



Jorge Lesser García-Huidobro
President of the Board of Directors

LETTER BY THE PRESIDENT

Dear authorities, customers and neighbors:

I am pleased to present our 4th Sustainability Report, which reveals the company management and actions and shows our progress in continuously improving the activities we perform.

As you already know, since the private administration took over in 1999, the company has focused specially on developing a series of essential works in order to support the regional development and growth. More than 500 million dollars were invested and 15 drinking water treatment systems were built, which enabled the total decontamination of rivers, streams and coastline. Similarly, 60 tanks were built to increase water accumulation capacity.

Nowadays the investments are mainly aimed at renewing and extending the drinking water and sewer networks, and we have invested more than 60 billion Chilean pesos since 1999. It is important to highlight that in 2011, the company made investments for 17,288 billion Chilean pesos in the Region of Valparaíso, from which 12,081 billion Chilean pesos were aimed at producing and distributing drinking water, which reflects what was mentioned above.

Another important point is that alongside the major infrastructures, a community network was built, which allowed direct communication not only with the authorities and customers, but also with all community members, such as children, young, adults and elderly people and their intermediate organizations. In order to extend this network, in 2011 we decentralized some of our activities, and we started our campaign Agua Sana Vida Sana in Las Cruces (El Tabo), San Antonio and Algarrobo. We also performed training seminars for community leaders in Valparaíso, Viña del Mar and Quilpué, for the province of Marga Marga; while the Sustainability Report was submitted to the authorities and leaders of San Felipe and Los Andes.

In 2011, a great challenge was posed the regional drought for the third consecutive year. This situation led to a decreased water source levels, in some cases dramatically. For example, Peñuelas reservoir, main supplier for Curauma, Placilla and the upper areas of Playa Ancha, at the beginning of 2011, had 3.5 million liters, of a total capacity of 95 million cubic meters; therefore, we had to double our human and material resources in order to supply these communities. For this reason, we had to carry out works and deliver water from the production plants in Las Vegas, more than 100 kilometers away, or from Concón, around 50 kilometers away.

Therefore, one of the tasks for 2012 is ensuring enough water supply for the communities we serve. Similarly, we will continue managing the impact of the different processes of our productive activities. We also hope to continue being valued for improving quality of life in the communities we serve and collaborate with the national and local authorities.

But we are at a turning point now. We decided to start implementing the Strategic Plan for 2012-2017, which means generating value for the community and the shareholders in order to reach a sustainable growth. We think that it is essential to grow, adding value for residential customers and increase non-residential customers by delivering customized solutions. All of this, certainly, being cost competitive.

In the medium term, our concern is to define and implement the strategic priorities for the company, including, among others, the continuous quality improvement of the service we provide. Another aspect of utmost importance is continuing having and developing a regional leadership regarding environmental care.

Our concern is also at working to become a company that is valued for its ethics and consistency with its values and principles; and to be perceived as close and empathetic.

We have been fulfilling a number of goals that we have set, but providing a service like ours is an effortful task that requires daily accomplishments, and we renew this commitment in this time.

Finally, I would like to reiterate our commitment with the ten principles of the UN Global Compact, an initiative that gathers the institutions interested in advancing topics of social responsibility and which Esval has undertaken since 2010.

Join us in our commitment of striving for further improvement and contribution for the regional and national development, by reading this document and sending us your comments.

Jorge Lesser García-Huidobro
President of the Board of Directors

ABOUT THIS REPORT

This is the Fourth Sustainability Report by Esva, containing its economical, social and environmental performance, according to the criteria and requirements established by the Global Reporting Initiative's (GRI) Sustainability Report Guideline, version G3.1. Similarly, this document is the first Communication on Progress (COP) under the commitment undertaken by Esva when signing the Global Agreement in late 2010.

The contents of this document are only about Esva operations in the Region of Valparaíso, and the period from January 1st and December 31st, 2011, unless otherwise is stated. For a better understanding, figures and data are for years 2009 and 2010, whenever it is possible to provide comparable data.

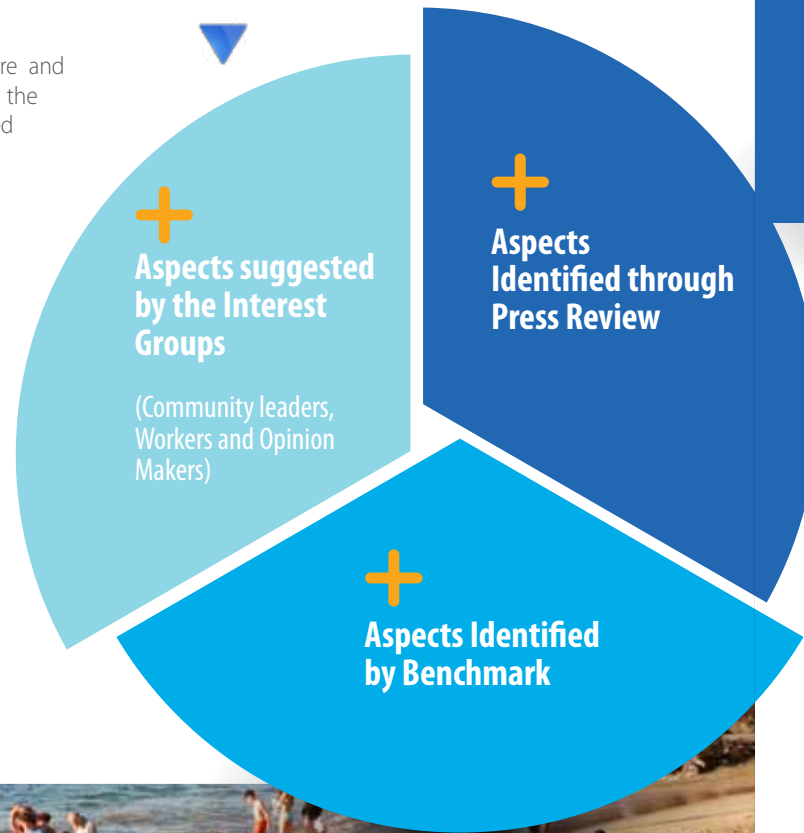
There have been no significant changes in Esva's size, structure and property compared to the information provided last year. Similarly, the basis, preparation criteria and calculation methods have remained unchanged. If any indicator has been modified, it will be expressly indicated.

PRINCIPLE FULFILLMENT IN THE CONTENT DEFINITION

The content of this report was defined according to GRI's standard principles about relevance or materiality, context of sustainability and involvement of interest groups.

In order to ensure the relevance of the information, the performance indicators were selected from a structured financial year, which was developed in three main phases.

List of Material Topics to be Included in 2011 ESVAL Sustainability Report



1. Sustainability reports benchmark: National sanitary companies were included to identify the main topics and aspects reported by the industry, as well as the better reporting practices.

2. Press media reviews: The objective was to know the relevant topics for the company and the industry, from the perspective of the public opinion related to sustainable development. Press releases between January 1st and December 31st, 2011 were reviewed and analyzed.

3. Consultation process of interest groups: Between September and October 2010, a structured process of consultation to groups of interests was carried out in order to receive feedback about 2010 report. In this opportunity the leaders of regional community unions and company workers were consulted through a face-to-face workshop. In addition, personal interviews were carried out to seven opinion makers.

Each group of interest had the opportunity to put forward relevant topics other than those reported in 2010.

The results of the three previous processes were included in a matrix which establishes the material topics and prioritize the level of importance. For this, the relevancy given by the industry (considering press review and benchmarking) was contrasted with the level of importance given by the surveyed groups of interests. The results suggested the structure for this report and how thoroughly each topic is dealt with.

MATRIX FOR TOPIC PRIORITIZATION



PROMEDIO NIVEL DE RELEVANCIA PARA LOS GRUPOS DE INTERÉS

Detailed information about how Esval responds to the additional expectations for information requested by the groups of interest which participated in the process for defining contents is included below.

TOPICS / QUESTIONS	RESPONSE LEVEL IN THIS REPORT	PÁGE
Environmental performance <ul style="list-style-type: none"> • Shortage of water / drought: what has been done and what is the strategy for the future. • Provide more and better information about water as a resource shared with other industries. 	✗	
Social performance and product responsibility <ul style="list-style-type: none"> • Water quality: specify whether variables such as color, odor and flavor are beyond the norm. 	➔	54-56
Social performance and labor practices <ul style="list-style-type: none"> • Contractors: Detail criteria for assessing, selecting and monitoring contractors. 	✓	57 y 59
Economic performance <ul style="list-style-type: none"> • APR: Improve information about the drinking water systems in rural areas. 	✓	53

- ✓ Achieved
- ➔ Partly achieved
- ✗ Not Achieved

FULFILLMENT OF THE PRINCIPLES ABOUT INFORMATION QUALITY

In order to take care of quality, accuracy, comparability and verifiability of the information included in this report, Esval was supported by an external consultant specialized in the GRI model. This support allowed accurate measurements, and goals could be documented for the next year.

Each indicator referring to the economic, social and environmental performance of the company was prepared from data and technical calculations based on procedures confirmed by the national regulation and in line with internationally accepted standards.

Esval submitted this report to an independent external review, by consultant company Gestión Social, who performed a structured process of verification which ratified fulfillment level B of the GRI's standard. (see letter by verification officers in pages 92 to 97). The document will be supplied in digital format, through 500 USB flash drives containing the complete version in Spanish. In addition, in order to guarantee access and wide communication a PDF version can be found in the company website www.esval.cl.

COMPANY CONTACT

For Esval, this report is a tool to share the achievements and challenges with their main groups of interests, thus establishing a greater interaction with them. To request more information or to make comments about to the contents of this report, the interested people or institutions can contact:

Management: **General Management**
 Address: **Cochrane 751, Valparaíso**
 Telephone: **(56-32) 2209341**
 Email: **rsostenibilidad@esval.cl**

GRI STANDARD APPLICATION LEVEL

		C	C+	B	B+	A	A+
OBLIGATORY	Self declared						
OPTIONAL	Checked by third parties		Externally verified		✓		Externally verified
	Checked by GRI						



▶ **0.1**
OUR
COMPANY

0.1.1
WHO WE ARE
AND **WHAT WE DO**

ESVAL is company that produces and distributes drinking water. It was created in 1989 by the Chilean Economic Development Agency (Corfo) and the Chilean treasury. Private capitals entered in 1998. Other functions of Esva are sewage collection, treatment and disposal, in addition to services related to these activities. It has a system of publicly traded company and the quality of its work is supervised by the Superintendent of Sanitary Services (SISS, in Spanish.)

Its operations cover almost all the Region of Valparaíso, where it has 536,420 customers for its water services, and 484,951 customers for sewage services. That is, 99.3% and 92.3% of the population within its concession area. Between the sanitary companies qualified as medium companies, it is the company with the greatest number of customers. SISS Report 2011 determined that the urban sanitary sector is made up by 57 firms which serve concession areas in the 15 Chilean regions. And they are divided in three categories, according to the number of customers: in large, medium and small companies. Esva is the first between medium companies and the third one within the total industry.

To fulfill its mission, the company has a network of 4,504 kilometers of drinking water pipelines and 3,344 kilometers of sewers. In addition, 30 sewage treatment plants are operated. In 2011, Esva purified 100% of collected sewage. In total, its operation reached 170,315,000 m3 of drinking water to supply an urban population of 1,512,570 people. This process was done through its 50 drinking water plants, which are distributed in four sub management areas.

▶ **MISSION**

Provide our customers with the best service, contribute with health, quality of life, preservation of the environment and regional development, also generating value for our investors.

▶ **VISION**

Fulfilling the mission will bring about that the company is valued and appreciated by its customers, workers, shareholders and society in general. The proposed objective is a constant harmony among all these parties.

CONCESSION AREA ⁽¹⁾

The concession area of Esval includes urban areas of almost all communes of the Region of Valparaiso, except those from Panquehue, Olmué and Santo Domingo, in addition to the island territories of the region (that is, Easter Island and Juan Fernández). Outside its concession area, Esval fulfills interconnection and administration contracts to supply drinking water to Algarrobo Norte, Mirasol and Brisas de Mirasol, in the commune of Algarrobo; and with an interconnection contract with Inmobiliaria Norte Mar, concessionaire of the Rodelillo area in the upper areas of Viña del Mar.



⁽¹⁾ According to article 53 of the General Act on Sanitary Services, "the concession area is the geographic area delimited in territorial extension and coast, where it is obligatory to provide service for the concessionaries to distribute drinking water and collect waste water".

- 1 Petorca**
La Ligua
Cabildo
Papudo
Zapallar
- 2 San Felipe**
Putendo
Santa María
Catemu
Llay Llay
- 3 Los Andes**
San Esteban
Rinconada
Calle Larga
- 4 Quillota**
Nogales
La Cruz
La Calera
Hijuelas
- 5 Marga Marga**
Limache
Villa Alemana
Quilpué
- 6 Valparaíso**
Puchuncaví
Quintero
Concón
Viña del Mar
- 7 San Antonio**
Algarrobo
Casablanca
El Quisco
El Tabo
Cartagena
San Antonio

* Area Outside the Concession



REGULATED AREA

The sanitary firms have status of “natural monopolies”, since they are the only companies of their kind in their concession areas. The rates are fixed by the Superintendence of Sanitary Services, through the Law of Rates of Sanitary Services (Law Force Decree No. 70, of Ministry of Public Works, 1988) and Regulation (Supreme Decree No. 453 of the Ministry of Economy, 1989).

The rates are established every five years, through a procedure in which the Superintendence and the Sanitary Companies are involved. The calculation is made based on a model company, considering the costs and required expenses, and rejecting inefficient data that the real company may have. The current rates fixed in 2010 will be kept until 2015.

MANAGEMENT SYSTEMS

In 2011, Esva obtained the re-certification of its Integrated Management System: ISO 9001: 2008 (Quality Management System); OHSAS 18: 2007 (Occupational Safety and Health Management System); and ISO 14.001: 2004 (Environmental Management System). These certificates are for three years, although subject to quarterly approval and revision by independent and certified institutions.



QUALITY, ENVIRONMENT, OCCUPATIONAL SAFETY AND HEALTH POLICY

Esva S.A. incorporates process quality, environmental protection and preservation and occupational safety and health management, by adopting the following commitments.

Deliver

the best service for all customers, providing community health, life quality and regional development.

Fulfill

the law, regulations and voluntary commitments subscribed by the organization.

Adopt

a continuous improvement strategy in the processes developed by the company.

Prevent

contamination, reduce waste generation, recycle and dispose of it adequately.

Prevent

work-related injuries and diseases that may affect our workers and interested parties.

Contribute

to the integrated watershed management and the coastline, and to the sustainable development of the region of Valparaíso, through active participation in related instances that are generated, thus improving its inhabitants' life quality.

Prefer

the use of better environmental and safety practices with the available technologies, associated to the services provided by the organization.

The successful fulfillment of this policy entails the contribution of all company's departments. The administration is responsible for promoting and making it known.



0.1.2 CORPORATE GOVERNMENT AND ETHICS

Esva is controlled by a group integrated by Sociedad Inversiones OTPPB Chile Llimitada and Mareco Holdings Corp., holder of 94.21% of shares. The Chilean Economic Development Agency owns 5% of the company. This situation goes back to July 15th, 2011, when Corfo transferred 24.43% of Esva shares to OTPPB Chile Ltda., retaining only 5%. At that time, the shares were sold at a value of CLP0.029 Chilean pesos per Esva share. The State received a total amount of 564 million dollars after selling its participation in Esva and Essbio.

Esva S.A. has a well defined internal structure. The higher authority is the Board of Directors (see chart with members), which, in order to cover its main functions, is divided in two committees:

A) **Internal Committee of Regulation and Related Operations**, integrated by at least three directors. It follows the guidelines announced by the Board of Directors and is not regulated by article 50 bis of Act No. 18,046, of Limited Liability Companies. Its functions are:

1. Analyze the modifications proposed by the sector norms.
2. Examine and report to the Board of Directors the background information about the operations referred to by Title XVI of the law of Public Companies.
3. Analyze the report of external auditors, balance and other financial statements presented by the administrators to the shareholders and report all of this to the Board of Directors.
4. Propose external auditors and private risk classifiers.
5. Study and report about remunerations and compensation plans of managers and main executives.
6. Analysis of any other matter proposed by the Board of Directors.

B) **Committee of Tender Award and Contracts**, also formed by three members of the Board of Directors, whose function is to revise and propose the tender award and other contracts entrusted by the same Board, together with the General Management and other departments related with that tender. The members of the Tender Award Committee and remuneration are freely designated by the Board of Directors. Similarly, the internal regulation committee and related operations are established annually at an Ordinary Meeting of Shareholders.



ETHICAL CODE AND ITS MANAGEMENT

Since 2008, Esva has a Code of Ethical Conduct, which has been published in the intranet and internal bulletins. Its purpose is to guide the employee's behavior according to the corporate philosophy. The code defines the channels of enquiry and report, such as the Integrity Help Line or intranet section "Integral Esva".

All reports are reserved and private; information and statement are confidential. In 2011, three enquiries and two reports were received through the different channels.

VALUES

- Cordiality, kindness, closeness and respect.
- Technical and service excellence.
- Proactivity, creativity and innovation.
- Coherence, accuracy and transparency.
- Modesty and austerity.
- Commitment with the community.

In order to revise how the business is running and ensure the achievement of the company's objectives, Esva has two executive committees as internal administration: The Integrated Management System Committee, led by the general manager and integrated by the managers of each area, the internal auditor and those responsible for the Environmental, Quality and Occupational Health and Safety areas. It meets every six months to ensure the continuous efficiency in the subjects mentioned. Similarly, there is an Economic Committee, which must approve within certain limits the award of public and private tenders that given their amount do not require approval by the Board of Directors and payments in the different areas, and safeguard that said values agree with the budget approved by the Company. They meet on a weekly basis, and the Operations, Administration and Finance, Human Resources and Trade and Development managers are present as members.

