for accidents with time lost		Accident Rate		Injury Rate	
	2014	2015	2014	2015	2014	2015	2014	2015
Aguas Andinas S.A.	12	10	139	500	1,14	0,94	13,20	47,00
Aguas Cordillera S.A.	1	1	223	4	0,81	0,86	18,10	3,40
Aguas Manquehue S.A.	2	0	36	0	0,53	0,00	89,50	0,00
Aguas Group	5	11	98	504	1,30	0,90	33,30	2,00



### 5.5.1. Prevention of drug and alcohol consumption

In order to develop a sustained and effective strategy for prevention of drugs and alcohol consumption, a tripartite working table was organized, made up of representatives of workers, the company and SENDA.

In addition an anonymous and voluntary survey was conducted by employees in eight precincts workers of the company, leading to the initial phase of certification that seeks to make Aguas Andinas a work space that prevents consumption of tobacco, alcohol and other drugs.

In late 2015 the draft policy to prevent drug and alcohol was prepared, which will be evaluated in March 2016 based on the results of the evaluation. Along with the above, trainings will be held and a communications plan will be implemented.

#### Precincts surveyed:

1. Corporate Headquarters
2. Lira -Pintor Cicarelli Compound
3. San Enrique Plant
4. Vizcachas Plant
5. Antilco Zone
6. Mapocho Zone
7. Maipo Zone
8. Cordillera Mapue Zone

**423 Surveys collected**





# Chap 06

**Responsibility in  
the supply chain**





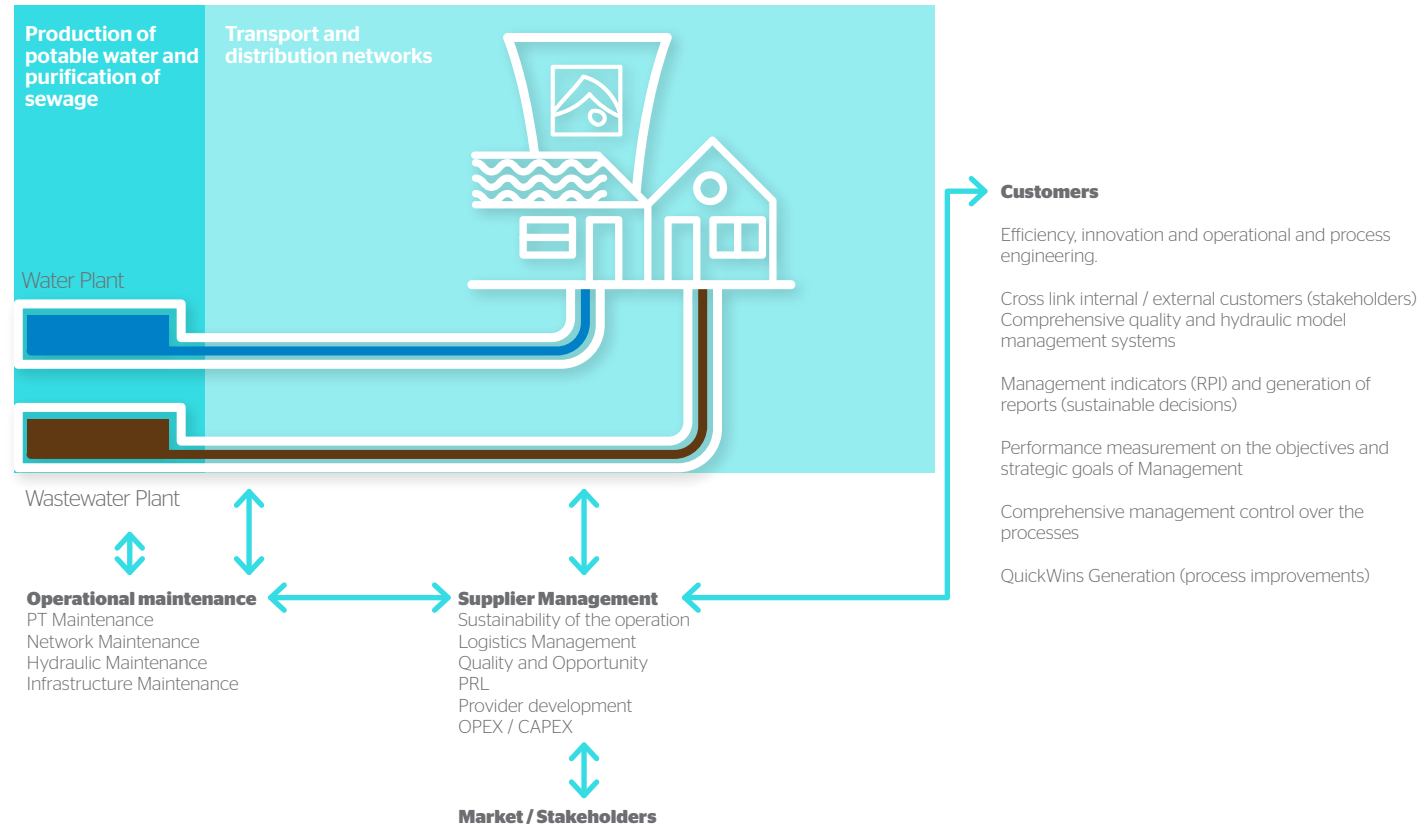
# RESPONSIBILITY IN THE SUPPLY CHAIN

## G4-12, G4-EC9

The relationship of trust between a company and its customers is based on a chain of commitments, in which suppliers and contractors are key actors. It is for this reason that Aguas Andinas considers it highly important to strengthen the link with their more than 1,400 supplier companies, classified in 32 categories or families of goods and/or services.

