

endesa chile 05

2005 SUSTAINABILITY REPORT



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100% OF ENDESA CHILE'S SUBSIDIARIES ADHERED TO THE GLOBAL COMPACT / 97.9% OF INSTALLED CAPACITY CERTIFIED UNDER THE ISO 14,001 STANDARD, WITH ALL THE HYDROELECTRIC PLANTS IN SOUTH AMERICA CERTIFIED / 94.5% OF INSTALLED CAPACITY CERTIFIED UNDER OHSAS 18,001 STANDARD / EDEGEL, PERUVIAN SUBSIDIARY OF ENDESA CHILE OBTAINED CERTIFICATION UNDER SA 8,000 STANDARD / SOCIAL CONTRIBUTIONS OF US\$982,337 / CREATION OF SUBSIDIARY ENDESA ECO TO CONTRIBUTE TO THE DEVELOPMENT AND PROMOTION OF RENEWABLE ENERGIES / EVALUATION AND PROCESSING OF TWO CLEAN DEVELOPMENT MECHANISM PROJECTS / 56.5% RETURN ON ENDESA CHILE SHARES / RESULT OF 71% IN THIRD INTERNATIONAL SUSTAINABLE PERFORMANCE EVALUATION SAM – DOW JONES SUSTAINABILITY INDEX, 11 PERCENTAGE POINTS ABOVE THE AVERAGE OF THE COMPANIES EVALUATED

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MESSAGE OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF ENDESA CHILE

Endesa Chile is a company that has directed its efforts toward a common objective: to reaffirm its positioning as a modern and transparent company, responsible with the environment and its personnel, committed to its customers and shareholders, respectful with the environment and with ethical behaviour as the central hub in our actions and decisions.

In this context, we present here the fourth Sustainability Report, a document that shows the progress made by the company during 2005 in meeting the seven commitments stated in the Sustainability Policy. This report has been prepared in accordance with the 2002 Global Reporting Initiative Guidelines (GRI). It represents a balanced and reasonable presentation of the economic, environmental and social performance of Endesa Chile.

This document allows us to see our progress with respect to the ten principles of the Global Compact, in compliance with our commitment to account to the company with respect to progress made during the period. Notable in this connection was the fact that, in early 2005, all the generation subsidiaries in Argentina, Brazil, Colombia and Peru had already signed their respective adhesions to the pact with its local representatives.

Conscious of the importance that matters like corporate sustainable development have reached in recent years in Latin America, Endesa Chile has prepared a management committed with the quality of life of its customers and all its stakeholders in each of the initiatives undertaken, with respect for the environment and ethical values in its business operations. Responding promptly and efficiently to the requirements of our stakeholders is the only way that will enable us to maintain our leadership position, through innovation and the strengthening of those forms of production and respectful relations with the community that Endesa Chile has cultivated since its foundation.

In compliance with our commitment with the creation of value and the profitability of the company, we have ended 2005 in 21st place among the hundred Latin American companies with the highest market capitalization. The shares of Endesa Chile produced a positive return of 56.47%. We found ourselves studying hydroelectric projects for over 4,300 MW, particularly the Aysén 2,400 MW project consisting of plants on the rivers Baker and Pascua in the south of Chile. We shall maintain our efforts to produce favourable economic results for our shareholders, balanced with a strong commitment to care for the environment.



In its constant concern to provide a service of quality, Endesa Chile launched the first phase of a Integral Customer Service Management System (SGSIC), an initiative that will permit the company's customers, through surveys and the Extranet service, to consult, exchange information and maintain on-line contact with its executives. Perception surveys were carried out during 2005 in Peru, Chile, Colombia and Argentina, whose results have enabled the company and its subsidiaries to define action plans for improving the service quality for their customers.

But we are not only concerned about our customers. Our human capital, without which our performance would be impossible, is another of our stakeholders. Last year, we consolidated our personnel training initiatives related to technical skills, innovation and creativity, and evaluation of investment projects, among others. Also, in order to promote a satisfactory working climate and integrate, standardize and achieve coherence between the company's needs and those of every one of its personnel, the "Who am I?" program was applied to generate development opportunities, identify the most suitable candidate in internal selections, training for improving skills and the constitution of effective teams.

In accordance with the sustainability policy, Endesa Chile has shown growing concern for developing, carrying out and achieving objective parameters that support its environmental and socially responsible behavior. Since 2000, the company, subsidiary and associate companies have established environmental policies and systems that enable us to certify the impact of our activities on the environment and the effectiveness of the measures we have adopted to mitigate negative impacts. We now have 97.9% of our total generating capacity (12,128.3 MW out of a universe of 12,383.3 MW) certified under the ISO 14,001 standard. We have also advanced in the implementation of safety and occupational health systems which are auditable externally and recognized as appropriate for all the stakeholders. 95.4% of the installed capacity has certified management systems under the guidelines of the OHSAS 18.001 standard.

For the third year running, Endesa Chile obtained positive results in the evaluation made by the specialized evaluation agency, SAM Research, Switzerland, for the Dow Jones Sustainability Index (DJSI). These results reflect the international recognition of our performance which compares us with other world leaders in the energy sector. Endesa Chile obtained 71% in the evaluation SAM 2005 (in which 79% gained top place), showing its high level in corporate sustainability areas and, at the same time, the great progress made compared with the results of 2004. Endesa Chile is thus positioned 13 percentage



points above the average of the companies evaluated by SAM Research (58%) and 11 percentage points above the result of Endesa Chile the previous year (60%). This advance was seen in the three dimensions of sustainability: economic, social and environmental.

Innovation and the application of the latest technologies and knowledge have been an imperative for maintaining our leadership position in the Latin American electricity generation market. We have therefore created a Technology, Innovation and Technical Support management area to promote, articulate and systematize value proposals in the generating processes.

The demands of society in general and of our customers in particular have become an engine for our creativity, diversification, development of new areas and re-strengthening of existing ones which, since the creation of our company, have been in harmony with its social surroundings and the environment. A notable event of 2005 was the creation of Endesa Eco. This subsidiary has the mission of contributing to the development and promotion of renewable energies (hydraulic, wind, geothermal, solar, biomass and others), with clean technologies that are friendly to the environment. Some of the advances of Endesa Eco include the design of the Ojos de Agua mini-hydroelectric plant, the preparation of the project's environmental impact declaration and its presentation to the National Environmental Commission for obtaining the environmental permit. At the same time, Endesa Eco progressed in the investigation and study of wind energy projects and the signing of an agreement with the United Nations Development Program (UNDP) for giving a greater impulse to renewable energies in Chile and to energy efficiency initiatives.

In order to look into the future and recognize in the expansion of sustainability a differentiating value in the company's business, Endesa Chile arranged the First Latin American Meeting on Corporate Sustainability (ELSE), which was attended by all the subsidiaries in Latin America. This event provided the opportunity for consolidating the subject of social responsibility in a common language and format.



We also took part during 2005 in the study and analysis of projects with potential for trading emission reduction certificates on the international carbon bonds market, maintaining an inventory of projects in Latin America that have potential for being classified as Clean Development Mechanisms (CDM). Of those studied, the Callahuanca hydroelectric plant in Peru and the Ojos de Agua mini-hydroelectric plant in Chile, are in the CDM circuit.

For this year, 2006, we also have demanding targets and challenges. Some of them are focused on knowing the concerns of our investors, customers and personnel for which we will carry out surveys and action plans in order to correct the weaknesses detected and take advantage of all our strengths. And, above all, to maintain our commitment with protecting the environment, we prepared a strategic plan for the conservation of the biodiversity in our forest areas. We are sure in Endesa Chile that these and other initiatives will permit us to demonstrate once again our faithful commitment with Corporate Sustainable Development.



Luis Rivera Novo
CHAIRMAN



Rafael Mateo Alcalá
CHIEF EXECUTIVE OFFICER



02

PRESENTATION AND SCOPE OF THE SUSTAINABILITY REPORT 2005

This is the fourth consecutive year that Endesa Chile has presented its Sustainability Report, with the object of giving account and making clear to the various stakeholders, the principal actions carried out by the Company during 2005 in the social, economic and environmental areas.

In the preparation of this report, and as in previous years, we have followed the content guidelines proposed by the Global Reporting Initiative (GRI) . We have also shown the performance indicators associated with the principles of the United Nations Global Compact. This year, the report includes, in its Appendix IV, an index showing the location of the contents in relation to the GRI elements and indicators.

This document includes information on the Company and its subsidiaries in the area of electricity generation in South America, for its operations in Argentina, Brazil, Chile, Colombia and Peru, considering, in some particular cases, information on their associate and related companies and those under their delegated management. The report does not cover the performance of the subsidiaries Ingendesa and Túnel El Melón, which are not generating companies, nor the investment companies belonging to Endesa Chile, showing just some global information about them, set out in the respective chapters.

This report contains information related to the new subsidiary Endesa Eco. In addition, and although following the formation of Endesa Brasil S.A. in September 2005, Endesa Cachoeira S.A. ceased to be a subsidiary of Endesa Chile and became part of the Endesa Brasil Group, information is provided about its performance in social and environmental matters for the whole period, thus maintaining comparability with the Sustainability Report 2004. Nevertheless, the economic and financial information is only consolidated until the date when it ceased to be a subsidiary of Endesa Chile.

Endesa Chile has obtained the information that is included in this document from various economic, environmental and social systems, implemented in the different areas of the organization that is reported to the Environmental and Sustainable Development Management (Gemades). The different managements carry out revisions which, among other things, attempt to guarantee the quality and accuracy of the information. In addition, and continuing with the policy begun in 2004 of submitting the report to external revision, the services of an external auditing firm were selected for making an independent validation of the information and data included in this document, and whose results are shown in Appendix V.

In contrast to the reports of previous years, in which the performance of Endesa Chile was reported in the three dimensions of sustainability, this year the actions and economic, social and environmental indicators reflect on compliance and the presentation of the results with respect to Endesa Chile's seven commitments with sustainable development.

: See Glossary Appendix I.

03

ORGANIZATION PROFILE AND STRUCTURE

ABOUT ENDESA CHILE

Vision:

A global operator in the energy and related services business, centered on electricity.
A responsible, efficient and competitive multinational company.
A company prepared to compete globally.

Mission:

Maximize the value of the investments of its shareholders.
Serve its markets by exceeding customers' expectations.
Contribute to the development of its personnel.

Corporate values:

"The values define our commitment with personnel, shareholders, customers and the environment. These are our business working culture and they state how we, every member of the company, should act:

Persons: We ensure development opportunities on the basis of merit and professional contribution.

Team work: We promote the participation of everyone in achieving the common objective, sharing information and knowledge.

Ethical conduct: We act with professionalism, moral integrity, loyalty and respect for people.

Customer orientation: We focus our efforts on satisfying the customer, offering competitive and quality solutions.

Innovation: We promote continuous improvement and innovation to reach the maximum quality in profitability terms.

Results orientation: We direct our actions to achieving the objectives of the corporate project and profitability for our shareholders, trying to exceed their expectations.

Community and the environment: We are committed socially and culturally with the community. We adapt our business strategies to preservation of the environment".

Empresa Nacional de Electricidad S.A., Endesa Chile, is an electricity generating and commercialization company with a presence in five South American countries: Argentina, Brazil, Colombia, Chile and Peru.

Endesa Chile is an open corporation whose principal shareholder is Enersis S.A., with a 59.98% shareholding. Endesa S.A., based in Spain, has a 60.2% shareholding in Enersis S.A..

At December 31, 2005, the company's share capital was divided into 8,201,754,580 subscribed and paid shares, distributed among 23,163 shareholders.¹

Endesa Chile controls thirteen subsidiary companies located in South America. It also has holdings in ten associate companies².

SOMETHING OF ITS HISTORY

- Endesa Chile is formed in 1943 to exploit and especially develop the country's electrification plan as a subsidiary of Corporación de Fomento de la Producción (CORFO) (state development entity).
- It belonged to the state of Chile for 42 years, making large investments in engineering and electrification works.
- Its privatization takes place between 1987 and 1989 through a series of public share offerings.
- The company's internationalization process begins in 1992 with the acquisition, through consortia, of its subsidiaries in Argentina, Peru, Colombia and Brazil.
- Enersis becomes the controller of the company in 1999.
- The Ralco hydroelectric plant starts operating in 2004.
- The subsidiary Endesa Eco S.A. is created in 2005 to promote and develop renewable energy projects.

¹ Following the date of this report and at the end of the first quarter of 2006, the Endesa Chile shareholders' meeting should pronounce on the company's balance sheet and financial statements, determining the new shareholdings in the company.

² For further detail on the shareholdings, see the Annual Report 2005 of Endesa Chile.

OPERATING STRUCTURE

The basic activity of Endesa Chile in South America is the production of electricity through thermal and hydroelectric generating plants . The subsidiaries in each of the five countries operate subject to the conditions imposed by each country.

GENERATING PLANTS - ENDESA CHILE AT DECEMBER 2005

COUNTRY	COMPANY	PLANT	TYPE	INSTALLED CAPACITY (MW)
ARGENTINA	Hidroeléctrica El Chocón S.A.	El Chocón	Hydraulic	1,200.00
		Arroyito	Hydraulic	120.00
	Central Costanera S.A.	Costanera vapor	Thermal	1,131.00
		Costanera C.C.	Thermal	851.00
		Buenos Aires	Thermal	321.60
BRAZIL	Endesa Cachoeira S.A.	Cachoeira Dourada	Hydraulic	658.00
CHILE	Empresa Nacional de Electricidad S.A.	Los Molles	Hydraulic	18.00
		Rapel	Hydraulic	377.00
		Sauzalito	Hydraulic	12.00
		Sauzal	Hydraulic	76.80
		Cipreses	Hydraulic	106.00
		Isla	Hydraulic	68.00
		Antuco	Hydraulic	320.00
		Abanico	Hydraulic	136.00
		El Toro	Hydraulic	450.00
		Ralco	Hydraulic	690.00
		Bocamina	Thermal	128.00
		Taltal	Thermal	244.90
		Huasco TG	Thermal	64.23
		Huasco TV	Thermal	16.00
	Diego de Almagro	Thermal	46.80	
	Empresa Eléctrica Pehuenche S.A.	Curillinque	Hydraulic	89.00
		Loma Alta	Hydraulic	40.00
		Pehuenche	Hydraulic	566.00
	Empresa Eléctrica Pangué S.A.	Pangué	Hydraulic	467.00
	Compañía Eléctrica Tarapacá S.A.	Tarapacá vapor	Thermal	158.00
		Tarapacá TG	Thermal	24.00
Compañía Eléctrica San Isidro S.A.	San Isidro	Thermal	379.00	
COLOMBIA	Empresa Generadora de Energía Eléctrica S.A. (Emgesa)	El Guavio	Hydraulic	1,164.00
		La Guaca	Hydraulic	324.60
		El Paraíso	Hydraulic	276.60
		San Antonio	Hydraulic	19.50
		Tequendama	Hydraulic	19.50
		Limonar	Hydraulic	18.10
		La Tinta	Hydraulic	19.50
		Charquito	Hydraulic	19.50
		La Junca	Hydraulic	19.50
		Martín del Corral	Thermal	235.00
	Central Hidroeléctrica Betania S.A.	Betania	Hydraulic	540.9
PERU	Empresa de Generación Eléctrica de Lima S.A. (Edegel)	Callahuanca	Hydraulic	75.06
		Huampaní	Hydraulic	30.17
		Huinco	Hydraulic	247.35
		Matucana	Hydraulic	128.58
		Moyopampa	Hydraulic	64.71
		Yanango	Hydraulic	42.61
		Chimay	Hydraulic	150.90
		Santa Rosa	Thermal	229.11
		TOTAL		

 See Glossary Appendix I.



COUNTRY	% INSTALLED CAPACITY HYDROELECTRIC	% INSTALLED CAPACITY THERMAL	% OF TOTAL INSTALLED CAPACITY OF THE ELECTRICITY SYSTEM OF EACH COUNTRY
Argentina	36.4 %	63.6 %	16 %
Brazil	100 %	0 %	No information (1)
Chile	76.3 %	23.7 %	50 % (2) 27 % (3)
Colombia	91.1 %	8.9 %	20 %
Peru	76.3 %	23.7 %	22 %

(1) Endesa Cachoeira S.A. became part of Endesa Brasil, subsidiary of Enersis, in September 2005, so it is not recorded.

(2) Participation in the Central Electricity Grid (SIC).

(3) Participation in the Northern Electricity Grid (SING).

03 ORGANIZATION PROFILE AND STRUCTURE

ANNUAL INSTALLED CAPACITY OF ENDESA CHILE AND ITS SUBSIDIARIES, BY COUNTRY (1)

COUNTRY	INSTALLED CAPACITY (MW)			
	2002	2003	2004	2005
Argentina	3,622	3,624	3,623	3,623
Brazil	658	658	658	658
Chile	3,935	3,763	4,477	4,477
Colombia (2)	2,735	2,589	2,609	2,657
Peru	1,003	967	967	969
TOTAL	11,953	11,599	12,334	12,384

Source: Annual Report 2005 Endesa Chile,

(1) Relates to the maximum operating capacity of each plant, reported to the Economic Load Dispatch Centers (CDEC).

(2) In 2005, Emgesa, Colombia, added to the Guavio hydroelectric plant two minor plants of 7 MW each (to supply auxiliary consumption, so the effective net capacity of Guavio recognized on the grid system remains unchanged) and a minor plant of 19.5 MW, at La Junca. The installed capacities of the Martín del Corral and Betania plants were also modified slightly to adapt to standardized measuring methods.

NET ANNUAL GENERATION OF ENDESA CHILE AND ITS SUBSIDIARIES, BY COUNTRY

COUNTRY	GENERATION (GWh)			
	2002	2003	2004	2005
Argentina	7,291	7,997	11,290	12,333
Brazil	2,467	3,024	3,262	2,645 (1)
Chile	16,286	16,524	16,797	18,764
Colombia	10,699	10,794	11,881	11,864
Peru	4,279	4,287	4,136	4,516
TOTAL	41,022	42,626	47,366	50,122

Source: Annual Report 2005 Endesa Chile,

(1) In 2005, only nine months of operation of Endesa Cachoeira S.A. were taken into account as this company ceased to be a subsidiary of Endesa Chile at the end of the third quarter of 2005.

The principal changes occurring during 2005 in some of the subsidiaries were:

BRAZIL

Endesa Cachoeira S.A. was a subsidiary of Endesa Chile until the end of September 2005, when the holding company Endesa Brasil S.A. was formed, of which it now forms a part.

CHILE

In September 2005, construction was begun of the Palmucho hydroelectric project, involving a pass-through plant located at the foot of the Ralco hydroelectric plant dam and which will use the ecological flow established for the latter plant.

In October 2005, construction work and equipment manufacture were begun for the expansion of the San Isidro thermal plant (second unit). The project is designed to be in two stages: the first will use diesel fuel and the second will be implemented as soon as the country has a supply of liquefied natural gas (LNG), expected for 2009,

Endesa Eco was formed in 2005 as an example of Endesa Chile's commitment to renewable energies. The mission of this new subsidiary is to contribute to the development and promotion of renewable energies (mini-hydroelectric, wind, geo-thermal, solar, biomass and others), with clean and environmentally friendly technologies, to meet the growing energy demand while guaranteeing sustainable development.



Endesa Chile is studying and evaluating various projects in Chile like hydroelectric generation at Neltume, Los Cóndores, Choshuenco and Puelo.

The preparation of the pre-feasibility for projects on the rivers Baker and Pascua began in 2005, including on-site analyses and the study of the environmental base line. These studies will be concluded in 2007 with a recommendation with respect to carrying them out.

PERU

In June 2005, the Westinghouse unit of Edegel's Santa Rosa thermal plant began its commercial operation using natural gas from Camisea for electricity generation, in replacement of diesel fuel.

Edegel continued during 2005 with the project for re-powering the Callahuanca hydroelectric plant.

ORGANIZATION STRUCTURE

The strategies of Endesa Chile are led from the highest level through a simplified and agile organization. The direction of the company is made up as follows, at its most senior level:

BOARD OF DIRECTORS

The board of Endesa Chile comprises nine members elected by the ordinary shareholders' meeting for three-year periods, and may be re-elected.

The present board was elected at the ordinary shareholders' meeting held on March 26, 2004, except for José Fernández Olano, appointed at a board meeting on June 30, 2005 to replace Andrés Regué Godall, and Héctor López Vilaseco, appointed at the board meeting of September 30, 2005, to replace Ignacio Blanco Fernández. The present board should be renewed at the shareholders' meeting of Endesa Chile to be held in March 2006 as a consequence of the resignations that occurred during 2005.



Board of Directors

03 ORGANIZATION PROFILE AND STRUCTURE

MEMBERS OF THE BOARD OF ENDESA CHILE

CHAIRMAN

Luis Rivera Novo

Roads, Canals and Ports Engineer
Universidad Politécnica de Madrid

DIRECTORS

Jaime Bauzá Bauzá

Civil Engineer
Pontificia Universidad Católica de Chile

Carlos Torres Vila

Electrical Engineer
Massachusetts Institute of Technology - MIT

VICE CHAIRMAN

Antonio Pareja Molina

Degree in Economics and Business Administration
Universidad de Granada

José Fernández Olano

Mining Engineer
Universidad Politécnica de Madrid
Degree in Economics and Business Administration
Universidad Complutense de Madrid

Héctor López Vilaseco

Degree in Law and Economics ICADE
Internacional Finance Diploma ESADE

Antonio Tuset Jorratt

Commercial Engineer
Universidad de Chile

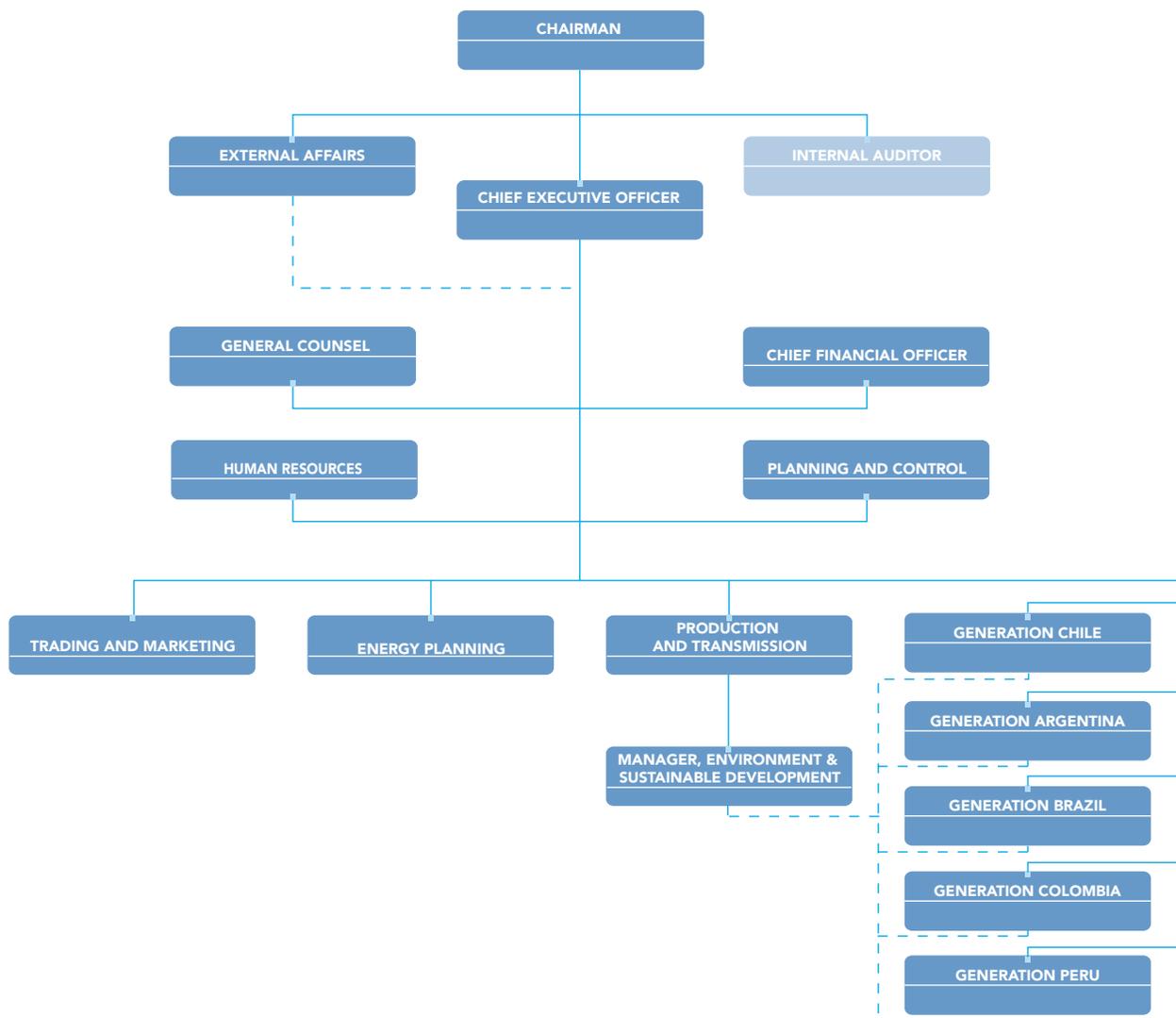
Enrique García Álvarez

Roads, Canals and Ports Engineer
Escuela Técnica Superior de ICCP de Madrid

Leonidas Vial Echeverría

Vice Chairman
Santiago Stock Exchange

CORPORATE MANAGERMENTS



ENVIRONMENT AND SUSTAINABLE DEVELOPMENT COMMITTEE

The Environment and Sustainable Development Committee (Comades) is the maximum management level in Endesa Chile in the area of corporate sustainability. It represents the company's best intentions with the precepts of sustainability and social responsibility. It is an organism of the highest level, made up of the Company's corporate managers and chaired by the chief executive officer. Its functions are:

- Definition of sustainability policies;
- Supervisión of the application of the Corporate Sustainability Operative Plan;
- Assignment of resources; and
- National and international projection, with a focus on the regulators, investors and society in general.

COMPOSITION OF THE ENVIRONMENTAL AND SUSTAINABLE DEVELOPMENT COMMITTEE

POSITION ON THE COMMITTEE	POSITION IN ENDESA CHILE	
Chairman	Rafael Mateo Alcalá.	Chief Executive Officer of Endesa Chile
Director	Juan Benabarre Benaiges.	Production and Transmission
Director	Carlos Martín Vergara.	General Counsel
Director	Claudio Iglesias Guillard.	Generation Chile
Director	Julio Valbuena Sánchez.	Planning and Control
Director	José Venegas Maluenda.	Trading and Marketing
Director	Alejandro González Dale.	Chief Financial Officer
Director	Renato Fernández Baeza.	External Affairs
Director	Juan Carlos Mundaca Álvarez.	Human Resources
Director	Rafael Errázuriz Ruiz-Tagle.	Energy Planning
Director	Rodrigo Alcaíno Mardones.	Ingendesa
Executive Secretary	Wilfredo Jara Tirapegui.	Environment & Sustainable Development

Comades also exist in every one of the subsidiary companies in South America in order to carry out the company's sustainability strategy locally. It is thus intended to establish a joint approach with respect to the commitment with the social surroundings in which we operate.





04

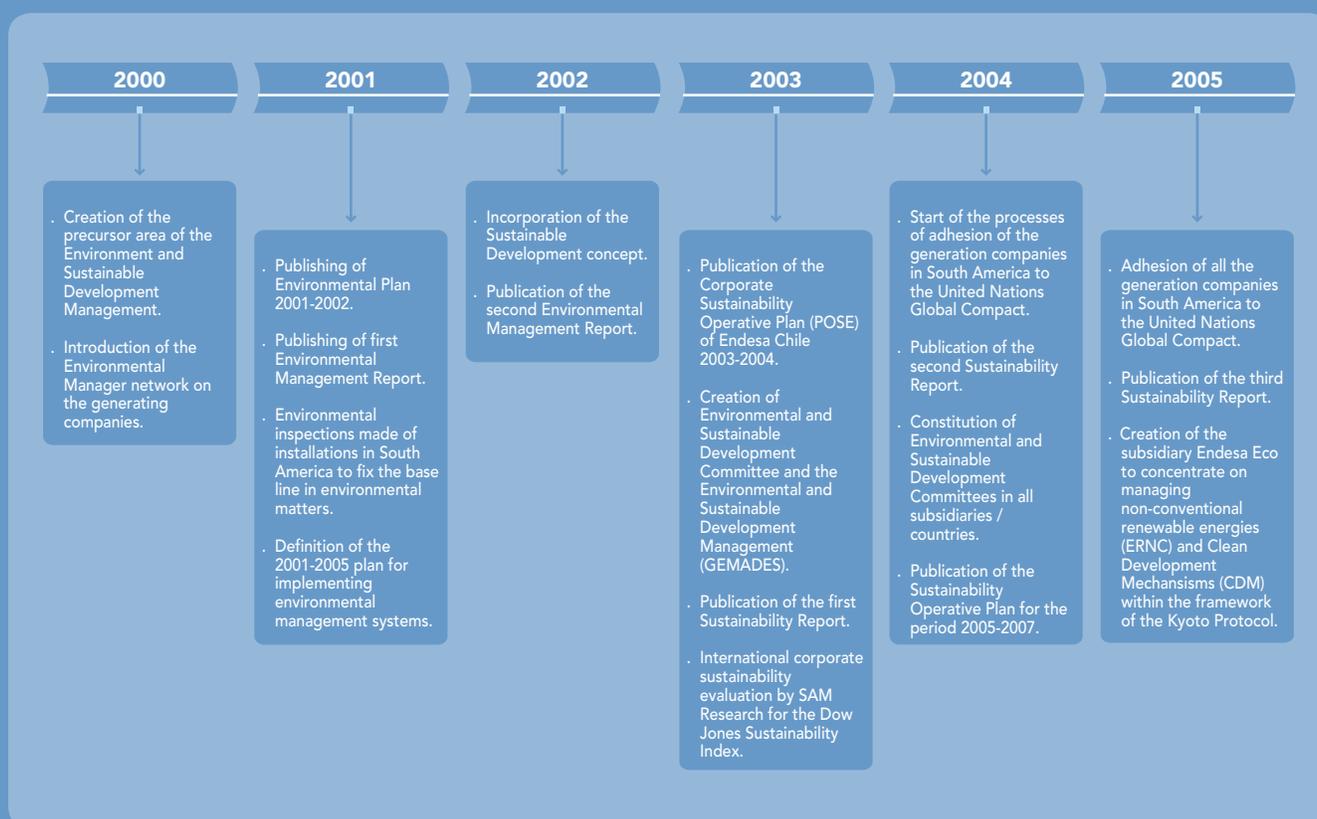
ENDESA CHILE AND ITS COMMITMENT WITH SUSTAINABLE DEVELOPMENT



The contribution of the companies in the various areas contemplated in the concept of sustainable development  has now been incorporated as an element in their valuation. This permits them to differentiate and maintain themselves in increasingly more demanding markets in which it is no longer sufficient to give account through the financial results but also through the concrete commitments and actions carried out in environmental and social matters.

