

BACKGROUND INFORMATION FOR GENERAL SHAREHOLDERS MEETING 2016

INVERSIONES AGUAS METROPOLITANAS S.A.

In accordance with what has been established by Articles 58 and 59 of the Open Corporations Law, this document contains a review of the matters which will be put forth for knowledge and shareholder approval at the Company's Ordinary Shareholders Meeting which will take place on April 28 at 10:00 am at Avenida Presidente Balmaceda 1398, Tenth Floor, Santiago, all in accordance to what has been agreed upon by the Company's Board of Directors on March 30 2016.

The agenda for the Ordinary Shareholders Meeting will be as follows:

1. Examine the External Auditors Report, approving the Annual Report and Financial Statements corresponding to the exercise from January 1 to December 31 2015.
2. Agree on the distribution of net income and the distribution of dividends corresponding to the exercise of the year 2015.
3. Exhibition on the Company's dividend policy.
4. Inform about Operations with related parties (Titles XVI Law 18.046), if these exist.
5. Designate the External Independent Auditors for the 2016 exercise.
6. Designate the Rating Agencies for the 2016 exercise.
7. Determine the remuneration of the Board of Directors for the 2016 exercise.
8. Give an account of the expenses of the Board of Directors during 2015.
9. Determine the remuneration and Budget for the Directors' Committee for the 2016 exercise.
10. Give an account of the activities and expenses of the Directors' Committee during 2016.
11. Determine the newspaper where the notices for shareholders meetings, dividend distribution, results, and other matters of interest for shareholders will be published.
12. Other matters of interest and competence of the board.

The Board of Directors will be presenting the following proposals in the Shareholders Meeting.

- Annual Report. The Board of Directors has approved the text of the annual report for 2015 (available on www.iam.cl), in the same manner that the Directors Committee has approved the External Auditors Report, Balance Sheet, and Financial Statements.
- 2015 Earnings Distribution. The Company's net earnings in 2015 amount to \$63,283,307,774 and the retained earnings from previous years amount to \$46,686. It is noted that in accordance to what was agreed upon by the Board in January, an interim dividend was paid using \$20,324,000,000 of 2015's net earnings. Keeping into consideration the interim dividend paid in January 2016, distributable earnings amount to \$42,959,354,460. The latter enables a dividend payout of \$42.9593 pesos per

share which will be payable on May 27 2016. It is noted that due to this year's distribution, retained earnings amount to \$54,460.

- Dividend Policy. During the Shareholders Meeting, it is necessary to inform the Company's dividend policy, putting forth the Board of Directors' proposal to maintain the distribution of 100% of the distributable earnings of the term: 30% as a mandatory dividend and the remaining 70% as an additional dividend. The latter will be enforced as long as the current levels of capitalization and the policy set forth is compatible with the investment and financing policies which are determined during the term.
- Transactions of Related Parties. During the Shareholders Meeting it will be informed that during 2015, no operations were conducted which fall under the XVI Title of Law N° 18.046.
- External Auditors: In accordance to what has been put forth in Circular N° 718 and 764 of the Superintendence of Securities and Insurance (SVS), quotes were requested to two of the main external auditing companies of the country, Ernst & Young and Deloitte. These companies were chosen as they have a recognized trajectory in the country, both are one of the most important in the market, and they have international support. These companies have audited or currently audit companies in the sanitation industry, they fulfill the independence, experience, and trajectory requirements that would enable to fulfill the role, and they are accredited by the SVS.

The differentiating factors in the proposals refer mainly to the hours allocated in each proposal and the proposed value of the required services, resulting in Ernst & Young's quote being lower than Deloitte's.

Ernst & Young is also the external auditor of the Company and its subsidiaries since 2011 and currently audits Sociedad General Aguas de Barcelona (Agbar S.A.) and Suez, parent companies of the Aguas Group, which reflects their experience in the sanitation industry. In addition to this, as it has been mentioned, the proposed fees, number of hours, available professionals, diversity of specialists, and the distribution of partner, seniors, and managers assigned to the task are in line with the auditing and internal control needs of the Company. It is noted that the partner in charge of auditing is Mr. Luis Vila, who has been in this role since 2013.

Due to this, during the Shareholders Meeting, the following companies, in order of priority, will be proposed as external auditors for the 2016 term, (1) Ernst & Young and (2) Deloitte. Through this, it is noted that this proposal is in accordance to the proposal agreed to by the Directors Committee.

- Credit Rating Agencies: During the Shareholders meeting, it will be proposed that the current credit-rating agencies, Feller Rate and Fitch Chile, be maintained as the credit-rating agencies for the Company's shares due to their trajectory, prestige in the industry, and performance in the role. The latter is in accordance to the proposal agreed to by the Directors Committee.
- Board of Directors Remuneration for the 2016 term: It will be proposed to maintain the current remunerations that were perceived during the previous term, these are:
 - Fixed monthly remuneration: Monthly payment of 100 unidades de fomento (U.F.) for the President, Monthly payment of 80 unidades de fomento (U.F.) for the Vice-president, and Monthly payment of 60 unidades de fomento (U.F.) for titular and alternate directors;

- Remuneration for session attendance: 140 unidades de fomento (U.F.) for the President; 100 unidades de fomento (U.F.) for the Vice-President; 60 unidades de fomento (U.F.) for titular and alternate directors, only when they replace the titular directors.

Expenses. It is noted that the Board of Directors incurred in expenses for \$472,218 during 2015.

- Remuneration and expense budget for the Directors Committee for 2015: it will be proposed that the remunerations from previous years be maintained, this is:
 - Fixed monthly remuneration: 25 unidades de fomento (U.F.) for titular and alternate directors;
 - Remuneration for session attendance: 25 unidades de fomento (U.F.) for titular and alternate directors, only when these replace the titular directors.

In regards to the expense budget for the functioning of the committee, 2,000 unidades de fomento (U.F.) will be proposed.

It is noted that the Directors Committee has informed that it has not incurred in any expenses during 2015. In addition to this, the Shareholders will be informed during the Shareholders meeting of the Directors Committee's main activities during the term ended on December 31, 2014 and which have been reported in the Directors Committee Report, which is part of the Company's Annual Report.

Newspaper: During the Shareholders Meeting, it will be proposed that the El Mercurio newspaper be the newspaper in Santiago where the Shareholders Meeting notices and other matters of interest for shareholders will be published.

Santiago, April 2016