In the 2015-2020 five-year plan, one of the strategic focuses of the company is established as progress towards the consolidation of trust relationships between the company and its suppliers. In this regard, and given the strategic importance of this group of interest to the company, in 2015 projects of structural change began that will achieve effective efficiencies in procurement processes, increase loyalty of suppliers, increase expert suppliers and improve relationship practices with them.

## Suppliers in the value chain in business continuity of Aguas Group

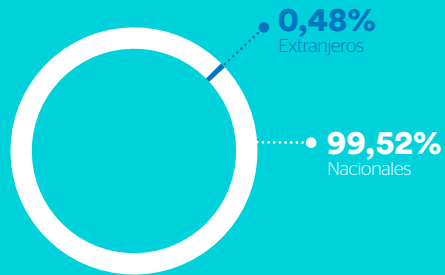




Suppliers of Aguas Andinas

	2014	2015
Nationals	<b>1.509</b>	<b>1.538</b>
Foreigners	25	43
<b>Total</b>	<b>1.534</b>	<b>1.573</b>

% Expenses on suppliers (by origin)



Aguas Andinas contractors

	2014	2015
Number of contractor companies	107	114
Number of contract workers	2.212	2.309

**6.1. Transforming the purchasing function**

As part of the organizational transformation of Aguas Andinas, a project was launched in June 2015 to establish a new Operating Model for purchasing area functions, which will transform its role into an area of strategic sourcing.

In macro terms, this transformation involved the redefinition of the Supply Management Division and responsibilities, generating results in a Purchasing Management with new dependent roles.

**Purchasing Management**

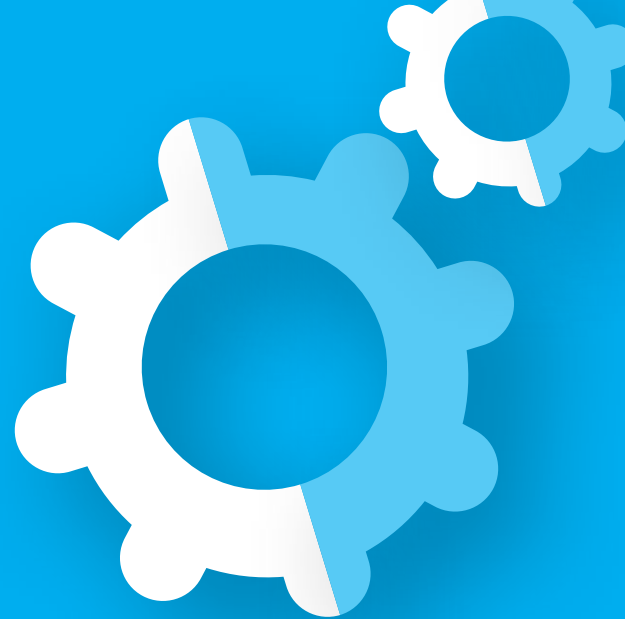
Procurement Manager will be responsible for defining and managing the strategy providers through a single policy Procurement Management policy.

Contracts Manager will be responsible for designing and implementing policies and strategies to ensure recruitment and agile processes that adequately safeguard the interests of the Company.

Platform Manager will be responsible for managing the design, implementation and construction of projects requiring development of the Procurement System.

Additionally the Deputy Manager of Purchasing was created along with the incorporation of the figure of Purchasing Category Manager, who will be responsible for reviewing and definition of needs according to the categories to be managed.





Along with these organizational changes, the transformation project meant the company implemented three changes of magnitude in relation to purchases: implementing procurement management by categories and aligning the area with the rest of the organization.

**Fundamental changes**

**Objectives of Change**

**Steps Implemented**

Management by category

Advance towards technical specialization of buyers.  
Timely identify synergies between areas and subsidiaries.  
Identify potential opportunities for improvement in the quality and service it provides.

Classification of suppliers in 32 categories or families of goods and/or services.  
Alignment with the categories of the group.  
Generation of KPIs by category.

Empowerment of the purchasing function  
Promote planning purchases.

Promote planning purchases.  
Identify opportunities for savings.  
Foster innovation.  
Improvements in the supply chain.  
Achieve a greater variety of suppliers and products.

Purchasing Development Plan.  
Implementation of processes for proactive search.

**6.2. Supplier Management and Contracts**

**6.2.1. Transparent and competitive bidding**

Purchases are dynamic processes, often complex and involving more than a negotiation. With good purchasing management, the company manages to save costs, satisfy internal users, in both time and amount, and receive direct benefits. In that sense purchasing management should be understood as a key activity for the company to succeed in all its activities.