Endesa Chile, conscious of its role as a leading company in society, believes it advisable to go beyond the production of electrical services, by assuming voluntarily and gradually a commitment that implies challenges inherent in the integral management of its business. The generation of electricity, its principal activity and directly linked to economic growth, is self-urged by the continuous improvement of its performance in the three dimensions of sustainability, economic, social and environment, integrating its results to the benefit of future generations.

HIGHLIGHTS WITH RESPECT TO THE COMMITMENT OF ENDESA CHILE WITH SUSTAINABLE DEVELOPMENT



 See Glossary Appendix I.

THE CONCRETE COMMITMENT – SUSTAINABILITY POLICY

Endesa Chile has a corporate sustainability policy based on seven commitments that respond to the social, environmental and economic dimensions. All the strategies and actions relating to corporate sustainability of Endesa Chile and its generating subsidiaries, are aligned to that policy, which states textually:

“Our objective is to provide our customers with a service of quality, responsibly and efficiently, providing profitability to our shareholders, promoting the professional training of its personnel, accompanying the development of the social environments in which we operate and using in a sustainable way the natural resources necessary for our business.

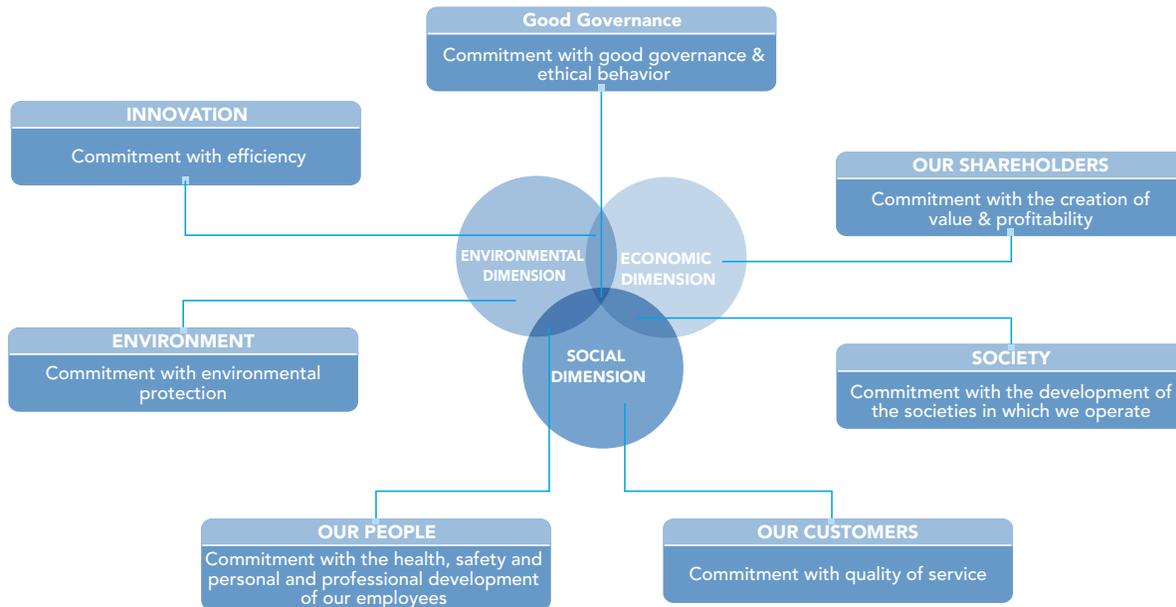
We are conscious that the balanced compliance with our responsibilities in economic, social and environmental matters, on the basis of sustainability criteria, is essential for the maintenance of our present position of leadership and its reinforcement to face the future”.

Compliance with the policy is expressly promoted by the board of the Company. It concerns everyone who works in it or on its behalf so we pass it on to our contractors and suppliers, and it is exposed to valuation by others.

The seven commitments are fully aligned to Endesa Chile’s global strategy and are consistent with the declarations of vision, mission and values that support the corporate project.

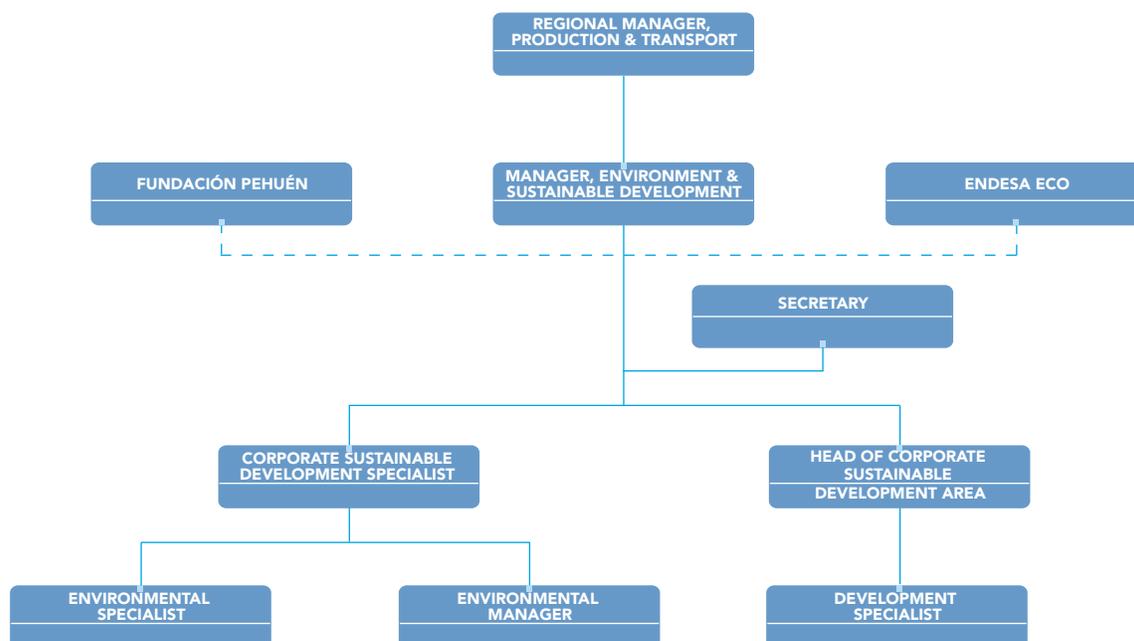
Further detail of the specific aspects taken into account in the seven sustainable development commitments, and which constitute the guide and basis of our behavior in sustainability matters, is described in the following chapters.

7 COMMITMENTS FOR SUSTAINABLE DEVELOPMENT



STRUCTURE OF THE ENVIRONMENTAL AND SUSTAINABLE DEVELOPMENT MANAGEMENT

The Environmental and Sustainable Development Management (Gemades) serves to coordinate the carrying out of the company's sustainability policy at the regional level in South America.



ENDESA CHILE AND ITS STAKEHOLDERS

Endesa Chile's Sustainability Policy implicitly identifies its stakeholders  with whom interacts continually: the most important are customers, personnel, shareholders and investors, and the communities in which it operates, the environment, suppliers and contractors it relates to, non-governmental and government organizations.

Endesa Chile understands that communication with its stakeholders is essential for progressing with the implementation of its policy and strategy in terms of Corporate Sustainability. It therefore believes it relevant to establish not only information means but also channels of communication and participation based on mutual trust that enable a constructive dialogue.

Appendix II shows the principal communication channels that Endesa Chile maintains with its principal interested parties. Regarding the information coming from this communication with them, specific cases are set out in the following chapter: "Compliance with the Commitments of Endesa Chile". In addition, the Sustainability Report this year includes, in its Appendix VI, a feed-back questionnaire for obtaining information to orient the future preparation of Endesa Chile's Sustainability Reports and ensure that these are of the greatest usefulness for all our stakeholders.

 See Glossary Appendix I.

ADHESION TO THE UNITED NATIONS GLOBAL COMPACT

Endesa Chile assumed this voluntary commitment on September 13, 2004 by a letter sent by the company's Chief Executive to the Secretary General of the United Nations, Mr Kofi Annan,

The Company has since incorporated the principles of the Global Compact  in its corporate vision, mission and values, in its business integrity rules, its commitments with sustainable development and its internal management, with specific programs for their development. It has also promoted the direct adhesion of its subsidiary and associate companies. As a result, all the generating subsidiaries in Argentina, Brazil, Colombia and Peru had signed their respective adhesions to the pact by early 2005, with the UN's local representatives.

The United Nations Global Compact is an initiative of ethical commitment, designed for companies in every country to adopt ten principles of conduct and action with respect to human rights, labor, environment and the fight against corruption, as an integral part of their strategy and their operations.

The purpose is to create a global corporate citizenship that permits the conciliation of the interests and processes of corporate activity with the values and demands of civil society.

PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT

1. Companies should support and respect the protection of basic human rights as recognized internationally, within their areas of influence.
2. Companies should ensure that their companies are not accomplices in the wounding of human rights.
3. Companies should support the freedom of membership and effective recognition of the right to collective bargaining.
4. Companies should support the elimination of all forms of forced work or work under coercion.
5. Companies should support the eradication of infant workers.
6. Companies should support the abolition of discriminatory practices in employment and work.
7. Companies should maintain a preventive approach that favors the environment.
8. Companies should promote initiatives that motivate greater environmental responsibility.
9. Companies should favour the development and spreading of technologies that are respectful toward the environment.
10. Companies should work against corruption in all its forms, including extortion and bribery.

In adhering to the pact, Endesa Chile assumed the commitment of gradually implementing the ten principles in its management. In addition, it assumed the commitment of communicating and reporting to society on the advances and progress made on these matters, the so-called Communication on Progress of the Global Compact .

In reporting the first Progress Communication of Endesa Chile, this report contains the concrete policies and actions that show the Company's commitment in incorporating into its daily routine the ten principles of the Global Compact. In addition, and using the Global Reporting Initiative indicators, some quantitative and other qualitative measures are shown of Endesa Chile's performance in order for stakeholders to understand the magnitude and impact of our actions in this matter. Appendix IV shows the correlation between the GRI indicators and the ten principles of the Global Compact.

THE CORPORATE SUSTAINABLE DEVELOPMENT (CSD) STRATEGY

To order and guide the efforts within a plan that points to concrete objectives, Endesa Chile developed a Sustainability Operative Plan (POSE) in late 2004 covering the period 2005 – 2007. The POSE was based on four basic strategic guidelines:



 See Glossary Appendix I.



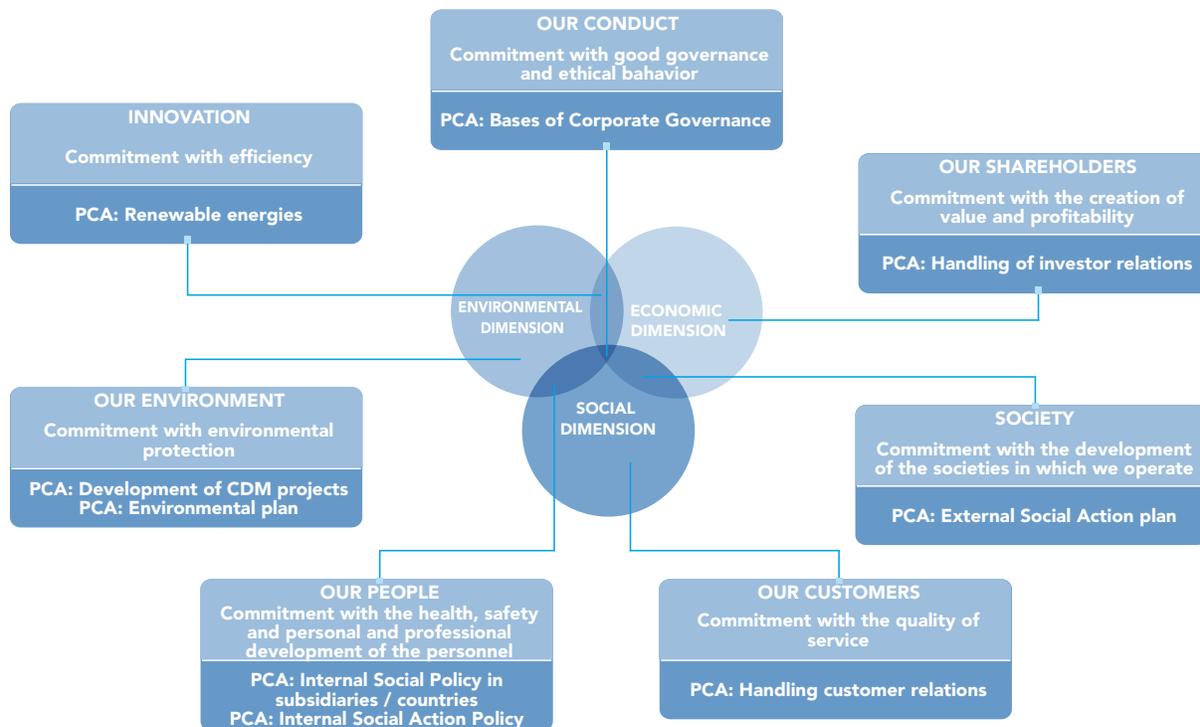
- Apply CSD policies and strategies.
- Consolidate a functional structure to the CSD objectives.
- Consolidate a corporate position or image in sustainability.
- Adapt the company's procedures to the sustainability strategy.

Corporate Action Plans (PCA) were established under these four guidelines, of a horizontal nature and applicable in all the company's business areas.

- Sustainable Development Corporate Action Plans**
- Internalization of the Sustainability Policy in subsidiaries / countries;
 - Internal Social Policy in the subsidiaries / countries;
 - Preparation and application of POSE 2005-2007;
 - Corporate Governance Bases;
 - United Nations Global Compact;
 - Consolidation of the Comades in subsidiaries / countries;
 - Annual Sustainability Report;
 - Application of the CSD Diffusion Plan;
 - Evaluation of or corporate sustainability;
 - Standardization of CSD procedures;
 - Handling of investor relations;
 - Handling of customer relations. Perception survey;
 - Renewable Energies;
 - Development of CDM projects;
 - Environmental plan;
 - External social plan;
 - Internal social plan.

In late 2005, and as a result of the monitoring and evaluation of compliance with the action plans and the consequent updating of the POSE for the year 2006, the strategy model for Sustainable Development was redefined and became organized following a value creation scheme. The model sets 5 levels that correspond to the sustainability policy and strategy, the structure, the implementation of the policy, the monitoring and evaluation of sustainability and the corporate reputation.

CORPORATE ACTION PROGRAMS RELATED TO THE 7 COMMITMENTS FOR SUSTAINABLE DEVELOPMENT



PROGRESS IN THE IMPLEMENTATION OF THE STRATEGY

CORPORATE ACTION PROGRAM	PROGRAMMED ACTIONS AND COMMITMENTS	PROGRESS IN 2005
HANDLING OF CUSTOMER RELATIONS	Design & application of annual customer satisfaction survey. Pilot Plan 2005	▲ • Survey designed & made
	Extension of application of the survey to subsidiaries / countries Analysis of survey results & proposed improvements	▲ • Survey designed & applied subsidiaries / countries • Analyses & respective action plans made
HANDLING OF INVESTOR RELATIONS	Increased information on corporate sustainability in communications with investors Preparation & application of investor survey on the company's performance in CSD	▲ • Updating of investor web pages • Sustainability Report 2004 in English ◆ • Survey made
INTERNAL SOCIAL POLICY IN SUBSIDIARIES / COUNTRIES	Preparation & approval of human resources policies in subsidiaries / countries. Diffusion of human resources policies	▲ • 5 human resources policies published & being applied ▲ • Publication on the web site • Document handed to all personnel
INTERNAL SOCIAL PLAN	Protection of human capital	▲ • Diffusion of policies covering human & labor rights • Labor contingency reports • Technical matrices of labor skills prepared
	Development of human capital / Achieve the development of a matrix for each position in each of the Latin American subsidiaries, which is shown on the Intranet through the Endesa Chile Campus, Development of human capital / Continue with the application of personnel performance evaluations, updating the methods when necessary.	▲ • Performance evaluation carried out
	Development of human capital / Annually maintain the innovation & suggestions program. CSD training	▲ • Innovation program redesigned following consultations with personnel ▲ • Ethics workshops • E-learning course: Introduction for sustainable development
	Risk prevention Working climate / Working survey Working climate / Sports & cultural activities Unionization	▲ • 92% of installed capacity certified under OHSAS 18,001 ▲ • Action plans developed as function of results of subsidiaries / countries ▲ • Creation of Endesa Space ▲ • Policy maintained of respect for the will & autonomy of workers in the formation of their groups
	Collective bargaining	◆ • Negotiations completed with most of the unions
	BASES OF CORPORATE GOVERNANCE	Preparation of Bases of Corporate Governance Publication & diffusion of Bases of Corporate Governance
ENVIRONMENTAL PLAN	Environmental policy Implementation of EMS & ISO 14,001 certification Environmental formation	▲ • Established in all subsidiaries / countries ▲ • Major progress of established plan, reaching 98% certified installed capacity ▲ • Environmental courses on Endesa's virtual campus • Environmental library
	Waste management	◆ • Monthly inventory of solid waste by type • 100% of waste disposed of in authorized dumps • Strategic plan prepared for elimination of PCB
	Follow-up of environmental liabilities Registration of atmospheric emissions Environmental accounting Relations with suppliers Environmental communication & image	▲ • Planned environmental liabilities resolved ▲ • Monthly recording of emissions ▲ • Two feasibility studies prepared ▼ • Programmed environmental training carried out with contractors. ▲ • Environmental portals on web pages • 18 environmental circuits being implemented
	International management	▲ • Annual South American environmental meeting • Annual environmental meeting Europe / South America
		▲ • Inventory of potential projects ▲ • Two evaluation projects within the CDM circuit • Methodology developed
		▲ • Participation in national & international courses & seminars in URN matters ▲ • Methodologies prepared for mini-hydroelectric and wind plants ▲ • Partner in ACERA [Association of Alternative Renewable Energies]
RENEWABLE ENERGIES	Formation of human resources in generating technologies with unconventional renewable energies (URN) Development of evaluation methodologies for creating value Support for implementation of regulatory measures for carrying out URN projects Proposed technological development plans based on URN	▲ • Creation of Endesa Eco ▲ • Agreement with UNDP for the promotion of programs & projects related to energy sufficiency & URN projects ▲ • Agreement with Universidad de Magallanes ▲ • Market research & joint project development analysis
EXTERNAL SOCIAL PLAN	Preparation of external social action plan in subsidiaries / countries External social management / Community, "Safe children, healthy children" program	◆ • All subsidiaries have an external social plan except for those in Argentina ▲ • Renewal & signing of cooperation agreements with schools • Arrangements to dangerous installations in schools • Handing out of safety leaflets at schools & homes
	External social management / Education. "Energy for education" program.	▲ • Childrens' camps • Educational seminars on energy • Granting of scholarships • Provision of teaching & educational materials
	External social management / Environment. "Water and our environment" program	▼ • Without progress to date

- ▲ : Progress in line with plan.
- ◆ : Partial progress with plan.
- ▼ : Less progress than planned.



OTHER IMPORTANT ACTIONS

SUSTAINABILITY EVALUATION OF ENDESA CHILE

For the third consecutive year, Endesa Chile submitted voluntarily to an annual international evaluation on corporate sustainability, using the selection system of the research institute of the agency Sustainable Asset Management (SAM Research), responsible for selecting companies to form part of the Dow Jones Sustainability Index (DJSI).

The evaluation questionnaire, applied in July 2005, comprised 88 questions and was prepared with the active participation of the operative management areas of Endesa Chile through the Permanent Work Group of Corporate Sustainable Development (GTP/DSE).

Endesa Chile obtained a notable result of 71%. This places it among the world's leading companies in Corporate Sustainable Development, in the Electric Utilities sector, thirteen percentage points above the average of the sector companies evaluated (58%) and eleven percentage points over that obtained by Endesa Chile in 2004 (60%).

PARTICIPATION IN NATIONAL AND INTERNATIONAL CSD EVENTS

During 2005, Endesa Chile took part in various seminars and conferences, the most important being:

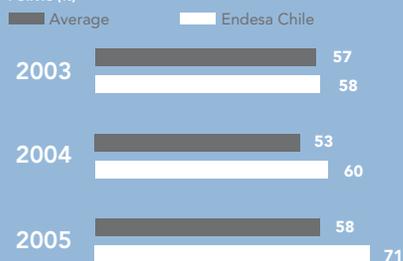
- International Corporate Social Responsibility Seminar "Business Models for Equality of Opportunities", organized by Prohumana and Sofofa in Santiago, Chile.
- International Conference of Business for Social Responsibility "Questioning Assumptions – Changing Structures", in Washington,
- First Business Sustainability Meeting of Endesa Chile and its subsidiary and associate companies and those under its delegated management, in Concón, Chile,



First Business Sustainability Meeting, Concón, Chile



SAM / DJSI RESULTS POINTS (%)



See Glossary Appendix I.



05

**COMPLIANCE WITH THE 7 COMMITMENTS FOR
SUSTAINABLE DEVELOPMENT OF ENDESA CHILE**

COMMITMENT WITH QUALITY OF SERVICE

OUR CUSTOMERS: COMMITMENT WITH THE QUALITY OF SERVICE

We are conscious of the fact that we supply essential services for the quality of life and the possibilities of social development of our customers and their families. We therefore assume the commitment that the services that we provide them are of a high quality and are safe and reliable.

This explains why our work is decidedly oriented toward our customers, that we maintain with them relations of trust and proximity, that we know their expectations in order to take them into account when we take decisions, and that we offer them a suitable range of products and services to provide them with the best solutions to their needs.

MARKETS WHERE ENDESA CHILE OPERATES

Endesa Chile is involved in the generation and commercialization of electricity in five countries in South America, each of which has its own characteristics in terms of regulatory framework, energy matrix, number and type of companies participating in the sector, pattern of development and growth, and the composition of demand.

COUNTRY	PARTICIPATION IN TOTAL PHYSICAL SALES ON THE GRIDS DURING 2005 (%)
Argentina	14
Brazil (1)	1
Chile	44
Colombia	22
Peru	24

(1) In 2005, only nine months of operation of Endesa Cachoeira S.A. were taken into account because this company ceased to be a subsidiary at the end of the third quarter.

CUSTOMERS OF ENDESA CHILE

Endesa Chile had a portfolio of customers in 2005 whose activities were in different sectors of the economy: electricity distribution companies and cooperatives, and mining, forestry, farming, chemical and service companies are some of the principal customers for the energy generated by the Company.

GENERAL SUMMARY OF THE NUMBER OF CUSTOMERS OF ENDESA CHILE DURING 2005

MARKET	CUSTOMERS	COMMENT
ARGENTINA	40 customers from different economic sectors.	
BRASIL	1 distributor company 12 customers from different economic sectors.	
CHILE	7 distributor companies 13 mining companies 3 forestry companies 8 companies in other sectors of the economy	Does not include minor customers of Endesa Chile,
COLOMBIA	511 end customers 13 companies between distributors & traders (not end customers)	The large number of customers is due to the characteristics of the market (diversified consumption & short-term contracts). The number of end customers is at June 2005.
PERÚ	6 distributor companies (1) 3 mining companies 6 companies in other sectors of the economy	

(1) Of these six distributor companies, four relate to companies that, finding themselves without supply contracts in 2004 and by agreement with market participants, were assigned to be temporarily supplied by all the system generators pro rata to the capacity revenues of the generators. Of the four, three belong to same business group. The contracts expire on December 31, 2007.

SHARES OF ENDESA CHILE MEET THE COMMITMENT ASSUMED DURING 2005

Endesa Chile and its South American subsidiaries, committed to the need and demand of its customers with respect to electricity consumption, seek to respond with a satisfactory product in normal operation conditions. Endesa Chile therefore includes in its electricity supply contracts with customers specific clauses relating to its commitment, adjusted to current regulations in each of the markets in which it operates.

The evolution of the electricity markets, tending to a greater freedom in demand, the commodity characteristic that electricity has in efficient grid systems, and the increasingly important commitment with Corporate Sustainable Development and the search for its recognition, has led Endesa Chile to reformulate its customer sales and service strategies, among other things.

The Company has taken into account that it should know and understand the needs of its customers and has therefore created solutions to meet those needs. Endesa Chile could thus be seen by customers as a partner that provides them with solutions, safety and freedom from concern in their businesses, more than just a provider of electricity. This will permit the commercial relationship to be extended over time, thus assuring the Company the necessary levels of contracts for its future profitability and value creation.

SATISFACTION SURVEY

One of the Corporate Action Plans set by Endesa Chile in its last Business Sustainability Operative Plan (POSE 2005-2007), relating to the handling of customer relations, was to carry out periodical surveys of customer satisfaction perceptions, in order to:

- Know customers' degree of satisfaction with the contractual relationship and their specific related needs, and propose extra contractual services and permanent, efficient and concrete solutions for customers' needs.
- Gain the trust and peace of mind of customers in the service that Endesa Chile provides them, which will permit extending or renewing the contractual relationship between the parties under market conditions.

Under this policy, perception surveys were carried out in Peru, Chile, Colombia and Argentina. In the last country the survey was only carried out partially, receiving only a few replies and without yet obtaining a representative result that could identify areas for improvement and, even less, prepare and implement an action plan.

In Brazil, the current contracts with customers, with the exception of the distributor, were signed during the second quarter of 2005, so there are not yet the minimum conditions in the life of the contractual relationship to seek opinions about the service that the Company provides to its customers.



PRINCIPAL RESULTS OF CUSTOMER SATISFACTION SURVEYS

COUNTRY	DATE OF APPLICATION	SCOPE	GENERAL RESULTS																		
CHILE	September 2005	15 customers representing approximately 80% of the sales of Endesa Chile and its subsidiaries.	<table border="1"> <thead> <tr> <th>ASPECTS EVALUATED</th> <th>AVERAGE RATING</th> </tr> </thead> <tbody> <tr> <td>Information flow</td> <td>52%</td> </tr> <tr> <td>Consumption invoicing and payments processes</td> <td>75%</td> </tr> <tr> <td>Customer-supplier relationship</td> <td>71%</td> </tr> <tr> <td>Quality of electricity supply</td> <td>64%</td> </tr> <tr> <td>Channels of communication</td> <td>68%</td> </tr> </tbody> </table> <p>0% Very deficient Very good 100%</p>	ASPECTS EVALUATED	AVERAGE RATING	Information flow	52%	Consumption invoicing and payments processes	75%	Customer-supplier relationship	71%	Quality of electricity supply	64%	Channels of communication	68%						
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COLOMBIA	September 2005	More than 300 customers representing close to 59% coverage.	<table border="1"> <thead> <tr> <th>ASPECTS EVALUATED</th> <th>AVERAGE RATING</th> </tr> </thead> <tbody> <tr> <td>Generation and commercialization prices</td> <td>3,7</td> </tr> <tr> <td>Response to complaints</td> <td>3,61</td> </tr> <tr> <td>Attention to emergencies</td> <td>3,69</td> </tr> <tr> <td>Market information</td> <td>3,37</td> </tr> <tr> <td>Documentation mechanisms</td> <td>3,76</td> </tr> <tr> <td>Invoicing</td> <td>4,21</td> </tr> <tr> <td>Account executive</td> <td>4,11</td> </tr> <tr> <td>Compliance with contractual obligations</td> <td>4,15</td> </tr> </tbody> </table> <p>0 Very deficient Very good 5</p>	ASPECTS EVALUATED	AVERAGE RATING	Generation and commercialization prices	3,7	Response to complaints	3,61	Attention to emergencies	3,69	Market information	3,37	Documentation mechanisms	3,76	Invoicing	4,21	Account executive	4,11	Compliance with contractual obligations	4,15
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PERU	April and October 2005 (1)	9 customers representing approximately 82% of the total (2).	<table border="1"> <thead> <tr> <th>ASPECTS EVALUATED</th> <th>AVERAGE RATING</th> </tr> </thead> <tbody> <tr> <td>Attention to complaints</td> <td>4,44</td> </tr> <tr> <td>Attention to questions and orders</td> <td>4,44</td> </tr> <tr> <td>Operative and emergency coordination</td> <td>4,39</td> </tr> <tr> <td>Consumption metering and invoicing</td> <td>4,26</td> </tr> <tr> <td>Supply quality</td> <td>4,11</td> </tr> </tbody> </table> <p>0 Very deficient Very good 5</p>	ASPECTS EVALUATED	AVERAGE RATING	Attention to complaints	4,44	Attention to questions and orders	4,44	Operative and emergency coordination	4,39	Consumption metering and invoicing	4,26	Supply quality	4,11						
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Source: Trading and Commercialization Management.

(1) The results shown relate to the survey made in April 2005.

(2) Considering that three of the four distributors assigned to supply the capacity revenues pro rata belong to the same business group and that this is taken to be just one customer for the purposes of the survey made in October, the coverage was 100%.

The results of the surveys in countries where they were made successfully enabled the Company and its subsidiaries not only to evaluate their actions but to prepare action plans in 2005 for improving the quality of the service provided to customers.

COUNTRY	PRINCIPAL LINES OF ACTION PROPOSED
CHILE	<ul style="list-style-type: none"> Strengthen communication with customers. Implement the extranet for customers. Monitor in a standardized way the causes of the faults affecting electricity supplies. Coordinate installation maintenance with customers.
COLOMBIA	<ul style="list-style-type: none"> Carry out a strategy of information to customers. Make attention and solution of needs more agile. Implement strategies for achieving a better positioning of the brand and a greater diffusion of the services offered by the company. Strengthen product and services management.
PERÚ	<ul style="list-style-type: none"> Improve the quality of supply and metering problems. Apply more modern technologies in metering and invoicing. Comply punctually with the times agreed for works and maintenance. Continue offering complementary services and make them accessible by customers, so that they feel informed. Improve operative and emergency coordination. Improve response times at the control center. Broaden the range of information provided to customers as part of the complementary activities.

ACTIONS FOR IMPROVING CUSTOMER ATTENTION AND SATISFACTION

During 2005, Endesa Chile launched the first phase of an Integral Customer Service Management System (SGSIC), an initiative that will enable Company customers, through surveys and the extranet service, to consult, exchange information and maintain on-line contact with their executives.