BOARD MEMBERS

Jorge Lesser García-Huidobro,
Chairman

José Ignacio Parot Becker,
Vice-President

DIRECTORS

Olivia Penélope Steedman
Stacey Leanne Purcell
Juan Pablo Armas MacDonald
Alejandro Ferreiro Yazigi
Nicolás Navarrete Hederra

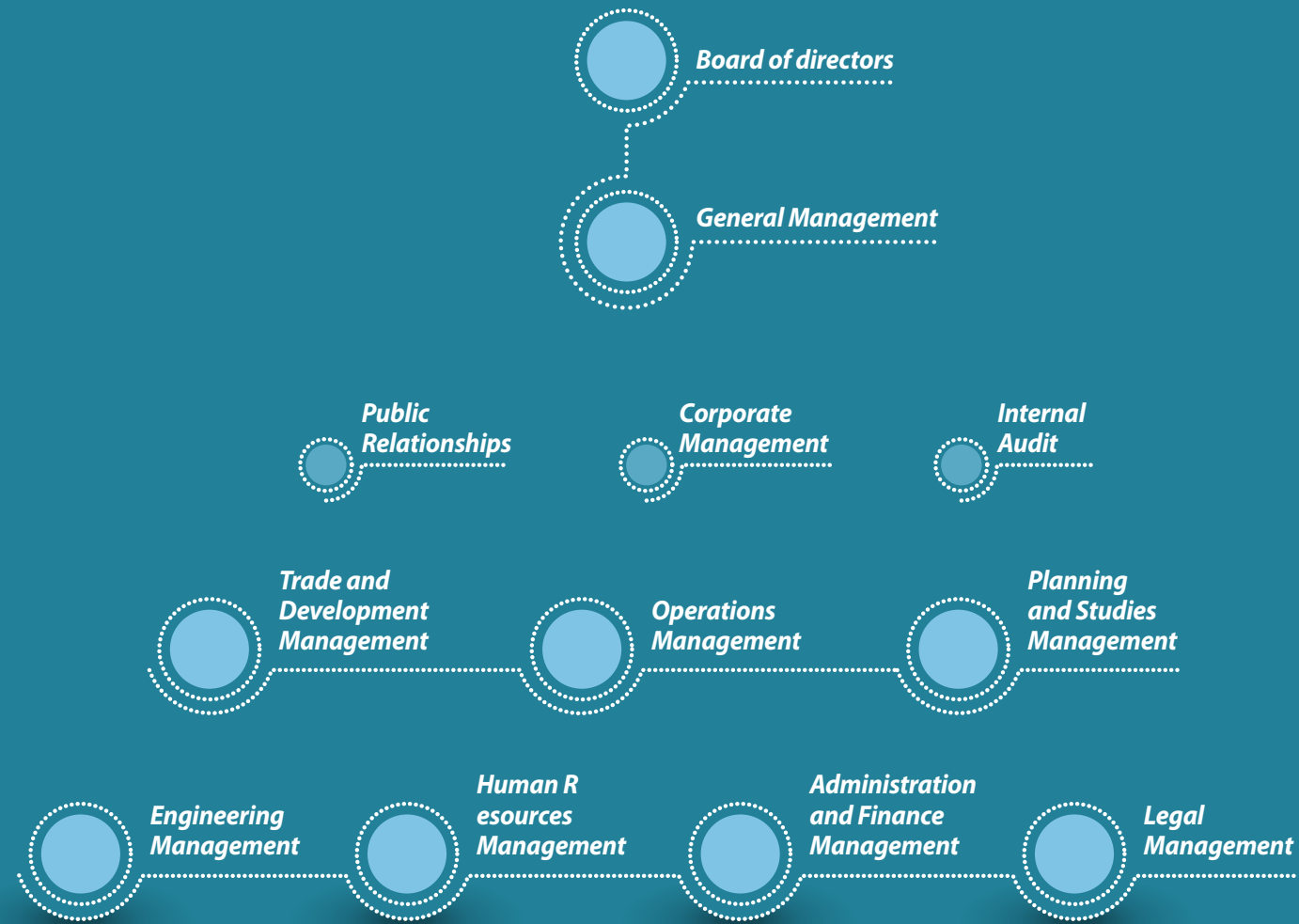
MAIN EXECUTIVES

Rodrigo Azócar Hidalgo,
George Seal Comte,
Sergio Pinto Fernández,
Domingo Tapia Navarro,
Leonel Fuentes Espinoza,
Agustín Benavente Font de la Vall,
Francisco Ottone Vigorena,
Mauricio Coll Olivares,

General Manager
Operations Manager
Human Resources Manager
Legal Manager
Engineering Manager
Administration and Finance Manager
Planning and Studies Manager
Trade and Development Manager



ORGANIZATIONAL CHART



0.1.3 CHALLENGES FOR INDUSTRY SUSTAINABILITY

Use and human consumption of fresh water is a finite resource and its renewal depends on a joint effort between human beings and the environment. Therefore, several international organizations related to the United Nations Organization, such as Unicef ⁽²⁾, FAO ⁽³⁾, PNUD ⁽⁴⁾, PNUMA ⁽⁵⁾, OMS ⁽⁶⁾, ONUDI ⁽⁷⁾, among others, consider water as the main topic of concern.

The fact that two out of the eight Millennium Objectives (2000)⁽⁸⁾, incorporate implicitly and explicitly the importance of water shows water management is a challenge for human development. Objective No. 1 Eradicate Extreme Poverty and Hunger; and Objective No. 7 Guarantee Environment Sustainability⁽⁹⁾.

Additionally, in 2003, the first report of the United Nations on the Development of World Water Resources⁽¹⁰⁾ was prepared and posed 11 challenges to ensure access to water for most of the world population, a key matter when realizing that humanity reached seven billion people and the climate change effects are threatening the water resource.

Later, the United Nation Environment Program (UNEP) in report GEO-4, 2007 stated that water was one of the seven fundamental environmental problems faced by the planet. And more recently, in July 2010, the UN General Assembly recognized access to drinking water as a basic human right.

The global context of water management and availability has direct implications, both challenges and opportunities, for the world sanitary industry. According to recent studies, 18% of the world population does not have access to safe drinking water sources. In developing countries, between 90% and 95% of waste water and 70% of industrial waste are dumped without being treated, thus contaminating usable water reserves⁽¹¹⁾.

In view of the Chilean situation of water, particularly in the Region of Valparaíso, Esval has provided further consideration, projection and proposals about the contribution that a responsible sanitary company can perform.

After identifying the main economic, social and environmental challenges, strategic action plans have been proposed for each of them. The following can be mentioned, among others: generate an innovation culture for sustainable water management together with universities and technological centers; permanently seek the efficiency in the system operation and reduce water loss throughout the process; mitigate and adapt the consequences of global warming; ensure access to drinking water and its treatment for rural and low income population, among other initiatives.

(2) <http://www.unicef.org/spanish/>

(3) http://www.fao.org/index_es.htm

(4) <http://www.undp.org/content/undp/es/home.html>

(5) <http://www.pnuma.org/>

(6) <http://www.who.int/es/>

(7) <http://www.unido.org/index.php?id=1001968>

(8) The millennium objectives are eight proposals of human development established in 2000, that 193 member countries of the United Nations agreed to achieve by 2015.

(9) www.beta.undp.org/content/undp/es/home.html

(10) <http://unesdoc.unesco.org/images/0012/001295/129556s.pdf>

(11) www.cinu.org.mx/eventos/conferencias/johannesburgo/medios/carpeta/agua.htm

PARTICIPATION OF ESVAL IN THE PREPARATION OF AN INTERNATIONAL STANDARD FOR SUSTAINABLE WATER MANAGEMENT AND IMPACT OF WATER RESOURCE

The Alliance for Water Stewardship (AWS) ⁽¹²⁾, is a global platform to develop an International Certification Program for Water Sustainable Management. It is voluntary and directed to those users and operators pursuing efforts to reduce the impact on water resources. For that effect, AWS has established the World Water Round Table (WRT), an open and multisector process, inclusive and transparent, that will facilitate the preparation of the International Water Stewardship Standard, as a previous step to reach certification.

The Alliance for Water Stewardship in Latin America and the Caribbean (WAS-ALC) is the regional AWS initiative and is made up by FEMSA Foundation; Water Center for Latin America and the Caribbean (CAALCA), The Nature Conservancy, WWF and Fundación Chile. In 2011, a series of workshops took place in the region for input generation based on the analysis of elements and concepts of water sustainability⁽¹³⁾. In the second meeting of the Regional Forum, carried out in the city of Monterrey, Mexico, a professional from Esvál participated together with representatives from Costa Rica, Colombia, Ecuador, Brazil and Mexico.

(12) www.allianceforwaterstewardship.org

(13) International Water Stewardship Standard (IWSS).

0.1.4 ESVAL AND GROUPS OF INTEREST

Esvál has defined its essential groups of interest and the communication channels with them.

Groups of Interest	Communication, Dialogue and/or Involvement Mechanism
<p>Workers</p>	Collective Negotiation Processes (every two years) Performance Assessment Intranet Periodic Publications Website www.esval.cl
<p>Community</p>	"Agua Sana, Vida Sana" Campaign Presentations in schools Educational workshops Activities at centers of seasonal workers' children Door-to-door activities Public Events Health Program Website www.esval.cl
<p>Customers</p>	Satisfaction Surveys Call Center for Customers Commercial offices Website www.esval.cl
<p>Shareholders and financial market</p>	Annual Financial Statement Periodic Financial Statements Website www.esval.cl
<p>Suppliers</p>	Procedure for selection and assessment of critical suppliers Website www.esval.cl
<p>Students and academy</p>	Internships for students, technical visits to premises, professional certification projects, research projects Website www.esval.cl
<p>Authorities</p>	Annual financial Statement, Periodic Publications. Active participation with governors, mayors, council members, UNCOs, etc.
<p>Regulators and supervisors</p>	Periodic Management Reports
<p>Politics and Trade Organizations</p>	Active participation in trade and regional organizations. Periodic Publications Website www.esval.cl

0.1.5 AWARDS

During the period, Esva was recognized by the following organizations:

- Regional Chamber of Commerce Valparaíso, for its 25 years as member of the institution and for its renown entrepreneurial trajectory in benefit of the economic and social development of the region and the nation.
- The Municipality of Villa Alemana, for its distinguished participation in the city's First Employment Fair. "Generation of employment opportunities, our commitment".

MEMBERSHIP

Esva, since the end of 2010, participates in the Global Compact platform, with more than 6,200 members around the world. It is one of the main forums about social responsibility. The company committed to support the Global Compact's ten principles, which consider the respect for human and work rights, environmental protection and anti-corruption measures, in addition to report on a yearly basis about its activities on social responsibility.

Esva also participates as member in the following social institutions:

- Consulting Council for Techo para Chile⁽¹⁴⁾.
- Regional Chamber of Commerce (CRCP)⁽¹⁵⁾.
- Chilean Chamber of Construction, Valparaíso Region⁽¹⁶⁾.
- National Association of Companies of Sanitary Services (Andess)⁽¹⁷⁾.
- Inter-American Association of Sanitary and Environmental Engineering (AIDIS)⁽¹⁸⁾.
- Association of Companies and Professionals for the Environment (AEPA)⁽¹⁹⁾.
- Latin American Association of Subterranean Hydrology for Development (ALHSUD)⁽²⁰⁾.
- Industrial Association of the Region of Valparaíso (ASIVA)⁽²¹⁾.
- Chamber of Commerce and Tourism of Valparaíso.
- Chamber of Tourism of the Region of Valparaíso.



- (14) www.untechoparachile.cl
- (15) www.crcpvalpo.cl
- (16) www.cchc.cl
- (17) www.andess.cl
- (18) www.aidis.cl
- (19) www.aepa.cl
- (20) www.alhsudchile.cl
- (21) www.asiva.cl



0.1.6 ECONOMIC PERFORMANCE

All the management offices are responsible for fulfilling the economic performance objectives of Esva. The Management of Administration and Finance is in charge of measuring the degree of fulfillment by each area and providing regular information about its work.

In 2011, the net income of the company totaled CLP89,478 million, 7.3% more than CLP83,384 million in 2010. The net profits were CLP15,354 million, 11.2% less than CLP17,293 million from the previous year.

The result was mainly influenced by the non-operational component, which decreased in 35.1%, from CLP9,467 million in 2010 to CLP12,789 million in 2011, which responds to an increased revaluation of the financial debt in comparison to the previous year. In December 2011, the UF increased in 3.9% versus the 2.4% increase in 2010. This was partially counteracted by a better operational performance, increasing the EBITDA (22) of the company in CLP907 million (2.0% more than the previous year).

2011 INVESTMENT

During this year, the company continued extending the production and distribution services of drinking water, sewage collection and treatment, as well as maintaining assets. For this, investments for CLP17,288 million were made in the Region of Valparaíso.

2009-2011 INVESTMENT

Investments (in million Chilean pesos each year)	2009	2010	2011
Drinking water production and distribution	9,866	12,347	12,081
Sewage Collection	3,152	4,291	3,546
Sewage Treatment	1,337	972	282
Other investments	2,099	1,030	1,379
Total investments	16,454	18,640	17,288

(22) EBITDA is calculated as Income from ordinary activities minus Expenses in raw materials and consumables used, Expenses for benefits for employees and other Expenses, by type, included in the Financial Statements.

PROJECTS

The drinking water main duct in Alemania avenue was renewed, between Las Cañas hill and Mariposas hill, which is 2,678 meters long. The tasks required an investment for 1,741 million Chilean pesos.

With an investment higher than 754 million Chilean pesos, the San Antonio-Algarrobo drinking water conducting system was also reinforced. The work consisted of renewing and extending a concrete duct segment, 700 millimeters, which was replaced with a steel pipeline, 900 and 800 mm, with a total length of 1,247 lineal meters. These works respond to the need of extending the drinking water transportation capacity from San Antonio to Algarrobo to support the urban growth and respond to the higher demand for drinking water in summer. With this work, availability of drinking water increased in 15% for South Shoreline.

It should be noted that an agreement was signed with the Program for Recovering and Developing the city of Valparaíso⁽²³⁾ (PRDUV), the Municipality of Valparaíso, Serviu and Esval to develop the Project for Improving Public Spaces in Alegre hill and Concepción hill. As requested by the authorities, Esval advanced in six years investments for more than 500 million Chilean pesos, in order to replace the drinking water main ducts and sewers of this heritage hills. During this year, several paving works were financed, improving rain water sewers, lighting and landscape, with contributions from the Inter-American Development Bank (IDB). The decision to join the urban renovation with a modern sanitary infrastructure will promote tourism and service sector in these historical Valparaíso city quarters.

Similarly, the drinking water conduction system La Viuda-Villa Italia was carried out in a segment between the La Viuda Bajo tank and bypass Los Romos in Llo-Lleo sector. The structure is 1,247 meters long. This work was performed in 180 days and costed 666 million Chilean pesos.

Increase of drinking water production capacity in South Shoreline.

The design and construction of the project to increase the drinking water production capacity in the South Coastline was performed in 150 days and cost 675 million Chilean pesos. The drinking water production plant of San Juan Llo-Lleo is located in the north bank of Maipo river, approximately 6 kilometers from the outlet. The work consisted of extending the drinking water treatment capacity of the plant from its current design capacity of 750 liters per second to 930 liters per second. This large-scale project considered the construction of three new filtering units, the improvement of 11 existing filtering units, extending the filtering systems for production of drinking water, extending the pre and post chlorination systems of the interconnection ducts with existing filters and the electrical works associated.

(23) www.prduv.cl



VALUE CREATION

In this period, the economic value generated by Esval was 93,365 million Chilean pesos and the distributed value was 94,186 million Chilean pesos, which meant a loss in the added value creation of 1,659 million Chilean pesos, mainly due to increased operational costs, because of the drought.

In terms of the distributed value, it can be ascertained that the company operation generates value for its suppliers of goods and services, contractors, workers, shareholders and financial creditors, community and Chilean Treasury.

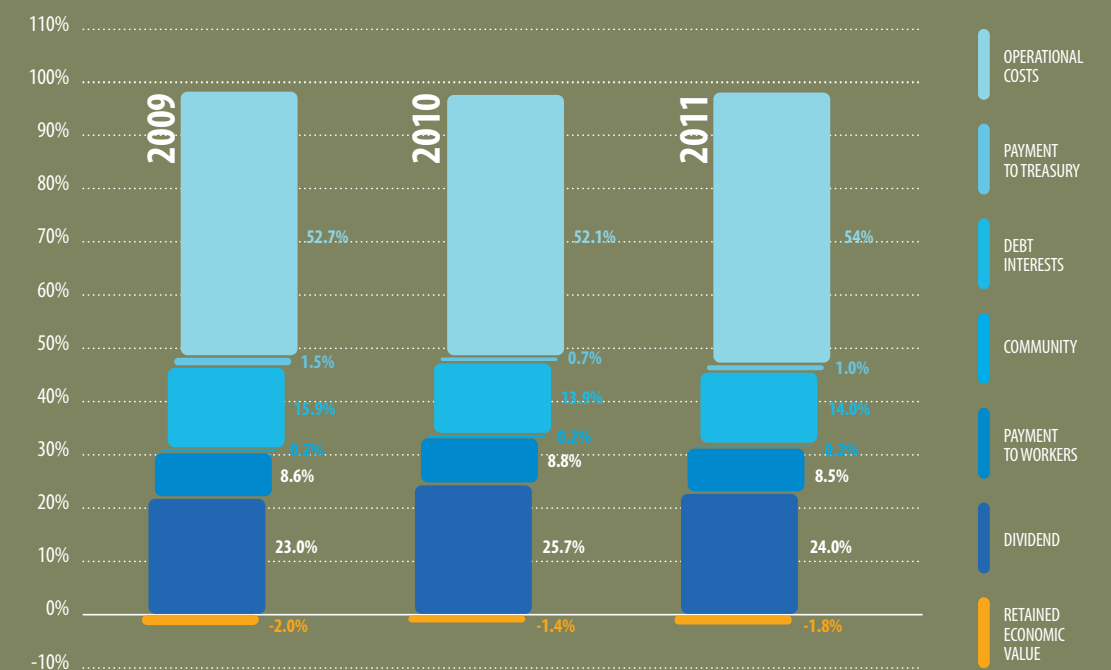
ADDED VALUE GENERATED AND DISTRIBUTED 2009-2011 ⁽²⁴⁾

Value creation ⁽¹⁾	2009	2010	2011
Income ⁽²⁾	87.806	87.620	93.365
Minus distributed economic value:			
Operational costs	-46,299	-45,619	-50,463
Purchase of goods	-11,185	-10,715	-11,993
Payment of contracted services	-19,068	-18,768	-22,294
Other operational costs	-16,047	-16,136	-16,175
Payment for workers	-7,579	-7,698	-7,952
Payments to capital providers	-34,096	-34,656	-35,460
Dividends	-20,153	-22,488	-22,364
Debt interests	-13,942	-12,168	-13,096
Payment to Treasury ⁽³⁾	-1,355	-625	-934
Investments in the community ⁽⁴⁾	-212	-218	-215
Retained economic value	-1,734	-1,195	-1,659

(1) Constructed based on accrued value.
 (2) It includes Operational income, Financial income and other non-operational income.
 (3) Includes 1st Category Income Tax, Category, Tax over disallowed Expenses, Trade Patents, Contributions, Seals and stamps, and others.
 It does not include: Deferred taxes.
 (4) It includes donation and Agua Sana campaign expenses, registered under the concept Corporate Image.