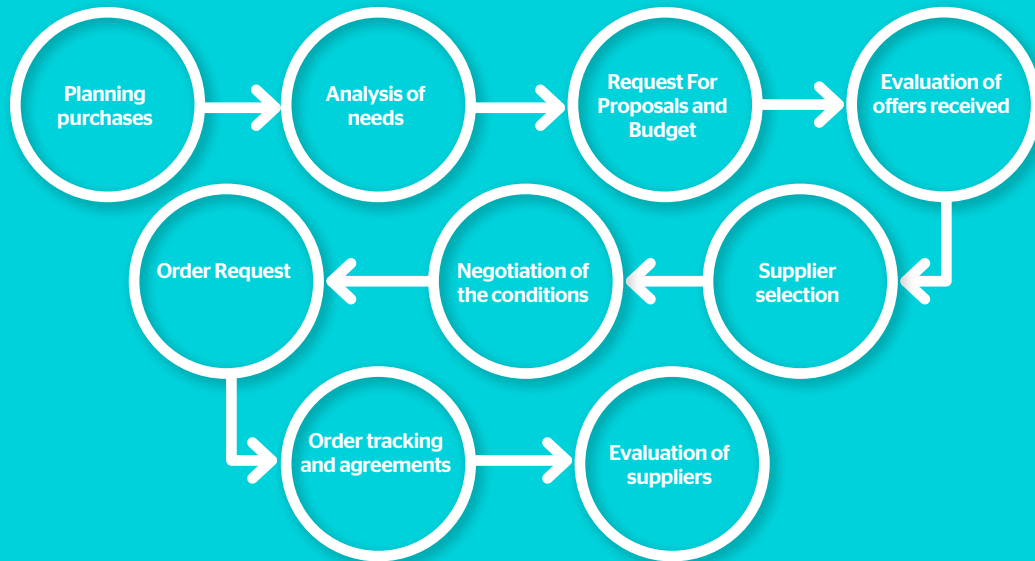
In order to strengthen relationships of trust, Aguas Andinas took action to modernize the company's procurement management and bidding process, which included the review of procurement processes and bidding. For this, information was provided by executives, professionals and technicians of the company, as well as various providers serving Aguas Andinas.

This review process allowed us to know the strengths and weaknesses of the relationship between the company and its suppliers, and helped improve aspects such as proximity to strategic suppliers and the company's image, generating long-term relationships with suppliers and improving efficiency levels while maintaining high standards of control.



Additionally, the company is reviewing the administrative requirements for bidding to analyze the requirements for bidders with the aim of improving economic offers and increasing the number of participants

**Purchasing Process**



A major milestone in this area was the company's open exhibition, made during its Triennial Plan 2015-2017 for Potable Water Supply and Sewerage Pipeline Renewal. This exhibition not only experienced a large turnout of new suppliers, but also achieved improved adherence by suppliers to this public tender. As a result, the company awarded the renovation project of potable water and sewerage services under competitive prices and high quality standards, generating shared value for Aguas Andinas and its suppliers.

**6.2.2. Evaluation and development of suppliers**

Once a service or delivery of a product has begun, it is necessary to ensure that the quality standards initially requested and offered remain consistent over time. Thus, continuous assessment must be made to ensure that the provider consistently meets the requirements.

The evaluation aims to get the company to work with the best suppliers by eliminating those offering lower quality. Thus, we find that the selected suppliers progressively improve the quality of their supplies, reliability, flexibility and pricing.

The frequency of evaluations that Aguas Andinas uses for its suppliers is annual, as are the actions to be taken based on the result obtained. The review of each supplier is recorded in an evaluation form, which contains the results obtained for each of the criteria, maintaining traceability in the system.

This process is part of the certification and recertification that are made annually to the Comprehensive Management Systems of ISO 9.001, 14001 and OHSAS 18001.



In order to promote awareness and use of the Knowledge Management Program (GeCon), the company organized two activities during 2015 to disseminate the tool.

Internally, the GeCon Day sought to promote this tool among all company employees, and externally, Open GeCon is especially focused on strategic suppliers of Aguas Andinas, presenting the application as a space of knowledge and exchange of documents.

The goal of Open GeCon was to share experiences of company innovation and invite them to join this initiative, in order to build loyalty, transparency, and generate new channels of communication with its suppliers.

Regarding the development of suppliers, the company has a Comprehensive Provider Development Plan, which hopes to be strengthened in 2016 with the figure of the Supply Manager, in the context of the changes made by the Transformation Project.

Along with this, the 2015 several meetings were held with strategic suppliers of the company, in order to understand their plans for continuity of service in the supply chain. This made it possible to know their contingency programs in providing strategic products, such as Chlorine, Fluorine, Polymers, Coagulants, etc.

In addition, individual meetings were held with these providers to collect their concerns, strengthen existing links, and improve processes that help develop and preserve competitive and strategic advantages of both parties.

### 6.2.3. Processes and controls

The Company's Supplier Portal, operating since 2014, has as its main function to provide information on the status of invoices to Aguas Andinas suppliers. In addition, since 2015 all bidding processes are published in the Supplier Portal, which helps ensure transparency and competitiveness. By 2016, the company expects to add functionality to the website and the ease of acquiring the background information of the tender through this means, paying by WebPay.

As part of the transformation process, Aguas Andinas decided to undergo a technological upgrade of the supplier platform, which incorporates traceability and automation of existing processes and those that should be incorporated.

In this sense, one of the areas that the company hopes to improve with all these changes is to manage payments to suppliers. Efficient management allows for planning and scheduling the flows of supplier goods, giving them the opportunity to better address their business, labor and financial commitments. To ensure timely payment to suppliers, however, it is necessary that all areas of the company involved in this process maintain a high level of awareness aimed at improving management of the time payment process.

In this context, it is expected that changes made in 2015 will have positive effects during 2016, once all are fully implementation and operational.