In addition, and as a concrete measure developed in Chile to meet the need to strengthen communication with customers, a seminar was organized during the last week of October 2005, which was attended by almost all of them. The opportunity was taken to present its vision of the different market players: Endesa Chile, National Energy Commission and the Economic Load Dispatch Center of the Central Electricity Grid (CDEC-SIC). The seminar covered the following matters:

- Electricity supply projections in the short and medium term
- Regulatory changes and the new scenario for customers
- The role of the CDEC and regulatory changes
- Technical Standard and its relation to customers

During 2005, the call center for emergencies due to quality problems in electricity supplies, called LINE E, of Emgesa, Colombia, receives a total of 1,410 calls from 631 customers to report faults. In addition,

1,409 feed-back calls were made to customers to inform them about the follow-up of events before the network operator and report programmed power cuts.

Emgesa, based on its services portfolio and agreements with technological partners, also presented among its non-regulated customers more than 700 service offers. More than 300 services were approved, including electrical projects, diagnosis and maintenance services of which around 70% have direct financing from Emgesa.

In the case of Peru, in the framework of value-added services offered to customers, talks were given on industrial safety, operation and maintenance of high and medium-tension equipment and protection rails for electrical equipment, inspections and technical diagnosis were made, like substations on some customers' transmission systems, thermograph services, study about the magnitude and cost of a condenser banks, etc.

QUALITY CERTIFICATION

Endesa Chile's Generation Control Center was granted its ISO 9,001:2000 certification in December 2004 for its quality management system. The operation of its system continued during 2005, making Endesa Chile a pioneer in operating all its electricity dispatch processes in Chile under this certification.



Tarapacá Thermal Power Plant, Chile



COMMITMENT WITH CREATION OF VALUE AND PROFITABILITY

OUR SHAREHOLDERS: COMMITMENT WITH CREATION OF VALUE AND PROFITABILITY

We are firmly committed with the objective of increasing the value of the Company and providing returns to our shareholders in the framework of relations based on principles of loyalty and transparency.

We therefore carry out our business efficiently and competitively, trying to optimize responsibly the use of available resources in order to return to investors the trust they have placed in our Company.

GENERAL OPERATING RESULTS 2005

The Company's net income for 2005 amounted to US\$215.9 million, 27.4% more than in 2004.

Consolidated operating income plus depreciation and amortization (EBITDA) amounted to US\$1,105.4 million in 2005.

Consolidated sales in 2005 increased by 5% over 2004 to reach US\$2,191.3 million.

The consolidated cost of sales of Endesa Chile totaled US\$1,345.6 million in 2005, a 5.8% increase over the previous year. This was mainly due to the increase in consumption and the average price of fuels for thermal generation in early 2005.

ITEM	2004	2005	VARIATION (%)
	US\$ MILLIONS		2004 - 2005
Sales	2,087.5	2,191.3	5.0
Operating income	746.0	770.5	3.3
Non-operating result	(333.8)	(302.7)	9.3
Income before taxes	412.2	467.8	13.5
Profit	169.4	215.9	27.4
Current ratio	1.27	0.54	(57.5)
Debt ratio (1)	0.97	0.89	(8.2)

Source: Annual Report 2005 of Endesa Chile,
(1) Total liabilities / shareholders' equity + minority interest

Physical sales of electrical energy in 2005 amounted to 55,885 GWh. Sales in 2005 were 4.6% higher than in 2004. Energy sales represented US\$2,121.2 million.

COUNTRY	ANNUAL SALES OF ELECTRICITY OF ENDESA CHILE AND ITS SUBSIDIARIES, BY COUNTRY			
	SALES VOLUMES (GWh)			
	2002	2003	2004	2005
Argentina	7.897	9.259	11.604	12.579
Brazil	3.591	3.770	3.902	2.898
Chile	18.344	18.681	18.462	20.731
Colombia	14.639	14.481	15.148	15.077
Peru	4.158	4.443	4.328	4.600
TOTAL	48.629	50.634	53.444	55.885

Source: Annual Report 2005 of Endesa Chile,

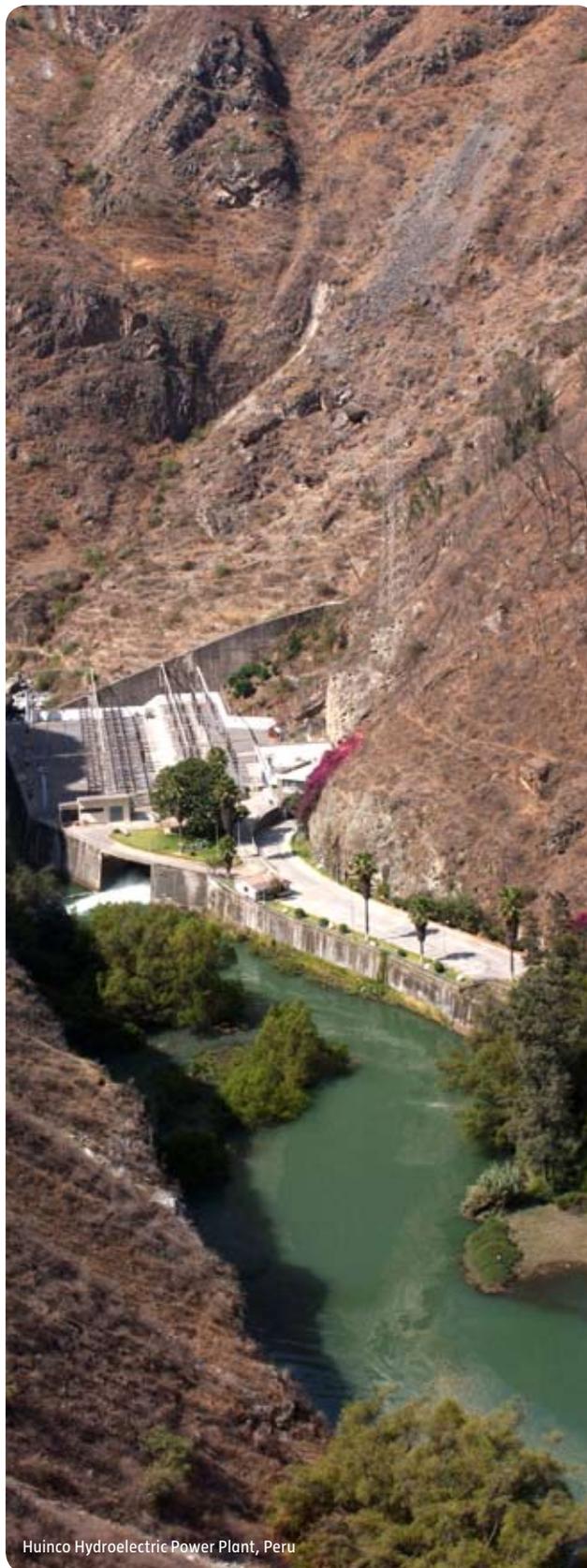
The consolidated operating income for 2005 amounts to US\$770.5 million, 3.3% more than in 2004.

OPERATING INCOME BY COUNTRY 2005	
COUNTRY	RESULT (US\$ MILLIONS)
Argentina	25.2
Brazil	36.3
Chile	368.8
Colombia	235.2
Peru	105.0
TOTAL	770.5

Source: Annual Report 2005 of Endesa Chile,

Some relevant facts and events that marked the economic progress of Endesa Chile and subsidiaries in 2005 were:

- the modifications to the Chilean Electricity Law, as defined in the Short Law II, have meant that regulated generation tariffs now more closely reflect the costs reality of the Chilean electricity system and international fossil-fuel prices, as well as uncertainty about natural gas supplies from Argentina.
- the improvement in hydrology from June 2005 onward, which has enabled most of the reservoirs to recover their historic water levels and the company to reduce its thermal generation, thus recovering from the low margins seen in the first half of the year.
- the importance of the 690 MW capacity that the Ralco hydroelectric plant has contributed to the grid in a scenario of growing demand and a shortage of natural gas.
- a commercial policy consisting of a mix of the company’s generation and the market conditions in which it operates, has permitted the improvement in operating results in recent years, enabling Endesa Chile to face the future in a very good condition.
- the capacity of the Company in Chile and of its foreign subsidiaries to refinance their debts, are evidence of the consolidated and recognized position of the Company in the different markets in which it operates, enabling it to reduce substantially its consolidated financial expenses.



Huinco Hydroelectric Power Plant, Peru



CREATION OF VALUE

Endesa Chile creates value and distributes it among its various interested parties in its normal daily business. Of these, the principal parties are its shareholders, personnel, suppliers and contractors, public administrators, customers and the community, the latter covered by the chapters “Commitment with quality of service” and “Commitment with the Development of the Societies in which it Operates”, respectively.

CREATION OF VALUE ENDESA CHILE	TANGIBLE	INTANGIBLE
DIRECT	Distribution of income among the various interest groups	Reputation Brand value Relations with interested parties
INDIRECTO	Creation of wealth for parties induced by the business of Endesa Chile	Effects on the parties involved Quality of life in meeting society's electricity requirements

DISTRIBUTION OF THE DIRECT VALUE CREATED BY ENDESA CHILE

SHAREHOLDERS

Shareholders are key to the value creation process and profitability of Endesa Chile. They invest and are compensated through the payment of dividends and the share price.

A positive return of 56.47% was produced by the shares of Endesa Chile in 2005, a far greater growth than that of the Chilean Selected Stock Price Index (IPSA), which groups together the 40 most traded companies on the domestic market, which rose by 9.35% during the year.

1,295 million Endesa Chile shares were traded on the Santiago Stock Exchange in 2005, representing US\$1,171.1 million. A further 236 million shares were traded on the Chilean Electronic Exchange (BEC), representing US\$206 million. Finally, the Valparaiso Stock Exchange traded 11 million shares, equivalent to US\$9.9 million.

Endesa Chile's share price closed the year 2005 at Ch\$519.5 on the Santiago Stock Exchange, approximately Ch\$185 higher than at the end of 2004. The closing prices on the Chilean Electronic Exchange and the Valparaiso Stock Exchange were Ch\$524.0 and Ch\$519.5 respectively.

22.8 million ADRs of Endesa Chile, equivalent to US\$568.7 million, were traded on the New York Stock Exchange (NYSE), USA, in 2005. Each ADR represents 30 shares of Endesa Chile and the closing price of the ADR was US\$30.62.

Endesa Chile's shares have been traded on the Latin American Securities Market of the Madrid Stock Exchange (Latibex) since December 17, 2001. The trading unit, called a block, is the equivalent of 30 shares. 970,060 blocks of Endesa Chile shares were traded in Spain in 2005, the equivalent of € 18,566 thousand, while the block price closed at € 26.00.

The dividend policy of Endesa Chile for 2005, approved by the shareholders' meeting, is to distribute the equivalent of 50 % of the net income for the year.

SUPPLIERS AND CONTACTORS

Suppliers and contractors are partners in the business of Endesa Chile and a fundamental part of its activity, receiving direct value for the goods and services provided. The suppliers and contractors also generate value added for the Company in the supply of the goods and services provided.

Endesa Chile guarantees its suppliers and contractors a professional treatment and sustainable commercial relations, with high ethical standards that guarantee equity and transparency in transactions. At the same time, Endesa Chile expects a similar behavior from its suppliers and contractors.

With very occasional exceptions, all contracts and services are paid as agreed with respect to amount and timing. We believe that less than 3% of payments experience a slight delay in the timing of payment which is normally 30 days after the approval of the provision of the product or service, basically due to problems in data systems or periods of high work loads.



05 COMPLIANCE WITH THE 7 COMMITMENTS FOR SUSTAINABLE DEVELOPMENT OF ENDESA CHILE

The company promotes the provision of services by its contractors to the highest standards of quality and in accordance with the technical specifications, tender bases and the prevailing regulations in legal, labor, safety and environmental protection matters. It also has specific guidelines for contractors and service providers like the general rules for environmental protection and risk prevention for contractors and suppliers of dangerous inputs to Endesa Chile, all of which are shown in the www.endesa.cl web site.

The principal input costs in 2005, as in previous years, were for fuel consumption, which basically means coal, fuel oil and gas used for thermal generation. The total amount of fuel costs was US\$299.3 million, representing an increase of 24.2% over the year before, mainly attributable to the higher average price.

It is estimated that US\$152.3 million was spent in 2005 with respect to contracts signed and purchases made.

ESTIMATED COSTS OF CONTRACTS AND PURCHASES OF GOODS AND SERVICES IN 2005 (US\$ THOUSANDS) (1)

COUNTRY	CATEGORIES (2)			TOTAL
	SUPPORT	DEVELOPMENT	OPERATION & MAINTENANCE	
Argentina	1,568	14	12,312	13,894
Brazil	2,062	399	6,143	8,604
Chile	5,797	54,158	18,896	78,851
Colombia	4,954	1,081	18,054	24,089
Peru	2,228	4,832	19,787	26,847
TOTAL	16,609	60,484	75,192	152,285

(1) In the case of contracts whose term is often multi-annual, the part estimated as paid in 2005 is proportional to that covering 2005. In the case of purchases, as these are made at shorter terms than contracts, these have been considered to be fully paid during 2005.

(2) Support: Safety, personnel transportation, plant canteens, etc.

Development: Additions to the Company's assets.

Operation and maintenance: Expenses and investments in plant operation and maintenance.

PERSONNEL

Endesa Chile paid out approximately US\$ 65.44 million in personnel expenses in 2005. The global amount includes wages and salaries including fixed and variable remuneration, overtime, social security, pension funds, benefits, indemnities and training. The amount also includes legal and voluntary complementary payments to retired personnel of the Company.

PERSONNEL EXPENSE BY COUNTRY 2005

COUNTRY	AMOUNT (US\$ MILLIONS)
Argentina	9.50
Brazil	3.63
Chile	32.68
Colombia	13.18
Peru	6.44
TOTAL	65.44

PROVIDERS OF CAPITAL

The year 2005 was notable for the taking of financial decisions for reducing financial expenses and the average debt ratio.

The Company has signed loan agreements with different Chilean and foreign financial agents, banks and commercial entities.

The Company's annual capacity in Chile and that of its foreign subsidiaries to refinance their debts are evidence of the consolidated and recognized position of the Company in the different markets in which it operates, enabling it to significantly reduce its consolidated financial expenses.

The total short and long-term financial debt at the end of 2005 was US\$3,880.5 million.

LIABILITIES	2004 US\$ MILLIONS	2005 US\$ MILLIONS
Short-term financial debt	586.1	734.7
Long-term financial debt	4,106.1	3,145.7
TOTAL	4,692.3	3,880.5

The composition of financial debt in 2005 was basically marked by the obligations with the public, which represented over 85% of the total.

OBLIGATIONS	2005 US\$ MILLIONS	%
Notes payable	3,311.9	85.3 %
Borrowings from banks & financial institutions	397.7	10.2 %
Other financial liabilities	170.8	4.4 %
TOTAL	3,880.5	100 %

The reduced debt and the appreciation of the Chilean peso against the US dollar enabled financial expenses to decline by US\$40.1 million, from US\$ 389.2 million in 2004 to US\$349.1 million in 2005.

On the other hand, the higher average cash balances increased financial income by US\$ 0.2 million, from US\$ 30.3 million to US\$ 30.1 million.

FINANCIAL EXPENSES AND INCOME	2004 US\$ MILLIONS	2005 US\$ MILLIONS
Financial expenses	389.2	349.1
Financial income	30.3	30.1

THE STATE

Endesa Chile contributes value in the countries where it operates through the payment of taxes and obligatory duties to the respective state administrations. Endesa Chile paid an approximate total of US\$281 million in taxes in 2005. The most important taxes are value added tax, income tax and property taxes and licences.

KIND OF TAX	TAXES PAID DURING 2005 (US\$ MILLIONS) (1)				TOTAL
	COUNTRY				
	CHILE	ARGENTINA	COLOMBIA	PERU	
VAT paid	87.5	7.2	2.0	25.2	121.9
Additional tax	4.1	-	-	-	4.1
Deferred customs duties	1.0	-	-	-	1.0
Property taxes & licences	1.7	0.4	20.4	-	22.5
Stamp taxes	0.8	-	2.8	-	3.6
Income tax	4.1	5.0	73.9	29.1	112.1
Capital tax	-	-	5.6	-	5.6
Personal asset tax	-	0.4	-	-	0.4
Bank loan taxes	-	2.9	-	-	2.9
Others	0.1	-	2.5	4.1	6.8
TOTAL	99.3	15.9	107.3	58.5	281.0

(1) Only relates to taxes paid by the generating subsidiaries. Endesa Cachoeira S.A. is not included.

CREATION OF INDIRECT VALUE

The generation of electricity is undoubtedly a basic pillar for the economic and social development of communities.

Parting from this basis, Endesa Chile assumes that an unavoidable commitment is the generation of electricity in the best quality conditions in a framework of sustainability. Endesa Chile therefore makes investments that are aligned with demand growth prospects in the markets in which it operates, thus contributing to general economic and social growth of the surroundings.

Taking into account Chile's energy situation deriving from the Argentine gas crisis and also the effects caused by the Argentine energy crisis on the electricity interconnection between Argentina and Brazil, the Company continues to be alert to these contingencies and focuses its efforts on minimizing the risks and taking advantage of the opportunities that these situations can provide, especially considering the sustained growth in electricity demand in the region, being 5.8% in Argentina, 4.3% in Brazil, 3.8% in Colombia, 4% in Chile and 5% in Peru during 2005.

INVESTMENTS

Regarding investment projects being developed in Chile, Endesa Chile is building the Palmucho 32 MW pass-through hydroelectric plant which will use the ecological flow of the Ralco plant. Its investment is projected at US\$32 million and is planned to enter service in the second half of 2007.

With respect to the construction of the thermal plant adjoining San Isidro, the board agreed in December 2005 to approve the signing of the final note to proceed with Mitsubishi for the San Isidro plant expansion project which will have a maximum capacity in combined cycle with liquefied natural gas (LNG) of 377 MW. It is estimated that this plant will start operating commercially with diesel in open cycle in 2007, and in combined cycle in 2008. Its operation with LNG will begin as soon as this fuel is available in Chile, estimated for 2009. The investment is projected at US\$200 million. Endesa Chile is also participating in the LNG project jointly with other sector companies, in order to ensure supplies of this fuel for the new combined cycle plant.

In August 2005, Endesa Eco presented its environmental impact declaration (EID) to the Maule Region environmental authority for the construction of the Ojos de Agua mini-hydroelectric plant to be located some 100 kilometers to the east of the city of Talca, in the Cipreses river valley downstream from the La Invernada lake. This mini-plant, which will have a capacity of 9 MW and an average annual production of 60 GWh, will involve an investment of US\$15.5 million.

Within its long-term investment planning, Endesa Chile has begun on-site exploration and contacts with the communities of the area and the regional authorities for the development of plants in Aysén. These involve a total installed capacity of approximately 2,430 MW and will require an investment of around US\$2,000 million. These projects, which are a need for the Chilean electricity system, show Endesa Chile's responsible and continual commitment with the country's development.

During 2005, Endesa Chile and its Chilean and foreign subsidiaries invested a total equivalent to US\$108.3 million.



Construction of the Palmucho Hydroelectric Power Plant, Chile



COMPANY	INVESTMENT (MILLIONS OF DOLLARS)
ARGENTINA	
Endesa Costanera S.A.	29.35
Hidroeléctrica El Chocón S.A.	0.32
Total Investment in Argentina	29.67
BRAZIL	
Endesa Cachoeira S.A.	0.98
Total Investment in Brazil	0.98
CHILE	
Endesa Chile	33.27
Pehuenche S.A.	0.93
Pangue S.A.	0.26
San Isidro S.A.	9.92
Celta S.A.	1.69
Ingendesa (2)	0.83
Total Investment in Chile	46.91
COLOMBIA	
Emgesa S.A.	8.32
Central Hidroeléctrica de Betania S.A. E.S.P.	0.89
Total Investment in Colombia	9.21
PERÚ	
Edegel S.A.A.	21.57
Total Investment in Peru	21.57
Total Material Investment in Companies	108.34
Total Financial Investment	0
TOTAL INVESTMENT ENDESA CHILE AND SUBSIDIARIES	108.34



COMMITMENT WITH THE HEALTH, SAFETY AND PERSONAL AND PROFESSIONAL DEVELOPMENT OF PEOPLE WORKING FOR ENDESA CHILE

OUR PEOPLE: COMMITMENT WITH THE HEALTH, SAFETY AND PERSONAL AND PROFESSIONAL DEVELOPMENT OF ITS PERSONNEL

We, the employees of Endesa Chile, form part of a community of several thousand people who want to give of their best to an attractive and participative business project committed with the personal and professional progress of those working for it.

Endesa Chile is aware that for the success of its business it is essential to take into account the ambitions of its employees and promote their enthusiastic adhesion with the business.

It therefore commits to ensuring equality of opportunities among its personnel, that they develop their talent and the professional career without discrimination, in particular for reasons of race, gender, political tendency or religious belief, that their jobs are safe and healthy and promote conciliation of work and family life.

It also encourages among them the formation, team work and sharing of knowledge, and strives to generate a working environment where dialogue, creativity and capacity for initiative have priority.

Endesa Chile considers that the Company's human resources are one of its best assets. It therefore makes a special effort to meet their needs, facilitate their personal and professional development, encourage and provide spaces for reinforcing their training, protecting their health, improving working conditions and establishing fair and motivating evaluation and remuneration schemes.

Through its head office, Endesa Chile is committed as a corporation with the declarations and principles of the United Nations on Human Rights and of the International Labor Organization in their social and labor policies. Endesa Chile rejects any practice that implies forced or obligatory labor, and the Human Resources and Organization Management is responsible for ensuring that this does not occur.

The Company has introduced a series of corporate policies into its personnel management which are shown on the Internet web site www.endesa.cl.

Personnel recruitment, where the absolute rejection is declared of any kind of discrimination with respect to employment in all selection processes.

Induction in the Company, that ensures the formation of new employees in their operative work concerning respect for and compliance with corporate values and conduct ethics.

Remunerations, that state the principles for calculating fixed and variable income of personnel based on the degree of responsibility of the position, market values, individual skills and the performance evaluation, ensuring their right to remuneration free from arbitrariness.

Training, that guarantees all employees access to training without any kind of discrimination, according to the needs and within established principles, emphasizing respect for people, the community and the environment, permitting constant improvements in business operations.

Risk prevention, that commits the Company to eliminate risks of injury and occupational illnesses to its own workers and those of contractors, to avoid damage to the Company's assets and undesired stoppages to production, through a Safety and Occupational Health Management System and its continual improvement.



THE PEOPLE WHO WORK FOR ENDESA CHILE

The structure of the workforce of Endesa Chile, according to the base personnel list, is shown and separated by descriptive factors like type of contract, age, gender and level of education, as of December 2005.

PERSONNEL OF ENDESA CHILE IN SOUTH AMERICA BY SUBSIDIARY AND COUNTRY, AT DECEMBER 2005 (1)			
COUNTRY/COMPANY	INDEFINITE	FIXED TERM OR BY PROJECT	TOTAL
ARGENTINA			
Central Costanera S.A.	262	0	262
Hidroeléctrica El Chocón S.A.	49	0	49
Sub total Argentina	311	0	311
BRAZIL			
Endesa Cachoeira S.A.	55	0	55
Sub total Brazil	55	0	55
CHILE			
Endesa Chile	484	3	487
Pehuenche S.A.	3	0	3
Pangue S.A.	0	0	0
San Isidro S.A.	0	0	0
Celta	1	0	1
Endesa Eco	0	0	0
Sub total Chile	488	3	491
COLOMBIA			
Emgesa S.A.	292	0	292
Central Hidroeléctrica de Betania S.A. E.S.P.	34	0	34
Sub total Colombia	326	0	326
PERU			
Edegel S.A.	167	0	167
Sub total Peru	167	0	167
TOTAL GENERAL	1,347	3	1,350

Source: Human Resources & Organization Management, Endesa Chile.

(1) Takes into account total employees with a labor relationship, split by type of contract, with the exception of fee-based contracts. In contrast to last year's report, the data related to personnel numbers only considers the generating companies of Endesa Chile and not those of the subsidiaries Ingendesa and Túnel El Melón.



05 COMPLIANCE WITH THE 7 COMMITMENTS FOR SUSTAINABLE DEVELOPMENT OF ENDESA CHILE

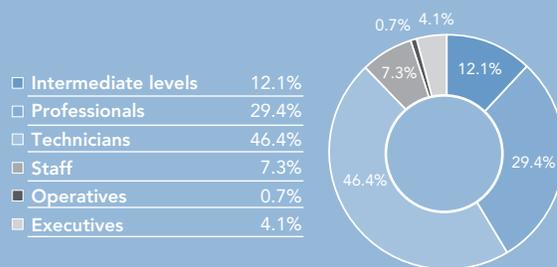
PERSONNEL BY PERSONAL LEVEL OF ENDESA CHILE IN SOUTH AMERICA, AT DECEMBER 2005 (1)

COUNTRY	EXECUTIVES	INTERMEDIATE LEVELS	PROFESSIONALS	TECHNICIANS	STAFF	OPERATIVES	TOTAL
Argentina	6	17	45	220	21	2	311
Brazil	2	7	5	35	6	0	55
Chile	32	60	236	127	36	0	491
Colombia	8	33	75	183	20	7	326
Peru	7	47	36	61	16	0	167
TOTAL	55	164	397	626	99	9	1,350

Source: Human Resources & Organization Management, Endesa Chile.
(1) Considers total personnel with a labor relationship regardless of the type of contract.

The detail of workforce distribution by hierarchical level shows 75.8% are professionals and technicians, confirming the needs of the business with respect to the highly specialized nature of the operative functions of each of Endesa Chile's installations.

PERCENTAGE DISTRIBUTION OF PERSONNEL BY HIERARCHICAL LEVEL



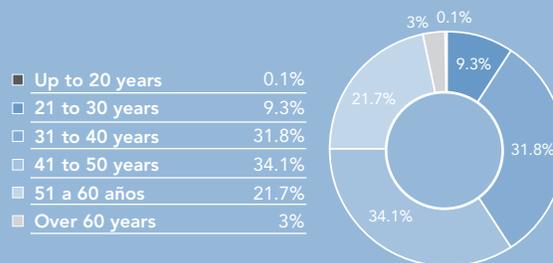
DISTRIBUTION BY AGE GROUPS OF THE WORKFORCE OF ENDESA CHILE IN SOUTH AMERICA IN 2005

COUNTRY	PERSONNEL BY AGE						TOTAL
	UP TO 20 YEARS	21 TO 30 YEARS	31 TO 40 YEARS	41 TO 50 YEARS	51 TO 60 YEARS	OVER 60 YEARS	
Argentina	0	38	62	113	93	5	311
Brazil	0	5	9	28	11	2	55
Chile	2	41	161	125	135	27	491
Colombia	0	25	147	131	22	1	326
Peru	0	16	50	63	32	6	167
TOTAL	2	125	429	460	293	41	1,350

Source: Human Resources & Organization Management, Endesa Chile.

The division of the workforce by age groups shows that most are aged between 31 and 50. In accordance with the labor legislation in each of the countries where it operates, the Company controls and rejects infant labor; this is also stated in its internal rules on order, hygiene and work safety.

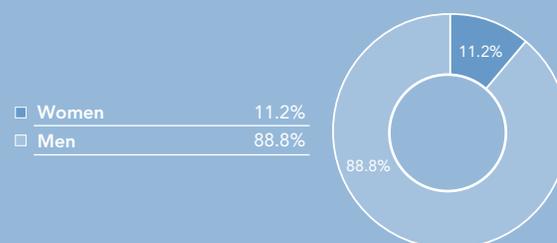
PERSONNEL BY AGE GROUP



DISTRIBUTION BY GENDER OF THE WORKFORCE OF ENDESA CHILE IN SOUTH AMERICA IN 2005

COUNTRY	WORKFORCE		TOTAL
	WOMEN	MEN	
Argentina	15	296	311
Brazil	5	50	55
Chile	46	445	491
Colombia	52	274	326
Peru	33	134	167
TOTAL	151	1,199	1,350

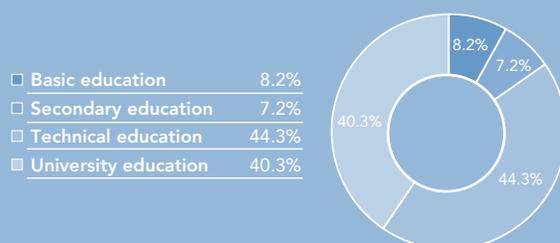
Source: Human Resources & Organization Management, Endesa Chile.

PERCENTAGE DISTRIBUTION BY GENDER

PERSONNEL BY LEVEL OF EDUCATION OF ENDESA CHILE IN SOUTH AMERICA IN 2005

COUNTRY	PERCENTAGE BY LEVEL OF EDUCATION					TOTAL
	NONE	BASIC EDUCATION	SECONDARY EDUCATION	TECHNICAL EDUCATION	UNIVERSITY EDUCATION	
Argentina	0	50	28	167	66	311
Brazil	0	0	1	35	19	55
Chile	0	11	17	205	258	491
Colombia	0	50	28	130	118	326
Peru	0	0	23	61	83	167
TOTAL	0	111	97	598	544	1,350

Source: Human Resources & Organization Management, Endesa Chile.

The highly-specialized nature of the electricity generation business results in more than 84.6% of the personnel having received an education at the technical or university level. Endesa Chile generally prefers the employment of qualified human resources who receive intensive induction courses and regular training.

PERCENTAGE DISTRIBUTION BY EDUCATIONAL BACKGROUND


05 COMPLIANCE WITH THE 7 COMMITMENTS FOR SUSTAINABLE DEVELOPMENT OF ENDESA CHILE

In general terms, the Company’s policy is to provide transparency, equity and equality of opportunities in all its personnel recruitment processes, ensuring a pleasant environment that stimulates innovation, creativity, team work and commitment. Endesa Chile also states that the personal and professional development of its employees is to be carried out without any discrimination as to race, gender, political tendencies or religious belief.

A specific objective of the Personnel Selection Policy is impartiality and transparency as guarantee that the system followed provides all qualified candidates with a fair and equitable opportunity, known to all the candidates.

In order to ensure compliance with these principles, external and internal processes are carried out in which candidates or any employee of Endesa Chile who wishes to participate, are interviewed and take specific tests, with the whole process being maintained openly until resolved.

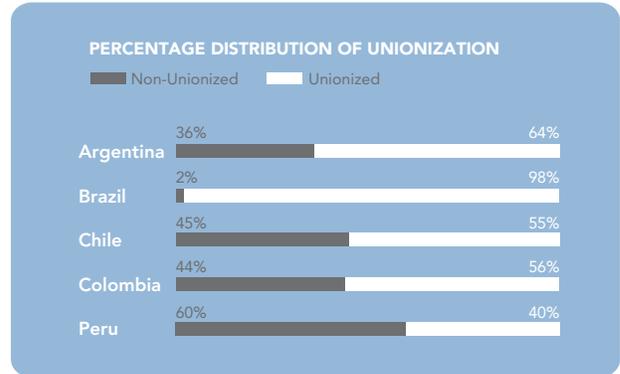
70 employees joined the Company in 2005 and 48 left, representing a net generation of employment of 1.7%.

