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Sustainability Report

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Una empresa del Grupo Enersis

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Endesa Chile is a company of the Enel Group.

Enel is one of the largest energy companies in the world.

The Group generates, distributes and sells sustainable energy, respecting the people and the environment. Enel's energy serves over 60 million residential and business customers in 40 countries and creates value for 1.3 million investors.



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DEGREE OF APPLICATION OF THE REPORT

	C	C+	B	B+	A	A+
Information on profile according to G3.1	Report on 1.1, 2.1-2.10, 3.1-3.8, 3.10-3.12, 4.1-4.4, 4.14-4.15.		Report on all the criteria stated in Level C, plus: 1.2, 3.9, 3.13, 4.5-4.13, 4.16-4.17.		The same requirements as for Level B.	
Information on management focus according to G3.1	Unnecessary.	External Verification of the Report	Information on the management focus for each category of indicator.	External Verification of the Report	Information on the management focus for each category of indicator.	External Verification of the Report
Performance indicators according to G3.1 & of the sector supplements	Reports on a minimum of 10 performance indicators & at least 1 of each dimension: economic, social & environmental.	External Verification of the Report	Reports on a minimum of 20 performance indicators & at least 1 of each dimension: economic, environmental, human rights, labor practices, society, product liability.	External Verification of the Report	Reports on each G3 central Indicator & those of the sector supplements, in accordance with the principle of materiality whether a) reported on the indicator or b) explaining the reason for its omission.	External Verification of the Report

Previous

Next

(*) Endesa Chile obtained a maximum level of application of GRI A+ in its Sustainability Report 2012. See Appendix V for further information.

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History of Endesa Chile

Before Endesa Chile

1 1883

First public lighting network in Santiago.



Foundation

2 1900

Start of the country's electricity history in which Endesa Chile played a basic role.

3 1943

Endesa Chile is formed, Empresa Nacional de Electricidad S.A..



A new political and legal framework

8 1978

The new electricity law makes the electricity sector more attractive for private investors and seeks to stimulate the efficiency of the companies.



Privatization of Endesa Chile

9 1988

The privatization of Endesa Chile is begun.

10 1994

The shares of Endesa Chile start trading on the New York Stock Exchange.

11 1999

Enersis S.A., through a public share offering, becomes the controller of the company with a 60% shareholding in Endesa Chile.

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4 1948

The first generating plants of Endesa Chile start operating: **Sauzal HP** (76.8 MW) and **Abanico HP** (136 MW).



End of the period of foundation and growth of Endesa Chile.

7 1968

The **Rapel HP** (350 MW) starts operating, marking the first of large plants.



6 1961

The **Diego de Almagro TP** (Gas: 23.75 MW) starts operating, Endesa Chile's first thermal plant.

5 1952

The **Los Molles** (16 MW) and **Cipreses** (101.4 MW) HPs complete the first stage of the electrification plan.

12 2001

Endesa Chile's shares are listed on the **Latin American securities market** of the Madrid Stock Exchange.



14 2007

The **first wind farm** of Endesa Chile starts operating, **Canel I** (18.5 MW).



15 2012

The second unit of the **Bocamina TP** (350 MW) starts up.



13 2004

The **Ralco HP** (690 MW) starts operating, the largest in the country.



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Notable figures of Endesa Chile in 2012



We consolidate our sustainability committee

5,961 MW
of installed capacity.



1,106
employee.



5 generating
projects in the study stage.



55.6%
of energy produced is hydroelectric.

100%

of Endesa Chile's plants in Chile have ISO 14001 and OHSAS 18001 certifications.

12 leaders

The company has 12 leaders in innovation throughout Chile.



20,034 GWh
of total energy sold.



38%

reduction in particulate material emitted by thermal plants of Endesa Chile.



We develop our community relationships model.

85%

of employees have been trained in anti-corruption policies and practices.

800 Pehuenche

families are beneficiaries of Fundación Pehuén.

“Cinema at school”

28 functions and 2,610 hours of film presented by this program.



1,963
hours of training in environmental matters.



64%

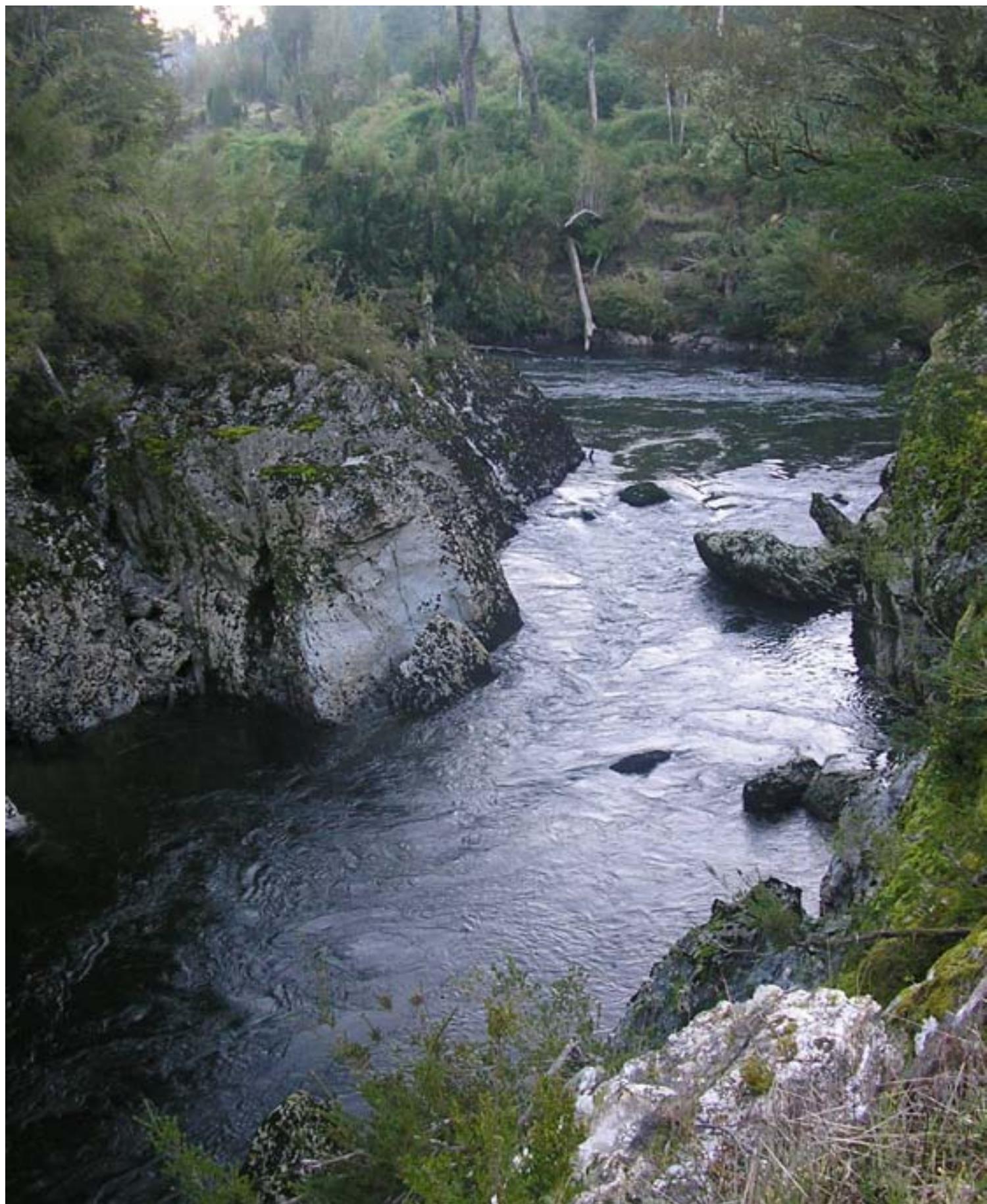
of employees are unionized.

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Message of the Chairman and Chief Executive

Dear readers,

[1.1] Given our firm conviction that the electricity generation business goes hand in hand with the economic and social development of our country, we present to you our Endesa Chile Sustainability Report 2012 which describes the company's performance in the economic, environmental and social areas.

This document is an exercise in transparency with our stakeholders which we have been following now for eleven years. We do so as part of our philosophy that the company should be a leading player in the society in which it is inserted, maintaining a permanent dialogue and creating links of trust with all parties related to it.

All our actions are therefore based on our Corporate Sustainability Policy which is constructed on Seven Commitments oriented to creating value for our shareholders and for the communities in which we carry on our businesses. This policy is aligned with the principles promoted in the United Nations Global Compact, an initiative to which we adhered in 2004 and with which we renew annually our commitment to continue working on carrying out its ten universal principles, relating to human rights, the environment, labor standards and anti-corruption.

In terms of electricity generation, 2012 was a complex year for the sector. Chile's Central Electricity Grid (SIC) was affected for the third consecutive year by dry hydrology. This, added to a high level of fuel prices, meant high marginal costs.



With the start-up at the end of October of Bocamina II, at Coronel, Region of Biobío, the company's installed capacity reached 5,961 MW in Chile, which will enable it to continue supplying energy to the country. It should be noted that although this project has required from the start an important effort in community relations, by joint work through public-private working round tables, we managed to develop a social plan in order to progress in the search for solutions for the parties involved.

As a country, we have today important risks and limitations for continuing to be competitive in a globalized economy. The first of these is the cost of energy. The second is the dependence of our energy matrix on fossil fuels (coal, oil and gas), resources that are largely imported and whose prices are usually volatile and whose availability is not always assured.

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For Endesa Chile, it is therefore crucial to have a portfolio of projects that permit a choice between different production technologies, like hydroelectric, thermal, wind and mini-hydroelectric plants in order to evaluate the most competitive options, while at the same time considering their social and environmental viability.

During the year, the Renaico wine farm project, to be located in the Region of La Araucanía and with an installed capacity of 88 MW, obtained its environmental qualification resolution (RCA), both for the farm and its 220 kV transmission line. The RCA was also granted for the transmission line for the Los Cóndores hydroelectric project, being a pass-through plant of 150 MW capacity in the Region of Maule, while the project itself obtained its RCA in 2011. At the end of the year, the Committee of Ministers approved the 740 MW Punta Alcalde thermal project. In 2012 also, the Supreme Court judged in favor of HidroAysén, rejecting appeals brought

by environmental organizations, following judgments in the appeals courts of Coyhaique and Puerto Montt in favor of the company.

With respect to our commitment with the development of the communities in which we are inserted, we continued in 2012 to carry out the Energy for Education program whose objective is to collaborate in the generation of greater opportunities for the children and young people in the localities related to us, through improvements in the quality of school education. With this objective and also to provide entertainment and promote a family meeting place in the schools through the Cinema in your School initiative, we covered 17 different communities offering free film viewings which were seen by around 7,500 children.

Following our commitment with protection of the surroundings, Endesa Chile began in 2012 the program of standardization of environmental management systems (SGA),

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which will permit knowing the standard of all the SGAs implemented in the various company installations in both Chile and South America, with a view to the standardization of these systems at the corporate level. We have also worked hard on our thermal plants to be able to meet the new emissions standards established in Decree 31.

We believe it important to point out that work with our customers has been intensified in recent years which has enabled us to tighten relations with them through various activities and initiatives, thus obtaining satisfactory results in the annual quality survey. The VIII Seminar with Customers of Endesa Chile and subsidiaries was organized in 2012 and was well attended by representatives of the companies to which electricity is supplied.

One of the most important aspects for our organization, as part of our values, is related to ethics and transparency. We therefore have a series of tools for safeguarding these principles, including the formation of personnel, like the

criminal risks prevention model, the Ethics Code and the zero tolerance plan against corruption. This training was focused on the generating plants in 2012 with which 85% of the organization was covered.

We achieved important landmarks with respect to the personnel. We achieved the Iguala seal, recognizing our efforts for equality of gender, good labor practices and conciliation of family and working lives. The Enersis Group in 2012 took important steps in obtaining certification as a familiarly-responsible company granted by the Spanish foundation MásFamilia to companies that maintain a management model in matters like conciliation of work and family, labor flexibility, gender equality, good labor practices and the integral development of employees and their families.

We cannot forget that our principal challenge and duty with respect to the personnel is safety. We are therefore working hard on the implementation of a safety culture in which own workers, contractors and suppliers work with

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safe conducts and habits, in order to reach the target of zero labor accidents in the company. An example of this was the training given to all the contractors working for Endesa Chile in 2012, with a total of 35,475 hours of formation.

One of our aspirations is to have an organizational culture of innovation, an aspect on which we are working hard through innovation leaders and committees, plus a program for capturing ideas and other initiatives for meeting this challenge. An example of this is the project for the implementation of a pilot cooling lagoon of 5,000 m² at the San Isidro thermal plant, to check the applicability of this type of cooling system which would offer environmental advantages over the traditional refrigeration system of this type of thermal plant.

Lastly, we wish to comment that as part of the energy efficiency initiatives of Endesa Chile, the pilot project for implementation of an energy management system at the Quintero plant was

concluded successfully in May 2012, obtaining the certification of the plant under the ISO 50001:2011 standard.

Endesa Chile is a company committed to sustainable development. More than a definition, this is a declaration of principles that unites us more every day with the progress of Chile, its workers, communities and society, whose quality of life is linked to the availability of the energy that our company generates. Our commitment is therefore with them, and with our shareholders, the environment and all those who have made us the leading generating company in the country. The energy challenge is undoubtedly one of the great tasks we have as a nation. For this, we need to continue working on the promotion of energy efficiency, research into new forms of generation friendly with the environment, communication and understanding with the communities, and thus take Chile to diversify its matrix and contribute to sustainable development.



Jorge Rosenblut
Chairman



Joaquín Galindo Vélez
Chief Executive Officer

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1. Scope

[3.1] [3.2] [3.3] As an expression of its commitment with corporate sustainable development (CSD) and transparency, Endesa Chile presents its Sustainability Report for the eleventh consecutive year, covering its performance for the year ended December 31, 2012.

Endesa Chile prepares this Sustainability Report to communicate the most relevant aspects of its economic, social and environmental performance to its stakeholders. This report also incorporates the figures for previous years in order to ensure the principle of comparability required by the Global Reporting Initiative (hereinafter, GRI). The reports prepared from 2002 onward can be found on www.endesa.cl/rse.

This report was prepared following the guidelines of the GRI¹, version G3.1 and the indicators required in the GRI electricity industry sector supplement (EISU). In order to facilitate the reading of this report and improve the identification of contents, each GRI indicator is shown in square brackets for the corresponding text. The GRI indicators are of two types: indicators of profile and of performance.

The profile indicators are numbers, e.g. **[4.12]**, and the performance indicators are letters and numbers, e.g. **[EN1]**.

For further information regarding the classification of indicators, see page 159, [Appendix II: Index of GRI contents](#).

This document explains the company's performance in relation to the seven corporate commitments of its corporate sustainability policy.

In addition, and in order to show a greater commitment with corporate social responsibility (CSR), Endesa Chile has incorporated in this document the following matters and initiatives:

- The Ten Principles of the United Nations Global Compact²: The company has adhered to this initiative since 2004, so this document represents its eighth Communication of Progress (CoP). The actions developed with the Global Compact in 2012 are shown in [page 46](#).

- The Millennium Development Objectives (MDO)³: Endesa Chile incorporates the objectives of the Millennium declaration and seeks to collaborate concretely in their implementation.
- ISO 26.000–Social Responsibility Guide: This report also follows the ISO 26000 responsibility guidelines, which were incorporated into GRI in 2010.

[3.12] The GRI performance indicators and the way in which the matters of the above-mentioned initiatives are responded to can be found in the index of GRI contents [Appendix II](#).

[3.9] The technical data and calculations made for each quantitative indicator, in relation to economic, environmental and social performance, are based on procedures recognized by national regulations and are in line with the standards accepted by the international community, as also in the previous reports published by the company. In cases of modifications in the calculation methodology, the corresponding explanation has been made. In preparing the data and indicators in this report, the work team employed the technical protocols of G3.1.

[2.3] [2.4] [3.6] [3.8] As limits to its scope and coverage, this Sustainability Report incorporates the performance indicators of Endesa Chile, whose head office is in Santiago, its joint-venture companies and its Chilean generating subsidiaries:

- Empresa Eléctrica Pehuenche S.A.
- Empresa Eléctrica Pangué S.A.⁴
- Central Eléctrica Tarapacá S.A.
- Compañía Eléctrica San Isidro S.A.
- Endesa Eco S.A.
- GasAtacama S.A.⁵
- Centrales Hidroeléctricas de Aysén S.A. (HidroAysén)⁶
- Central Eólica Canela S.A.

[3.7] [3.10] [3.11] The performance indicators are not included of the generating subsidiaries of Endesa Chile in Argentina, Colombia and Peru, as these prepare their own reports. However, there is a section with macro-data on generation in South America.

(1) The Guide G3.1 and the Electricity Sector Supplement are published on <http://www.globalreporting.org>.

(2) <http://www.unglobalcompact.org/>

(3) <http://www.un.org/es/millenniumgoals/>

(4) On May 2, 2012, the merger was approved of Compañía Eléctrica San Isidro S.A. and Empresa Eléctrica Pangué S.A., the latter company being dissolved.

(5) Includes GasAtacama S.A., a joint venture in which Endesa Chile has a 50% shareholding, in the proportion that Endesa Chile holds of the capital.

(6) Includes HidroAysén S.A., a joint venture in which Endesa Chile has a 51% shareholding, in the proportion that Endesa Chile holds of the capital.

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This Sustainability Report includes future projections. These set out our actual intentions, assumptions and expectations. As they include assumptions, they involve risks and uncertainties and are subject to adjustments to strategy or business or investment plans.

1.2. Verification

[3.13] The reports of Endesa Chile has been verified externally during the last nine years and on this occasion, for the second consecutive year, this work was done by the auditor KPMG. This process is based on the revision of documental evidence and the verification of the processes and controls related to the generation of information and data. This report takes into account the suggestions and improvement opportunities presented by the verification firm once the preparation of Endesa Chile's Sustainability Report 2011 was completed. The external verification report is shown in [Appendix III](#).

2. Determination of materiality

[3.5] The determination of materiality is a process that attempts to balance the different dimensions of sustainability in order generate a focus on aspects considered as priorities for the different stakeholders involved directly or indirectly with the company. For determining materiality, a gathering of primary and secondary information is made in order to establish three visions::



The process of sorting, systemizing and analyzing the information collected was carried out using two investigation methods. Firstly a qualitative method by which the secondary information was analyzed and semi-structured interviews were carried out

with the company's key managers and leaders of opinion, employing analysis of content as the criterion. Secondly, a quantitative method was used for which a non-probabilistic survey was made of the organization's personnel. Descriptive statistics were used for analyzing the information obtained.

The following describes the three stages mentioned in order to identify the most relevant matters for the development and preparation of the Endesa Chile Sustainability Report 2012:

2.1. Vision of the business



This vision is provided by the company's formal discourse with respect to the sustainability of the business and the declarations by the senior management and representatives of the key managements relating to this matter.

2.1.1. Sources of secondary information

- Endesa Chile Sustainability Report 2011.
- Strategic Sustainability Plan Chile 2009 – 2012.
- Endesa Chile web site (www.endesa.cl).

2.1.2. Sources of primary information

In order to know the perceptions of the company's key management areas about the sustainability of the business, semi-structured interviews were held their managers. In addition to discussing the principal events of the year, questions were asked concerning aspects like performance, targets, risks and challenges. The managers of the following management area were involved in this stage:

- Chief Executive Officer.
- Administration and Finance.
- Commercialization.
- Communications.
- Human Resources.
- Exploitation.
- Research and Innovation.
- Regional Environment.
- Strategic Planning.
- Projects.
- Regional Technical Services and Technology.

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2.2. Vision of the Sector



The objective of the vision of the sector is to bring together the trends and most relevant and emerging aspects of the energy sector nationally and internationally in terms of sustainability. For this, a revision was made of secondary documents of various kinds.

2.2.1. External documents

- The Sustainability Yearbook 2012. Sustainable Asset Management (SAM) in cooperation with KPMG.
- Electricity. The energy magazine of Chile, January, February and May 2012 (<http://www.revistaei.cl/>).
- Energy Notebooks No.33. Deloitte in cooperation with Spanish Energy Club and J&A Garrigues S.L.P. December 2011.
- Energy Notebooks No.34. Deloitte in cooperation with Spanish Energy Club and J&A Garrigues S.L.P. March 2012.
- Energy Notebooks No.35. Deloitte in cooperation with Spanish Energy Club and J&A Garrigues S.L.P. June 2012.

2.2.2. Communications media consulted

National media:

- El Mercurio newspaper.
- La Tercera newspaper.
- Publimetro newspaper.
- Pulso newspaper.
- Estrategia newspaper.
- Diario Financiero newspaper.
- La Nación online.
- La Información online.
- La Segunda online.
- El Mercurio online.
- Portal Terra.
- Portal Valor Futuro.
- UPI online.
- La Tercera online.
- El Mostrador.
- ADN Radio Chile online.
- Cooperativa online.
- Biobío online.

Regional media:

- El Sur de Concepción newspaper.
- Diario Concepción newspaper.

2.2.3. Benchmark and best sustainability practices

A revision is made of sustainability reports of electricity sector companies nationally and internationally to know in greater depth the aspects that this industrial sector considers as priority and in what way they are managed.

2.3. Vision of the stakeholders



This vision is related to the needs, preferences and expectations that define the most relevant matters for the different stakeholders. In order to know this in depth, two primary information gathering activities were carried out:

- Online survey of Endesa Chile employees made between the second fortnight of November and the first week of December 2012.
- Semi-structured interviews with leaders of opinion and representatives of external groups like business associations, civil organizations, NGOs and the media.

3. Determination of material matters

[4.17] Materiality is defined by the cross of the three visions described. That of the sector and of the stakeholders are considered as the external vision. To determine the relevant subjects, a cross of information is made between the external vision and the business vision, considering the comments of the managers to be of great importance. The identified subjects are thus mapped according to their level of importance, considering those in the upper-right quadrant as the material ones, while those in the other quadrants are considered to be of lesser importance, although also covered in the contents of this report, but with less emphasis..

The material matters for commitment and for which this report gives greater emphasis are therefore the following:

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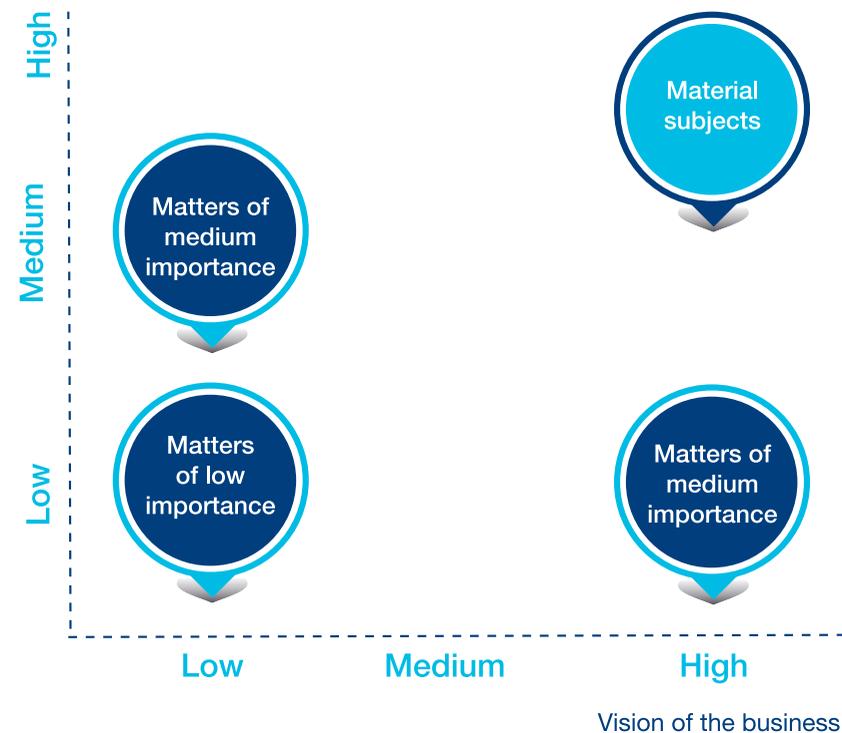
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Determination of material subjects

Vision of the sector
and of stakeholders



3.1. Commitment with good corporate governance and ethical behavior

- Ethics Code.
- Accusation mechanisms.
- Zero tolerance plan against corruption.

3.2. Commitment with the creation of value and profitability

- Financing of new projects.
- Approval of new projects.

3.3. Commitment with quality of service

- Quality and safety in the supply of energy to customers.
- Work of operative excellence according to international standards.
- Customer satisfaction.

3.4. Commitment with innovation and efficiency

- Development and strengthening of an organizational culture of innovation.

3.5. Commitment with protection of the environment

- Environmental concerns of the company: environmental impacts and their mitigation.

3.6. Commitment with the health, safety and personal and professional development of the personnel and contractors

- a. Employees
 - Training.
 - Professional development.
 - Management of talent.
- b. Suppliers and contractors
 - Evaluation process of suppliers and contractors.

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3.7. Commitment with the development of the societies where we operate

- Strategic relations of the company with the communities neighboring its plants.

In 2012, Endesa Chile systematized its relationship process with stakeholders at the corporate level in order to formalize their identification and prioritization. The results of this process allow the company to make relationship plans according to the specific needs and expectations of each of its most important stakeholders.

4. Endesa Chile and its stakeholders

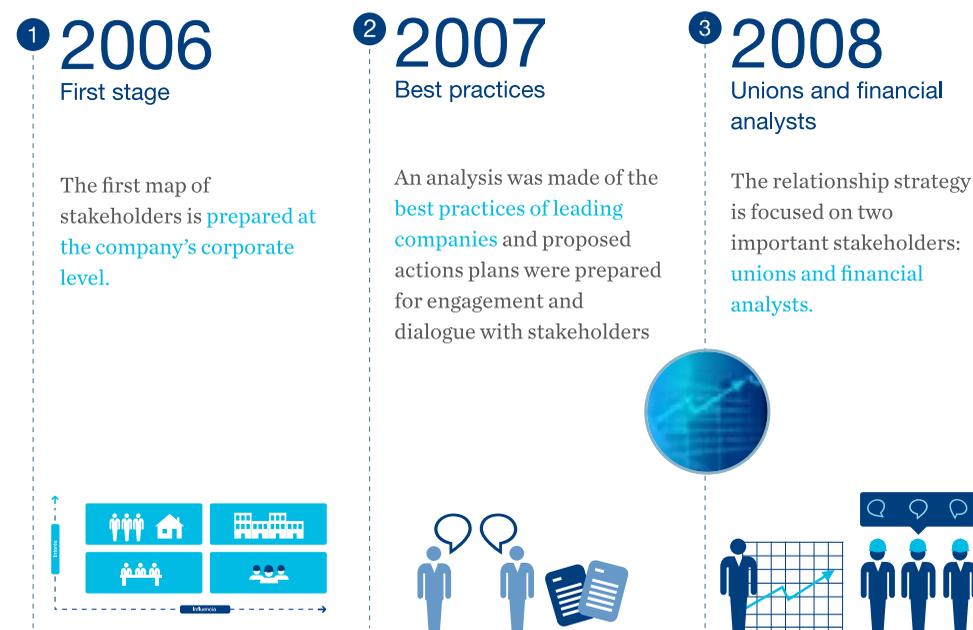
[4.14] **[4.15]** For Endesa Chile, relations with its stakeholders are fundamental in the implementation of its sustainability policy and strategy. They are an important ally so the company makes efforts to know their needs and expectations in order to anticipate them. Relations with each stakeholder group are based on transparent communication tending the generate links of trust.

Endesa Chile has a long-dated stakeholder relationship strategy, consisting of building an effective mechanism of commitment with the company's interested parties that contributes to

sustainable development while serving financial end economic ends. This strategy began in 2006 with the preparation of a corporate stakeholders map based on the AA1000 standard of the organization Accountability, whose purpose is to contribute to understanding, managing and improving the performance of organizations in sustainability.

The mapping identifies who are the principal stakeholders and the type of relations between them and the company, distinguishing the level of interest or dependence that the company represents for the stakeholder and the level of influence of each group with the company.

4.1. Relationship phases with stakeholders



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The level of influence refers to the capacity of the stakeholder to directly affect the company's operations or reputation. The level of interest refers to the degree of importance the company has for a determined stakeholder, whether due to their degree of dependence on the company or the effect of this on matters that are important.

The map enables us to observe the position of the company's stakeholders on the basis of the two variables mentioned above. These variables correspond to the hubs of the map on which the four quadrants are based for identifying the category of the stakeholder and defining the actions to take. These quadrants can be seen in the following graph:

Map of stakeholders



4 2009

Pilot plan

Pilot plan commences for mapping stakeholders in generating plants. The first workshop was arranged in the hydroelectric plants of the center.

5 2010

Stakeholder mapping continues

Mapping of stakeholders continues in generating plants, the Canela wind farm and San Isidro thermal plant

6 2011

Relationship practices

Stakeholder identification workshops held at the Tarapacá, Huasco and Bocamina thermal plants and the BioBio hydroelectric plants. Relationship plans were prepared for each plant based on these maps.

7 2012

New relationship plans

The corporate stakeholders map is updated in order to prepare **corporate relationship plans**.



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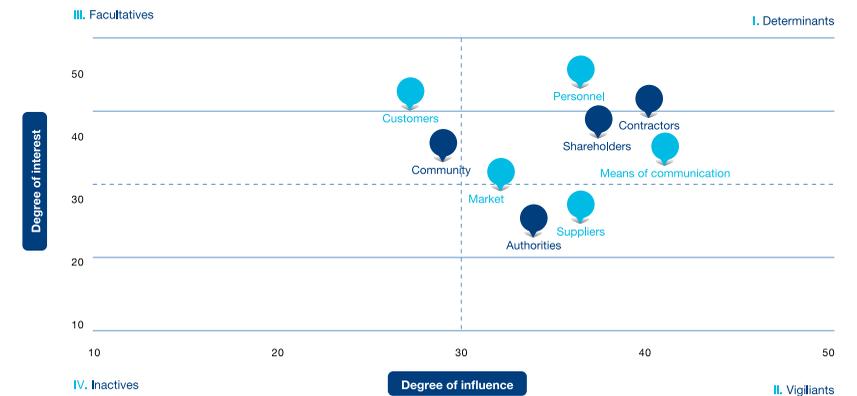
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The 2012 process was carried out through an analysis of secondary information, internal interviews and learning about the expectations of related parties. The key stakeholder groups were defined according to the classifications established in Endesa Chile's sustainability policy. These stakeholders were given priorities according to their above-mentioned influence and interest variables. Each group was then associated to a commitment according to the sustainability policy and the relevant matters for each one were determined.

The resultant stakeholder groups are shown as follows:



4.2. Relationship mechanisms

[4.16] In order to maintain a fluid communication stakeholders, Endesa Chile has implemented various mechanisms that are continually being revised to develop new channels and cover changing needs. The following summarizes the media through which the company relates to its priority stakeholders:

	Authorities	Shareholders	Employees	Suppliers & contractors
Channels of communication	<p>General information channels</p> <ul style="list-style-type: none"> • Annual Report. • Web site. • Sustainability Report. 	<p>General information channels</p> <ul style="list-style-type: none"> • Annual Report. • Shareholders' meeting. • Web site. • Sustainability Report. 	<p>General information channels</p> <ul style="list-style-type: none"> • Annual Report. • Web site. • Intranet. • Sustainability Report. • Endesa TV channel. 	<p>General information channels</p> <ul style="list-style-type: none"> • Annual Report. • Web site. • Sustainability Report.
	<p>Specific information channels</p> <ul style="list-style-type: none"> • Specific studies & reports. • Legislative or regulatory compliance reports. 	<p>Specific information channels</p> <ul style="list-style-type: none"> • Web site. • Investor relations. • Management reports. • Board reports. • Press releases. • Material information reports. 	<p>Specific information channels</p> <ul style="list-style-type: none"> • Internal magazines (Double Click). • Endesa magazine Actualidad. • Intranet • Newsletters, mural newspapers, pamphlets & other publications. 	<p>Specific information channels</p> <ul style="list-style-type: none"> • Suppliers portal (web site). • SAGA (purchases portal). • REPRO (suppliers register).
	<p>Channels of participation</p> <ul style="list-style-type: none"> • Periodic occasions for dialogue: meetings, telephonic channels, electronic mail & letters. • Ethics channel. • Sustainability Report feedback. 	<p>Channels of participation</p> <ul style="list-style-type: none"> • Board meetings • Meetings & video-conferences • Direct lines of attention: telephone, electronic mail • Attendance at international conferences • Investor relations department • Surveys • Ethics channel • Sustainability Report feedback 	<p>Channels of participation</p> <ul style="list-style-type: none"> • Human resources management. • Communications management. • Innovation week, innovation meeting & ideas market. • Labor climate & CSR survey. • Union dialogue. • Parity committees. • Talks & participation program. • Regular meetings with executives. • Telephone. • Electronic mail. • "We are energy" contest. • Ethics channel. • Sustainability Report feedback. 	<p>Channels of participation</p> <ul style="list-style-type: none"> • Contract administrators. • Direct lines of attention: telephone, electronic mail. • Suppliers meeting. • Talks, workshops. • Satisfaction surveys. • Ethics channel. • Sustainability Report feedback.

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Shareholders, employees and contractors represent the stakeholders that require most efforts in terms of relationship as they impact directly on the business operations and decisions. The communications media were also distinguished as an important relationship focus.

All the stakeholders shown are strategic for the organization. The position of each of the quadrants, defined by their levels of influence and interest in the company, permit orienting relationship actions more strategically.

Based on this prioritization of stakeholders, work began toward the end of 2012 on surveying expectations with internal and external groups in order to establish relationship plans with them during 2013.

	Market	Customers	Community	Media
	 <ul style="list-style-type: none"> • Annual Report. • Web site. • Sustainability Report. 	 <ul style="list-style-type: none"> • Annual Report. • Web site. • Sustainability Report. 	 <ul style="list-style-type: none"> • Annual Report. • Web site. • Sustainability Report. 	 <ul style="list-style-type: none"> • Annual Report. • Web site. • Sustainability Report.
	 <ul style="list-style-type: none"> • Specific studies & reports. 	 <ul style="list-style-type: none"> • Bulletins. • Customers Extranet. 	 <ul style="list-style-type: none"> • Annual Report. • Specific reports. • Web site, mini-CSR site. 	 <ul style="list-style-type: none"> • Press releases.
	 <ul style="list-style-type: none"> • Technical committees. • UAI Innovation Club. • Periodic occasions for dialogue: meetings, telephonic channels, electronic mail & letters. • Ethics channel. • Sustainability Report feedback. 	 <ul style="list-style-type: none"> • Meetings with customers. • Direct attention with account executives, telephone & electronic mail. • Visits to customers & installations. • Seminars for customers. • Satisfaction survey. • Commercial management. • Ethics channel. • Sustainability Report feedback. 	 <ul style="list-style-type: none"> • UAI Innovation Club. • Labor fairs. • Open house. • Periodic occasions for dialogue with multiple society organizations: work round tables & meetings, competitive funds for social organizations. • Communities relations plan. • Communications management. • Projects management. • Ethics channel. • Sustainability Report feedback. 	 <ul style="list-style-type: none"> • Direct line: telephone, electronic mail. • Communications management. • Ethics channel. • Sustainability Report feedback.

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5. Highlights 2012

Commitment with	Actions
Good governance & ethical behavior	<ul style="list-style-type: none"> Consolidation of the tools for guaranteeing ethics and transparency (Ethics Code and anti-corruption zero tolerance plan).
Creation of value & profitability	<ul style="list-style-type: none"> Commercial start-up of the second unit of the Bocamina thermal plant, with an installed capacity of 350 MW and located in Coronel in the Region of Biobío.
Quality of service	<ul style="list-style-type: none"> Organization of the VIII Seminar with Customers of Endesa Chile and subsidiaries, which was well attended and covered key matters for the generation sector. Signing of a contract with the technology company Contac which, jointly with Universidad de Chile, will develop an electricity generation equipment prediction system in order to be able to detect anomalies and produce early warnings of possible faults.
Innovation & efficiency	<ul style="list-style-type: none"> Development of technological vigilance pilot program in the engineering area. Consolidation of the “capture of ideas” program in the organization.
Protection of the surroundings	<ul style="list-style-type: none"> Receipt of environmental qualification resolutions for the Renaico wind farm project and for the transmission line of the Los Cóndores hydroelectric project. Start of the standardization of environmental management systems program for standardizing all the environmental management systems.
Health, safety and personal & professional development of personnel & contractors	<ul style="list-style-type: none"> Obtaining of the “Iguala” seal, a distinction awarded by the Chilean government in recognition of good labor practices, gender equality and conciliation. Deepening the work for obtaining the Familiarly-Responsible Company certification. Start of the “Reconocernos” program, created to reward employees’ merit. Implementation of the suppliers and contractors qualification and evaluation system.
Development of the societies in which we operate	<ul style="list-style-type: none"> Materialization of a community relationship model. Participation in public-private work round tables to resolve social problems associated with projects. Presentation of 28 film screenings in localities where Endesa Chile is present, for 7,500 children and 450 teachers, through the “Cine en tu Escuela” program.

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6. Commitments 2012, level of compliance and challenges 2013

	 Challenge met	 Unfulfilled challenge	 Partially fulfilled challenge	
Commitment with	Commitment 2012	Level of compliance	Reference in the report	Challenge 2013
Good governance	Support the company in matters related to the monitoring, formation & diffusion of its criteria & tools relating to ethical behavior & good corporate governance.		50- 59	Distribute the Ethics Code
				Distribute the ethics channel
Shareholders	Continue to form the bases for the financing of HidroAysén.		65	Continue forming the bases for the financing of HidroAysén.
	Maintain the liquidity of Endesa Chile.		66	Maintain the liquidity of Endesa Chile.
Customers	Continue supporting the initiatives under way		74	Bring the business closer to our customers, providing a service of quality.
	Carry out phase 2 of the Extranet for customers.	Not applicable	An evaluation was made of customers and it was determined to maintain the present Extranet structure for customers of Endesa Chile & subsidiaries, so the second phase was not required as was originally defined.	Provide transparent information to our customers.
Innovation & efficiency	Incorporate technological vigilance, transforming existing knowledge into permanent knowledge		86	Advance with the internal Wikipedia project of the organization
	Position the program for capturing ideas, producing a number of important projects driven by the same people originating them.		84	Develop an innovative organization in all areas.
Environment, non-conventional renewable energies & climate change	Develop important projects related to the reduction in emissions and monitoring in line with environmental variables.		95	Develop projects in consonance with environmental protection.
	Selection & application of a calculation methodology for estimating the water footprint in Endesa Chile.		Awaiting the development of of the water footprint measurement methodology by the Enel Group.	Continue with the implementation of the environmental risks project.
Employees, contractors & suppliers	Improve perception in the labor climate survey with respect to: - Valuation & recognition of merit - Formation & development. - Communication & vision.		The survey of the labor climate was made in 2012 but the results will be announced in the first half of 2013.	Manage talent
	Seek certification as a familiarly responsible company.		124	Maintain the certification as a familiarly responsible company.
	Zero accident target		Three accidents were recorded in 2012 of own workers and 16 of contractors.	Reach the target of zero accidents, both in own workers & contractors
Society	Implement the qualification of suppliers		134	Advance in the implementation of a safety culture in our contractors.
	Continue with territorial engagement.		138- 139	Establecer relaciones estratégicas y de largo plazo con la comunidad.
	Strengthen the Energy for Education program & continue bringing it closer to the community.		144- 146	Continue with the implementation of the Energy for Education program.