### 6.3. Promoting responsible conduct in the supply chain

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

For public and private tender procedures, Aguas Andinas regularly requests, through bidding, a series of background information that seek to ensure the reliability of supply and commercial behavior of the offeror.

In the case of the winning supplier, Aguas Andinas requires them to comply with regulations and requirements of the national legislation, as well as the company's internal policies. Along with this, the company also set several conditions to their suppliers, among which is to unrestrictedly meet all payment obligations to its employee pension contributions.

#### Requirements for suppliers



##### National legislation

Law 20,123 on Subcontracting, applying all relevant rights under the law and in particular on information and retention payments.

"Regulation Applicable to the Project Construction Stage" in the "Regulations on Prevention of Occupational Risks" (D. S No. 40).

Annex "Requirements related to Subcontracting Law".



##### Internal regulations

"Special Regulation for Environment, Work Safety and Health for Contractors and Subcontractors of Aguas Group and related companies."

"Documented Requirements regarding the Special Regulations for Environment, Safety and Health at Work".

"Aguas Group Code of Ethics."

Under the compliance specifications of ISO 9001, in relation to the Purchasing Process, the company annually assesses a group of relevant suppliers. The scope of the assessment is aimed at quantifying the quality of services provided, the compliance with risk prevention regulations, and control and minimization of environmental impacts. In a timely fashion, in 2015 71 vendors were evaluated as part of re-certification of the standard. In this evaluation, no significant actual or potential negative impacts were detected, so it was not necessary to implement any corrective measure in this regard.



### 6.3.1. Health and safety of contractors

In 2015 Aguas Andinas implemented a Contractors Management Model, which addresses among other issues the health and safety of contractors. As part of this implementation, the company contracted the services of CLEVER, a technology services and outsourcing company specializing in control processes for contractors, to carry out inspections in the field and enable a web platform for document management.

Specifically, by 2015 more than 3,000 ground inspections of company contractors were made specifically for health and safety issues. Also, relevant available information was verified and approved for 128 contractors. Along with this, four training sessions were made for providers in aspects related to this issue.

Additionally, the company created the Committee on Occupational Health and Safety Business for Contracting Companies led by Corporate Operations Manager, which meets monthly with the General Managers of 11 contracting companies. In special session, the Committee meets with Aguas Andinas' Corporate Operations Manager and/or Prevention Chief, in case of an occupational accident or disease that is severe, fatal or when the situation requires it.

- ✓ Zero severe or fatal accidents.
- ✓ Compliance with Risk Prevention Policy.
- ✓ Improve management control over contractors, avoiding possible findings in internal and external audits.
- ✓ Reduce the Frequency and Severity Index.
- ✓ Strengthen the operational control of the company works.

The work of this Committee may be reflected in the various health and safety indicators for participating contractors, which reflect a better performance than other permanent contractors in this field.

### Health And Safety Indicators Of Company Contractors - 2015

Item	Company contractors Employee health and safety committee	Permanent company contractors
N° Accidents	44	48
N° Hours worked	1,980,755	2,548,121
N° Average of employees	871	1,211
N° days lost	381	422
Frequency Index (IF)	22,21	18,84
Severity Index (IG)	0,19	0,166
Accident Rate (TA)	5,05	3,96
Injury Rate (TS)	43,73	34,9

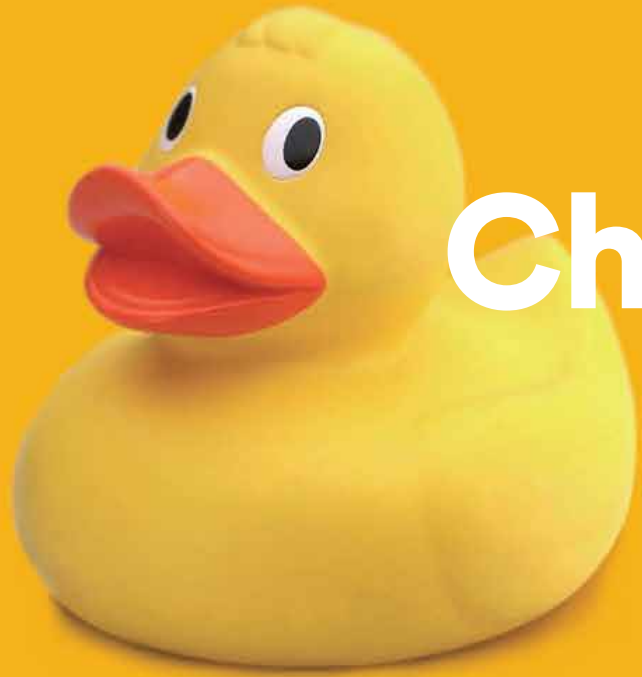
Finally, in October of the same year, Aguas Andinas jointly with the Chilean Safety Association and CLEVER, performed the VII Annual Meeting of the Aguas Group Business Contractors, which focused on operational and documented control; strengthening the teamwork in the subcontracting chain; and competitive advantages of preventive management.

# A VITAL RESOURCE.

A large, irregular water droplet is positioned to the right of the word 'VITAL'. Below it, two smaller, more spherical water droplets are visible, one slightly overlapping the other.