UNIONIZATION

Conscious of its voluntary commitment with respect to labor rights, evidenced through its personnel management policies and its acceptance of international initiatives on the subject, Endesa Chile maintains a strategy of facilitating the work of organizations representing the personnel. An important aspect of the organization is trade unions, as many of the human resources actions are taken through them. Some of the actions developed through them are related to labor negotiations, safety, training, scholarships and benefits.

UNIONIZATION OF THE WORKFORCE OF ENDESA CHILE IN SOUTH AMERICA IN 2005

COUNTRY	UNIONIZED	NON-UNIONIZED	TOTAL
Argentina	200	111	311
Brazil	54	1	55
Chile	271	220	491
Colombia	184	142	326
Peru	66	101	167
TOTAL	775	575	1.350



The percentage unionized at December 2005 was 57.4% of the total, The largest number of unions relate to generation in Chile, with five in all, while the total number of unions in South America is 13.

PERSONNEL HEALTH AND SAFETY

It is important to note that in 2005, Endesa Chile completed 50 years or continuous and systematic activities for the risks prevention. To celebrate this achievement, various activities were organized during the year related to safety and which involved the workers themselves, personnel of contractor firms and the community.



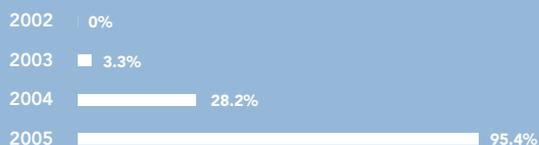
Union agreement signature



The following generating plants were also certified under the Occupational, Health and Safety Management System, OHSAS 18,001: Cachoeira Dourada, Brazil; El Chocón, Arroyito, Costanera steam, Costanera combined cycle and Buenos Aires, Argentina; San Antonio, Tequendama, Limonar, La Tinta, Charquito and La Junca, Colombia; Sauzal, Sauzalito, Rapel, Ralco, Pangué, Antuco, El Toro and Abanico, Chile.

With the certification of this group of plants, the total capacity certified at December 31, was 95.4% of the total of Endesa Chile and its South American subsidiaries.

INSTALLED CAPACITY OF ENDESA CHILE AND ITS SUBSIDIARIES IN SOUTH AMERICA CERTIFIED UNDER THE OHSAS 18,001 OCCUPATIONAL, HEALTH AND SAFETY MANAGEMENT SYSTEM STANDARD (%)



Endesa Chile has 8 joint hygiene and safety committees which are composed of both worker and company representatives. Apart from the functions set out in current legislation, the joint committees are concerned with the functioning of the Company's accidental losses control program. The Health Commission was also formed during 2005 with representatives of the workers and the Company in order to study the present Group Health Plan and present an alternative for improving the system by which health benefits are provided to personnel.

In accordance with the defined standards, work accidents and occupational illnesses are notified to the administrative organisms as established in each country. Every company maintains registers, reports, cause analyses and control measures applied to accidents and illnesses affecting their personnel. An identical procedure is followed with respect to contractor firms.

The accident rate of own workers of the electricity generation companies in South America increased in 2005 over that of 2004. A brief analysis of this concluded that 50% of these were due to work areas.

The seriousness index is directly related to the days of rest granted due to accidents. While this showed an increase over 2004, it is important to note that the vast majority of the accidents were slight and none produced serious or fatal consequences.

ACCIDENT RATE 2004 AND 2005 IN ENDESA CHILE / SUBSIDIARIES

INDICATOR	2004	2005
No. of accidents	3	12
Days lost	20	149
Frequency indicator	1	3.7
Seriousness indicator	6	46

Source: Human Resources & Organization Management, Endesa Chile.

ACCIDENT RATE 2004 AND 2005 IN CONTRACTOR FIRMS OF ENDESA CHILE / SUBSIDIARIES

INDICATOR	2004	2005
No. of accidents	32	59
Days lost	6,673	777
Frequency indicator	8,1	14.2
Seriousness indicator	1,680	187

Source: Human Resources & Organization Management, Endesa Chile.

NOTE: The accidents figure of contractors in 2005 includes nine minor accidents relating to cleaning activities in the corporate office building.



ACCIDENT RATE 2005 BY COMPANY OF ENDESA CHILE IN SOUTH AMERICA OWN PERSONNEL			
COUNTRY	COMPANY	FREQUENCY INDICATOR	SERIOUSNESS INDICATOR
Argentina	Central Costanera S.A.	8.5	187
	Hidroeléctrica El Chocón S.A.	0	0
Brazil	Endesa Cachoeira S.A.	0	0
Chile	Endesa Chile	1.7	6
Colombia	Emgesa S.A.E.S.P.	5.1	35
	C. H. de Betania S.A. E.S.P.	10.8	43
Peru	Edegel S.A.	0	0
TOTAL		3.7	46

Source: Human Resources & Organization Management, Endesa Chile.

In order to improve the management of occupational health, a labor health specialist was contracted in Chile, a specific procedure was approved in the addictions prevention program and talks were given by invited experts in Brazil related to subjects like alcohol, drugs, tobacco and venereal diseases like AIDS.

Every two years, all the personnel of Endesa Chile submit voluntarily to a range of preventive examinations at the Company's expense. This range includes the HIV or AIDS examination whose result is received confidentially and directly by the employee from the laboratory.

PROFESSIONAL DEVELOPMENT

The objective of the 2005 Training Plan was to continue to strengthen a new style of work in the people, permitting the acquisition of skills that generate an enterprising capacity, creativity and innovation, as well as the development of other skills in the technical-professional area that meet the needs of the electricity generation business.

LATAM CAMPUS

The LATAM Campus, an internal training and knowledge transfer tool developed by Endesa Chile, with its different areas of learning and communication, has become an invitation for people who are physically remote, to communicate among themselves through a dialogue that permits knowing what is happening in the Company at both the professional and human levels. The Campus permits the management of knowledge within the Company, enabling employees to participate and contribute from their experiences, thus reinforcing and systematizing existing knowledge and making it available to others.



The generating personnel in South America in 2005 continued with the lifting of contents of the Technical Skills Common Plan Matrix modules. This meant work on lifting the know-how of the electricity business and summarizing that information, establishing the critical topics of the value chain of our business which are those that determine our competitive advantage.

The program "Articulating the know-how of the electricity business" was carried out at the Latin American level, an initiative that sought to generate the contents of 26 training courses defined in the Common Plan Techniques Matrices for South America, through the experience of expert employees on each of the subjects. 67 postulations were received for 24 of the 26 courses. 46 employees from Argentina, Colombia, Chile and Peru took part, and 22 courses had been completed by the end of 2005.

Another Campus tool that continued at the generation level in South America was the forums, constituting a conversation and information exchange vehicle which has the great advantage of permitting these conversations to be recorded. This enables knowledge to be encapsulated and so become a type of explicit knowledge - "Knowledge Pills".

TRAINING IN PERSON

Regarding the training in person of Endesa Chile personnel, various of the programs that the Company has been carrying out in recent years were continued.



Endesa Chile receives INACAP award to be one of the companies in Chile that more trained their personnel

LINE OF ACTION / PROGRAM

"Innovation and creativity" workshops

"The challenge of strengthening an ethical culture" workshops

"From Power Point to Power Plant" program

"Evaluation of investment projects" program

"Personnel induction" program

SIGNIFICANT ACTIONS IN 2005

A total of five workshops were organized on site, with the participation of 91 workers. In Santiago, three workshops were given in which 41 employees participated.

Three workshops were carried out for reinforcing the commitment with sustainability and the Company's social responsibility.

80% of the defined theoretical training was given during 2005. The program is oriented to establishing a standard for personnel of the Regional Production and Transport Management and Generation Chile with respect to their knowledge and experience in plant operation and maintenance processes.

Program with the participation of workers of the country subsidiaries jointly with a Chilean university in the personal training part and by e-learning through the Campus interactive software.

Initiative to facilitate the integration and commitment of new Company employees and for them to adapt to the company or workplace, to have a global view of the organization and specific view of each of its areas, to generate organizational culture and provide tools for acquiring the necessary skills for good performance.

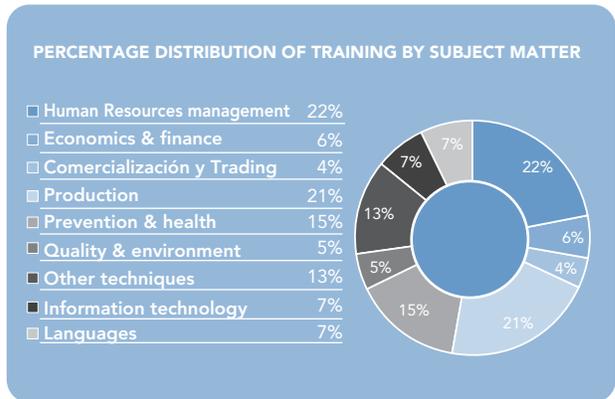


The following two actions were taken in Chile in the family area:

PSU: For the second consecutive year, children of employees were invited to prepare for the University Selection Test (PSU) through the Training area. The LATAM Campus was provided with twelve facsimile relating to three different versions of the four subject contents that this instrument takes into account in selecting candidates for different university courses, regulated by the Council of Rectors.

Summer computer training program for children and spouses: For the second consecutive year, through the Welfare and Training areas, children and spouses of Endesa Chile personnel were invited to take part in the program of training benefits for the family which consisted of computer courses.

RELEVANT INDICATORS



Source: Human Resources & Organization Management, Endesa Chile. Includes figures relating to Ingendesa and Túnel El Melón.



The 89,226 hours of training provided during 2005 were directed 70% to professionals and technicians while 21% was for executives and intermediate levels.

TIME DEDICATED TO TRAINING, BY HIERARCHY, IN ENDESA CHILE IN SOUTH AMERICA IN 2005

COUNTRY	NUMBER OF MAN-HOURS BY HIERARCHICAL LEVEL.						TOTAL
	EXECUTIVES	INTERMEDIATE LEVELS	PROFESSIONALS	TECHNICIANS	STAFF	OPERATIVES	
Argentina	461	886	3,453	9,937	1,140	0	15,875
Brazil	126	731	100	375	1,976	454	3,762
Chile (1)	1,828	3,543	15,438	3,984	2,068	0	26,861
Colombia	1,033	5,389	12,248	11,595	1,277	393	31,935
Peru	418	4,474	2,980	2,449	473	0	10,793
TOTAL	3,866	15,022	34,218	28,340	6,933	847	89,226

Source: Human Resources & Organization Management, Endesa Chile.

(1) Includes figures relating to Ingendesa and Túnel El Melón.

Endesa Chile invested US\$ 1,003,097 in personnel training during 2005, the most important subjects being management and human resources (27%) and production-related matters (20%).

INVESTMENT IN TRAINING, BY SUBJECT, IN ENDESA CHILE IN SOUTH AMERICA IN 2005

COUNTRY	INVESTMENT BY AREA (US\$)										TOTAL
	MANAGEMENT AND HUM. RESOURCES	ECONOMIC & FINANCE	COMMERCIALIZATION & TRADING	PRODUCTION	DISTRIBUTION	PREVENTION & HEALTH	QUALITY & ENVIRONMENT	OTHER TECHNIQUES	INFORMATION TECHNOLOGY	LANGUAGES	
Argentina	25,815	3,409	1,305	2,846	0	2,499	149	4,618	5,801	7,831	54,274
Brasil	13,419	4,738	312	0	11,223	0	0	10,728	2,444	1,343	44,207
Chile	46,434	34,302	3,900	146,856	0	22,047	39,236	83,913	47,115	50,536	474,338
Colombia	74,869	19,738	35,455	0	0	24,088	13,372	30,786	9,050	4,764	212,122
Perú	107,065	10,093	16,705	51,725	0	9,082	4,198	15,927	1,674	1,686	218,156
TOTAL	267,603	72,279	57,677	201,427	11,223	57,716	56,955	145,971	66,085	66,161	1,003,097

Source: Human Resources & Organization Management, Endesa Chile.

(1) Includes figures relating to Ingendesa and Túnel El Melón.

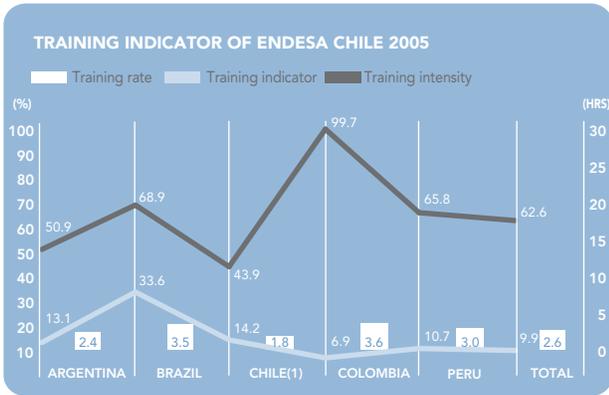
As the total hours of training in the year was 83,953 (excluding Ingendesa and Túnel El Melón), the training rate was 2.61% (training hours / hours worked). The training indicator was 62.6 hours / person (training hours / average workforce). Training intensity, which reflects the average number of hours occupied each time a person receives training, was 9.92 hours per person per course.

GLOBAL TRAINING INDICATORS OF ENDESA CHILE IN SOUTH AMERICA IN 2005

COUNTRY	TRAINING HOURS	% OF TOTAL TRAINING HOURS	TRAINING INDICATOR	TRAINING INTENSITY	TRAINING RATE
Argentina	15,875	18.9 %	50.9	13.14	2.35
Brazil	3,762	4.5 %	68.9	33.59	3.45
Chile(1)	21,588	25.71 %	43.9	14.22	1.82
Colombia	31,935	38.0 %	99.7	6.91	3.62
Peru	10,793	12.9 %	65.8	10.74	2.95
TOTAL	83,953	100.0 %	62.6	9.92	2.61

Source: Human Resources & Organization Management, Endesa Chile.

(1) Only for the calculation of the final training indicators and in order to show just the figures for the generating subsidiaries, the statistics for Ingendesa and Túnel El Melón are excluded from the figures for Chile and therefore are not reflected in the total.



Taking into account all the South American subsidiaries, the training indicators show a slight fall with respect to the previous year.

WORKING ENVIRONMENT

Following the results of the environment survey made in October 2004, an action plan was prepared and published to cover aspects considered as for potential development. The following actions were taken during 2005:

- Diffusion of Working Environment Survey. The purpose was to communicate the results of the survey and the action plan for 2005 - 2006, with the plan follow-up appearing in a banner on the Intranet of Endesa Chile and on plant notice boards.
- Carry out rotations of generation professionals in South America. 11 employees took part in this program. The initiative reflects the need to achieve objectives that contribute benefits both for the people and for the Company's management since the exchange of experiences contributes to increasing knowledge and professional capacity, opening up horizons of greater employability. The process also brings a productive contribution for the companies and reinforces one of the corporate skills: team work.
- Internal employment offers. The purpose is to generate professional development opportunities to personnel of Endesa Chile through internal competitions for selecting the best candidates for promotion to other jobs, balancing both the Company's requirements with the employee's ambitions. 6 competitions were held.
- Talks on matters of interest. These permit explanations of the functions and important projects of other areas of the Company.

- The holding of meetings by senior management in Santiago, and plant visits, including breakfasts and other formats, to strengthen the most expedite channels of communication and achieve closer relations with those working in the Company.
- Explanatory talks on compensation policy, mainly at the plants of Endesa Chile.

In the Company's efforts to develop a satisfactory working environment and to integrate, standardize and achieve coherence between the needs of the Company and those of all its personnel, the program "Who am I?" was implemented in order to generate development opportunities, detect the best candidate in internal selections, train people for improving their skills and the formation of effective teams.

This program is made up of various human capital indicators like skills, personality traits, motivation and leadership style in the formation of teams. For this, 131 employees were interviewed and answered different questionnaires during the year.



PERSONAL DEVELOPMENT

In view of the behavior of the labor market, the Company is interested in maintaining remuneration levels that make it competitive compared with its peers. In line with its human resources policies, Endesa Chile attends and supports the after-work needs of its employees, social support that extends to the passive workforce, i.e. those who have retired from the Company. This contribution takes the form of different kinds of benefits that exceed those required under the local labor legislation of each country.

TYPES OF SOCIAL BENEFITS

TYPES OF BENEFITS AVAILABLE IN SUBSIDIARIES, BY COUNTRY				
BENEFIT	ARGENTINA	CHILE	COLOMBIA	PERU
Christmas hamper	✓		✓	✓
Institutional gift at the year end	✓			
Long-service awards	✓	✓	✓	✓
Scholastic motivation to employees	✓	✓	✓	✓
Employee under-graduate student motivation		✓		
Scholarships for children of personnel	✓	✓	✓	✓
School implements	✓			
Extraordinary contribution to group health plan	✓	✓	✓	✓
Preventive vaccination plan	✓	✓	✓	✓
Assistance, extraordinary & housing loans	✓	✓	✓	✓
Gymnasium & physical training	✓	✓	✓	✓
Cultural & recreational activities	✓	✓	✓	✓
Medical guidance	✓	✓		
Preventive health examination		✓		
Recreational vacations	✓	✓	✓	✓
Group agreement benefits	✓	✓	✓	✓
Work risks complementary insurance				✓
Contribution to accident insurance policies				✓
Support for union organization		✓		✓
Control of healthy children				✓

Source: Human Resources & Organization Management, Endesa Chile.

INAUGURATION OF ENDESA CHILE SPACE

In May 2005, a spectacular event was launched in the Endesa Chile Space, a new concept for unifying the activities developed by the Company's Human Resources and Organization Management in culture, sports and agreements. The mission is to strengthen labor integration, create and develop new extension networks, provide the possibility of providing recreation space for everyone, channelling free time and positively contributing to the working environment.

With a party full of dance, circus, conjuring, "capoeira", signing and theatre, the employees of the Group companies got to know this new space. The moment of greatest impact was when a group of actors rapelaron the building by announcing that the inauguration of the Endesa Chile Space had already begun.

One of the fundamental purposes of this concept is to extend the activities that involve all the members of the family, by making programs for both adults and their children.

The Endesa Space initiative unifies various Company ways for the development of artistic, cultural and sports events which are organized in circuits covering the country, bringing together employees and their families with formative elements outside their daily work and the Company with the community.



COMMITMENT WITH GOOD GOVERNANCE AND ETHICAL BEHAVIOR

OUR CONDUCT: COMMITMENT WITH GOOD GOVERNANCE AND ETHICAL BEHAVIOR

We believe that honesty and integrity are essential values of our Company that should guide our behavior, that is oriented to generating relations based on dialogue and mutual trust with our customers, shareholders, personnel, suppliers, contractors, public administrators and other interested parties.

We therefore decidedly apply the principles of good corporate governance and we report rigorously and transparently our economic-financial statements, our strategic plans, our environmental behavior and compliance with our obligations and responsibilities with respect to the social environment in which we operate, in a climate of loyal collaboration and dialogue with the public institutions and the regulatory authorities.

PRINCIPLES OF CORPORATE GOVERNANCE OF ENDESA CHILE

Endesa Chile commits itself to continuously improve its corporate governance practices which are based on an equitable treatment of shareholders and acting in their best interests and providing them with a reasonable return on their investment. The bases of corporate governance of Endesa Chile have four main purposes:

1. To commit the efforts of the board and management to concentrating on maximizing the value of the Company for all its shareholders, and also for its personnel, customers and suppliers.
2. To reaffirm the duty of the board to provide guidelines for the management to achieve the best practices at every level of the organization.
3. To stress one of the most relevant objectives of the board which is to announce the Company's vision, targets and the strategy for achieving them.
4. To emphasize the responsibility of the board to continuously control the management's performance in accordance with the Company's vision and strategy.

The principles and framework of action of the corporate governance of Endesa Chile are set out in its:

- **Bylaws:** which, together with its legal obligations, contain principles that cover the Company's governance and the organs that comprise it.
- **Rules of Conduct in the Securities Market:** determine the behavior criteria to be followed by employees of Endesa Chile in the transactions they carry out, in order to contribute to transparency and investor protection. The principles inspiring these rules are those of impartiality, good faith, placing the general interest before one's own and care and diligence in the use of information and in market actions.
- **Rules covering investor relations:** whose purpose is to provide the domestic and foreign markets with clear and timely information in order to facilitate an understanding of the Company. All public information should be announced transparently and objectively, without any privileges.

- **Corporate integrity rules:** constituted by the Senior Management Statute, the Management Statute and the Code of Conduct for Employees.

Finally, it should be noted that Endesa Chile has a document called "Bases of Corporate Governance" which sets out the principles of the governance and systematizes information in relation to the following key areas: i) relations between shareholders and the Company, ii) board of directors and management, and iii) information announcement policies.

All the documents are available on the Company's web site www.endesa.cl.

THE CORPORATE GOVERNANCE OF ENDESA CHILE

None of the members of the board of Endesa Chile are executives nor fulfil roles in the Company's management. However, four of the nine directors are executives of Endesa S.A..

In accordance with current legislation (clause 50 bis of the

 See Glossary Appendix I.

05 COMPLIANCE WITH THE 7 COMMITMENTS FOR SUSTAINABLE DEVELOPMENT OF ENDESA CHILE

Corporations Law), the Company's ordinary shareholders' meeting sets the directors' remuneration and its expense budget. These remunerations are approved by the shareholders' meeting and made public in the Company's Annual Report. Endesa Chile has implemented no compensation plans related to the market price of its shares (stock options), as established in the Company's Bases of Corporate Governance.

The board has full responsibility for the management of the Company. The principal obligations of the board are therefore:

- To develop and implement the vision, objectives and strategies of the Company;
- To approve the annual budget;
- To approve the investment and financing policy to be proposed to the ordinary shareholders' meeting;
- To approve the firm of external auditors to be proposed to the ordinary shareholders' meeting;
- To analyze and approve various matters required by the regulations.

To carry out these obligations, the board has two permanent committees:

DIRECTORS' COMMITTEE

The board elects a Directors' Committee for carrying out its executive functions, currently comprising the chairman of the board and two directors who are considered as independent of the controller, in accordance with Chilean legislation.

The Directors Committee met on 12 occasions during 2005, basically examining the Company's transactions and contracts with related companies and in general pronouncing on matters referred to in clause 50 bis of the Corporations Law, and reporting its resolutions to the board of the Company.

AUDIT COMMITTEE

The Audit Committee comprises three members of the board of the Company, appointed with the favorable vote of the majority of the board and who have to comply with the independence requirement, in accordance with the parameters of the United States Sarbanes Oxley Law.

The fundamental function of this committee is to assist the board of Endesa Chile in the supervision (i) of the integrity of the Company's financial statements, (ii) of the qualification, independence and development of the work of the Company's external auditor, and (iii) of compliance with the legal and regulatory requirements, including the Company's obligations with respect to the United States Sarbanes-Oxley Act and its complementary rules issued by the Securities and Exchange Commission (SEC) and the New York Stock Exchange (NYSE).

The board of the Company should determine which member of the Audit Committee shall be considered as a financial expert, according to the criteria set out for this purpose in the Sarbanes-Oxley Act and its complementary rules. The committee operates under rules that are approved by the board of the Company.

RISK MANAGEMENT

Because of the type and origin of the risks that a company like Endesa Chile can face, there is no one director or executive with sole responsibility for identifying, supervising and managing the Company's economic, environmental and social risks. There is therefore a line of responsibility that includes various management areas. Endesa Chile has a standard that establishes a separation between risk policies, risk management (carried out by the business units) and trading and commercialization risk.

The Manager, Administration and Finance therefore is responsible for risks associated with short and long-term debt, banks, investments and other risks of Endesa Chile and its subsidiary companies. The Manager, Trading and Commercialization, on the other hand, is responsible for managing business risks with respect to energy operations. The Production and Transport Management, through the Environment and Sustainable Development Management, is responsible for coordinating actions for identifying and mitigating environmental risks, and the Human Resources and Organization Management and the Communications Management are responsible for social risks deriving from the business.

The Company has developed policies and strategies for preventing and mitigating eventual losses in the event of unfavorable changes in energy prices.

Finally, through the relationship with Endesa S.A., the Company forms part of a Risk Committee where executives of Endesa Chile plan risk management as a group and not as individual companies.



PROBITY AND INTEGRITY

Endesa Chile, as an adherent to the United Nations Global Compact, has assumed the commitment of introducing into its daily routine the 10 principles contained in the Pact, which include the fight against corruption. The Company has incorporated these principles into its vision, mission and corporate values, and into its business integrity rules.

As said above, Endesa Chile has different internal publications which cover corporate probity and integrity. In this way, the principles are published that should be followed by all employees in their professional activities: ethical conduct, professionalism and confidentiality. Limitations are also established and incompatibilities defined for Company executives and directors.

The document Style of Conduct of Endesa Chile applies to all the Company's employees, the Rules of Conduct in the Securities Market applies to Endesa Chile's directors, senior executives and employees who work in areas related to the securities market or who have access to privileged information. Finally, the Management Statute applies to those who belong to that level. The object of this Statute is to instruct the actions and field of action of each executive of Endesa Chile and its subsidiaries with respect to their limitations and incompatibilities, which commit them tightly to the values of the Company. Compliance with these rules of corporate integrity is checked by the services of the Internal Audit area.

There are several mechanisms for making complaints by employees about conduct contrary to the organization's principles: communication with their direct head, reporting through the unions, employee mail-box (rrhh@

endesa.cl), communication with the internal audit services or registration through the Ethics Channel. Access to the latter is available on the Company's web site and, through this, accusations of employees or persons from outside the Company can be channelled to the Company through an organ independent from the Company, maintaining the anonymity and severely sanctioning unfounded or manifestly false accusations.

The type of accusations that can be made via Endesa's Ethics Channel are related to aspects regulated by our internal codes of conduct which are as follows:

- Accounts and audits
- Use of privileged information for own benefit
- Confidentiality
- Undue appropriation
- Conflicts of interest
- Environment, safety and health
- Falsification of contracts
- Contractors and suppliers
- Verbal or written discrimination
- Employee safety
- Infringement of the safety of the Company
- Others

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05 COMPLIANCE WITH THE 7 COMMITMENTS FOR SUSTAINABLE DEVELOPMENT OF ENDESA CHILE

As established in the Style of Conduct document of Endesa Chile, the Company does not follow any political line of any kind and respects the citizen's rights of all its employees. In exchange, the Company asks all its employees to balance the legitimate interests of the organization with their citizen's activities.

Regarding customer privacy, Endesa Chile's Style of Conduct sets out principles with respect to the use of organizational and third-party information. In commercial practice, all contracts with customers are handled with high levels of confidentiality.

"THE CHALLENGE OF STRENGTHENING AN ETHICAL CULTURE" WORKSHOP OF ENDESA CHILE

Three workshops called "The Challenge of Strengthening an Ethical Culture" were held in 2005 to form conscientiousness by the employees of Endesa Chile as being responsible for and generators of actions and objectives that cover the three dimensions of sustainability, i.e. environment, economic and social.

One of the challenges of this project has been to make effective the commitment made to investors of the Dow Jones to comply with the principles of the Global Compact in terms of fixing a framework of corporate responsibility in accordance with the requirements of SAM Research Inc., organism responsible for certifying such actions.

It is thus intended to develop a social and cultural commitment with the personnel in order to motivate actions with professionalism, integrity, morals, loyalty and respect for other members of the community.



Taltal Thermal Power Plant, Chile



COMMITMENT WITH ENVIRONMENTAL PROTECTION

OUR ENVIRONMENT: COMMITMENT WITH ENVIRONMENTAL PROTECTION

The preservation of the environment is a permanent criterion integrated into the management of our Company and our decision-taking.

We identify, evaluate and manage the environmental effects deriving from our activities and we make every effort to minimize them, especially with respect to the use of primary energies, in the framework of the commitment to guarantee the safety and quality of our services to the maximum and their contribution to the competitiveness of industry and the welfare of society.

In this field, our Company is conscious of the need for natural resources to be used on the basis of assuring the development of future generations, especially with respect to the global problem of polluting emissions.

ENVIRONMENTAL IMPACTS OF THE BUSINESS

The impacts that the activities of Endesa Chile can cause to the environment are present in both the plant construction and operation stages. Their prevention, mitigation and compensation are achieved by strict compliance with the environmental regulations of each country, by compliance with the environmental commitments required in the environmental documents that authorize the construction of each project and its later operation, and the internal environmental regulations of Endesa Chile. The actions taken to prevent, mitigate and compensate impacts follow from the application of the environmental management plans approved by the respective environmental authorities.

During the construction phase of a project related to the electricity business, whether a hydroelectric plant, thermal plant or a transmission line, positive and negative impacts are produced on the physical, biological and social areas of the environment.

In general, it can be said that the construction of a hydroelectric plant produces greater environmental impacts than a thermal plant. However, the operation of a thermal plant produces greater environmental impacts through the emission of combustion gases and the production of waste, than the operation of a hydroelectric plant.

The main construction activities that can cause impacts on the environment are:

- Soil movement for the construction of access roads, installations, temporary camp-sites, etc.
- Removal of vegetation for installing the infrastructure.
- Intervention of water courses with the temporary modification of flows and their quality, in the case of hydroelectric plants, and
- Construction of permanent installations like dams, buildings or electricity transmission structures.

These activities produce alterations to the environment like:

- Temporary or permanent change to the land and aquatic fauna habitat.
- Temporary contamination of the air due to an increase in suspended particles and combustion gases (CO, CO₂, SO₂) because of the movement of machinery used in the construction.
- Population groups affected with respect to their properties and customs, and
- Generation of jobs and activation of the local economy.

Environmental impacts deriving from the following aspects can occur during the operation of thermal installations:

- Gas and particle matter emissions into the atmosphere because of the combustible fossil fuels used.
- Discharge of liquid industrial waste from the draining of cooling water and boiler water treatment, and
- The generation of industrial waste such as oils, lubricants and ash.