(24) Figures for years 2009, 2010 and 2011 under IFR standards, in million Chilean pesos each year.

DISTRIBUTED ECONOMIC VALUE 2009-2011





► **0.2**
TAKING CARE
OF OUR IMPACT
**IN THE
ENVIRONMENT**

0.2.1 IMPACT MANAGEMENT

Esval activities begin with ground water extraction and surface water catchment in order to purify it and produce high quality drinking water. Then it is distributed to the customer households. Similarly it collects and treats waste water.

To preserve water, an essential natural resource, Esval has a quality, environmental, occupational health and safety policy, especially concerned on protecting and preserving the environment.

This vision is materialized by preventing contamination, reducing waste, contributing to the integrated watershed management and applying better environmental practices.

In order to be responsible for its impacts, Esval classified them according to the different productive activities of its process.

- 1 Flocculation
- 2 Decantation
- 3 Filtering
- 4 Disinfection

- A Drinking Water Pumping Plant
- B Sewage Pumping Plant



MAIN ENVIRONMENTAL IMPACTS OF ESVAL PROCESS

▶ DRINKING WATER PRODUCTION PROCESS

- Poor water quality due to shortage of chemical products.
- Damage to community due to service interruption.
- Damage to community due to delivery of water outside the standard.
- Atmospheric contamination due to chlorine gas leakage.
- Damage to the community due to chlorine gas leakage.
- Poor air quality due to fuel inflammation.
- Ecosystem alteration due to use of natural resource.

▶ DRINKING WATER DISTRIBUTION PROCESS

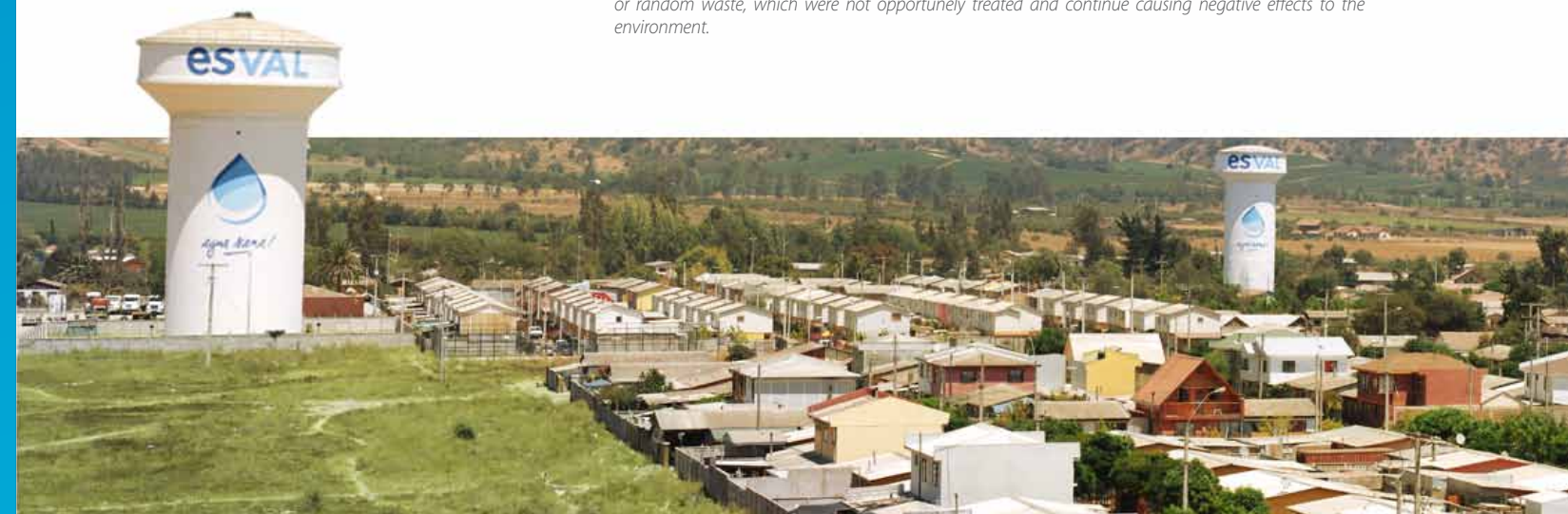
- Drinking water contamination due to sewage infiltration in network repair.
- Damage to the community due to sewage infiltration in network repair.
- Community disruptions due to drinking water spill after tank overflow due to system failure.
- Loss of drinking water due to spill after tank overflow due to system failure.
- Community disruptions due to drinking water service interruption.
- Damage to the community caused by gas leakage due to interference with pipelines from other services.
- Damage to the community due to drinking water service interruption due to operational failure.

▶ SEWAGE COLLECTION PROCESS

- Water contamination due to sewage spill after unblocking housing units and sewers.
- Damage to property due to sewage spill after unblocking housing units and sewers.
- Community disruptions due to sewage spill after unblocking sewers.
- Community disruptions due to service interruption due to interference with other services.
- Damage to the community caused by gas leakage due to interference with pipelines from other services.
- Road obstruction due to usage of public ways.
- Poor air quality due to fuel inflammation in hydrocarbon storage.
- Beach contamination due to sewage spills.

▶ SEWAGE TREATMENT PROCESS

- Water contamination due to sewage spills.
- Poor soil quality due to sewage spill.
- Soil contamination due to fuel spill.
- Poor air quality due to fuel inflammation.
- Community disruptions due to attraction of disease vectors.
- Atmospheric contamination due to chlorine gas leakage.
- Damage to the community due to chlorine gas leakage.
- Community disruptions due to odor generation.



The follow-up and control of all environmental programs of Esval depend directly on the Environmental representative of the Integrated Management System (SIG). At the operative level, the management offices of Operations, Engineering, Administration and Finance, Trade and Development, Human Resources and Corporate Management Area work every day and together with the General Management to fulfill the norms and quality, environment and occupational health and safety policies.

Each management office performs the environmental policy and supervises its fulfillment according to its responsibility area. The results are presented every six months to the Committee of Quality, Environment and Occupational Health and Safety.

The Environmental Management System (EMS) is part of the Integrated System of the Environmental, Quality and Occupational Health and Safety, implemented in 2008⁽²⁵⁾. It covers the production and distribution of drinking water, as well as the collection and treatment of sewage, including its commercialization and supporting processes for service provision.

The principles of the Environmental Management System are included in the Integrated Management System Policy (IMS). This IMS was recertified this year under standards ISO 14001, ISO 9001 and OHSAS 18001, with validity until July 4th, 2014.

The milestones of 2011 for Esval were the end of the regularization process before the Superintendence of Electricity and Fuels (SEC, in Spanish) of the fuel storage tanks and the beginning of the regularization process of environmental liabilities⁽²⁶⁾.

For 2012, the main challenges for the company are preparing a waste managing program, in order to be implemented between 2013 and 2015, and the calculation of the carbon footprint, in order to prepare plans to reduce it.

(25) The policy for quality, environmental, and Occupational Health and Safety is on page 19 in this report.

(26) Environmental liability: Geographical area contaminated by the release of materials, unknown or random waste, which were not opportunely treated and continue causing negative effects to the environment.

0.2.2 ENVIRONMENTAL INVESTMENT

In 2011, Esva pursued to adequate its practices against the environmental regulation and prepare for the IMS recertification process. Within this line, the main investments for the environment this year were:

ENVIRONMENTAL INVESTMENTS PER TYPE 2010-2011 (MCLP)

Investments	2010	2011
Improved alarms for drinking water chlorination systems.	29,182	-
Mitigation works for noise pollution	29,140	10,325
Chemical product spill containment.	42,038	-
Improved fuel storing tanks	52,953	54,418
Improved water chlorination systems.	47,973	51,625
Improved water fluoridation system.	-	41,300
Works to correct the Integrated Management System.	59,026	30,975
Total	260,312	188,643

Source: Esva Operations Management.

0.2.3 EMISSIONS

The operational processes at Esva release some emissions to the atmosphere, which are registered to then be treated adequately. The main emissions from Esva process are detailed below:

- **Odors:**
Emissions produced mainly at sewage and drainage treatment plants.
- **Noise:**
From plants and pumping stations for drinking water and sewage.
- **Greenhouse gas emissions (CO2, methane and others):**
They are emitted at drinking water and sewage plants and stations having diesel generators.

After the company has correctly identified these emissions, it uses the existing protocols to mitigate any event.

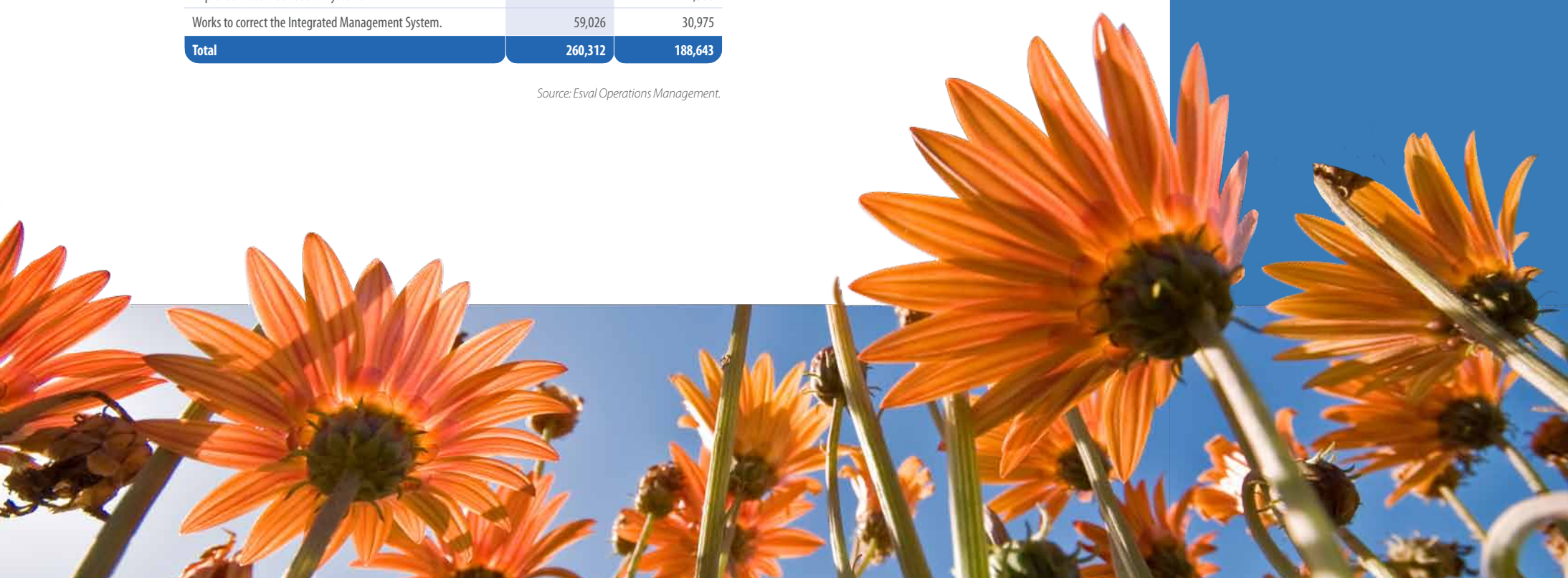
ODOR MANAGEMENT

Odor emission is the most common complaint by the community about Esva management. These emissions are mainly due to the sewage treatment process. The objective of the company is to mitigate community disruptions, through the following strategies.

- Mitigating systems to contain or diminish odor-bearing gases, such as gas scrubbing with sodium hydroxide and hypochlorite, administering neutralizers to prevent these compounds, or odor masking with smells tolerated by community.
- Activated carbon filters in air exhaust outlets in sewage treatment systems.

The company performs a preliminary monitoring and regular supervisions of the gas concentration (ammonia, sulfhydic acid and mercaptans) in sewage pumping stations, in preliminary treatment plants (pipelines) and at specific locations in the drainage system, in order to detect emission of bad odors and prevent potential community disruption.

In addition, the company performs network cleaning, follow-up of liquid industrial waste spill, and in some cases, chemical product and essential oil applications.



Eskal has an open-door policy in terms of community complaints regarding bad odors. The complaint is received through customer service and is referred to the involved operational areas, and later, the corresponding solutions are proposed and implemented. Often specific problems are dealt with, which are resolved while the complaint is being handled, allowing the complainants to visit the premises.

The number of events per plant due to bad odors received in 2011 was 15, a 50% reduction compared to 2010, when 29 complaints were recorded for plant. However, an important event is noted in the sewage treatment plant of El Molino in Quillota, where members of the nearby population have declared directly and through the city authorities that the plant produces unpleasant odors at least occasionally. In 2011 the first stage of measures to remove odors was completed, which significantly minimized the emissions. The second stage will continue in 2012.

NOISE MANAGEMENT

Noise pollution management is carried out in order to comply with supreme decree No. 146/97 by the Ministry General Secretariat of the Presidency. This decree establishes the standard of noise emission from fixed sources and defines the maximum allowed levels of corrected sound pressure and technical criteria to assess and rank noise emission from fixed sources to the community, such as industrial, commercial, leisure, artistic or other activities.

Eskal carried out the necessary tasks to comply with this regulation, through soundproofing existing sheds or pumping rooms or generators that were breaching the legislation.



In 2011, the following sound proofing tasks were performed:

- Soundproofing of generator shed in Sewage Pumping Stations, 93, Blanco, Valparaiso.
- Soundproofing of pumping room in Drinking Water Pumping Stations, Pedro Montt, Quilpué.



GREENHOUSE GAS EMISSIONS

In order to verify the fulfillment of the noise emission standard, the pumping systems and treatment plants with generators are regularly measured.

When a noise complaint is received, it is recorded at customer service and referred to the involved operational areas, and later, the corresponding solution is proposed and implemented. In addition, the detection of possible infractions that require mitigation measures is also performed through a self-control program of noise emission. Similarly, the complaints are verified with direct measurements against the regulation.

In 2011, 17 events for noise emissions were recorded, while in 2010 there were eight.

The activities at Eskal require continuous power supply. Therefore, in case of mains power failure, the company can generate its own electricity by means of backup diesel generators. Diesel combustion releases the following pollutants: CO, NOx, SOx, COV (volatile organic compound), NH3, PTS and PM-10 (total suspended particulates).

To date, Eskal has not prepared any specific study about methane emissions during the treatment process. However, measurement of carbon footprint is expected to begin in 2012, and then its impact will be ascertained within the total greenhouse gas emissions released by the company.

An estimated calculation of these pollutant emissions for 2011 is shown in the following table:

TOTAL EMISSIONS ESTIMATED BY ESVAL GENERATORS (T/YEAR) 2009-2011(*)

Estimated pollutant	MP	MP ₁₀	MP _{2,5}	CO	NO _x	COV	SO _x	NH ₃	CO ₂
Emission (t/year) 2009	3.42	1.72	0.41	10.52	48.71	3.87	2.58	0.085	1,897
Emission (t/year) 2010	3.16	1.64	0.39	10.06	46.56	3.70	2.47	0.081	1,814
Emission (t/year) 2011	4.63	2.32	0.56	14.24	65.91	5.23	3.50	0.115	2,567

(*) The emission factors used for the estimates are those established in the "Methodological Guide for estimating atmospheric emissions of fixed and movable sources in the Emission and Pollutant transference Registry", prepared by CONAMA; in 2009, in coordination with the Ministry of Health and SECTRA of the Ministry of Planning. The methodology proposed by the authority was used, being an indirect way to validate the emissions based on the fuel consumption, when no direct measurements of atmospheric emissions can be carried out.

0.2.4 WATER AND BIODIVERSITY

The activities at Esva are directly related with different natural sources of water: canals, rivers, streams, springs, ground basins and reservoirs. The company has a detailed record of water production classified by source.

In 2011, Esva produced 170,314,615 m3 of drinking water, which is in turn equal to total water consumption per year. Of this total, 95,314,775 m3 are from surface waters and 74,999,840 m3 from ground waters.

WATER PRODUCTION 2009-2011 IN M3

Production in m3	2009	2010	2011
Surface water extraction	87,825,138	94,152,360	95,314,775
Ground water extraction	73,659,139	76,469,177	74,999,840
Total extraction	161,484,277	170,621,537	170,314,615

Source: Esva Operations Management.

As 2011 was a year of drought in the Region of Valparaiso, Esva has to adopt several measures to keep a normal supply of drinking water for its customers.

These measures included investments to extend and improve the production capacity:

- Opening new supply sources, such as ground basins.
- Assessing the possibility of installing a desalination plant in the north of the region.
- Special works for drought (purchasing water from third parties, well renting, opening new sources of supply, extending water ducts, supplying the network with drinking water through water trucks).
- Signing agreements with organizations of users to take full advantage of the available water resources.
- Coordinating with the authorities the establishment of shortage areas if appropriate.