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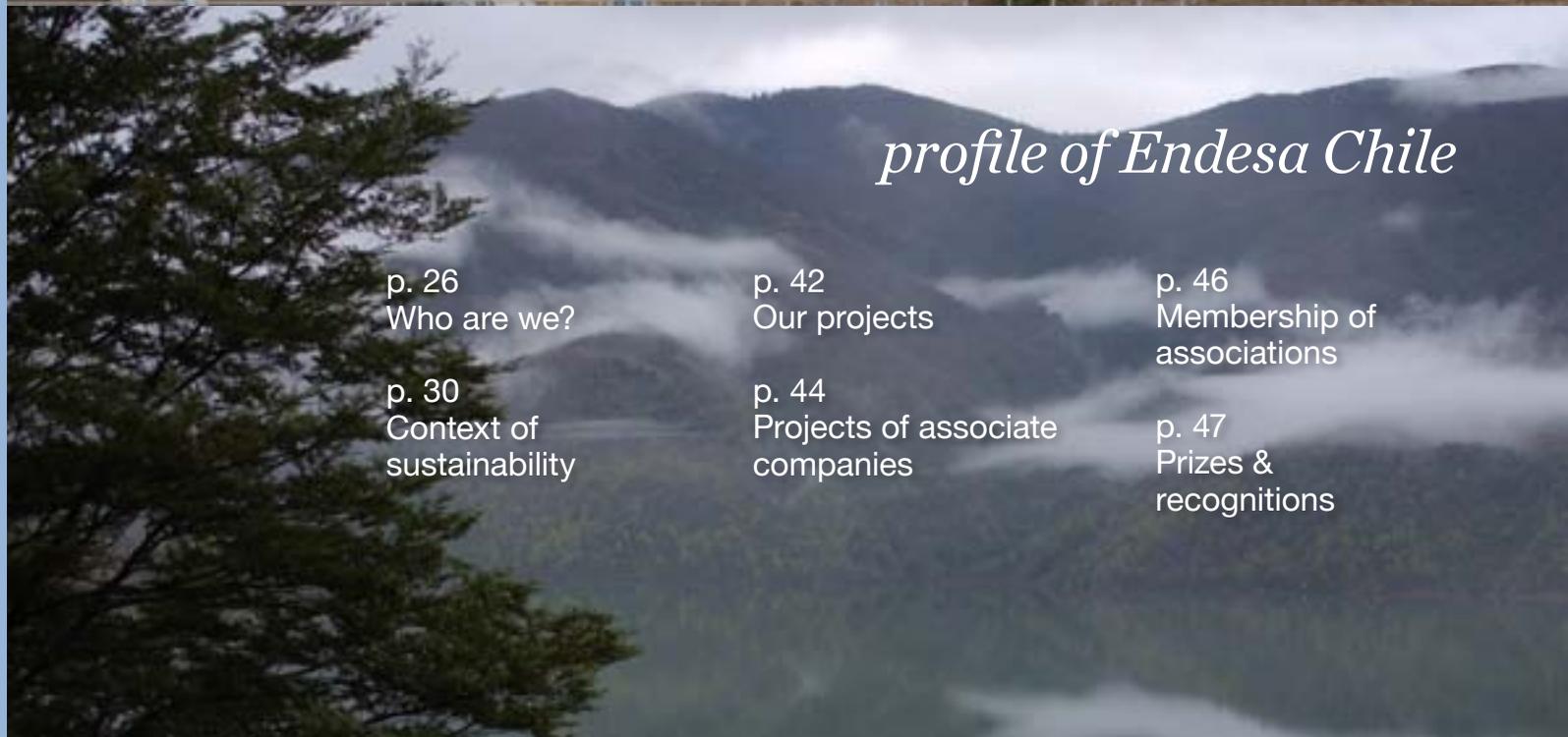


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1. Who are we?

[2.1] [2.3] [2.8] Empresa Nacional de Electricidad S.A., Endesa Chile, is a subsidiary of the Enersis Group and was formed in 1943. It is currently the principal energy-generating company in Chile and one of the largest companies in the country. It has a total of 1,106 employees as of December 2012 and an installed capacity of 5,961 MW.

[2.2] The company's principal activity is the production of electricity through generation technologies that use coal, natural gas, liquid fuels (gasoil or fuel oil) and renewable energies like water and wind.

[2.5] The company, through its subsidiaries, also produces and sells electricity in Argentina, Colombia and Peru.

1.1. Endesa Chile in South America

Together with its generation subsidiaries and jointly-controlled companies, Endesa Chile has 183 generating units whose installed capacity totals 14,184 MW. The countries and companies through which it operates are:

- Argentina: Endesa Costanera and Hidroeléctrica El Chocón.
- Chile: Endesa Chile, Empresa Eléctrica Pehuenche, Empresa Eléctrica Pangué, Central Eléctrica Tarapacá, Compañía Eléctrica San Isidro, Central Eólica Canela, Endesa Eco and GasAtacama.
- Colombia: Emgesa.
- Peru: Edegel.

1.1.2. **[EU1]** Installed capacity in South America 2012

Country	Type		Hydroelectric		Thermal		Wind	
	Total MW	(%)	MW	(%)	MW	(%)	MW	(%)
Argentina	3,652.10	100%	1,328.00	36.36%	2,324.10	63.64%	0.00	0%
Chile	5,961.20	100%	3,464.80	58.12%	2,418.20	40.57%	78.20	1.31%
Colombia	2,914.20	100%	2,470.70	84.78%	443.50	15.22%	0.00	0%
Peru	1,657.10	100%	746.20	45.03%	910.90	54.97%	0.00	0%
Total	14,184.60	100%	8,009.70	56.47%	6,096.72	42.98%	78.20	0.55%

Map of installed capacity in South America 2012



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1.2. Leader in generation

Endesa Chile has different types of plants which inject energy into on the country's two principal electricity grids:

- The Central Grid (SIC) receives 5,389 MW from Endesa Chile, its subsidiaries and jointly-controlled companies, equivalent to close to 40% of the energy transmitted through it.
- The Northern Grid (SING) receives 572 MW, i.e. close to 12% of the total (including GasAtacama Chile S.A., a jointly-controlled company in which Endesa Chile has a 50% shareholding, in the proportion it holds of the capital).

By the end of 2012, the installed capacity was 5,961 MW, which represents around 33% of the combined installed capacity of the SIC and SING.

1.2.1. [EU2] Net annual generation in Chile 2012 ⁷



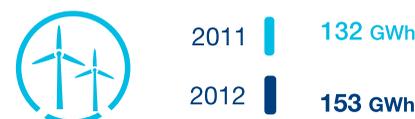
Hydroelectric



Thermal



Wind



Net generation 2012: **20,194 GWh**

(7) The declared generation figures relate to the net production 2012, the measurement unit being GWh. 50% of the generation of Gas Atacama is included in this amount.

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1.2.2. [EU30] Availability factor

The availability factor of a generation plant is the measure of the amount of time it is operative during the period of time required.

	Hydroelectric	Thermal	Wind	Total
Availability factor 2012	97.01%	91.39%	99.63%	94.76%

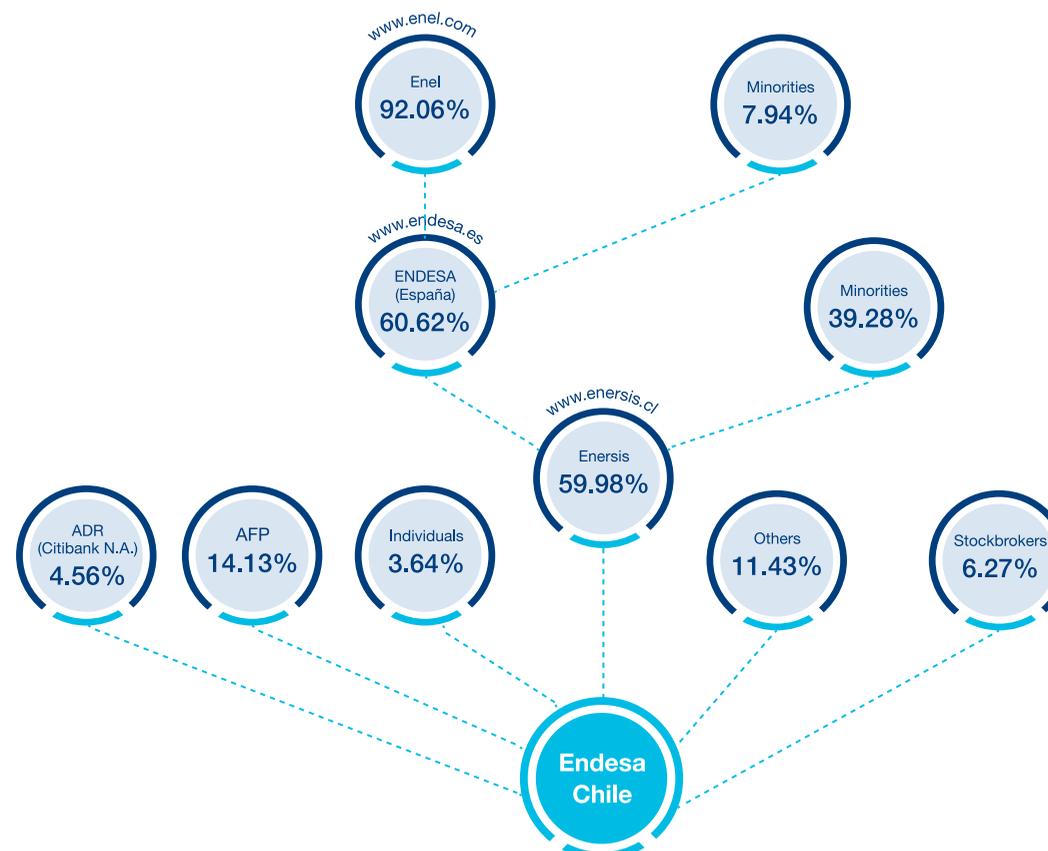
1.2.3. Number of certified plants

The challenge of Endesa Chile is to provide a safe supply of electricity. For this, it has different generating plants, hydroelectric, thermal and wind. Quality, environmental management and concern for the safety and health of the workers at each of these plants, are priority matters for the company. The following table shows the certifications obtained for each type of plant.

	No. of plants	ISO 14.001	ISO 9.001	OHSAS 18.001
Hydroelectric plants 	16	16	3	16
Thermal plants 	10	10	3	10
Wind farms 	2	2	2	2
Total	28	28	8	28

1.3. Ownership structure

[2.6] As of December 31, 2012, the capital of the company is divided into 8,201,754,580 subscribed and paid shares, held by 17,606 shareholders.



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Mission

- Maximize the value of the shareholders' investment.
- Serve the markets which surpassing customers' expectations.
- Contribute to the development of the personnel.

Vision

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

1.3.1. Identification of the controllers

Endesa Chile is constituted as an open corporation under Chilean regulations. Enersis S.A. is the controller of the company, with a 59.98% direct shareholding. Enersis S.A. has no joint-management agreement.

Major changes in ownership

[2.9] Endesa Chile made three types of changes in 2012: one in its organization structure, another in its ownership and the last in its installations.

The changes to its organization structure seek to simplify the corporate matrix, reflected in the absorption by Endesa Chile of the subsidiaries Ingendesa, Compañía Eléctrica San Isidro, Central Eléctrica Tarapacá, Inversiones Endesa Norte, Endesa Eco, Enigesas and Empresa Eléctrica Pangué in order to save costs and produce synergies within the company.

The most important changes made in the ownership of Endesa Chile in 2012 were the following:

- Banco Itaú, for account of investors, increased its shareholding from 1.89% to 2.33%.
- AFP Cuprum S.A. decreased its shareholding from 3.12% to 2.75%.
- Citibank NA, decreased its shareholding from 4.90% to 4.56%.
- AFP Provida S.A. increased its shareholding from 3.83% to 4.15%.
- LarraínVial S.A., Corredora de Bolsa, increased its shareholding from 0.45% to 0.76%.
- Banco Santander, for account of foreign investors, increased its shareholding from 1.54% to 1.81%.
- Bolsa de Comercio de Santiago decreased its shareholding from 0.31% to 0.16%.
- AFP Capital decreased its shareholding from 3.24% to 3.10%.
- AFP Habitat decreased its shareholding from 3.65% to 3.50%.
- BICE Inversiones Corredores de Bolsa, increased its shareholding from 0.25% to 0.34%.

On October 28, 2012 Endesa Chile began the commercial operation of Unit 2 of its Bocamina thermal plant, which has an installed capacity of 350 MW and is located in Coronel in the region of Biobío.

1.4. The principles that guide the actions of Endesa Chile **[4.8]**

1.4.1. Corporate values

The corporate values define Endesa Chile's commitment with its personnel, shareholders, customers and the environment. These represent the corporate working culture and show how each member of company should act.

People: Development opportunities are assured on the basis of merit and professional contribution.

Team work: Promote the participation of everyone toward a common objective, sharing information and knowledge.

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

Customer orientation: Efforts focused on customer satisfaction, contributing competitive and quality solutions.

Innovation: Continuous improvement and innovation are promoted to reach the maximum quality in terms of profitability.

Results orientation: Actions directed to securing the objectives of the corporate project and profitability for our shareholders, by exceeding their expectations.

Community and the environment: Social and cultural commitment with the community, adapting business strategies to the preservation of the environment.

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2. Context of sustainability

2.1. Sustainability Strategy and Policy

Endesa Chile has had a corporate business sustainability policy since 2003. This covers the company's economic, environmental and social dimensions, also establishing its key publics of interest and the company's obligations to them.

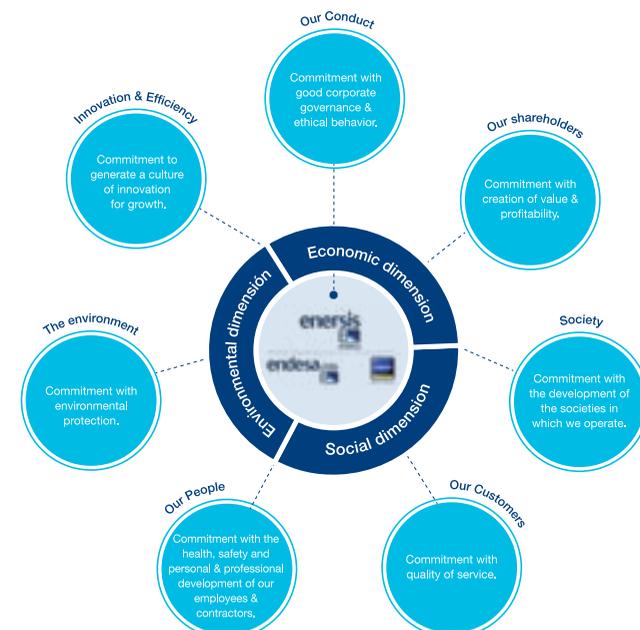
This policy derives from the company's strategic reflections on sustainable development, thus converging its business plan with its sustainability plan.

To implement this policy, the Endesa sustainability plan (PES) 2008-2012 was prepared, whose central pillars are compliance with the seven sustainability commitments. These are considered as strategic and essential for the company to grow in a sustainable way.

At the national level and in order to transfer and adopt the PES 2008-2012, the sustainability plan Chile 2009-2012 was prepared. While this strategy contemplated a term of four years, Endesa Chile will continue next year, guiding its actions through the guidelines contemplated in this plan.



Our 7 commitments



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Responsibility of the organization in relation to compliance with the seven commitments of the sustainability policy, related to the management focuses of GRI G3.1		
Commitment of Endesa Chile	Persons responsible	GRI G3.1. management focus
Commitment with good corporate governance & ethical behavior	Legal counsel	Corporate governance, commitment & participation of stakeholders
	Manager, audit	
Commitment with creation of value & profitability	Manager, administration & finance	Economic
	Regional manager, energy management & commercialization	
Commitment with innovation & efficiency	Manager, engineering, projects & research & development & innovation	Economic
	Regional manager, electricity production	
	Regional manager, energy planning	
Commitment with quality of service	Regional manager, energy management & commercialization	Responsibility for the product
	Regional manager, electricity production	
Commitment with environmental protection	Regional manager, environment	Environmental
	Manager, engineering, projects & research & development & innovation	
Commitment with the health, safety and personal & professional development of employees & contractors	Manager, procurement	Labor practices & decent work
	Manager, human resources & organization	
	Legal counsel	
Commitment with the development of the societies in which we operate	Manager, communications	Economic Society Labor practices & decent work
	Regional manager, electricity production	
	Manager, engineering, projects & research & development & innovation	

2.1.2. Diffusion of the sustainability policy among stakeholders

The company's corporate sustainable development (CSD) and corporate social responsibility (CSR) policies are communicated in the following way, both internally and externally:

2.1.2.1. Internally:

- Through the Sustainability Report of Endesa Chile, which is published in its 2012 version for the eleventh consecutive year.
- A notebook is handed annually to the company's employees with the period's sustainable development information.
- A CSD tour was made of the workplaces.
- The company's policy in this matter was also disclosed over the Intranet.

2.1.2.2. Externally:

- By means of the Sustainability Report of Endesa Chile.
- Through the web page specifically dealing with all CSR matters (www.endesa.cl/rse) made available by the company to its stakeholders in general. Here can be found the direct links to its sustainability policy and the various CSR matters the company is concerned about.
- Publications in the press.

2.1.3. Sustainability Committee

The organization's sustainable development has a global and highly relevant character. It is therefore necessary to have a meeting place for the representatives of the different areas that contribute to generating programs for reaching strategic objectives related to sustainability in order to establish synergies in this area.

The company has a sustainability committee that meets quarterly. Its members are representatives of various of the company's management areas: sustainability, human resources, communications and CSR, audit, environment, procurement, legal, projects, commercial and innovation.

The principal objectives of the committee include the management and decision-taking in matters of sustainability, the follow-up of progress of the programs included in the sustainability plan Chile 2009-2012 (PES Chile) and share important events in sustainability occurring in Chile and within the company.

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2.2. Chilean electrical sector

To understand the role of Endesa Chile in the Chilean electrical sector, it is important to know its components and how they inter-relate.

The national electrical industry comprises three activities: generation, transmission and distribution of electricity supplies.



- **Generation:** This sector comprises electricity companies that own generating plants. Generation in Chile is based mainly on hydroelectric and thermal energy, generation through non-conventional renewable energies (NCRE) like wind, mini-hydroelectric, geothermal, solar, biomass and tidal, being still very incipient.

Principal generation companies: Endesa Chile, Colbún, AES Gener, Guacolda and Suez Energy.

- **Transmission:** A combination of lines, substations and equipment for transporting electricity from the production points (generators) to the centers of consumption or distribution. A differentiation should be made between the trunk system (combination of lines and substations that make up a common market) and the sub-transmission systems

(those that permit taking energy from the trunk system to the different points of local consumption).

Principal company: Transelec.

- **Distribution:** Lines, substations and equipment that permit the provision of electricity distribution services to the end consumers located in an explicitly-limited geographic zone. Distribution companies operate under a public-utility concession, with service obligation and tariffs regulated for the supply to regulated customers (industrial and mining companies, public lighting and residential consumption).

Principal companies: Chilectra, CGE Group (CGE Distribución, CONAFE, EMEL), Chilquinta and Saesa.

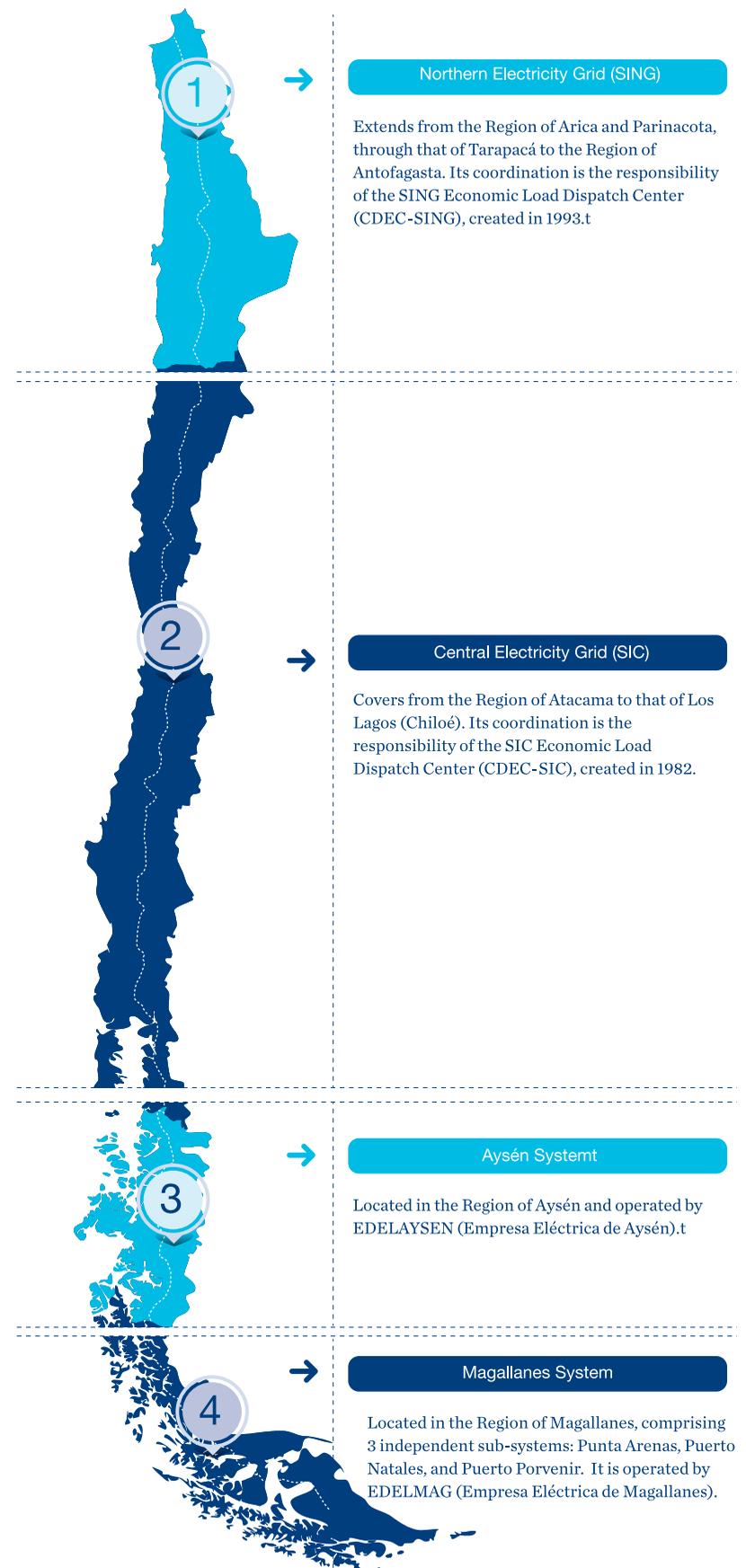
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2.2.1. Electricity grids (interconnected systems)



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2.3. Project planning in Endesa Chile

Endesa Chile, as the country's leading electricity generating company, has the responsibility to carry out energy generation projects in order to satisfy the growing demand projected for Chile for the next years, with an estimated growth rate of between 4% and 5% according to Banco Central experts.

One of the biggest risks and limitations for Chile in its growth and its possibility of being competitive in an increasingly more globalized economy, is energy costs, one of the highest in Latin America according to the OECD. The dependence on fossil fuels (coal, oil and gas) that the energy matrix has, which largely have to be imported, makes the risk increase in terms of price volatility and availability.

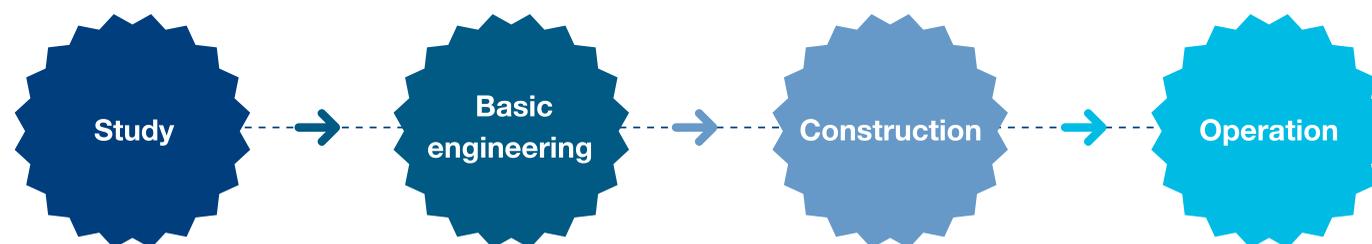
Endesa Chile, conscious of this situation, is constantly analyzing market opportunities for expanding its generating park, mainly attending the growing energy demands of its present and potential customers and also the needs associated with compliance with Law 20.257 which obliges

it to show that a percentage of production comes from non-conventional renewable energies.

The company has a project portfolio that allows it to choose the most competitive options from among different production technologies (hydroelectric, thermal, wind and mini-hydroelectric), without ignoring their social and environmental viability.

From the initial idea, each project progresses in basic engineering studies in order to know with increasing certainty the conditions of location and completes the design of the works, which permit a preliminary costing, environmental and social impact analysis and a projection of production. The projects with little attraction in this process are abandoned. For projects of interest, feasibility studies are completed, the administrative authorizations are obtained (including environmental and sector permits) and a reliable investment budget is prepared (normally the resultant of a tender). The business plan is then developed which, if it meets the profitability criteria of the owners, enables the project to be submitted for approval by the board of the company.

2.3.1. Life cycle of projects



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[EU10] 2.3.2. Planned installed capacity of Endesa Chile versus projected demand for electricity in Chile (2013-2016⁸)

Installed capacity planned by Endesa Chile in the SIC				
By source of energy	2013	2014	2015	2016
Hydroelectric (MW)	3,465	3,465	3,465	3,465
Thermal (MW)	1,846	1,846	1,846	1,846
Wind (MW)	78	78	78	78
Total (MW)	5,389	5,389	5,389	5,389
Projected demand of the SIC (GWh)	49,142	52,115	55,165	58,347

Installed capacity planned by Endesa Chile on the SING				
Desglose según fuente de energía (MW)	2013	2014	2015	2016
Thermal (MW) ⁹	572	572	572	572
Projected demand of the SING (GWh)	16.515	17.408	18.546	20.231

2.4. Present energy context, social problem and new challenges for Endesa Chile

Social requirements have increased recently with respect to acts in the public sphere. Care for the surroundings, the protection and development of communities, and ethical behavior have been building up a more challenging and empowered social context.

As a consequence, the company has become more rigorous with the societies inter-acting with it, making new demands that transcend their valuation based on economic results. If a company wants to be sustainable therefore, it also has to integrate in its management certain ethical, social and environmental criteria, in addition to being a contribution to society.

In this scenario, electricity sector companies have been convinced of the fundamental role that social trust plays in the success of the industry's policies, plans and operations.

Critical matters for the sector like the choice of the generation mix, the expansion of installed capacity, the search for locations for new installations or tariff decisions are largely determined by the communion of sector objectives with those of the societies attended.

We have today an electricity matrix composed of a high proportion of fossil fuels (coal and oil) which has increased from 32% in 1996 to 60% in 2012, which means having safe and stable energy on the one hand, but increased greenhouse-gas emissions and energy dependence on the other. This is one of the examples that show that both the country and the electricity-generating companies face an immediate challenge that implies in the first place strengthening the regulatory framework and environmental institutionalization, and secondly being capable of adapting to the new environmental and social demands, in order to achieve the objective of producing cleaner, safe, economic and sustainable energy.

Endesa Chile is aware of the new context in which the energy market finds itself and has innovated internally to be capable of responding to the new challenges. This is carried out through different methodologies to ensure the sustainability of the projects, monitoring each of their stages and considering risk, economic, social, environmental, technical and organizational variables. The end result of the projects, the generating plants, was thus improved and instances are being developed for having a better interrelation with local groups of interest, in order to ensure the social license to operate.

(8) Projected demand of the SIC and SING defined by the National Energy Commission (CNE) in the tariff setting of April and October 2012, based on historic information and projections that the CNE requests from distributor and generator companies and non-regulated customers in the case of the SIC.

(9) Generation is based on thermal-electric technology in this sector.

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2.4.1. How is this context formed in the projects that Endesa Chile is carrying out?

The new and challenging social context that companies face today can be interpreted from two perspectives: as a risk or an opportunity. Endesa Chile, assuming its responsibility with respect to the challenges imposed by the context in which it operates, considers the present situation as an opportunity for continuous improvement, shaping in every one of the company's areas their commitments with sustainable development.

In order to carry out these commitments, the company has introduced innovations in its operations in order to permit the development of the business in harmony with its surroundings.

2.4.2. Early insertion, design mitigating and new project management tools

To face the new challenges imposed by the present context, the company has progressed in the implementation of joint and

coordinated action between the areas composing the organization and which finally are related to the projects being carried out.

This model is based on two fundamental pillars: early insertion and design mitigating, and this is carried out through two project management tools: the MIRA and MUST methodology.

2.4.2.1. Early insertion

This implies a monitoring, from the first phases, of the surroundings of the zone destined for a future project, to identify not only the technical variables (as has been traditional) but also the different parties impacted by an eventual initiative and their variables of particular interest. The company therefore acts by early involvement in the zone by specialist personnel in social areas, indigenous, environmental and political matters in order to establish a link with the community, seeking to reach consensus between them and the company.

“The challenge for the management is to create clear and objective rules, and for the company to continue working with the communities, in the locations of its projects, because early engagement and good communication are the best antidotes for offsetting future problems”.

Carlos Martín
Legal Counsel, Endesa Chile.



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2.4.2.2. Design mitigating

This is a way or reducing the negative impact of a certain project from the moment of its design. It is a methodology of work oriented to seeing that projects are more friendly with the surroundings of where it will be implemented. The objective is to have a project that incorporates from the start all the improvements necessary for impacting the surroundings as least as possible and thus close the gap between the company and social acceptance of the project.

2.4.3. New project management tools

The tools seek to ensure that the project is accepted, by having the least negative impact possible, thus favoring its assimilation by the community. They also seek to ensure the internal development of the project so that, when taking the decision to invest, the risk, progress and design are known with the greatest assurance, thus checking that it can be carried out.

2.4.3.1. MIRA (Integrated Matrix of Revision of Progress)

This is a tool that permits a check of the fundamental elements of the planning of the

project, a control of progress of the activities and the establishment of action plans during the process. It also permits determining whether it is appropriate to pass to the following phase and compare projects within their differences.

This methodology contemplates five dimensions for evaluating the projects in each one of their stages:

- Market.
- Technique.
- Execution.
- Permits, environmental and social aspects.
- Organization.

2.4.3.2. MUST (Unified Technical Solution Methodology)

This seeks to ensure that Endesa Chile is applying standardized design schemes for all the projects and that none miss covering a certain aspect related to the design and engineering.

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2.5. Generation technologies, their impacts and mitigation measures adopted

The business of Endesa Chile consists of producing energy, with the challenge that this be clean, safe and at competitive prices.

The company gives priority to the production of energy through the country's water resources as these are renewable and have environmental benefits when compared to thermal production which requires the intensive use of fossil fuels. However, its production matrix includes both technologies, complemented by the incipient development of energies produced through non-conventional renewable sources, in particular through wind farms.

But energy production also generates impacts of a social and environmental nature which Endesa Chile, under its commitment with sustainability, identifies, foresees, mitigates, repairs and compensates when they are negative.

The following shows the different technologies used by Endesa Chile to produce its energy.

2.5.1. Hydroelectric

The hydroelectric generation plants use water to produce electricity. This comes from rain water, melted water from hills and mountains, water from streams and rivers that empty into the sea. The energy produced by this type of plant is considerable, given the speed of the water's fall.

Hydroelectric plants produce electricity from the potential or gravitational energy (energy that depends on the relative height of an object) contained in the river water. The water in gravitational fall passes through a turbine-generator that then generates electricity.

The energy currently produced by hydroelectric plants is the cheapest. This source of energy is clean and is renewed every year through meltwater or rainfalls.

Endesa Chile has 16 hydroelectric plants.



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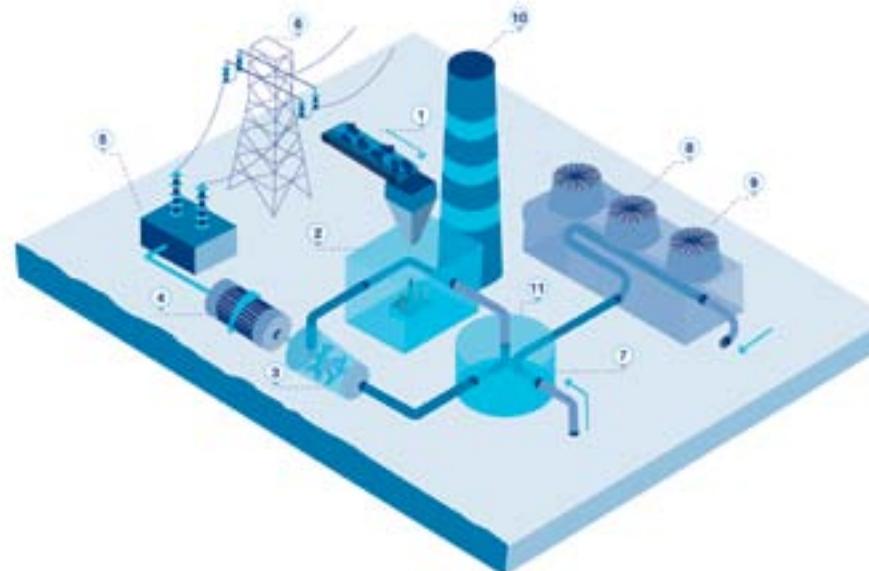


2.5.2. Wind generation

Wind turbines are today being used increasingly to generate electricity from the wind. The turbines for extracting wind energy have a height of up to 114 meters and vanes 60 meters in length. These towers have large helixes that the wind makes turn in order to produce electricity through a generator connected to the hub of the tower.

An electrical wind generator is therefore a machine that converts the kinetic energy of the wind (energy that has a body at a certain speed) into electricity. Wind-generators generally operate in groups, known as wind farms, located in areas of strong winds.

Endesa Chile has two wind farms.



2.5.3. Thermal

Thermal plants are installations employed for electricity generation from energy released from in the form of heat, normally through the combustion of fossil fuels like oil, natural gas or coal. This heat is used by a conventional thermodynamic cycle that moves an alternator and produces electricity.

The term “conventionals” serves to differentiate them from other thermal plants like nuclear or combined-cycle. The combined-cycle plant is that which generates electricity through the combined use of two turbines, one gas and the other steam.

Endesa Chile has ten thermal plants.

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Generating plants in Chile 2012



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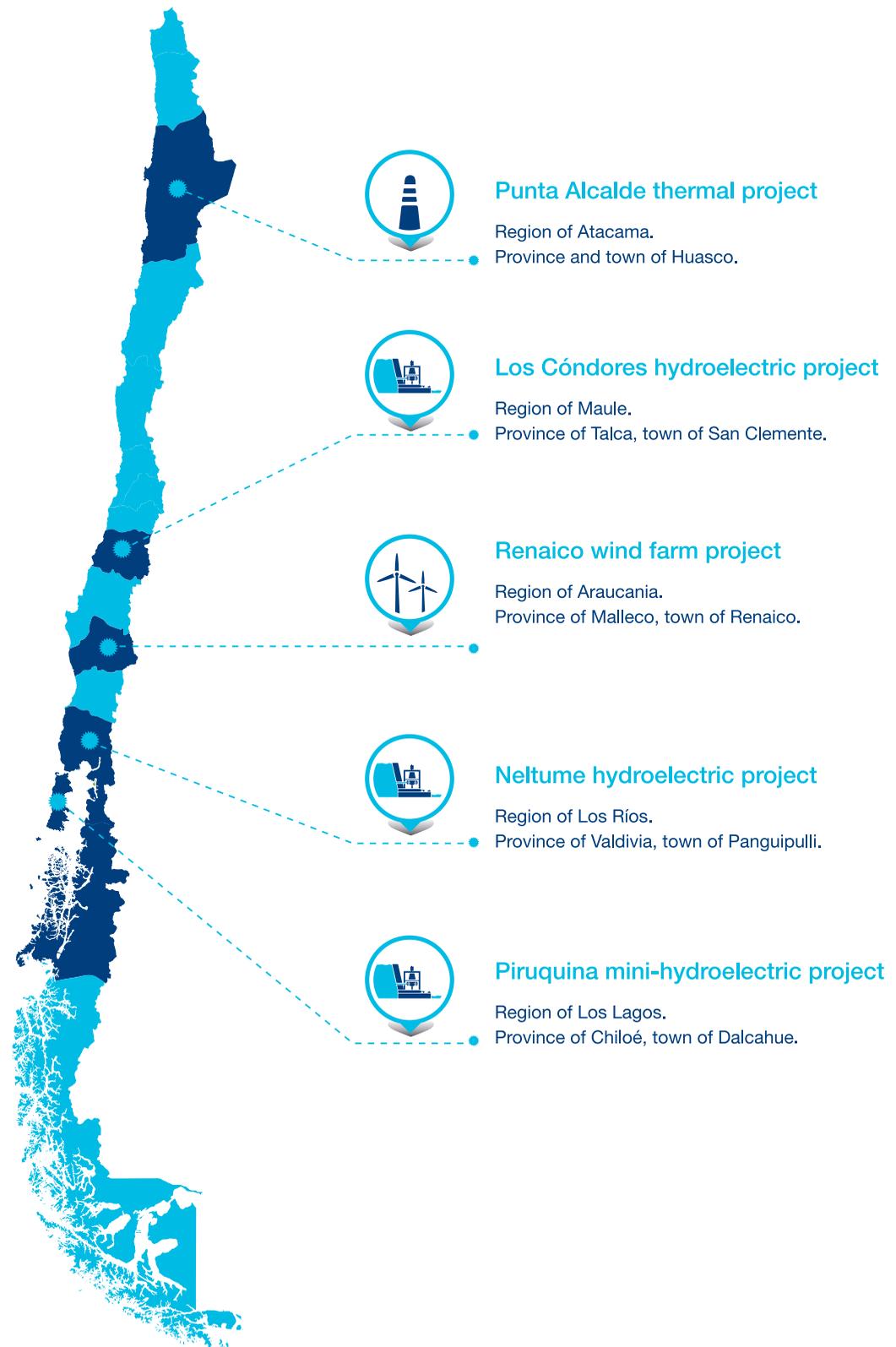
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3. Projects of Endesa Chile

3.1. Projects under study



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3.1.1. Renaico Wind Farm Project

The Renaico wind farm Project will be located in the Region of La Araucanía, at the village of Renaico. The initiative contemplates a wind farm of 44 wind generators of 2 MW of installed capacity each, with an axle height of 95 meters, which together will generate 255 GWh annually. The energy will be connected through two transmission lines. The principal one, a simple circuit line of 27 kilometers of 220 kV to the new Bureo substation to be built in the Region of Biobío, and the second of 66 kV to connect with the Renaico- Angol line.

The basic engineering was completed during 2012 and the supply-contracts tendering process begun. The environmental qualification resolutions were obtained for the wind farm and the 220 kV transmission line.

3.1.2. Los Cóndores Hydroelectric Plant Project

The Los Cóndores hydroelectric project will be located in the Region of Maule, province of Talca, village of San Clemente. It consists of the construction of a pass-through hydroelectric plant of approximately 150 MW installed capacity, with an average annual generation of 560 GWh. This will use waters from the Laguna del Maule reservoir through an adduction channel 12 kilometers in length. The plant will be connected to the SIC through a double circuit link of 220 kV between the plant and the Ancoa substation of about 90 kilometers in length.