05 COMPLIANCE WITH THE 7 COMMITMENTS FOR SUSTAINABLE DEVELOPMENT OF ENDESA CHILE

The following environmental impacts can occur during the operation of hydroelectric installations:

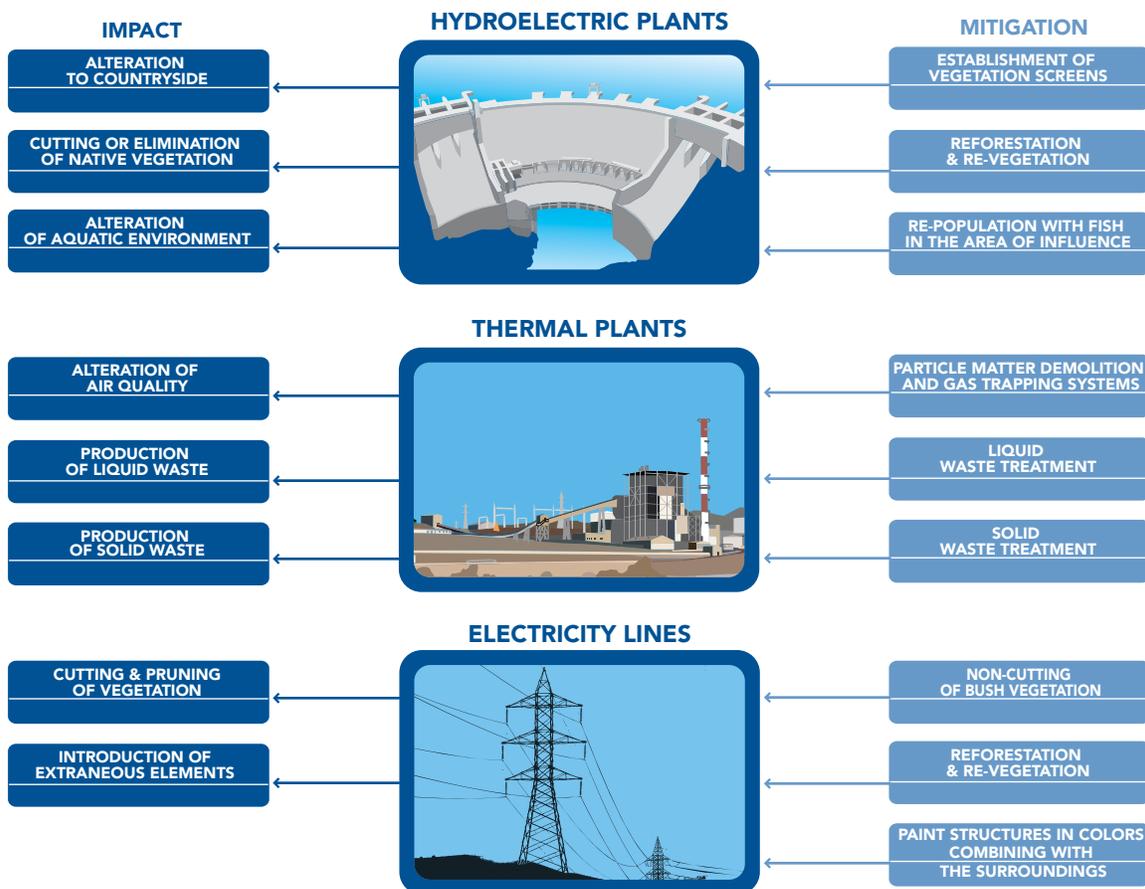
- Modification of aquatic environments affecting the associated fauna.
- Variation of the water quality due to reservoir sedimentation, and
- Variation in water flows that may cause problems in terms of river-bank erosion.

The electricity transmission lines may mainly change the countryside through the presence of their structures and the need to maintain a surrounding area of short vegetation. They may also cause physical barriers to the flight of migratory birds.

For new projects, the impacts are identified, controlled and monitored in accordance with the environmental assessment required by local legislation as a condition precedent to the environmental approval of the project. Currently-operating installations are rigorously monitored for their environmental impacts through two mechanisms:

- Follow-up plans of the environmental commitments set out in the environmental approval prior to the construction, and
- Procedures for identifying, evaluating and following up the environmental impacts inherent in plant operation, established by the environmental management systems implemented and certified under the ISO 14,001 standard.

Among the actions taken during 2005 was the rescue of the native fauna from the water intakes of the Cachoeira Dourada plant and the construction of oil spillage containment systems in transformers at various installations of Endesa Chile and its subsidiaries in South.



ENVIRONMENTAL POLICY OF ENDESA CHILE

Endesa Chile is aware that the protection of nature and natural surroundings should be taken into account in any economic activity as future generations will depend on it, thus contributing to sustainable development.

Endesa Chile's environmental policy was approved by the Company's board in August 2000 and is fully applied throughout the organization. It consists of eight basic principles that cover corporate performance.

The Company commits to go beyond strict compliance with applicable environmental regulations, establishing precise procedures for guaranteeing the rational use of resources and minimizing waste.

BASIC PRINCIPLES OF THE ENVIRONMENTAL POLICY OF ENDESA CHILE

1. Integrate environmental management with the concept of sustainable development in the Company's corporate strategy, using documented environmental criteria in the planning processes and taking of decisions.
2. Use resources rationally and reduce the production or waste, emissions, dumps and environmental impacts through the application of continuous improvement programs and the establishment of objectives and environmental targets, making the Company's installations and activities more and more respectful with the environment.
3. Maintain a permanent control legislative compliance in all centers and periodically revise environmental behavior and the safety of the installations, and reporting the results.
4. Conserve the natural surroundings of the installations by adopting measures for the protection of fauna and flora, and their habitat.
5. Promote the use of renewable energies and research and development of cleaner and more efficient technologies.
6. Promote a degree of sensitivity and consciousness for the environmental protecting of surroundings through the internal and external formation and collaboration with the authorities, institutions and citizens' associations.,
7. Require contractors and suppliers to implement environmental policies coherent with these principles.
8. Promote the rational use and saving of energy among users and society in general.

ENVIRONMENTAL PLAN

Within its Corporate Sustainability Operative Plan, Endesa Chile has an Environmental Plan which is split into 10 specific tasks. The tasks cover the important aspects of the environmental management of the installations of Endesa Chile and its subsidiaries, summarized as follows:

- Environmental policy
- Implementation of EMS and ISO 14,001 certification
- Environmental training
- Waste management
- Follow-up of environmental liabilities
- Register of atmospheric emissions
- Environmental accounting
- Relations with suppliers
- Communication and environmental image
- International management

PRINCIPAL ENVIRONMENTAL ACTIONS IN 2005

In accordance with its current program, Endesa Chile has carried out its activities in 2005 around the following headings:

Operative: environmental improvements to the processes in use (decontamination technologies, new control and measuring techniques, reduction of contamination at origin);

Management: follow-up actions and management of environmental functions in the business (environmental management systems, management indicators, follow-up of regulations); and

Research and Development: the development of the environmental variable as a fundamental management value as well as those inherent in the strategic development of the business (climate change, renewable energies, energy efficiency .

The more relevant actions taken during the year were:

 See Glossary Appendix I.

ENVIRONMENTAL MANAGEMENT SYSTEMS AND ISO 14,001 CERTIFICATIONS

As a way of showing the real proportion of the operative installations of Endesa Chile that have the certification of their respective environmental management systems (EMS) , the Company has defined as an indicator the percentage of installed capacity of the installations that have their EMS certified under the ISO 14,001 standard.

In 2005, Endesa Chile reached 97.9 % of the total installed capacity of its plants having their EMS certified under the ISO 14,001 standard.

PLANTS AND INSTALLED CAPACITY OF ENDESA CHILE AND ITS SUBSIDIARIES IN SOUTH AMERICA THAT HAVE THEIR EMS CERTIFIED UNDER THE ISO 14,001 STANDARD AT DECEMBER 31, 2005					
TYPE OF PLANT	TOTAL NUMBER OF INSTALLATIONS	NUMBER OF INSTALLATIONS CERTIFIED	INSTALLED CAPACITY (MW)	CERTIFIED CAPACITY (MW)	PERCENTAGE CAPACITY CERTIFIED
Hydroelectric	34	34	8,554.8	8,554.8	100
Thermal	13	9	3,828.5	3,573.5	93.3
TOTAL	47	43	12,383.3	12,128.3	97.9

Source: Gemades, Endesa Chile.



Fuente: Gemades Endesa Chile.

Eight new generating plants were certified during 2005 (the Cachoeira Dourada hydroelectric plant in Brazil; the hydroelectric plants Charquito, San Antonio, Limonar, La Tinta, Tequendama and La Junca in Colombia; and the Ralco hydroelectric plant in Chile), making 43 installations certified by the end of the year. Two plants also had their EMS re-certified under the same standard during the year (the Pangué hydroelectric and Taltal thermal plants in Chile).

ALTERATIONS TO THE AIR, WATER AND LAND

The emission of gases into the atmosphere  is one of the principal concerns covered by the implementation of environmental management systems. The principal emissions of Endesa Chile are produced by generation at the thermal plants and relate to carbon dioxide and nitrogen and sulfur oxides.



Yanago Hydroelectric Power Plant, Peru

 See Glossary Appendix I.



GAS EMISSIONS IN 2005 THROUGH THERMAL PLANT OPERATIONS OF ENDESA CHILE AND ITS SUBSIDIARIES IN SOUTH AMERICA

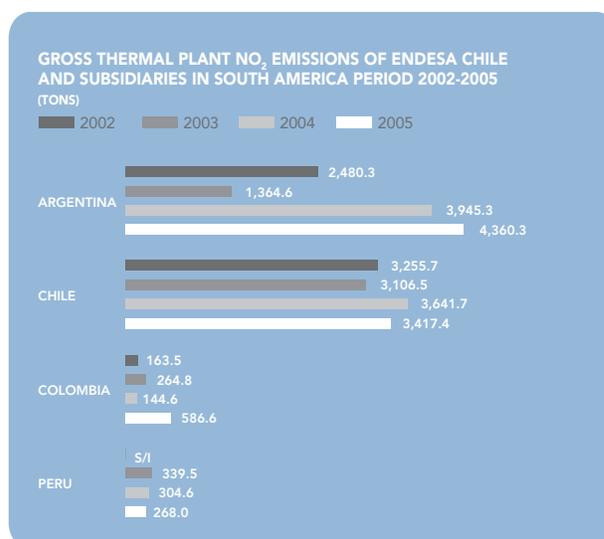
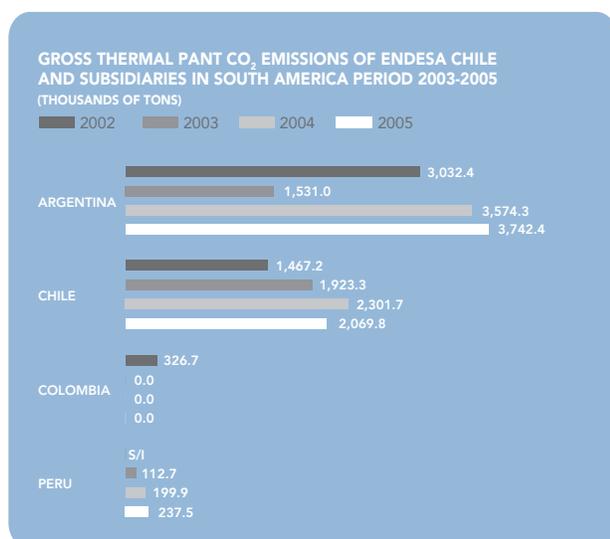
COUNTRY	GROSS GENERATION (GWH)	GASES EMITTED (1)					
		CARBON DIOXIDE (CO ₂)		NITROGEN OXIDES (NO _x)		SULFUR OXIDES (SO _x)	
		GROSS EMISSION (THOUS. TONS)	SPECIFIC EMISSION (KG/KWh)	GROSS EMISSION (TONS)	SPECIFIC EMISSION (g/KWh)	GROSS EMISSION (TONS)	SPECIFIC EMISSION (g/KWh)
ARGENTINA							
Costanera Steam Thermal Plant	2,199.17	1,563.9	0.71	2,647.4	1.20	3,164.9	1.44
Costanera C.C. Thermal Plant	5,110.99	1,848.0	0.36	1,452.8	0.28	19.4	0.00
Buenos Aires Thermal Plant	1,349.09	330.5	0.24	260.1	0.19	1.7	0.00
Sub total Argentina		3,742.4		4,360.3		3,186.0	
CHILE							
Bocamina Thermal Plant	423.70	390.6	0.92	1,274.8	3.01	1,847.9	4.36
Tarapacá Steam Thermal Plant	422.24	381.4	0.90	1,331.8	3.15	1,879.9	4.45
San Isidro Thermal Plant	1,215.25	477.3	0.39	333.7	0.27	0.00	0.00
Taltal Thermal Plant	973.61	820.2	0.84	477.1	0.49	0.00	0.00
Others (2)	69.37	0.3	0.0	0.0	0.00	0.36	0.01
Sub total Chile		2,069.8		3,417.4		3,728.2	
COLOMBIA							
Martín del Corral Thermal Plant	244.34	0.0	0.0	586.6	2.40	3,855.2	15.78
PERU							
Santa Rosa Thermal Plant	425.94	237.5	0.56	268.0	0.63	25.7	0.06
TOTAL	12,433.64	6,049.7	0.49	8,632.3	0.69	10,795.0	0.87

Source: Gemades, Endesa Chile.

(1) The specific emission was calculated as the quotient between the gross emission of each gas and gross generation in 2005.

(2) Includes the Diego de Almagro, Huasco steam, Huasco thermal and Tarapacá thermal plants.

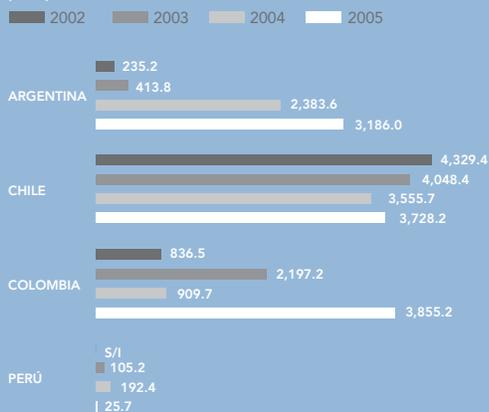
The tables show the gross emissions of CO₂, NO_x and SO₂ for the four countries during the period 2002 – 2005.



Note: There were gross emissions of CO₂ in Colombia in the period 2003 – 2005, but these were insignificant and are therefore not shown in the graph.

05 COMPLIANCE WITH THE 7 COMMITMENTS FOR SUSTAINABLE DEVELOPMENT OF ENDESA CHILE

GROSS THERMAL PLANT SO₂ EMISSIONS OF ENDESA CHILE AND SUBSIDIARIES IN SOUTH AMERICA PERIOD 2003-2005 (TONS)



The differences within a country with respect to gross emissions of different years are conditioned by the dispatch of the thermal plants, the kind of fuel used and the participation of the hydroelectric plants in the country's energy matrix, factors that alter trends in the series of data.

The water discharges in 2005 relate mainly to industrial-type discharges coming from the thermal plant refrigeration systems. All discharges are monitored periodically in accordance with applicable local legislation and these were within the maximum limits set during the year.

WATER DISCHARGES AT PLANTS OF ENDESA CHILE AND ITS SUBSIDIARIES IN SOUTH AMERICA BETWEEN 2004 AND 2005

TYPE OF DISCHARGE	2004	2005
Industrial (Hm ³ /year)	1,367.4	1,527.3
Sanitation (m ³ /year)	Not available	146,742.6
Rainwater (m ³ /year)	25,995	27,777.3
Total (Hm ³ /año)	1,367.5	1,527.5

Source: Gemades, Endesa Chile

Another serious source of impacts on the environment are those caused by the accumulation of solid waste and other kind of wastes , which is deposited in authorized dumps in order to confine its harmful effects within a specific and restricted zone. There was an increase in the production of inert waste (ash) during 2005, fundamentally due to an increase in energy generation by coal-fired thermal plants.

GENERATION OF SOLID INDUSTRIAL WASTE THROUGH PLANT OPERATIONS OF ENDESA CHILE AND ITS SUBSIDIARIES IN SOUTH AMERICA (TONS)

COUNTRY	2004			2005		
	DA GEROUS	NON DA GEROUS	INERT	DA GEROUS	NON DA GEROUS (1)	INERT
ARGENTINA						
Thermal Plants	110.66	1,390.18	0	124.34	671.34	0
Hydroelectric Plants	4.06	3.30	0	3.22	2.28	0
Subtotal	114.72	1,393.48	0.00	127.56	673.62	0.00
BRAZIL						
Thermal Plants	3.58	6.75	0	0.31	11.01	0
Hydroelectric Plants	8.43	8.53	0	10.51	10.93	0
Sub total	12.01	15.28	0.00	10.81	21.94	0.00
CHILE						
Thermal Plants	72.99	92.80	41,471.86	84.56	30.38	53,168.08
Hydroelectric Plants	75.30	15.82	0	41.65	4.35	0
Sub total	148.28	108.62	41,471.86	126.20	34.73	53,168.08
COLOMBIA						
Thermal Plants	7.84	354.77	43,330.30	4.23	34.47	54,785.25
Hydroelectric Plants	267.34	1,243.12	0	20.10	402.71	0
Sub total	275.18	1,597.89	43,330.30	24.33	437.18	54,785.25
PERU						
Thermal Plants	116.15	62.03	0	164.71	69.94	0
Hydroelectric Plants	27.74	557.39	0	49.23	422.18	0
Sub total	143.88	619.42	0.00	213.94	492.11	0.00
TOTAL	694.06	3,734.68	84,802.17	502.85	1,659.58	107,953.33
		89,230.91			110,115.76	

Source: Gemades, Endesa Chile.

(1) Of the total non-dangerous waste, 856.7 tons (51.6%) relates to different residues from the river or sea water filtering processes used by generating plants. The production of these cannot be controlled by the Company but it does take responsibility for its proper end disposal.

 See Glossary Appendix I.

PRINCIPAL IMPACTS TO BIO-DIVERSITY AND PROTECTED AREAS

No negative impacts were noted to biodiversity or protected zones in the surroundings of the electricity generating plants. In the case of plants under construction, the measures adopted for avoiding, minimizing, mitigating or compensating the negative impacts were already established in the respective environmental impact assessments, which were fully complied with. Regarding operating installations, long-term studies and monitoring have been carried out at many of them concerning vegetable and animal species with conservation problems, in order to analyze the trends in these populations and determine whether there is any relationship with the nearby installation. For the moment, the partial results show that electricity generation has had no negative effects of these populations.

The following are among the various activities and actions carried out during the year in favor of the conservation and preservation of the biodiversity around the installations of Endesa Chile:

- Donation by the Porvenir fund to the Chilean Treasury of approximately 20,000 hectares to comply with the commitment

to create a biological reserve in accordance with the requirements set out in the Environmental Qualification Resolution for the Ralco hydroelectric plant.

- Active participation of Endesa Chile in the huemul (a heraldic Chilean deer) conservation program in the area of the river Laja hydroelectric plants. The project is being developed by the Corporación Nacional Forestal (CONAF) (the forestry commission) and the Comité Nacional Pro Defensa de la Flora y Fauna (CODEFF) (a flora and fauna defence entity), within the framework of the creation of a Mountain Protection Area (591,625 hectares) in the basins of the rivers Laja, Cholguán and Diguillín. Its purpose is to avoid the extinction of the huemul and take actions to know better the biology and ecology of those areas in order to protect the countryside and its habitats. It should be noted that part of the installations of Endesa Chile are within this potential protection zone.
- Administration of the Huinay Scientific Center in an area of 34,000 hectares in Chile's 10th Region in order to carry out scientific research and technological transfers in all areas of the native land and marine vegetation and fauna in the zone, conserve the biogeographical situation and promote and benefit environmental protection.

REINSERTION OF A CONDOR RESCUED AT THE LOS MOLLES PLANT

In June 2005 a group of workers of the Endesa Chile's Los Molles plant (4th Region) rescued an adult male condor in bad condition. This story ended on November 11 with the release of the condor, called Mollito, in the sector of the plant load chamber, after spending more than five months recovering at the Metropolitan Zoo in Santiago.

In order to share the bird's recovery and release with the community, the workers at Los Molles organized a reception for local school children, representing the Valdivia, Las Mollacas and El Palomo hacienda properties, plus the police and inhabitant of the zone who demonstrated their happiness for the reinsertion of Mollito with placards.

Notable was the cooperation of the staff of the Metropolitan Zoo, the Servicio Agrícola y Ganadero (SAG) and the workers of the Los Molles plant who were always concerned about the care of the condor until its reinsertion into its natural habitat.



INFRASTRUCTURE PROJECTS AND MONITORING OF INSTALLATIONS

As part of Endesa Chile’s commitment with the Preventive principle defined at Earth Summit held in Río de Janeiro, Brazil in 1992, the generating plants built in the last decade have had their corresponding environmental impact assessments (EIA) that plan and define the environmental management to be carried out during the construction, operation and abandonment stages of the installations, in strict compliance with the respective country’s environmental regulations.

Endesa Chile’s Environmental and Sustainable Development Management also inspected during 2005 four thermal plants, seven hydroelectric plants and a pumping station of the Company and its subsidiaries in South America, in order to comply with its environmental impact follow-up program. The objective of this activity is to support the environmental behavior of the installations that do not have an EMS certificate or are in the process of certification and especially to check progress in resolving each plant’s environmental liabilities.

ENVIRONMENTAL INSPECTIONS MADE DURING 2005 AT THE PLANTS AND INSTALLATIONS OF ENDESA CHILE OR ITS SUBSIDIARIES IN SOUTH AMERICA

COUNTRY/ INSTALLATION	DATE OF INSPECTION
BRAZIL	
Cachoeira Dourada Hydroelectric Plant	April 20
CHILE	
Diego de Almagro Thermal Plant Huasco Steam & Huasco TG Thermal Plants	November 9 to 11
Bocamina Thermal Plant	December 12
COLOMBIA	
La Tinta Hydroelectric Plant	August 29 to
La Junca Hydroelectric Plant	September 1
Limonar Hydroelectric Plant	
Tequendama Hydroelectric Plant	
San Antonio Hydroelectric Plant	
Charquito Hydroelectric Plant	
Muña Pumping Station	

Source: Gemades, Endesa Chile.

MANAGEMENT OF ENVIRONMENTAL LIABILITIES

The companies acquired by Endesa Chile have installations that have shown environmental impacts, damage or risks as the result of not applying mitigation and control measures, occurring during the construction stage or in their plant operations. This is also noted in some or the Company’s own installations in Chile.

As a fundamental part of the Company’s environmental inspections and periodical reports on environmental management, and as such situations have been identified as environmental liabilities , corrective actions have been defined for each individual situation. This has involved investments and additional installation operating costs which Endesa Chile has assumed although the environmental liability was not the responsibility of the present management.

NUMBER OF ENVIRONMENTAL LIABILITIES FOR RESOLUTION BY YEAR IN THE INSTALLATIONS OF ENDESA CHILE AND ITS SUBSIDIARIES IN SOUTH AMERICA

COUNTRY	2002	2003	2004	2005
Brazil (1)	2	2	2	2
Chile	34	15	9	9
Colombia	31	25	9	1
Peru	0	2	0	0
TOTAL	67	44	20	12

Source: Gemades, Endesa Chile.

(1) During the period 2002-2005, work has been carried out on the resolution of two environmental liabilities but, because of their magnitude, they are still not fully resolved.

During the period 2002-2005, the installations of Endesa Chile and its subsidiaries in South America resolved 82% of their environmental liabilities.

ENVIRONMENTAL FORMATION AND TRAINING

Endesa Chile and its subsidiaries in South America continued to develop during 2005 specific formation and training of personnel in environmental matters.

A notable step was the development and implementation of courses in atmospheric contamination and solid waste in the e-learning module, i.e. with classes, exercises and evaluations through the portal introduced to the Group’s Intranet.

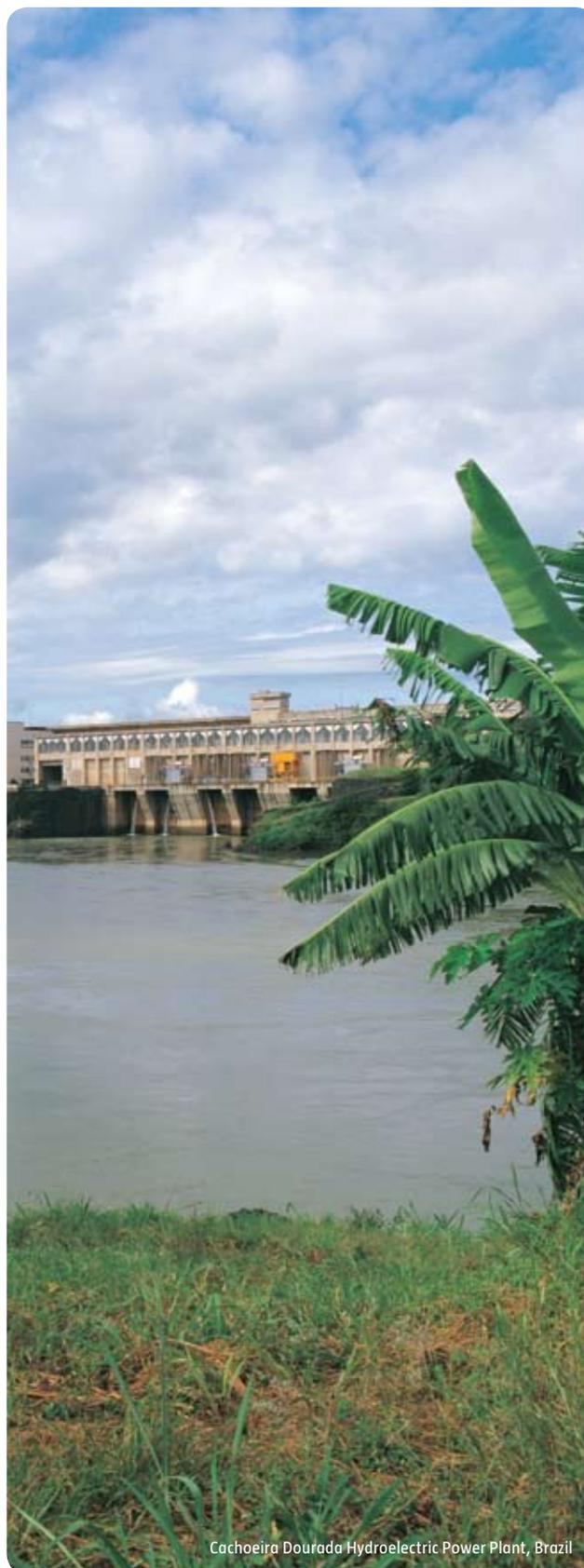
 See Glossary Appendix I.



ENVIRONMENTAL FORMATION FOR OWN AND CONTRACTORS' PERSONNEL IN THE INSTALLATIONS OF ENDESA CHILE AND ITS SUBSIDIARIES IN SOUTH AMERICA
(PERIOD 2004 - 2005)

COUNTRY	2004	2005
ARGENTINA		
No. of courses	3	7
No. of students	135	296
No. of hours formation	28	16.5
BRAZIL		
No. of courses	1	0
No. of students	31	0
No. of hours formation	6	0
CHILE		
No. of courses	15	33
No. of students	206	664
No. of hours formation	23	78.5
COLOMBIA		
No. of courses	9	9
No. of students	243	417
No. of hours formation	34	51
PERU		
No. of courses	4	9
No. of students	66	331
No. of hours formation	16	44
TOTAL		
No. of courses	32	58
No. of students	681	1,708
No. of hours formation	107	190

Source: Gemades, Endesa Chile.



Cachoeira Dourada Hydroelectric Power Plant, Brazil

ENVIRONMENTAL INVESTMENTS AND EXPENSES

Endesa Chile and its subsidiaries in South America have made environmental investments during 2005 amounting to around US\$ 1.1 million.

ENVIRONMENTAL INVESTMENTS OF ENDESA CHILE AND ITS SUBSIDIARIES IN SOUTH AMERICA (PERIOD 2002 - 2005)				
COUNTRY / INSTALLATIONS	AMOUNT 2002 (US\$)	AMOUNT 2003 (US\$)	AMOUNT 2004 (US\$)	AMOUNT 2005 (US\$)
ARGENTINA				
El Chocón & Arroyito Hydroelectric Plants	26,100	1,600	0	20,344
Costanera Steam, Costanera CC & Buenos Aires Plants	28,300	9,000	30,800	3,500
Sub total	54,400	10,600	30,800	23,844
BRAZIL				
Central Cachoeira Dourada	61,770	202,230	577,100	80,823
Sub total	61,770	202,230	577,100	80,823
CHILE				
Endesa Chile hydroelectric & thermal plants				187,423
Pangué Hydroelectric Plant	3,826,037 ⁽¹⁾	9,203,847 ⁽¹⁾	2,870,300 ⁽¹⁾	6,844
Pehuenche S.A. Hydroelectric Plants				0
San Isidro Thermal Plant	30,727	14,735	3,900	0
Tarapacá Thermal Plant	41,491	56,888	51,400	20,211
Sub total	3,898,255	9,275,470	2,925,600	214,477
COLOMBIA				
Betania Hydroelectric Plant	0	46,300	13,300	11,857
Emgesa hydroelectric & thermal plants	314,100	692,960	530,200	655,259
Sub total	314,100	739,260	543,500	667,115
PERU				
Edegel hydroelectric & thermal plants	8,200	163,500	0	91,143
Sub total	8,200	163,500	0	91,143
TOTAL	4,336,725	10,391,060	4,077,000	1,077,403

Source: Gemades, Endesa Chile.

(1) Values includes Endesa Chile, Pangué S.A. y Pehuenche S.A.

Operative expenses, relating mainly to monitorings, waste management, training and studies, totaled close to US\$ 4.5 million in 2005, including expenses associated with the environmental management systems and their re-certifications under the ISO 14,001 standard.

**ENVIRONMENTAL EXPENSES OF ENDESA CHILE AND ITS SUBSIDIARIES IN SOUTH AMERICA
(PERIOD 2002 – 2005)**

COUNTRY / INSTALLATIONS	AMOUNT 2002 [US\$]	AMOUNT 2003 [US\$]	AMOUNT 2004 [US\$]	AMOUNT 2005 [US\$]
ARGENTINA				
El Chocón & Arroyito Hydroelectric Plants	11,230	17,239	16,700	29,875
Costanera Steam, Costanera CC & Buenos Aires Plants	54,000	187,000	168,800	220,800
Subtotal	65,230	204,239	185,500	250,675
BRAZIL				
Cachoeira Dourada Hydroelectric Plant	15,370	17,010	10,100	43,980
Subtotal	15,370	17,010	10,100	43,980
CHILE				
Endesa Chile hydroelectric & thermal plants				2,533,064
Pangué Hydroelectric Plant	252,027 ⁽¹⁾	409,923 ⁽¹⁾	631,200 ⁽¹⁾	60,816
Pehuenche S.A. Hydroelectric Plants				24,614
San Isidro Thermal Plant	63,013	82,449	145,900	129,516
Tarapacá Thermal Plant	125,755	140,631	156,100	136,130
Subtotal	440,795	633,003	933,200	2,884,139
COLOMBIA				
Betania Hydroelectric Plant	135,600	165,410	113,900	95,617
Emgesa hydroelectric & thermal plants	267,700	231,159	202,700	315,685
Subtotal	403,300	396,569	316,600	411,302
PERU				
Edegel hydroelectric & thermal plants	865,000	850,600	1,480,100	829,948
Subtotal	865,000	850,600	1,480,100	829,948
TOTAL	1,789,695	2,101,421	2,925,500	4,420,044

Source: Gemades, Endesa Chile.