BIODIVERSITY AND WATER CATCHMENT

In the process of water extraction for producing drinking water, the company does not perform a specific study to quantify its possible biodiversity impact, whether for the biotic (human health, flora and fauna) or physical environments. The company will assess in the future the need to carry out these studies.

However, it is very concerned about preserving some of the water source areas, with important diversity, such as Peñuelas lake and Poza Azul catchment⁽²⁷⁾. Eln these areas, the company actively promotes the preservation of the natural conditions, forbidding activities endangering these areas.

The National Reserve of Peñuelas lake was declared Biosphere Reserve by the United Nations Educational, Scientific and Cultural Organization (Unesco), because this territory is an ecosystem that represents central Chile. In order to respect this biodiversity, Esva decided to minimize water extraction from this source. To compensate, water is obtained from the Drinking Water Production System of Las Vegas.

Although in the Region of Valparaiso there is no formal authority for basin management, Esva maintains regular contact with the sector authorities as well as organizations of users of the basins to coordinate actions to ensure taking full advantage of the available water resources.

(27) The characteristics of Peñuelas lake and Poza Azul were presented in depth in report 2008.



BIODIVERSITY AND SEWAGE TREATMENT

The sewage treatment plants owned and operated by Esva have made it possible to keep watercourses unaffected by waste water spills, maintaining the biodiversity conditions in the Region of Valparaiso. It has been attested through an Environment Monitoring Program that underwater sewers, containing water without biological treatment, have a minimum and marginal impact, since it is restricted to the immediate seabed area where the waters are discharged⁽²⁸⁾.

In 2011⁽²⁹⁾ the environment monitoring programs continued as in previous years and the results are within the expected parameters.

Sewage is treated with the highest standards. Thus, Esva complies with the Chilean legislation, which requires that 100% of the treated water directed to rivers and streams can also be reused for irrigation.

TREATED WATERS THAT CAN BE REUSED M³/YEAR 2009-2011

	2009	2010	2011
Treated waters that can be reused m ³ /year	35,883,069	36,364,563	36,075,025

Source: Esva Operations Management.

0.2.5 ENERGY

Esva uses energy from primary sources, such as diesel for generators, as well as secondary sources, power from electricity suppliers.

DIRECT CONSUMPTION OF PRIMARY ENERGY SOURCES

The stable power generator groups are only used at peak hours of the electrical system. The power generators do not have the technology to record the amount of energy generated.

⁽²⁸⁾ Thus, Esva is measuring the biodiversity impact in benthos near discharge sewers to seawater bodies.

⁽²⁹⁾ To obtain a thorough list of the organizations involved in the environment monitoring programs and the places where the monitoring is performed, refer to 2009 Sustainability Report <http://portal.esva.cl/comunidad/antiores/>



The power generators existing in water and sewage treatment plants and stations consumed 672 m³ of diesel in 2011, which, compared to 2010 consumption of 693 m³, represents a 2.9% decrease of fuel consumption. This is due to the less use of backup equipment during peak hours, thanks to a special yearly contract signed with the respective electricity distributor.

DIRECT CONSUMPTION OF PRIMARY ENERGY M³/AÑO 2009-2011

	2009	2010	2011
Diesel consumption m ³ / year	724	692	672 ⁽³⁰⁾

Source: Esva Operations Management.

DIRECT CONSUMPTION OF SECONDARY ENERGY SOURCES

In order to maintain energy efficiency, Esva selects water pumps of greater efficiency allowing lower energy consumption. Due to the drought, the use of this type of machine has increased.

In the following table, the annual energy consumption is classified according to its use in the production processes and drinking water distribution, sewage collection and treatment, and offices and facilities.

DIRECT CONSUMPTION OF ELECTRICITY M³/AÑO 2009-2011

	2009 kWh	2010 kWh	2011 kWh
Drinking water production and distribution	70,438,689	77,370,578	77,509,262
Sewage collection and treatment	30,039,078	29,739,318	31,116,836
Offices and facilities outside the processes	1,198,850	1,177,492	1,133,098
Total kWh	101,676,617	108,287,388	108,626,098

The total electricity consumption in 2011 for drinking water and sewage related activities was 108,626,098 Kwh, while in 2010 it was 108,287,388 Kwh.

To date the company has not carried out studies about the potential use of non-conventional sources of energy (ERNC in Spanish).

⁽³⁰⁾ This figure excludes 308 m³ of diesel used in wells in Llay Llay.

0.2.6 SPILLS

SEWER OVERFLOW EVENTS

Sewage overflow and spills in public roads can occur due to problems in the system, misuse, as well as structural damage caused by third parties or natural disasters. In the event of an emergency of this type, the following measures are applied according to characteristics of the particular case:

1. Sewage spill inside houses: Following an assessment by Esval the affected area is cleaned, disinfected and dried.
2. Sewage spill in roads: In these cases, the sector is cleaned with a water truck⁽³¹⁾ or using nearby hydrants
3. Sewage spills on the ground: The spill is contained and sewage is transported to locations defined by Esval.
4. Emergencies affecting surface water body: Actions are taken as the case may be, with measures as follows:

- **Sewage dilution with drinking water:**

Drinking water is applied at the spill level or upstream, opening hydrants and/or drain valves. If no drinking water is available, then water trucks are used.

- **Emergency chlorination of sewage spilled on water course:**

In these cases, hypochlorite (more concentrated chlorine) is applied in a chamber upstream from the spill and with two to three minutes of contact time.

- **Construction of sewage collecting pools in the natural terrain:**

The pool is built depending on land availability upstream the spill. It is filled by discharges upstream the failure and emptied with a vacuum truck or motor pump, disposing of the sewage in a nearby collecting network.

- **Applying a layer of soil as absorbing material in areas where sewage has accumulated:**

In this specific case, sewage pools are formed on land surface due to its accumulation. The sewage discharge zone is signaled, and a layer of sand or gravel is applied. Finally, the removed material is taken to an authorized landfill site.

- **Lime application on land affected by sewage accumulation:**

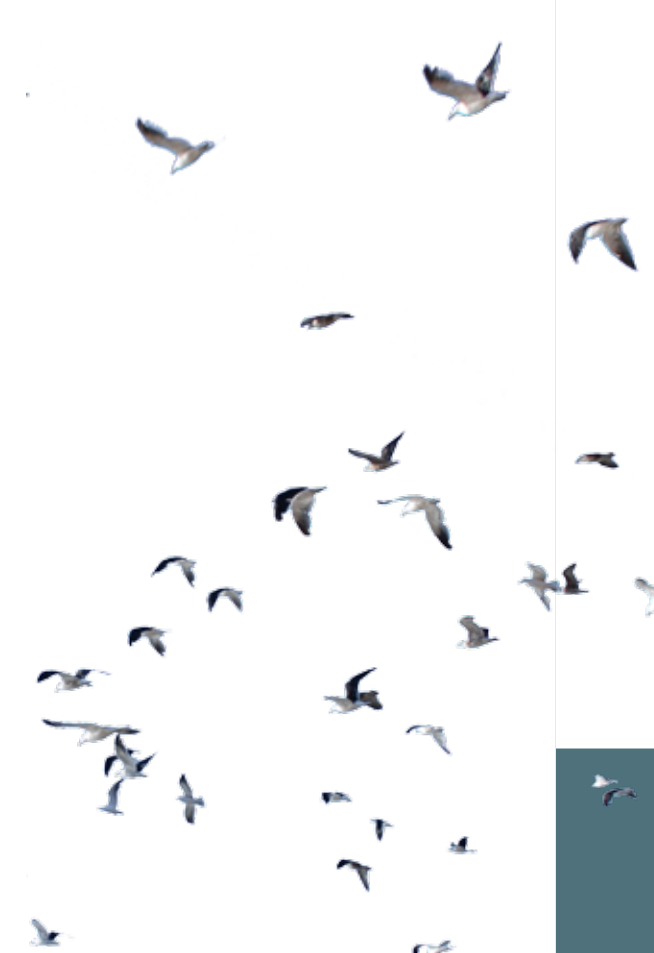
It is for general cases of sewage accumulation as a sanitary measure, odor control, and to reduce humidity. In this situations, hydrated or slaked lime is poured evenly on the spill-affected surface and kept there for at least two hours.

- **Saltpeter application on land affected by sewage accumulation:**

Potassium saltpeter is applied manually on the affected area.

5. Contamination by industrial waste: Those responsible are identified and the economic activities associated with the problem are inspected. Alongside the industrial waste is treated as explained above, as the case may be.

(31) Tank: Container for storing drinking water from rainfall.



In 2011, 603 blocked drain events on average over a month took place with overflow on public roads and/or customers' houses, which increased the numbers of records in comparison to 530 block drains on average over a month in 2010 (32). This increase was due to system misuse by users and actions by third parties.

EMERGENCY EVENTS FOR CHEMICAL PRODUCTS

In 2011, two emergency events related to chemical products took place, which can be classified as isolated, considering that Esval heavily uses these products throughout its production process all year round.

The first one occurred in the sewage pumping station of Isla Negra, after sodium hypochlorite was discharged through a leakage in a storage tank of this product, which was transferred to Banco Central and Los Ahogados stations, which have similar equipments. Alongside, the hypochlorite was removed from the containment room and the tank was repaired. No human damage was recorded.

The second emergency occurred when copper tailing (molibdenum) was released into Aconcagua river, upstream the Drinking Water Production System El Sauce, after a leakage in a storage tank of Codelco-Andina.

The company gathered samples, carried out analyses and monitoring as a preventive measure. For a couple of hours, the pumping plant of Aconcagua river was out of operation. Later when the analysis showed that water quality was normal, the services with surface water sources were restored. No human damage was recorded.

One milestone in 2011 was the fuel tank regularization before the Superintendence of Electricity and Fuels. This protocol establishes the minimum safety requirements that the facilities for oil-based liquid fuels must comply with, as well as the minimum safety requirements that must be observed when operating these fuels, in order to protect human life, goods and environment.

(32) There is a protocol in case of emergencies for sewage spill. The graph showing these processes is included in report 2010. <http://portal.esval.cl/comunidad/antiores/>



0.2.7 WASTE

The main types of waste generated by drinking water production process and sewage treatment are:

- **Debris:** solid waste produced in the construction works and sewage and water pipe reposition, as well as solid waste produced by infrastructure works.
- **Solid waste similar to domestic waste:** corresponding to what is contained by coarse and fine screening and sands.
- **Hazardous waste:** corresponding to chemical product packaging, waste oil, fluorescent tubes, lead materials and batteries.

In 2011, a total of 55,292 tons of solid waste was produced, an increase in 352% in comparison to the previous year. This is mainly due to the improvement of the system to record and control debris. Debris increased from 9,600 tons to 53,000 tons between 2010 and 2011. On the other hand, waste not corresponding to debris increased in 5.2% in 2011 in comparison to 2010.

The policy to control and record debris was kept within the EMS, detailed in 2008 Sustainability Report⁽³³⁾.

TABLE OF SOLID WASTE BY TYPE AND DISPOSAL (T) 2009-2011

Type of waste	2010	2011	2011	Final disposal
Domestic waste	73.8	160.0	140.0	Vertederos El Molle Valparaíso.
Solid waste similar to domestic waste:	2,845.8	2,308.6	2,440.4	Landfill sites El Molle in Valparaíso, La Hormiga in San Felipe, Altos de Cartagena.
Recyclable solid waste	12.0	2.8	2.1	Paper to Sorepa ⁽³⁴⁾
Hazardous waste	7.4	9.8	4.0	Waste oils to Cemento Melón. Other waste to Hidronor ⁽³⁵⁾ , Degraf ⁽³⁶⁾ , Crowan ⁽³⁷⁾ .
Debris	6,170.0	9,596.0	52,683	Landfill sites defined for each work.
Total annual amount	9,109	12,077	55,233	

Source: Esvál Operations Management.

(33) <http://portal.esval.cl/comunidad/antiores/>
 (34) www.sorepa.cl
 (35) www.hidronor.cl
 (36) www.degraf.cl
 (37) www.crowan.tie.cl

DRIED SLUDGE

In 2011, the generated volume of dried sludge was 30,434 m³, which corresponds to a 9.7% increase in comparison to 27,732 m³ generated in 2010. It decreased at plants in La Ligua and Quillota, but sludge generation increased at plants in San Felipe and Los Andes.

From December 2008 all dried sludge generated at plants in La Ligua, San Felipe, Los Andes and Quillota have been disposed of at KDM Loma Los Colorados landfill site in Til-Til,⁽³⁸⁾ together with urban solid waste.

This situation will continue until December 2013, where the sludge generated by Esvál is expected to be disposed of in a single sludge landfill system, corresponding to an exclusive facility specially designed for this.

During the period, no spill of sludge was recorded at the plants, during transfer or at the final destination.

DRIED SLUDGE GENERATION PER PLANT (M³)

PLANT	2009	2010	2011
La Ligua	3,045	2,975	2,643
San Felipe	9,402	7,049	10,283
Los Andes	6,417	6,788	10,383
Quillota	8,925	10,920	7,125
Total annual amount	27,789	27,732	30,434

Source: Esvál Operations Management.

(38) During this operation the sludge is discharged from trucks on the same place where common garbage is deposited, thus garbage and sludge mixes together favoring the processes taking place inside a landfill site.



► **0.3**
RELATIONSHIP
WITH OUR
CUSTOMERS

0.3.1

The company's strategy to relate with its customer is focused on:

The company's strategy to relate with its customer is focused on:

- Providing a quality service and,
- Supporting its more vulnerable customers with respect to a more efficient use of the water and a proper handling of their payment obligations.

The Commercial and Development Management is in charge of managing Esval's relationship with its customers. All the interactions with the customers have clear and defined processes:

- Customers entry.
- Commercial cycle (invoicing and collection).
- Customer service (attention and reply to queries).
- Links with the community.

Esval has separated its commercial actions per type of customer, in order to provide a service that meets their requirements, according to their characteristics and origin:

1. House or residential: it includes the house connections to the drinking water network and/or to the public sewage system. They are continuous services, 24/7, throughout the year, also including customers from vulnerable areas.
2. Commercial customers: customers that carry out commercial activities, such as supermarkets, hotels, restaurants, among others.
3. Industrial customers: those that carry out productive activities.
4. Other customers: institutions that carry out educational and health activities; public services, such as hospitals, schools, among others.

CUSTOMERS PER BUILDING USE 2010-2011

	Total customers	Residential	Commercial	Industrial	Others
2011	552,186	522,627	26,072	905	2,582
2010	542,490	514,236	25,656	758	1,840

CUSTOMERS PER TYPE OF SERVICE

	Drinking water and sewage system	Only drinking water	Only sewage system
2011	499,899	51,597	690
2010	489,224	53,667	691

Source: Form No. 1 of Esval "Customers associated to buildings", informed to the Superintendence of Sanitary Services as at December 2011.

0.3.2 AN EXCELLENT SERVICE: CUSTOMER SERVICE, ATTENTION AND SATISFACTION

Esvál has implemented a customer service process allowing them to keep a fluent contact with their users, meeting their requirements and concerns.

It is worth noting that, in 2011, the communication through twitter was reinforced, recording about 4,000 followers at the end of the year. Additionally, in order to improve the attention to customers in the commercial offices and by the telephone service, several improvements were implemented, among which are: Queue attention system, electronic balance system, answering machine for automated replies, attention protocol, hiring additional personnel for greater demand periods and training to the customer attention personnel.

The service provided through these channels are classified as:

- ▶ queries
- ▶ complaints or requests

Assistance Channels

- commercial offices
- telephone customer service
- letters via ordinary mail
- e-mail Infoesval@esval.cl
- twitter@Esválchile
- mailbox in commercial offices

VIRTUAL OFFICE

In 2011, Esvál inaugurated the virtual office, an online platform to make the access to customer's queries and payments easier. The company updated the times for online requests and immediate assistance, modified its webpage in order to facilitate access to information about accounts, assistance and/or complaint, as well as the consumption details.

In 2011⁽³⁹⁾, 875 attentions via web were performed, and 15,382 customers made their payments like this.

The assistance regarding commercial matters are classified and submitted to the Commercial and Development Management for analysis, resolution and response. The latter is available in the company's commercial system. In turn, the operational matters are classified and submitted to the Operations Management, and the actions carried out in-situ are also recorded in the commercial system for its subsequent reference by customers.

The complaint rate was 6.7% in 2011, which means a rise of about one point with respect to 2010, which was 5.59%. This was mainly because in the second half of September there was an alteration in the odor and taste of drinking water produced in Plant Concón, which did not mean any risk for the population's health, but caused concern on customers.

COMMERCIAL REQUIREMENTS 2011

Año 2011	Commercial complaints		Total commercial complaints	Operational attentions		Total operational attentions	Total 2011
	In favor	Lacking		In favor	Lacking		
Excess consumption and readings	8,083	11,657	19,740	0	0	0	19,740
Debris and other on public roads	172	169	341	360	613	973	1,314
Meters	2,384	770	3,154	0	0	0	3,154
Other commercial matters	2,235	9,498	11,733	0	0	0	11,733
Subtotal	12,874	22,094	34,968	360	613	973	35,941
GENERAL TOTAL	34,968			973			35,941
Dw B. Customers Commercial as at dec. 2011	53,6420			536,420			536,420
Rate (Complaints/Customers *100)	6.5			0.2			6.7

DUMPING INTO ACONCAGUA RIVER AFFECTED THE QUALITY OF THE WATER IN THE CONCÓN PLANT

The cause of the poor quality of the drinking water in the Concón plant is related with the discharge of waste water by a company in the surroundings of the production plant's water inlet. Additionally, the poor runoff conditions of said stream caused the stagnation of the waste water, which affected the reception main stream, then the Aconcagua river and, finally, the water inlet Esvál has downstream for the drinking water supply.

The phenomenon was aggravated by the lack of maintenance and cleaning of the stream's bed in the last three years. Also, the severe draught affecting the Region of Valparaíso has meant a steep decrease in the caudal of Aconcagua river, which generated even more favorable conditions for the alteration of water normality.