In May 2012, the transmission-line project obtained approval of its environmental qualification resolution.

3.1.3. Neltume Hydroelectric Plant Project

The Neltume hydroelectric project will be located in the Region of Los Ríos, province of Valdivia, village of Panguipulli. It consists of the construction of a pass-through hydroelectric plant of approximately 490 MW installed capacity, with an average annual generation of 1,880 GWh, which will use the present energy potential between the lakes Pirehueico and Neltume. The plant will be connected to the SIC through a double circuit link of 220 kV between Neltume and Pullinque.

The basic engineering for the project is finished and the environmental evaluation process is proceeding by the regional environmental authority. The necessary studies were made during 2012 in response to the consolidated report of request for clarifications, rectification and/or expansions (ICSARA) N.3 which will be presented during 2013. The Neltume- Pullinque transmission line project is undergoing its environmental process. During 2012, studies were completed to respond to ICSARA No.2. In June 2012, the environmental authority issued ICSARA No.3, to which responses are progressing in order to be presented in the second quarter of 2013.

3.1.4. Punta Alcalde Thermal Plant Project

The Punta Alcalde thermal plant Project will be located in the Region of Atacama, province and town of Huasco, 13 kilometers to the south of the town. It involves the construction of a thermal plant that will use sub-bituminous coal at its principal fuel. It will have two blocks of 370 MW installed capacity each. It will be connected to the Maitencillo trunk substation through a double-circuit transmission line in 220 kV and about 40 kilometers in length.

Endesa Chile presented the project for its environmental evaluation to the authority in 2009. During that year and 2011 there was a regulatory change with respect to emissions which led to the adoption of important changes to the project. On June 25, 2012, the Atacama regional environmental evaluation commission (CEA) decided to reject the project, in response to which Endesa Chile appealed to the Committee of Ministers.

On December 3, 2012, the Committee of Ministers unanimously decided to reverse the decision of the Atacama CEA and approved the project.

The preparation of the feasibility studies and of the environmental impact study of the transmission line progressed in 2012, which will connect the plant with the SIC, for submission to the environmental authority

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3.1.5. Piruquina Mini-Hydroelectric Plant Project

The Piruquina mini-hydroelectric plant will be located on the island of Chiloé, Region of Los Lagos, province of Chiloé, village of Dalcahue. The Piruquina plant will use the waters of the river Carihueico, through an adduction tunnel and a pressure tube, in a zone characterized by having a natural narrowing of the river.

The full installed capacity would be 7.6 MW.

During 2012, a conceptual optimization of the project advanced and a simplification of the civil works.

3.2. Projects under construction

3.2.1. Expansion of Bocamina thermal plant, second unit

This Project, located in the town of Coronel, province of Concepción, Region of Biobío, contemplated the construction of a coal-fired thermal unit of 350 MW alongside the Bocamina plant, using pulverized bituminous coal. The plant is connected to the SIC through a link to Transelec's Lagunillas substation.

The unit was synchronized with the SIC and declared in commercial operation in October 2012.

4. Projects of associate companies

4.1. HidroAysén

The HidroAysén project is the most important hydroelectric initiative ever developed in Chile because of its significant contribution to the national energy matrix and its exceptional efficiency by world standards.

The project consists of the construction and operation of five hydroelectric plants, two on the river Baker and three on the river Pascua, in the Region of Aysén. Covering a total area of 5,910 hectares, the equivalent to 0.05% of the Region of Aysén, the complex will contribute 2,750 MW to the SIC with an average annual generating capacity of 18,430 GWh, thus contributing to Chile's energy independence.

4.1.2. Present situation

In April 2012, the Chilean Supreme Court gave judgment in favor of the project, rejecting appeals made by environmentalist organizations against sentences in favor of the company of the appeals courts of Coyhaique and Puerto Montt. The country's maximum tribunal has therefore validated the environmental approval of HidroAysén.

2.750 MW
will be contributed to the SIC.

It will contribute to Chile's energy independence.

The average annual generation capacity will be 18,430 GWh.



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4.1.3. New work team

Looking for opportunities for strengthening relations and the legitimacy of the project with different communities in the region, HidroAysén carried out a restructuring of its executive team in August 2012 and the community and communications management area was created, based in the Region of Aysén. Its principal mission is to strengthen and develop many actions with the community that can support relations in order to build trust.

4.1.4. Relations with the community of Aysén

4.1.4.1. Education for Aysén

HidroAysén held firmly to its commitment with education in the region in 2012, granting 45 annual scholarships in superior technical studies for young people from Coyhaique and the province of Capitán Prat, benefiting 197 students over the last 5 years. Regarding social development and integration in the region, the company continued

to support various cultural activities, focused on the revival and preservation of local traditions and identity, through a feminine “truco” tournament, support for costume festivals and constant work with social and business organizations.

4.1.4.2. “Casa a casa” initiative

The “Casa a casa” program was carried out in the towns of Coyhaique and Puerto Aysén, in which answers were given to the questions raised by the community, and residents were informed of the scope of the HidroAysén project, principally with respect to the benefits promised to the region. 11,131 homes in Coyhaique and Puerto Aysén were visited, the equivalent of 60% of the combined population, with the participation of 60 people, 40 company employees and 20 local people, including young people with project scholarships and social leaders. Thanks to this work, it was shown that there was a great interest in these towns in knowing and talking about the project.

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5. Membership of associations

[4.12] **[4.13]** As part of its relations with different stakeholders and its commitment with the business sector, government and civil society, Endesa Chile participates in various activities, as follows:

5.1. Social programs developed externally

- Corporate social responsibility (CSR) projects:
 - EducaRSE with CSR Action (since 2009).
- International standards and initiatives:
 - United Nations Global Compact (since 2004).
- Education and cultural projects:
 - Illumination of Chilean cathedrals: Agreement with the Corporation of Friends of Chilean Cultural Heritage (2007-2011).
 - Reading comprehension program, as part of the collaboration agreement with the energy for education program, with the Santillana Group (since 2010).

5.2. Associations to which Endesa Chile belongs

- Acción RSE.
- Chilean-Argentine Chamber of Commerce.
- Chilean-North American Chamber of Commerce (AMCHAM).
- Chamber of Production and Commerce of Concepción (CCPC).
- Official Spanish Chamber of Commerce in Chile (CAMACOES).
- International Council of Large Global Electricity Networks (CIGRÉ).
- Regional Energy Integration Commission (CIER) and Chilean Committee (CHICIER).
- Communities of Puchuncaví and Quintero Development Corporation.
- Industrial Corporation for the Regional Development of Biobío (CIDERE BIO BIO).
- Chilean Institute of Engineers.
- International Hydropower Association.
- PROhumana.
- Global Compact Network Chile.
- RedEAmérica.
- Industrial Society (SOFOFA).
- ICOL (Chilean National Committee of Large Companies).
- Chilean Generators Business Association.

5.3. Implementation of Principles of Global Compact

Endesa Chile has adhered voluntarily to the United Nations Global Compact since 2004, demonstrating its commitment with the promotion of sustainable development. Through this, the company is obliged to respect and protect the ten principles established by the organism relating to human rights, labor and environmental matters and the fight against corruption.

The following activities were carried out in 2012 in support of the implementation of the principles of the Global Compact in Chile:

- Participation in the work group of the Global Compact Lead on indigenous peoples: Endesa Chile, together with its parent Endesa (Spain), worked with other companies belonging to the group of leading companies in sustainability of the Global Compact, in the preparation of a reference guide for

companies on the United Nations declaration on the rights of native peoples.

- Advanced CoP: In 2012 Endesa Chile presented its Communication of Progress (CoP) through its Sustainability Report 2011. Here it explained the progress made in the application of the ten principles of the Global Compact and, for the sixth consecutive year, the company received the maximum distinction, qualifying as among the Advanced CoP.
- Global Compact Lead: Since 2011, the parent company, Endesa (Spain) together with Enel, forms part of this initiative that includes the 54 best companies in sustainability in the world.
- Executive Committee: Endesa Chile participated as an active member of this committee.
- Environment Committee: Endesa Chile participated in this working group through its environment management area.



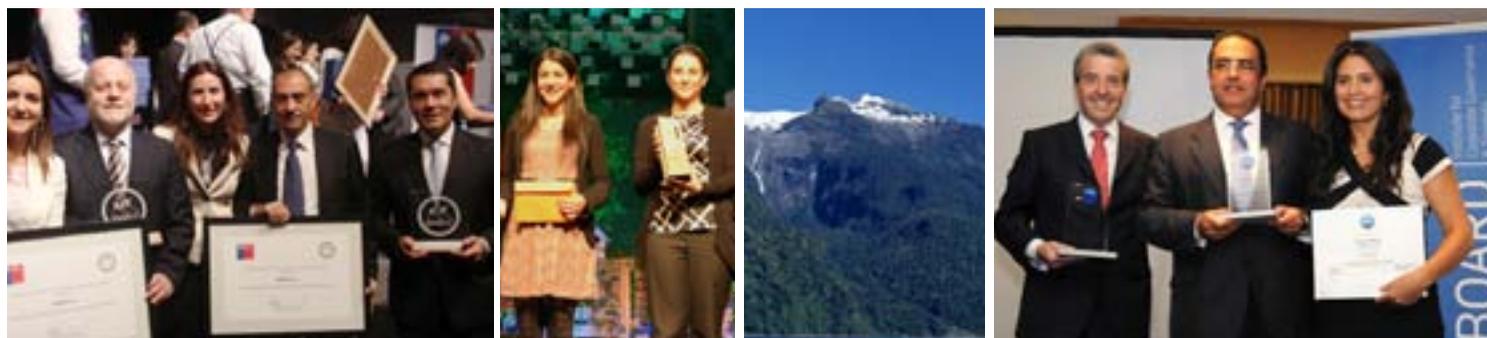
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6. Prizes and recognitions [2.10]



6.1. Endesa Chile obtained Iguala Seal from the Chilean government

The Minister of the National Women's Service, Carolina Schmidt, awarded this recognition that certifies the Iguala Seal for Endesa Chile, for the efforts of public and private institutions to incorporate good labor practices with respect to equality of gender.

6.2. Endesa Chile obtained 7th place in the National Ranking of Corporate Social Responsibility

Endesa Chile advanced from the 11th place obtained in 2011 to 7th place, in the VIII National Ranking of Corporate Social Responsibility, awarded annually by Fundación PROhumana, Qué Pasa magazine and the Confederación de la Producción y el Comercio.

6.3. Foundation "Por un Chile Verde" distinguished Endesa Chile for its sustainability initiatives

The book of the foundation "Por un Chile Verde", which highlights the 106 best environmental initiatives in Chile, gave space in its pages to the project for the preservation of the bio-geographic wealth of the region of the southern fjords of Endesa Chile's Fundación San Ignacio del Huinay.

6.4. Outstanding participation in the LirA 2011 prizes

Endesa Chile was distinguished with recognitions as the Best Communication of Corporate Governance and Best Communication of Financial Results, in the first version of Latin America's Investor Relations Awards 2011 (LirA'11).



6.6. Santiago Stock Exchange recognized Endesa Chile for its presence in the IPSA 2012

An important recognition was received by Endesa Chile from the Santiago Stock Exchange, which underlined its presence in the Selective Stock Price Index (IPSA) in 2012, an index grouping the 40 most traded companies on the local stock market.

6.7 Endesa Chile obtained first place in the electricity generation sector in the EVA 2012 Ranking

Endesa Chile received the prize of Best Company in the Electricity Generation Sector in the EVA 2012 Ranking prepared by Econsult and Qué Pasa magazine. This measures the companies with the best generation of added value for its shareholders.

6.8. Endesa Chile received the prize for the Best Creation of Value 2011, Utilities Sector

A ranking of companies that lead in sales, profitability and creation of value prepared by the equities research department of Santander Global Banking and Markets, in which the company was awarded the prize for the Best Creation of Value 2011, Utilities Sector.

6.9. Endesa Chile was distinguished by the National Safety Council

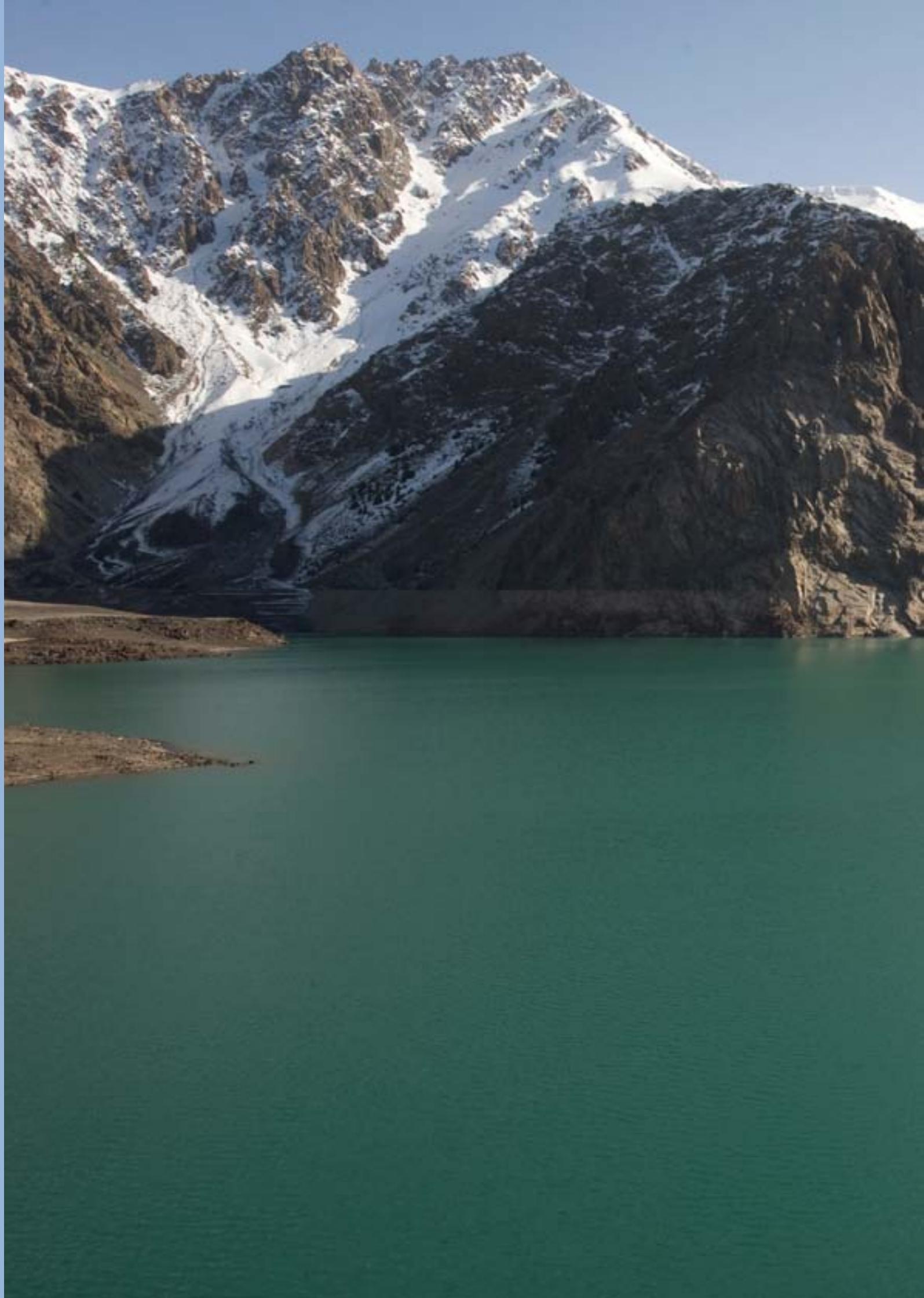
Endesa Chile was recognized for maintaining low accident rates over time among its own workers, being placed as a benchmark for companies in the industry.

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Management focus

We believe in Endesa Chile that the essential values that guide our behavior are honesty and integrity. These are fundamental for establishing inclusive and sincere dialogue with the principal stakeholders (i.e. customers, employees, suppliers, contractors and shareholders) for building links of trust with one of them.

We are therefore concerned to rigorously apply the principles of good corporate governance, informing our stakeholders on:

- The financial statements.
- The strategic plans.
- Environmental behavior.
- Compliance with obligations and responsibilities with respect to the social surroundings in which we operate.

All this is carried out in a climate of loyal collaboration and dialogue with the public institutions and regulatory bodies in order to comply with and surpass our company's requirements today in electricity generation.

Highlights

- Ethics Code and zero tolerance plan against corruption.
- Receipt and investigation of accusations through the Ethics Channel.
- Implementation of controls for mitigating the risks referred to in Law 20.393 and Italy's Legislative Decree 231 which cover crimes against persons.

1. Governance structure

1.1. Composition of the Board of Directors

[4.1] Organizational structure

The governance structure of Endesa Chile comprises:

- A board of directors of nine members whose term expires after three years and may be re-elected. The election of the present members of the board took place at the ordinary shareholders' meeting held on April 26, 2012.
- A directors' committee of three members for the same term as that for directors, all of whom are independent in accordance with article 50 bis of Law 18.046 and meet with the criteria and requirements of independence of the Sabarnes- Oxley Act(SOX), of the Securities and Exchange Commission (SEC) and of the New York Stock Exchange (NYSE).
- An administration comprising corporate managers.

1.1.2. Independent board

[4.2] [4.3] None of the nine members of the board (including its chairman) is an executive of the company nor performs any administration position.

An independent director is one who, in the last 18 months, has had no important relations in terms of nature and amount, with the company or other members of the group, with its controlling shareholder or with their principal executives nor been a director, manager, administrator or principal executive or adviser to the above mentioned. They also have no family relations with any of the above persons and have not been director, manager or administrator of no-profit organizations that have received support or donations from these companies. Neither have they been director, manager, administrator or principal executive or have held 10% or more of the capital in the case of firms of legal, consultancy or external audit services provided to the companies mentioned above, or companies that are considered to be the principal competitors, suppliers and customers of the company.

None
of the members of the board is an executive of the company and

five
of the members are independent.

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Among these five independent directors we find an academic at a prestigious Spanish university, a former president of Banco Central de Chile and a former business association leader. The other two directors were appointed by the minority shareholders and have vast experience in the management and direction of companies.

1.1.3. Election and evaluation of the directors

[4.9] **[4.7]** The company is administered by a board elected at a shareholders' meeting. While there is no formal procedure for determining the training and experience required of the directors, the present directors are professionals in the areas of engineering, economics and business management, and one has a law degree. Five of them have or have had an outstanding career in electricity sector companies.

Endesa Chile is constantly evaluating improvements to corporate governance according to the best practices implemented by other local or foreign companies.

1.1.4. Evaluation of the performance of the company in sustainability

[4.10] Although there is no express regulation setting the frequency at which the maximum level of governance evaluates the company's performance in terms of sustainability, the

company does have a sustainability committee in charge of the implementation of the sustainability policy which establishes the seven commitments with respect to the economic, social and environmental areas, including the ethics dimension, corporate governance and relations with stakeholders. The committee comprises the company's most senior managers.

The board also submits various documents for consideration by the ordinary shareholders' meeting like the annual report and financial statements, which together report on the company's economic and financial position. This meeting has the power to approve or reject them. The Sustainability Report is also provided, covering the company's social, environmental and economic performance over a certain period.

1.1.5. Remuneration

[4.5] As established in the bases of corporate governance, the company has no compensation plan linked to the market price of its shares (stock options).

In accordance with article 50 bis of the Corporations Law, the ordinary shareholders' meeting should determine the remuneration of members of the directors' committee and the committee's expenses.

Directors' remuneration received in 2012 (thousands of pesos)						
Director	Position	Fixed remuneration	Ordinary meetings	Extraordinary meetings	Directors' committee	Total
Jorge Rosenblut	Presidente	54,834	35,832	8,969	-	99,635
Paolo Bondi ¹	Vicepresidente	-	-	-	-	-
Jaime Estévez ²	Director	9,088	5,939	-	5,039	20,066
Francesco Buresti ¹	Director	-	-	-	-	-
José María Calvo-Sotelo ²	Director	9,088	5,939	-	-	15,027
Vittorio Corbo	Director	27,417	17,916	4,485	-	49,818
Jaime Bauzá	Director	27,417	17,916	4,485	15,201	65,019
Felipe Lamarc	Director	27,417	17,916	4,485	15,201	65,019
Alfredo Arahuetes ³	Director	18,329	11,977	4,485	-	35,171
Enrique Cibié ³	Director	18,329	11,977	4,485	10,162	45,333
Manuel Morán ^{1,3}		-	-	-	-	-
TOTAL		191,919	125,412	32,154	45,603	395,088

(1) The directors Paolo Bondi, Francesco Buresti and Manuel Morán renounced their fees for performing as director of Endesa Chile.

(2) The directors Jaime Estévez and José María Calvo-Sotelo were directors of Endesa Chile until the ordinary shareholders' meeting held on April 26, 2012.

(3) The directors Alfredo Arahuetes, Enrique Cibié and Manuel Morán were appointed as directors of Endesa Chile at the ordinary shareholders' meeting of April 26, 2012.

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1.2. Shareholder meetings

[4.4] Every shareholder registered in the shareholders register five business days prior to date of the respective meeting may participate and exercise their right to speak and vote at shareholder meetings (ordinary or extraordinary). The mechanism for resolution and decision-making is defined by voting on the basis of one vote for each share held.

1.2.1. How does Endesa Chile communicate with its shareholders?

Shareholders may also give their opinion directly or indirectly through various organs established in corporations legislation or the bylaws, through the management or mechanisms created for this. The company therefore has the following channels of communication with them:

- a) Web page (www.endesa.cl): all the documents and information concerning the functioning of the company, information relating to the market and stock market
- b) Ethics Channel or Box: this is found on the web site www.endesa.cl, through the corporate governance link. Its purpose is to permit the communication of irregular or inappropriate conducts and those contrary to ethical standards or respect for the accounting, control, internal audit and other related aspects, by anyone or stakeholder group having a relationship with the company.
- c) Investor relations: an area that attends regularly and individually the consultations of analysts and institutional and qualified investors.

and documents of interest are available to shareholders in order to help them take informed investment decisions. Similarly, from the annual calling of the ordinary shareholders' meeting, they have the documentation referring to the notification, reasoning behind matters submitted to voting, annual reports and other aspects to be presented at the meeting.



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2. Board of Directors



CHAIRMAN
Jorge Rosenblut
Civil Industrial Engineer
Universidad de Chile
Tax No.: 6.243.657-3



VICE CHAIRMAN
Paolo Bondi
Degree in Management Sciences
Università Commerciale
Bocconi di Milano
Passport: G084839



DIRECTOR
Francesco Buresti
Electronics Engineer
Università Degli Studi di
Bologna
Passport: F685628



DIRECTOR
Manuel Morán Casero
Aeronautical Engineer
Universidad Politécnica
de Madrid
Passport: AAB266217



DIRECTOR
Alfredo Arahuetes García
Doctor in Economics and
Business Management
(ICADE)
Universidad Pontificia de
Comillas
Tax No.: 48.115.220 - 8



DIRECTOR
Jaime Bauzá Bauzá
Civil Engineer
Pontificia Universidad
Católica de Chile
Tax No.: 4.455.704-5



DIRECTOR
Vittorio Corbo Lioi
Commercial Engineer
Universidad de Chile
Tax No.: 4.965.604-1



DIRECTOR
Felipe Lamarca Claro
Commercial Engineer
Pontificia Universidad
Católica de Chile
Tax No.: 4.779.125-1



DIRECTOR
Enrique Cibié Bluth
Commercial Engineer
Pontificia Universidad
Católica de Chile
Tax No.: 6.027.149-6

The company is administered by a board of directors of nine members elected by the shareholders' meeting. The directors serve for a period of three years and may be re-elected.

In the event of the death, resignation, bankruptcy, incompatibilities or limitation of position or other impossibility that prevents a director from performing their functions or makes them cease, the whole board should be renewed at the next ordinary shareholders' meeting and meanwhile the board may name a replacement.

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3. Principal executives



CHIEF EXECUTIVE OFFICER
Joaquín Galindo Vélez
Superior Industrial Engineer and Degree in Economics and Management Sciences
Universidad de Sevilla
Tax No.: 23.295.610-0



MANAGER, COMMUNICATIONS
Francisca Moya Moreno
Journalist
Universidad de Santiago de Chile
Tax No.: 12.690.736-2



LEGAL COUNSEL
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MANAGER, ENGINEERING, PROJECTS, AND RESEARCH AND DEVELOPMENT AND INNOVATION
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REGIONAL MANAGER, ENERGY MANAGEMENT AND COMMERCIALIZATION
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Training was given in June and August 2012 in the criminal risk prevention model (MPRP), Ethics Code and zero tolerance plan against corruption (TCC Plan) at the generating plants. An e-learning course of an obligatory nature will also be implemented in 2013, to include MPRP, Ethics Code, TCC Plan and Ethics Channel for accusations.

4. Ethics and transparency

For Endesa Chile, and especially for its corporate governance, acting ethically and transparently is fundamental for the economic results and reputation that the company achieves with its stakeholders. The company has constant commercial relations and with authorities where various key aspects for the organization are in play, such as the approval of projects, the granting of licenses and the construction of plants. All these activities have a strong social, economic and environmental impact, so it is essential that, at all levels of the organization, high ethical standards and of transparency are maintained in order to avoid possible situations of bribery and collusion that would affect the company and bring penal and legal sanctions.

To avoid these situations, the company's corporate governance has been strengthened through the approval and diffusion of important documents like:

- Ethics Code.
- 231 Guidelines.
- Zero tolerance plan against corruption.
- Criminal risk prevention model.

To ensure transparency, Endesa Chile continued in 2012 to apply the Ethics Code and zero tolerance plan against corruption. Both documents are available on [Endesa Chile web page](#).

[SO2] The identification of risks associated with corruption was made in 2010 when the design was started of the criminal risk prevention model. With each of the company's management areas, the potential risks and problematic situations were identified to later establish the risk scenarios associated with the crime of bribery and the traffic of influences.

[SO3] The company in 2012 continued to carry out formation actions related to various anti-corruption policies and procedures for the employees, some of which were arranged in 2011 (criminal risk prevention) and others were started in 2012 (security of information). This training covered 29% of the company's workforce, with a focus on middle and professional levels, completing 85% of the organization during the year. The whole workforce will be covered during 2013.

	Formation in anti-corruption policies and procedures								
	Total number			No. participants			% participants		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Managers	28	26	33	0	24	6	0%	92%	18%
Middle management	90	124	134	0	86	54	0%	69%	40%
Professionals	256	601	601	0	391	206	0%	65%	34%
Technicians	178	250	262	0	63	43	0%	25%	16%
Administrative	55	80	76	0	41	13	0%	51%	17%
Total	607	1,081	1,106	0	605	322	0%	56%	29%

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4.1. Mechanisms for implementing ethics and transparency in the company

4.1.2 Ethics Code

This document guides the correct behavior of all the directors, managers, employees and contractors of the company. It warns that all kinds of situations should be avoided relating to a possible conflict of interest, even if it only has the appearance of one. It also includes representatives of customers, suppliers or public institutions in their relations with Endesa Chile.

4.1.3. 231 Guidelines

During 2010, Endesa Chile also became part of the functioning of 231 Guidelines given by Enel and which are applied in all the company's subsidiaries. These guidelines respond to Italy's Legislative Decree 231 which introduces to the legal system of that country the direct responsibility of companies and other public entities for crimes committed by the directors, executives, their subordinates and others, acting in the name of the entity, when the illicit conduct has been for the benefit of the company in question.

4.1.4. Zero tolerance plan against corruption ("Plan TCC")

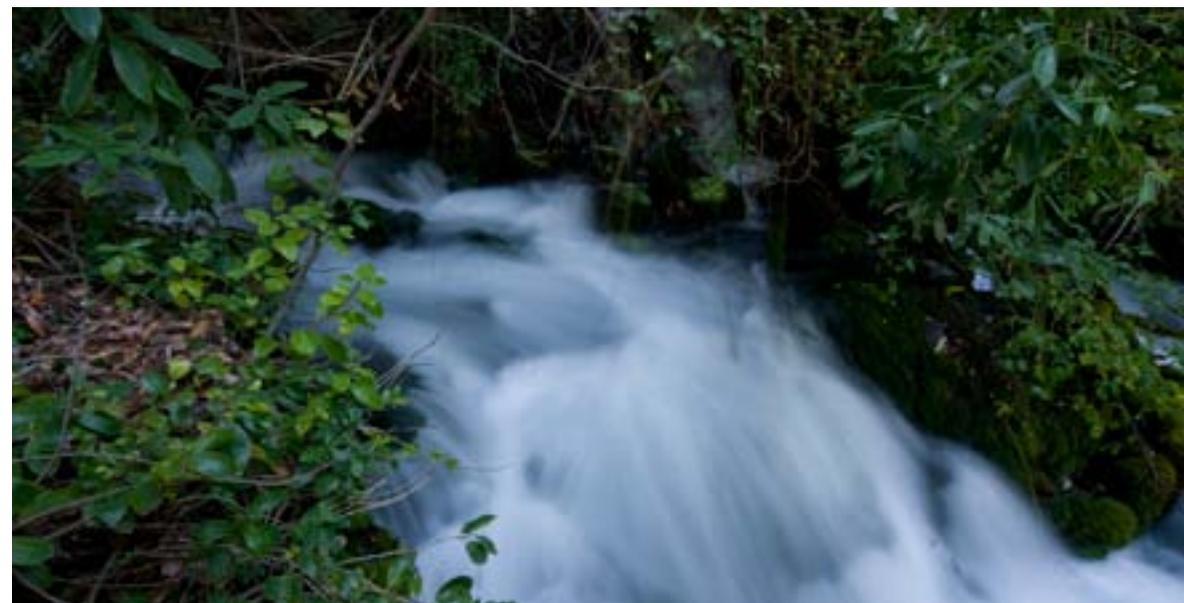
The zero tolerance plan against corruption declares that Endesa Chile is a company committed with respect for its Ethics Code and the commitments made through adhesion

to the Global Compact. The plan consists of the application of the Ethics Code with special emphasis on avoiding materialized corruption like bribery, favorable treatment and other similar matters. All the resources of Endesa Chile are therefore committed to the fight against corruption; more specifically, each organization unit is responsible, within its scope of competence, for establishing appropriate control systems for its application.

The plan requires employees to be honest, transparent and fair in the performance of their work. This is also required of the other interested parties, i.e. persons, groups and institutions that contribute to the reaching of their objectives. It is also a tool in the fight against corruption, which is applied through transparency criteria recommended by Transparencia Internacional.

4.1.5. Criminal Risk Prevention Model (MRPR)

Law 20.393 establishes the criminal responsibility of legal entities in three crimes: bribery of a national or foreign public officer, asset laundering and financing of terrorism. With the coming into effect of the law, Endesa Chile designed and implemented the criminal risk prevention model, which contemplates a series of elements and actions for preventing the committing of these crimes. These are the control climate, control activities, supervision, information and communication activities, and disciplinary system.



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The purpose of the model is to give the company a control system that prevents the committing of crime in the heart of the company, thus complying with the provisions of applicable legislation whereby the adoption of a management model and suitable organization presupposes an attenuating or exonerating factor in the criminal responsibility of legal entities with respect to such events.

4.2. Mechanisms for avoiding conflicts of interest

[4.6] Endesa Chile has procedures for avoiding conflicts of interest which go beyond those required by law:

- a) The Ethics Code has a specific chapter on conflict of interest.
- b) The internal regulation states that the directors of Endesa Chile should present a declaration periodically indicating the participations or investments they have in other related companies, as defined in article 18 of the Securities Market Law 18.045.
- c) The company decides to implement the legal modifications deriving from Chile's entry into the Organization for Economic Cooperation and Development (OECD), voluntarily and in accordance with Law 20.393.

4.3. Receipt and investigation of accusations

Endesa Chile seeks transparency, This is why, apart from meeting the obligation to make inappropriate conduct public, such as corruption, crimes and/or bribery, it also opens a space for people to adventure and make their own accusations, through different mechanisms:

- Ethics Channel, through the Center of Telephonic Attention (800-255-288; on the signal, dial 866-294-7156) or on the [company web page](#). By entering, it is possible to communicate accusation anonymously in order to protect the peace of mind of the accuser. The management of this channel is external through the firm Ethic Points and all the information is of restricted access.
- Different communication channels like the telephone, letter or electronic mail, sent to any member of the general audit department (DGA) or to third parties.

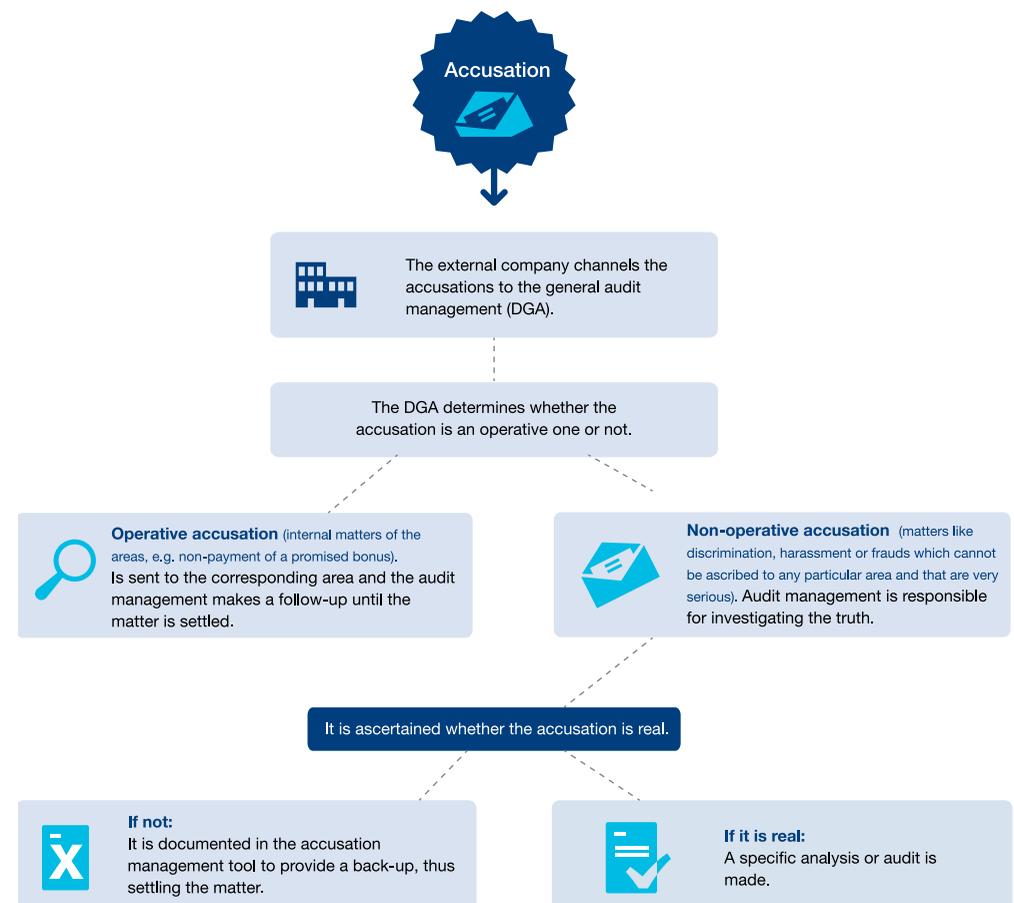
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Management of accusations received through the Ethics Channel



All the work carried out is documented in the accusation management tool and is developed according to the criteria of the audit system of Endesa Chile.

4.3.1. Accusations received in 2012

[S04] [HR4] During 2012, Endesa Chile received an accusation through the Ethics Channel relating to discrimination by a company employee. Actions were then taken to ensure the proper compliance with legislation and current special resolutions.

The company will periodically follow up the actions taken in order to avoid this type of incident. These actions are revised by the internal audit committee.

4.4. How do you avoid incidents of discrimination?

[HR4] Endesa Chile does not accept any kind of discrimination. It therefore includes explicitly in its corporate documents the company's position on this matter. These documents are the following:

Ethics Code: Behavior criteria are set out in its relations with contractors, indicating that “the evaluation of personnel for contracting is carried out considering whether the profiles of the candidates correspond to those expected and the various corporate needs, respecting the principle of equality of opportunities for all interested persons”.

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Internal Regulation on Order, Hygiene and Safety: This document incorporates behavior criteria with respect to relations with contractors, relating also to non-discrimination. It also states that “Endesa Chile avoids any kind of discrimination with respect to its own contractors. In the area of personnel management and development processes, as also in the selection phase, the decisions taken are based on balancing the profiles expected and the profiles of the personnel”.

Global Compact Principles: The organization adheres to this United Nations initiative which promotes the duty to support and respect the protection of universally-recognized human rights. These principles form part of the general contracting clauses of suppliers and contractors, which are in turn included in a compliance clause in contracts with third parties.

5. Regulatory compliance

Endesa Chile keeps a strict control over its sanctions and non-compliances registered during the period reported, which are as follows:

[BU25] An external worker was seriously injured in maintenance work on wind generators at the Canela wind farm. The pertinent investigations were carried out by the state administrative organisms, freeing Endesa Eco from all responsibility given its due compliance with its obligations and the warning and fine applied to the contractor firm.

[PR9] No fines were paid due to breach of regulations regarding the supply of energy, but the Superintendency of Electricity and Fuels (SEC) sanctioned Endesa Chile with 1,380 UTA and Empresa Eléctrica Pehuenche S.A. with 602 UTA, both due to a black-out on March 14, 2010. Endesa Chile and Pehuenche have appealed against these sanctions which are still proceeding with the Chilean Supreme Court.

6. Risks and opportunities for Endesa Chile

[I.2] Endesa Chile, as leader in the country’s electricity generation sector, faces various risks in its routine management, both external and internal, which, not being managed by the company, can cause negative effects on its environmental, economic and social performance, and also on its reputation as a company.

Knowing and managing the risks to which the company is exposed is a key input for improving performance year by year, thus maintaining its leadership position in the generation sector. The company has therefore managed each of these risks in order to transform them into opportunities.

The following shows the risks identified in the company’s various areas. By clicking each of them, it is possible to see how Endesa Chile performed in 2012.