**We have had an anti-drought plan for 6 years, which has enables us each year to meet supply needs and provide service to residents of the Metropolitan Region Metropolitana**





# Chap 07

**Responsibility  
with neighboring  
communities**



# RESPONSIBILITY WITH NEIGHBORING COMMUNITIES

In its commitment to develop the business and ensure the sustainable development of its stakeholders, Aguas Andinas addresses the management of its impacts on neighboring communities through responsible management that ensures the welfare and development of its neighbors.

For this, the company has formal initiatives to bring economic and cultural development to the most vulnerable areas, helping them to have basic tools to improve their chances of growth and development.

## 7.1. Management of community impacts

### G4-EC7

Aguas Andinas is aware of how vital its services are for people and organizations in the metropolitan region. All industrial, business and even daily activities are positively influenced by the fact of having a reliable and quality potable water service, as well as collection services and wastewater treatment that protects and cares for the environment and health and safety of people, allowing them to develop their daily activities.

### G4-SO2, G4-SO10

However, the management of the water cycle requires different processes, which inevitably generate impacts on the environment and surrounding communities. Aguas Andinas has identified and worked to reduce these negative impacts, generating prevention and mitigation measures for each of them.

### Monitoring and management of impacts in the value chain - 2015

Impact	Method	Compliance Objective	Objective Achieved
Odor Emissions	Mitigation: Application of chemicals (catalyst) to minimize emission of odorous smells in release and biosolids. 10,460 liters of catalyzer were applied during drying of biosolids	Reach a level above legal compliance	Yes
Odor Emissions	Mitigation: Agricultural reuse in rural areas, away from the population. 148,729 tons were spread out.	Maintain compliance with laws or regulations	Yes
Odor Emissions	Mitigation: Using trucks that prevent odor emissions. Contractors utilize 18 sealed and watertight trucks to transport biosolids.	Maintain compliance with laws or regulations	Yes
Odor Emissions	Mitigation: Solar and bio drying processes to minimize stockpiles. 104,822 tons were entered.	Maintain compliance with laws or regulations	Yes
Odor Emissions	Mitigation: Procedures for biosolids management. In winter bio drying took place (incomplete composting) and in summer, solar drying.	Reach a level above legal compliance	Yes
Odor Emissions	Mitigation: Deodorization system in the main emission points of the Mapocho -Trebala wastewater treatment plant.	Reach a level above legal compliance	Yes
Odor Emissions	Mitigation: Roofing pretreatment stage in Mapocho - Trebala wastewater treatment plant.	Reach a level above legal compliance	Yes
Vectors	Mitigation: Annual vector control program through a fumigation plan performed by a specialized external company. This program is followed by the University of Chile Pests Management Centre.	Maintain compliance with laws or regulations	Yes
Emissions	Mitigation: Emission compensation. Permanent PM10 emission evaluation.	Maintain compliance with laws or regulations	Yes
Emissions	Prevention: Truck speed reduction in non asphalted roads.	Maintain compliance with laws or regulations	Yes



### 7.1.1. Relations with neighboring communities

#### Good Neighbor Program

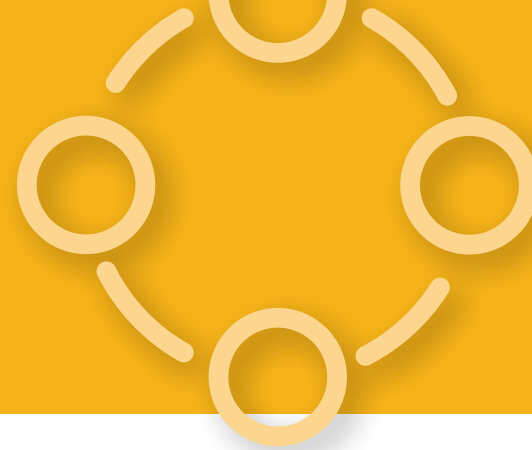
The Good Neighbor Policy of Aguas Andinas started operations in 2005 from working groups implemented to build trust with neighbors of La Farfana and El Trebal wastewater treatment plants.

After 10 years of operation, in 2015 the program was evaluated with the aim of generating an assessment of the activities carried out and identify opportunities for improvements to help maintain smooth communications and efficient working relationships, bringing us closer to neighboring communities.

#### 2020 Community Management Model



The diagnosis program was conducted in four stages, from March 2015 to January 2016, in which a secondary characterization of localities was initially performed, followed by fieldwork interviews with 89 key stakeholders, both from the community and the El Trebal, La Farfana and El Rutal plants.



As part of the diagnostic results, a stakeholder mapping was obtained based on the analysis of relationships and influence, as well as the 2020 community management model.

### 2020 Community Management Model

Pillar	Objective	Actions
Governance	The objectives are to enhance and formalize communications with municipalities, and generate strategic alliances with municipalities, utilities and others.	Semiannual Presentation of Community Management at the municipal level. Preparation and delivery of Community Relations Semiannual Bulletin to Municipalities, Utilities with a Local Presence, and GORE. Surveying and continuous updating of activities, funds and institutional management. Implementation of annual perception survey on relationships, municipal administration and public services.
Community Feedback	The objectives in this area are to develop and promote measurement instances of perception and social impact among neighboring communities; formalize, validate and ensure the representativeness of the Working Groups; and even out and enhance the management capacity and leadership of social leaders.	Develop a baseline study using local personnel. Conduct annual measurements of the impacts of Grant Funds, Avanza Program and sub-programs of the Local Development Master Plan. Develop training and management protocol for the Work Committee (protocol, accountability, performance scorecard and management report). Implement annual training workshops for community Leaders.
Sustainable operations management	In this area, communications are expected to improve on management of the company's impacts, thus ensuring operational continuity of the plants	Encourage the use and evaluation of Aló Vecino and door-to-doors. Environment and/or operations must report operational actions at the Plants to reduce impacts to the Working Groups Promote the participation of the Working Groups or any environmental audit committees.
Local value creation	A Local Development Master Plan was developed to strengthen local development initiatives in line with the company's businesses: Basic Social Welfare, Environment and Employability.	Competitive funds Micro-enterprise Program. Sub-programs under the Master Plan for Local Development