Facing this situation, Esvál informed the community, through the communication means, in-situ visits, meetings with neighborhood leaders and a letter to the customers of the affected areas, calming the population, indicating that the water was harmless, which was ratified by the corresponding sanitary and regulatory organisms.

(39) from April to December.



SATISFACTION SURVEY

Each year, Esval carries out two quality of service surveys to measure their customers' satisfaction with the service provided. The results are issued in the different media to reinforce the positive aspects and work on the weaknesses by generating projects and improvements.

RESULTS OF THE CUSTOMER SATISFACTION SURVEY 2009-2011

Summary image and quality of service	2009	2010	2011
General satisfaction	64	66	58
Drinking water satisfaction	67	68	59
Sewage satisfaction	64	62	59
Product	72	69	56
Price	42	38	38
Bill	60	58	56
Supply's continuity	76	74	67
Offices	72	70	69
Problems and complaints	20	26	22
Emergency and services	58	63	54
Telephone customer service	66	66	61
Personnel in-situ	55	56	59

In 2011, the general perception about the service dropped in 8 points with respect to 2010. This trend is mainly explained by the decrease of qualities associated to the product and service with respect to drinking water, which were especially affected by the odor and taste of drinking water distributed from the production plant of Concón.

In 2012, a study of the service gaps with respect to the customers' perception and expectations, so, a detailed survey on services and their qualities will be carried out.



0.3.3 INFORMATION, DIALOGUE AND SUPPORT TO OUR CUSTOMERS

As a way to energize its relationship with customers, Esval establishes panels with social organizations, which improves the quality of communication and also provides support and direct advice to vulnerable customers in key matters, such as access to the drinking water subsidy.

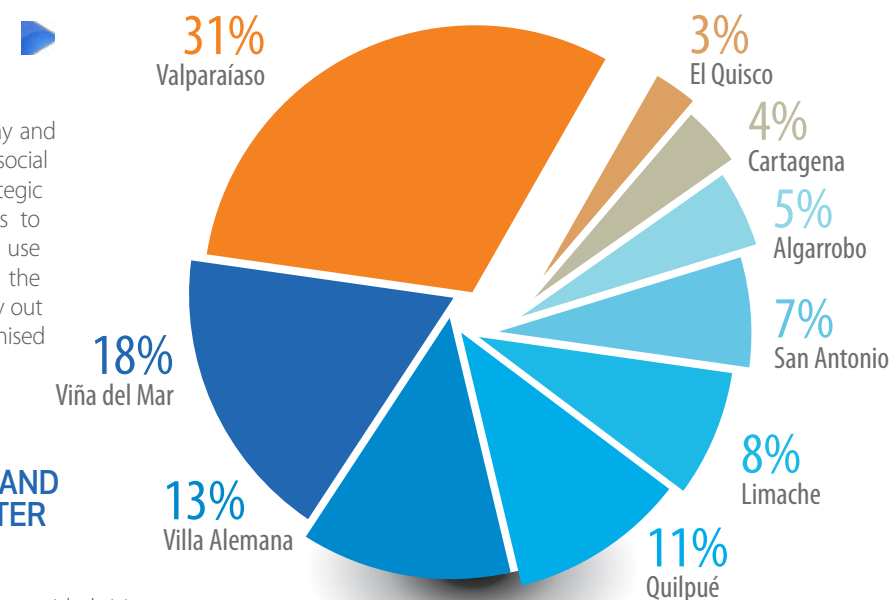
ACTIONS AND INFORMATION CHANNELS WITH CUSTOMERS

In 2011, 1,422 activities were held in relation to the delivery of information and contact with the community. In general, this process is carried out with the participation of neighborhood leaders, customers, opinion leaders and local authorities. The issues addressed in these meetings are related to needs and concerns stated by territorial leaders posed by the neighborhood leaders by means of personal contact, request in writing in service fairs and other on-site activities. The most discussed matters were: care and maintenance of sewage and responsible use of the fireplugs, drinking water subsidy, commercial information.

	San Antonio	Quillota	San Felipe	Valparaíso	TOTAL
Meeting with the authorities	6	3	17	4	29
Meeting with UNCO and JJW	16	52	15	49	132
Panel with organizations	9	23	2	20	54
Meeting with other organizations	3	12		16	31
Other activities with the community	206	245	101	624	1,176

ESVAL'S SEMINARIES WITH THE COMMUNITY

This activity was carried out between May and September 2011 and summoned 415 social leaders in order to strengthen a strategic alliance. The focus of the seminars was to deliver information about the good use of the water resource and the care for the environment. For 2012, we expect to carry out this activity in the communes of the franchised area that were not tackled in 2011.



GUIDED VISITS TO TREATMENT AND PRODUCTION OF DRINKING WATER PLANTS

In the period, 15 educational and informative guided visits were made to the production and treatment plants. Approximately 375 people participated, from several organizations, of neighbor groups, local health councils of the communes of Viña, Valparaíso, Quilpué, Villa Alemana, San Felipe, and students from the business administration school of Universidad Diego Portales.

SERVICES FAIRS

In order to strengthen a strategic alliance with public services, especially with the province governments, Esval participated in 114 services fairs in the region.

SUPPORT ACTIONS TO PROGRAM "PUENTE" (BRIDGE)

Supporting program "Puente", carried out by the Fosis together with the municipalities, 14 workshops to educate on the drinking water consumption and repair of sanitary artifacts were carried out. The recipients were families who live in extreme poverty or vulnerability.



ACTIVITIES IN SITU

In Valparaíso, 24 areas were covered together with a team of professionals, who helped new customers to apply for the drinking water subsidy. Also, talks about the responsible use of water and sewage were carried out in 10 municipal schools.

SUMMARY OF ACTIVITIES TO INFORM CUSTOMERS

	San Antonio	Quillota	San Felipe	Valparaíso	Total
Guided visits to treatment and production of drinking water plants		2	1	12	15
Services fairs and activities in situ	15	19	8	72	114
Support actions to program "Puente"	3	4		7	14
Repairs workshop to add program "Al día con Esval" (Up to Date with Esval)	22	11	4	26	6
Talks and activities associated to subsidies		44		20	24

SUPPORT ACTIONS TO VULNERABLE CUSTOMERS

SUPPORT TO OBTAIN AND RENEW DRINKING WATER SUBSIDIES

In 2011, due to the massive expiration of subsidies that occurs every three years, Esval made agreements with the municipalities of Valparaíso, Viña del Mar, San Antonio and La Calera, which consisted of the provision of money to reinforce the administrative and survey work.

In parallel, a panel was created –with the participation of the social team of the Municipality of Valparaíso, professionals of Esval and the person in charge of the social department of the Intendancy– to carry out a follow-up to the process, especially in the commune of Valparaíso, which has the highest expiration percentage in the area.

All this was reinforced by a communication plan. In spite of the effort, it was not possible to cover all Valparaíso area, so it was arranged with Mideplan to transfer or reassign 3,131 posts for 2012 to the so-called "stretch two".

2009-2011 DRINKING WATER SUBSIDIES

	2011	2010	2009
Allocated subsidies	92,123*	92,997	91,693
Percentage of allocated subsidies	96.97	98.05	97.91
Percentage of subsidized customers	17.17	17.57	17.89

*The drop is because there were no people with the score requested to apply. For this reason, it was requested modification and change of stretches.

PROGRAM "AL DÍA CON ESVAL" (UP TO DATE WITH ESVAL)

This is an initiative the company carries out for more than nine years that aims at educating about the water consumption and the use of sewage, providing training in plumbing for the good maintenance in the houses and to establish agreements of payment in installments.

By the end of December 2011, there was a ceremony to acknowledge and reward families that, with a joint effort, were able to regularize their situation as customers. One hundred and fifty were present. Also, 63 workshops about repairs of sanitary artifacts were carried out, additional to those carried out by the program. They were addressed at members of neighborhood organizations and parents centers of the region.

WORKSHOPS AND AGREEMENTS MADE BY PROGRAM "UP TO DATE WITH ESVAL"

Area sub management	2011				2010				2009		
	Visits	Ed. Consumption	Repairs	Agreements	Visits	Ed. consumption	Repairs	Agreements	Visits	Workshops	Agreements
Gran Valparaíso	5,702	237	43	2,061**	5,573	230	24	2,178	5,440	225	2,273
Quillota	1,164	77	24	596	1,050	72	11	533	1,103	72	591
San Felipe Los Andes	994	54	18	713	1,071	48	14	902	1,072	51	883
Litoral Sur	1,280	78	25	316	1,279	77	12	361	1,287	83	304
General Total	9,140	446	110	3,686	8,973	427	61	3,974	8,902	431	4,051

SUPPORT TO PROGRAM "ALDEAS Y CAMPAMENTOS" (Villages and shanty towns)

The concept of vulnerable territory was introduced in 2007 by the Development and Planning Ministry (Mideplan in Spanish) and the Subdirectorate of Regional Development (Subdere, in Spanish) to define the areas of houses lacking services related to drinking water, sewage, electricity and connectivity. In April 2011, Mideplan informed that the program "Territorios vulnerables" (Vulnerable territories) did not longer exist and, to replace it, program "Aldeas y campamentos" was established.

*The reports on the repair of sanitary artifacts workshops is included this year.

**There was a small difference between the agreements compared with 2010. This is because there was a drop of 117 customers that did not continue with the commitment.

DRINKING WATER FOR RURAL AREAS

In 2011, Esval rendered technical assistance and management of project services to the rural drinking water cooperatives and committees (APR, in Spanish) of the region, according to a covenant entered by the Directorate of Hydraulic Works of the Ministry of Public Works.

The technical assistance has allowed assisting 150 rural drinking water systems, benefiting an estimated population of 200,000 inhabitants. In 2011, 237 scheduled visits to the services were performed. The purpose of this was to improve and consolidate their management as well as to provide technical, administrative and financial sustainability to the people in charge of their management. Framed under the technical assistance provided, it is worth mentioning that the legal assistance provided to the rural drinking water services, aimed at supporting the users in regularizing their water rights, land titles and water concessions. In 2011, 227 attentions were provided, which allowed regularizing eight situations of water rights, five properties and six water concessions.

The technical assistance also serves non-scheduled situations, which mainly correspond to operational emergencies that imply suspension of the service. Throughout the year, seven non-scheduled visits were carried out, which benefited approximately 8,000 people. Also attendance to the committees in the evaluation of feasibility of rural drinking water, where the technical team carried out a study to determine whether the connection is possible or otherwise determine the necessary requirements. In 2011, 830 studies, with their corresponding reports, were carried out.

We must also mention the training conferences provided to all the services. In 2011, three training workshops were carried out, one on each province, in which it was considered the economy in the management of rural drinking water as central topic. Also, it was talked about matters such as:

- Laboratory analysis, regulation and procedure to be carried out by each APR, within the framework of the current regulations (NCh 409).
- Current status of the request for water rights.
- Importance of the egalitarianism.
- Scopes of study "Participation and gender in APR services".
- Scopes of Act 20,500 and standard statute.
- Creation of water level meter.
- Operation of plant filters, maintenance and valve operations.

An important attendance was achieved, of about 450 people.

Regarding the project management, new works and designs for an investment amount of 860 million Chilean pesos financed by the Chilean State were conducted. Among the works conducted are the construction of two semi-buried pools and the installation of 8,100 meters of network, with 170 new home drinking water connections.



Continuing the support to the authorities, in 2011 Esval carried out 38 conceptual studies about the access to drinking water, defined as follows:

- 17 Conceptual studies carried out on seized areas.
- 21 conceptual studies carried out on areas of projects "Territorios vulnerables" and "Aldeas y campamentos".
- In 2012 we will continue this work, which has allowed taking drinking water to new areas.

0.3.3 CONCERN ABOUT THE QUALITY AND SAFETY OF THE PRODUCT AND THE SERVICE

In order to keep the quality and continuity of the service, there is a quality control system, with technology applied on each process.

LABORATORY

Esvál laboratory has a modern equipment and instrumentation to comply with the regulations. The operations of the laboratory are carried out under a Quality Assurance System certified by the National Institute of Standardization (INN, in Spanish) under Chilean Norm ISO 17,025 Of. 2005, which has been renewed in 2011 until 2015 by means of the assessment process carried out by the INN in the last period, adding several parameters to its previous scope. This means decreasing the analysis sub-contracting rates and improve the services.

PRODUCTION

21,739 bacteriologic and chemical analyses carried out in drinking water plants.

DISTRIBUTION

112,759 bacteriologic and chemical analyses carried out in drinking water networks.

RECOLLECTION

19,299 bacteriologic and chemical analyses carried out in sewage plants.

CLEAN UP

8,518 bacteriologic and chemical analyses carried out in mains and shoreline.

Esvál's laboratory has the infrastructure, the equipment and the personnel necessary to provide analysis services to third parties, which means a new business unit.

Throughout the year, Esvál's laboratory carried out a total of 176,000 analysis, mainly bacteriological and chemical. These analyses mainly correspond to self-check programs required by the supervising authorities, apart from internal watchfulness and follow-ups, oriented at improving the production and distribution of drinking water processes, as well as the treatment and disposal of waste water, in such a way of keeping the superficial streams and the seashore clean, where the treated waste waters are evacuated.

All these analyses are framed in around 15 control programs, of diverse periodicity, which are controlled by organisms as the SISS, the Ministry of Health, Sernapesca and Directemar, among others.

PROCESSES QUALITY CONTROL

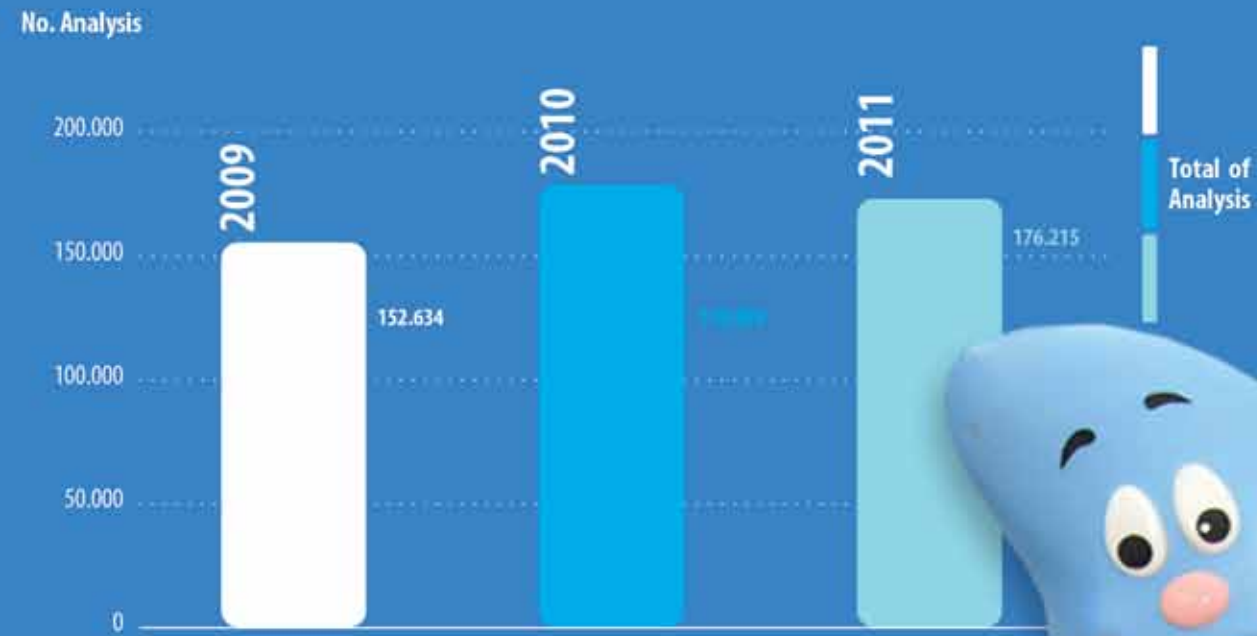
The quality control carried out by Esvál through its laboratory is mainly applied to the processes of production, distribution, recollection and treatment of water.

Additionally, the company's laboratory carried out:

- 1,471 chemical analyses on waste water made by the company according to SD 90.
- 5,669 bacteriological and chemical analyses made due to complaints, which had an important increase due to the deterioration of the quality of the water of some supply sources. More details about these incidents are on page 51.
- 5,985 these analyses had to be sub-contracted due to the greater regulatory requirements for chemical parameters that were not certified by Esvál's laboratory.
- 775 analyses carried out to private parties because the company's laboratory also renders services to third parties.



TOTAL OF ANALYSES 2009-2011



TECHNOLOGY

The operational work carried out on all the company's processes is supported by state-of-the-art technologies, although in 2011 new equipment was not incorporated. The detail of the technologies used by the company is in the 2010 report.



0.3.4 RELATIONSHIP WITH OUR SUPPLIERS

Esval has a procedure for "Selection, assessment and re-assessment of suppliers of critical goods, and contracts for works and services", establishing the classification of its suppliers, according to how they implement the norms of the Integrated Management System. In the selection and assessment of suppliers, the deciding factors are: price, quality, delivery times and post-sale service, understanding this as the compliance with the current regulations at the time of delivering and guaranteeing the products. In the selection and assessment of contractors, the deciding factors are: price, experience, deadlines, and the compliance with the legal regulations regarding labor and hygiene and safety obligations of their workers, as well as the compliance with deadlines, technical specifications and quality and environmental management.

The tender and awarding processes are carried out based on trust with the suppliers and contractors, ensuring transparency in the tenders and control of the contracts.

The suppliers and contractors can, through the company's webpage, access the ongoing tenders and the current instructive.

Among the challenges for 2012 is boosting trainings and displaying new products, in technical, safety and environmental aspects.

Also, next year we expect to improve and expand the process to select and assess suppliers and contractors in order to include the participants in the company's purchase and hiring processes, to create communication spaces allowing to improve the services rendered by the supplying companies and, in turn, improve the internal processes.

Another challenge is improving the access to Suppliers portal of the webpage, so that, apart from the queries about tenders, the interested parties have access to purchasing the tender rules and to their evaluations, as well as to other important news.