(1) Values includes Endesa Chile, Pangué S.A. y Pehuenche S.A.

RESEARCH AND DEVELOPMENT

Endesa Chile, through its Environmental and Sustainable Development Management, has carried out environmental research and development studies and projects for the generating business in South America. The most important studies and projects carried out in 2005 were:

- Feasibility study for introducing an Environmental Accounting System in Endesa Chile.
- Preparation of a transformer inventory with polychlorated biphenyls (PCB) in the installations of Endesa Chile and its subsidiaries/companies in South America; design and execution of a program for eliminating these.
- Analysis of atmospheric emissions 2004 of the thermal plants in South America and comparing them with American (EPA) and European (CE) standards.
- Environmental circuits in the operating installations of Endesa Chile in South America.

PARTICIPATION IN NATIONAL AND INTERNATIONAL EVENTS (SEMINARS, CONGRESSES AND CONFERENCES)

During 2005, Endesa Chile took part in various seminars, congresses and conferences related to environmental matters, the most important being:

- “CDM credits: The environmental resource of Chile” seminar, organized by the Spanish Chamber of Commerce in Chile,
- 5th Latin American Meeting on the Environment of Endesa Chile’s generating companies in the region, with the participation of directors and environmental managers of Argentina, Brazil, Chile, Colombia, Spain and Peru. Held in Neuquén, Argentina.
- 2nd Europe – America environmental meeting, held in Seville, Spain.
- “Energy diversification in Chile, possible routes to autonomy” seminar, organized by the Chilean committee of the International Council of Large Electricity Systems (CIGRE). Held in Santiago, Chile.
- Climate Change workshop, organized by the National Environmental Commission of Chile (CONAMA) with the support of the Center for Development Studies (CED). Held in Santiago, Chile.
- “Energy efficiency: Successful experiences and regulatory contributions” seminar, organized by the Sustainable Chile Program of the Ministry of the Economy and Energy and the Economic Commission for Latin America (ECLA), in the framework of the Energy Efficiency Country Program. Held in Santiago, Chile.

ENVIRONMENTAL IMPACT ASSESSMENTS

Project environmental studies presented by Endesa Chile and approved by the respective authority during 2005 were:

- Favorable environmental qualification of the Palmucho hydroelectric plant in Chile’s 8th Region.
- Favorable environmental qualification of the project “Temporary use of diesel oil in the 2nd unit of the San Isidro plant”, in Chile’s 5th region.
- Presentation of the Environmental Impact Declaration (EID) for the Ojos de Agua mini-hydroelectric project in Chile’s 7th Region, to the Chilean Environmental Impact Evaluation System.

ENVIRONMENTAL INCIDENTS AND FINES

Endesa Chile, within a framework of continuous improvement, acts immediately in the event of environmental contingencies, applying the mitigation and control measures that the situations warrant. It also records the environmental incidents in order to set up their later investigation and analysis, which enables actions to be planned to reduce the risk of a future occurrence.

Four environmental incidents at generating plants were recorded during 2005, all in Chile. None of these warranted any sanctions by the environmental authority.



Rafael Mateo in Climate change seminar

See Glossary Appendix I.

INSTALLATION	DESCRIPTION OF THE INCIDENT	IMMEDIATE ENVIRONMENTAL IMPACT	ENVIRONMENTAL MEASURES & MITIGATION
Sauzalito Hydroelectric Plant (Chile)	Spillage of approximately 800 liters of di-electric oil from the refrigeration system of the No.2 transformer bank, phase 2, at the discharge of the plant.	Contamination of discharge water of the plant.	Withdrawal from service of equipment. Repair of broken cooling tube. Replacement of oil coolers of the transformers.
Huasco Thermal Plant (Chile)	Spillage of approximately 2,000 liters of oil due to the fracture of a tube from the turbogas No.3 unit.	Contamination of sand around the oil tanks covering an area of approximately 100 m2. The spillage occurred over a period of approximately four hours during the plant's generating conditions.	Withdrawal from service of the No.3 turbogas unit. Repair of the tube. Removal & final disposal of the contaminated sand & filling the affected zone with fresh sand.
Tarapacá Thermal Plant (Chile)	Spillage of approximately 500 liters of sludge from the sea water pre-treatment plant during work in removing sludge by the contractor, due to the barge carrying being badly sealed.	Contamination of an area of approximately 12 m2 of land.	Sealing of the barge. Removal & deposit of the sludge in the barge for transfer. Instructions to the contractor to avoid future spillages.
Tarapacá Thermal Plant (Chile)	Heaping of domestic garbage in the industrial waste area.	Unreal increase in industrial waste by adding domestic garbage to it. (Frases eliminada)	Removal & placement in the place established for domestic waste, uncontaminated by industrial waste. Meeting with contractor personnel to clarify what happened & avoid similar events in the future.

Source: Gemades, Endesa Chile.

Because of irregularities at the liquid fuel storage installations and in the electrical installations of the Taltal thermal plant, the Superintendency of Electricity and Fuels (SEC) charged a fine of 10 UTM (equivalent to US\$ 550) on June 22, 2005.

The fine was paid in July 2005 and corrective actions were immediately taken at the installations that were sanctioned. These actions were completed by the end of 2005.

CLIMATE CHANGE

Within the framework of the commitments made by the member states of the Kyoto Protocol, the Endesa parent company has intensified its activities in 2005 to contribute to compliance with Directive 2003/87 of the European Union and the Spanish Assignment National Plan which promotes the reduction of greenhouse gas emissions (GHG)  in Spain. These actions reflect a Climate Change strategy established by the company in order to adapt itself to the new legislative framework effective in the countries of the European Union in 2005 and which is shown through four principal guidelines:

- The adoption of the measures necessary for minimizing the cost of emission rights.
- The preparation of climate change strategy at the corporate level.
- The start-up of demand management measures for achieving greater energy savings and efficiency, and
- The decided strengthening of the use of the Clean Development Mechanism (CDM) .

The Endesa parent company set a target of reducing specific emissions by 35% in 2007, compared to 1990, which in practice means reducing greenhouse gases (GHG) by 5 million tons over the period 2005 – 2007 and by 10 million tons over the period 2008 – 2012. The actions are mainly focused on investments in combined cycle, energy efficiency and renewable energy projects and the establishment of a Climate Change Policy. This policy includes, among other things, the development of Clean Development Mechanism (CDM) projects in generation, distribution businesses and energy efficiency, the incorporation of the CO2 variable in investments and diversification decisions, benchmarking and the formation of professionals in climate change.



Endesa Chile supported the search in South America of contacts for the business-to-business initiative "Endesa Climate Initiative", created and promoted by Endesa parent for the acquisition of CO₂ emission reduction certificates (CER). This initiative seeks to achieve the emission reduction targets mentioned above, through the selection of large-scale projects (1 million tons of reduction by 2012) and industrial and energy sector waste management projects. The initiative is focused on projects located in countries that have ratified the Kyoto Protocol and that have set up a designated national authority or intends to do so in the future.

It also establishes a procedure for the purchase of the CERs which contemplate the provision of information and time periods for the presentation of projects, the negotiation of an exclusive agreement, the evaluation of the project by Endesa S.A., the negotiation and execution of the contract. It also establishes the method of payment for the CERs, the possibility of receiving payments in advance to cover project development costs, purchase options over surplus reductions generated and the possibility of the purchase of reductions generated after 2012.

Lastly, Endesa Chile and its subsidiaries in South America carried out different actions in 2005 for contributing to the GHG emission reduction quotas to which Endesa parent is committed. These include the creation of the subsidiary Endesa Eco for the promotion and development of projects based on electricity generation from renewable sources, the study and entry of projects to the CDM circuit, the signing of agreements with national and international organisms and the active participation in seminars, workshops and working meetings on climate change, emission reductions and the carbon bonds market.



Agreement signature between Endesa Eco & Universidad de Magallanes

CLEAN DEVELOPMENT MECHANISMS IN SOUTH AMERICA

Endesa Chile actively participated in 2005 in the study and analysis of the projects in South America with potential for trading emission reduction certificates (CER) on the CDM credits international market.

Endesa Chile, through the formation of the new subsidiary Endesa Eco, established the bases for providing a real and concrete impulse to the study and execution of projects based on the use of non-conventional renewable energies (mini-hydroelectric, wind, biomass, geo-thermal, etc. plants) which at the same time can qualify on the CDM credits market. The Company is thus achieving the twin objective of developing cleaner energy sources in the region while meeting with the greenhouse gas emission reduction quota by Endesa parent.

Endesa Chile maintains an up-to-date inventory of the projects in portfolio of its subsidiaries in South America and is constantly seeking others outside the Company that have potential for qualifying for the CDM.

The following projects are currently in the CDM circuit:

Callahuanca hydroelectric plant (Peru)

This re-powering project of the Callahuanca hydroelectric plant is intended to increase the capacity of the turbines to optimize the use of available water resources, improving the reliability of the plant and reducing operating costs. A total increase of 7.5 MW is expected from the three units to be re-conditioned.

The project is eligible as CDM as it shows, through the Project Design Document (PDD), that the reduction in emissions will be additional to that which would be produced without it, being real, measurable and, in the long term, contribute to the mitigation of climate change. The PDD estimates that the project will reduce some 461,000 tons of CO₂ over twenty years.

Ojos de Agua mini-hydroelectric plant (Chile)

The Ojos de Agua mini-hydroelectric plant is a pass-through plant to be built in the 7th Region of Maule, with an installed capacity of 9 MW. As a CDM project, it will replace thermal generation and avoid the emission of 30,549 tons of CO₂ annually. The plant will



therefore reduce some 213,000 tons of CO₂ during its first seven years in operation.

FORMATION IN CLIMATE CHANGE MATTERS

Endesa Chile has taken part in various formation activities, internally and externally, with respect to the Kyoto Protocol, specifically the CDM. An example of this was as a speaker at the seminar “CDM credits, a space to innovate in the 8th Region”, organized by the Universidad de Concepción.

RELATIONS WITH WORKING GROUPS AT THE INTERNATIONAL LEVEL

Endesa Chile, as a member of the Endesa Spain group, is related to various international working groups with respect to climate change, notably the following:

- The E7 Climate Change group .
- Eurelectric Climate Change Group where Endesa S.A. is a member of the flexible mechanisms sub group and chairs the task force on CDM and Joint Action (JA).
- Emissions Trading Association .
- Σ GHG Protocol Initiative of the World Business Council for Sustainable Development  and the World Resources Institute .

ENDESA ECO

In the area of the use of renewable non-conventional energy sources, Endesa Chile created a new subsidiary, Endesa Eco, in order to take concrete steps in the study and development of electricity generation projects that encourage the use of these energy sources. Endesa Eco carried out the following activities in 2005 during its first months in operation:

- Updating and complementation of the study of renewable non-conventional energies in South America.
- Design of the Ojos de Agua mini-hydroelectric plant (Chile), the preparation of the project’s environmental impact declaration and its presentation to the National Environmental Commission for obtaining its environmental permit.
- Entry of the Ojos de Agua mini-hydroelectric project into the CDM circuit.
- Signing of an agreement with Universidad de Magallanes for the study of the wind energy-generation potential in Chile.
- Presentation on the electricity generating business and Endesa Eco, non-conventional renewable energies and corporate sustainable development, given in Punta Arenas, Chile and organized by Universidad de Magallanes,
- Signing of a framework agreement with the United Nations Development Program (UNDP-Chile) to promote renewable energies and energy efficiency.
- Non-conventional renewable energies seminar for senior executives of Endesa Chile, given by Dr. David Marks (MIT, USA), organized by the Universidad Gabriela Mistral, Endesa Eco and the Human Resources and Organization Management of Endesa Chile. Endesa Eco was responsible for the opening of the event with a paper in Endesa Chile’s challenges in the area of non-conventional renewable energies.
- Signing of a confidentiality agreement with a possible partner for the feasibility study of a wind energy-generating project in Chile.
- Attendance at the 3rd Chilean – German Technological Symposium: Geo-thermal and solar energy: Innovative options for energy supplies.
- Membership of Endesa Eco of the Chilean Association of Alternative Renewable Energies (ACERA A.G.).
- Sponsorship of the 2005 edition of the Directory of Energy Efficiency, published by the Energy Efficiency Country Program, Chile.
- Relations with different organizations to announce this new company and contact possible partners with initiatives in the area of renewable energies.

³ Seven large public-utility electricity companies in the Group G7 countries formed the E7 in 1992 in order to collaborate in global matters of the electricity sector, with emphasis on the global environment and climatic change. An eighth company was added in 1993. The group members are Electricité de France (France), ENEL Spa. (Italy), Hydro Québec (Canada), Kansai Electric Power Company (Japan), Tokyo Electric Power Company (Japan), RWE-AG (Germany), Southern California Edison (United States) and Ontario Hydro (Canada).

 See Glossary Appendix I.

COMMITMENT WITH EFFICIENCY

INNOVATION: COMMITMENT WITH EFFICIENCY

We are aware that we are using very valuable natural resources and that the industrial processes of our activities produce inevitable effects on the environment.

We therefore attempt to use the cleanest and most efficient technologies available and we orient our research capacity and technological innovation to the reduction of these effects on a local and a global scale and to obtaining improvements in energy savings. We therefore integrate energy advice in the services we offer.

The efficient use of resources is undoubtedly an integral part of a management of operative excellence. We therefore try to use clean and efficient technologies available in the market. We also seek to incentivate research capacity and technological innovation within the organization.

EFFICIENCY IN THE USE OF RESOURCES

For the generation of energy, Endesa Chile uses important resources that have to be managed properly. It therefore tries to use clean and efficient technologies available in the market.

CONSUMPTION OF FUEL AND WATER

The principal inputs used as fuel for the generation of electricity in the thermal plants in South America are natural gas, coal and oil.

With respect to water consumption, the largest volume used by the hydroelectric plants relates to the "turbined", i.e. that which passes through the turbines and is then returned to its deposit or course, without loss or retention and without changing its physical-chemical properties. The use of this water is therefore considered as "non consumptive", according to applicable regulations. Water is consumed by the plants for boiler refrigeration purposes and basic services.

CONSUMPTION OF RAW MATERIALS BY THE INSTALLATIONS OF ENDESA CHILE AND ITS SUBSIDIARIES IN SOUTH AMERICA

RAW MATERIALS	CONSUMPTION 2002	CONSUMPTION 2003	CONSUMPTION 2004	CONSUMPTION 2005
Water (Hm ³ /year)	1,489.96	1,211.57	1,462.97	1,715.68(1)
Coal (tons/year)	466,100	328,718	314,717	442,852
Natural Gas (Dm ³ /year)	2,056,302	2,770,918	2,330,296	2,170,623
Gas oil (oil) (m ³ /year)	13,145	15,143	32,977	12,913
Fuel Oil (m ³ /year)	10,922	44,036	306,924	377,861

Source: Environmental and Sustainable Development Management.

(1)Relates to refrigeration water (1,714.3 Hm³), de-mineralized (1.05 Hm³) and drinking & services water (0.33 Hm³)

Notes: Hm³, cubic hectometer = 1,000,000 cubic meters.

Dm³, cubic decameter = 1,000 cubic meters.

ENERGY EFFICIENCY ESTIMATION OF THERMAL PLANTS OF ENDESA CHILE 2005

INSTALLATIONS	GROSS GENERATION (GWh)	COAL (ton)	GASOIL (m ³)	NATURAL GAS (Dm ³)	FUEL OIL (ton)	ENERGY CONTENT (GWh)	ENERGY EFFICIENCY (%)
Buenos Aires	1,349.1	0.0	374.2	275,042.5	0.0	2,676.9	50.4 %
Taltal	974.2	0.0	475.8	303,709.4	0.0	3,179.4	30.6 %
San Isidro	1,214.7	0.0	1,552.1	227,244.3	0.0	2,712.5	44.8 %
Costanera CC	5,111.0	0.0	8,021.3	989,572.4	0.0	9,726.5	52.5 %
Tarapacá TG	0.5	0.0	345.5	0.0	0.0	2.3	22.0 %
Diego de Almagro	0.5	0.0	294.8	0.0	0.0	2.5	18.4 %
Santa Rosa	425.9	0.0	0.0	121,761.8	6,487.1	1,308.0	32.6 %
Costanera vapor	2,199.2	0.0	0.0	253,292.4	349,690.3	6,422.8	34.2 %
Bocamina	423.7	160,150.8	26.0	0.0	339.0	1,161.9	36.5 %
Martín del Corral	244.3	116,455.4	350.2	0.0	279.1	678.2	36.0 %
Huasco vapor	11.1	8,908.0	0.0	0.0	0.0	59.4	18.7 %
Tarapacá vapor	422.2	157,337.9	829.0	0.0	0.0	1,158.9	36.4 %
Huasco TG	57.3	0.0	644.1	0.0	21,065.0	239.0	24.0 %
TOTAL	12,433.7	442,852.1	12,913.0	2,170,622.8	377,860.5	29,328.2	42.4 %

ELECTRICITY CONSUMPTION IN ENERGY PRODUCTION

Endesa Chile's operations consume electricity in the generating process itself. As for the previous year, we report the consumption of own energy which increased by 11% over 2004. However, gross energy production increased from 47,993.2 GWh in 2004 to 51,589.1 GWh in 2005 which, in specific terms, indicates a slight increase in electricity consumption from 0.0130 to 0.0134 GWh consumed / GWh generated.

ELECTRICITY CONSUMPTION IN ENERGY PRODUCTION
(GWh) (1)

COUNTRY	2004	2005
Argentina	302.2	352.5
Brazil	5.6	4.9
Chile	203.1	203.4
Colombia	104.6	123.5
Peru	9.6	8.7
TOTAL	625.1	693.0

Source: Environmental and Sustainable Development Management

(1) 1 Gigawatt hour (GWh)= 3,600 Gigajoules (GJ)

TECHNOLOGY AND INNOVATION

"When the world is tending to the development of a global culture oriented to sustainable development, innovation is a way to support it with technology and processes".

Innovation is a necessary tool for meeting the requirements imposed by environmental regulations, the company's social development policies and the commitment with eco-efficiency.

There is a tendency to think that these kinds of restriction become elements that directly affect companies' profitability as they tend to respond with additional investments and operating expenses than those currently required for a normal business operation.

The negation of the validity of this argument is supported by the fact that the productivity of the resources, the improvement in the environmental situation and competitiveness go together, and the key factor that permits the union of these apparently incompatible objectives is the Company's innovative activity and capacity.

The development of an innovative capacity will permit us to adjust integrally to the new challenges in the implementation of solutions or substantial changes in our productive processes in order to meet our acquired commitments, both internally and with international organizations.

Achieving an innovative capacity involves challenges and tasks that have to be carried out by Endesa Chile. Activities are therefore developed oriented to creating an encouraging environment for an innovative culture.

It is in this context that Endesa Chile created, in August 2005, the Technology, Innovation and Technical Support Management area which has, among other things, responsibility for promoting, articulating and systematizing within the generating business in the region, all the initiatives related to innovation in the adoption of new technologies, practices and processes that add value to the business.

This new structure will facilitate achieving:

- The development and use of the necessary tools for incubating a culture of innovation throughout the organization in order to encourage the germination of ideas, the development of concepts and the proliferation of new projects.
- Breaking the inertial forces that impede the systematization of innovation.
- Support of knowledge associated with new global trends or consensus on innovation.
- Take advantage of the technological experience developed by the Technical Support areas as these are the depositaries of the knowledge acquired in the management of the core business.
- Convert innovation into a contest, value and distinctive advantage in the electricity business, becoming part of the corporate identity and culture.

PRINCIPAL ACTIONS OF THE YEAR

A series of activities were carried out in 2005 for firmly progressing along the lines described:

- An electronic survey of innovation was made early in the year through the Endesa Chile Campus, in which 80.4% of employees participated. With the results, an action plan was prepared for reformulating the Innovation and Creativity Program in the aspects of diffusion, formation (reinforcing discovery skills), more frequent rewards, themes (general and addressing needs), total coverage and focus on processes (materials, information and business).
- 228 suggestions were received during 2005 under the Innovation and Creativity Program, with rewards being given for the best ideas in the company's generating plants and in Santiago.
- In November, a seminar was held in Santiago entitled "Strategic Management of Innovation", arranged by professors of the Executive Center of Education of Universidad Adolfo Ibáñez, so that the senior executives of Endesa Chile in South America could share the importance of innovation for the strategy and competitiveness of the companies at present and also of having a common language within the organization.

CHALLENGES

Endesa Chile has shown a constant attitude of surpassing its own targets and, following this long experience, has begun a process of diagnosing the present state of systematization of innovation management and defining a strategic plan around it, taking advantage of organizational synergy in order to properly articulate efforts in that area.

In order to achieve this articulation in countries with different cultures and a region in constant change, it is necessary to have a common language, i.e. to have common systems, practices and technological platforms so that we can understand each other effectively and efficiently.

Innovation is defined as the use of one of the seven basic commitments of the Company's sustainability policy. Its scope goes beyond the commitment with eco-efficiency. Innovation is transversal to the rest of the structural bases and permits threading and articulating the technological and management means as a function of the creation of value for shareholders, personnel and the community in general.



Endesa Chile generation control center



COMMITMENT WITH THE DEVELOPMENT OF THE SOCIETIES IN WHICH WE OPERATE

SOCIETY: COMMITMENT WITH THE DEVELOPMENT OF THE SOCIETIES IN WHICH WE OPERATE

Taking root in the territories in which we have a presence is an essential element of our Company's culture.

We are aware that energy supplies are basic for the development and welfare of the community. We therefore attend to the obligations particular to the nature of this service, we make every effort to provide it in the best possible conditions of safety and quality, and we aspire to reach greater segments of the population in areas where we are present.

At the same time, we comply with our social objective by contributing to the social, economic and cultural development of these surroundings, always with respect to their cultural values.

This behavior is based on the identification of our Company with human rights and with democratic values as the essential pillar of the progress of societies.

BASES OF THE SOCIAL RESPONSIBILITY OF ENDESA CHILE

The Endesa Chile group of companies has taken an initiative in support of the community, permitting the unification of the private world with works related to the growth of nations and local realities where we operate. The general objective of the actions of Endesa Chile in External Social Responsibility ⁴ is to unfold its business activity in the framework of constructive relations with the communities in which it is inserted, in which it is distinguished for accompanying the development of the social environment and continuous improvement of the quality of life of the families who are our neighbors.

Endesa Chile's Social Responsibility Policy is based on the vision and values shared with Endesa S.A. The Company bases its policy on eight guiding principles that govern its corporate actions in its surroundings.

GUIDING PRINCIPLES OF THE CORPORATE SOCIAL RESPONSIBILITY POLICY

1. Our first responsibility is to be efficient and profitable in order to comply with the role that directly affects us.
2. We understand Social Responsibility to be part of sustainable development in which economic and social development and care for the environment are formulated.
3. Sustainable development for Endesa means growth, bearing in mind the social responsibility in the communities in which it operates, the efficient employment of the resources so that our impact on the environment is minimal, and the creation of wealth for those who invest or work in it or serve with our services.
4. We are conscious that balanced compliance with our responsibility in economic, social and environmental matters, on the basis of sustainability criteria, is essential for the maintenance of our present leadership position and for reinforcing it for facing the future.
5. Endesa assumes the social responsibility as an ethical matrix of its actions, that involve compliance with the law, cooperation and understanding between shareholders, personnel, customers, suppliers and the communities in which it develops its business.
6. Social responsibility practices are a factor of competitiveness, sustainability and positioning of the Company in the country.
7. We seek to make ourselves a relevant part of the communities in which we are inserted and with which we cohabit. We become part of their dreams and ambitions for growth, development and quality of life.
8. We follow these principles at all the generating plants we operate and on all the projects we are carrying out.

Endesa Chile defines its External Social Responsibility strategy as a function of three commitments, pillars in the task of making reality the principles and values that lie behind it.

Education

Commitment with the development of education in the communities where we operate.

We become part of the educational challenges of the communities where we operate and we commit ourselves with them in the permanent objective of improving the conditions in which the children and young people are educated.

We especially seek to collaborate in the opening of new growth opportunities based on improving the quality of their formation.

Community

Commitment with the social and cultural development of the families of the communities in which we operate

Interested in taking part in the social and cultural development of the families and community of our surroundings, we seek to take part in initiatives whose purpose is the valuation of social integration and participation, especially in the areas of sports, recreation and culture.

Environment

Commitment with the protection of the environment of our generating plants

Preservation of the environment is a permanent criterion integrated with the management of our Company and in our decision-taking. We commit with the communities to preserve and cultivate the environment, and thus collaborate in the search for tools that permit promoting these objectives in the community.

⁴ See complete policy on www.endesa.cl

⁴: See Glossary Appendix I.

05 COMPLIANCE WITH THE 7 COMMITMENTS FOR SUSTAINABLE DEVELOPMENT OF ENDESA CHILE

ITEM	PLANT	PLACE	PRINCIPAL ACTIONS IN CHILE DONATION / SOCIAL INITIATIVE
COMMUNITY	Pangue	Alto Bío - Bío	Children transportation for the "Infant Leadership School" program
		Alto Bío - Bío	Alto Bío - Bío Singing Festival
		Quepuca Ralco	Activity of the Association of Pehuenche women of Quepuca Ralco
		Alto Bío - Bío	Celebration We tripantu Upper Bío - Bío.
		El Avellano	Christmas presents for the communities of El Avellano & Quepuca Ralco
		Quepuca Ralco	Family funeral transport owner "malla" deposit
		Alto Bío - Bío	Transport support, Upper Bío - Bío municipality activity
		Santa Bárbara	Support honer festival - Santa Bárbara
		Alto Bío - Bío	Supprt Quilaco festival
		Alto Bío - Bío	Support singing festival
	Laja	Laja	Support Abanico festival
		Laja	Support Agua y Sol festival
	San Isidro	Quillota	Support Ban Amor anniversary
		Quillota	Contribution to firemen
		Quillota	New year party
		Quillota	Support comunal employment plan
		Quillota	Sponsorship human development communicational program
	None	Concepción	Support for community activities in the province
	None	Chile	Illumination of cathedrals
	None	Santiago	Pan y Vino charity dinner
EDUCATION	Pangue	Ralco Lepoy	Transportation children Chile Califica program
		Quepuca Ralco	Support for meals for Relámpago Pehuenche activity
		Alto Bío - Bío	Support for education, health, etc.
		Ralco	Implements for boarding school E-970 at Ralco.
		Alto Bío - Bío	Support for meals in training abroad
		Alto Bío - Bío	Transportation "Yo opino por los derechos de los niños y niñas" project
		Alto Bío - Bío	Transportation for " V encuentro de diálogos Interculturales"
		Alto Bío - Bío	Transportation to annual meeting of Hogar Indígena Santa Bárbara.
		Ralco Lepoy	Transportation to visit the Pangue plant
		C. Cauñicu	Transportation for transferring children from Cauñicu school to Laja waterfalls
		Los Junquillos	Transportation for inter-cultural school "Olympics"
		Los Junquillos	Transportation to visit Ralco plant & ecological station
		Alto Bío - Bío	Economc & transportation support for Planetario Móvil
	San Isidro	Quillota	Student scholarships
		Quillota	Sponsorship of summer camps
		Quillota	Support for Valle school, Quillota
		San Pedro	Support for Abel Guerrero school
	Tarapacá	Iquique	Donation Chanavayita school
	Ralco	Alto Bío - Bío	Visit to another school
		Los Junquillos	Transportation to visit Ralco plant & ecological station
		Alto Bío - Bío	Visit - outing
	Laja	Laja	Donation of books
	None	Santiago	Laboratory equipment, Engineering Department
None	Santiago	Student scholarships	
Todas las Centrales			Energy program for education
Todas las Centrales			Niños Seguros, Niños Sanos program



PRINCIPAL ACTIONS IN CHILE		
AMOUNT US\$	BENEFICIARY(IIES)	PERSONS BENEFITING
357.1	Visión Mundial	50
892.9	Municipality of Alto Bío - Bío	12,000
89.3	Assocn. Pehuenche women	80
178.6	Municipality of Alto Bío - Bío	200
89.3	Community leaders	150
285.7	Community leaders	45
285.7	Municipio de Alto Bío - Bío	45
535.7	Municipality of Santa Bárbara	Unknown
357.1	Municipality	Unknown
892.9	Municipality of Alto Bío - Bío	Unknown
267.9	Municipality	Unknown
357.1	Municipality	Unknown
1,785.7	Ban Amor	Unknown
7,142.9	Quillota Fire Company	Unknown
2,678.6	Municipality of Quillota	Unknown
17,857.1	Municipality of Quillota	Unknown
4,464.3	Municipality of Quillota	Unknown
1,500.6	Governor of Bío - Bío	Unknown
50,000.0	Archbishop of Santiago	Unknown
3,571.4	Hogar de Cristo	Unknown
357.1	Ralco Lepoy community	20
133.9	Quepuca Ralco school	100
71,428.6	Municipality of Alto Bío - Bío	4,500
3,571.4	Ralco school E-970	150
35.7	Association of Lonkos	4
160.7	Visión Mundial	45
285.7	Pehuen Mapu project	45
285.7	Hogar Indígena	45
285.7	Ralco Lepoy leader / Headmistress school G-1181	40
109.8	Cauñicu school	84
285.7	Bilingual cultural monitor	35
107.1	Micro-center coordinator.	45
178.6	Visión mundial	200
17,857.1	Municipality of Quillota	Unknown
3,571.4	Municipality of Quillota	Unknown
3,571.4	Municipality of Quillota	Unknown
1,785.7	Municipality of Quillota	Unknown
1,318.8	Chanavallita school	Unknown
285.7	Ralco school	50
285.7	Bilingual cultural monitor	35
178.6	Ralco school	50
980.5	Paso Nevado school	Unknown
7,142.9	Universidad Católica	Unknown
5,357.1	Universidad de Chile	Unknown
6,642.9	Schools near the plants	Unknown
8,571.4	27 schools	4,359
TOTAL SOCIAL CONTRIBUTIONS IN CHILE		US\$ 228,079



05 COMPLIANCE WITH THE 7 COMMITMENTS FOR SUSTAINABLE DEVELOPMENT OF ENDESA CHILE

PRINCIPAL ACTIONS IN ARGENTINA

ITEM	PLANT	PLACE	DONATION / SOCIAL INITIATIVE
COMMUNITY	Hidroeléctrica El Chocón S.A.	Villa El Chocón – Neuquén Province	Provincial volleyball development plan Maintenance of self-pumping equipment of “El Chocón” fire brigade

PRINCIPAL ACTIONS IN BRAZIL

ITEM	PLANT	PLACE	DONATION / SOCIAL INITIATIVE
EDUCATION	Cachoeira Dourada Plant	Goiás	Donation to school in support of teacher development
		Minas Gerais	Donation of 10 complete computers for the school
COMMUNITY	Cachoeira Dourada Plant	Goiás	Repair of dentist chair
		Goiás	Party commemorating the town in which the plant is located
		Goiás	Renovation of club for Cachoeira Dourada personnel
		Goiás	Renovation of school kitchen
		Goiás	Donation of uniforms and equipment for football tournament
		Goiás	Donation of sculpture made from plant scrap metal
		Goiás	Sponsorship of party for children’s day
		Río de Janeiro	Donation of food to poor children
		Goiás	Donations of food to poor children
		Goiás	Donations for traditional local cultural celebrations
		Goiás	Donations of seeds & trees
		Goiás	Donation of apparatus for physio-therapy treatment
ENVIRONMENT	Cachoeira Dourada Plant	Goiás	Environmental preservation. “1st Week of Understanding of Environmental Preservation”.