With the diagnostic results, a community management model was developed to create a new type of relationship between Aguas Andinas and their communities, under which the company seeks to develop "good neighbor" relations with them beyond the conventions and existing RCA.

Under this new lens, joint projects with the community continued to be developed, seeking confidence-building and local development. Specifically, as part of its role as a good neighbor, the company implemented a project to improve roofs, windows, doors and sewage systems in houses in the El Trebal sector.

#### Working Groups and relationships

The Working Groups are formal monthly instances of a relationship between company representatives and communities, which seek to establish a permanent dialogue, early detection of any problems, difficulties or discomfort, and promote trust relationships with communities surrounding the wastewater plants.

Working Groups have been implemented within the communities of Rungue, Montenegro, El Trebal, La Farfana, Casas Viejas and Urban Maipú. Among the main results is the establishment of a dialogue space and methodology to understand and reduce the risk of conflict.

#### Aló Vecino (Hey Neighbor) Line

Through the Hey Neighbor hotline, communities can make complaints about bad odors. These are investigated and answered by the National Environmental Centre (CENMA) of the University of Chile, who conducts site visits to determine the intensity, origin and source of odors, determining whether these are the responsibility of the company or from external sources.

Complex	N° of calls	N° results
La Farfana WWTP	41	100%
El Mapocho-Trebal WWTP	11	100%
CGIB El Rital	119	100%





## 7.2. Supporting local development

### 7.2.1. Competitive Grants

Competitive Grants began in 2006 as a condition established by the RCA for each plant. Once the obligation expired, Aguas Andinas decided to keep them as a voluntary initiative by noting their positive contribution to the local development of communities surrounding the facilities of the wastewater and biosolids management plants (communes of Padre Hurtado, Maipú, Pudahuel and Tiltil).

Since its inception more than 300 projects and 36 individual talents have been funded. In 2015, 37 projects were selected by local organizations and one community organization from the Padre Hurtado sector, which aimed to contribute to the quality of life of their community, improving the environment and promoting community empowerment and associativity.

During the period, and within the framework of the implementation of the Crime Prevention Model, the basis for awarding grant funds were reviewed and a Policy on Generation and Allocation of Grant Funds was developed, which spread among the organizations through the funding website ([www.aguasandinas.cl/fondos-concursables](http://www.aguasandinas.cl/fondos-concursables)). This review resulted in a delay in the allocation of the other two funds provided by the company, which were delivered in January and March the following year. By 2016, the situation will be regularized and will once again manage all three competitive funds in the same period.

### 7.2.2 ADVANCE Program

As an initiative that promotes social entrepreneurship and innovation, the Avanza program, developed with the support of the ACCION Foundation, invites residents of the El Trebal community to develop skills and strengths supported by Aguas Andinas employees.

The start of construction of the fourth module of the Mapocho Trebal Treatment Plant, the company's second most important and largest plant, generated the perfect backdrop for Aguas Andinas to submit to the residents of El Trebal Village the possibility of generating business ventures linked to the needs of the plant, thus creating a source of long-term work that transcends the construction.

The aim is to promote entrepreneurship in neighbors through co-creation and co-responsibility. For this, the project focuses on giving them tools that allow them to offer services or perfect their craft through seed capital, labor practices, training, and mentoring. All of this is incorporated into the company's value chain, generating a dynamic of mutual benefit.

Of the 13 neighbors who worked during 2015, nine entrepreneurs graduated.

Products and services financed were:



Car wash service



Bakery, confectionery and food products service



Uniform and corporate clothing wash service



Clothing repair and embroidery service





### 7.3. National Rural Potable Water Program (APR)

#### G4-EC8

The Rural Potable Water Program is generated within the framework of a public-private partnership between the Ministry of Public Works and Aguas Andinas, in order to implement solutions that provide access to potable water to rural communities with limited resources, thus improving their quality of life and generating economic development and social integration. In the region, the program has directly benefited more than 53,000 families from 105 Rural Potable Water systems.

The commitment of the company is to make available to the State of its technical and managerial experience, assisting and advising directors and employees Systems APR, which are managed and operated by the rural communities in the metropolitan region. This addition to support them in managing investments to improve or build new infrastructure for the installation of systems.

Main activities developed in 2015:

- Organization and development of various training sessions conducted in coordination with the Directorate of Water Works. More than 800 people participated in the APR Systems.
- 470 visits of Aguas Andinas teams to committees and cooperatives in the Metropolitan Region to advise and assist in managing leaders and workers of APR systems, and help them deal with emergencies in the quality or continuity of potable water service.
- Management of various engineering designs and construction projects benefiting more than 40 communities in the Metropolitan Region through investments of MM\$5,600, exceeding 2014 investments by 30%. In addition, approvals were obtained from the Ministry of Social Development to develop new infrastructure investments in Rural Potable Water of more than MM \$14,000

From progress assessments made by the company in the areas of governance, management, finance and accounting, and operations and maintenance, a program of visits and training sessions was developed and led to investments in the design and construction of installations and improvements to the APR System of MM\$5,000, that forms part of the Prioritized Projects Portfolio of the Division of Hydraulic Works for the Metropolitan Region.