Risks identified and how they are managed

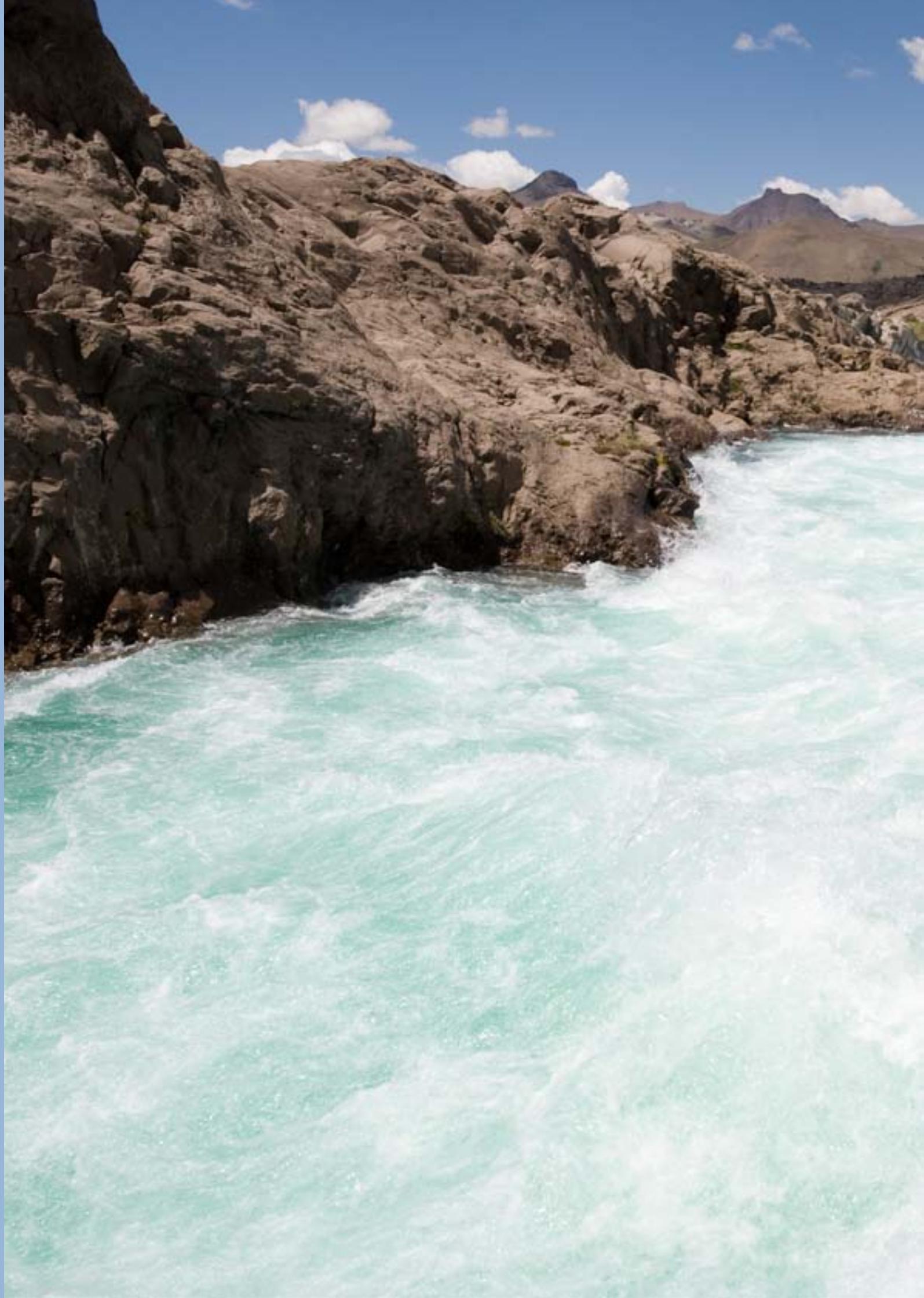
- Judicialization of projects due to social and environmental problems. ([Context of Sustainability: Chapter 05](#))
- Relations between the company and the communities. ([Chapter 12](#))
- Gap between energy demand and supply. ([Projects: Chapter 05](#))
- Labor accidents to own and external workers. ([Chapter 11](#))
- Risks of bribery and corruption. ([Chapter 06](#))
- Risks in working with contractors. ([Section contractors: Chapter 11](#))
- Loss of talent. ([Retention of talent: Chapter 11](#))
- How to integrate innovation into the company’s DNA. ([Chapter 09](#))

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Management focus

The integration of the demands of society, concerning persons and the environment, in the management strategy and model enables us to achieve the business objectives, thus maximizing the creation of value over the long term. We believe that speaking about sustainability is to speak about responsible growth, incorporating the economic, social and environmental dimensions.

Our strategy is to consolidate a broad platform of businesses capable of taking advantage of the large growth and profitability potential offered by the market. Our investments are intended to be permanent, in a climate of collaboration with the national authorities and existing regulatory frameworks, while oriented to providing the best electricity service to our customers.

Important aspects

- Complex hydrological context and high costs for electricity generation.
- Financial performance of Endesa Chile.
- Creation and distribution of value.
- Financing of Endesa Chile's projects.
- Investments.

1. Business model of Endesa Chile

Endesa Chile has the mission of generating safe electricity at the lowest possible cost, to ensure the supply and promote the development of Chile. This considering that the energy matrix should combine the country's needs with care for the environment and relations with the communities, together with a constant search for greater efficiency and innovation.

While Endesa Chile has the technology and knowledge necessary for producing electricity from various sources, it has preferred hydroelectric generation as it is a natural resource, renewable and non-contaminating, low cost and that Chile has in abundance.

Endesa Chile has also designed and applied a balanced commercial policy, with a low exposure to hydrological risk, a diversified customer portfolio and a pricing policy that sustains margins even in times of dry hydrology and high marginal costs on the spot market, as was experienced in 2012.



(10) The spot market, also known as the marginal market, is that where generators exchange surplus or deficit energy at a value set by the Economic Load Dispatch Center (CDEC).

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During 2012, the supply of liquefied natural gas (LNG) for the plants of Endesa Chile on the SIC was fundamental for containing thermal generating costs in the context of dry hydrology and the delay in the start-up of the second unit of the Bocamina thermal plant. The generation by Endesa Chile with LNG in 2012 was 5,574 GWh.



1.1. Events influencing the operational and commercial performance in 2012

The SIC was affected for the third consecutive year by a hydrology of a dry nature. This led to the application of preventive rationing in early 2011, which was extended to August 28, 2012. This situation, together with the high prices of the fuels used in electricity generation and the delays in the start-up of two coal-fired plants with low production costs (one owned by Endesa Chile), implied that the SIC recorded high electricity supply costs in 2012. As a result, there were also high electricity prices.

While these events impacted the margin of Endesa Chile in 2012, these were mitigated thanks to the characteristics of its generating park in terms of size, diversity, productive efficiency and the application of a commercial policy designed taking into account unfavorable operating scenarios.

1.2. Generation and supply costs on the SIC

The dry conditions of 2012 implied that the supply comprised a higher proportion of thermal generation, which accounted for 57.4% of the total supply of the SIC, higher than the 54.6% of the year before.

The prices of the fuels needed for thermal generation remained at the high levels of 2011, thus contributing to maintaining SIC generating costs high.

The high generating costs in 2012 implied in turn high energy prices on the spot market, also similar to those of the previous year.

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1.3. New prospects for the electricity sector

Two bills are being analyzed for the electricity sector which will have a favorable effect on the development and operation of the system: the electricity roadway bill and the bill for processing electricity concessions.

- The electricity roadway bill, which is currently in its first constitutional proceedings in the Senate, includes actions for facilitating the development of the transmission capacity of the trunk system and additional branches. Its installations will be designed with a greater capacity, attending economic plans with broader time horizons, whose costs will be remunerated in a shared way between the different users benefiting from more expansive transport systems. The basic purpose of this bill is to permit the future development of generation or demand centers in different parts of the country, mainly renewable energies including hydroelectricity.
- The second bill intends to speed up the procedures and time taken in relation to electricity concessions, including actions that affect the different phases contemplated in these procedures. This initiative will reduce construction delay problems that currently affect transmission projects and impede a fluid and efficient economic operation for the electricity supply between different zones of the country.

Another two bills are being debated which go back for a longer period (initiated in 2010). One is the project for modifying Law 20.257 concerning NCRE, which seeks to motivate the incorporation of these generation technologies and more competitively, and the other for the modification of geo-thermal concessions that attempts to motivate the development of this form of electricity generation.

[805] Within the framework of the government's pro investment and competitiveness program, Endesa Chile participated during 2012 with its comments on the following regulatory initiatives for the energy sector:

- The complementary services regulation which covers the prices and remuneration for these services, which was promulgated in the Official Gazette on December 31, 2012.
- The regulations of the Economic Load Dispatch Centre (CDEC), which continues to be in its drafting process, and which modifies the current regulation on the administration and operation of the CDEC in order to strengthen its autonomy and Independence in exercising its functions.
- Lastly, the regulations for supply tenders by distributor companies, also in its drafting stage, which modifies the current regulation by introducing improvements to the tender conditions, mainly to avoid the serious damages caused by the bankruptcy of the generator Campanario Generación S.A. in 2011 due to its incapacity to comply with supplies under its contracts with distribution companies.

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2. Financial performance

2.1. General results of Endesa Chile

Operating income in 2012 was Ch\$632.210 million, 19.8% less than the Ch\$787.971 million reported for 2011. This downturn was mainly caused by reduced operating revenues as a result of the lower average sale price of energy, higher energy purchases costs of Ch\$45,543 million, higher fuel consumption costs of Ch\$43,641 million and higher transportation costs of Ch\$34,648 million. This was partially compensated by reduced costs of other variable procurements and services of Ch\$12,390 million and lower fixed operating costs of Ch\$30,926 million, reflecting the non-recurring negative impact of the capital tax reform in Colombia which meant the booking in the first quarter of last year the full amount payable for this concept in the period 2011-2014.

Endesa Chile's EBITDA⁽¹⁾ or gross margin declined by 14.4% with respect to the year before, to Ch\$833,850 million, which does not include the contribution of the investment in Endesa Brasil which is not consolidated in Endesa Chile and whose results are included under Participation in the earnings (losses) of associates booked under the participation method, amounting to Ch\$107,504 million in 2012.

2.2. General results of the generation business in Chile

The reduced operating revenue of Ch\$113,073 million in 2012 was mainly due to the fall of 11.9% in the average sale price of energy, largely associated with the reduction of the indexation of contracts at marginal cost in Chile, linked also to the absence of revenue from RM88⁽²⁾ (Ch\$68,340 million in 2011).

In addition, physical sales declined by 3.6% as a consequence of the termination of contracts of Gas Atacama and reduced hydroelectric availability. This was partially compensated by the indemnity agreed with the insurance company for lost earnings of Ch\$55,057 million, as a result of the incident on February 27, 2010.

There were also higher fuel consumption costs of Ch\$53,099 million, basically due to the greater generation with LNG, plus higher transport costs of Ch\$31,731 million as a result of increased tolls related to the drought in the center-south zone of Chile.

Energy purchase costs rose by Ch\$11,349 million as a result of higher purchase prices on the spot market.

Operating income therefore fell by 55% to Ch\$182,431 million while the EBITDA of the business in Chile was Ch\$292,702 million in 2012, a reduction of 40.9% compared to the year before.

(1) EBITDA: Financial indicator: Earnings before interest, tax, depreciation and amortization.

(2) Initiative begun in 2011 to ensure the supply of electricity to distributors not having supply contracts with generators. The transfer price equates to the marginal cost of generation at the time.

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3. Endesa Chile in the securities market

The company's shares are traded on the following securities markets:

- Chile: The Santiago Stock Exchange, the Valparaiso Stock Exchange and the Chilean Electronic Exchange.
- USA: The New York Stock Exchange, as American Depositary Receipts (ADRs).
- Spain: The Latin American Securities Market of the Madrid Stock Exchange (Latibex), as contracting units.

3.1. Market information

The Chilean stock market in 2012 was marked principally by the predominance of uncertainty related to the debt crisis in some countries of the euro zone, and also a weakening of banking and thus access to finance. While the developed countries showed a sustained recovery in their principal indices in 2012, the local market has not managed to overcome completely the environment of international uncertainty.

Over the last two years, the shares of Endesa Chile have shown a negative accumulated performance in the markets where they are traded. However, its share on the local market rose by 1.6% in the last 12 months, a favorable tendency given the uncertain global economic situation, especially in Europe, and the drought that has affected the country for three consecutive years. Similarly, Endesa Chile's ADRs showed a growth of 10.1% on the New York Stock Exchange, while the company's share on the Madrid Stock Exchange rose by 7.7% in 2012.

3.1.1. Participation on the Chilean stock exchanges

1,206,4 million shares of Endesa Chile were traded on the Santiago Stock Exchange during 2012, for a value of Ch\$965,300 million, 143 million shares were traded on the Chilean Electronic Exchange, amounting to Ch\$114,006 million, and 1.8 million were traded on the Valparaiso Stock Exchange, for a value of Ch\$1,435 million.

The Endesa Chile share closed 2012 with a price of Ch\$778.11 on the Santiago Stock Exchange, Ch\$773.24 on the Electronic Exchange and Ch\$780.50 on the Valparaiso Exchange.



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4. Creation and distribution of value

[EC1] 2.8 For Endesa Chile, the creation of long-term value translates into a permanent investment plan in new and attractive projects. The generation of liquidity and financial credibility, coherent with respect for the environment and the communities where it

operates, form the guidelines of the policies followed in implementing this.

Information on the creation and distribution of economic value of a company shows the financial results of the organization and their impact on its stakeholders. This provides an evaluation of the contribution a company makes to its surroundings and thus a complete view of the effects on the environment in which it is inserted.

Economic value generated & distributed	2011 (ThCh\$)	%	2012 (ThCh\$)	%
Economic value generated (A)	1,287,145,410		1,181,132,194	
Revenue	1,287,145,410	100	1,181,132,194	100
Economic value distributed (B)	1,185,006,034		1,223,650,120	
Costs				
Operating costs	671,476,196	52.17	767,655,894	64.99
Other costs	66,056,675	5.13	57,510,879	4.87
Employee remuneration & benefits	42,826,606	3.33	55,832,919	4.73
Payments to suppliers of capital				
Dividends	266,777,897	20.73	223,437,037	18.92
Interest	57,750,591	4.49	68,632,987	5.81
Payments to governments	79,043,325	6.14	49,401,781	4.18
Social investment	1,074,744	0.08	1,178,623	0.10
Economic value retained (A-B)	102,163,292	7.94	(42,517,926)	-3.60

5. Endesa Chile and its concern to maintain operating and commercial excellence

Endesa Chile maintained operative excellence in 2012, having high standards of availability, efficiency and safety. It has made investments in the area of infrastructure, oriented to impact favorably on the operating results and the value of the company.

The following were among the actions during the year:

Unit 1 of the Bocamina thermal plant produced a new annual gross generation record of 1,043 GWh, greater than its previous record set in 2007 of 1,009 GWh.

Unit 2 of the Bocamina thermal plant entered commercial at the end of October and produced 507 GWh during its operating period.

The Quintero thermal plant became the first one in South America of with certification under the ISO 50001 standard, with the approval by AENOR of the energy management system.

The three units of the Sauzal hydroelectric plant were modernized which also raised the standard of its installations, permitted compliance with the safety and quality of service technical standard. The unit of the Sauzalito hydroelectric plant was also modernized.

In July the first of three audits checked the compliance with the plan to implement the actions established in the clean production agreement of the Puchuncavi-Quintero industrial zone.

In order to improve the efficiency of the refrigeration process of thermal plants, an agreement was signed with Crystal Lagoons for the construction of a pilot cooling lagoon of 5,000 m² at the San Isidro plant. This will permit the verification of the applicability of this cooling system which offers environmental advantages over the traditional systems. [\(See Chapter Commitment with innovation and efficiency\)](#)

The maintenance contract with Mitsubishi was amended for the San Isidro I and II thermal plants. This permitted a reduction in the duration of programmed maintenance and an extension of the period between them, from 8,000 to 12,000 hours equivalent.

Two emergency groups were acquired and assembled at the Quintero thermal plant, each of 3.3 MVA, to permit the autonomous start of the plant in the event of black-outs.

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6. How are Endesa Chile's new projects financed?

Endesa Chile has a financing policy which states that the level of debt, defined as the ratio of total liabilities to equity in the consolidated balance sheet, should not exceed 2.2 times.

Funds are therefore obtained from various sources:

- Own resources.
- Supplier credits.
- Loans from banks and financial institutions.
- Placement of securities on the local and international markets.
- Proceeds of sales of assets and/or provisions of services by Endesa Chile

In order to always maintain liquidity to finance its projects and investments, Endesa Chile also has a policy of contracting committed long-term credit facilities and temporary financial investments for amounts sufficient to support projected needs over a period which is a function of the situation and expectations of the debt and capital markets.

These projected needs include maturities of net financial debt, i.e. after financial derivatives



As of December 31, 2012, Endesa Chile has a liquidity of ThCh\$276,794,675 in cash and other equivalents, and ThCh\$193,708,000 in committed available long-term credit facilities. As of December 31, 2011, Endesa Chile had a liquidity of ThCh\$421,282,284 in cash and other equivalents, and ThCh\$199,892,000 in committed available long-term credit facilities.

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7. Investor relations

The principal task of the investor relations area is to strengthen the company's commitment with transparency and accountability. It also acts as a bridge and promotes engagement with the financial community, informing it clearly and promptly of the company's operational and financial information.

To facilitate this work, various means of communication and information have been developed, automatic distribution registers, meetings, attendance at events and conferences at which they respond to the various requirements of the financial community and the market in general.

This is intended to maintain constant links with investors, analysts, credit-rating agencies, regulators and those interested in having information on the company and deepening the base of their business.

8. Investments

In order to be able to meet the country's electricity demand, which is projected to double between now and 2030, it is essential that Endesa Chile has plants of more than one type of generation technology. Only then can it ensure energy supplies for all its customers.

This is why the company, in accordance with its sustainability policy, Endesa Chile has the following projects in their study and tendering phases. (For further information, click on the project of interest → Profile).

Projects under study by Endesa Chile

10.1 [📍 *Renaico Wind Farm.*](#)

10.2 [📍 *Los Cóndores Hydroelectric Plants.*](#)

10.3 [📍 *Neltume Hydroelectric Plant.*](#)

10.4 [📍 *Punta Acalde Thermal Plant.*](#)

10.5 [📍 *Piriquina Mini-Hydroelectric Plant.*](#)

10.6 [📍 *HidroAysén Project*](#)

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Management focus

To provide a service based on quality and safety of supply is one of the key aspects for compliance with the quality of service. We have adopted various initiatives and taken measures for generating relations of trust with our customers, based on proximity and transparency.

This why special emphasis has been placed on knowing the needs, preferences and expectations of our customers, and on optimizing our channels of communication in order to maintain a deep and constant dialogue that permits Endesa Chile to properly manage each aspect related to the quality of service.

Principal matters

- Customers of Endesa Chile.
- Quality and safety of supply
- Contingency plans

1. Regulatory compliance

[PR3] Endesa Chile provides an electricity supply service whose characteristics, such as quality, reliability and safety, are defined by Decree Law (DFL) 4 of 2007 (restated text). The company also is linked with the system's economic technical operation, the responsibility of the Economic Load Dispatch Center (CDEC).

Endesa Chile is constantly providing on-line information to its customers through the Extranet so that they can access data remotely the variables that affect quality, reliability and quantity of the product delivered, as well as the invoicing, regulatory situation and commercial aspects of the contractual relationship.

2. Customers of Endesa Chile

2.1. Classification of customers

[2.7] All the customers supplied by Endesa Chile correspond to the Central Electricity Grid (SIC) or the Northern Grid (SING), and comply with the requirements set out in DFL 4 of 2007. According to these regulations, there are three types of energy customers:

Types of customer		
Regulated	Non-regulated	With right to choose
Customers with consumption of 500 kilowatts (kW) or less.	Customers with consumption greater than 2,000 kW.	Customers with consumption of more than 500 kW and up to 2,000 kW.

In addition to the types of customers shown, there is the spot market (or short-term opportunity market) in which Endesa Chile is also present. Here, non-contracted energy and capacity are traded, while the generators interact in the trading of energy at short-term marginal cost. This results in the economic dispatch of the generating units available for meeting the demand for electricity in a certain period.

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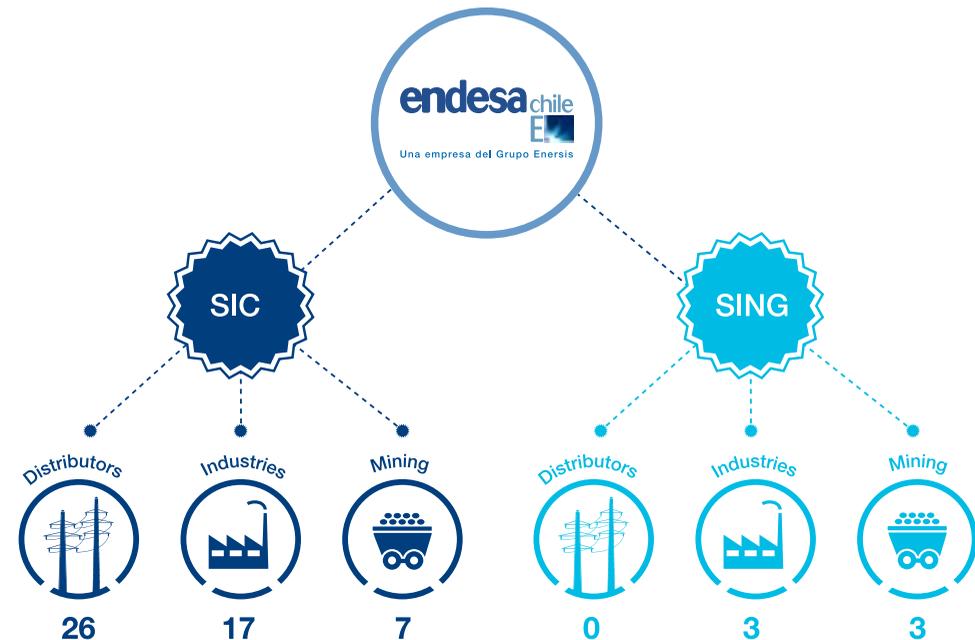
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2.2. Customers by industry

2.7 **EU3** Endesa Chile's customers are large companies, mainly electricity distributors which supply homes, public sectors and companies. Mining sector companies are mostly supplied by the SIC, as also customers in the forestry, woodpulp and paper areas, chemical and refinery industries, and in general any consumer which can legally be supplied directly by a generator.

Distribution of customers by type and system



2.3. Quantity of energy sold

The quantity of total energy invoiced is 20,034 GWh. This includes the figures of the subsidiaries Celta, Pehuenche and Pangué.

Classification of sales by industry		
SING + SIC	Energy in kWh	Participation (%)
Distributor companies (regulated)	12,887,589,188	64.30
Mining	4,170,361,444	20.80
Industrial	2,969,125,407	14.80
Others	6,487,594	0.03
Total	20,033,563,993	100.00

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3. Customer relations

3.1. Visiting plans

As part of the activities of Endesa Chile's customer service action plan 2012, three customer visits were arranged, two to the Pangué and Ralco hydroelectric plants and one to the Pehuenche hydroelectric plant. The purpose of these is bring customers closer to the company's business so that they can see the quality of service provided them on site. On each occasion, a talk was given relating to the electricity generation process of Endesa Chile, accompanied by information about the plant they were visiting.

Under this program, it is intended that company customers make at least one visit a year to the generating plants.

Breakfasts with customers

Work was done in 2012 to strengthen relations with customers. In November, there was the first breakfast with them, in which seven representatives of corporate customers participated to talk about matters of common interest. On this occasion, the subject was the calculation of marginal cost. In view of the success and good reception of this initiative, the company decided to do it again. The breakfast arranged for December was attended by six customers.

"These meetings have been without doubt interesting for various reasons. I took part in a breakfast which analyzed the fundamentals of marginal cost by a company specialist. I also visited the Pehuenche plant together with a group from our company. These visits permit closer links with executives of Endesa Chile which can help resolve problems, clarify doubts, etc., relating to the supply contract, and also a better understanding of matters that are behind the contract itself".

Eduardo Pimentel

Manager, Cementos Bío Bío, Curicó.



Seminars with customers

In order to maintain a permanent relationship with customers, Endesa Chile arranged a series of seminars in regions during 2012, focused on:

- Explaining the company in greater depth and drawing them closer to it.
- Presenting the electricity highway project and sector trends.
- Informing the principal news on supply in the electricity system and with respect to regulatory matters.
- Explaining the reasons why it was considered a dry year and what can be expected for the future.

These activities took place in the cities of Concepción, Valdivia, Copiapó, La Serena and Santiago.

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3.2. Arbitration proceedings

Endesa Chile has made important progress and achievements in recent years with respect to its customers, but it has not been free of judicial proceedings in the matter. Arbitration proceedings were resorted to in 2012 as a consequence of the impossibility of reaching an agreement relating to a contractual amendment with a customer. The outcome of these proceedings is to determine the steps to follow and the conditions under which it should operate the contractual relationship between both parties. The proceedings are currently still progressing.

survey is to know customers' perceptions of the global service of provided during last year. The survey covers five matters relating to the integral quality of the service provided:

- Channels of communication.
- Quality of the electricity supply.
- Customer-supplier relationship.
- Invoicing process and payments for consumption.
- Information flow.

4.1. Results and evolution of general satisfaction of customers

Out of a total of 25 questionnaires responded, a customer satisfaction index of 16.6 points was obtained, out of a maximum of 20.7, which means that there is an approval level of 80.4%. It is also important to point out that all the customers were located in the segment of satisfied and moderately-satisfied customers.

4. Customer satisfaction

PR5 The 8th customer satisfaction survey was carried out in 2012 with customers of Endesa Chile and subsidiaries. The purpose of this

Customer satisfaction 2010-2012



The best and worst areas evaluated during the period were:

4.1.1. Best evaluated area 2012

- Communication channels: 86%

This is result of the company making continuous efforts to maintain a constant and direct dialogue with every customer, responding to their concerns and needs. This is the second year in which the Extranet has been in operation, which has enabled relations with customers to be much more expedite.

4.1.2. Worst evaluated area 2012

- Flow of information and visits to installations: 75%

Flow of information and visits to installations: 75%

These results are mainly associated with the reports of faults affecting the electricity supply, which show delays in relation to the studies and own verifications of each situation, resulting in a longer period and also involving the CDEC.

Based on these results, an action plan was defined to improve management in the areas where opportunities for improvement are detected.

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5. Quality and safety of supply

[EUG] A series of initiatives were developed in 2012 for maintaining the quality and safety of the energy supplies of Endesa Chile. The following are some examples:

5.1. Project of planned generation improvement service of base line of availability

This initiative which has been projected to be implemented over three years ending in 2013, has contributed gradually to the availability of the generation park, through a technical action plan for mitigating operative risk.

By the end of 2012, the historic results of availability in the production information and management system showed an improvement of 0.97% in availability compared to the line of business in South America.

The target for 2013 is to obtain an increase in availability of 1.5% and 0.5% average increase of the installations.

5.2. Modernization of Sauzal (units 1, 2 and 3) and Sauzalito machinery

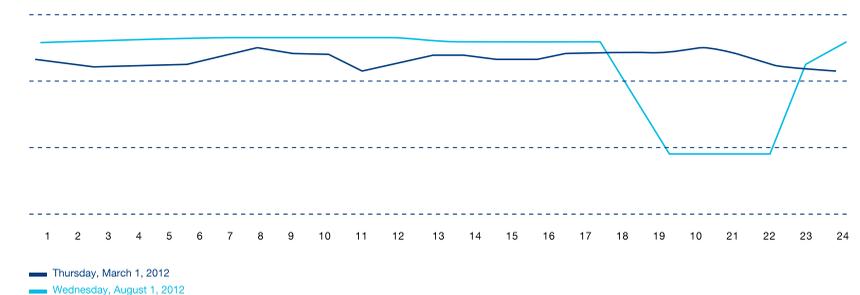
This process was carried out to comply with the technical standard, facilitating the dispatch of the machinery and enabling the sending of information on-line to the CDEC. This completed the integral modernization process begun in 2009 which ended with 23 machines renovated in terms of availability and efficiency.

5.3. Energy demand management programs

[EU7] Be setting prices that differentiate between peak and off-peak hours, Endesa Chile is motivating the management of demand among its customers in order to promote the movement of their consumption to more economic hours, thus avoiding overloading the system and obtaining savings.

In addition, customers can access their load profiles through the Extranet, with the option to revise demand and monitor their behavior in peak hours. The peak hours on the SIC, between April and September, cover Monday to Friday from 6 p.m. to 11p.m. The following graph shows how a typical industrial customer of Endesa Chile can displace its measured energy demand, in accordance with its operations, in order to economize.

Demand of an industrial customer of Endesa Chile



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5.4. Endesa Chile signs an agreement with Contac for the predictive monitoring of electricity plants

Endesa Chile signed a contract with the technology firm Contac which, jointly with the Universidad de Chile, will develop a prediction technological application to contribute to the predictive monitoring of electricity generating equipment.

Objective

To use the tool to strengthen the company's Monitoring and Diagnosis Center (CMD) in order to improve the generation processes, detect anomalies and produce early warnings of possible faults.

Benefits

- Reduction in catastrophic faults.
- Reduction in unavailability due to non-programmed maintenance.
- Reducción del tiempo y los costos de las acciones de mantenimiento debido a mejoras en planificación.
- Reduction in time and costs of maintenance actions due to planning improvements.
- Contribution to proper information for specialists at the right time.

5.5. Plan for repowering turbines at Rapel hydroelectric plant

The first evaluation of the hydraulic turbines repowering plan, begun in 2009, was carried out on unit 5 of the Rapel hydroelectric plant of Endesa Chile and produced very good results. The objective is to obtain a greater generating capacity with greater efficiency in the turbine.

The maximum output exceeded 94% at the point of best operation, a significant improvement compared to the output of 89% obtained when the machine was delivered by the manufacturer in 1971 and which had deteriorated by approximately 1% when evaluated in 2007

6. Contingency plans

[EU21] A special emphasis in risk control was placed in 2012, giving rise to the establishment of communication protocols with the authority in the case of emergency or important events. This is based on three initiatives.

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6.1. Protocol of communication with ONEMI in the event of alerts concerning an increase in the flow in Ralco reservoir

Law 20.304 was promulgated in 2008 concerning the operation of reservoirs in the event of overflow alerts and emergencies. This states that the control reservoirs, declared as such by the waters authority (DGA) under its powers of regulation or proximity to inhabited areas, in the event of a rise in flows should prevent or mitigate the risks to lives, health of public or private property.

Only the Ralco reservoir was declared under this criterion in the case of Endesa Chile.

In accordance with the law, the company prepared an operating manual for the Ralco reservoir in conditions of alert and emergency with respect to overflows. Later, in coordination with ONEMI, the protocol of communications was designed and approved between both organizations covering contingencies of these characteristics, which are currently in effect.

6.2. Protocols of communication with Ministry of Energy in the event of emergencies

During the year and as part of the risk management process, a series of protocols of communication were developed between companies in the energy sector between companies in the energy sector and the Ministry of Energy in situations of cuts in energy supply.

6.3. Certification of capacity of autonomous starting of generator units

The CDEC prepares service recovery plans (PRS) annually which contain the procedures and coordination necessary among players on the SIC or SING in order to recover the service in cases of partial or total losses.

The SIC's PRS oblige electricity companies to certify annually by an external firm their capacity of autonomous start of the units so declared by the company. Endesa Chile has certified 30 of the 31 declared units.

Among the certified units is the gas turbine of the Tarapacá thermal plant. In this case, the certification is the result of a voluntary initiative of the company, as the CDEC- SING does not require its certification. The unit that was not certified was one of the Sauzal hydroelectric plant. The Ralco and Pangué plants were the first Chilean plants to have their autonomous-start equipment certified.

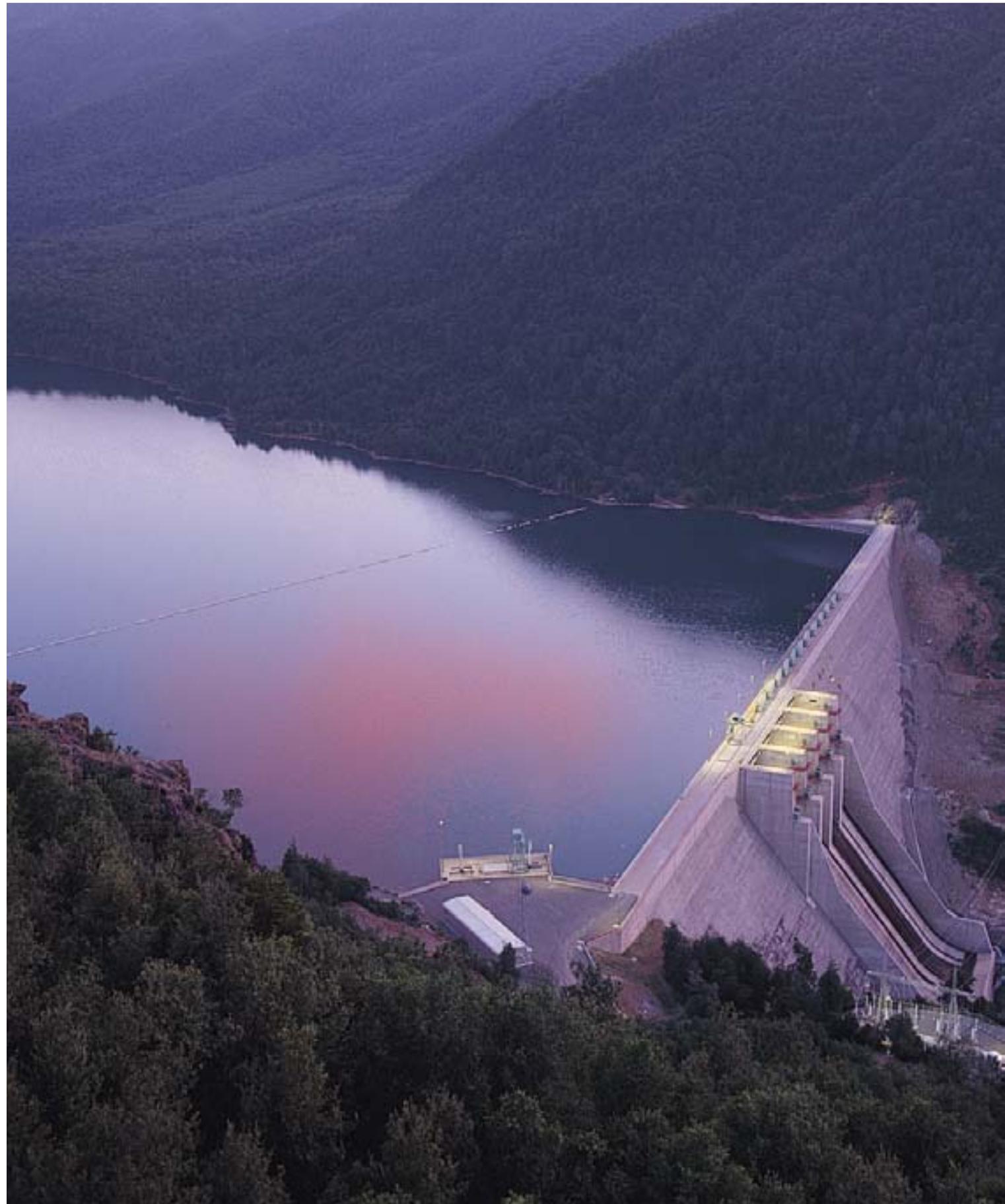
These plans are backed by units having autonomous-start capacity and are plants that start the energizing of the electricity grids.

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Management focus

Meeting future challenges requires creative solutions and a broad knowledge of the dominant technologies. In Endesa Chile therefore we recognize innovation as one of the fundamental pillars of our businesses and also as the way to adapt in a dynamic environment which is constantly changing.

We understand that innovation is directed to obtaining projects of value and to the formation of a culture of innovation among employees in order to become a differentiating and competitive factor, thus making the company a leader in this area and also a benchmark for the region's electricity industry. This is why one of our principal challenges in the next years is not only to increase the value that innovation contributes within the company, but also to generate methodologies and focuses for understanding the way in which innovation can be carried out in concrete activities.

Endesa Chile also understands that energy efficiency consists of transforming and using energy intelligently and in an optimum way over the whole value chain, while maintaining the quality and comfort deriving from the services supplied to the customer.

All the above is managed taking into account that some of our activities have effects on the environment. We therefore try to reduce them through innovative and energetically-efficient processes.

Principal matters

- Innovation culture.
- Idea capturing program.
- Technological vigilance program.

1. Innovation

1.1. Innovation culture

An innovative organizational culture is essential for Endesa Chile as it permits the teams to face challenges with innovation strategies while developing projects of value.

The focus in this area in 2012 was:



1.1.1. Leaders in innovation

This is a network of company employees whose principal function is to support the carrying out of the innovation plan, these being the local representatives. The innovation leader should be capable of projecting to others the interest of Endesa Chile in the different innovation activities and also coordinating initiatives carried out locally.

In 2012, Endesa Chile had a network of 12 leaders covering all the company's installations, from Santiago to the rest of the country.

Activities 2012	
	Support in the diffusion of idea-capturing programs.
	Support in the preparation of projects based on ideas from the idea-capturing system.
	Participation in training.

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1.1.2. Innovation Club

This is an entity created under the wing of the Universidad Adolfo Ibáñez whose mission is to use the collaboration, learning and collective reflection of all members in articulating corporate innovation. It comprises 47 companies of different businesses and it concentrates on three specific focuses:

Articulation of networking.
Generation of content.
Collective benefits.

The Club carried out 13 regular activities in 2012 plus others jointly with the Corporación de Fomento de la Producción (Corfo).

In the area of training, the Club offered various discounts for courses given by some centers of excellence. Endesa Chile took part in a presentation in the event Innpractice Guideline: “Our progress in entrepreneurship”.

1.1.3. Innovation Week

In the area of innovation, there are various levels where employees are encouraged to be free in expressing their ideas. This is shown by the large attendance and participation in the activities of the Innovation Week 2012 when Endesa Chile personnel, through talks, forums and activities could soak up knowledge and ways of generating and promoting good ideas.

The activities held included the following:

Principal activities of Innovation Week	
Talk “The obscure era of innovation”	The talk explained the need to innovate using the concept of “orchestration of value”.
Meeting “Energis and the future of energy development”	Gave personnel a vision of the energy business progress plan in the medium term.
Technological fair	The company's principal innovation projects were presented.
Talk “Serious game, creativity and innovation” and “Dynamics of serious game”	These were focused on leaders in innovation.
Recognitions	Dedicated to the best exponents of the audiovisual contest in which dozens of works were received from all the zones where the company operates.

1.2. Innovation committees

Innovation committees were created with different levels of responsibility:

- **Management Committee:** Meets twice a year and comprises the senior management at the regional level. Its objective is to design the strategic guidelines establishing the vision and mission of innovation within the company and the targets and objectives on which the organization will concentrate.
- **Executive Committee:** Meets at least once a month. The members of the committee are representatives of the various management areas and are responsible for carrying out the strategy defined by the Management Committee and the innovation programs.

1.3. Innovation focuses

For Endesa Chile, these define the area where innovation opportunities will be looked for, which normally arise from a mix of needs, capacities and tendencies. They act in accordance with company's strategy and permit aligning and focusing the company's efforts. Four innovation focuses are defined:

Focuses	Construct a sustainable integration with the communities (social, political and environmental).
	Collaborate proactively in solutions of energy challenges that the country faces for its sustainable growth.
	Increase the value of the company's assets, identifying initiatives that permit additional savings or greater efficiency than those originally considered for those assets.
	Attract, manage, build and retain talent and knowledge of high value to the company.

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1.4. Idea-capturing program

This project is based on the collective intelligence as an attribute capable of generating innovative ideas or proposals by the personnel of Endesa Chile. The EidosMarket software is available for this, a tool that motivates participation by using a dynamic similar to that of a securities market.

The ideas-capturing program reflects the motivations of people and draws together proposals for solving problems observed in the daily operations. The matters covered are diverse, focusing mainly on the solution of the company's contingent problems. This program generates potential R & D & i projects which have to be evaluated and perfected in order to transform them and achieve their concretion.

Principal benefits	Have a place for communication where workers can express their ideas.
	Maintain a sole receiving place for ideas which can be managed and consulted later.
	Make technological transfers between different parts of the organization of the generation line of business.