▶ 0.4
OUR
WORKERS

Esval's goal is that their workers reach high personal and professional development, based on a pleasant working environment, high motivation and full training.

The company's relationship with its workers develops through the head offices, which are responsible for spreading the policies and for channeling the workers' concerns towards high administration. The Human Resources management is responsible for, together with the other management offices, implementing and applying policies based on the best practices to relate with collaborators, in agreement with the organization's strategy.

Esval's human resources policy is specially focused on improving the quality of life, establishing incentives aimed at motivating and guaranteeing the workers' satisfaction. The company is mainly concerned of their proper remuneration⁽⁴⁰⁾ and of their professional development, in agreement with their aspirations and possibilities. Regarding recruitment, Esval has clear and explicit procedures that privilege the internal selection, with the same opportunities and transparency to select the people who have the competences required for the positions.

Regarding the human resources⁽⁴¹⁾, policy, the company is aimed at preventing child and forced labor, which is explicitly stated in their Internal Regulations.

In 2011, the management of people kept its working focus on improving the organizational environment, continuing with the initiatives arranged the previous year, such as the anonymous organizational environment survey, which was applied on all the company's workers. Based on the results, several groups of analysis were created, with the participation of the workers from all the management offices. This generated several improvement plans, implementation of which continued in 2011. We expect to apply new environment survey the first semester 2012.

For 2012, the challenges are oriented to the development of talents and management of people, in such a way to boost the interpersonal skills and their capacities, favoring the workers' innovation and motivation.

(40) By means of a salary in agreement to the labor market and the payment of incentives associated to the company's results and the workers' contribution.

(41) The detail of the human resources policies were presented in report 2009.<http://portal.esval.cl/comunidad/anteriores/>

0.4.1 GENERATION OF QUALITY EMPLOYMENT FOR THE REGION

As at 31 December 2011, Esvál's staffing was 372 workers, 4.8% more than 2010. The departments with more growth were middle management and operators. This is mainly because of the staff that entered two new areas of the company: the Department Surveys Certification Company (ECI in Spanish) and the Department of Informatics Systems Integration, depending on the Commercial and Development Management and of the Administration and Finance Management, respectively.

Regarding the type of contracts, 95% of Esvál's workers have an indefinite contract and an average age of 46.

DISTRIBUTION OF THE WORKERS PER DEPARTMENT 2009-2011

Departments	2009	2010	2011
Administrative	25	22	23
Executives	8	8	8
Middle management	42	41	46
Operators	71	67	77
Professionals	118	118	125
Technicians	96	99	93
Total	360	355	372

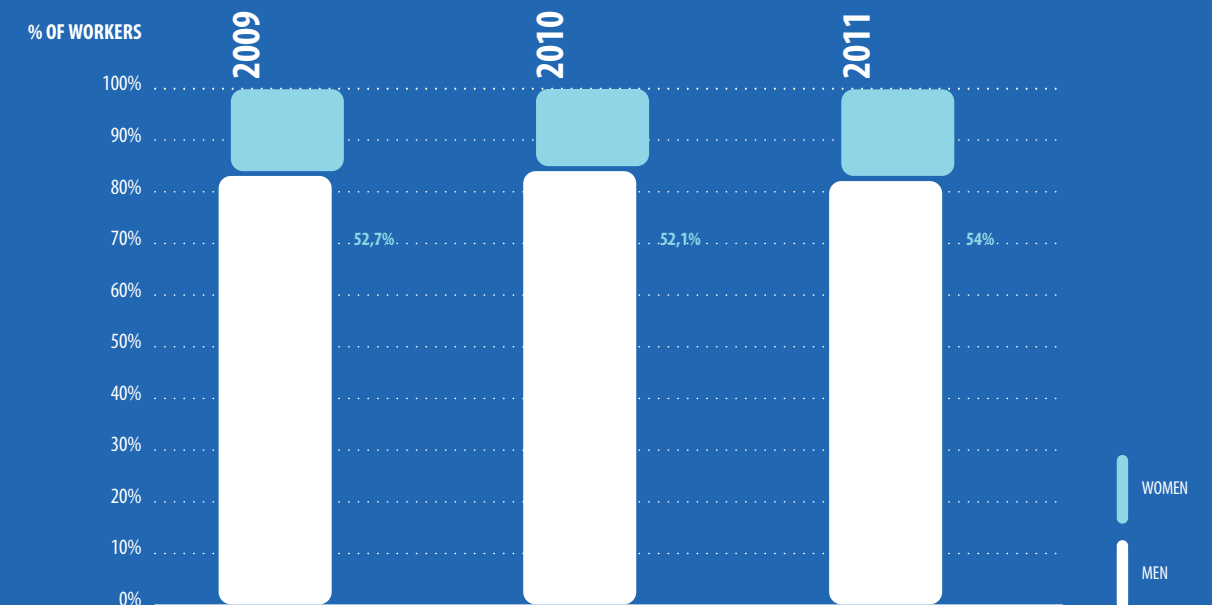
Source: Department of Studies, Esvál's Human Resources Manager.

QUANTITY OF WORKERS PER TYPE OF CONTRACT 2009-2011

Type of contract	2009	2010	2011
Indefinite	356	352	353
Fixed-term	4	3	19
Total	360	355	372

Source: Department of Studies, Esvál's Human Resources Manager

QUANTITY OF WORKERS PER GENDER 2009-2011



Source: Department of Studies, Esvál's Human Resources Manager

Through hiring services, Esvál generated 1,307 indirect work posts, which meant a decrease of 1.66% with respect to 2010. This is mainly due to adjustment of the work loads of some additional services.

TOTAL TURNOVER 2009-2011

Year	2009	2010	2011
Total turnover rate	5.21%	7.80%	8.37%

Source: Department of Studies, Esvál's Human Resources Manager

$$\text{TOTAL ROLLOVER} = \frac{\text{Total of terminations of the Period}}{\text{Average of Staffing of the Period}} \times 100$$

TURNOVER BROKEN DOWN PER GENDER AND AGE

Age range	2011		TOTAL
	Men	Women	
18-25	0%	0%	0,0%
26-35	21.3%	32.7%	22.9%
36-45	10.7%	0%	7.6%
46-55	3.2%	0%	2.7%
56-65	5.9%	0%	5.4%
66-Más	14.5%	0%	14.5%
Total	9.1%	5.02%	8.4%

Source: Department of Studies, Esvál's Human Resources Manager

With respect to the workers' return and permanence rate after the leaves related to the maternity leaves for men and women, in 2011 this was 100%⁽⁴²⁾.

RELATIONSHIP COMPANY'S INITIAL SALARY VS. LEGAL MINIMUM SALARY

Year	Esvál's minimum salary ⁽⁴³⁾	Legal minimum salary	Variation or ratio
2009	410,195	165,000	149%
2010	388,202	172,000	126%
2011	426,557	182,000	134%

Source: Esvál's Remunerations Books and www.leychile.cl (Biblioteca del Congreso Nacional de Chile).

Esvál kept the group of benefits related to advisory in collective health plans (isapre) and health insurance, retirement and voluntary retirement saving (APV in Spanish), promotion of the practice of sports and recreational workshops, agreements with health and sport institutions, and professional attention for health, family housing and education.

(42) In 2011, only one woman took the maternity leave.

(43) For the calculation, the annual average of the total taxable paid was considered.

The financial benefits for Esvál's workers are the following:

- Payment of indemnities without legal maximum values.
- Bi-yearly adjustment according to inflation (IPC in Spanish).
- Payment of daycare and pre-school for children up to 4 years old.
- Complement of remunerations due to medical leaves.
- Permit for leave of absence.



0.4.2 HEALTH AND LABOR SAFETY

Esvál aims at decreasing the injuries and diseases of labor origin that may affect their workers and collaborators. For this reason, it applies the commitments of its quality, environment, safety and occupational health integrated policy (see page 15).

The company makes effective all the safety and care measures, promoting self-care. Each worker and collaborator has to respect them, and make them be respected. The total raining hours about prevention and safety for their personnel and their contractor decreased, which is because in the two previous years it was necessary to implement and reinforce system OHSAS 18,001.

ANNUAL TRAINING REGARDING LABOR SAFETY 2009-2011

Hours/Task force	2009	2010	2011
Esvál S.A.	2,156	6,296	1,846
Contractors	11,558	4,378	8,122
Total	13,714	10,674	9,968

Source: Department of Studies, Esvál's Human Resources Manager

ACCIDENT AND INJURIES RATES 2009-2011

	2009	2010	2011
Accident rate ⁽⁴⁴⁾	57.0%	53.0%	31.0%
Injuries rate ⁽⁴⁵⁾	2.2%	2.2%	2.5%
Injuries rate (national) ⁽⁴⁶⁾	5.36%	5.43%	5.58%

Source: Safety and Risk Prevention Department, Esvál's Human Resources Management.

(44) Accident Rate (Total): Average Accident Rate due to Temporary Disabilities + Accident Rate due to Disability and Death (according to SD 67).

(45) Injuries rate: number of labor accidents/average of workers per 100 in 12 months.

(46) Injuries rate: number of labor accidents/average of workers per 100 in 12 months. Information obtained from the statistics of the Social Security Superintendence (SUSESO in Spanish).

This year, Esval decided to change its method to calculate the labor accident and injuries rate⁽⁴⁷⁾. In this report, the accident rate at 12 months was added, instead of the one used so far, which took the calculation formula from the Instituto de Seguridad del Trabajo (IST) as a reference. Also, it incorporated a global frequency index, considering the contractors that work in their tasks. This is to agree with the government's policies in this matter.

ACCIDENT AND INJURIES RATES (CALCULATION OVER 12 MONTHS) 2009-2011

	2009	2010	2011
Accident rate ⁽⁴⁸⁾	25.70%	16.92%	50.81%
Accident rate (National) ⁽⁴⁹⁾	75.41%	76.99%	80.31%

Source: Safety and Risk Prevention Department, Esval's Human Resources Management.

The increase in the trend in terms of accidents is mainly explained by the high quantity of days lost due to only one accident: an open fibula fracture of the left leg of a worker that violated the safe working procedures. Only this accident represents 74.3% of the total of days lost due to labor accident in the company.

ACCIDENT AND INJURIES RATES BROKEN DOWN PER GENDER

2011	Men	Women
Accident rate ⁽⁵⁰⁾	55.64%	26.67%
Injuries rate ⁽⁵¹⁾	2.33%	3.33%

Source: Safety and Risk Prevention Department, Esval's Human Resources Management.

⁽⁴⁷⁾ In previous years, the Accident Rate used by the Instituto de Seguridad del Trabajo (IST) was used to calculate the Additional Insurance Contribution (Social Security against Labor Accidents Risks and Professional Diseases). However, this rate considers data from the last three years (according to methodology of SD 67).

⁽⁴⁸⁾ Accident Rate (12 months): number of days lost due to labor accidents/average of workers per 100 in 12 months.

⁽⁴⁹⁾ Accident Rate (12 months): number of days lost due to labor accidents/average of workers per 100 in 12 months. Information obtained from the statistics of the Social Security Superintendence).

⁽⁵⁰⁾ Accident Rate (Total): Average Accident Rate due to Temporary Disabilities + Accident Rate due to Disability and Death (according to SD 67).

⁽⁵¹⁾ Injuries rate: number of labor accidents/average of workers per 100 in 12 months.

JOINT COMMITTEES

Esval has four joint committees: Litoral Sur, Nivel Central, Quillota-San Felipe/Los Andes and Valparaíso Operaciones. The main functions of these committees are: monthly and extraordinary meetings, specific activities of the work program, such as planned inspections, behavior observations, investigation of incidents, studies and design of products for prevention campaigns.

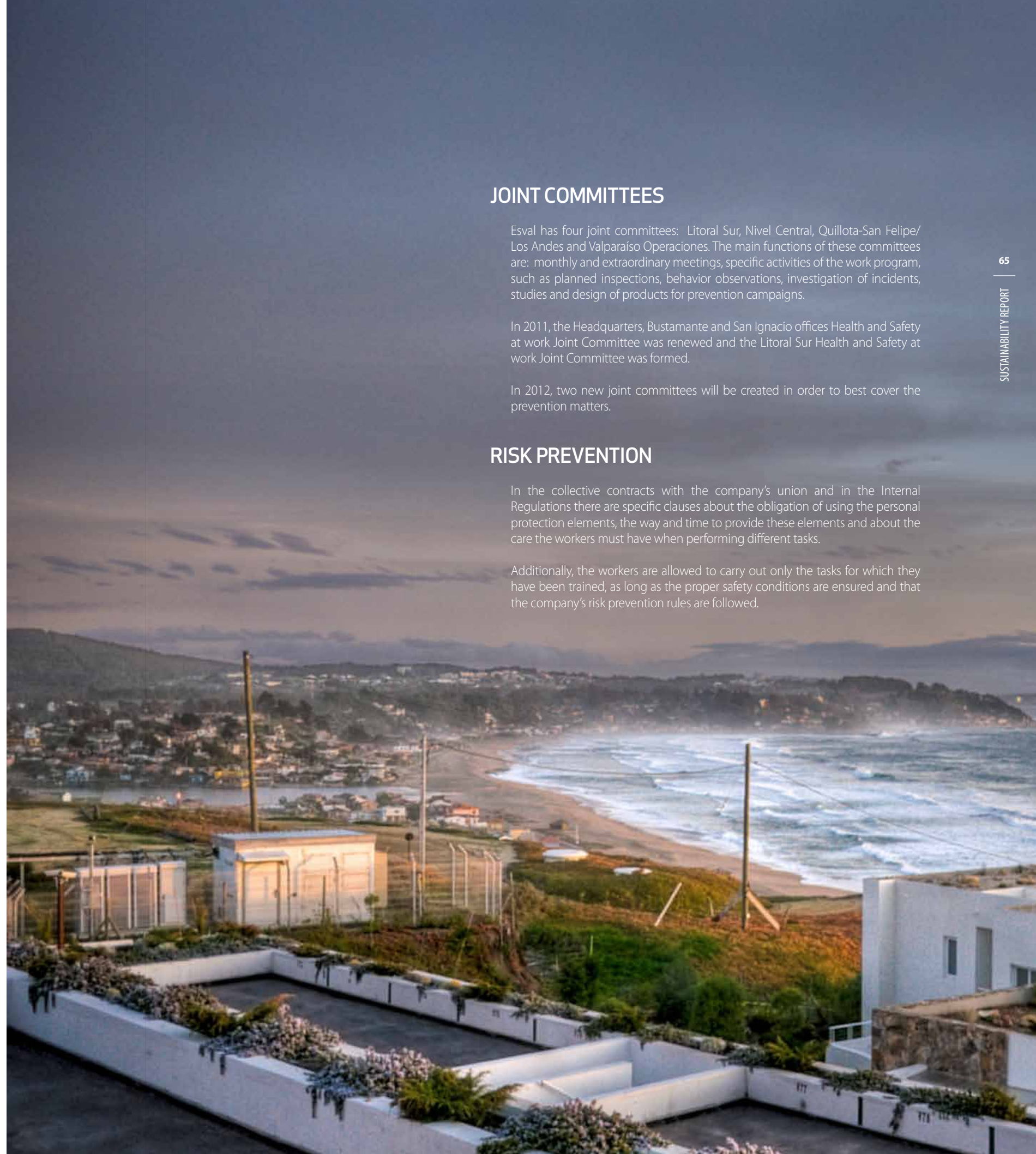
In 2011, the Headquarters, Bustamante and San Ignacio offices Health and Safety at work Joint Committee was renewed and the Litoral Sur Health and Safety at work Joint Committee was formed.

In 2012, two new joint committees will be created in order to best cover the prevention matters.

RISK PREVENTION

In the collective contracts with the company's union and in the Internal Regulations there are specific clauses about the obligation of using the personal protection elements, the way and time to provide these elements and about the care the workers must have when performing different tasks.

Additionally, the workers are allowed to carry out only the tasks for which they have been trained, as long as the proper safety conditions are ensured and that the company's risk prevention rules are followed.



0.4.3 TRAINING, DEVELOPMENT AND EMPLOYABILITY

The development of people inside the company is one of Esva's goals. In order to achieve this, the company is focused on the correct management of knowledge, excellence in performance and boosts the good relations among its workers.

In this respect, project "Desarrollo humano" (Human development) was implemented, which aims at promoting an organizational environment that allows growing in technical, professional and personal aspects, focusing on team and participative work, boosting creativity and incentive for the continuous improvement in all the organization areas.

For Esva, training is understood within a broader framework, called education, in which academic, participative, workshops, e-learning platform and self-study activities are carried out.

In 2011, the objectives related with the development of people were maintained. The training cores were oriented at the update of knowledge, professional and personal development, totaling 17,363 hours. This corresponds to an increase of 3.8% compared with 2010 (this without considering the pause exercises of 2010).

Also, 156 courses, seminars and workshops were carried out, corresponding to 2.3% of the available hours in the year. This means that each Esva's employee was trained, as an average, 48.45 hours during the year, which represent an increase of 2.8% compared with 2010. The total of the Sence exemption used in 2011 was 50,075,782 Chilean pesos.

TRAINING MAN HOURS 2009-2011

Training Area	2009		2010		2011	
	Hours	%	Hours	%	Hours	%
SIG quality and environment	1,467	9%	3,054	15%	1,880	11%
SIG safety and occupational health	2,156	12%	6,296	31%	1,846	11%
Update	3,706	21%	5,055	25%	6,674	38%
Professional development	4,298	25%	678	3%	4,902	28%
Personal development	5,645	33%	2,381	26%	2,061	12%
TOTAL	17,272	100.00%	20,464	100%	17,363	100%

Source: Department of Organizational Development, Esva's Human Resources Management.

The company's vision considers its contribution to the development of the communities where it operates. For this reason and like previous years, resources from the surplus of the tax exemption Sence were used for social grants, favoring socially vulnerable areas, with courses about gauges reading and bakery, in which 27 people participated, with a total of 1,080 man hours.

In 2011, the company carried out performance evaluations to 100% of the workers. Special attention was paid on the quality of the feedback the evaluators gave their workers, so workshops oriented to the improvement of this variable were carried out.