Given the good results achieved by the program, it was renewed in 2015 for 2 years. The new agreement renews and strengthens the company's commitment to aim for higher service standards and increase investments.





# Chap 08

**Economic and  
financial  
performance**



# ECONOMIC AND FINANCIAL PERFORMANCE

## 8.1. Economic Performance

### G4-EC1

The solidity and seriousness in Aguas Andinas' economic-financial management policies has allowed Aguas Andinas to continue creating value and distributing it among its main stakeholders, despite market volatility and uncertainty.

	2014 MM\$	2015 MM\$
<b>Economic Value Created</b>	<b>446.343.765</b>	<b>\$479.983.340</b>
1. Normal Revenue	440.734.172	473.396.705
2. Other Earnings	305.758	4.088
3. Financial Income	5.303.835	6.582.547
<b>Distributed Economic Value</b>	<b>392.724.196</b>	<b>394.162.492</b>
1. Operational Costs	121.656.695	\$140.084.245
1.1 Consumption of raw and secondary materials	30.182.683	37.353.766
1.2 Other expenditures by nature	91.474.012	102.730.479
2. Salaries and employee benefits	45.331.445	50.688.949
3. Payment to Providers of Capital	189.747.690	175.283.147
3.1 Financial Costs	30.738.756	27.905.133
3.2 Dividend Payments	124.757.206	120.854.347
3.3 Results of indexed units	34.251.728	26.523.667
4. Payments to Governments	34.580.576	26.174.522
5. Investment in the community (donations)	1.407.790	1.931.629
<b>Economic value retained</b>	<b>53.619.569</b>	<b>85.820.848</b>





The percentage of revenue increase during 2015 is explained by several factors: the higher level of volumes delivered, the application of the new tariff for bringing new works online for potable water supply safety, and the tariff indexation registered past year.

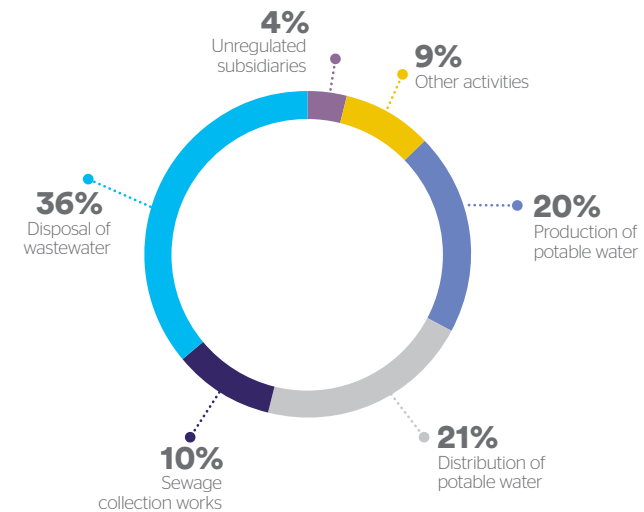
The costs of raw materials and consumables increased by MM\$7,171, due primarily to the increase in electricity costs resulting from higher rates and recognition of chargebacks by electric utilities. Additionally, other costs also increased due to more activity, generating higher sales costs for services such as transfer of sanitation infrastructure, increased spending on software licenses, higher customer services costs, increased network maintenance activity, and increased expenses in the operation of wastewater plants.

Meanwhile, expenditures for salaries and employees benefits also increased, mainly associated with the early retirement program, with the extraordinary benefits provided to staff at the end of collective bargaining and a higher level of remuneration and compensation related to adjustments for IPC.

Donations to the community increased by 37%.

In 2015 the Aguas Group invested a total of 127 billion pesos (43% more than in 2014), making this the second year with increased investment in the company's recent history. Investments were mainly spent on improving production plants potable water and increasing the capacity of the El Trebal-Mapocho treatment plant.

### Aguas Andinas Investment in 2015





To finance the investments of the company and pay or prepay its liabilities, the company issued a Series X bond, which was listed as the corporate bond with the lowest rate in the local market in 2015, realizing the solvency and seriousness in the company's financial management. Meanwhile in December 2015, three new series of bonds (Series Y, Z and AA) to be placed in January 2016 were recorded.

As a result of the company's strong financial profile and the industry's low operational risk, Fitch and ICR both ratified Aguas Andinas' risk classification at AA+, which is one of the best categories assigned to a private company in Chile.

Reflecting highlights of Aguas Andinas' economic performance is being ranked first place in the Top 100 Ranking prepared jointly by Capital magazine and Santander Global Banking & Markets in 2015, under the category Greatest Value Creation 2014 for the energy and basic services sector

## 8.2. Fines and noncompliance

### G4-S08

In 2015, the SISS fined Aguas Andinas 6 times for a total of 596 UTA. 5 of the penalties were paid but were challenged by the company and are in the process of resolution. The remaining sanction related to specific inefficiencies in the quality of the treatment and disposal service (75UTA). In addition, 3 additional sanctions are currently in process, related to unscheduled outages, the chlorination system, and the alleged infringement in notifying on the level of water pressure.