The following innovative projects within the ideas-capturing processes were presented by workers in 2012 and were approved and rewarded by the Executive Committee:

- Tools for optimizing resources in the daily programming of Endesa's units: this proposes working on the daily programming (unit commitment) determined by the CDEC, permitting the even-more efficient use of available hydroelectric resources.
- Ojos de Agua mini-hydroelectric plant pumping plant: a proposal to use the idle capacity recovering part of the flow lost by filtrations of the Invernada lagoon, taking them back to the plant's adduction.
- Minimize risks through the timely transfer of information: proposal of a form of systematization of the management of the information in each of the stages of a project, to be able to interact between each of them reliably.



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What is an innovation idea?

It is a proposal that, using existing knowledge, seeks the formulation of a project that contributes value to the business, whether through an increase in sales (commercial innovation) or reducing costs (operational innovation).



- Implementation of PMI certification program in the GRIPID: proposal for implementation of an internal process to support the management of projects and processes through the knowledge and analysis of a proven system. This is the PMI (Project Management Institute) certification.
- Risk management tool: development of software involving an innovative change in the risk management processes and in the development of computer tools within the GRIPID.
- Compacted gravel: the use in a project of Endesa Chile resulted in a foundations methodology unknown in Chile, but which is now known and used in projects in areas other than energy.
- Optic fiber inside adduction tunnel: proposal to plan optic fiber inside the adduction tunnel in hydroelectric plants, thus not only providing a communications back-up but also increasing the safety of the line.

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1.5. Materializing innovative ideas

1.5.1. San Isidro cooling lagoon

[ENG] [EUS] This project will be carried out through various experiments for verifying and improving the dissipatory capacity of the water bodies, using part of the cooling water of the San Isidro thermal plant in a test lagoon of 5,000 m² which it is planned to build at the plant. This intends to prove on site the effectiveness of this technology.

This research project is financed by the Corporación de Fomento de la Producción (CORFO) as part of its research and development promotion program. Endesa Chile is to make its installations available for the initiative, with the indirect connection to the refrigeration system of the San Isidro plant and the land for the installation of the lagoon, plus the experience of its professionals.

1.5.2. Intogener

The Intogener project is developed by the Spanish company Starlab, to develop an operating system for predicting melt water flows using satellite information, with the

idea of improving the forecasts used for the operation of the electricity system. Endesa Chile is participating as user of the system during the pre-operational phase.

1.6. Technological vigilance

This is an organized, selective and permanent project for capturing information from outside and from the organization itself on science, technology and other matters, in order to transform it into useful knowledge for taking decisions with less risk and being able to anticipate change.

Endesa Chile carried out a pilot scheme in 2012 in the engineering area whose positive results will contribute to designing a program for facilitating access for the different units of knowledge available in the world.

From 2012 therefore, the organization can have this service in which the tasks of web search and follow-up are done by an external firm, the company's technological vigilance unit acting as internal coordinator.

Endesa Chile signed an agreement with Crystal Lagoons to investigate on site the application of the concept and technology of cooling lagoons for thermal plants, as an alternative to conventional cooling systems. Crystal Lagoons is a Chilean company whose patented technology permits the handling of large volumes of water at low cost and little environmental impact.

“This program is tremendously useful for research activities. Its objective is mainly focused on learning and accessing effectively the information available on the internet and remaining connected with the sources of that information, objectives that I think was met. Before the start of the program, the only known search tool for everyone was Google and we found that this was very limited in specialized technology subjects.

The scope is very broad so I think it could be very useful in many areas of the energy business. I do think however that the web access should be increased for users to take advantage of its maximum potential”.

Carlos Otto Hassenberg
Engineer, participant in the technological vigilance program.



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Seven technological vigilance workshops were organized during 2012 by the research, development and innovation (R&D&i) management area, in which each company specialist area could identify sites making their research work more effective.

1.6.1. Technological transfer

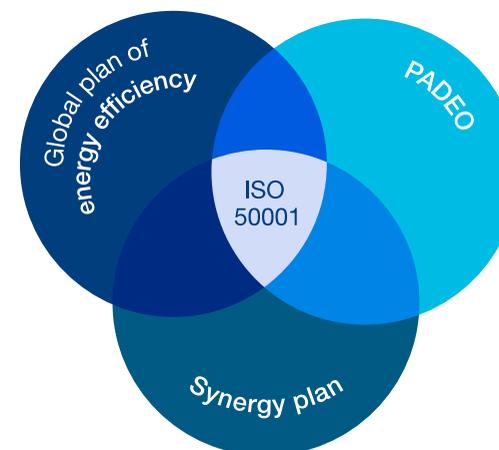
This initiative is developed with the support of an external firm which provides technical information according to the needs of the organization. This project is carried out through:

Alert bulletins	These reports are intended to maintain relevant information updated periodically, selected by the user area. They are small summaries that contain news related to certain subjects of interest (national and international). The follow-up subjects are defined by the user.
Technological vigilance studies	These reports are a compilation of knowledge available in the world at the time of the study with respect to a subject of interest to the user area for resolving problems relating to engineering, plant operations and others. They provide a complete scientific panorama. The search and contents are defined by the user.

2. Energy efficiency

Energy efficiency is paramount in the new energy model. Excellence in this area is an objective that accompanies the development of the business, where large benefits are also obtained, like the reliability in supply, competitiveness and reduced CO2 emissions.

Endesa Chile aspires to offer the most advanced energy services, being active in sensitizing the responsible use of energy and with respect for the environment.



2.1. Global plan for energy efficiency

Endesa Chile's global plan for energy efficiency is part of Endesa's Sustainability Plan 2008-2012.

2.1.1. Program of line optimization system follow-up and energy accounting of production (SOLCEP) for thermal plants

EN5 SOLCEP is an on-line control system of the performance of Endesa Chile's thermal plants, measured through their specific consumption. The monitoring of energy efficiency of the thermal units is made using this tool in the following installations: Tarapacá, Gas Atacama, San Isidro, San Isidro II and Bocamina.

The objective is to support then operational management of these installations. The program identifies where system losses are concentrated and makes a complete plant analysis through monthly follow-ups.

2.1.2. Energy efficiency projects at plants

This initiative will be carried out through a plant diagnosis to identify heat rate optimization opportunities. It seeks to identify those energy projects that permit reducing thermal losses and optimizing consumption of auxiliary services, thus increasing the operative efficiency of the thermal plants. This project will be applied to the San Isidro II and Tarapacá plants.

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2.2. Operative efficiency deviations management program (PADEO)

[EN5] This is a technological project applied to the principal thermal-generation plants to identify and correct deviations of the production processes through dynamic plans that are used in the plant and at the time that such deviations occur.

Objectives	Improve operating results, giving them traceability and sustainability over time.
	Optimize operative efficiency of the generating units
	Optimize the use and consumption of water and fuel resources.

Endesa Chile's Monitoring and Diagnosis Center (CMD) controls the PADEO monthly in the installation where it is being implemented. The scope and impact of these plans translates into immediate actions (corrective measures to be taken) in the event of deviations for operative efficiency.

The installations that have implemented the control and follow-up through PADEO are the San Isidro, San Isidro II, Bocamina, Tarapacá and Taltal thermal plants.

[EN5] 2.1.1. Daily operative efficiency control process

This initiative is part of the generation service improvement project to establish a daily operative efficiency control process for capturing opportunities for improvement of thermal plant operations

Highlights 2012	Objective plants established (in January 2012).
	Training of experts in the analysis of efficiency deviations (training in the SOLCEP system and VACE ⁽¹³⁾)
	Daily operative efficiency control process designed (June 2012).
	Process trial run begun (in August 2012).
	Final report issued (September 2012).
Report included in the electricity production monthly report (October 2012).	

The operative efficiency initiatives implemented in 2012 relate to improving the efficiency of the generating units in Chile and the increase in availability of the generating park.



(13) VACE (Actualized value of specific consumption): Methodology for measuring and quantifying deviations of thermal operative efficiency over a specific period of time.

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40.156 MWh
Is the contribution to the synergy plan for 2012.



2.3. Synergy program

[EN5] Synergy is a program formed by the PADEO and operative efficiency initiatives. Its principal purpose is to follow-up the improvements in those initiatives that directly affect the operative efficiency of the company's generating units.

2.3.1. Repowering of hydroelectric plants

This consists of the modernization of equipment through a change of hydraulic turbine runners, replacing them with others of a more modern design. This increases the efficiency of the equipment and generates more electricity from the same volume of water. This was carried out at the Antuco, Rapel and Isla hydroelectric plants (the latter has a change of runner).

2.4. Other energy efficiency initiatives **[EN6]**

Net energy	Start was made on analyzing the need of equipment for determining the net energy and own consumption of the hydroelectric plants in order to optimize their electricity consumption.
Economic load distribution	Implementation of the application of a system for determining the optimum distribution of load by the hydroelectric plants, to maximize their capacity according to the available flow following knowledge of the efficiency of the turbines.

2.5. ISO 50001 standard

This plan began during 2011 with a pilot project of implementation of the energy management system (SGE) of the Quintero thermal plant, concluding in May with its certification under the ISO 50001:2011 standard. This identifies the advantages and disadvantages of implementing an SGE, and analyzes the benefits, costs and investments involved.

Endesa Chile began the development in 2012 of an internal SGE implementation manual under the ISO 50001 standard, and the execution of an energy measurement project.

Obtaining this international certification implied compliance with the following:

- Carrying out an external energy audit.
- Carrying out an official certification audit.
- Official certification of the Quintero thermal plant.
- Preparation of internal manual for ISO 50001 implementation.
- Tendering and execution of an energy measurement project.

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Management focus

The environmental policy of Endesa Chile establishes seven principles one of which states that performance requires constant monitoring in order to identify, evaluate, manage and minimize possible negative impacts that the company might produce on the environment.

The commitment of our company is to ensure that all the plants comply fully with applicable environmental regulations, working also on having good relations with the communities that surround the installations, thus maintaining its commitment with local engagement, trust and legitimacy of the territories where Endesa Chile is present.

There is currently great social opposition to the construction of any project susceptible to generating any kind of negative impact, which has acted as a stimulant to the company for reinforcing the practice that Endesa Chile has already been following with respect to the development of all its projects, in that they should be carried out in consonance with protection for the environment and the validation of the communities through legal tools and community relationship plans, from the conception of the idea to the operation of the project.

The organization has focused on its operations, ensuring that all the plants comply, within the time periods determined by law, with the new thermal plant emissions standard. This means investment in technology of approximately 180 million dollars.

Principal aspects

- Start of the standardization of environmental management systems program.
- Reclassification of environmental liabilities.
- Management of environmental variables within Endesa Chile.

1. Environmental management

1.2 **4.11** **EN26** Endesa Chile in this area follows an integral management policy, identifying the environmental and social impacts associated with the different stages of the life cycle of the hydroelectric, thermal and wind plants. This is achieved by constant compliance with its commitment with the environment, which task is centered on the application of preventive measures and impact mitigation and the monitoring of the effects identified, in order to correct promptly any negative deviation with respect to forecasts or that authorized, thus adding value to its management through the development of key indicators for environmental management.

1.1. Environmental concerns

To identify, prevent and mitigate environmental impacts that an electricity generation project can cause, Endesa Chile makes environmental impact studies and declarations (EIA or DIA) as established in Chilean environmental legislation.

The company has developed two lines of action aligned with its environmental policy and in order to maintain a strict monitoring of environmental aspects of the generating plants in operation:

- The establishment of environmental procedures that ensure the optimum use of resources, the minimization and control of environmental impacts associated with its operations.
- A constant control of compliance with applicable environmental legislation in its installations through implementation of its environmental management systems and certification under the ISO 14001:2004 standard.



“It is basic that we have clear about what we interact with the communities and what kinds of impacts could affect them. It is therefore essential to have plenty of dialogue with the representatives of the communities, administrative representatives of the community, local public services and also at the regional and national level. We have to be proactive, and try to show an attitude of regulatory and environmental compliance that goes farther than that required by the law”.

César Ormazábal
Generation environmental manager, Endesa Chile.

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1.1.1. Potential environmental impacts

The following shows the potential environmental impacts of the company's different generation projects, according to their life cycle: construction and operation.

Construction of hydroelectric, thermal and wind-generator plants	
Impact	Environmental management initiatives
Physical means	
Increase in emissions of gases & particulate material	<ul style="list-style-type: none"> - Build wind breaks to avoid the dispersion of fugitive particulate material (vegetal screens, enclose with netting during the construction stage). - Transport excavation material using trucks covered with waterproof canvas tied to the coachwork in order to avoid the dispersion of the particulate material.
Increase in levels of sound or noise	<ul style="list-style-type: none"> - Avoid unnecessary movement of trucks & heavy machinery. - Install silencers in noisy equipment.
Alteration of the quality of water & aquatic contamination	<ul style="list-style-type: none"> - Define truck and machinery washing areas far from the water bodies, that should contain devices for handling solid and liquid waste in order to avoid contamination. - Waste that can contaminate waters, like oils and greases, should be stored in suitable containers and labeled, and then taken to a final treatment or disposal site.
Soil erosion	<ul style="list-style-type: none"> - Establish an erosion control program using mechanical and biological methods, and the installation of fences and screens.
Soil compactation	<ul style="list-style-type: none"> - Limit the transit of vehicles to those strictly necessary for locating and executing the works. - Minimize areas for the construction of temporary roadways.
Loss of soil	<ul style="list-style-type: none"> - Limit clearly the areas of works locations in order to restrict the impact on the soil.
Contamination of soil	<ul style="list-style-type: none"> - Define zones for washing & maintenance of equipment & machinery, and provide them with liquids capture systems. - Store hazardous substances in temporary stockpiling warehouses, with waterproof floors & areas, where possible spillages can be contained.
Biotic means	
Loss of flora	<ul style="list-style-type: none"> - Mark with ribbons & other easily-seen method the zones strictly necessary for carrying out the project's temporary & permanent works. - Clear the area strictly necessary for carrying out the temporary & permanent works.
Fragmentation of loss of land fauna habitat	<ul style="list-style-type: none"> - Establish places for the free movement of fauna species, especially those classified in conservation categories. - Restore at the end of the works the areas used for the temporary works (dumps, pits, campsites).
Loss of specimens of land fauna	<ul style="list-style-type: none"> - In the sectors to be intervened, carry out a controlled perturbation of habitat (movement of vegetation & stones), to drive away non-rescued fauna.
Disturbance of land fauna	<ul style="list-style-type: none"> - Set contractually a prohibition on the introduction of domestic animals in the zones of the works or installations, the hunting or capturing of specimens of wild fauna, raid nests, destroy burrows and take any action that unnecessarily disturbs the fauna. - Prohibit access of workers to zones apart from the works and access roads.
Landscape	
Incorporation of visual marks or discordant elements with the original landscape.	<ul style="list-style-type: none"> - Consider an architectural design harmonious with the surroundings. For this, give priority to: <ul style="list-style-type: none"> • The conservation of existing vegetation as visual screen. • The use of materials whose textures & colors can blend with the surroundings.

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Plant operations by type of technology		
Impact	Type of technology ¹⁴	Environmental management initiatives
Physical means		
Increase in the emission of gases & particulate material	CC.TT.	- Use burners generating low levels of nitrogen oxides. - Install particulate material reduction & gas capturing systems (e.g. electrostatic precipitators, sleeve filters, de-sulfurizers, de-nitrifiers) at the emission sources.
Soil contamination	CC.TT.	- Install tubs for containing spillages. - At fule discharge sites, waterproof the soil and have a liquids capture system.
Alteration of the water quality & aquatic contamination	CC.HH.	- At reservoirs, establish a program for controlling aquatic vegetation in case of detecting signs of eutrophication.
Alteration of hydrological regime	CC.HH.	- Minimize bursts-of-water type discharges.
Increase in level of sound or noise	CC.HH. CC.EE.	- Prefer the use of equipment & machinery that make the least noise.
Biotic means		
Alteration of the habitat by changes in water quality & modification of associated biota.	CC.HH.	- Maintain at all times an ecological flow that ensure the continuity of the river eco-system. - Implement a system permitting the free passage of ichtyic species through barriers or dams when the installation of the works is an impediment to the migration of these species, or repopulate fish upriver or downriver.
Alteration of the habitat by fluctuation in flows		
Loss & fragmentation of habitat by reduction of flow		
Modification of river eco-system		

1.1.2. Environmental management systems (SGA)

Endesa Chile began in early 2012 a program for knowing the standards of all the SGAs implemented in the different company installations in Chile and other South American countries, with a view to the standardization of the environmental management systems at the world level wanted by Enel.

The objective of this initiative is to know the state of the SGAs in the installations in South America compared to the minimum standards (basic or floor) defined by the company. Through this base line, it will be possible to establish work plans for each of the subsidiaries in South America, which will permit improvements in their systems.

Environmental management systems

The 28 installations in operation that Endesa Chile has in Chile successfully obtained their follow-up audits or re-certifications of their SGAs under the ISO 14001:2004 standard.

As of December 31, 2012 therefore, 94.1% of the installed capacity of Chile had SGAs certified under this standard. The exception is the recently-incorporated second unit of the Bocamina TP, as its entry into the generating park occurred only in October 2012 and therefore has not had its SGA certified.

Highlights 2012

Definition of the minimum standards base through the document "Standardization of environmental management systems in the electricity generating installations in South America".

Revision of ten environmental management systems covering 42 installations in Argentina, Brazil, Colombia, Chile and Peru.

Analysis of gaps in the environmental management systems in South America.

(14) Hereinafter, the following abbreviations are used:
TP: Thermal plants
HP: Hydroelectric plants
WF: Wind farms

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The environmental vigilance procedure for projects in progress have a check-list regarding environmental aspects that a project under construction must meet, to verify that it is complying with the environmental and social standards established by the company and the applicable regulatory standard.

1.1.3. Environmental inspections

Endesa Chile carried out environmental inspections in 2012 of 17 installations out of a total of 28, which represents 60% of these. They were made in 12 hydroelectric plants and 5 thermal electric plants. The purpose of the inspections was to check constant compliance with environmental legislation and the voluntary commitments in this area, to ensure the early detection of sub-standard environmental conditions and to promote the best environmental practices among the generating plants in Chile. The inspections in 2012 were also directed to revise the SGAs and check the management of environmental liabilities.

Type of emission	Atmospheric emissions			Measurement method
	Weight (t)			
	2010	2011	2012	
Nitrogen oxides (NO _x)	6,570.60	6,928.21	6,698.87	Instrumental.
Sulfur dioxide (SO ₂)	7,359.50	9,853.06	11,529.10	Stoichiometric methods (balance of mass), isokinetic or continuous monitoring
Particulate material (MP)	1,320.90	1,578.67	980.07	Isokinetic sampling
Carbon dioxide (CO ₂)	4,027,876.84	4,598,625.00	4,819,052.00	Stoichiometric methods (balance of mass)

The increase in CO₂ is due to the entry into operation of the second unit of Bocamina TP in October 2012. The fall in particulate material is attributed to mechanical improvements made to the reduction systems of the Tarapacá TP. The increase in SO₂ is due to the mix of coal used at the Tarapacá TP [TV]¹⁵, which contained more sulfur than in previous years.

1.1.4. Control of atmospheric emissions

1.1.4.1. Atmospheric emissions

[EN20] The thermal plants of Endesa Chile have been measuring their gases and particulate material emitted into the atmosphere since 2002. The methods used are contained in the respective regulation, which applies to all the installations of this type of technology in operation in Chile.

1.1.4.2. Project for ensuring compliance with the emissions standard

Endesa Chile, through the project for ensuring compliance with the emissions standard intends to meet the provisions of the Supreme Decree 13 for all its thermal plants. This establishes new emission standards for thermal plants which have to be met between 2013 and 2016.

The project includes the following measures:

- De-sulfurization systems for escape gases.
- New particulate material reduction systems.
- Installation of new continuous monitoring systems and online monitoring of emissions.

(15) [TV] Steam turbine.

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1.2. Environmental liabilities

Endesa Chile has defined among its obligations to resolve its environmental liabilities. This why they have been identified for each installation and are treated as part of their environmental management programs. This includes the classification of the liabilities to give priority to their resolution and define their elimination, final disposal or the reuse of the environmental liabilities.

During 2012, three environmental liabilities were resolved, all at the Rapel HP. These correspond to the elimination of disused remains of buildings, the removal of disused stony material and the dismantling of old installations containing asbestos.

Endesa Chile published its Regional Environmental Report 2011, which consolidates the environmental performance during the year of its present installations in Chile and other countries of South America. This report was published in the Intranet of Endesa Chile and can also be found through [Endesa Chile website](#).

Training has been given constantly in person on environmental matters throughout the year at the installations of Endesa Chile, through 39 courses totaling 830 hours, with a total of 239 participants. Company personnel also participated in courses given by external institutions on various environmental subjects, like ecological flow, and atmospheric and water contamination. 41 people participated in 20 courses during the year, totaling 1,133 hours of training.

1.3. Creating an environmental consciousness

The company continues to promote sensitization and consciousness for the environmental protection of the surroundings, through internal and external formation, and collaboration with the authorities, institutions and citizens' associations.

South American environmental committee

The objective of the South American environmental committee is to develop activities oriented to achieve the standardization of the company's environmental policies and strategies in the region. This committee, formed in September 2011, comprises the senior management of the companies in the region.

Highlights 2012

- Preparation of the projects sustainable management manual during the early phase.
- Comparative analysis of the environmental regulations applied to the electricity sector in the countries where Endesa (Spain) has installations in South America.

What are environmental liabilities?

These have been defined by Endesa Chile as equipment, components, materials, buildings or temporary works associated with electricity generation projects that are in disuse and for which there is no reutilization or recycling plan.

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2. Management of environmental variables

2.1. Water consumption

ENS Water is a renewable resource with a high energy generation potential, whose exploitation requires low operating and maintenance costs.

Most of the water used by the hydroelectric plants is water that is turbined, which is that which passes through the turbines to generate electricity and is then returned to the water body, without any loss in volume and without modifying its physical-chemical characteristics. This resource comes from surface sources like reservoirs and rivers.

In the case of thermal plants, the water is captured from rivers, wells or the sea, according to the corresponding marine concessions or water rights. In this case, the water is mainly used for refrigeration systems. The water used for cooling is almost all returned to the sea or rivers (except for a small percentage emitted into the atmosphere, completely clean and as steam). In order to be discharged into the sea or rivers, there is a control of its physical-chemical parameters established in the regulations applied by Decree 90/00. The main control is focused on the temperature of the discharge not being higher than that of its catchment. In any event, the regulation states that the temperature of the discharge flow may never be more than 30 °C.

Water consumption in millions of m ³				
Plants	Processes	2010	2011	2012
Thermal	Process	6.89	7.14	6.15
	Refrigeration	413.72	525.65	445.08
	Consumption	N.D.	0.02	0.03
Hydroelectric	Turbined	N.D.	33,828.66	29,464.20
	Refrigeration	76.57	58.34	70.36
	Consumption	0.02	0.02	0.01

(*) N.A.: Not available

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In thermal plants, the reduction in the use of water for the process and for refrigeration was due to the reduced electricity generation of the Atacama and Tarapacá plants. In the case of the hydroelectric plants, the smaller volume of water turbinated is related to the reduced generation by this means in 2012 (due to drought), and the difference in the refrigeration water is due to a more exhaustive

record being made of this indicator in 2012 in comparison with previous years

[EN9] The catchment of water for the operation of the 28 electricity generation plants (10 thermal, 16 hydroelectric and 2 wind) did not significantly affect the water sources during the period reported.

	Water catchment	Return of water
Hydroelectric plants	Of the non-consumptive type according to the water rights	The water used is returned in the same volume and quality to the water body from which it was taken, without loss or retention, and without modifying its physical-chemical properties.
Thermal plants	The water is taken from rivers, the sea, estuaries and wells, according to the corresponding marine concessions or water rights	The water is returned to environment, complying with discharge emissions regulations except in the case of San Isidro and San Isidro 2 TPs where in recent years there has been an increase in the concentration of sulfates in the waters captured and returned. The phenomenon is being monitored and studied, and so far it is presumed that the deviation is due to the hydric stress affecting the area where these plants are located. This would have caused the greater concentration of sulfates which are now noted in the catchment wells from which the plants take the water for their operation. The Superintendency of Sanitation Services is aware of this situation and the necessary control measures are being studied to resolve permanently the high concentration of sulfates.

The volume of water used for the process and refrigeration systems of thermal plants in 2012 is as follows:

Use of water in the process		
Processes	Water source	Volume (millions m3)
Thermal plant processes	Wells	5.88
	Sea (desalinated)	0.27
	Total	6.15
Thermal plant refrigeration systems	Open cycle with sea water	439.87
	Open cycle with surface water	0
	Closed	5.21
		445.08

2.2. Water discharges

[EN21] Under its internal regulations, water discharges are classified as:

- Industrial discharges: those coming from the thermal generation process, plus the refrigeration waters of the hydroelectric and thermal plants.
- Sanitation discharges: those coming from sanitation services.

Of these waste-water discharges, 99.6% corresponds to water used for refrigeration. This relates to a non-consumptive use of water as it is returned to the original water body according to the conditions established in the discharge emission regulation.

The following is a detail of the water discharges of Endesa Chile:

Total volume of discharges	Millions of m3/year			Método de tratamiento
	2010	2011	2012	
Industrial	492.52	586.56	517.42	The industrial discharges of the thermal plants are monitored in accordance with the parameters, frequencies & other requirements established in Chilean environmental legislation (Decree 90/00).
Sanitation	0.02	0.04	0.04	The sanitation waters are discharged into sewage treatment plants or septic pits. When applicable, monitoring is carried out in accordance with environmental legislation.
Total	492.54	586.60	517.46	

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2.3. Advanced water management

A line of work carried out in 2012 by Endesa Chile was the advanced management of water, to make an efficient use of this resource and to promote continuous improvement in the environmental management developed by the company. The following actions can be mentioned:

- Preparation of the compliance analysis report for 2011 of the regulations associated with water quality of two reservoirs operated by the company in Chile: Ralco and Rapel.
- Making of a hydric balance sheet for 2011 in three Endesa Chile generation installations: Bocamina TP, Canela WF and Rapel HP.

3. Fuel consumption

EN3 **EN1** Fuel consumption for the operation of Endesa Chile's thermal plants in 2012 was as follows:

Type of fuel	Fuel consumption		
	GJ		
	2010	2011	2012
Coal	12,380,001	18,665,478	21,405,046
Natural gas	46,500,610	51,485,215	54,055,454
Fuel oil	4,005	30,967	147,092
Oil	8,231,990	2,682,378	1,534,412
Total	67,116,606	72,864,038	77,142,004

The increase in fuel consumption in 2012, specifically of coal and fuel oil, was due to the start-up of the second unit of the Bocamina TP in October, and the greater number of hours of operation of the thermal plants due to drought.

3.1. Electricity consumption

EN4 The energy consumed at each generating plant relates to its own production. When the plants are detained, auxiliary services should continue functioning and the energy required is acquired from the electricity grids of the regions where Endesa Chile operates. In the event of general cuts, the egenerating plants are supplied by their own electrogenous groups.

Electricity consumption	Electricity consumption	
	GWh	
	2011	2012
Hydroelectric plants	73.60	49.41
Thermal plants	272.70	307.90
Centrales eólicas	N/A	5.90
Total	346.30	363.21

(*) N/A: Not available

The reduced electricity consumption of the hydroelectric plants was due to their reduced generation compared to the year before. In the case of the thermal plants, consumption was higher as the generation by this type increased.

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3.2. Energy efficiency in thermal plants

[EUI1] The efficiency of an installation measures the relationship between the net energy produced in the form of electricity and the energy contributed in the form of fuel. The

calculation of energy efficiency is made per the following equation:

$$\text{Energy efficiency} = \frac{\text{Net energy generated (GWh)}}{\text{Net energy consumed (GWh)}}^{16}$$

The net efficiency of a thermal plant mainly depends on the type of technology, the method of dispatch and the type of fuel.

Energy efficiency of the thermal plants			
Thermal plant	Energy efficiency (%)		
	2010	2011	2012
Atacama	48	47	46
Bocamina	38	38	35
Diego de Almagro	18	22	15
Huasco TG	20	22	16
Quintero	30	31	31
San Isidro	51	50	51
San Isidro 2	54	54	54
Taltal	29	27	26
Tarapacá TG	18	18	19
Tarapacá vapor	37	37	36

It should be noted that the thermal plants in ideal generation conditions, i.e. in full load, with design environmental conditions, utilization of primary fuel, have efficiencies of around:

- 55%, combined cycle (like the San Isidro, San Isidro 2 and Atacama plants).
- 35% to 40%, conventional thermal (like the Bocamina and Tarapacá steam plants).
- 25% simple cycle with capacity of around 30 MW (like the Diego de Almagro, Huasco GT and Tarapacá GT plants).
- 30% simple cycle with capacity of around 120 MW (like the Quintero and Taltal plants).

The efficiency percentages reported are the result of the annual production. This includes all the production periods, including start-ups of generating units in which there is consumption of fuel but no electricity generation, and also generation at levels of low charge where efficiency is very low.

4. Waste management

[EN22] Waste management at the installations of Endesa Chile is carried out in accordance with that established in the environmental management systems and Chilean environmental legislation. This consists of the temporary storage in salvage yards in the case of non-hazardous waste and in temporary stockpiling warehouses (BAT) for hazardous waste, until its removal and final disposal by specialized companies authorized by the respective regional health authority.

Elimination of PCB **[EN24]**

In 2012 Endesa Chile did not eliminate hazardous waste by carrying it across international borders. This is the result of the polychloride biphenyls (PCB) elimination strategic plan applicable to all the installations, which the company began to implement in 2005. As a result, Endesa Chile in 2011 eliminated all the oils and equipment with PCB from the generating plants.

(16) Net energy consumed: relates to all the energy contributed by the different fuels in use, as a function of the inferior calorific power. This equation permits the calculation of the percentage of energy recovered which corresponds to the net efficiency of the TP.

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Waste treatment					Método de tratamiento
Waste generated	Type of plant	Peso (t)			
		2010	2011	2012	
Hazardous waste	Thermal	317.50	121,80	251,85	Final disposal in authorized dumps in accordance with Chilean legislation.
	Hydroelectric	103.80	91,00	137,44	
	Wind-generated	1.90	2,80	4,02	
	Total	423.20	215,60	393,31	
Non-hazardous waste	Thermal	424.40	320,60	202,64	Disposal in authorized dumps in accordance with Chilean legislation.
	Hydroelectric	740.20	1.048,70	338,86	
	Wind-generated	0.80	0,20	0,00	
	Total	1,165.40	1,369,50	541,50	
Inert waste*	Thermal	49,808.00	83.252,50	92.443,78	Disposal in authorized dumps in accordance with Chilean legislation.
	Total	49,808.00	83.252,50	92.443,78	
Waste valued by external installations (recycled)	Thermal	-	-	0,86	
	Hydroelectric	-	-	4,00	
	Total	-	-	4,86	

(*) Inert waste relates to residual slag and ash generated during combustion in the coal-fired thermal plants Bocamina and Tarapacá steam.

The increase in hazardous waste in the plants in 2012 was due to the removal of asbestos from the Los Molles, Sauzal and hydroelectric plants and the Bocamina and Huasco thermal plants.

In the case of non-hazardous waste, the principal difference with respect to 2011 was in the hydroelectric plants. Less cleaning of the sluices was necessary in 2012 so the amount of materials extracted from the intake grids was less than the year before. With respect to the inert waste, the

increase in 2012 was because the coal used had a higher percentage of ash than in the previous year. There was also a greater efficiency in particulate material reduction systems which caused a greater generation of this kind of waste.

Asbestos inventory

Endesa Chile made an inventory of asbestos in 2012 at the company's installations. This inventory serves to identify the materials and equipment having asbestos which are found in the generation plants. 59 tons of asbestos were removed in 2012, resulting from the demolition and dismantling of some installations. The generating plants involved were the Los Molles, Sauzal and Rapel hydroelectric plants and the Bocamina and Huasco thermal plants.

4.1. Consumibles

EN1 The electricity generation process requires the consumption of inputs and substances, mainly related to the thermal plants, as follows:

Inputs	Consumibles	
	Weight (t)	
	2011	2012
Caustic soda	108.37	90.93
Sulfuric acid & hydrochloric acid	966.12	899.41
Sodium hypochlorite	198.33	206.30
Ferrous sulfate	47.90	56.30
Lubricant oil	29.55	28.10
Dielectric oil	30.98	18.93

The increased consumption of sodium hypochlorite is associated with an improvement to the input data registration system at the Tarapacá TP. The reduction in caustic soda mainly arose from the reduced generation at the Atacama TP. On the other hand, the increased consumption of ferrous sulfate was due to the increased generation of Bocamina TP. The reduction in dielectric oil was because the hydroelectric plants and wind farms only carried out refills of this input in 2012, which is normal in minor preventive maintenance.

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4.2. Environmental incidents ^[EN23]

Incidentes ambientales				
Spillage	Volume (m3)	Material spilled	Description of incident	Control measures implemented
C.H. Pangué	0.80	Oil	There was a spillage of oil on April 17, 2012 at the sluice of spillway 4 as a result of which the exit hose of the pump was disconnected. the spilt oil entered an 8-inch drain which discharged into the river Biobío, its recovery being impossible.	- Confinement of the oil of the hydraulic unit. - Closing of the lateral outlets to avoid the leakage of oil.
C.H. Pehuenche	0.45	Oil	An oil filtration was detected on January 31 in the Unit 1 hydraulic circuit.	- Installation of a tray in area of filtration to contain the spillage.
C.H. Pehuenche	2.20	Oil	There was a leakage of oil on August 21 due to a fracture of pipes at the oil regulation plant of the valve of Unit 2. 2.2 m3 was spilt of which 1.1 m3 was recovered, while the rest drained into the river through the valves-cavern water evacuation channels which are connected to the installation's evacuation channel.	- Removal of the service equipment. - Closure of insulation valve. - Removal of the oil from the drain with the filtering machine.

5. Environmental expenses and investments

^[EN30] Environmental expenses and investments were made particularly in environmental protection activities carried out by third parties (outsourced services, environmental control, etc.).

Environmental expenses 2012 (ThCh\$)	
Subsidiary	
Endesa Chile	1,733,683
Pehuenche S.A.	7,651
Pangué S.A.	248,240
Canela S.A.	15,676
Endesa Eco	4,000
Compañía Eléctrica Tarapacá S.A.	105,279
San Isidro S.A.	183,814
GasAtacama	43,078
Total	2,341,422

At the hydroelectric and wind plants, environmental expenses are mainly related to hygiene, support for the management, analysis and monitoring of water quality and waste handling. There were also expenses related to environmental management and monitoring programs at the Ralco HP.

The principal expenses of the thermal plants are related to the monitoring of environmental variables, support for management systems, waste handling and independent environmental audits.

The environmental investments made during 2012 relate mainly to projects for the management of atmospheric emissions, as the following table shows:

Environmental investments 2012 (ThCh\$)	
Filiales	
Endesa Chile	4,612,365
Pehuenche S.A.	3,891
Compañía Eléctrica Tarapacá S.A.	4,295,932
San Isidro S.A.	33,468
GasAtacama	78,194
Total	9,023,849

- Implementation of a desulfurizer and contunal emission monitoring system (CEMS) at the Bocamina TP and a nitrogen dioxide (NOx) reduction system in its second unit.
- Improvement of the temporary storage warehouse of the Sauzal and Rapel HPs.
- Stabilization of slopes in the channel of Abanico HP.
- Improvement of the temporary storage warehouse of the Pehuenche HP.
- Implementation of particulate material reduction system of the sleeve-filter type at the Tarapacá TP.
- Activities for compliance with the emissions standard for the units of San Isidro TP.
- Activities for reducing atmospheric emissions standard at the Atacama TP.

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6. Environmental risk management

6.1. Self-evaluation of environmental risks

As part of the management of significant environmental aspects, a self-evaluation is made of environmental risks at the installations of Endesa Chile in order to have by the end of 2014 an evaluation of all the installations in this matter and to develop action plans for eliminating or mitigating the risks identified.

Functioning scheme



Highlights 2012

Training was given in May 2012 in Santiago to reinforce the knowledge and application of the risk self-evaluation methodology, in which all those responsible for its application in Endesa Chile's South American subsidiaries took part.

27 plants of Endesa Chile completed their self-evaluations. Of these, nine were new evaluations and 18 were updates of those made in 2010 and 2011.

Updated draft action plans were prepared for all the categories evaluated.

A control tool was prepared and a graphic analysis of the results of the self-evaluations, with data updated to 2012.

Training in environmental risk self-evaluation and reporting.

With the participation of 17 company representatives, the training courses "Self-evaluation of environmental risks" and "Environmental reporting" were given between May 8 and 10. This was given by personnel from the Latam environment and sustainable development management of Endesa Chile.

The conceptual bases of the environmental risks self-evaluation project were explained and concrete examples were developed about how to make the evaluation, applying uniform criteria for the group of professionals responsible for the self-evaluation in the generation installations.

General aspects and practical information were also dealt with for correctly completing the environmental reporting and an analysis was made of the environmental data of the generating plants over the last three years.

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6.2. Management of biodiversity

Endesa Chile is committed with the conservation of the environment through recovery projects of industrial areas and in particular with protection of the biodiversity in the areas where it has operations.

The company has a biodiversity conservation program to give coherence and compliance to the commitment assumed with protection of the environment, set out in its environmental policy. The following are the specific objectives of the program:

1. To know the ecological characteristics of the natural areas owned by the company in South America and in its area of influence, the vegetation and native fauna, plus the ecosystems represented in these areas.
2. To establish the ecological value and state of conservation of the company's natural lands and its area of influence, and their associated biodiversity, as sites with important

biodiversity nationally or regionally, and take concrete actions for their future conservation.

3. To determine the suitable sustainable uses (environmental, social and economic) within the company's sustainability policy, that might be given to the areas with a clear conservation and biodiversity development vocation while at the same time these being compatible with the company's interests and wishes.
4. To collaborate in emblematic projects centered on the conservation of biodiversity, which contribute value to the company.
5. To promote the investigation of animal and vegetal species with conservation problems and of the ecosystems that are their habitat within the company's natural lands.
6. To define, develop and promote the necessary actions in this area in order for the company to be able to give them value.

To comply with the objectives of the program, the biodiversity committee was formed in 2009, covering all Endesa Chile's installations in South America.



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6.2.1. Interaction with biodiversity EN11

Interaction with biodiversity				
Adjacent operative installations that contain or are located in or close to protected areas.	Geographic location	Type of operation	Location of the installation with respect to the protected area	Area protected
Laja hydroelectric plants (Abanico & El Toro)	Region of Biobío, towns of Antuco & Pinto.	Endesa Chile has operative plants on land adjacent to the Laguna del Laja National Park.	Adjacent	Laguna del Laja National Park (area: 11,600 ha.).
Laja hydroelectric plants (Abanico, Antuco & El Toro)	Region of Biobío. Comprises the Ñuble National Reserve, the Laguna del Laja National Park & Los Huemules de Niblinto Nature Sanctuary.	Endesa Chile has productive installations & offices in this corridor.	Interior	Biosphere reserve "Biological Corridor Nevados de Chillán - Laguna del Laja", declared by Unesco in 2011 (area: 565,000 ha.).
Abanico HP	Region of Biobío, towns of Pinto & Antuco.	Endesa Chile, on its property Alto Polcura, has intake works & buildings in disuse. These are related to the Abanico HP, which started operations in 1948.	Interior	Ñuble National Reserve (area: 55,948 ha., created November 1978).
Pangue HP	Region of Biobío, town of Quilaco.	The national reserve adjoins the south bank of the Pangue reservoir.	Adjacent	Altos del Pemehue National Reserve (area: 18,855 ha.).