0.4.4 WORK RELATIONSHIPS

There are three unions in Esva, of which 219 workers are members. The relationship between the unions and the company is respectful and cooperative. These relationships are developed within the Commission on Labor Relationships that organizes periodical work meetings throughout the year.

UNIONIZATION DEGREE 2009-2011

	2009	2010	2011
Union No. 1	125	121	126
Union No. 2	51	46	45
Professionals and heads union	38	36	48
Total unionized workers	214	203	219
% Unionized workers	59%	57%	59%
No. unionized workers	146	152	153

Source: Department of Studies, Esva's Human Resources Manager.

In 2011, two collective negotiation processes were carried out, involving the three company's unions. Said processes finished before the legal deadlines, with the signature of two collective contracts that were satisfactory for the parties.

The negotiated collective work contracts will govern between 1 September 2011 and 31 August 2013, inclusive.



0.4.5 CONTRACTORS

Esva does not only apply its Quality, Environment, Safety and Occupational Health Policy inside the company, but also extends it looking to "gradually committing its contractors and suppliers so that their performance regarding quality, environment, occupational health and safety be consistent with the provisions of this policy in the activities, and services they render to the organization".

In this respect, Esva requires the signature of a civil contract specifying that its processes can be measured according to quality standards, stipulating the terms of the services and requirements between the parties. Additionally and understanding the importance of the contractor companies in its business, the company provides clear and opportune information about matters such as tender processes, requirements, assessments of compliance and performance.

By means of on-site audits on compliance with the labor and safety legislation, the contractor companies have greatly improved their administrative and risk prevention responsibility.

The Contracts Sub management carries out the tender processes and the administrative formalities that are necessary to verify that the companies hired comply with the current labor and safety regulations. In turn, the Human Resources Management, through the Outsourcing Control and Risk Prevention area, carries out permanent on site audits, whether by their own means or by an external office.

Finally, the operational coordinators of each contract verify that the services and works are carried out according to the established standards (quality, labor safety and labor compliance). This task falls on managers, submanagers or heads of departments, as pertinent.

In 2011, Esva linked with 52 contractor companies, thus generating 1,307 indirect full-time jobs.





0.5
 RELATIONSHIP
 WITH THE
**COMMUNITY OF
 OUR REGION**

The importance and implication of the sanitary service in the well-being, health and quality of life of people, and also the contribution to the economic development and environmental sustainability of the Region of Valparaíso are the premises that mark the relationship of Esvál with the community.

One of the main motivations of the company is to build open, harmonic and cooperative relationships with the inhabitants and the diverse social organizations of the area. The General Management office is responsible for carrying out this task with the direct collaboration of Corporate Management, Commercial Management and Operations Management.

In 2011, the work programs with the community continued in the framework of the so-called "Agua sana, vida sana" campaign. Its purpose: strengthen and deepening the consciousness the community about the importance of protecting the environment, especially the natural water streams; this is seen as a commitment that has to be undertaken in a joint manner.

This task will be reinforced in 2012 to face the scenario of water shortage, which requires an informed and conscious community about their role facing this scenario.

0.5.1 MANAGEMENT OF THE **COMMUNITY** RELATIONSHIPS

Esvál, as a regional company committed to providing a service of excellence to its customers and with this, contributing to the standard of living of the inhabitant's of the Valparaíso Region, works closely with regional, provincial and commune authorities, apart from social organizations and the organized community. Its aim is knowing their needs, problems and possible solutions with respect to matters of mutual interest.

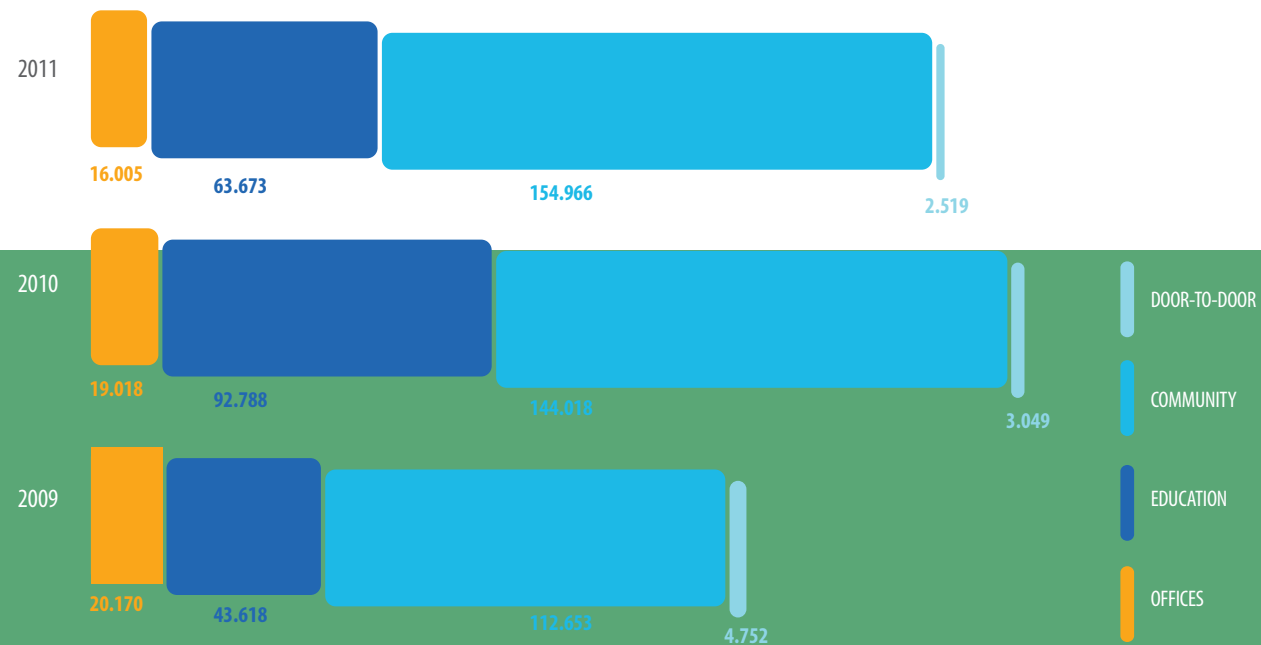
CAMPAIGN "AGUA SANA, VIDA SANA"

Campaign "Agua sana, vida sana" started nine years ago, with the purpose of getting Esvál and its work closer to the community, and help as a bridge to bring help to those in need. It currently transmits messages about the care for the planet, the water and its importance in life.

In 2011, the work in educational events included an "Educational tunnel", which was a 10 meter tour, where the children were able to interact with several educational games aimed at showing them how to look after the water, the sustainable disposal of the home waste water, recycling and healthy lifestyles.

Like every year, plays were performed to transmit the messages about looking after the environment in schools, nursery schools and elderly centers. For sixth consecutive year there were recreational and educative visits in the attention centers the National Women's Service (Sernam in Spanish) opens every summer for the care of the children of female seasonal workers. Also, the educational workshops about the efficient use of water and its processes were carried out, addressed to social organizations in the region, apart from the door-to-door campaigns. Aguas del Valle also participated in several public events, among which there were health programs carried out together with the education and nutrition departments of the medical centers of the area and the participation in several sport activities.

SUMMARY OF THE ACTIVITIES IN SITU 2009-2011 (PER NUMBER OF CONTACTS)



Through several activities, mostly of the region, the campaign directly contacted 237,163 people and participated in 1,264 activities. The goal for 2012 is to expand the coverage to 250,000 contacts and more than 1,500 activities.

0.5.1

COOPERATION WITH THE PUBLIC SECTOR

One of the Esvál's lines of work is the cooperation with the public sector in programs or projects that benefit the regional development. Below is a detail of the public programs in which the company participated during 2011.



SUMMARY OF PUBLIC-PRIVATE COLLABORATION 2011

Level	Organism	Program/Project	Type Of Support/ Participation Of Esvál S.A.
Regional	Intendancy and governorships	• Annual program government in situ.	
	Department of Housing Region of Valparaíso	• Annual program I care for my neighborhood.	• Participation in all the activities these programs or fairs carry out in the region, providing information and listening to the customers.
	Sernac ⁽⁵²⁾	• Annual program Consumers' fair.	
	Junaeb ⁽⁵³⁾	• Annual project Healthy food fairs.	
	Senda ⁽⁵⁴⁾ (former Conace)	• Project Sport clinics to prevent drug consumption.	• Support to sport activities on beaches with young people to avoid drug consumption.
	Instituto del Deporte	• Program Street football for children of the region.	• Participation in all the sport events with children in all the communes of the region.
	Sernam ⁽⁵⁵⁾	• Program Enterprising women and Center for Children of Female Seasonal Workers.	
	Sename ⁽⁵⁶⁾ and Labor regional secretariat	• Annual program No to child labor.	• Participation with play "Las gotitas", information stand and water supply.
	Fundación Integra ⁽⁵⁷⁾	• Annual program Choose to live a healthy life	
	Gendarmería de Chile	• Physical activity program, marathon	
Maritime Governorship	• Project "Beaches clean-up.		
Municipal	Municipality of Viña del Mar	• Program Sport house.	• Participation and support to the activities with play "Las gotitas" in the events carried out and delivery of water.
	Municipality of San Antonio	• Project health and the environment. 4th school Olympics.	
	Municipality of La Calera	• Program Summer in your neighborhood.	• Participation in all the recreational activities addressed to children and delivery of information to the customers in all the neighborhoods of La Calera.
	Municipality of Valparaíso	• EGO health program: "Estrategias globales contra la obesidad infantil" (global strategies against childhood obesity).	• Part of the panel and participates in all the activities.

(52) Servicio Nacional del Consumidor (National Consumer Service) www.sernac.cl

(53) Junta Nacional de Archivo Escolar y Becas www.junaeb.cl

(54) Servicio Nacional para la Rehabilitación de Drogas y Alcohol www.senda.gob.cl

(55) Servicio Nacional de la Mujer www.sernam.cl

(56) Servicio Nacional de menores www.sename.cl

(57) Private organization purpose of which is the integral development of children living in poverty www.integra.cl

0.5.3

WORK WITH UNIVERSITIES

The company has traditionally opened its doors so that students from several universities have access to its plants and know the drinking water production processes and treatment of waste waters. In 2011, the company carried out two projects to improve the signaling of the most visited drinking water production plants, which are Concón and San Juan in San Antonio. It also distributed an informative brochure with concrete information about the processes of each plant.

Below are other types of support Esval provided in 2011 to universities in the region.

Apoyo de Esval a Universidades de la Región 2011

University or Higher Education Center	Program/Project	Type of Support/ Participation of Esval S.A.
Universidad de Playa Ancha	Program to promote good nutrition	Participation in the fair in the framework of the program carried out by the university.
Universidad Adolfo Ibáñez	Project "Sueños de Navidad" (Christmas dreams) for children of the region	Participation with a stand and the presentation of play "Las gotitas" (The Droplets) in the events carried out in the frameworks of the projects and/or programs.
Universidad Andrés Bello	Project to promote Healthy Nutrition	
Inacap and DUOC	Program to Promote Labor Fairs	
Pontificia Universidad Católica de Valparaíso	Interregional sport project	Participation with a stand in the university championship.



▶ **0.6**
 TABLE OF GOALS
 2011 AND
CHALLENGES
2012

	Area	Commitment 2011	Performance 2011	Challenge 2012
ENVIRONMENT	Dumping	<ul style="list-style-type: none"> Not causing any waste water dumping on water streams. 	Fairly fulfilled One event	<ul style="list-style-type: none"> Not causing any waste water dumping on water streams.
	Energy	<ul style="list-style-type: none"> Reduce 3% of energy consumption (KW) of the company's administrative and commercial precincts. 	Fulfilled Reduction of the energy consumption in 3,75%.	<ul style="list-style-type: none"> Reduce 3% of energy consumption (KW) of the company's administrative and commercial precincts.
	Residues	No commitment	-	<ul style="list-style-type: none"> Prepare cadastre and program for the reduction of residues to be implemented in period 2013-2015.
CUSTOMERS AND PRODUCT	Customer satisfaction survey	No commitment	-	<ul style="list-style-type: none"> Carry out a study of the services gaps with respect to the customers' perception and expectations.
	Information, dialogue and support to customers	No commitment	-	<ul style="list-style-type: none"> Carry out Esval seminars together with the community. In the communes within the franchise area that were not tackled in 2011.
COMMUNITY	Campaign "Agua sana, vida sana"	No commitment	237,163 contacts were made and a total of 1,264 activities.	<ul style="list-style-type: none"> Expand the coverage to 250,000 contacts and more than 1,500 activities.

▶ 0.7 GRI INDEX AND GLOBAL PACT

Number	Indicator	Page/Comment
1.1.	Letter from the CEO or the maximum responsible person from the organization	4 and 5
1.2.	Description of the main impacts, risks and opportunities.	19 and 20
Organization Profile		
2.1.	Organization name.	11
2.2.	Main brands, products and/or services.	11
2.3.	Organization's operational structure, including the main divisions, operational entities, subsidiaries and joint ventures.	11
2.4.	Location of the organization's headquarters.	11
2.5.	Number of countries where the organization operates	E sval only operates in Chile
2.6.	Nature of the property and legal form.	Flap
2.7.	Markets served.	12
2.8.	Dimensions of the informing organization.	11
2.9.	Important changes during the period covered by the annual report.	16
2.10.	Awards and distinctions received during the last informed financial year.	22
PARAMETERS OF THE ANNUAL REPORT ANNUAL REPORT PROFILE		
3.1.	Period covered by the information contained in the annual report.	6
3.2.	Date of the most recent annual report.	6
3.3.	Cycle for presentation of annual reports.	Annual
3.4.	Contact point for matters regarding the annual report or its contents.	9

ANNUAL REPORT SCOPE AND COVERAGE		
3.5.	Process to define the annual report content.	6 - 8
3.6.	Annual report coverage.	6
3.7.	Indicate the existence of limitations of the annual report scope or coverage.	Not applicable
3.8.	Grounds to include information of joint ventures, subsidiaries, rented facilities sub-hired activities and other entities.	Not applicable
3.9.	Techniques for data measurement and grounds to carry out the calculation.	9
3.10.	Description of the effect of the re-submission of information corresponding to previous annual reports.	There was no re-submission of the information from previous annual reports
3.11.	Important changes regarding previous financial years in the scope.	6
3.12.	Table with index about basic contents of the annual report.	79 - 91
3.13.	Verification.	92 - 97

GOVERNMENT, COMMITMENTS AND PARTICIPATION OF THE INTEREST GROUPS		
4.1.	Organization's government structure	16 - 18
4.2.	Functions of the highest executive.	17
4.3.	Unit directive structure.	16 - 18
4.4.	Participation of shareholders and employees.	To date, Esvál does not have this kind of mechanisms.
4.5.	Link between the compensations and the organization's performance to the highest members, directors and senior executives.	These kind of agreements do not exist in Esvál.
4.6.	Procedures introduced to avoid conflict of interests in the maximum management organism.	To date, Esvál does not have this kind of procedures.
4.7.	Procedure to determine the training and experience requirable to the members of the maximum management organism.	To date, Esvál does not have this kind of procedures.
4.8.	Statement of mission, vision and values.	11 and 16
4.9.	Procedure by the highest government organism to supervise the identification and management, by the organization, of the economic, social and environmental performance.	16 and 17
4.10.	Procedures to evaluate the performance of the highest government organism.	To date, Esvál does not have this kind of procedures.

COMMITMENT WITH EXTERNAL INITIATIVES		
4.11.	Description of how the organization has adopted an approach or precaution principle.	Esvál's policy on quality, environment, safety and occupational health incorporates the principle of prevention of contamination, which deals with anticipating and avoiding events that may certainly cause it.
4.12.	Principles or social, environmental and economic programs developed externally.	Throughout the report
4.13.	Main associations it belongs to	22

PARTICIPATION OF THE GROUPS OF INTEREST		
4.14.	Relationship of groups of interest the organization has included.	6 y 7
4.15.	Grounds for the identification and selection of the groups of interests with which the organization commits.	21
4.16.	Focus of the participation of the different groups of interest, including the frequency of their participation per type and group.	21
4.17.	Main concerns and aspects of interest that may have arisen by means of the stakeholders participation.	7 and 8

ENVIRONMENTAL DIMENSION

NUMBER	INDICATOR	PAGE/COMMENT	PRINCIPLE GLOBAL PACT
DMA	Management focus.	27	P. 7, 8 and 9

Materials

EN1	Weight or volume of the materials used, other than water.	Non-material indicator according to the process indicated on pages 6 and 8	P. 8
EN2	Percentage of the materials used that are waste from other industries (valued).	Esval does not use raw materials that are waste from other processes or industries.	P8 and 9

Energy

EN3	Direct energy consumption broken down per primary energy sources.	38 and 39	P. 8
EN4	Indirect energy consumption broken down per primary energy sources.	38 and 39	
EN5	Energy saving due to the conservation and improvements in efficiency.	38 and 39	

Water

EN8	Total extraction per type of source.	36	
EN9*	Related water sources and habitats that have been significantly affected by the water extraction.	37	
EN10*	Percentage and total volume of recycled and reused water.	38	P 8 and 9

Biodiversity

EN11	Description of the adjacent land or located within protected natural spaces, or of non-protected biodiversity areas.	37 and 38	P. 8
EN12	Description of the most important impacts of the activities carried out in protected areas or in non-protected areas of high biodiversity.	37 and 38	

Emissions, Dumping and Residues

EN16	Total emissions, direct and indirect, of greenhouse effect gases.	35	P. 8
EN17	Other emissions of greenhouse effect gases.	35	
EN20	Nitrous oxide (Nox), Sulphur dioxide (SO2) and other important emissions to the air, per weight.	35	
EN21	Total dumping of waste waters, according to nature and destination.	40 and 41	P. 8
EN22	Total weight of residues managed, per type and method of treatment.	42 and 43	
EN23	Total number and volume of the most important accidental spills.	40 and 41	

Products and Services

EN27	Percentage of the products sold susceptible of being recovered at the end of their service life, per product categories.	38	
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Compliance with the norms

EN28	Incidents and fines or non-economic sanctions caused by the non-compliance with the norms applicable in environmental matters.	In the period to be informed no important fines were issued nor economic sanctions for non-compliance with the environmental norms.	
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General

EN30	Breakdown of environmental expenses and investments, per type.	32	
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SOCIAL DIMENSION (Working practices and work ethics)

NUMBER	INDICATOR	PAGE/COMMENT	PRINCIPLE GLOBALPACT
DMA	Management focus (DMA).	59	

Employment

LA1	Breakdown of the employees collective per kind of job, contract, region and gender.	60 y 61	
LA2	Total number of employees and ration of new hiring and employees medium rollover, broken down per age group, sex and region.	61 y 62	
LA3*	Social benefits for full time jobs.	62	
LA15	Levels of reincorporation to the work and retention after the maternity or paternity leave, broken down per sex.	62	

Relationships Company/Workers

LA4	Percentage of employees that are represented per unions.	68	P. 3
LA5	Minimum period of previous notice with respect to organizational changes.	30 days in advance.	