Meanwhile, the SEREMI of Health instructed two sanitation summaries to Aguas Andinas for a work accident from a contractor at the Til Til Sludge Plant, for the lack of transit signage and for the noncompliance of conditions in the first aid room at a given work location, respectively



# Chap 09

**About this Report**





# ABOUT THIS REPORT



## 9.1. Report scope and profile

### G4-13, G4-22, G4-23, G4-28, G4-29, G4-30

This document is the 11th Aguas Andinas Sustainability Report. It covers the management of the company from January 1 to December 31, 2015, and was prepared in accordance with the guidelines of the Guide for Report Preparation by the Global Reporting Initiative (GRI) in its G4 version, according to the comprehensive option. Additionally, the definition of relevant topics and the information contained in the document were subject to an external verification process.

As in previous years, the information in this report covers the management of Aguas Andinas' companies, including Aguas Andinas S.A., Aguas Cordillera S.A. and Aguas Manquehue S.A. As a result, information is excluded regarding Empresa de Servicios Sanitarios de Los Lagos S.A. (ESSAL) and the non-regulated subsidiaries: EcoRiles S.A., Gestión y Servicios S.A., Análisis Ambientales S.A. (ANAM), and Aguas del Maipo S.A.

During the analysis period of this report, there were no significant changes in the size, structure or share ownership of the company. The changes to its supply chain, in terms of the relationship of the company with its suppliers among other matters, are discussed in Chapter 6.

### 9.1.1. Defining the report's contents

#### G4-18

The definition of relevant topics to include in this report followed the guidelines of the GRI methodology regarding the definition of material issues, which considers the stages of identification, prioritization and validation of issues by senior management.

First, a preliminary identification of issues was conducted based on the review and consultation of primary and secondary sources of information, to allow it to put the context of sustainability in which the company operates. Then it continues with raising relevant issues by consulting various primary sources of information such as interviews with senior management and review of stakeholder consultations. Finally, as a result of the process, material issues of Aguas Andinas were defined, which make up the structure and content of this sustainability report



## 9.1.2. Material issues for Aguas Andinas

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

Within the framework of the Corporate Governance Policies and Procedures approved in November 2015, the definition of material issues and the content of this report have been validated by the company's Board of Directors.

#### Material issues for Aguas Andinas

Relevant issues	Where it matters
<b>Good governance and economic performance</b>	
Management of ethics and anti-corruption	Aguas Andinas
Effects of climate change on the business and operations	Aguas Andinas
Business continuity and efficiency	Aguas Andinas
Public-private partnership (participation in public policy)	Authorities
Technological development and innovation (R + D + i)	Aguas Andinas
Economic performance, profitability and significant fines	Aguas Andinas
<b>Responsibility to clients</b>	
Quality and continuity of service	Aguas Andinas
Service experience (satisfaction and claims management)	Contractors
Perception and satisfaction of Aguas Andinas customers	Contractors
Billing transparency and security of commercial information	Aguas Andinas
Relationship with vulnerable customers	Aguas Andinas
Awareness of the value of water and its responsible use	Aguas Andinas
<b>Neighboring communities</b>	
Management community impacts	Aguas Andinas
Contribution to local development	Aguas Andinas
Relations with neighboring communities	Aguas Andinas

Relevant issues	Where it matters
<b>Environmental responsibility</b>	
Comprehensive water management: catchment, production, distribution, collection, treatment and restitution	Aguas Andinas
Energy efficiency and carbon footprint	Suppliers
Non-conventional renewable energies (biogas)	Aguas Andinas
Protection of biodiversity	Aguas Andinas
Waste management	Aguas Andinas
<b>Labor practices</b>	
Comprehensive talent management (training and performance evaluation)	Aguas Andinas
Occupational health and safety	Aguas Andinas
Attracting and retaining talent	Aguas Andinas
Labor relations	Aguas Andinas
Diversity and equal opportunities	Aguas Andinas
<b>Responsibility in the supply chain</b>	
Development of suppliers	Suppliers
Evaluation of suppliers and contractors	Suppliers
Health and safety of contractors	Contractors
Transparent biddings and timely payment	Aguas Andinas
Description of relevance:	
	High relevance
	Medium relevance



## 9.2. GRI Index of contents

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**Limited Assurance**  
**Statement of Aguas Andinas S.A.'s Sustainability Report 2015 (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 2015 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 2015 Sustainability Report are duly supported by evidence.
- Verify the traceability of the information disclosed by Aguas Andinas S.A. in its Sustainability Report 2015.
- Determine whether Aguas Andinas S.A. has prepared its 2015 Sustainability Report in accordance with the Content and Quality Principles of the GRI G4 guideline.
- Confirm Aguas Andinas S.A.'s self-declared "Comprehensive" 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 2015 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 2015 Sustainability Report in order to ensure its drafting 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 stated 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 2015 Sustainability Report are not presented fairly.
- Aguas Andinas S.A.'s 2015 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 "Comprehensive" 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 management opportunities for Aguas Andinas S.A.'s Sustainability Report 2015, which are detailed in a recommendations report presented to Aguas Andinas S.A.'s Administration.

Truly Yours,

EY Consulting Ltda.



Diego Plezowski

April 19<sup>th</sup>, 2015  
1-00519/15