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6.2.2. Habitats protected or restored EN13 EN12

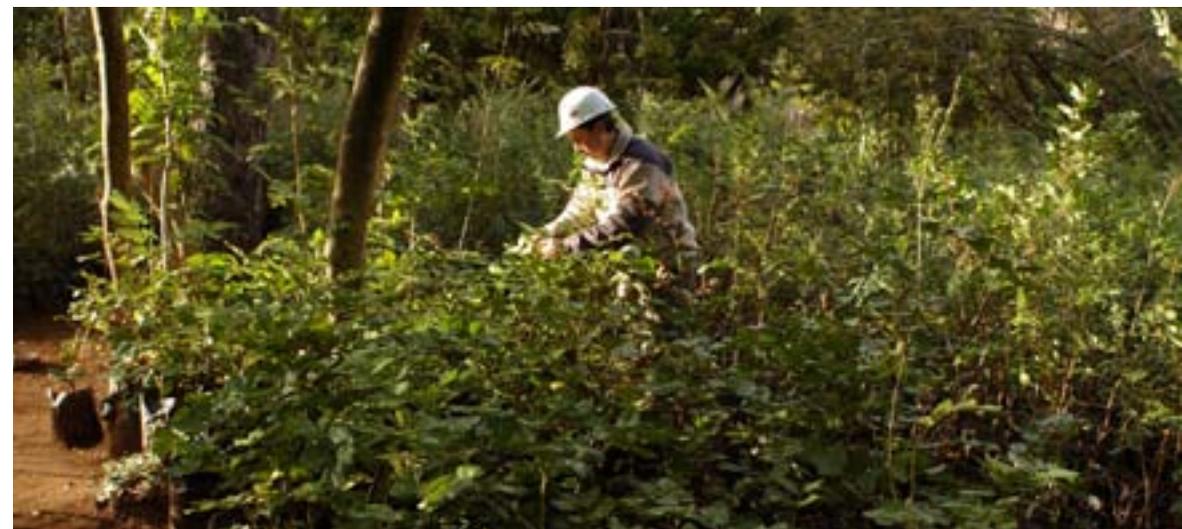
Habitats protected or restored	
Area restored	Re-vegetation of areas occupied in the construction of the Ojos de Agua mini-hydroelectric plant.
Size of the area	The re-vegetation covers an area of 2,600 m ² .
Location of the area	Region of Maule, province of Talca, town of San Clemente.
External collaboration	Restoration works were carried out by a specialist external company.
Actions of protection or restoration	<p>This re-vegetation originated as a commitment under the environmental license approved for the Ojos de Agua project. The license required the re-vegetation of an area equivalent to the forest occupied by the company, as a measure of restoration for the vegetation and soil, as a result of the impacts of the construction of the plant's works.</p> <p>The restoration work lasted two years and was carried out by a specialist external firm. Endesa Chile controlled the execution of the work and the maintenance of these sites until its completion.</p> <p>In November 2012, various authorities like the regional ministerial secretary of the environment, the National Forestry Corporation and the Agriculture and Livestock Service, visited the plant to verify on site the compliance with the re-vegetation project. As a result, the authority gave its conformity with the commitment established in the environmental license.</p>

[EU13] During 2012, Endesa Chile's projects did not require any kind of territorial compensation in the natural ecosystems where it is planning to construct a generating plant.

[EU13] In 1997, the environmental license for the Ralco hydroelectric plant, issued by the national environmental authority (CONAMA), required Endesa Chile to "compensate for the loss of vegetal formation, alteration of the habitats for land fauna and the environmental value of the territory, to be carried out through the establishment of an ecological or biological reserve protection zone". This compensation was mainly because the project flooded some 3,400 hectares to create the reservoir and also altered other smaller areas for the construction of roads and other works of permanent and temporary use.

To meet the requirements of CONAMA, Endesa Chile carried out studies of the characterization of the vegetation and flora in the areas with potential for being chosen for establishing the biological reserve. These studies concluded that the Porvenir farm was the most suitable one for compensating the impacts of the Ralco plant. Endesa Chile therefore acquired and donated it to the state for the creation of the Altos de Pemehue National Reserve, of 18,856 hectares.

The area covered by this reserve offers a diversity of environments with important and varied resources which can be linked positively with the development of the nearby Pehuenche communities through the sustainable management of its resources and protection of the natural resources.



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6.2.3. Species threatened and in danger of extinction

EN15 In order to protect the various species of Chilean flora and fauna found in the areas where the installations of Endesa Chile are located, people's access is controlled in order to prevent hunting and the cutting of vegetation, and generally care for the natural habitat.

The following are the species protected and in danger of extinction that are found in places where the company operates:

Protection of threatened species and those in danger of extinction				
	Habitat	Installation	Species affected	Risk of extinction
Mammals	Temperate Andean deciduous forest (<i>Nothofagus pumilio</i> & <i>Azara alpina</i>).	El Toro HP.	Huemul (<i>Hippocamelus bisulcus</i>).	In danger of extinction.
Birds	Mediterranean Andean deciduous forest (<i>Nothofagus glauca</i> & <i>Nothofagus obliqua</i>).	Pehuenche HP.	Loro trichahue (<i>Cyanoliseus patagonus</i>).	Vulnerable.
	Open thicket.	Ojos de Agua HP.		
Fish	River Biobío	Pangue & Ralco HPs	Tollo de agua dulce (<i>Diplomystes nahuelbutaensis</i>).	In danger of extinction.
	River Biobío	Pangue & Ralco HPs.	Carmelita de Concepción (<i>Percilia irwini</i>).	In danger of extinction.
	River Biobío	Pangue HP.	Bagrecito (<i>Trichomycterus chiltoni</i>).	In danger of extinction.
	River Cipreses.	Ojos de Agua HP.	Bagre chico (<i>Trichomycterus areolatus</i>).	Vulnerable.
Flora	Mediterranean coastal desert thicket (<i>Gypothamnium pinifolium</i> & <i>Heliotropium pycnophyllum</i>).	Taltal TP.	Cactus (<i>Eulychnia iquiquensis</i>).	Vulnerable.
	Mediterranean coastal desert thicket (<i>Gypothamnium pinifolium</i> & <i>Heliotropium pycnophyllum</i>).	Taltal TP.	Capachito (<i>Calceolaria paposana</i>).	Vulnerable.
	Mediterranean coastal desert thicket (<i>Bahia ambrosioides</i> & <i>Puya chilensis</i>).	Canela WF.	Palo gordo (<i>Carica chilensis</i>).	Vulnerable.
	Mediterranean coastal desert thicket (<i>Bahia ambrosioides</i> & <i>Puya chilensis</i>).	Canela WF.	Violeta (<i>Calydorea xiphioides</i>).	Vulnerable & rare.
	Mediterranean coastal desert thicket (<i>Bahia ambrosioides</i> & <i>Puya chilensis</i>).	Canela WF.	Chagualillo (<i>Puya venusta</i>).	Vulnerable.
	High desert thicket (<i>Baccharis macraei</i> & <i>Oxalis virgosa</i>).	Canela WF.	Soldadito amarillo (<i>Tropaeolum hookerianum</i>).	Vulnerable.

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6.2.4. Program of conservation of biodiversity [EN14]

6.2.4.1. Actions taken in 2012

Access of people to the areas of the company's installations was controlled to prevent clandestine hunting and protect the species of flora and fauna there.

In July 2012 a meeting was arranged of the permanent biodiversity commission with the presence of representatives of Endesa Chile.

6.2.4.2. Advances 2012

The course "Interaction between hydroelectricity production and biodiversity" was begun in 2011 based on a situation in Spain

Course: Interaction between hydroelectricity production and biodiversity

The objective of the course is to consolidate an internal culture of conservation of biodiversity in the company and in the surroundings of its installations, through the adoption of measures for protecting the flora and fauna and their habitats

The course provides an introduction to the concept of biodiversity, the principal threats to biodiversity, the conservation of habitats and management of territory, and the principle of precaution.

and the company's hydroelectric plants there. In 2012, Endesa Chile adapted this course to the Latin American situation. Endesa Chile is planning an e-learning course for 2013.

Endesa Chile collaborates with the monitoring Tricahue parrot (*Cyanoliseus patagonus*) that the National Forestry Corporation (CONAF) is carrying out at the Maule HP and its surroundings. The objective of the monitoring made by the authority is to establish the existing population of Tricahues and compare the data obtained with those of previous seasons.

The company is also monitoring the aquatic biota and water quality of the Ralco HP, as established in the environmental license.



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7. Fundación San Ignacio del Huinay EN13

In 1998, Endesa Chile and the Pontificia Universidad Católica de Valparaíso (PUCV) created Fundación San Ignacio de Huinay in a zone covering 34 thousand hectares in the district of Hualaihué, Region of Los Lagos. This non-profit organization has the mission of defending and preserving the bio-geographic wealth of the Huinay locality and the region of the southern fjords.

Activities 2012	Development of a data base and geo-referencing of marine species in the Chilean Patagonia, in order to model their distribution & understand the zoo-geography of that territory to develop a network of protected marines areas.
	Four scientific expeditions for collecting marine species in the Patagonian fjords.
	Active participation in planning of the coastal boundary of Hualaihué.
Programs (*)	Biodiversity conservation program of the Patagonian fjords for the tipification of a model fjord.
	Ecological reforestation program of forests of larch and cypress of Las Guaitecas in Huinay.

(*) These programs will last for three years

Among the most significant impacts, 64 scientists from different universities and study centers were granted access to Huinay to carry out their research.

Highlights 2012

Publication of 11 new articles in global scientific magazines.

Collection of 500 marine specimens in 25 underwater immersions during the four scientific expeditions to the Patagonian fjords, in order to be investigated for their taxonomic identification.

26 new scientific projects carried out during the visit of 64 investigators from around the world to the Huinay Scientific Center.

As part of the ecological reforestation program, a route of pathways and hanging bridge was consolidated to Cerro La Cruz, thus permitting access to ancient larch forests, making possible the dating of larch some 1,700 years old.

Consolidation of a nursery with more than 28,000 seedlings of 37 native species of high ecological value, like larch, canelo (Winter's bark), ulmo and cypress of Las Guaitecas, planned to be planted in the program or ecological restoration of the Huinay forests.

Social support for the Huinay community through the provision of electricity, internet for the school, transport for the residents and medical visits.

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Highlights 2012

Approval by the National Fund for Scientific and Technological Development and Technological Innovation (Fondecyt) of the project "Zoo-geography of the Chilean fjords region based on a selection of taxa with a broad range of ecological, reproductive and dispersion characteristics". The project received over 100 million pesos from Fondecyt to extend knowledge of the species and ecosystems making up the rich marine biodiversity of the Chilean Patagonian fjords in order to have a basis for understanding their evolution and favoring their conservation

Preparations were made for requesting the state to declare the Comau fjord as a protected marine area.

8. Climate change and non-conventional renewable energies (NCRE)

EC2 Endesa Chile considers the effects of climate change as a priority matter of global importance and therefore cannot be excluded from its decision-taking processes. The company therefore regularly analyzes the risks associated with this phenomenon and its impact on the production, operation and selling of energy in the region, elements that are included in the company's projections. In order to compensate the possible damage that natural disasters might cause to the company's installations, such as floods, river overflows, storms, earthquakes, etc.,

Endesa Chile has an insurance program ranging from 30 to 500 million dollars, depending on the subsidiary.

Law 20.257 has been promulgated in Chile on the promotion of electricity generation from NCRE sources, which includes hydroelectricity with a maximum capacity of less than 20 MW. In 2010, the law required electricity companies connected to the grids to sell the equivalent of 5% of their sales between 2010 and 2014 from NCRE, followed by annual increases of 0.5% from 2015 to reach 10% by 2024.

The law, which came into effect on January 1, 2010, has a term of 25 years and applies to new contracts, modifications or renewals of energy contracts signed after August 31, 2007.



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Endesa Chile made a study in 2012 jointly with the Universidad de Chile with respect to the impact of climate change on Chile's river basins. The results showed a reduction of flows in the country's center-south zone while showing a moderate increase in rainfalls in the south of the country.

The diversification of basins and sources in the energy matrix are measures that will tend to reduce the negative effects of climate change, thus reducing the risk for Endesa Chile.

The company is currently facing this phenomenon with new hydroelectric projects in the most southerly areas.

8.1. Installations of Endesa Chile that generate with NCRE ^[EN6]

Installations of Endesa Chile that generate with NCRE		
Plant	Centrales eólicas Canela y Canela II	Minicentral Hidroeléctrica Ojos de Agua
Description	<p>Canela wind farm Operating since December 2007 with a capacity of 18.15 MW & has 11 wind generators. The first of its type to be connected to the Central Electricity Grid (SIC).</p> <p>Canela II Wind farm Located to the south of the Canela wind farm and in operation since December 2009. It has 40 wind generators with a capacity of 60 MW.</p>	<p>Uses the energy potential of the flows of two water sources coming from filtrations from the La Invernada lagoon. The flows are estimated at approximately 11.6 m³/s, and the fall between these sources and the adduction channel of the Isla hydroelectric plant is 65 meters.</p>
Location	Region of Coquimbo.	Valley of the river Cipreses, downstream from La Invernada lagoon in the Region of Maule.
Installed capacity	Total installed capacity of 78.15 MW.	The mini-plant has a capacity of approximately 9 MW.
Highlights 2012	The installation is a pioneer in Chile and positions Endesa Chile as one of the principal players in the development of this technology in the country and in South America.	N/I

(*) N/I: No information

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8.2. Projects in the carbon market

There are two types of carbon market: regulated and voluntary. The regulated market is that in which companies and governments have by law to account for their emissions of greenhouse gases. Endesa Chile participates in the voluntary market where the trading of credits is produced on a facultative basis.

EN18 The principal highlights of the year reported in terms of carbon market projects were:

Highlights 2012 of carbon market projects			
Plant	Canela wind farm	Canela II wind farm	Ojos de Agua mini-hydroelectric plant
Installed capacity	18.15 MW	60 MW	9 MW
Development	Procedure was introduced to quantify greenhouse gas reductions according to the modifications & adaptations introduced to the clean development mechanism (CDM) monitoring plan. Information is being prepared for verification, expected to be completed next year.	The project was registered on August 12, 2012, following which the greenhouse gas emission reductions can be booked & certified with this mechanism. Next year, it is expected to start procedures for certifying the emissions avoided from the start of operations to the date of registration of CDM.	The technical options were analyzed & evaluated for adapting the energy injection system and modifying the monitoring plan for the quantification of the reduction in greenhouse gas emissions. The final decision with respect to implementing the technical modifications to the installation was being analyzed at the year end.
Emissions avoided	16,517.6 tCO ₂ e	87,039.7tCO ₂ e	19,279.8tCO ₂ e

The estimated of emissions avoided by carbon market projects over the past three years is summarized in the following table:

Estimate of emissions avoided by carbon market projects	
Total reduction	tCO ₂ e
2010	178,608
2011	110,508
2012	122,837

(*) The emissions avoided are calculated according to the annual generation of electricity and the emission factor indicated in the respective project document design of each project. The values are shown as of December 31, 2012. At the end of the year, the emissions avoided were not verified or certified by the United Nations Framework Convention on Climate Change (CMNUCC) in the context of CDM. The Canela wind farm and Ojos de Agua mini-hydroelectric plant have required modifications to their monitoring plans. It is expected that the verifications of Canela & Canela II will be made in 2013.

Canela II wind farm is registered in the United Nations CDM circuit.

Endesa Chile registered the Canela II wind farm, which has operated since 2009 in the Region of Coquimbo, with the CDM circuit of the United Nations Framework Convention for Climate Change (UNFCCC). The UNFCCC ratified the registration with the publication on its web site, which permits the verification and later sale of the greenhouse gas emissions avoided, which are estimated to total 89,990 tons of CO₂ equivalent a year (tCO₂e/year).

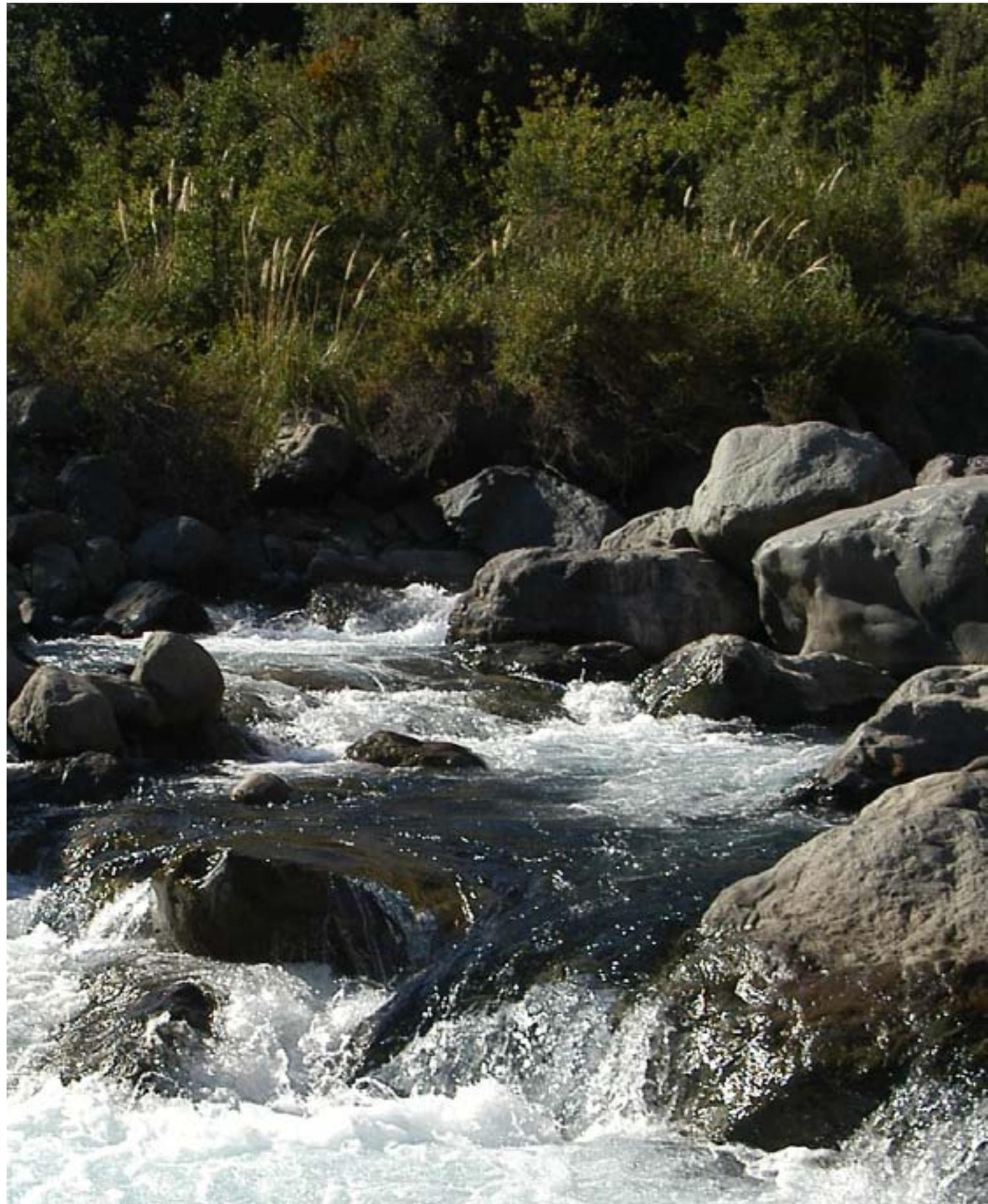
Canela II thus becomes the fifth project of Endesa (Spain) in South America and third in Chile to obtain this United Nations registration, in addition to the Ojos de Agua mini-hydroelectric plant (2007) and the Canela wind farm (2009).

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Management focus

The personnel, both own and external, are fundamental to the success of our business. This is why Endesa Chile makes constant efforts to transmit this message to those working in the organization and thus obtain their commitment and adherence to our project.

We in Endesa Chile believe in the equality of opportunities and inclusion, so we make a constant effort to see that all our practices follow that line. Our work during 2012 in terms of personnel was centered on rewarding workers and on the promotion of conciliation between family and working lives, while always promoting a labor climate stressing dialogue, respect and initiative.

In recent times, the transfer of knowledge has become one of the central points of our management as it concerns a key input that distinguishes our company. We have therefore developed specific programs to provide opportunities for our young professionals to learn from our more experienced workers, through working together and specialized courses.

The safety of our own workers and contractors will also continue to be one of the main focuses of our management. We have therefore prepared a program with a target of zero accidents through a cultural change in our personnel where we seek that safe practices and habits are part of their daily routine.

Principal aspects

- Internal programs for managing talent and developing workers professionally.
- Obtaining the “Iguala” seal for the commitment with equality of gender and good labor practices.
- Implementation of the “Plan Senda” which integrates sustainability into the human resources management strategy.

1. Our employees

1.1. Workforce

[LA1] [LA2] The total workforce of Endesa Chile as of December 31, 2012 is 1,106 own people, which represents an increase of 25 over the workforce at the end of 2011. This is explained by the start-up of the new unit at the Bocamina TP. Of the total, 936 are men (85%) and 170 are women (15%). 74% is concentrated in the Metropolitan Region, while 20% are in the south and 6% in the north.

Endesa Chile has a total of
1,106
employees, of which
93%
have indefinite contracts

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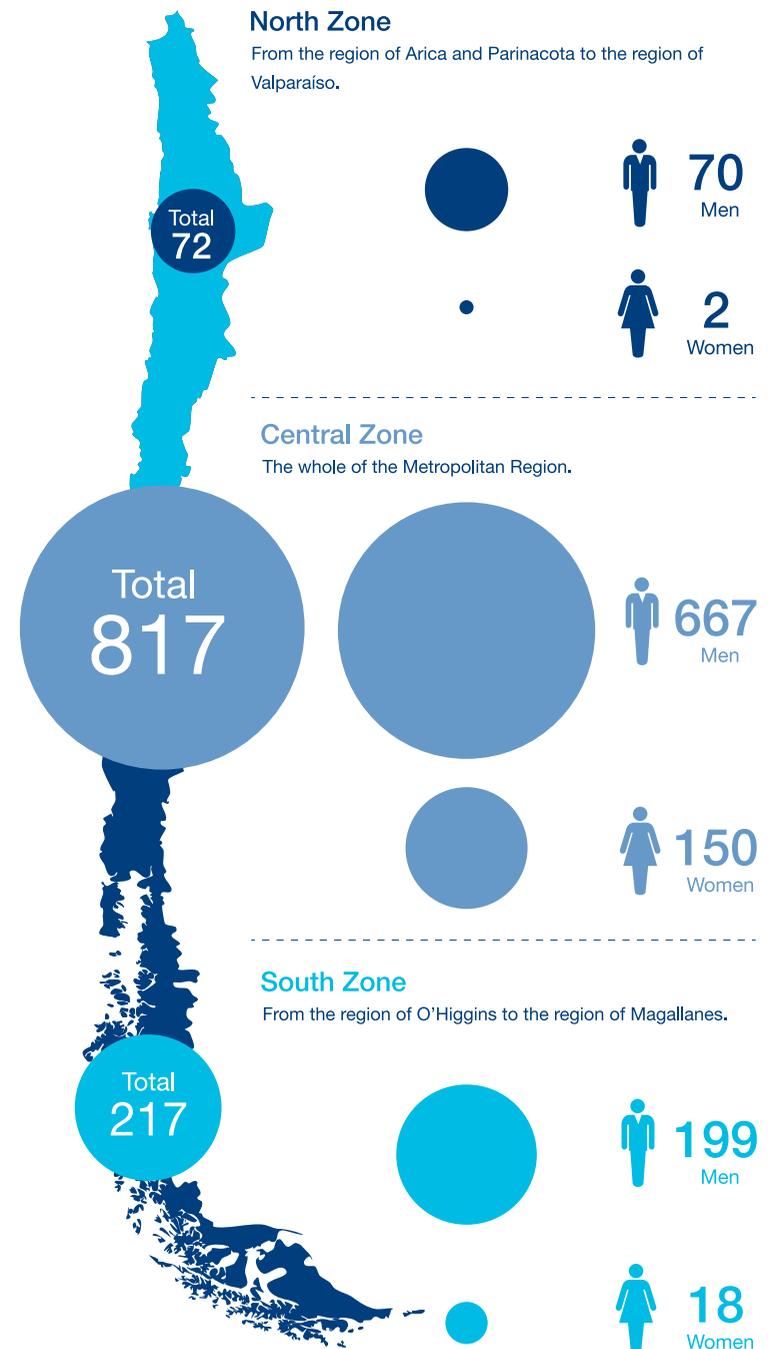
148
new employees joined the company in 2012.

61%
belong to the 30 to 50 year age group.

Personnel selection in Endesa Chile

Endesa Chile, in order to promote the professional development of its personnel, continued to promote internal mobility in 2012, offering development opportunities to its people by giving priority to covering job needs through internal competition to fill vacancies. There were 74 internal transfers during 2012 (through internal competition and promotions), which corresponds to 25% of the processes managed by the Selección Chile area that were covered internally.

Workers by type of contract and zone



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1.2. Turnover

[LA2] As in 2011, the highest rate of turnover in 2012 occurred in the 30 – 50 age group, with 7.38%. Analyzing the data by geographic areas with the presence of Endesa Chile, the highest turnover rate¹⁷ is in the central zone, with 6.29%, followed by the south zone, with 4.66%. These are the zones where Endesa Chile has most of its personnel.

Zone	Gender	Job turnover									Año 2012	
		Under 30			Between 30 and 50			Over 50			Percentage turnover	Total by zone
		2010	2011	2012	2010	2011	2012	2010	2011	2012		
North	Men	0%	0.30%	0.13%	0.58%	0.89%	0.45%	0.33%	0.18%	0.54%	1.13%	1.27%
	Women	0%	0.12%	0.09%	0%	0%	0.05%	0%	0%	0%	0.14%	
Central	Men	0.75%	1.55%	1.04%	0.66%	2.97%	3.17%	0.75%	0.71%	0.86%	5.07%	6.29%
	Women	0.33%	0.30%	0.31%	0.25%	1.60%	0.86%	0%	0.12%	0.05%	1.22%	
South	Men	0%	0.30%	0.72%	0.41%	0.71%	2.67%	0.50%	0.48%	1.00%	4.39%	4.66%
	Women	0%	0%	0.09%	0%	0%	0.18%	0%	0%	0.00%	0.27%	
Totales		1.08%	2.57%	2.40%	1.90%	6.29%	7.38%	1.58%	1.49%	2.44%	12.22%	

Endesa Chile recorded **12.22%** turnover during 2012.

1.2.1 Retirement guidance

[EU15] Endesa Chile, conscious of the importance of knowing its people well, counts the number of employees who will retire in five and ten years time, in order to be able to orient them about the corresponding benefits available.

Level	Zone	Projected retirement					
		In 5 years			In 10 years		
		2010	2011	2012	2010	2011	2012
Managers	North	0	0	0	0	0	0
	Central	7	8	8	8	10	13
	South	0	0	0	0	0	0
Middle management	North	5	2	2	6	2	2
	Central	11	23	30	18	35	46
	South	5	4	3	8	9	6
Professionals	North	3	4	6	6	6	6
	Central	13	41	37	21	52	52
	South	4	10	8	8	15	13
Technicians	North	3	7	2	7	10	3
	Central	0	7	25	1	9	35
	South	27	33	26	49	49	31
Administrative	North	1	1	0	1	1	
	Central	2	6	8	6	14	15
	South	6	6	4	8	8	5
Totales		87	152	159	147	220	227

(17) The formula for calculating the percentage turnover in Endesa Chile is: % turnover = [(entries + leaving/2)/total workforce]*100

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Endesa Chile's female workforce has grown by **126%** since 2010. Today, **170 women work for the organization.**

1.3. Most representative groups

[LA13] At the end of the year, the detail by category or job and age group shows that, as in 2011, the most representative group of the Endesa Chile workforce is that male professionals, with 45% of the total; of these, 71% are in the 30 to 50 age group.

Women, with a 15% representation of the total workforce, appear in fourth place among the most representative groups, with more than 10% in the professional women category, followed by 4% in the administrative category women, and 1% in middle management

The following most represented group is that of male technicians, with 23% of the total, while middle management, also male, accounted for 11%.

Employees by level		Employees by level, gender and age group									Total by gender	% total of category
		Under 30 years			Between 30 and 50 years			Over 50 years				
		2010	2011	2012	2010	2011	2012	2010	2011	2012		
Managers	Men	0	0	0	12	6	11	17	20	21	32	3.0%
	Women	0	0	0	0	1	1	0	0		1	
Middle management	Men	0	1	1	41	93	59	43	62	64	124	12.1%
	Women	0	0	0	8	19	8	2	0	2	10	
Professionals	Men	37	58	52	138	300	353	47	95	90	495	54.3%
	Women	8	20	12	25	82	93	2	1	1	106	
Technicians	Men	17	32	31	87	124	143	68	80	80	254	23.7%
	Women	0	2	1	3	6	5	0	1	2	8	
Administrative	Men	3	3	2	9	16	13	13	16	16	31	6.9%
	Women	3	6	5	20	30	31	4	7	9	45	
Total by age		68	122	104	343	677	717	196	282	285	1106	100%

Endesa Chile and its commitment with the inclusion of women in its workforce

One of the important challenges that Endesa Chile faces with respect to its personnel is the asymmetry of gender within its workforce.

The results shown are explained by the kind of the company's business, but this has not been an impediment to taking new measures whose objective is to incorporate a larger number

of women into the organization, e.g. having the participation of a woman in the selection process whenever possible.

While the numbers show that a predominance of men still persists within the organization, the female workforce has been growing steadily since 2010.

1.3.1. Senior management

[EC7] The Enel Group, of Italian origin, with a presence in over 20 countries and to which Endesa Chile belongs, has as policy of leaving the management of the company to executives who are nationals of the country of the operations. This is reflected in the high proportion of Chilean executives in the company, who represent 88% of the total.

Nationality of senior management			
Position	Gender	Nationality	
		Chilean	Spanish
Directors	Men	22	2
	Women	0	0
Senior management ¹⁸	Men	6	2
	Women	1	0
Total general		29	4

(18) Those that head up the nine principal management areas of Endesa Chile, including the chief executive.

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1.4. Remuneration

[EC5] The lowest wage paid to an employee by Endesa Chile in 2012 was 166% of the legal minimum wage; while Endesa Chile paid Ch\$318,745 for this concept, the legal minimum wage was Ch\$192,000 monthly.

Places of significant operations	Wage (Ch\$)		Initial relationship between minimum wage of the company and the local minimum wage	
	Men	Women	Men	Women
North zone	750,000	620,000	389%	321%
Central zone	385,000	499,690	199%	259%
South zone	468,966	318,745	243%	166%

(*) These amounts relate to the job profiles and not gender or zone of operation.

2. Management of knowledge, training and development

2.1. Management and transfer of knowledge

One of the most complex aspects for the electricity industry in general is the technical preparation acquired by experience and specific learning obtained by those working in the electricity sector.

This is why one of the challenges of Endesa Chile is to develop and transmit internally to its own

workers and contractors the knowledge necessary to respond to the needs and requirements of the company's operations.

To meet this challenge, the company, aware of the precious legacy that its older workers could pass on to the new employees, both in technical knowledge and experience, promotes the direct transfer of information through the daily work of the young professionals together with the specialists with greater experience, and develops internal and external formation programs and courses through the Mentores program, a formal transfer of knowledge, providing a space for its experienced workers to teach what they have learned over the working lives, and an opportunity for the new workers to grow and learn together with them.

In 2012, the Reconocernos program began strongly in Endesa Chile. This seeks to abandon the classic logic whereby mistakes and negative aspects of the workers are magnified and begin to underline and recognize the work they do daily. This is intended to replace the merely economic perspective with an appreciative vision of the contributions made by the teams and individuals to the organization.



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“The objective of the program is to transmit my experience in the area in which I am a specialist, as the start of the formation of new specialists in the matter so that the company does not lose the experience and knowledge acquired by me in participating in electricity generation projects over the last 35 years.

The formation of an electrical specialist requires five to ten years of study and participation in major projects. It is illusory to think that workers can be formed through one or various courses. Experience is fundamental but this type of course contributes the knowledge and motivation for accelerating the formation as well as keeping it within the company and taking advantage of the experience of professionals who are about to retire.

In Endesa Chile, for various reasons, a generational gap of 10 to 15 years was produced during which no technical professionals joined some areas, thus producing a break in the natural process of transmission of experience and formation of specialists. It is therefore very necessary to motivate the permanence of the professionals in the technical area and accelerate the transfer of experience and knowledge to the next generations, through courses and working in parallel with the specialists who are soon to retire”.

Felipe Camel Ovalle
Senior engineer in the electrical engineering area
Líder Programa Mentores.



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Notable business formation programs

- **Electricity market:** Diploma in relation to the electricity market characteristics, given by internal professionals expert in the subject. The success of this program is reflected in the interest shown by universities and the authorities, which have approached the company to analyze the possibility of extending this diploma outside the frontiers of the organization.
- **Business vision:** Directed to the middle management, heads and everyone having the potential to be heads. This program provides the tools necessary for continuing to develop themselves.
- **Young professionals program:** Business vision model for this group of the company. The program is tailor-made to what young professionals need to know and learn (until two years of work experience and a maximum of 28 years of age) regarding the business vision, obtaining knowledge for them to interact within the organization and offering them a development platform for the future.
- **Professional presentations for executives:** As part of its plan to close professional gaps, Endesa Chile gave this training in 2012, seeking to provide its executives with the basic concepts of oral presentation, such as creating a positive impression, being capable of transmitting an idea clearly and forcefully and of being convincing.

2.1.1. Time invested in training and development

[LAI0] From the detection of training needs made in the context of the formation program 2012, Endesa Chile established a timetable for closing the gaps through training based on the two big action bases: a transversal plan with formation subjects for the development of conduct skills and another of functional technical formation.

Employees by job category		Formation of personnel by level				Average hours per employee			
		2009	2010	2011	2012	2009	2010	2011	2012
Managers	Men	2,432	1,038	986	1,340	37.1	37.1	39.4	41.9
	Women	15	N/A	N/A	267	15.0	N/A	N/A	267.0
Middle management	Men	3,458	4,947	5,605	5,905	40.2	61.8	48.7	47.6
	Women	595	892	599	940	59.5	89.2	66.6	94.0
Professionals	Men	16,794	14,904	30,801	30,642	79.2	69.3	61.8	61.9
	Women	3,089	2,261	4,944	5,579	88.3	66.5	48.0	52.6
Technicians	Men	9,504	9,387	15,371	10,777	55.9	54.6	63.8	42.4
	Women	987	128	274	34	329.0	42.7	30.4	4.25
Administrative	Men	2,051	1,412	2,594	1,091	78.9	56.5	76.3	35.2
	Women	2,296	3,089	1,824	1,130	85.0	114.0	38.8	25.1
Total & average	Men	34,239	31,688	55,357	49,755	65.7	60.9	60.6	53.2
	Women	6,981	6,370	7,641	7,950	91.9	84.9	45.2	46.8
Total & average for year		41,220	38,058	62,998	57,705	69.0	64.0	58.2	52.2

(*) N/A: Not applicable

2.1.1.1. How is training given during the year defined?

Transversal training is given every year in Endesa Chile for transmitting the knowledge necessary on the electricity sector to its new employees, and also to maintain its workforce up to date on key matters such as occupational health and safety.

The company also has a tool for establishing the specific training needs of its employees in order to close the gaps in skills in the areas of their work. In 2012, through its program of closing work gaps, 125 skill profiles were established against which 160 people from the operational management, in maintenance or generating plant operations, will be evaluated in 2013 in order to determine the most suitable training for gradually closing the gaps detected.

57,705 hours of training were given in 2012, of which 36,221 hours (64%) were for the “professional” personnel segment.

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All new employees are given on-line induction courses in knowledge of the electricity business, safety and risk prevention.

2.2. Training 2012

The following were some of the most important aspects in terms of training:

- Implementation of training models for the transfer of knowledge by expert internal personnel to the future specialists detected, with emphasis on the engineering management area.
- Certification of operative personnel skills at the Taltal thermal plant.
- Course in all the generating plants on operating topics.
- Regarding specialized induction, specific timetables of formation were prepared in 2012 for the position of operator of a conventional thermal plant, including environmental aspects which are critical in this type of generation technology.

2.2.1. Promotion of professional development

[LA11] In order to provide tools for workers to continue to develop themselves in their work, multiple skills management programs have been arranged:

- Training courses: 2,493 inscriptions, equivalent to 31,816 hours.
- Undergraduate careers: 29 inscriptions, equivalent to 14,638 hours, with economic help from the organization which fluctuates between 50 and 100% of the total cost.
- Diplomas: 63 inscriptions, equivalent to 7,548 hours, with help for 100% of the total cost.
- Masters: 7 inscriptions, equivalent to 2,370 hour, with help for 75% of the total cost.
- Seminars: 58 inscriptions, equivalent to 648 hours.

2.2.2. Talent management activities in Endesa Chile **[EU14]**

Three days of induction training for personnel joining Endesa Chile.

99 employees of Endesa Chile took courses in superior education (careers, diplomas and masters).

The international exchange program (Latin America and Europe) was continued. One employee benefited from this initiative in 2012.

Exchange programs of professionals, Twins, and of young professionals, Jet, were carried out. These programs enable workers of Endesa Chile to develop themselves in Endesa's companies in other countries. Four young professionals took part in the Jet program in 2012.

Strategies of mobility and internal selection have continued to be followed, as being essential for promoting the retention of critical talent that the company needs for its sustainable operation.

Se desarrolló el programa de "Jóvenes talentos" en el cual se escogieron a dos alumnos destacados de universidades del país, con el fin de incorporarlos a diferentes áreas del negocio en proyectos desafiantes con proyecciones para trabajar tanto en Chile como en las empresas del Grupo En el extranjero.

Proactive recruitment was favored through various sources like head hunting and well-evaluated students doing their practice.

The company participated in 16 fairs to attract talent, interviewing a total of 663 students from different universities in the country.

2.3. Performance evaluation of our employees

[LA12] Job performance evaluation is a systematic and periodic process carried out by Endesa Chile annually, and serves to estimate quantitatively and qualitatively the degree of compliance by employees with the objectives set for the period in terms of business and behavior.

The stages of the evaluation are as follows:

- Agreement of objectives where individual targets are defined (results and actions).
- Evaluation of behavior.
- Evaluation of objectives to standardize the objectives of actions.
- Return communication with a feedback interview between the superior and subordinate evaluated.

As with previous evaluations, all the employees of Endesa Chile had a performance evaluation during 2012.

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3. Welfare and benefits

LA3 The welfare of the personnel of Endesa Chile is a fundamental commitment of the company. This is why means for the conciliation of family and working lives were increased last year. The company thus seeks to promote a larger participation of women in the workforce and provide opportunities for workers to spend more time with their families.



Endesa Chile, on the way to being certified as a “familiarily responsible company”

The organization did very important work in 2012 for obtaining the efr (familiarily responsible company) seal.

This is granted by the well-known Fundación Másfamilia which defines a new corporate management model based on the balance of working and personal life and which promotes work flexibility, gender equality, good labor practices and the integral development of workers and their families.

The initiative to obtain this certification forms part of the corporate social responsibility plan in human resources, called Plan Senda, in its dimension of conciliation of family, personal and professional lives.