PRINCIPAL ACTIONS IN ARGENTINA

AMUNT US\$	BENEFICIARY(IES)	PERSONS BENEFITING
26,500.0	Neuquén volleyball Project	1,000
400.0	"El Chocón" Fire Company	Not known
TOTAL SOCIAL CONTRIBUTIONS IN ARGENTINA		US\$ 26,900

PRINCIPAL ACTIONS IN BRAZIL

AMUNT US\$	BENEFICIARY(IES)	PERSONS BENEFITING
26,304.3	Instituto Novo Goiás - INGO	500
7,217.4	Minas Gerais municipal school	500
1,347.8	Instituto Novo Goiás	500
4,347.8	Town of Cachoeira Dourada	500
7,871.8	Assocn. of Employees (AECD)	280
26,087.0	Instituto Novo Goiás	500
2,149.5	Assocn. of Employees (AECD)	100
521.7	Nuestra Sra, Aparecida Parish	8,000
866.1	Assocn. of Employees (AECD)	600
182.6	Lar Amar - RJ orphanage	40
1,323.9	Poor community families	261
304.3	Community	3,000
304.3	Municipality of Cachoeira Dourada	8,000
4,618.3	Municipality of Cachoeira Dourada	35
78.3	Doña Marinha Rodrigues Educational Orientation Center	200
TOTAL SOCIAL CONTRIBUTIONS IN BRAZIL		US\$ 83,525



PRINCIPAL ACTIONS IN PERU

ITEM	PLACE	DONATION / SOCIAL INITIATIVE
EDUCATION	Lima	Edegel-Educa project
	Lima / Junín	Mathematics for everyone project
	Lima / Junín	Risk prevention training
	Lima / Junín	Risk prevention training
	Lima	Formation of youth & comunal leaders
	Lima	Provision of textbooks & pens
COMUNIDAD	Perú	Illumination of churches
	Junín	Relocation of the Pacaybamba community
	Junín	Construction Yanayacu bridge
	Junín	Decontamination Yanango bridge ravine
	Lima	Presence in communal events
	Lima	Roadway improvements near the plants
	Junín	Annual school breakfasts
	Junín	Agricultural & livestock production
	Lima Junín	Christmas celebrations
	Lima / Junín	Smallpox vaccination campaign
Lima Junín	"Wash your hands with soap" campaign	
MEDIO AMBIENTE	Lima	Forestation & reforestation
	Lima	Environmental awareness & training
	Lima	Drawing & painting contests on environmental & risk prevention themes
	Lima	Improvement of green areas & support for electrification of the principal roads
	Lima	Waste management
	Lima	"Clean & healthy schools" program



PRINCIPAL ACTIONS IN PERU

AMOUNT US\$	BENEFICIARY(IES)	PERSONS BENEFITING
7,000,0	Community schools students & teachers	7,720
11,310,0	Educational institutions	1,000
1,200,0	Students, authorities, communal leaders & population in general	2,270
4,500,0	Leaders of Edegel	2,270
3,100,0	Communal & youth leaders	253
2,000,0	Schools close the company's hydroelectric plants	2,000
52,000,0	Population of Lima	Unknown
87,900,0	Community of Pacaybamba	20 families
2,700,0	Community of Yanayacu	26 families
56,800,0	Ministry of Transport / Peruvian central jungle regions	Unknown
200,0	Municipalities of Santa Eulalia, San Pedro de Casta & Callahuanca	Unknown
8,900,0	Municipality of San Pedro de Casta	200 families
4,800,0	Pacaybamba, Yanayacu & Utcuyacu educational centers	95
21,000,0	Yuracmayo community	20 families
6,000,0	Comunities of Lima, Chosica & San Ramón,	6,250
15,000,0	Children of between 2 & 5 years in the following communities (Pacaybamba, Yanayacu, Los Ángeles, Utcuyacu, Santa Eulalia & surroundings, Huayaringa, Palle Alto, Palle Bajo, Lucmaseca)	220
1,000,0	Infant, young people and adults of the following communities (Pacaybamba, Yanayacu, Los Ángeles, Utcuyacu, Santa Eulalia & surroundings, Huayaringa, Palle Alto, Palle Bajo, Lucmaseca)	3,000
1,800,0	Communities of Nicolás de Piérola, Chacrasana & San Antonio; Valle el Triunfo housing association, Basilio Auqui. AA.HH. arcades association, Los Olivos, Ayllu & Av, 13 junio housing associations	11,000
300,0	Teachers, youth & communal leaders, population in general	3,600
500,0	Educational Management Unit No.6 of Chosica	890
2,500,0	Santa Rosa stapes I & II human settlement	100 families
1,000,0	Comunities of Nicolás de Piérola, Chacrasana & San Antonio	9,000
600,0	Educational institutions belonging to the UGEL 06, Network 14 of Chosica	2,050
TOTAL SOCIAL CONTRIBUTIONS IN PERU		US\$ 292,110



PRINCIPAL ACTIONS IN COLOMBIA

ITEM	COMPANY	PLACE	DONATION / SOCIAL INITIATIVE
EDUCATION	Emgesa	Tocancipá, El Colegio, Gachalá, San Antonio del Tequendama, Sibaté & Ubalá	Institutional reinforcement program
	Betania	Municipalities of Hobo, Campoalegre & Gigante	Institutional reinforcement program
	Emgesa	Municipality of San Antonio del Tequendama	Schools improvement program
	Emgesa	Municipality of Ubalá	School teacher support & improvement of recreational spaces. Teacher numbers in welfare homes Improvement of school infrastructure, Department of Mámbita
	Betania	Municipality of Neiva, Huila	Creation of Betania Energy Corner. Scale model.
ENVIRONMENT	Betania	Municipalities of Hobo, Yaguará, Campoalegre & Gigante - Huila Department	"School as a laboratory for integral solid waste management" program. Launching of solid wastes program
	Emgesa	Inspección de Mámbita. (Ubalá) Municipio de Ubalá (centro)	Emgesa's environmental education program for students of 6th to 11th grades. School ecological clubs. Cultural & environmental week in Ubalá Launching of "Classification at Source an Intelligent Decision" campaign for the integral management of solid waste. Formation of ASOPROMIR, a promotional association for the integral management of solid waste in the Inspection of Mámbita.
COMUNIDAD	Betania	Municipality of Neiva, Department of Huila	Bambuco folklore festival
	Emgesa	Municipalities: El Colegio, San Antonio del Tequendama, Sibaté, Inspection of Santandercito, in the south & Municipalities of Gachalá, Ubalá & Inspection of Mámbita in Guavio.	Municipal Christmas illuminations
	Emgesa	National	Illumination of churches agreement
	Emgesa	Municipality of El Colegio	El Colegio festival of the Light
	Emgesa	Municipality of Gachalá	Guavio nautical festival
	Betania	Municipality of Hobo	Support for production project of Orellanas (an edible fungus)
	Emgesa	Inspection of Pradilla, Municipality of El Colegio	Support for second phase construction acoustic shell
	Emgesa	Communal Action Council, Inspection of El Charquito Municipality of Soacha	Staffing of community center
	Emgesa	Renovation of Mámbita's central park.	Installation in wood at central park
	Emgesa	Municipality of Gama	Installation of three greenhouses for cultivating long-life tomatoes.
	Emgesa / Betania	Municipalities in zone of Influence	Social investment programs & projects support



PRINCIPAL ACTIONS IN COLOMBIA

AMOUNT US\$	BENEFICIARY(IES)	PERSONS BENEFITING
27,134	Public officials or 6 municipalities & local community leaders	508
12,756	Public officials or 3 municipalities & local community leaders	242
2,627	8 educational centers of the San Antonio del Tequendama municipality	650
	Infant homes of the Instituto Colombiano Bienestar Familiar (ICBF)	50 children under 5 years old,
5,138	Mámbita Departmet college, Inspection of Mámbita, Municipality of Ubalá Cundinamarca,	200 students
4,378	Universidad Sur Colombiana de Neiva, Huila,	3,000 students
15,476	Seven secondary educational institutions, the Ana Elisa Cuenca, Ismael Perdomo, ECOPETROL & La Vega colleges.	150 students
	Municipality of Ubalá & Inspection of Mámbita Five school centers.	300 students
11,715	Family training & classification of waste from the generating source	100 families 1,800 inhabitants
	Generation of income for the association	8 families
7,223	Municipalty of Neiva, Department of Huila	24,000
35,240	Municipalities: El Colegio, San Antonio del Tequendama, Sibaté, Gachalá, Ubalá & Inspections of Mámbita & Santandercito	98,000
92,373	Cities of Ibagué (Tolima), Caqueza [Cundinamarca] & Bucaramanga (Santander) , 3 churches in Barichara (Santander) & 2 chappels at Santa Fe de Antioquia,	
4,816	Municipality of El Colegio	24,000
2,079	Municipalities close to Guavio reservoir: Gacheta, Ubalá, Gachalá & Gama	2,500
548	Association of Women Heads of Family	20 families
2,189	Inspection of Pradilla	3,000 inhabitants
1,397	Comunal Action Council	250
1,676	Inspection of Mámbita, Municipality of Ubalá- Cundinamarca,	1,800
2,208	Association of Women Heads of Family	19 Families
122,750	Community of area of influence	98,000
TOTAL APORTE SOCIAL EN COLOMBIA		US\$ 351,723



FOUNDATIONS AND CIVIL SOCIETY

Endesa Chile carries out a large part of its social role through its financial support for foundations. Through these organizations, the Company has a greater degree of proximity with the communities and their representatives for carrying out projects and initiatives that contribute to their development. This is the case of the following foundations:

FUNDACIÓN ENDESA COLOMBIA (FORMERLY FUNDACIÓN EMGESA)

The Fundación Endesa Colombia was legally constituted in November 2005 with the merger of the Emgesa and Codensa foundations.

The strategic positioning and management of the foundation are based on Endesa Chile's principle of Corporate Social Responsibility, in its links with Colombia and its presence in the capital and municipalities of the areas of influence of the subsidiaries Emgesa and Codensa.

The foundation promotes the formation of self-sustainable projects and the carrying out of cultural, educational and social programs that, interpreting the regions' problems, translate into important contributions to community social development.

During 2005, it invested in its principal actions around 1,600 million Colombian pesos (some US\$ 700,000). The following were among its projects:

In the area of contributions to economic development and self-sustainable project creation, notable was the mounting of the "Center for processing agro-ecological products of Tequendama", under an agreement with the Granjas Verdes Cooperative. The project is designed to create a regional ecological products market, to give training in fresh product handling techniques and to generate employment.

In the same area, an agricultural production and training farm was set up in the municipality of El Colegio. The main objectives are to create the productive infrastructure necessary for ensuring the sustainability of the

producing farm, the training of farm producers in ecological techniques, introduce ecological techniques on some of the farms of the trained producers and offer alternatives to producers for the sale of their products at competitive prices.

With respect to education, notable was the contribution made to the municipality of Ubalá, through the agreement for the opening of the open and at-a-distance municipal university, improving the physical infrastructure and the staffing of some areas.

FUNDACIÓN PEHUÉN (CHILE)

The Fundación Pehuén is a non-profit making entity constituted by a subsidiary of Endesa Chile to promote programs for improving the economic situation of the Upper Bío-Bío Pehuenche communities.

Fundación Pehuén works to improve the living conditions of the communities in education, health and economic income, as well as the promotion of aspects of the Pehuenche culture.

Endesa Chile and Pangué S.A. make annual monetary contributions to the foundation, both companies contributing approximately US\$330,000 during 2005.

The principal actions carried out by the foundation during 2005 were concentrated on three basic areas: community / productive development, education and culture.



ITEM	SOCIAL INITIATIVE	AMOUNT US\$	COMMUNITY BENEFITING	PERSONS BENEFITING
COMMUNITY / PRODUCTIVE DEVELOPMENT	Field preparation	5,406.2	Callaqui community	15 Families
	Enclosure perimeter Lake El Barco	1,462.3	Local communities	40 Families
	Technological tourist trip	893.2	Pitiril community	50 Families
	Commercialization of grass bales	510.2	Local communities	20 Families
	Commercialization of hazelnuts	2,797.8	Callaqui, Pitiril & Quepuca communities	90 Families
	Sowing of wheat & oats	2,962.0	Ayin Mapu community	8 Families
	Preparation of irrigation system	4,905.1	Pitiril community	10 Families
	Sowing of wheat with land rental	11,076.0	Quepuca community	15 Families
	Livestock pens	2,699.0	Lepoy community	162 Families
	Acquisition & sowing of potatoes with fertilization	5,791.1	Callaqui, Quepuca & Lepoy communities	127 Families
	Field reinforcement	5,691.7	Callaqui, Pitiril & Lepoy communities	412 Families
	Livestock sheds	1,290.7	Lepoy community	10 Families
	Reproducing sheep	370.9	Ayin Mapu community	12 Families
	Implementation of camping tourism	2,799.5	Pitiril community	90 Families
	Preparation of irrigation system	1,435.0	Pitiril community	6 Families
	El Avellano honey production	2,923.3	Quepuca community	10 Families
	Animal health	252.8	Lepoy community	75 Families
	Rented fields	2,939.8	Quepuca community	5 Families
	Native forest monitors	3,168.8	Pitiril & Quepuca communities	60 Families
	Field harvesting	1,840.6	Ayin Mapu community	28 Families
	Bee-keeping technical assistance	410.9	Pitiril community	10 Families
	Field preparation	3,817.7	Local communities	100 Families
	Commercialization of cattle	1,426.9	Pitiril community	10 Families
	Ralco reservoir bank tourism training	386.4	Local communities	50 Families
	Ralco reservoir bank tourism infrastructure	22,178.7	Local communities	37 Families
	Subsidy demand diagnosis	2,579.5	Local communities	60 Families
	Support for applying for & processing social subsidies	9,569.3	Pitiril & Callaqui communities	162 Families
	Construction of homes	9,084.1	Ayin Mapu community	10 Families
	Construction of warehouse	7,479.3	Callaqui & Lepoy communities	482 Families
	Social support for 12 families	6,604.5	12 families of the community	12 Families
EDUCATION	Kindergarten monitors	5,179.7	Callaqui & Lepoy communities	43 Families
	School clothes	6,638.4	Local communities	80 Students
	Preparation of dormitories Ralco school	4,065.3	Local communities	112 Students
	Repair of municipal gymnasium bathrooms	2,186.1	Lepoy community	160 Families
	Introduction of acrylic school blackboards	608.8	Callaqui community	60 Students
	Monitor of craftsmanship & inter-cultural bilingual ability	6,947.3	Pitiril & Callaqui communities	140 Students
	Improvement of kindergarten	1,071.9	Lepoy community	18 Families
	Study scholarships	41,815.7	Local communities	40 Students
	Preparation of community school radio	6,812.9	Quepuca community	60 Students
CULTURE	Cultural base lines for the territory	23,269.6	Local communities	355 Families
	Cultural identity promotion program	7,342.7	Local communities	175 Families
	Improvement Nguillatún infrastructure	1,071.9	Pitiril community	90 Families
	Craftsmanship in wood	1,428.6	Pitiril community	12 Families
	Mingaco	519.7	Pitiril community	1 Families
	Support for craftsmens' workshop	506.4	Callaqui community	12 Families
	La Peña sports club	331.0	Ayin Mapu community	20 Families
	Wetripantu recreational infrastructure	736.4	Pitiril community	90 Families
	Seminar workshop "Strategic visions of development"	268.0	Local communities	80 Families
	Educational support	2,301.7	Local communities	40 Families

PRINCIPAL CONTRIBUTIONS 2005 FUNDACIÓN PEHUÉN

US\$ 237,855



At the end of 2005, Fundación Pehuén and the Inter-American Foundation (IAF) renewed an agreement for the third consecutive year whereby the American institution committed to donate US\$ 60 thousand for financing development initiatives in the Pehuenche community partners of the foundation for a one-year period.

FUNDACIÓN SAN IGNACIO DEL HUINAY (CHILE)

Constituted in 1998 by Endesa Chile and the Pontificia Universidad Católica de Valparaíso, the object of the Fundación San Ignacio del Huinay was to develop scientific research, seeking to conserve the bio-geographic patrimony of the Huinay district (34,000 hectares located in the Hualaihué municipality in Chile's 10th Region) through a project based on scientific research and the concept of sustainable development.

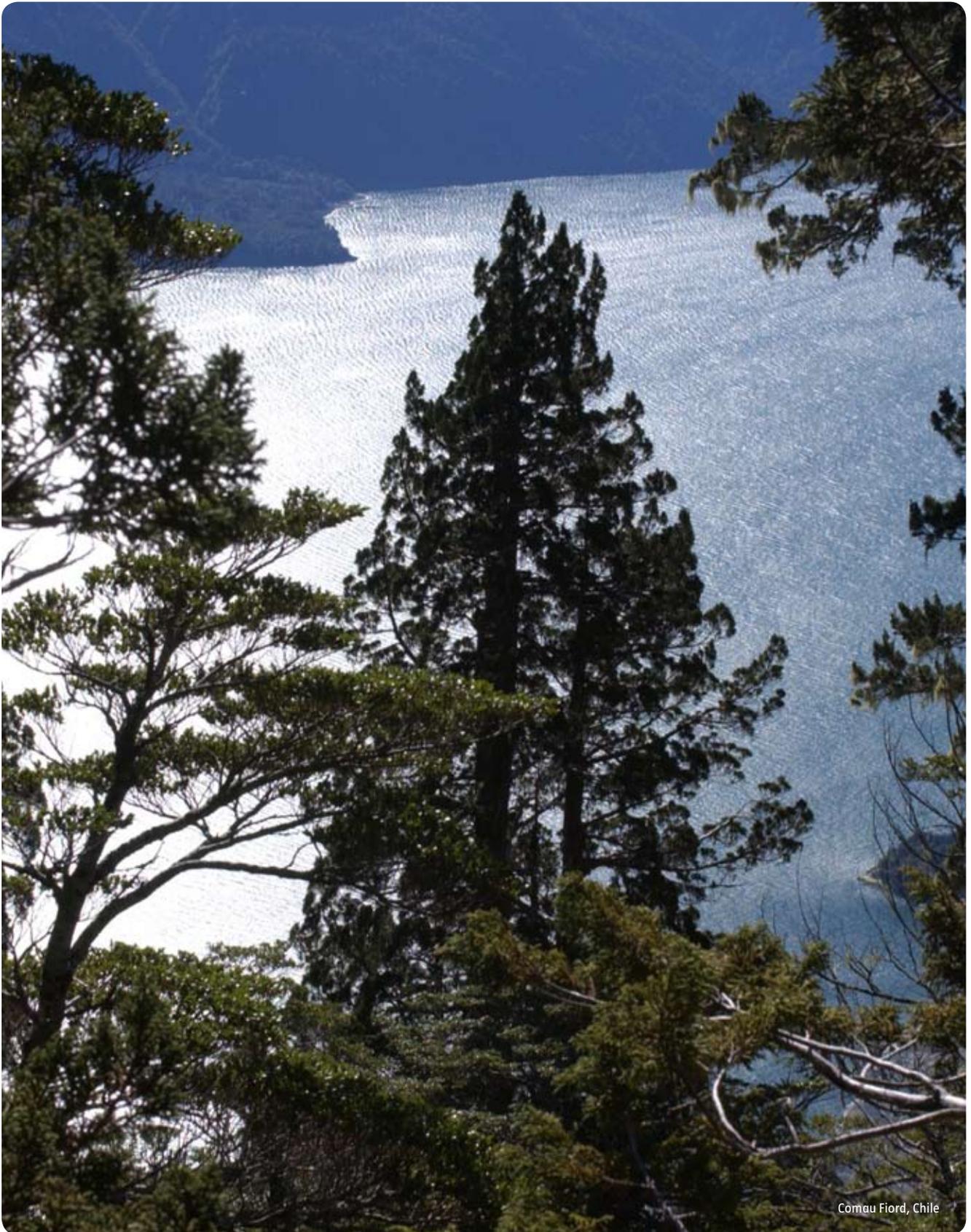


The operation of the Huinay Scientific Center was begun in 2001, providing accommodation for researchers visiting the zone and having laboratories and a series of tools for facilitating research work in various areas of study related to the flora, fauna, marine life, etc.

The following activities were carried out during 2005:

- The publication of the book "The last paths of the huemul", the first written in Chile on this emblematic species.
- Collection and sending of organisms of the fjords for the invertebrates guide: two collection expeditions on Chiloé island and Guaitecas islands, jointly with a group of sponge taxonomists from Brazil and Belgium, and the Puerto Edén / Fjords Témpano y Bernardo region.
- Visit to Washington D.C., United States, to present the Protected Marine Area to non-government organizations and the World Bank, a project of anemone molecular phylogeny in the Smithsonian Institute and the State Collection of Zoology, Munich.
- Participation in the Latin American Congress on Sea Sciences, Viña del Mar (Colacmar) and the first protected marine areas congress in Australia (IMPAC1).
- Meetings with fishermen and regional authorities: fishermen's unions, presentation to the Regional Environmental Commission (COREMA), the National Environmental Commission (CONAMA) and the Coastal Border Commission.





Comau Fjord, Chile





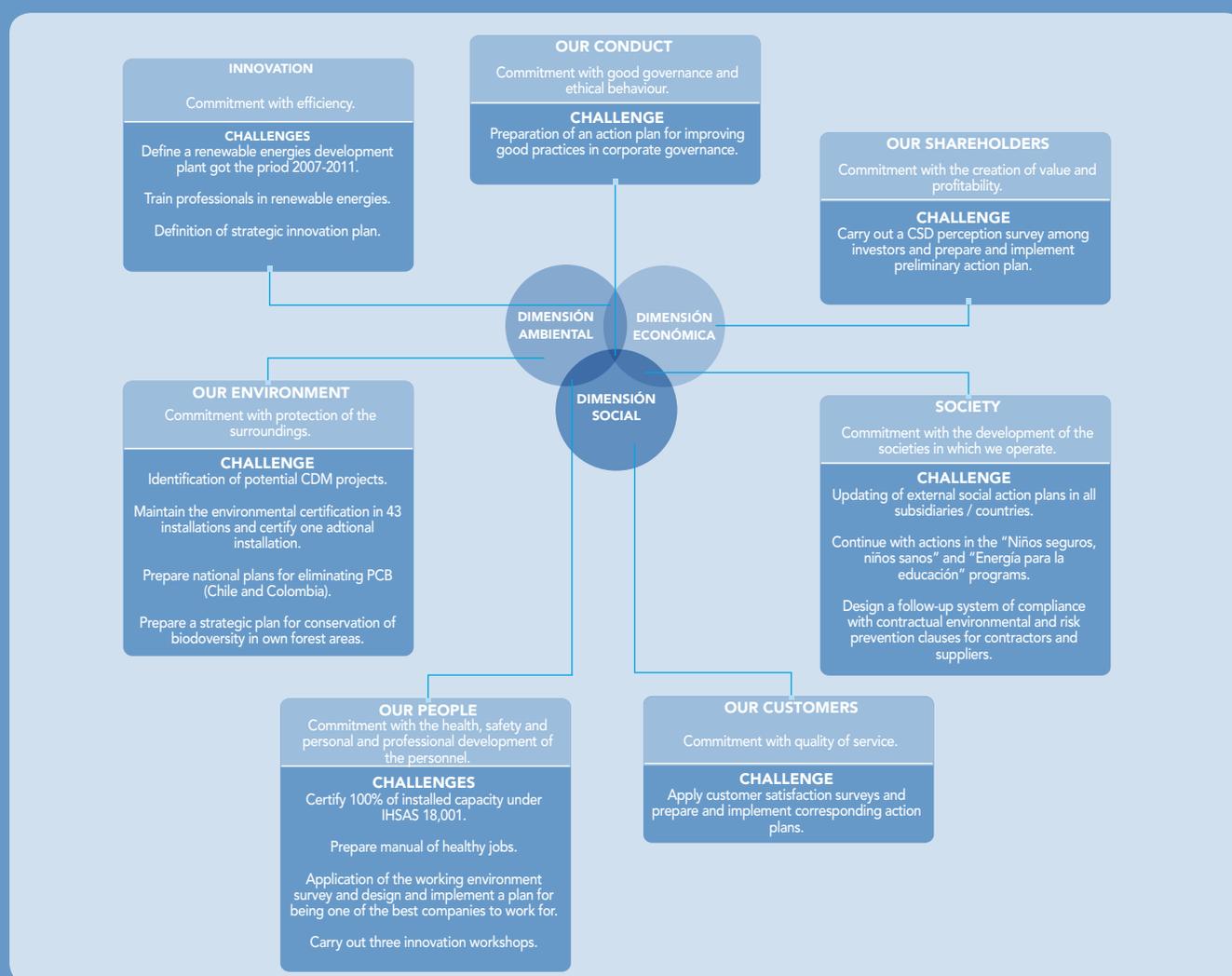
06

CHALLENGES FOR ENDESA CHILE IN 2006

As in all continuous improvement processes, the definition of new targets and challenges is fundamental to progressing with the implementation of the seven commitments with sustainable development.

As is set out in Endesa Chile's Corporate Sustainability Policy, the balanced compliance with our responsibilities in economic, social and environmental matters on the basis of sustainability criteria, is essential for the maintenance of our present leadership position and its reinforcement to face the future. Establishing new challenges in this sense therefore becomes an indispensable requirement.

Some of the challenges that Endesa Chile has set itself for 2006 are as follows:



In addition to these challenges, the process of consolidation of the corporate sustainability project will continue at the South American level and work will be extended in the identification and development of follow-up indicators oriented to evaluating the implementation of the ten principles of the Global Compact.

APPENDIX I. GLOSSARY

BIODIVERSITY

Variability of living organisms that form part of all land and aquatic eco-systems, It includes the diversity within a same species, between species and between eco-systems.

CLIMATE CHANGE

Change of climates attributable directly or indirectly to human activity that alters the composition of the global atmosphere and which is added to the natural variability of the climate observed during comparable periods of time (Clause 1, D.S. 123/95 of the Chilean Ministry of Foreign Affairs).

COMMUNICATION OF PROGRESS

Policy established in January 2003 by the Global Compact office whereby participants should communicate every year to interested parties the progress made in the application of the principles of the Global Compact through annual financial reports, sustainability reports, other important public reports, web sites or other communication methods.

CREATION OF CORPORATE VALUE

Process of increasing the value of the image of a company as a result of actions that directly and indirectly benefit both its share value and its corporate reputation.

SUSTAINABLE DEVELOPMENT

Combination of economic growth with rational use that safeguards the conservation of natural resources, to maintain or improve people's quality of life at a socially equitable level without compromising the expectations of future generations (Interpretation Clause 2, Law19,300).

DOW JONES SUSTAINABILITY GLOBAL INDEX

Family of global indices created by the Dow Jones Company (Dow Jones Sustainability Group Index). This attempts to reflect the added value of companies focused on sustainable development through an index of capitalization of the leading companies in their sector, that establish communication strategies and policies with sustainability criteria. The American version of this index is the DJSI and the European the DJSI Stoxx (www.sustainability-indexes.com).

GREENHOUSE EFFECT

The heating of the troposphere (lower layer of the atmosphere) through an increase in CO2 concentrations in the atmosphere which impede the passage of infrared radiation reflected from the earth's surface.

ENERGY EFFICIENCY

Energy efficiency does not consist of reducing energy consumption but of using energy in a more rational way according to its scarcity and the non-renewable nature of some of its generation sources.

ENVIRONMENTAL IMPACT ASSESSMENT

Document describing in detail the characteristics of a process or activity that it is intended to be carried out or be modified. Well-based arguments have to be presented for predicting, identifying and interpreting its environmental impact and describing the action(s) to be taken to impede or minimize its significantly adverse effects (Clause 2, Law19,300).

EMISSION TO THE ATMOSPHERE

Relates to the direct or indirect discharge to the atmosphere of gases or particles by a chimney, duct or discharge point (Clause 1, D.S. No.04/92 of the Chilean Ministry of Health).

HYDROELECTRIC GENERATION

Hydroelectric plants are those that use the mechanical force of water as their motive element, which acts directly on the turbine linked to a generator, giving it a rotating movement that generates electricity.

THERMAL GENERATION

A thermal plant is a combination of equipment for producing energy from the chemical energy contained in a latent state in industrial fuels.

GLOBAL REPORTING INITIATIVE

International organization that establishes and publishes guidance of voluntary application, that assists users with respect to the principles and contents for the preparation of company sustainability reports. These guidelines are applicable globally to those organizations who wish to report publicly on the economic, environmental and social aspects of their performance (www.globalreporting.org).

CORPORATE GOVERNANCE

Form in which a company is managed, both administratively and legally, a situation reflected in permanently applied internal standards and practices.

INTERNATIONAL EMISSIONS TRADING

ASSOCIATION

Independent non-profit making organization dedicated to establishing effective systems for the trading of greenhouse effect gas reductions (www.ieta.org).

CLEAN DEVELOPMENT MECHANISM (CDM)

This system permits companies or countries with commitments to limit emissions to finance specific projects for the reduction of emissions in developing countries and crediting the resultant reductions against their obligations (Clause 12, Kyoto Protocol).



UNITED NATIONS GLOBAL COMPACT

The United Nations Global Compact is an ethical commitment initiative for entities of all countries to include, as an integral part of their strategy and operations, ten principles of conduct and action in human rights, labor, environment and the fights against corruption (www.unglobalcompact.org).

INTERESTED PARTIES OR STAKEHOLDERS

Relate to all the agents that are involved or are affected, directly or indirectly, by the performance of the business of a company. It therefore includes persons and organizations, and public and private sector representatives.

INSTALLED CAPACITY

Potential energy generating capacity resulting from the sum of the potential capacities of the transformers of an industrial establishment.

KYOTO PROTOCOL

Document summarizing the agreement of countries attending the summit meeting held in Kyoto in 1997 in the context of the United Nations Framework Agreement covering Climate Change, to negotiate limits on greenhouse gas emissions of developed countries, compared to levels recorded in 1990.