Health and Labor Safety

LA6*	Percentage of the collective of employees that are represented in health and safety committees.	65	
LA7	Absenteeism rates, professional diseases, days lost and number of mortal victims related with the work per region and sex.	63 and 64	
LA8	Education programs related with HIV or other severe contagious diseases.	Prevention programs against the contagion of Hanta Virus, HIV and others, every two years.	
LA9*	Health and safety matters covered in formal agreements with unions.	65	P. 3

Training and Education

LA10	Average of hours of training per year per employee, broken down per sex and employee category.	67	
LA11*	Programs of directive skills and continuous training that boost the continuous hiring of employees and support them in the management of the retirement programs.	66 and 67	
LA12*	Percentage of employees that are submitted regular assessments of performance and professional development, broken down per sex.	100% of Esval workers are submitted to performance assessments.	

Diversity and Equality of Opportunities

LA13	Composition of the corporate government organisms and payroll, broken down per sex, age group, membership to minority groups and other diversity indicators.	17	P. 6
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* Additional Indicator

SOCIAL DIMENSION (Human Rights)

NUMBER	INDICATOR	PAGE/COMMENT	PRINCIPLE GLOBAL PACT
DMA	Management focus.	59	

Investment and Supply Practices

HR1	Percentage of important investment agreements including human rights clauses.	According to the process reported in title	P. 1 and 2
HR2	Percentage of the main distributors and contractors that went through an observation of human rights.	"Report Profile", the matter is classified as non-material.	

No Discrimination

HR4	Total of discrimination incidents and actions taken.	In 2011, Esval did not record nor had incidents related with discrimination.	P. 1, 2 and 6
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Freedom of Association and Collective Agreements

HR5	Incidents of violation of freedom of association and to subscribe to collective agreements.	In 2011, Esval did not record any incident.	P. 1, 2 and 3
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Child Exploitation

HR6	Incidents of child exploitation and actions taken to contribute to its elimination.	The company does not have any workers that do not comply with the legal labor norms of the Labor Code, Chapter II, article 13.	P. 1, 2 and 5
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Forced Labor

HR7	Risks or incidents of forced labor and actions taken to contribute to its elimination.	The current law in the country contemplates and is above the world average regarding Human Rights clauses. Esval complies with the labor and civil laws. During the report period, there were no incidents of labor work.	P. 1, 2 and 4
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Assessment

HR10	Percentage and total number of operations subject to revision or evaluation of impact with respect to human rights.	To date, Esval does not have this type of procedures.	
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Corrective Measures

HR11	Number of complaints related with human rights that have been submitted, dealt with and solved by means of formal conciliatory mechanisms.	To date, Esval does not have this type of procedures.	
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* Additional Indicator

SOCIAL DIMENSION (Responsibility on the product)

NUMBER	INDICATOR	PAGE/COMMENT	PRINCIPLE GLOBAL PACT
DMA	Management focus.	45	

Customer Health and Safety

PR1	Phases of the products' and services' life cycle in which their impact on customers' health and safety are assessed, and the percentage of important categories of products and services subject to said assessment procedures.	54 and 56	P. 1
PR2*	Total number of incidents arising from the non-compliance with the laws or voluntary codes regarding the products and services impacts on health and safety throughout its life cycle.	Esva does not have any incidents with respect to impacts on customers' safety and health in 2011.	

Products and Services Labeling

PR3	Types of information about the products and services required by the current procedures and norms, and percentage of products and services subject to said information requirements.	Esva complies with the information requirements and legal norms about their services through bills and invoices.	P. 8
PR4*	Total number of non-compliances with the regulation and the voluntary codes regarding the information and the labeling of products and services, distributed by the type result of aid incidents.	The company does not record any non-compliance with the regulations and voluntary codes regarding delivery of information about its products and services.	
PR5*	Practices with respect to the customer satisfaction, including the results of measurements about customer satisfaction.	47 and 48	

Marketing Communications

PR6	Programs for the compliance with the laws, standards and voluntary codes related with the marketing communication, including advertising, promotion and sponsorships.	With respect to the ethical norms and regulation in advertising, communications and other promotional activities or of sponsorship, Esva abides by the Behavior Code from the Asociación Chilena de Agencias de Publicidad [Chilean Association of Advertising Agencies] (ACHAP in Spanish)	
PR8*	Total number of complaints duly grounded regarding the respect to privacy and the leak of personal data.	Esva has not received any legal sanctions, fines or warning by any group of interest due to non-compliance regarding communications, advertising and marketing.	P. 1

Compliance with the Norms

PR9	Cost of the important fines resulting from the non-compliance with the norm with respect to the supply and use of the organization's products and services.	As a result of the poor handling during the emergency occurred on 7 August 2007 at Quillota plants, the SISS, by means of Exempt Resolution No. 129 of 9 January 2008, applied a fine of 40 UTA for considering that Esva S.A. infringed letters a) and c) of subsection 1st of article 11 of Act No. 18,902. On 1 April 2011, the judicial claimed filed was rejected. Fine for important entity is understood as those higher than CLP20,000,000.	
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* Additional Indicator

SOCIAL DIMENSION (Society)

NUMBER	INDICATOR	PAGE/COMMENT	PRINCIPLE GLOBAL PACT
DMA	Management focus.	71	

Community

S01	Nature, scope and effectiveness of programs and practices to evaluate and manage the operations impacts on communities, including entrance, operation and exit.	71 - 74	
S09	Operations with important negative impacts, possible or real, on local communities.	71 - 74	
S010	Prevention and mitigation measures implemented in operations with important negative impacts, possible or real, on local communities.	71 - 74	

Corruption

S02	Percentage and total number of business units analyzed with respect to risks related with corruption.	To date, Esvál does not have this type of procedures.	P.10
S03	Percentage of employees trained in the organization's anticorruption policies and procedures.		
S04	Measures taken in response to corruption incidents.	16	

Public Policy

S05	Position in public policies and participation in their development and lobbying activities.	According to its ethics code, Esvál rejects any form of influence to obtain benefits that are not based on the current legal standing.	
S06*	Total value of the financial and pecuniary contributions to political parties or related institutions, per country.	According to its ethical code, Esvál cannot make contributions to political parties.	P.10

Compliance with the Norms

S08	Pecuniary value of sanctions and important non-economic fines arising from the non-compliance with the laws and regulations, related with the relationship with society (government, community, academic institutions, NGO, etc.).	During the report period, there are no sanctions or important fines for these concepts.	
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* Additional Indicator

ECONOMIC DIMENSION

NUMBER	INDICATOR	PAGE/COMMENT	PRINCIPLE GLOBAL PACT
DMA	Management focus.	23	

Economic Performance

EC1	Economic value, generated and distributed.	25	
EC4	Financial help from the government.	66	
EC5*	Range of the ratio between the standard initial salary and the local minimum salary.	62	

Presence in the Market

EC6	Practices and proportion of expenses in local suppliers.	57	
EC7	Practices and proportion of expenses in local suppliers.	100% of Esvál's high management positions are occupied by Chilean professionals.o.	P. 6

Indirect Economic Impacts

EC8	Description of the investments in infrastructure and services supported that provide public benefit.	23 and 24	
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* Additional Indicator

VERIFICATION LETTER OF ESVAL'S STAKEHOLDER FORUM

gestiónSOCIAL
CONSULTORÍA EN RSE

I hereby state to have read the chapters that are pertinent for me as representative of Esva's stakeholders.

I also state having participated in a forum that dealt with subjects included in the 2011 Sustainability Report, reaching, as a whole, the following consensus:

The most relevant issues included in the Report are:

- As to education, the maintenance of the relationship with schools and educational activities prepared for children.
- As to Environment, the information regarding the management of odor and noise, greenhouse gas emissions, chemical spill emergencies.
- As to the Customers and Products, customer satisfaction issues, which give good detail as to the explanation in case of claim-answer.
- As to the community, the Vida sana - Agua sana Campaign.

I consider it is vital to deal with the following issues that have not been dealt with this year:

- Regarding the media, they have not been considered as a group of interest.
- In relation to Education and Educational Programs issues no new goals aimed at intensifying the scope and coverage are mentioned. Subsidies and transferences from the government to the company are not mentioned either, when more detail and clarity in the actual use of the subsidies and transferences could be given.
- The challenges of sustainability in the world are dealt with in a very superficial manner, specially as to drought.
- As to the environment, the use of renewable energy is not mentioned. The issue of the relationship with supervising authorities and institutions is not faced.
- In relation to Labor Relations, more transparency is needed regarding the incidents occurred in 2011; there was a case in which a worker died while carrying out operations in the public road and it is not mentioned in the Report. Issues regarding the relationship between workers and contractors are not mentioned, and neither is the way in which accidents and events occurred should be faced.
- In relation to the community, more detail is required regarding Esva's concrete strategy about the relationship with the community; in that sense, the connection with the universities should be tackled. The Report does not mention the support relation Esva has with CONICYT and EXPLORA program: national science week and science and technology school congresses.
- Another relevant subject refers to the Access to drinking water and what Esva participation in the water distribution for shanty towns is.
- Response capacity plans, for instance, in case of natural catastrophes, could also be communicated.

I believe it is crucial that the following aspects are more detailed:

- Regarding education, programs could be considered and the inclusion of the adult population.
- In relation to customers, to be a group of interest, they are below the level of priority. The customer should be an essential issues.
- Regarding the Environment, the issues of the drought and the economic impact for the company and the groups of interest such as farmers.
- Regarding noises, justification of why the noise level emission has increased is needed. In relation to odors, give detail of the reasons of odor increase, and regarding water quality standards, precise and give more information about the alterations the water had regarding odor and color.
- As to the customers and products, the detail of the bills could be explained in an illustrative form so that the entire population could understand their scope and origin of the charges. Regarding the impacts of the works in the public roadway, nothing is mentioned regarding the rubble, the trouble, and the visual contamination produced for the neighbors.
- In relation to the community and the communication channels, more regarding the formal and effective communication ways that the population uses could be said.



Rodrigo Huilipang Muñoz
Executive Coordinator of Explora Conicyt
Programme, Region of Valparaíso



Eugenio González Bernal
City Councilor of Valparaíso
Director Owner of Radio Congreso FM



Jonathan Galarce
Radio Bío Bío Editor



Alex Lobos Allendes
Teacher of Liceo Juana Ross de Edwards

REPORT ON INDEPENDENT EXTERNAL VERIFICATION OF 2011 ANNUAL REPORT ON SUSTAINABILITY OF ESVAL



To Esval's General Directorate, at the request of Esval's Corporate Management:

Esval requested us to develop a verification process of their 2011 Sustainability Report, with the purpose of promoting a moderate level process, but effective in the verification of the material information present in the report. Esval's Management is responsible of the preparation of the document and the selection of the contents. Our responsibility is, according to the applied revision procedures, to express an independent conclusion regarding the following aspects:

- Make sure that the materiality study is developed based on the information needs of the groups of interests;
- Establish the completeness level of all the GRI indicators included in the Sustainability Report;
- Establish the compliance level of the GRI principles and the AA1000 in the Sustainability Report;
- Make sure that the information and GRI material indicators are reliable;
- Make sure that the contents of the Sustainability Report respond to the information needs of the more relevant groups of interests. The social management was not included in 2011 Esval's Sustainability Report, apart from this verification process.

The Social Management did not provide any service to Esval or the groups of interest in 2011 that could interfere with the independence of the verification process.

More than 80 organizations have relied on the Social Management, first consultancy in the country specialized in corporate social responsibility (CSR), thanks to our 7 years of experience in the field and our competences in relation to the GRI, and norms AA1000 and ISO 26.000.

Methodology

We have applied the requirements of norm AA1000 AS to verify the Sustainability Report that assures the performance of the organizations in relation to three principles:

- Inclusiveness
- Relevance
- Response Capacity

Also, the verification was carried out having as reference the principles of the Global Reporting Initiative (GRI, version G3.1) standard. The verification covers the comprehensiveness of the 2011 Sustainability Report, which considers the operations Esval has in the Region of Valparaíso, and the period between 1 January and 31 December 2011. However, the reliability of the sources of information of indicators corresponds to a B level of application (according to the levels established by the GRI); therefore, 24 indicators were selected, selection of which is detailed below.

We worked with a procedure developed in 4 main stages for two months (June and July 2012).

- Verification of the process of definition of materiality of the report: the process developed by the company was compared with the revision of documents of the definition of materiality (Materiality Report, workshops of groups of interest and interviews to leaders of opinion), a press analysis, interviews to managers and general managers and unions.
- Verification of the reliability of the sources of information of all the profile indicators and of 24 GRI main material indicators of performance. The 24 indicators to be revised were defined taking into account the materiality process. They were: EC1, EC4, EC8, EN3, EN4, EN8, EN12, EN16, EN17, EN20, EN21, EN22, EN23, EN27, HR4, LA1, LA2, LA4, LA7, PR1, PR3, SO5, SO9, and SO10.
- Revision of the principles of AA1000 and GRI; with CONICYT and EXPLORA program: national science week and science and technology school congresses.
- Group of interest forum to assure the relevance and usefulness of the contents of the Sustainability Report, of the issues that have not been covered and the subjects that are essential to go into detail. Four people participated in the forum: a city councilor of Valparaíso, an regional editor of Radio Bío Bío, a teacher of Liceo Juana Ross de Edwards, and the executive coordinator of the Explora CONICYT of the region of Valparaíso.

- **Criteria used to verify the Report:**

- The three Principles of norm AA1000 AS (2008):
 - Inclusiveness: participation of the groups of interest in the development and achievement of a responsible and strategic response to sustainability.
 - Relevance: determine the relevance and significance of an issue for the organization and the groups of interest.
 - Response capacity: way in which the organization shows to respond to the problems expressed by the stakeholders which affect their performance in the sustainable development and which concretizes with the decisions, actions, performances and communication with the stakeholders.
- The three principles of GRI:
 - Contents: materiality, participation of the groups of interests, context of sustainability, and comprehensiveness.
 - Quality: balance, comparability, precision, clarity, regularity, and reliability.
 - Coverage.

Conclusions

Based on the work carried out, according to what is mentioned in the previous paragraphs, we may comment and conclude that the "2011 Annual Report of Esva's Sustainability" includes the basic contents recommended by the Guidelines for the preparation of sustainability reports of the GRI, version 3.1, for the B level of application, according to the self-declaration carried out by Esva and by the requirements of norm AA1000 for a type 2 level of verification. Also, the revision of the principles (AA1000 and GRI) and of the reliability of the 24 material indicators with the consensus of the forum of the groups of interest, provide a reasonable base for obtaining them. We also conclude that not any aspect that could tell us that the report was prepared with unreliable information was found, according to the source verification.

After carrying out the revision process of AA1000 Principles, the following strengths can be identified:

- **Inclusiveness:** a good level of integration of stakeholders is found in relation to sustainability challenges (preparation of an international norm, responsible consumption of drinkable water) and, in particular, with the community (Labor Fair, Project of Improvement of Public Spaces in Valparaíso), with the population living in extreme poverty or vulnerability, and students.
- **Relevance:** it is observed that the issue of the water sustainable management is dealt with through educational workshops, speeches and the international certification program, for instance, that is part of Esva's field and that is within their influence scope (shared value).
- **Capacity of response:** good communication channels to adequately meet the needs of the community, as Esva uses an in-situ communication.

Recommendations

It is necessary to treat the following points into detail:

- Principles of Content and Quality: materiality, comprehensiveness, reliability and accuracy of the Report.
- The general important risks for the organization could be estimated in relation to each GRI dimension.
- The drought information could be completed, information that could influence the groups of interest in their decisions and valuations, and which can reflect significant social, environmental and economic impacts. Also, the issue that was proposed by the groups of interest is part of the materiality and represents a significant risk for Esva.

The Principles of the AA1000:

- **Inclusiveness** of the stakeholders (participation of the stakeholders in the entire organization, timely reaction) as, for instance, with the means of communication, contractors, customers, employees, unions, authorities, resident and community associations.
 - Preparation of a internal communication plan that has concrete and formal channels (or concrete methodology) to establish the information connection between the management and the employees, and vice-versa. Also, it is recommended to involve the unions in the issues regarding the sustainability.
 - Including in the strategic guidelines of the organization, systematically, the ways to establish a relationship with the different groups of interest the company relates to.
- **Relevance** of the lack of the communication channels.
 - Generating a strategic plan that comprehensively and continuously responds to the relevant challenges in sustainability matters in relation to its stakeholders.
- **Response capacity** as clarity, transparency and effectiveness of the communication channels.
 - Necessity of including the RS in the organization strategy, including in the strategic planning actions and indicators to measure the performance.
 - Definition of a plan of commitment with the groups of interest included in the strategic guidelines of the organization, measurable with the performance indicators, that allows dealing with the diversity of issues of the different groups.
 - Taking firm actions for the foreseen problems (the drought was not a surprise), training the population as to the responsible use of the water resource, and communicate with particular emphasis the issue the company is undergoing.



Sincerely,

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Dinamo Estudio de Diseño Ltda.

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