The actions developed to obtain the certification involved a diagnosis stage which included a review of human resources processes, policies and practices, interviews with management, focus group with employees and a benchmarking with leading companies in these areas, all with the objective of detecting focuses of interest, areas for improvement and the most valued factors for labor welfare

3.1. Principal social benefits

Princiapl social benefits				
	Benefit	Description of the benefits	Who benefits?	No. of people benefiting in 2012
Health	<ul style="list-style-type: none"> *Complementary health insurance. * Serious illness insurance. *Dental insurance. *Voluntary dental insurance. * Work disability subsidy complement. 	<p>Complementary health insurance for the employee & their legal dependents, paid for by the company. This covers part of the co-payments not covered by the obligatory health insurance plans.</p> <p>In general terms, the insurance covers 80% of out-patient expenses, 80% of in-patient expenses and 70% of cost of medicines, with an annual deductible according to the composition of the family group with a limit of UF750 annually per beneficiary.</p> <p>An employee may also exceptionally include in this insurance the following non-legal dependents: common-law spouses and children between 18 and 24 who are studying. In this case, the premium is payable by the employee.</p>	All employees	Employees benefiting: 1,074. family dependents: 1.712
Extension and family development	<ul style="list-style-type: none"> *Program for working mothers. *Summer & winter camps for children. *Knowing father's work. *Children's birthday parties. *Christmas party. *Gift for new-born babies. *Employee's birthday celebration. *Extension & culture program for employee & family. *Sports program for employee & family. *Library. *Financial self-care program. *Healthy skills for children program "Full Kids". 	<p>Program for working mothers covers complementary milk feeding, integral care, preparation fo child-birth & nutritional advice.</p>	All employees who are about to become mothers or a breast feeding.	Employees benefiting: 15
Becas y prestaciones para estudios	<ul style="list-style-type: none"> *Study grants. *Pre-university reimbursements. *Prizes for academic excellence. *Universidad de Chile summer schools. *Tertiary study loans. *Infant play-school grant. *Kindergarten subsidy. *Grants for special studies. 	<p>Study grants: The company fives a semi-annual grant for each dependent child studying (all school levels) subject to presentation of the certificate of total fees. Payments are made in February and July each year.</p>	All employees	Employees benefiting: 379; No. of benefits granted: 1,095

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In 2012, Enersis Group, the parent of Endesa Chile, was places 8th among the Best Companies for Working Fathers and Mothers in Chile, according to the ranking of Fundación Chile Unido and Ya magazine of the El Mercurio newspaper. This distinction is for companies that have the best labor and family conciliation policies.



Remote working, the company's new challenge

What is remote working?

This is an Enersis Group Project that allows employees, during one day of the week (Wednesday), to do their daily work from their homes during the same working hours.

Why opt for remote working?

- It favors conciliation of the personal and working lives of employees, thus contributing to improving the quality of life.
- It consolidates a management style based on trust and commitment.
- It strengthens work in terms of results, and not in terms of time in the workplace.
- It increases flexibility in how work is carried out.
- It improves motivation and satisfaction with the work and the company.

Enersis Group Olympics

Every two years, the employees of Endesa Chile and their families are able to enjoy sports activities in an atmosphere of comradeship and entertainment. The objective of the Olympics is to improve working relations and share in family. Volleyball, tennis, football, running, cycling and many more activities gave life to this 2012 version of the Enersis Group Olympics.

4. Labor climate

This is one of the fundamental concerns for the company with its personnel, both internal and external. The workplace and in particular its atmosphere, are a fundamental aspect in meeting the purpose of constantly improving the working climate. Endesa Chile concentrates its efforts so that dialogue, creativity and initiative dominate in the working environment.

4.1. Plan Senda

This is a global corporate responsibility plan in human resources.

4.1.1. Principles of Plan Senda

Management of diversity and equal opportunities

Oriented to respecting and managing the differences between people, guaranteeing equality in treatment and opportunities.

Conciliation and flexibility in work

Endesa Chile intends to be a company that integrates people in an environment of flexible and healthy work where family, personal and professional lives can be conciliated and developed in a balanced way.

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Integration or people with disabilities and risk of social exclusion

One of the objectives of Endesa Chile is to achieve the labor integration of people disabilities and risk of social exclusion, in order to contribute to their development and inclusion.

Socially-responsible investment

It is intended to incorporate sustainability criteria to human resources related investments.

Employees as stakeholders

Employees are seen as stakeholders, integrating their interests and expectations into decision making.

4.2. Inclusion

A pilot program for inclusion of physically-disabled people was introduced in 2011, through labor practices thought both for students of technical institutes and of universities, in order to provide them with an opportunity of insertion in the labor market.

The success of this initiative led Endesa Chile to continue and extend it in 2012, inviting all the company's areas and managements to participate in the program, and investing in the necessary infrastructure to receive these students properly, including modifications to bathrooms, ramps and the workplace in general.

"I started working for Endesa Chile in November 1988 in the training area and during my career I have occupied different positions, all linked to human resources.

For some years now I have been defined as "disabled" although in truth I consider myself as a person with "different capacities" which I have been developing in particular during this time. I should like to thank the company's human team, both workers and executives, very much for giving me the facilities for my professional development and facilitating my mobility. They have been extremely concerned, both in the gestures and the details.

Over these years, Endesa Chile has given me the opportunity to attend formation activities in Argentina and Spain, and also to travel to Peru as part of the evaluation team in the purchase of Edegel, forming part of company's expansion into Latin America. I have had the opportunity to visit a large part of the company's installations, from Iquique to Concepción, in relation to formation activities.

In 2012 I was awarded the "Energy for Women" prize, by Enersis, based on voting by the group's personnel. I was overwhelmed by the love and recognition of my companions and friends.

Nancy Wityk
Formation specialist, Endesa Chile.



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In 2012, the regional government awarded Endesa Chile the Iguala seal in recognition of its efforts in gender equality, good labor practices and conciliation.



4.3. Gender equality in the organization

LA14 One of the company's strategic objectives, on which it has focused personnel management in 2012, is gender equality within the company, an area that has been advanced in order to promote measurable and quantifiable gender equality.

4.3.1. Where is it possible to see the gender equality policies?

- **Selection process:** When there is a vacancy for a position within the company, those applying for the position should include a female candidate if possible.
- **Equality in compensation:** Endesa Chile does not discriminate with respect to the wages it pays to its employees in the different positions in the organization. Every position has a wage band and this does not vary according to gender.

The differences in the following tables relate to factors unrelated to gender, but are variables such as qualifications, suitability, responsibility or productivity.

Relationship between remuneration for men and women by level ¹⁹						
Level	Base wage ²⁰			Remuneration ²¹		
	2010	2011	2012	2010	2011	2012
Managers	N/A	-33%	-21%	N/A	-26%	-18%
Middle management	-25%	-18%	-11%	-23%	-17%	-22%
Professionals	-10%	-21%	-15%	-5%	-23%	-12%
Technicians	-12%	-54%	-20%	-13%	-54%	-28%
Administrative	15%	-1%	8%	9%	-1%	4%

Relationship between remuneration for men and women by zone						
Zone	Base wage			Remuneration		
	2010	2011	2012	2010	2011	2012
North	-29%	-32%	-114%	-28%	-32%	-97%
Central	-60%	-44%	-23%	-62%	-47%	-30%
South	-40%	-41%	-32%	-37%	-42%	-30%

(*) N/A.: Not applicable

4.3.2. Reincorporation in work

LA15 This indicator had a greater incidence than in the previous year, increasing its use by 88%. Of these, 14 were reincorporated in their work in 2012.

Gender	Employees with parental rights								
	No. of employees using their parental right			No. of employees reincorporated in work			No. of employees reincorporated in work and were still with the company after 12 months		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Men	0	0	0	0	0	0	0	0	0
Women	0	8	15	0	13	14 ²²	0	0	13 ²³

(19) The ratio is calculated as follows: (women-men)/women.

(20) Minimum remuneration paid to an employee for doing their work, excluding any additional remuneration like years of service, overtime, incentives, profit sharing or any other (e.g. travel allowance).

(21) Base wage plus additional amounts like those based on years of service, bonuses, including cash or securities as participations or shares, allowances, overtime, time due and other additional complement (e.g. travel allowance, maintenance and infant care).

(22) An employee returned in February 2013.

(23) An employee renounced her maternal leave and resigned voluntarily.

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5. Labor relations

[LA4] In order to have a labor environment in which everyone feel listened to and respected, the company tries to maintain relations based on dialogue with the unions, in view of their importance as representing the employees and directly negotiating with the management.

The company had five unions in 2012 representing 708 employees, which accounts for 64% of the total workforce. This is considerably higher than the country average which, according to data of the ILO (International Labor Organization), reached 11% during the same year.

Year	Unionized workers		No. of employees covered by a collective agreement/contract ***	Total number of employees
	No. of unionized*	% unionized**		
2010	409	68	429	607
2011	672	62	757	1,081
2012	708	64	788	1,106

* Number of unionized relates to employee members of a union

** Number of employees covered by a collective agreement or contract relates to employees who are members and assimilated to a union.

*** In 2011, Endesa Chile had an increase in the number of unionized employees and those subject to a collective agreement/contract because of the transfer of Ingendesa to the company.

Endesa Chile had 788 employees covered by collective agreements in 2012, corresponding to 71% of the workforce. This figure includes those unionized, and those who by contract are assimilated to a union who receive the benefits of the collective negotiations without participating in them.

5.1. Collective negotiations and agreements

5.1.1. Collective negotiations

Three collective bargaining processes were concluded successfully in 2011, with the Regional and Pangué Negotiating Group, the Endeas Chile No.7 Union, and the Commission of Professional Unions and National Intercompany Union of Workers of Endesa and Subsidiaries, which participated in the negotiation of the engineering collective contract.

In 2012 also, the collective bargaining with the National Intercompany Union of Workers of Endesa and Subsidiaries took place.

These negotiations took place within a regulated framework, with compliance on the dates established in current legislation, without resorting to strikes, with the consequent social peace for four years.

5.1.2. Principal agreements reached

- Establishment of the evaluation model "Performance management".
- Increase of targets for the payment of the performance evaluation bonus.
- Improvement of benefits (for births, vacations, weddings, education, etc.).
- Union contributions.

A collective agreement/contract is one between representatives of the company and those of the personnel, following collective bargaining on labor matters, by which common conditions of work, remuneration and benefits are established.

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Endesa Chile was commended by the Chilean National Safety Council for maintaining low accident rates over time among its own workers, making it a benchmark for companies in the sector.

6. Occupational health and safety

LA7 The occupational health and safety of the workers is a commitment and constant challenge for Endesa Chile. This is why the zero-accidents target has been defined as a permanent goal that crosses all levels of the organization.

The company has focused its efforts on the following to achieve this objective

- Strengthen leadership in safety management.
- Promote safe and responsible behavior by all the workers.

6.1. Safety culture

The strategy developed by the company for transmitting its concern for occupational health and safety has been to implement a safety culture where everyone manages to integrate safe conduct and habits into their daily actions.

The method implemented in this plan is on-site observation, which considers from accidents to risky conduct. With the information gathered, a list is made which leads to an analysis of the data, improvement proposals and constant monitoring of the actions implemented

Performance in occupational safety of own workers															
Gender	Absenteeism rate (%)			Rate of occupational illnesses (%)			Rate of days lost (%)			Accident rate (%)			No. of fatal accidents		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
Men	2.35	1.75	1.35	0	0	0	3.20	0	1.70	1.37	0	1.35	0	0	0
Women	5.26	2.95	2.67		0	0		0	0		0	0	0	0	0

	2010	2011	2012
Number of days lost	47	0	38
Number of accidents	2	0	3

There were three accidents recorded in 2012 among Endesa Chile's own workers, without fatalities. The number of days lost from these incidents was 38, with an accident rate of 1.35% (1.35 accidents per million hours worked).

The absenteeism rate was 1.35% in men and 2.67% in women

LA9 To identify and control the risks in each activity, the company and its subsidiaries have implemented management systems based on the OHSAS 18001:2007 standard for all its installations.

In the OHSAS 18001 follow-up audits made in 2012 by the certification firm, there were no non-conformities, confirming the adherence of the workers to the safety procedures established for the due care of individuals.

In addition, the collective agreements include health and safety benefits and initiatives for employees, and explicitly mention the corresponding indemnities in the event of work accidents.

Various activities were arranged for the World Work Safety Day at the country's workplaces

The Work Safety Day was celebrated between April 23 and 27, 2012 at the installations of Endesa Chile, an initiative to strengthen the culture of prevention and to create consciousness about care for the health and integrity of the workers.

Activities were focused on making personnel aware of the importance of safety, particularly tours based on inspections of safety measures on site, in order to check the state of emergency signs and devices. At the same time, a training rescue simulation was held at the Canela wind farm, and meetings held of joint works committees.

With these activities, the company seeks to reinforce the importance of safety and occupational health in its workers in order to achieve the objective of zero accidents.

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Prevention and education in confronting serious illnesses

[LAS] There is a continual concern in the organization for workers' health. This is done in the form of various programs focused on the prevention of serious illnesses. Most of these initiatives are concerned with educating and informing workers and their families on the control of risks and/or illnesses of various kinds.

The following were the programs carried out in 2012 with respect to serious illnesses:

1. **Cardiovascular risk program:** focused and oriented to modifiable risk factors like overweight, smoking and lack of exercise
2. **Healthy women program:** efocused on the early diagnosis of cancer illnesses (annual PAP evaluation, mammography, mammary echo-examination) for women over 40 years old.

3. **Medical examinations program:** pre-occupational evaluations, occupational evaluations of own workers and contractors, medical vigilance by specific agents, periodic evaluations.
4. **Vaccination programs:** vaccination against influenza and hepatitis.
5. **Psychosocial risk evaluation program:** evaluation of the psychosocial risk of the jobs of the company's workers
6. **Program of diffusion and preventive health education:** cycles of interest according to age groups, gender and emerging pathologies

Workers presenting risks of contracting professional illnesses are subject to continual vigilance programs, controlled by teams of personal protection and environmental hygiene.

6.2. Committees for safety matters

[LAG] Endesa Chile attends to safety matters under different types of organization, as follows:

Committees for safety matters	
Joint works hygiene and safety committees	These exist in all the generating plants with a workforce of 25 or more workers, and comprise six members, three representing the workers and three appointed by the company. The joint committees of Endesa Chile also perform the function of the joint works committee, as stipulated in the Sub-Contracting Law, Decree 67, and therefore integrates in all cases a representative of the workers of one or two of the contractor firms that have the largest number of workers or perform high-risk work.
Safety management committees	These are part of the requirements of the OHSAS 18001 management system. All the generating plants have safety committees comprising five workers.
Safety groups	These exist in all the maintenance, civil works & operations processes.
Managers committee	This committee analyzes occupational health & safety matters monthly.



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Once contracted, the suppliers have to continue satisfying the requirements demanded in the qualification phase.

7. Suppliers and contractors

A large part of the activities of Endesa Chile and its subsidiaries are performed through suppliers and contractors. They therefore contribute to a large degree in carrying out the company's objectives, which have occupational health and safety as a priority.

7.1. Requirements for suppliers and contractors

[EU16] Given the strategic nature of the suppliers and contractors in the company's activities, these have to pass through a process of qualification and development before then being submitted for qualification, certification and performance evaluations.

The specific requirements that have to be met are defined in internal procedure No.28, "Regulation of the operative documents of procurements", and cover the following areas:

- Economic-financial.
- Legal & corporate social responsibility (CSR).
- Sustainability & environmental protection.
- Safety & occupational health.

7.2. Communication channels

- Web page of Endesa Chile: the company incorporated in its web page general information on tenders and contract conditions.
- Web purchases portal: authorized suppliers and contractors can here enter to receive purchase orders and take part in tenders and electronic auctions.

7.3. Characterization of contractors

7.3.1. Workforce

[LAT] The average workforce of Endesa Chile's contractors in 2012 fell by 52% compared to 2011 due to the end of the construction of the second unit of the Bocamina TP. In geographic terms, this workforce was concentrated in the south zone where the company most of its operating plants.

In terms of gender, the contractors' workforce was comprised of 20% women and 80% men.

Average workforce of contractors by zone						
Zone	Gender	2011	2012	Totals by zone 2012	Percentage by gender & zone 2012 (%)	Percentages by zone 2012 (%)
North *	Men	153	287	359	16	20
	Women	38	72		4	
Central **	Men	274	529	661	30	37
	Women	68	132		7	
South ***	Men	2,570	598	747	34	42
	Women	642	149		8	
Totales		3,745	1,767	1,767	100	100

* The North zone covers from the Region of Arica & Parinacota to the Region of Valparaiso.

** The Central contemplates the whole of the Metropolitan Region.

*** The South zone covers the Region of O'Higgins to that of Magallanes.

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7.3.2. Days and hours worked by contractors and sub-contractors

[EU17] The average workforce in 2012 was 1,767 contractor workers from 26 different companies. In all, the contractors' workers worked 4,179,800 hours, equivalent to 522,475 days of service.

Days and hours worked by contractors & sub-contractors						
Activities	Average workforce 2011	Average workforce 2012	Hours worked 2011	Hours worked 2012	Days worked 2011	Days worked 2012
Construction	3,027	922	7,192,152	2,177,128	899,019	272,141
Operation	332	388	788,832	1,068,210	98,604	116,808
Maintenance	386	457	917,136	933,932	114,642	133,526
Total	3,745	1,767	8,898,120	4,179,800	1,112,265	522,475

7.3.3. Labor relations

[LA4] Labor relations are of great importance to Endesa Chile with respect to its workers ([see LA4 workers](#)), and those of its contractors. The company in 2012 formalized for the first time a union of the company contractors, specifically in the plant maintenance service.

Unionized contractors in 2012		
No. unionized	% unionized	Total No. of contractor workers
75	8%	949 ²⁴

7.3.4. Safety and occupational health of the contractors of Endesa Chile

[EUS] Safety is a priority focus for the company. It has therefore set itself a corporate target of zero accidents affecting own workers, contractors and suppliers.

In order to reach the objective for this last group, a shock plan has been applied since October 2010.

This consisted of auditing aspects of work safety of all the Group's contractors in South America of high risk in this area in order to evaluate the degree of implementation of the labor risk prevention management system. This diagnosis, made without charge by the supplier, was concentrated mainly on verifying compliance with legal, regulatory and operating requirements.



(24) This figure relates to the workforce of contractors at the end of the period reported.

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A training plan was developed in 2012 for formation and training at the management, heads, supervisors and workers levels.

These courses and workshops referred to:

- Leadership in work safety.
- Prevention of electrical accidents.
- Prevention of pressure-tube accidents.

- Rescue techniques in river basins and courses.
- High-altitude preventive management techniques.
- Techniques in handling emergencies, first aid and DEA (external autonomous defibrillator).

All the contractors participated in these training and formation workshops, with a 35,475 hours of training.

Training in safety and occupational health						
Contractors & sub-contractors	Average workforce		Hours of training		Average hours per employee	
	2011	2012	2011	2012	2011	2012
	2,797	1,767	51,527	35,475	18	20

7.3.5. Indicators of occupation health and safety of contractors

[LA7] The progressive decline in the number of accidents since the start of application of the shick plan in 2010 has been one of pride for the company.

The figures show that the policies applied by Endesa Chile in its concern to reach zero accidents have brought results, and show its commitment with the development of its supplier and contractor companies.

The accident rate was 7.48% in 2012. There were 16 accidents, with no fatalities.

Performance of contractors in work safety												
Gender	Rate of professional illnesses (%)			Rate of days lost (%)			Accident rate (%)			No. of fatalities		
	2010	2011	2012	2010	2011	2012	2010	2011	2012	2010	2011	2012
Men	0	0	0	0.063	0.150	0.106	7.1	4.17	3.66	0	1	0
Women		0	0		0.148	0.042		2.97	3.82		0	0

	2010	2011	2012
No. of days lost	553	1023	445
No. of accidents	44	37	16
No. of fatalities	0	1	0

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7.4. Suppliers

7.4.1. Contribution of Endesa Chile to local development through its suppliers

EC6 A large part of the activities of Endesa Chile and its subsidiaries are performed through suppliers and contractors. They therefore contribute to the generation of local jobs in places where the company's activities are being carried out, whether in projects or operations.

92% of suppliers are Chilean, which represent 80% of Endesa Chile's expenses in this area.

Payments to suppliers			
Endesa Chile suppliers	2010	2011	2012
Payments to suppliers (MCh\$)	130,000	49,000	93,000
Payments to national suppliers (MCh\$)	125,000	45,000	74,000
No. of national suppliers	1,947	1,807	2,224
Número total de proveedores	2,026	1,880	2,420

7.5. Evaluation and certification of suppliers and contractors

7.5.1. Evaluation of suppliers and contractors

The performance evaluation of suppliers and contractors allows the follow-up of quantitative and qualitative aspects of the services and supplies contracted by Endesa Chile, thus permitting corrective actions.

The assignment of winners in the respective categories (safety and excellence) is made according to the scores obtained in the evaluation process. The top three scores are presented to the generation committee comprising the procurements and business areas which together choose the winner in each category.

Prizes for excellence awarded in the suppliers meeting	
Group One ²⁵	
Excellence	Servicios Electromecánicos y Sistemas de Control Ltda
Safety	Constructora R2 Ltda.
Group Two ²⁶	
Excellence	Ingeniería y Maestranza del Norte S.A.
Safety	Puente Alto Ingeniería y Servicios Ltda.

17 companies were awarded prizes at the suppliers meeting. These were divided into five categories, making special mention in safety.

On this occasion, and in contrast to previous years, a conversation panel was constituted with the top executives present in order to achieve a closer proximity with the supplier companies and attend their most important concerns



(25) Suppliers that have contracts for more than two million dollars.

(26) Suppliers that have contracts for less than two million dollars.

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7.5.2. Program of certification of SMEs

The program of certification of SMEs of suppliers and contractors is a project developed by the Enersis Group in 2007 and is co-financed with resources of Corfo (Corporación de Fomento de la Producción), through individual focused support by company and by standard selected.

Its objective is to improve the performance of SMEs which have current contracts with the generator in different sectors.

Groups of SMEs have gradually been added for certification since the first year. To date, 50 companies have benefited through this program.

The improvements achieved through this program are made tangible with the implementation of the management systems under the ISO 9001, ISO 14.001 and OHSAS 18001 standards and their later certification.

The group of 2011 is in its final stage, with six out of ten companies having completed to date their implementation activities. Four of these six have already been presented with the certification with selected organisms.

Follow-up of the 2011 plan continued in 2012. No new groups were formed in 2012 because of changes in Corfo's financing policies.

Contractors in Action:

Health, safety and recreation meeting of Endesa Chile's contractor companies.

The objective of this activity is to instill the company's principles in contractor company workers through sporting events, thus generating a positive impact in the satisfaction, behavior and identification of the workers with the company.

"Contractors in Action" is a sports Project involving the contractor companies of Endesa Chile in the following disciplines: baby football, table tennis, chess, dominoes, Cacho and Rayuela.

Contractor companies participated in 2012 from the regions of Tarapacá, Coquimbo, Metropolitan, Valparaiso, O'Higgins and Maule.

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Management focus

The year 2012 was particularly important in the commitment with the societies where we operate. Based on the experience over time, the company has been learning and creating strategies and means of engagement with the communities near its operations, which are based on joint work by various areas of the company.

We are fully aware that relations with the community do not start in the projects, neither is it just the responsibility of the community relations area. On the contrary, we are convinced that the insertion in the territory is part of the daily life of all areas of the company, from the workers of the plants in operation to the engineers who are prospecting future projects. The link with the community is not a strategy but part of an attitude of the company in the place where it operates and it is in this way that Endesa Chile is currently working.

To develop this culture of territorial insertion, a work team of people from all areas related to the design, construction and operation of a plant has been formed in 2012. The team involves the management areas of energy planning, engineering, operation, communications and others. This multidisciplinary team is working on a territorial linkage model to monitor, evaluate and anticipate important matters with the community and is also helping to improve the relations of mutual benefit that should be established.

Endesa Chile is conscious of the impacts that its activity causes to the surroundings, as well as the growing interest that the energy industry has today in Chile. There is therefore now an increasingly better informed and interested public in matters related to this business. This situation is understood as a great opportunity to educate in energy matters and also to receive feedback from stakeholders to go on improving the projects and operations in order to be increasingly more sustainable.

The company is preparing strategies of early insertion in the communities, together with a series of engineering, environmental and social tools to evaluate in all the stages of a project or during the useful life of a plant the possible impacts that exist, in order to reduce them and ideally anticipate them and so avoid them happening.

While these tools and strategies permit gradual progress with the projects, foreseeing the conflictive situations that may arise, we are aware that given their nature, public sensitivity with respect to generation projects and the interest they produce, the conflicts can be presented independently from their actions; but we seek through this model to continue advancing in engagement with the people who live in the territories where the company is inserted.

Principal aspects of this chapter

- Community engagement model of Endesa Chile.
- Energy for Education program.
- Performance of Fundación Pehuén.
- Results of the Ralco assistance and continuity plan.

1. Stages of engagement with the community

The three big stages in electricity generation are the project stage (when a plant is being studied, surveyed and in environmental evaluation), construction stage (when a plant has the legal and social approvals and is being constructed) and operation stage (when the plant starts to generate electricity). Each stage has key phases of engagement and linkage with the community which have their own instruments and evaluations and permit advancing to the next phases.

1.1. Project stage

There are three key phases for the engineering in the project stage of an energy plant, which are replicable for linkage with the community: pre-feasibility; feasibility; and design and environmental evaluation.

In the past, links with the community began in the last stage when working in the environmental evaluation and developing the studies of the base line. Today, we have learnt that this is too late to begin establishing links with those who in the future will be our neighbors. This is why it has been decided that in the primary phases

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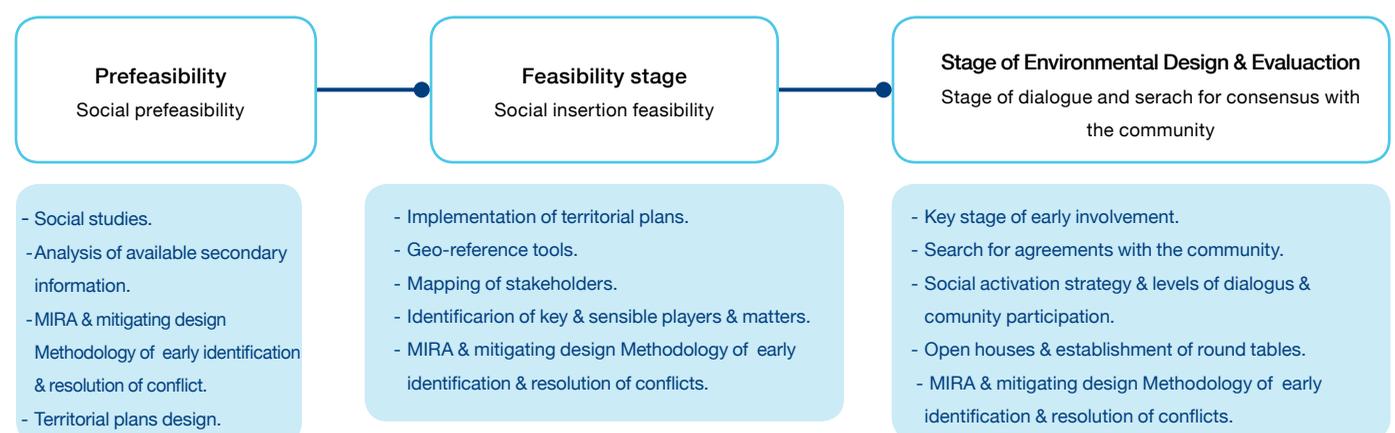
of a project, i.e. in the pre-feasibility phase, we should start to know the reality, identify the characteristics, the culture, wealth, problems and people, and thus be able to prepare territorial insertion plans that adjust and respond to the needs of each territory.

At the project design level, a “design mitigating” strategy has been developed, i.e. the early incorporation of social and environmental considerations for making a very preliminary evaluation of the project being studied, seeking to reduce as much as possible the impacts that the project could generate and understanding the value that people place on their surroundings, over and above purely legal aspects. “Design mitigating” integrates into the design the suggestions and observations of the community, local authorities and interested stakeholders, in order to improve the final plant design.

The company also has a MIRA monitoring system which evaluates the various advances of the projects and establishes some key landmarks for progressing to the next phase. Many of these key landmarks are related the consensus, agreement and acceptance of the community where we want to be installed and are fundamental for progressing the project’s development.

Work is also being done on developing tools to objectify the qualitative aspects of engagement with the community. Efforts were concentrated on developing a methodology of identification and early resolution of conflicts, which enables them to be anticipated and, if unavoidable, permits working to a consensus and agreement with the parties involved.

Stage I: Project



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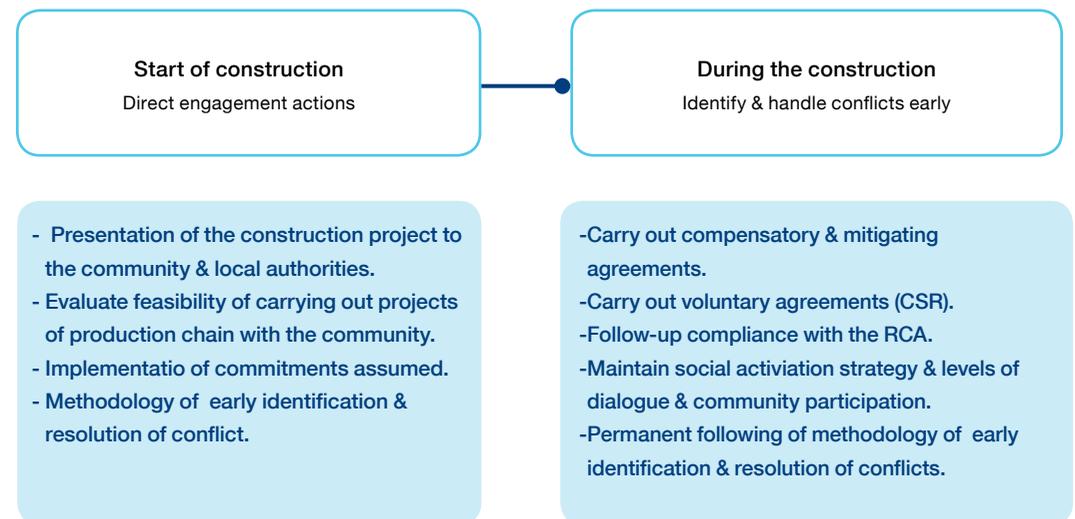
1.2. Construction stage

Two key phases are identified in the construction stage. The first is the start of construction, which requires an informative deployment and constant dialogue with the different stakeholders or local spokesmen, to inform and anticipate doubts, suspicions or fears that may exist in the population and local authorities with respect to the impacts that civil works of this magnitude might have.

This stage includes the materialization of the commitments adopted in the environmental qualification resolution processes and those arising from of the consensus process established with the community on the previous phases.

Once the construction starts (the second phase), the focus is placed on the impact that the increased population might have on the local community, establishing channels of direct dialogue with the community, plus talks and constant training of the contractor teams so that they adjust to the relationship standards with the community and respect for the environment of Endesa Chile. In addition, the actions taken in the previous phases are maintained with respect to the social organizations, and also the voluntary CSR projects. The constant monitoring is also maintained of identification and early resolution of conflicts in the spirit that constant and open dialogue is the best way to handle situations in order to arrive at solutions between the parties.

Etapa II: Construcción



1.3. Operation stage

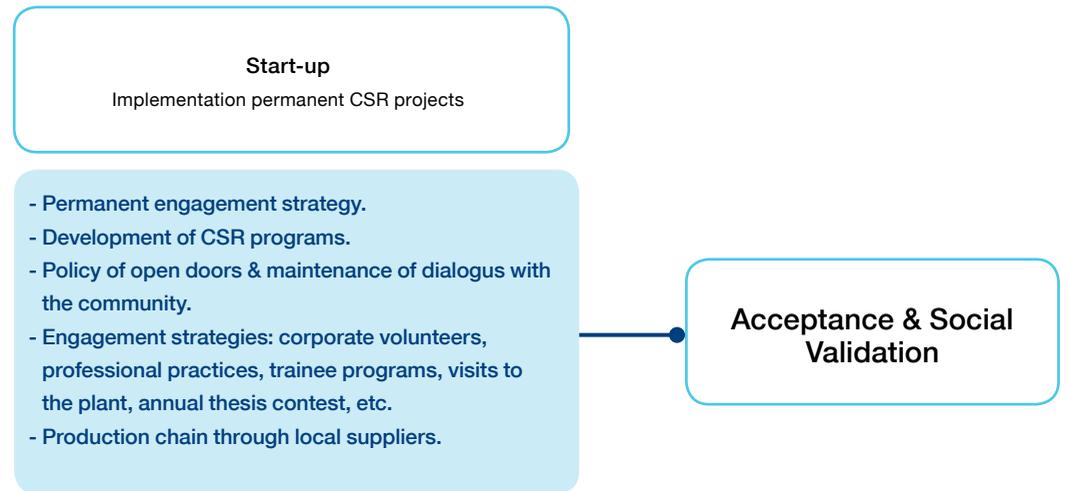
The operation stage begins once the plant is in service, when the impacts on the community diminish considerably. However, engagement with the community goes much farther than mitigation and/or compensation. This is why permanent relationship strategies are developed through the levels of dialogue established in

the earlier phases, plus the development of the CSR projects which have been implemented. In addition, the engagement phases linked to the operation begin to be developed: visits to the plants and mainly constant and transparent relations with the different players which are the principal stakeholders and those whose concerns and suggestions have to be listened to.

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Etapa III: Operación



“Effective engagement with the community is fundamental today. During the stages of the project, you have to recognize all the stakeholders and talk to them in a consensual manner and mitigating the impacts. Our challenge is to go farther than a good technical solution and to

analyze the social environmental impacts, adapting the original design taking into account that although not necessarily the most attractive economically, it is more sustainable”.

Marcelo Álvarez
Projects Manager, Endesa Chile

1.2. Potential social impacts in the construction of hydroelectric, thermal and wind plants [SO9]

Impact	Initiative	Stakeholders involved
Medio social y humano		
Increase in population density	- Establish specific support programs for municipal & local public services when it is considered that the floating population will generate alterations in access to local goods & services.	Local authorities Neighboring communities Workers
Modification of the spatial concentration of human groups	- Implement a relocation plan for communities directly affected by the project works, e.g. those located within the area to be flooded in the case of hydroelectric plant reservoirs.	Local authorities Neighboring communities
Modification of migratory processes	- Instruct & create awareness of workers to avoid possible conflicts with the local community; - Establish permanent communication programs to know the concerns of the neighbors.	Neighboring communities Workers / Contractors
Effects on the economically-active population	Measures that bolster the positive impacts: - Prefer employment of local workforce, with same degree of training; - Provide training activities to the local communities in order to develop activities during the construction stage.	Local authorities Neighboring communities Workers
Construction aspects		
Alteration of infrastructure	- Establish a program of coordination with the authorities for transportation of large or heavy equipment; - Prefer, with similar safety levels, the least-busy routes for transportation of materials, inputs, equipment & machinery.	Neighboring communities Visitors & tourists Authorities Workers
Cultural patrimony		
Loss of sites or elements of cultural patrimony	- Inform & train workers by talks on what to do should they find cultural artifacts during the works. - Make archeological recovery of pieces or artifacts that be preserved off site.	Environmental authorities Workers / Contractors

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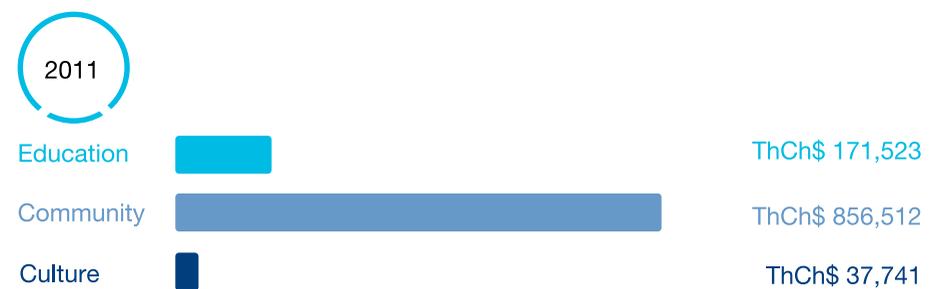
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Social investment 2012



Total 2010: ThCh\$ 793,183



Total 2011: ThCh\$ 1,065,776



Total 2012: ThCh\$ 1,178,623

2. Projects of Endesa Chile, present situation and future challenges

2.1. Neltume Hydroelectric Plant

EU19 This pass-through hydroelectric project, located in the village of Neltume, district of Panguipulli in the region of Los Ríos, has followed Endesa Chile's strategy of early insertion.

Information offices has been established since 2007 in places closet o the area of the future project, plus an open house for three months of 2011, as part of the citizen participation process and an engagement plan in the zone.

An information office is currently open in Neltume in order for the company to relate with the different stakeholders, as shown below:

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Stakeholders with which the company is engaged in Neltume

Civil society organizations committed with the project	<ul style="list-style-type: none"> * Resident associations. * Sports organizations. * Religious organizations. * Cultural organizations. * Round tables involving three communities.
Public authorities	<ul style="list-style-type: none"> * Governor of Los Rios region. * Mayor of Panguipulli. * Director of the Environmental Evaluation Service. * Regional ministerial secretaries (Seremis) of organism members of of the revision technical committee of the environmental impact study (EIA).
Local communities	<ul style="list-style-type: none"> * Neltume community. * Puerto Fuy community.

2.1.1. Social benefits associated with the project at this stage

[ECS] **[EC9]** During 2012, Endesa Chile has worked with the local communities on a series of community development projects in order to improve the quality of life of the families. These were arranged through competitive funds

These include:

Community initiatives	
Project	Objective
• Watering of the main streets of Neltume.	• Reduce the impact caused by dust due to increased vehicle traffic in summer.
• Improvement of housing & construction of a crafts center in Neltume.	• Support the local craftsmen skills & supply labor for housing improvements.
• Improvement of the road & water network in the indigenous community of Juan Quintumán.	• Improve the quality of life of the inhabitants with respect to both services.
• School transport scholarships.	• Contribute to the improvement in educational level of children of the zone & reduce the absenteeism rate.

Training in Neltume

One of the principal concerns of the community was the need to generate work and training in localities close to the project. Training has been given to the local community in various skills. Since 2007, Endesa Chile has implemented programs for the training of some 2,500 people in areas like bricklaying, carpentry, concrete making, etc., and also in matters like catering, hotel work, tourism, crafts and anything that helps families to improve their present economic conditions with jobs linked to tourism, which is increasing in the zone and which is projected to grow faster in the future.

2.2. Renaico Wind Farm

[EU19] **[ECS]** This project is located in the village of the same name in the region of La Araucanía. Endesa Chile began approaches to the local community in 2012 in order to explain the initiative, listen to doubts and incorporate these concerns in the project's design.

The following commitments were made after this first instance of engagement:

- Formation of work round tables comprising community organizations, the municipality and representatives of Endesa Chile, in order to establish a formal place of dialogue.

- Implement the company's Energy for Education program at public schools in the area of the project during the whole operation.
- Implement a program of competitive funds for local development for community organizations with legal status in the village of Renaico in order to:
 - Finance community initiatives for developing projects benefiting organized groups.
 - Motivate the organize participation of the people in solving problems or social and/or community needs.
 - Support initiatives for promoting the social and economic development of the social and community organizations.

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2.3. Los Cóndores Hydroelectric Plant

[S010] This project, to be located in the town of San Clemente in the Maule region, has certain commitments established as part of the environmental qualification resolution (RCA) of the high-tension line. These include the collaboration agreement signed with Casa de Rehabilitación de Animales, Casa Noé, from the city of Linares.