WASTE

All material or form of energy that has to be disposed of as being of no use or anti-economic.

LIQUID WASTE

Undesired element, surplus or excess of processes or activities that are not usable and are in a liquid state or with a humidity content of over 80%.

SOLID WASTE

Undesired element, surplus or excess of processes or activities that are not usable and are in a solid state or in a liquid state kept in a container.

SOCIAL RESPONSIBILITY

Refers to the form in which people and organizations face their actions in order to privilege purposes that always bring a collective or individual benefit of a social and environmental nature. It is also accepted as a "global vision of the businesses that integrate respect for ethical values, people, the community and the environment, both in their operations and in their strategic decisions". In some countries, this concept is used as synonymous with Corporate Sustainable Development.

ENVIRONMENTAL MANAGEMENT SYSTEM

That part of the global management system that includes the organizational structure, planning activities, responsibilities, practices, procedures, processes and resources for developing, implementing, achieving, revising and maintaining an organization's environmental policy.

SUSTAINABILITY ASSET MANAGEMENT (SAM)

A Swiss agency, partner of Dow Jones Company, that records and qualifies the companies that integrate the Dow Jones sustainability index (www.sam-group.com).

ENVIRONMENTAL LIABILITY

Environmental liability is a project debt with the environment. This debt can arise from the construction stage, the permanence of temporary camp-sites, machinery, scrap, inverts and stones, unused oily materials, open deposits and dumps, service roads; or project omissions like the lack of emission entrapment systems (precipitators), of slippage containment trays, dangerous materials warehousing, warehouses for the temporary heaping of industrial waste, drinking water and sewage systems, etc.

Environmental liabilities do not include environmental permits pending; environmental commitments for construction pending the start-up of the installation; nor environmental aspects of the operation of the plants that are being adapted whether by specific plans or through the environmental management system.

WORLD BUSINESS COUNCIL FOR SUSTAINABLE**DEVELOPMENT**

Coalition of multinational companies committed to the promotion of sustainable development. Its members represent more than 20 sectors of the global economy and come from more than 30 countries. It has a regional network of 40 countries around the world (www.wbcd.org).

WORLD RESOURCES INSTITUTE

This is an environmental think tank dedicated to research in practical measures for protecting the earth and improving the people's quality of life (www.wri.org).



APPENDIX II. CHANNELS OF COMMUNICATION WITH STAKEHOLDERS

Endesa Chile considers it essential to maintain transparent and balanced relations with its stakeholders, for which it has formal communication channels of a general nature and specific nature which have been designed to meet the demands of its groups of interest.

INTERESTED PARTY	GENERAL INFORMATION CHANNEL	SELECTIVE INFORMATION CHANNELS	PARTICIPATION CHANNELS
SHAREHOLDERS & INVESTORS	Annual Report Web site	Bulletins Reports Press releases Investors web page	Surveys Shareholders' meeting Investor relations
CUSTOMERS	Annual Report Web site	Magazines Bulletins Customer extranet	Satisfaction survey Customers extranet Enquiry letter box
PERSONNEL	Annual Report Web site	Magazines Intranet Risk prevention leaflets Electronic newspaper Latam Campus	Labor environment survey Union dialogue Cycle of talks & participation programs
SUPPLIERS & CONTRACTORS	Annual Report Web site	Suppliers web page	Talks & day seminars Direct lines of attention: telephone & e-mail
SOCIAL & ENVIRONMENTAL ORGANIZATIONS	Annual Report Web site	Specific reports	Environmental and Sustainable Development Management. e-mail: medioambiente@endesa.cl
GOVERNMENTAL ORGANIZATIONS	Annual Report Web site	Specific reports	Continuous communication

ANNUAL REPORT: the Company publishes a public report of its principal actions related to its main business.

SUSTAINABILITY REPORT: an annual publication reporting performance in the economic, environmental and social areas of Endesa Chile and its electricity generating subsidiaries in South America.

AMÉRICA ENDESA MAGAZINE: institutional quarterly publication of Enersis in which the subsidiaries, including Endesa Chile, report their different activities.

CORPORATE INTRANET: where all information that the personnel may need for properly carrying out their duties is set out, on www.intranet.enersis.cl.

DIRECT LINE AND NOTICES: virtual means by which the Company communicates with its personnel concerning important events that affect its progress. The notices are used to communicate instructions, benefits or social activities.

ELECTRONIC NEWSPAPER: there is an electronic newspaper in the dining room of the head office in Santiago which contains news of interest for the Company and its employees.

WEB SITE: the address is www.endesa.cl and it contains the necessary information for institutional and individual investors, to provide a service to its customers and suppliers and for the public in general. The institutional investor also has access to a mini-site related to Sustainable Development which provides information concerning the communities, environment, investors, employees, corporate governance and the commitment with the Global Compact, among other aspects (www.endesa.cl/rse).

COMMUNITY WORK NEWSLETTER: Endesa Chile publishes this newsletter bi-monthly to inform about the work and actions made by the Company with respect to Corporate Social Responsibility in the different communities where it is involved.



APPENDIX III. SUMMARY OF KEY PERFORMANCE INDICATORS

GENERAL INDICATORS	2004	2005	PAGE
Installed capacity Endesa Chile & subsidiaries	12,334 MW	12,384 MW	12
Electricity generation Endesa Chile & subsidiaries	47,366 GWh	50,122 GWh	12
Total number of generating plants	46	47	10
Percentage of thermal installed capacity	31 %	28 %	11
Percentage of hydroelectric installed capacity	69 %	72 %	11

Source: Annual Reports 2004 & 2005, Endesa Chile.

ENVIRONMENTAL PERFORMANCE INDICATORS	2004	2005	PAGE
Total number of plants certified ISO 14,001 (Dec. each year)	35	43	56
Percentage of installed capacity certified ISO14,001	86.2 %	97.9 %	56
Percentage of annual generation certified ISO 14,001	68.1 %	89.2 %	56
Total gas emissions into the atmosphere (& specific)			
CO ₂	6,075.9 thous. tons (0.47 kg/kWh)	6,049.7 thous. tons (0.49 kg/kWh)	57
NO _x	8,036.4 tons (0.62 g/kWh)	8,632.3 tons (0.69 g/kWh)	57
SO _x	7,041.4 tons (0.55 g/kWh)	10,795.0 tons (0.87 g/kWh)	57
Industrial waste generation	89,230.9 tons	110,115.8 tons	58
Own consumption of electricity	625.1 GWh	693.0 GWh	69
Discharge of industrial water	1,367.4 Hm ³	1,527.3 Hm ³	58
Water consumption	1,462.9 Hm ³	1,715.7 Hm ³	68
Refrigeration	1,461.7 Hm ³	1,714.3 Hm ³	68
De-mineralized	0.96 Hm ³	1.05 Hm ³	68
Drinking	0.31 Hm ³	0.33 Hm ³	68
Fuel consumption			
Coal	314,717 ton	442,852 ton	68
Gasoil (oil)	32,977 m ³	12,913 m ³	68
Fuel oil	306,924 m ³	377,861 m ³	68
Natural gas	2,330,296 Dm ³	2,170,623 Dm ³	68
Environmental training			
β No. of courses	32	58	61
β No. of students	681	1,708	61
β No. of hours	107	190	61
Environmental investment	US\$ 4,077,000	US\$ 1,077,403	62
Environmental operating expense	US\$ 2,925,500	US\$ 4,420,044	63

Source: Gemades, Endesa Chile, at December 2004 & 2005.

APPENDIX III. SUMMARY OF KEY PERFORMANCE INDICATORS

ECONOMIC PERFORMANCE INDICATORS	2004	2005	PAGE
Number of subsidiary companies*	12	13	9
Number of associate companies	10	10	9
Number of countries with a presence	5	5	9
Total material investment in companies	US\$ 162.1 million	US\$ 108.4 million	35
Total financial investment	US\$ 21.3 million	0	-
Total investments	US\$ 183.4 million	US\$ 108.4 million	35
Closing share price on Santiago Stock Exchange	\$ 334.9 at 31/12/2004	\$ 519.5 at 31/12/2005	31
Volume of shares traded in Chile	1,166.5 million	1,295 million	31
Total electricity sales	53,444 GWh	55,885 GWh	29
Net income for the year	US\$ 169.4 million	US\$ 215.9 million	29
Personnel expenses	US\$ 56.7 million	US\$ 65.4 million	32
Current ratio	1.27	0.54	29
Debt ratio	0.97	0.89	29
EBITDA	US\$ 952.9	US\$ 1,105.4	29

Source: Annual reports 2004 & 2005, Endesa Chile.

*: The subsidiary Endesa Eco is added, and Endesa Cachoeira S.A. is included despite ceasing to be a subsidiary at the end of the third quarter of 2005.

INTERNAL SOCIAL ACTION INDICATORS	2004	2005	PAGE
Total number of own employees	1,707	1,350	37
Average percentage of women employees	11.3 %	11.2 %	39
Average percentage of professionals & technicians	78.3 %	84.6 %	38
% unionized workers	52.6 %	57.4 %	40
Number of unions	12	13	40
% employees between 31 & 50 years old	63.9%	65.9 %	38
Investment in training	US\$ 990,331	US\$ 1,003,097	45
Training indicator	79.6 hrs./employee	62.6 hrs./employee	45
Training rate	3.3 %	2.6 %.	45
Training intensity	12.4 hrs	9.9 hrs	45
Accident frequency rate	1	3.7	42
Accident seriousness rate	6	46	42

Source: Human Resources & Organization Management, Endesa Chile.

*: Does not include employees of Ingendesa and Túnel El Melón as compared to 2004.

EXTERNAL SOCIAL ACTION INDICATORS	2004	2005	PAGE
Estimated social contribution	US\$ 6,195,520*	US\$ 982,337	72
Approximate number of actions for the community	64	107	72

Source: Communications Management, Endesa Chile.

*: Included US\$ 5,571,532.7 related to the plan for the relocation and assistance of those indirectly affected by the Ralco project.



APPENDIX IV. CONTENTS INDEX OF GLOBAL REPORTING INITIATIVE (GRI)

CENTRAL ELEMENTS / INDICATORS GRI		GLOBAL COMPACT PRINCIPLE(*)	SUSTAINABILITY REPORT 2005	PAGE(S)
1. VISION AND STRATEGY				
1.1	Sustainable Development: Vision & strategy	P8	Endesa Chile & its commitment with sustainable development / Strategy in terms of corporate sustainable development	16
1.2	Declaration of the chairman		Message from the chairman & chief executive officer of Endesa Chile	2
2. PROFILE				
Organization profile				
2.1	Name of the organization		Organization profile & structure / About Endesa Chile	9
2.2	Principal products & services		Organization profile & structure / About Endesa Chile	9
2.3	Operating structure		Organization profile & structure / About Endesa Chile	10
2.4	Description of divisions & operations		Organization profile & structure / About Endesa Chile	10
2.5	Countries where it operates		Organization profile & structure / About Endesa Chile	9 - 10
2.6	Ownership structure		Perfil y estructura de la organización / Acerca de Endesa Chile / Estructura operacional	9
2.7	Nature of its markets		Organization profile & structure / About Endesa Chile / Operating structure Organization profile & structure / Operating structure Commitment with quality of service / Markets where Endesa Chile operates	11 / 25
2.8	Size of the organization		Appendix III	89
2.9	List of interested parties		Endesa Chile & its commitment with sustainable development / Endesa Chile & its interested parties	19
Scope of the Report				
2.10	Person to contact for this report		Appendix VI	99
2.11	Period covered by the report		Presentation & scope of Sustainability Report 2005	7
2.12	Date of previous report		Presentation & scope of Sustainability Report 2005	7
2.13	Coverage of the report & specific limitations to its scope		Presentation & scope of Sustainability Report 2005	7
2.14	Significant changes since previous report		Presentation & scope of Sustainability Report 2005	7
2.15	Bases for the report of group of companies		The same bases have been used for the preparation & presentation of the information of Endesa Chile & its subsidiaries. The generating subsidiaries of Endesa Chile prepare their sustainability based on the GRI guide of 2002	-
2.16	Description of the nature & effect of any reformulation of information		Presentation & scope of Sustainability Report 2005	7



APPENDIX IV. CONTENTS INDEX OF GLOBAL REPORTING INITIATIVE (GRI)

CENTRAL ELEMENTS / INDICATORS GRI	GLOBAL COMPACT PRINCIPLE(*)	SUSTAINABILITY REPORT 2005	PAGE(S)
Perfil del informe			
2.17	Decision not to apply GRI principles	Not applicable. Endesa Chile has used the guidelines & principles proposed in the GRI guide 2002 in preparing this report	-
2.18	Criteria & definitions used	The criteria & definitions used are based on the Endesa Chile's systems of economic, environmental & social management	-
2.19	Significant changes to calculation methods	Not applicable. There are no significant changes in the indicator calculation methods compared to the Sustainability Report 2004	-
2.20	Internal policies & measures for ensuring accuracy, completeness & truth of the information	Presentation & scope of Sustainability Report 2005	7
2.21	Present independent verification policies & practices	Presentation & scope of Sustainability Report 2005	7
2.22	Obtaining additional information	Appendix VI	99
3. STRUCTURE OF GOVERNANCE AND MANAGEMENT SYSTEMS			
Governance structure			
3.1	Governance structure	Organization profile & structure / Organizational structure	12 - 15
3.2	Percentage of board of directors formed by independent members	Commitment with good governance & ethical behavior / The corporate governance of Endesa Chile	49
3.3	Process for determining the experience of directors in guiding strategies in social & environmental matters	Commitment with good governance & ethical behavior / Principles of corporate governance / The corporate governance of Endesa Chile	49
3.4	Process for identifying & handling risks & economic, environment & social opportunities	Commitment with good governance & ethical behavior / Risk management	50
3.5	Relationship between executive remuneration & the carrying out of the organization's objectives	Commitment with good governance & ethical behavior / The corporate governance of Endesa Chile All the managers receive variable incentives based on Sustainable Development objectives, in the scopes of action corresponding to their management.	50
3.6	Organizational structure & key individuals	Organization profile & structure / Corporate managements / Environment & Sustainable Development Committee.	14 - 15
3.7	Mission, values & internal codes of conduct	Organization profile & structure / About Endesa Chile	9
3.8	Shareholder mechanisms for making recommendations	Commitment with good governance & ethical behavior / Principles of corporate governance See pages 5 & 6 of the document Bases of Corporate Governance of Endesa Chile (www.endesa.cl)	49



CENTRAL ELEMENTS / INDICATORS GRI	GLOBAL COMPACT PRINCIPLE[*]	SUSTAINABILITY REPORT 2005	PAGE(S)
Commitment with interested parties			
3.9	Bases for the identification & selection of the principal interested parties	Endesa Chile & its commitment with sustainable development / Endesa Chile and its interested parties	19
3.10	Consultations with interested parties	Commitment with quality of service / Satisfaction survey Commitment with the health, safety and personal & professional development of people working in Endesa Chile / Working environment	26 / 46 / 88
3.11	Information gained from consultations with interested parties	Appendix II Commitment with quality of service / Satisfaction survey Commitment with the health, safety and personal & professional development of people working in Endesa Chile / Working environment	26 / 46 / 71
3.12	Use of information gained from consultations with interested parties	Commitment with the development of societies where it operates Compromiso con la calidad del servicio / Encuesta de satisfacción Commitment with the health, safety and personal & professional development of people working in Endesa Chile / Working environment Commitment with the development of societies where it operates	26 / 46 / 71
Global policies & management systems			
3.13	Precautionary principle	P7 Commitment with environmental protection / Installation infrastructure & monitoring projects	60
3.14	Voluntary commitments & other external initiatives	Endesa Chile & its commitment with sustainable development / Adhesion to the United Nations Global Compact	20
3.15	Membership of industrial & business associations	Commitment with environmental protection / Endesa Eco	67
3.16	Politics &/or systems for managing the impacts caused by prior & subsequent processes	Commitment with environmental protection Commitment with the creation of value and profitability Commitment with the health, safety and personal & professional development of people working in Endesa Chile Commitment with the societies where it operates	29 / 36 / 53 / 71
3.17	Approximation of handling of indirect impacts	Commitment with environmental protection Commitment with the creation of value and profitability Commitment with the health, safety and personal & professional development of people working in Endesa Chile Commitment with the societies where it operates	31 / 48 / 52
3.18	Significant operating change decisions	Profile & structure of the organization / Operating structure	12
3.19	Programs & procedures relating to social, economic & environmental performance	Commitment with environmental protection Commitment with the creation of value and profitability Commitment with the health, safety and personal & professional development of people working in Endesa Chile Commitment with the societies where it operates	29 / 36 / 53 / 71
3.20	State of certification of economic, environmental & social management systems	Commitment with environmental protection / Principal environmental actions 2005 / Environmental management systems Commitment with the health, safety and personal & professional development of people working in Endesa Chile / People's health & safety	41 / 56

APPENDIX IV. CONTENTS INDEX OF GLOBAL REPORTING INITIATIVE (GRI)

CENTRAL ELEMENTS / INDICATORS GRI		GLOBAL COMPACT PRINCIPLE(*)	SUSTAINABILITY REPORT 2005	PAGE(S)
PERFORMANCE INDICATORS				
Economic performance indicators				
Customers				
EC1	Net sales		Commitment with the creation of value / General operating results 2005	29
EC2	Geographic detail of the markets		Profile & structure of the organization / Operating structure Commitment with quality of service / Markets where Endesa Chile operates	10 - 11 / 25
Suppliers				
EC3	Cost of materials & services		Commitment with the creation of value / Creation of value / Distribution of the direct value created by Endesa Chile / Creation of value for suppliers & contractors	31 - 32
EC4	Percentage of contracts paid		Commitment with the creation of value / Creation of value / Distribution of the direct value created by Endesa Chile / Creation of value for suppliers & contractors	31
Employees				
EC5	Total remuneration expenses		Commitment with the creation of value / Creation of value / Distribution of the direct value created by Endesa Chile / Employees	32
Suppliers of capital				
EC6	Distribution between suppliers of capital		Commitment with the creation of value / Creation of value / Distribution of the direct value created by Endesa Chile / Suppliers of capital	32 - 33
EC7	Increase/decrease in retained earnings at end of year		Commitment with the creation of value / General operating results 2005	29
Public sector				
EC8	Total sum of taxes paid		Commitment with the creation of value / Creation of value / Distribution of the direct value created by Endesa Chile / State	33
EC9	Subsidies received		No subsidies have been received by Endesa Chile during 2005	-
EC10	Donations to the community, civil society & other groups		Commitment with the development of the societies where it operates	72 - 79
Environmental performance indicators				
Raw materials				
EN1	Materials used other than water, by type	P8	Commitment with efficiency / Efficiency in the use of resources / Consumption of fuel & water	68
EN2	Porcentaje de materias primas utilizadas que constituyen residuos de fuentes externas	P8	Not applicable. Endesa Chile does not use raw materials that are residues of other processes or industries for its energy generation processes	-
Energy				
EN3	Direct consumption of energy	P8	Commitment with efficiency / Efficiency in the use of resources / Consumption of energy in the production of energy	69
EN4	Indirect consumption of energy	P8	Endesa Chile keeps no record nor has estimated the consumption of indirect energy. Endesa Chile is an electricity generating company.	-
EN17	Initiatives for employing sources of renewable energy & for increasing energy yields (GRI additional indicator)	P9	Commitment with environmental protection / Endesa Eco	67



CENTRAL ELEMENTS / INDICATORS GRI		GLOBAL COMPACT PRINCIPLE(*)	SUSTAINABILITY REPORT 2005	PAGE(S)
Water				
EN5	Total water consumption	P8	Commitment with the environment / Efficiency in the use of resources / Consumption of fuel & water	68
Biodiversity				
EN6	Location & area of land owned, rented or managed in rich biodiversity habitats.	P8	Commitment with the environment / Principal impacts on biodiversity & protected zones	59
EN7	Most important impacts on biodiversity	P8	Commitment with the environment / Principal impacts on biodiversity & protected zones	59
EN27	Programs & objectives for protecting & restoring eco-systems & species (Additional GRI indicator)		Commitment with the environment / Principal impacts on biodiversity & protected zones	59
Emissions, dumps & waste				
EN8	Emissions of greenhouse effect gases	P8	Commitment with the environment / Alterations to the air, water & soil	57
EN9	Use & emissions of substances that affect the ozone layer	P8	Not considered as a significant aspect in the company's activity	-
EN10	NO _x , SO _x & other atmospheric emissions, by type	P8	Commitment with the environment / Alterations to the air, water & soil	57
EN11	Total volume of waste	P8	Commitment with the environment / Alterations to the air, water & soil	58
EN12	Water discharges of importance	P8	Commitment with the environment / Alterations to the air, water & soil	58
EN13	Spillages, of oils, chemical substances & fuels of importance	P8	Commitment with the environment / Incidents & fines of environmental nature	64 - 65
Products & services				
EN14	Significant environmental impacts of the principal products & services	P8	Commitment with the environment / Environmental impacts of the business	53 - 54
General				
EN15	Percentage of the weight of products sold that is recoverable at the end of their useful lives & percentage actually recovered	P8	Not applicable to the activities of Endesa Chile,	62 - 63
Compliance				
EN16	Episodes & fines related to non-compliance with environmental legislation	P8	Commitment with the environment / Incidents & fines of environmental nature	
General				
EN35	Total expenses on environmental matters (Additional GRI indicator)		Commitment with the environment / Environmental investments & expenses	
Social performance indicators				
Labor practices and decent work				
Employment				
LA1	Detail of employees		Commitment with the health, safety and personal & professional development of people working in Endesa Chile / Persons working in Endesa Chile	37
LA2	Net employment creation		Commitment with the health, safety and personal & professional development of people working in Endesa Chile / Persons working in Endesa Chile	40
LA12	Social benefits for employees not required by law (Additional GRI indicator)		Commitment with the health, safety and personal & professional development of people working in Endesa Chile / Personnel development	47
Company/employee relations				
LA3	Percentage of employees represented by union organizations	P3	Commitment with the health, safety and personal & professional development of people working in Endesa Chile / Unionization	40
LA4	Policy of information, enquiries & negotiation with employees	P3	Commitment with the health, safety and personal & professional development of people working in Endesa Chile / Unionization	40

APPENDIX IV. CONTENTS INDEX OF GLOBAL REPORTING INITIATIVE (GRI)

CENTRAL ELEMENTS / INDICATORS GRI		GLOBAL COMPACT PRINCIPLE[*]	SUSTAINABILITY REPORT 2005	PAGE(S)
Health & safety				
LA5	Method for recording & notification of occupational accidents & professional illnesses		Commitment with the health, safety and personal & professional development of people working in Endesa Chile / Personal health & safety	41
LA6	Description of joint health & safety commissions		Commitment with the health, safety and personal & professional development of people working in Endesa Chile / Personal health & safety	41
LA7	Rates of absenteeism, accidents & labor damages		Commitment with the health, safety and personal & professional development of people working in Endesa Chile / Personal health & safety	41 - 42
LA8	Policies & programs on AIDS		Commitment with the health, safety and personal & professional development of people working in Endesa Chile / Personal health & safety	42
Formation & education				
LA9	Average hours of formation annually		Commitment with the health, safety and personal & professional development of people working in Endesa Chile / Professional development	45 - 46
LA17	Specific policies focused on te management ofm knowledge or continued formation (Additional GRI indicator)		Commitment with the health, safety and personal & professional development of people working in Endesa Chile / Professional development	42
Diversity & opportunity				
LA10	Policies or programs of equality of opportunities	P6	Commitment with the health, safety and personal & professional development of people working in Endesa Chile / Persons working in Endesa Chile	40
LA11	Composition of the board	P6	Profile & structure of the organization / Organizational structure Commitment with the health, safety and personal & professional development of people working in Endesa Chile / Persons working in Endesa Chile	14 - 15 / 38
Human rights				
Strategy & management				
HR1	Policies relating to human rights	P1	Commitment with the health, safety and personal & professional development of people working in Endesa Chile (www. endesa.cl/rse)	36 / 40
HR2	Human rights & investments / selection of suppliers	P1 y P2	Commitment with the creation of value & profitability / Creation of value for suppliers & contractors (www.endesa.cl – Suppliers & contractors)	31 - 32
HR3	Policies & procedures for evaluating human rights in the supply chain	P1 y P2	Commitment with the creation of value & profitability / Creation of value for suppliers & contractors (www.endesa.cl – Suppliers & contractors)	31 - 32
Non discrimination				
HR4	Policies & procedures for preventing all forms of discrimination	P1 y P6	Commitment with the health, safety and personal & professional development of people working in Endesa Chile (www. endesa.cl/rse)	40
Freedom of association & collective bargaining				
HR5	Freedom of association	P3	Commitment with the health, safety and personal & professional development of people working in Endesa Chile / Unionization	40



CENTRAL ELEMENTS / INDICATORS GRI		GLOBAL COMPACT PRINCIPLE(*)	SUSTAINABILITY REPORT 2005	PAGE(S)
Infant work HR6	Exposition of the policy of rejecting infant work, application, follow-up & results	P5	Commitment with the health, safety and personal & professional development of people working in Endesa Chile / Persons working in Endesa Chile (www.endesa.cl/rse)	38
Forced & obligatory work HR7	Exposition of the policy of rejecting forced & obligatory work, application, follow-up & results	P4	Commitment with the health, safety and personal & professional development of people working in Endesa Chile (www.endesa.cl/rse)	36
Society				
Community S01	Description of impact management policies caused to communities, follow-up & results		Commitment with the development of the society in which it operates	71
Corruption S02	Description of policies & management systems regarding corruption & compliance mechanisms	P10	Commitment with good governance & ethical behavior / Principles of corporate governance of Endesa Chile / Probity & integrity	51
Political contributions S03	Description of policies & management systems regarding political contributions		Commitment with good governance & ethical behavior / Principles of corporate governance of Endesa Chile / Probity & integrity	51
Product Responsibility				
Customer health & safety PR1	Description of policies on customer health & safety during the use of the products & services		Commitment with quality of service / Actions for improving customer attention & satisfaction	28
Products & services PR2	Description of policies on information on the company's products & services		Commitment with quality of service / Actions for improving customer attention & satisfaction	28
Respect for privacy PR3	Description of the policies & management systems covering customer privacy		Commitment with good governance & ethical behavior / Principles of corporate governance of Endesa Chile / Probity & integrity	51

(*): The principles P1 to P10 are those described on page XX of this report.

APPENDIX V. VERIFICATION REPORT

AENOR Asociación Española de Normalización y Certificación

SUSTAINABLE REPORT VALIDATION

VMS-Nº 01/06

The Spanish Association for Standardisation and Certification (AENOR) validates that the sustainable Report of the following firm:

EMPRESA NACIONAL DE ELECTRICIDAD, S.A. – ENDESA CHILE

Entitled: **ENDESA CHILE SUSTAINABLE REPORT 2005**

This Report is in accordance with the requirements of the 2002 edition guide for the elaboration of Sustainable Reports, developed by the Global Reporting Initiative (GRI). The validation has been fulfilled on 8th February 2006 and no subsequent performances can be considered

The present validation will be in force, unless it is cancelled or withdrawn upon AENOR's written notification and according to specific terms of the contract – application nº GRI – 002/2006 of 25th April 2005 and to the General Regulation of January 2003, which require, amongst other commitments, the permission to visit the installations by the technical services of AENOR to verify the veracity of stated data.

This declaration does not condition the decision that Global Reporting Initiative can adopt to incorporate to Empresa Nacional de Electricidad, S.A.- Endesa Chile, in the "In accordance reporters list", and that GRI publishes in its Web http://www.globalreporting.org/guidelines/reporters_IA.asp.

Issued on: 8th February 2006


AENOR
General Manager of AENOR

APPENDIX VI. FEED-BACK QUESTIONNAIRE

We are committed in Endesa Chile with the continuous improvement of the quality of our Sustainability Reports. We understand that the document should meet the information requirements of our different stakeholders in a balanced and reasonable way. We are therefore most interested in knowing your opinion about it.

We thank you in advance for your comments and suggestions which we believe will surely serve to direct our future efforts. We provide below a feed-back questionnaire which please complete and send by mail, fax or download on to an electronic file from the www.endesa.cl/rse web site to send by e-mail,

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Design & Production
LEADERS

Printing
Fyrma Gráfica

CUESTIONARIO DE RETROALIMENTACIÓN

1.- TO WHICH STAKEHOLDER OF ENDESA CHILE DO YOU BELONG?

- Shareholder
- Investor / Financer
- Employee
- Customer
- Supplier / contractor
- Community close to the operations
- Regional / local government
- Non-government organization
- Media
- Academic / Student
- Other. Please indicate _____

2.- SELECT FOUR SECTIONS OF THE SUSTAINABILITY REPORT THAT YOU CONSIDER THE MOST INTERESTING.

- Message of the chairman & chief executive officer
- Organization profile & structure
- Endesa Chile & its commitment with Sustainable Development

COMPLIANCE WITH THE COMMITMENTS OF ENDESA CHILE

- Commitment with quality of service
- Commitment with creation of value & profitability
- Commitment with health, safety & the personal & professional development of people working in Endesa Chile
- Commitment with good governance & ethical behavior
- Commitment with environmental protection
- Commitment with efficiency
- Commitment with the development of the societies in which it operates

- Challenges 2006

Appendices

- Glossary
- Communication channels with the interested parties
- Summary of key performance indicators
- Global Reporting Initiative Index
- Verification report

3.- WITH RESPECT TO THE FOLLOWING CHARACTERISTICS, HOW DOES THE SUSTAINABILITY REPORT 2005 OF ENDESA CHILE APPEAR TO YOU? (MARK JUST ONE BOX PER CHARACTERISTIC).

LENGTH (AMOUNT OF INFORMATION PROVIDED)

- Very good
- Good
- Regular
- Bad

USEFULLNESS (SATISFACTION OF EXPECTATIONS WITH RESPECT TO THE CONTENT).

- Very good
- Good
- Regular
- Bad

PRESENTATION/DESIGN (REGARDING THE FORMAT, PHOTOGRAPHY, STRUCTURE, ETC.).

- Very good
- Good
- Regular
- Bad

CLARITY (INFORMATION IS PRESENTED ORDERLY AND UNDERSTANDABLY)

- Very good
- Good
- Regular
- Bad

4.- IF YOU THINK THAT SOME DATA OR INFORMATION OF INTEREST TO YOU HAS NOT BEEN COVERED IN THE SUSTAINABILITY REPORT 2005, OR THE INFORMATION PROVIDED IS, IN YOUR OPINION, INSUFFICIENT, INDICATE WHAT. YOU MAY ALSO MAKE YOUR COMMENTS OR SUGGESTIONS.

This report has been prepared for the knowledge and diffusion of all stakeholders who may express their comments and suggestions in the Consultations Post Box of the institutional web site www.endesa.cl.

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