During 2012, this organization was supported with equipment for the new installations of the zoological rehabilitation center and park which was inaugurated in September 2012 in that city.

Endesa Chile's commitment with the Agriculture and Livestock Service (SAG) and incorporated in the RCA, with the help of Casa Noé, is to be responsible for future rehabilitations of animals injured within the company's installations, whether within the existing plants or during the construction and operation of the future Los Cóndores hydroelectric plant.

Also as part of the project, Endesa Chile has proposed maintaining the implementation of the Energy for Education program, currently operating in four educational establishments in the zone (El Colorado, Paso Nevado, Los Álamos and La Mina), in order to collaborate in the generation of bigger opportunities for the children of San Clemente through improvements in quality of school teaching.

2.4. Construction of the second unit of the Bocamina thermal plant

[EU19] **[EU22]** The construction of the second unit of the Bocamina TP, which started up in late October 2012, located at Coronel in the Biobío region, began in 2008. That year, as a result of an agreement reached between the company and the neighboring community, Endesa Chile would relocate 104 families affected by the construction work in three stages. A further 282 families were later added from the community alongside the

plant, Aroldo Figueroa, which said it was affected by the construction and operation of the new unit. In 2012, Endesa Chile completed the relocation of the families in accordance with the agreements with the different organized groups, this supporting the community in improving the quality of life and their surroundings. In all, 106 families were relocated, totaling 425 people. With this, the relocation of 430 families since the start of the works was completed.

Families relocated			
Relocation year	Community	Families	
		Affected	Relocated
2008-2010	Stage 1: Capitán Cabrejo & Mario Fuentealba streets.	104	103
2009-2010	Stage 1: Aroldo Figueroa locality.	115	115
2011	Stage 2: Aroldo Figueroa locality.	106	106
2012	Stage 3: Aroldo Figueroa locality.	61	37
2012	La Colonia Baja locality, in collaboration with Housing and Urbanization Service (Serviu).	80	69
Total		466	430

[S010] In the third quarter of 2011, new groups joined in the social demands made of the company and in 2012, prior to the start-up of the second unit, there was a high level of social conflict.

Public-private round tables were set up comprising representatives of the communities claiming to be affected, the municipality, the governor's office, the regional ministerial secretary of energy and executives of Endesa Chile.

2.4.1. How the relocation agreements were reached

Neighbors' demands were incorporated during the process, which considered aspects like continuing to live in Coronel, close to their workplaces, family and friends, and find a better housing solution than before, with new homes in urbanized sectors.

Negotiations between the communities and Endesa Chile included public organisms (Housing and Urbanization Service (SERVIU), social housing management entities (EGIS), the municipality of Coronel and politicians. The following agreements

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Thanks to the surpluses of the Sence tax credit of Enersis Group companies, 231 low-income people throughout Chile have benefited from social scholarships for skills training. These training scholarships are managed by various non-profit institutions and enable men, women and young people to acquire new skills for entering the job market

were reached in the area of housing through these:

- Relocation of localities close to the works relating to the expansion project.
- Public attention office offering legal and social assistance related to the relocations.

2.4.2. Lessons learned from the process

The experience of Endesa Chile from the construction and start-up of the second unit of the Bocamina TP has resulted in the following lessons for the organization:

- Make an early insertion in the community.
- Maintain constant dialogue over time with the neighboring communities.
- Carry on negotiations through public-private round tables so that the authority becomes the guarantor of the agreements and solutions reached.
- Formation of team of on-site ad-hoc professionals to work with the neighbors.

2.5. Projects in operation

One of the key principals of community engagement that guides the actions of Endesa Chile and which applies to the whole life-cycle of the projects, is territorial relations with communities neighboring the company's operations (territorial engagement)

In the operation stage, territorial engagement, carried out by the company's own personnel, seeks to strengthen the links generated in the previous stages, through the strategic focus on education, materialized in the Energy for Education program of Endesa Educa.

2.5.1. Endesa Educa

Endesa Educa is a CSR strategic plan covering 64 programs in Argentina, Brazil, Chile, Colombia and Peru whose main focus is on education.

2.5.1.1. Strategic objectives

Quality education

To support quality education by providing the tools and training for improving the employability of the community.

Development of sport and culture

To develop sport and culture for promoting the integral development of the people.

Formation around the business

To form people around the business of the Enersis Group, integrating a sustainable view that respects and promotes the social and environmental development of the surroundings.

Equipment and infrastructure

To contribute with equipment and infrastructure to improve the basic conditions for the development of educational environments in spaces of educational importance to the community.

Other social-educational programs

To provide resources and services to have the conditions necessary for people's access to education of quality, mainly focused on food and health.

This corporate CSR strategic plan contributes directly to improving local engagement with the communities linked to the company.

Its general purpose is to contribute to a reduction in social gaps by increasing educational opportunities, thus generating permanent links with the communities where its operates

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2.5.2. Energy for Education Program

Energy for Education began in 2006 as a way to respond to the educational needs that the company's generating plants received annually from their neighboring communities.

The requirements, which were later transformed into strategic objectives of the program, were focused on solving the problems

of teaching infrastructure and technology, and also a lack of space for celebrations.

The purpose of the program is to collaborate in the generation of greater opportunities for the country's children and young people, through improvements in the quality of school tuition. It involves 40 municipal schools whose students come from vulnerable sectors.

Energy for Education activities in 2012	
Highlights in the three areas of support	Equipment
	<ul style="list-style-type: none"> • Textbooks for 7,000 pupils. • Energy efficiency diary for all students benefiting from the program. • 34 "No to Bullying" libraries. • 30 laboratories specialized in mathematics.
	Training
	<ul style="list-style-type: none"> • Training for 30 schools on the implementation of laboratories & school living together. • Subscription for 40 schools to the magazine Aula Editores, with material supporting the national evaluation system of learning results of the Chilean Ministry of Education (SIMCE). • The Canela Alta school (in Canela) won the competitive funds for its project "Strengthening of physical activity".
	Support
	<ul style="list-style-type: none"> • Provision of 12 competitive funds. • 28 cinema functions for the Endesa Chile schools network. • Visits of school students to the nearby plants.

2.5.2.1. Evaluation instruments

Energy for Education has developed three evaluation instruments for obtaining the necessary feedback to ensure the quality of the program:

1.	Performance evaluation Analyzes compliance with the plans established for the period.
2.	Evaluation of satisfaction A survey is made annually of school directors to detect opportunities for improvement & gaps that might exist.
3.	Specific evaluations Developed for special programs for studying the evolution of these initiatives.

2.5.2.2. Cinema in your School program

Cinema in your School is the name of the company's initiative in 2012 which brought free film shows to educational establishments forming part of the Energy for Education program.

As a large number of these are far from urban centers, the purpose of the initiative was to take a selection of films to localities with few

possibilities of going to a traditional cinema, thus making them a meeting place for families and the school community.

This itinerant film cycle, which covered over 11,500 kilometers, measured its carbon footprint in order to compensate the emissions with the purchase of carbon bonds, under a process that will be certified and advised by Fundación Chile.

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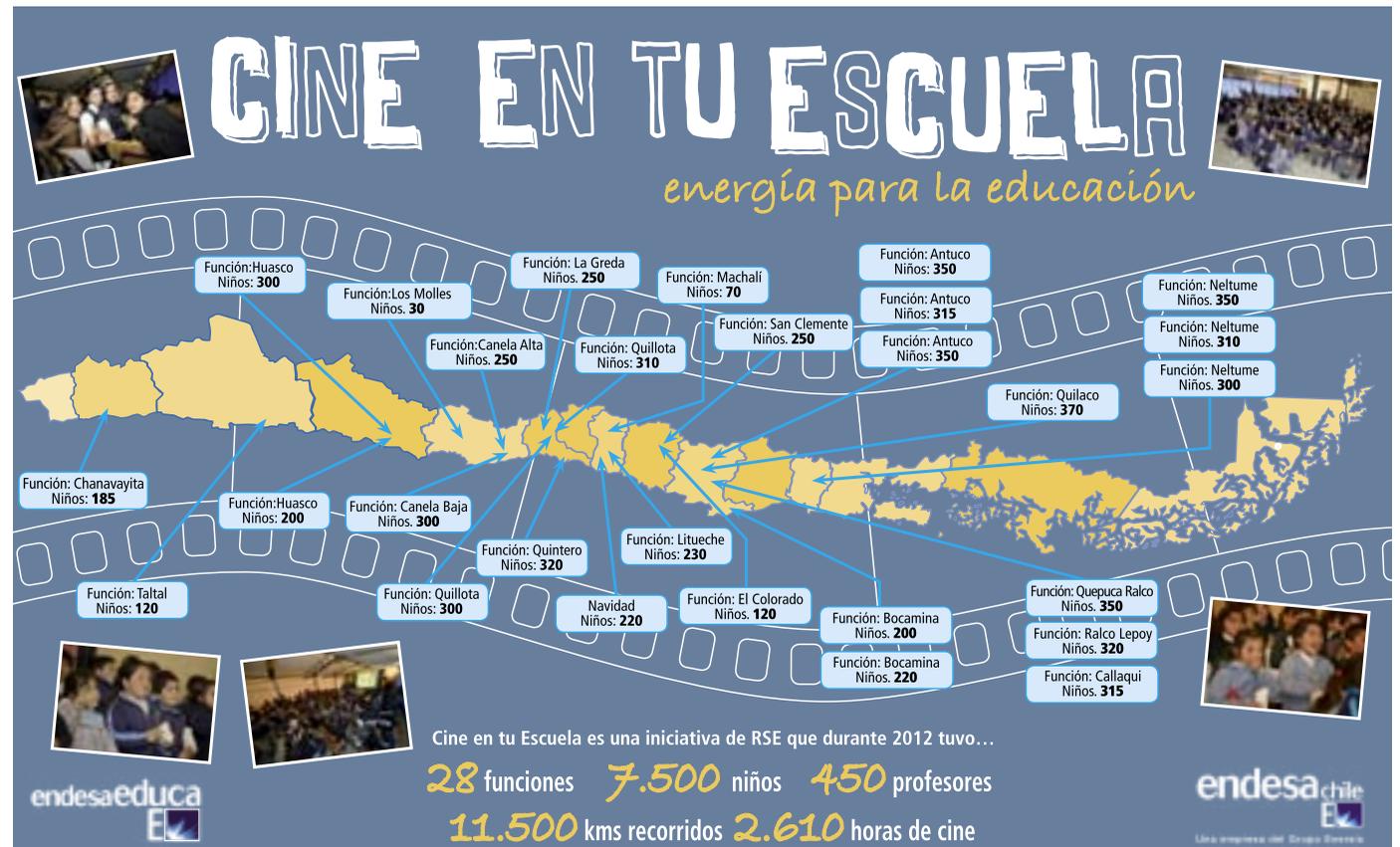
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2.5.2.3. Collaboration agreement with the community of Quillota

Endesa Chile, through its San Isidro and San Isidro 2 thermal plants, has been an active neighbor of the community of Quillota in the Valparaíso region, supporting different activities carried out there since the 1990s, when the construction of the plant started. The collaboration covers community, sports and education activities.

Programs developed in 2012	Achievements
Support for Colegio Valle de Quillota	The Energy for Education program has been supporting this establishments which has 320 pupils, providing all the tools for increasing the school's quality of education.
Sponsorship of school children summer camps in Quillota	Development of socialization & communication skills among the participants of between 9 & 16 years of age.
Tertiary studies scholarships	More than 100 students of between 18 & 25 years received scholarships to cover expenses and continue their studies in universities & professional institutes.

Endesa Chile is aware of the opportunities for improvement and the challenges still laying ahead with respect to territorial engagement:

Opportunities for improvement

- To have a greater impact on the community, expanding the field of action, from education to others with a broader community reach.
- To reach as soon as possible and establish links and spaces of permanent dialogue will all the players in the areas affected.

- To reach a permanent on-site presence through social teams.

Challenges

- To have a greater local community presence at plants in operation. This is a difficult task given their national dispersion.

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3. Fundación Pehuén

Endesa Chile seeks to create shared value through specific initiatives that support and promote. The theoretical thinking behind this line is that the operating policies and practices that increase the competitiveness of a company are strengthened when its field of creation of value positively affects the economic and social development of the communities within its area of influence.

Fundación Pehuén fits this purpose. It is a non-profit entity formed in 1992 by Endesa Chile, which arose with the construction of the Pangué hydroelectric plant, with the objective of promoting programs enabling the sustainability of the Pehuenche communities impacted by the plant.

These communities are Callaqui, Pitiril, Quepuca-Ralco and Ralco-Lepoy, to which were added El Barco and Ayín Mapu with the construction of the Ralco hydroelectric plant.

The foundation works to promote the improvement in the conditions of life of the communities in productive development, education and preservation of the culture, social assistance, and social infrastructure.

Each and every one of the foundation's projects requires a commitment from the families benefiting, through contributions of work, material, money or other alternative that means a closer link with the initiative.

"The Fundación Pehuén has been a fundamental support for me as we live in areas of difficult access, so any help is super important. This scholarship represents about 80% of the cost of accommodation and studies, and that is very significant for those of us with scholarships.

The study benefits were announced when the foundation started and it was then that I decided to apply. I studied at junior school level at a school in Ralco and I then applied to the Adventista School in Los Ángeles. I then studied risk prevention engineering in the same city. I submitted my thesis on December 26 and did very well, even better than I expected.

The foundation therefore for us means more than an economic contribution, but also an emotional support because sometimes you have problems and they give us the enthusiasm to continue studying".

Evelyn Jara Sepúlveda

Outstanding student of the school scholarship program of Fundación Pehuén.



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800

Pehuenche families benefit from Fundación Pehuén.

Map of the communities beneficiaries of Fundación Pehuén



Principal activities 2012 of Fundación Pehuén	
Area	Activities
Education	<ul style="list-style-type: none"> Program of promotion & strengthening of junior & senior school education: financing of studies, accommodation & purchase of school uniforms for young students.
Productive development	<ul style="list-style-type: none"> Planting of crops like wheat, oats, alfalfa & potato seed.
Community social infrastructure	<ul style="list-style-type: none"> Drinking water feasibility study for 28 families in the community of Callaqui. Study for tree-trunk removal from fields for productive use for 17 families, carried out by Endesa Chile professionals.

Achievements 2012 of Fundación Pehuén	
Area	Achievements
Education	<ul style="list-style-type: none"> 31 young people from the communities have graduated between 2006 & 2012 in technical professional and university education.
Productive development	<ul style="list-style-type: none"> 238 families benefited from sowings or annual & traditional crops. Increase of flocks and sanitary management of sheep & cattle for 454 families. 167 new heads of cattle introduced, plus the sanitary control of 4,600 animals twice a year, in autumn and spring.
Community social infrastructure	<ul style="list-style-type: none"> Improvement in the farm & housing infrastructure through the preparation of water systems for irrigation & consumption, construction of homes and fencing of fields, for 121 families.

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“The support of Fundación Pehuén has been super good. It accompanies us in our activities, helping us to meet many of the objectives we set ourselves..

For the women part of this project, we feel that this has meant an empowerment of something that belongs to us and we have been able to recover a tradition that was lost. We are happy, we depend on ourselves and this makes us feel useful by selling our products”.

Elizabeth Jimena Vita,
In charge of sales of the textile project
Fundación Pehuén.



3.1. Initiatives developed in alliances with key players in the region

3.1.1. Program for commercial and associative production of Pehuenche textiles, under an agreement with Fundación Chol-Chol

Objectives of project

- Value and recover the typical traditions of the Mapuche-Pehuenche culture, giving them the relevance of an economic activity, as a source of income for families and producers, thus restoring a tradition with a value that transcends the merely commercial aspect.
- Increase the possibilities of transfer of knowledge and learning organizational management.
- Strengthen self-management to achieve independence of its members.
- Create integration between the productive and commercial areas.

Highlights 2012

- 30 female participants.
- Two technical tours of knowledge exchanges with Mapuche artisans in the La Araucanía region.
- 22 days of training.
- Formation, being formalized, of the association of artisans LLALLIN DOMUCHE, with 30 female members.
- Production and sale of typical Pehuenche crafts on the basis of their authentic designs.

3.1.2. Kayulof program: an associative network of Pehuenche community tourism under an agreement with the corporation SEPADE

Objective of the project

- Promote tourism in the zone by strengthening skills for the design, commercialization and implementation of an associative tourism network in the communities of Callaqui, Pitril, Quepuca-Ralco, Ralco- Lepoy, Ayín Mapu and El Barco.

Highlights 2012

- Diffusion of the project with local community players, public institutions and NGOs.
- Preparation of communicational supports.
- Workshop of tourism and natural and cultural patrimony of the Andean territory of La Araucanía.
- Design and application of diagnosis to Pehuenche tourist entrepreneurs.
- Technical trip to Argentina in coordination with Argentine indigenous communities.
- Formation of the indigenous tourism association KAYULOF MONGUEN, with 28 members making up the tourist network.
- Design of 28 special-interest tourist business plans which will be presented for competitive funding for their materialization.

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3.1.3. Program for strengthening human capital and competitiveness in the Pehuenche cattle sector under an agreement with the Universidad Austral de Chile

Objectives of the project

- Promote cooperation through the development of joint activities among the interested communities.
- Contribute knowledge transfer, improve competitiveness and strengthen human capital in Pehuenche communities of the Alto Biobío.

Highlights 2012

- Technical trips to the premises and farms of the Veterinary Faculty of the Universidad Austral de Chile.
- Four training workshops in interpretation and analysis of soil samples, sources of public and private financing, artificial insemination and pasturing methods.
- Agronomic characterization of the cattle systems of the Alto Biobío.
- Synchronization and insemination of cows.
- Training in the synchronization and insemination of mares.

4. Progress in the Ralco Assistance and Continuity Plan (PAC)

[EU20] With the construction of the Ralco hydroelectric plant, begun in 2000, the company implemented a relocation plan to benefit the Pehuenche families that lived in the surroundings and had to be displaced. During 2012, Endesa Chile continued to meet its commitments under the Ralco assistance and continuity plan (PAC), which in turn reflects the commitments established by the environmental qualification resolution, RCA No.10/97. The main purpose of the activities involved in the PAC is to support and strengthen the productivity of the relocated families, accompanying them in the relocation process (especially during the first stages), and valuing the sites of cultural and religious importance.

The time scale of the PAC foresees its termination in 2014 and its spatial scope covers 81 families of the communities of Ayín Mapu and El Barco.

Among the commitments acquired in the environmental evaluation process is the carrying out of an ex-post evaluation in order to analyze the results of the PAC designed for the relocated families. This evaluation starts after the completion of the PAC of each family.



"In 2004, together with my wife and five children, I was moved to the El Barco community due to the construction of Endesa Chile's Ralco project. Since then, the company has helped the community and my daughters, for example, with study scholarships, and us with training from which we have learnt a lot. My wife and daughter have taken various courses in cooking and pastry making which were very useful in contributing to our household income.

Here in El Barco I have a good house, good sheds and abundant firewood, whereas before I had to buy it. The winter is sometimes harsh but you have to know how to adapt. The support given me by Endesa in winter through its forage contingency plan is good, but I would also like to receive concentrates as a feed complement for the animals.

Our community has been strengthening through the years of relocation, where support through courses and training of our leaders has been fundamental. There is a legally-constituted council which works and metes its function, where the president of the community and I, as a Lonko, take part in meetings with the municipality, Conadi, Indap, SAG and Prodemu, for example".

Gabriel Beroiza
Lonko community El Barco, Ralco PAC beneficiary.

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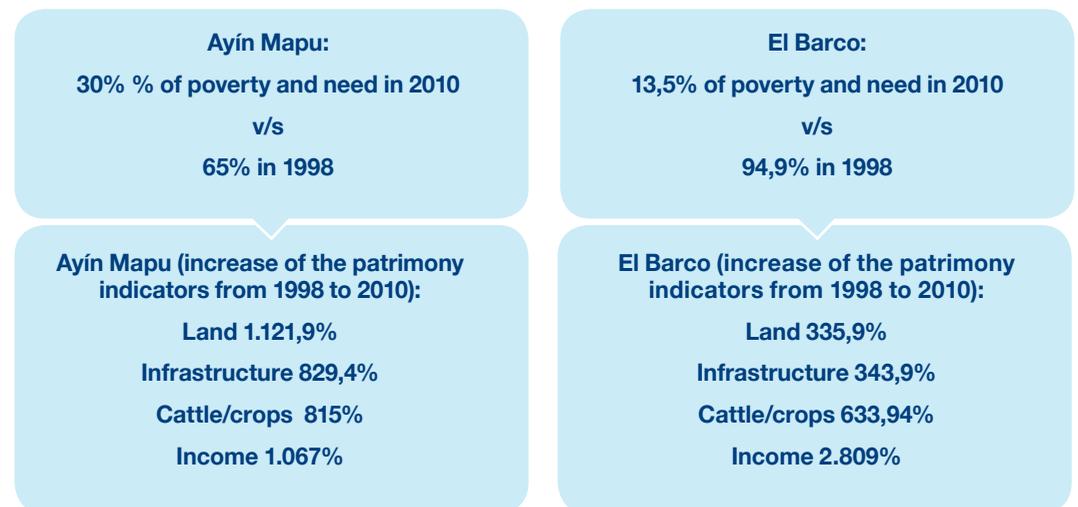
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On the basis of the information indicated and that in the EIA, Endesa Chile contracted in 2011 the external firm GHD, selected by the environmental authority for carrying out the ex-post evaluation of the relocation plan.

In October 2012, GHD delivered to the

environmental authority and to Endesa Chile its final report on the results achieved through the PAC, for 80% of the families as defined in the RCA.

According to GHD's analysis in the report on the results of the PAC, most of the revised indicators shown a positive advance over time.



These percentage increases of the indicators were calculated taking into account the original conditions of the relocated families.

Achievements Assistance and Continuity Plan (PAC)	
Relevant areas	Achievements
Social	There is a special concern to attend the particular situations of the families of the communities of El Barco and Ayín Mapu through constant visits to each of them to discuss significant matters and of use, an activity that has contributed to the resolution of conflicts and particular solutions for the relocated families
Productive	There has been an incipient step from a subsistence economy to a productive one in which the accumulation of capital has been paramount.
Cultural	When comparing with the control group, the relocated group has a much more consolidated productive structure, which translates into a significant increase in their patrimony.
Touristic	It was noted that those maintaining the biggest efforts in traditional practices are the relocated people, determined by a comparison with the control group. El Barco has been the community with highest levels of development in the period following relocation, as evidenced by the numbers of visitors annually and income from tourist services.

The following shows the relevant aspects of the work published in 2012:

Principal activities 2012 of the Ralco PAC			
Area	Initiative	Description & objective of the initiative	Achievements 2012
Education	Program of junior & senior school scholarships	Provision of funds to junior & senior school students to continue their studies.	Scholarship were granted to: • 28 junior school students. • 14 senior school students.
Health	Program of formation & training for rural women	Formation & training courses for women. Organizers: Endesa Chile, Indap & Prodemu.	16 women benefited.

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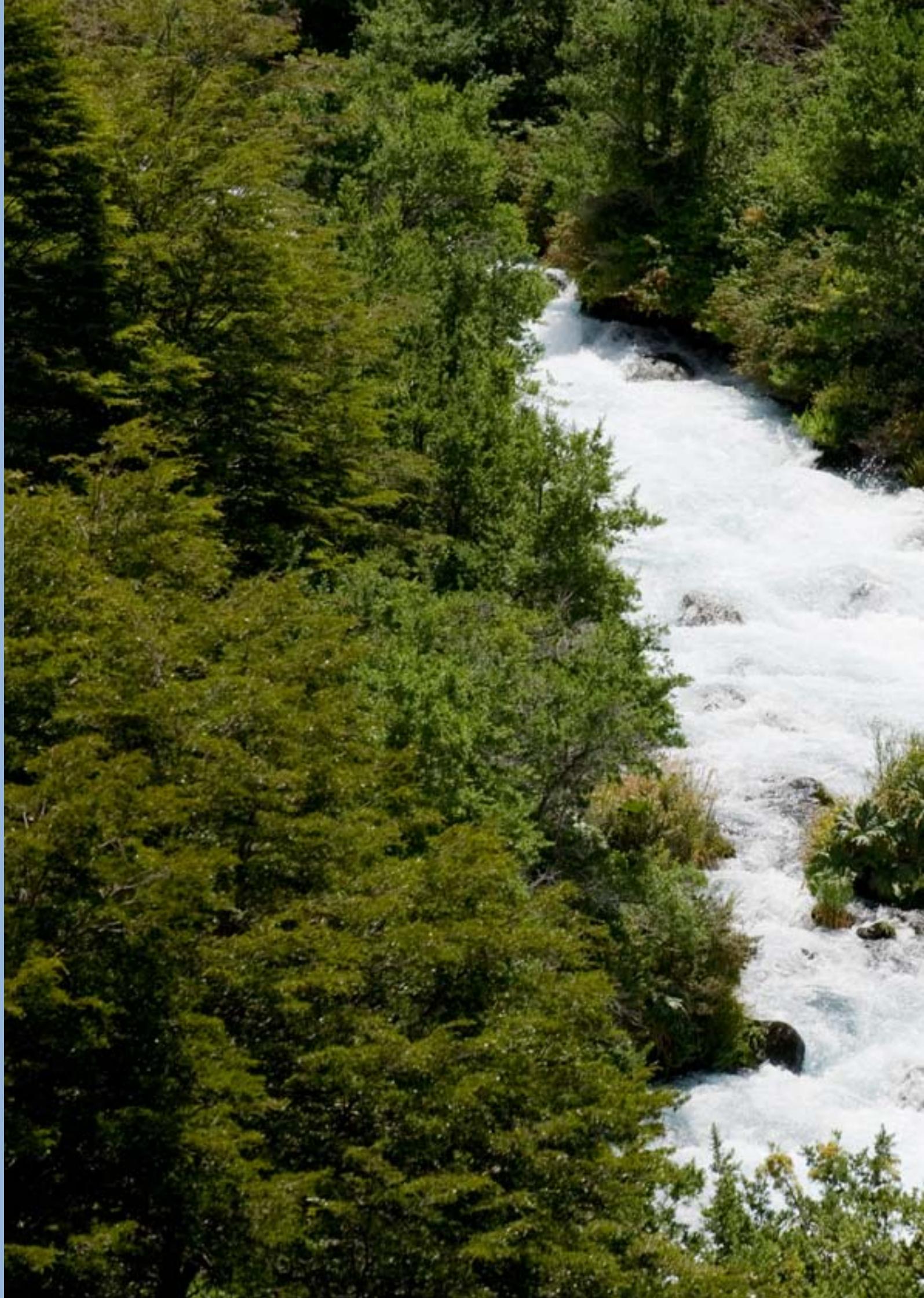
Principal activities 2012 of the Ralco PAC			
Area	Initiative	Description & objective of the initiative	Achievements 2012
Relations with indigenous communities	In organizational reinforcement: Training workshops & community management.	Training in the operation of Covenant 169 and the administration of indigenous cemeteries. Community management, on personal & organizational leadership, community management strategy, design of community & individual projects, enterprise and capacity to manage business.	<ul style="list-style-type: none"> Strengthening of relations of trust with the indigenous world. Strengthening of organizational & cultural development through transfers of knowledge.
	In the cultural area: support for cultural-religious initiatives.	Support for cultural activities concerning religious ceremonies & cultural gatherings. Promoters: Endesa Chile & CONADI.	
Productive	Training in current productive development regulations	Training in current regulations regarding transportation of animals & inscription of land in the registers of traceability. The purpose of the training is to achieve a higher level of relations with productive development entities. Organizers: Provincial Agriculture & Livestock Service (SAG), Conadi, Indap, Prodesal (El Barco) & PDTI (Ayín Mapu).	<ul style="list-style-type: none"> The relocated families are achieving a higher percentage of awards of projects due to the strengthening of links with productive development entities
	Support for application for government programs	Endesa Chile continued to support 29 families in the community of Ayin Mapu participating in the indigenous territorial development program (PDTI), and 32 families from the El Barco community participating in the local development program (Prodesal), in order to facilitate the documentation necessary for applying for government programs. The purpose of this initiative is to promote relations between the relocated families and the government productive development entities. Organizers: Indap, Conadi, municipalities of Santa Bárbara & Alto Biobío.	Through the Prodesal development program, 15 families from El Barco obtained projects for a total of Ch\$9,147,628, and through the PDTI program, 34 families from Ayín Mapu, of which 11 correspond to owners, obtained projects totaling Ch\$18,557,970.
	Support for application to public bidding	Support for entering public biddings in order to improve coordination in applying for production projects. Organizers: Conadi, waters authority (DGA)	Following applications to CONADI projects, 5 families (3 from Ayin Mapu & 2 from El Barco) received a total of Ch\$4,102,150 in inputs & materials for productive development projects.
	Technical assistance activities	Activities focused on the production of cereals & crops, and training in production management.	Transfer of knowledge to families through advice on production processes.

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Appendix I. Summary of key performance indicators

[2.8] General indicators

	2010	2011	2012	Page
Installed capacity in Chile (MW)	5,611	5,611	5,961	26
Net electricity generation in Chile (GWh)	20,194	20,722	20,194	27
% hydroelectric generation in Chile	60.4%	57.5%	55.6%	27
% thermal generation in Chile	38.9%	41.9%	43.7%	27
% wind generation in Chile	0.7%	0.6%	0.8%	27

Environmental performance indicators

	2010	2011	2012	Page
No. of ISO 14001 certified plants	28	28	28	28
Gas emissions into the atmosphere (tons/year)				
CO ²	4,027,877	4,598,625	4,819,052	95
NOx	6,571	6,928	6,699	95
SO ²	7,360	9,853	11,529	95
PM10	1,321	1,579	980	95
Generation of solid industrial waste through operations (tons)				
Hazardous	423	216	393	101
Non-hazardous	1,165	1,370	542	101
Inert	49,808	83,253	92,444	101
Consumption of raw materials at installations (GJ)				
Coal	12,380,001	18,665,478	21,405,046	99
Oil	8,231,989	2,682,378	1,534,412	99
Natural gas	46,500,610	51,485,214	54,055,454	99
Fuel oil	4,005	30,966	147,092	99
Environmental investments & expenses (MCh\$)				
Environmental investments	147	1,375	9,024	102
Environmental expenses	2,506	2,275	2,341	102

Economic performance indicators

	2011	2012	Page
No. of countries with a presence	4	4	26
Closing share price of the Santiago Stock Exchange (Ch\$)	763.22	778.11	66
Sales of electricity (MCh\$)*	1,214,468	1,031,596	-
Operating result (MCh\$)*	787,971	632,210	65
Personnel expenses (MCh\$)*	42,827	55,833	67
EBITDA (MCh\$)*	974,123	292,702	66

* These figures relate to the generating operations in Chile.

Internal social performance indicators

	2010	2011	2012	Page
Indicators of internal social actions				
Total No. of own employees	607	1,081	1,106	116
% women	12%	16%	15%	116
% unionized	67%	62%	64%	128
No. of unions	5	5	5	128
Hours of training	38,058	63,212	57,705	122
Training rate	64 hrs/person	58 hrs/person	52.2 hrs/person	122
No. of accidents	2	0	3	129
No. of fatalities	0	0	0	129
No. of days lost	47	0	38	129
Tasa de absentismo (mujeres)	5,26	2,95	2,67	129
Tasa de absentismo (hombres)	2,35	1,75	1,35	129

External social performance indicators

	2010	2011	2012	Page
Social investment of Endesa Chile (MCh\$)	793	1,075	1,179	140

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Indicator	Description	Global Compact principles	Millennium development objectives	ISO 26.000	Page
1. Strategy & Analysis					
1.1	Declaration of top level responsible for decision-making in the organization (chief executive, chairman or equivalent) on the relevance of sustainability for the organization & its strategy.	-	-	6.2	8-11
1.2	Description of the principal impacts, risks & opportunities.	-	-	6.2	59,92
2. Profile of the organization					
2.1	Name of the organization.	-	-	-	26
2.2	Principal trademarks, products &/or services.	-	-	-	26
2.3	Operative structure of the organization, including the principal divisions, operative entities, subsidiaries & joint ventures.	-	-	6.2	14,26
2.4	Location of the head office of the organization.	-	-	-	14
2.5	No. of countries in which the organization operates and name of countries in which it has significant activities or which are specifically relevant to aspects of sustainability referred to in this report.	-	-	-	26
2.6	Nature of ownership & legal structure.	-	-	-	28
2.7	Markets served (including a geographic detail, the sectors supplied & type of customers/beneficiaries).	-	-	-	72,73
2.8	Dimensions of the organization, including: <ul style="list-style-type: none"> • No. of employees. • Net sales (for organizations in the private sector) or net revenues (for public-sector organizations). • Total capitalization, detailed in terms of debt & equity. 	-	-	-	26, 67, 156
2.9	Significant changes during the period covered by the report in the size, structure & ownership of the organization.	-	-	-	29
2.10	Prizes & distinctions received during the period reported.	-	-	-	47
EU1	Installed capacity, analyzed by source of energy & regulatory regime	-	-	-	26
EU2	Net energy production, detailed by source of energy & by country or regulatory regime	-	-	-	27
EU3	No. of residential, industrial, institutional & commercial customers	-	-	-	72
EU4	Length of transmission lines & distribution by voltage	-	-	-	Not applicable due to the nature of Endesa Chile's business which the generation of energy, but not its transmission or distribution.
EU5	Assignment of CO2 emission certificates analyzed by regulatory regime.	-	-	-	Not applicable as the company is catalogued as no appendix I of the Kyoto Protocol.
3. Parameters of the report					
PROFILE OF THE REPORT					
3.1	Period covered by the information contained in the report (e.g. fiscal year, calendar year).	-	-	-	14
3.2	Date of most recent previous report (if any).	-	-	-	14
3.3	Cycle of report presentation (annual, bi-annual, etc.).	-	-	-	14
3.4	Point of contact for questions relating the report or its content.	-	-	-	Contraportada
3.5	Process of definition of the contents of the report, including: <ul style="list-style-type: none"> • Determination of materiality. • Priority of aspects included in the report. • Identification of the stakeholders that the organization expects will use the report. 	-	-	-	15

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Indicator	Description	Global Compact principles	Millennium development objectives	ISO 26.000	Page
SCOPE AND COVERAGE OF THE REPORT					
3.6	Coverage of the report (e.g. countries, divisions, subsidiaries, installations rented, joint ventures, suppliers). Consult the protocol in coverage of the report 25 of GRI, for more information.	-	-	-	14
3.7	Indicate any limits to the scope or coverage of the report.	-	-	-	14
3.8	The basis for including information in the case of joint ventures, subsidiaries, leased installations, sub-contracted activities & other entities that may significantly affect comparability between periods &/or organizations.	-	-	-	14
3.9	Data measurement techniques and bases for the calculations, including underlying assumptions & techniques to the estimates applied in the gathering of indicators & other information for the report.	-	-	-	14
3.10	Description of the effect that the re-expression of information relating to previous reports might have, together with the reasons causing such re-expression.	-	-	-	14
3.11	Significant changes relating to previous periods in the scope, coverage or valuation methods applied in the report.	-	-	-	14
INDEX OF GRI CONTENTS I					
3.12	Table indicating the location of the basic content of the report. Identifies the page numbers or web links where the following information can be found: <ul style="list-style-type: none"> • Strategy & analysis, 1.1–1.2. • Profile of the organization, 2.1–2.8. • Parameters 	-	-	-	14
VERIFICATION					
3.13	Current policy & practice in relation to the request for external verification of the report. If the verification report is not included in the sustainability report, the scope & basis should be explained of any other external verification in existence. The relationship should also be clarified between the organization & the supplier(s) of the verification.	-	-	7.5.3	15
4. Governance, commitments and participation of stakeholders					
GOVERNANCE					
4.1	The governance structure of the organization, including the highest levels of governance committees responsible for tasks like defining the strategy or supervision of the organization.	-	-	6.2	50
4.2	It should be indicated whether the chairman of the top organ of governance also occupies an executive position (and if so their function within the management of the organization and the reasons justifying this).	-	-	6.2	50
4.3	In organizations having a unitary management structure, indicate the number & gender of the members of the top organ of governance who are independent and not executives.	-	-	6.2	50
4.4	Mechanisms of shareholders & personnel for communicating recommendations or indications to the top level of governance.	-	-	6.2	52
4.5	Links between the remuneration of the members of the top organ of governance, senior managers & executives (including agreements for leaving the position) and the performance of the organization (including social & environmental performance).	-	-	6.2	51
4.6	Procedures introduced to avoid conflicts of interest in the top level of governance.	-	-	6.2	57

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Indicator	Description	Global Compact principles	Millennium development objectives	ISO 26.000	Page
4.7	Procedure for determining the composition, training & experience required of members of the top level of governance & its committees, including any consideration of gender & other indicators of diversity.	-	-	6.2	51
4.8	Declarations of mission & valued developed internally, codes of conduct & principles relevant for the economic, environmental & social performance, and the state of its implementation.	-	-	6.2	29
4.9	Procedures of the top level of governance for supervising the identification & management by the organization of the economic, environmental & social performance, including related risks & opportunities, and the adherence or compliance.	-	-	6.2	51
4.10	Procedures for evaluating the performance of the top level of governance, especially with respect to economic, environmental & social performance.	-	-	6.2	51
COMMITMENTS WITH EXTERNAL INITIATIVES					
4.11	Description of how the organization has adopted a precautionary suggestion or principle. Article 15 of the Principles of Rio introduced a precautionary focus. A response to point 4.11 could include the focus of the organization on environmental matters.	-	-	-	92
4.12	Economic, environmental & social principles or programs developed externally, and any other initiative that the organization subscribes to or approves.	-	-	-	46
4.13	Principal associations to which it belongs (such as sector associations) &/or national & international entities in which the organization participates.	-	-	-	46
PARTICIPATION OF STAKEHOLDERS					
4.14	Relations of stakeholders that the organization has included.	-	-	6.2	18
4.15	Basis for the identification & selection of stakeholders with which the organization is committed.	-	-	6.2	18
4.16	Focuses adopted for the inclusion of stakeholders, including the frequency of their participation by stakeholder type & category.	-	-	6.2	20
4.17	Principal concerns & aspects of interest that have arisen through the participation of stakeholders and the way in which the organization has responded to them in the preparation of the report.	-	-	6.2	16
Economic performance					
DMA EC	Economic focus	-	-	6.2 6.8	65, 72, 76
Availability and reliability					
EU6	Management for ensuring the short & long-term availability & reliability of electricity.	-	-	-	76
EU7	Demand management programs, including residential, commercial, institutional & industrial programs	-	-	-	76
Research and development					
EU8	Research & development activities directed to providing reliable & attainable electricity and promoting sustainable development.	-	-	-	86
EU9	Provisions for dismantling sites with nuclear energy plants.	-	-	-	Endesa Chile has no nuclear energy plants. Its energy generation is based on hydroelectric, thermal & wind plants.

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Indicator	Description	Global Compact principles	Millennium development objectives	ISO 26.000	Page
Economic performance					
EC1	Direct economic value generated & distributed, including revenue, cost of sales, personnel remuneration, donations & other investments in the community, undistributed earnings & payments to suppliers of capital & governments.	-	1 al 8	6.8 6.8.3 6.8.7 6.8.9	67
EC2	Financial consequences & other risks & opportunities for the activities of the organization due to climate change.	-	-	6.5.5	110
EC3	Coverage of the organization's obligations due to social benefit programs.	-	-	-	Endesa Chile has no cover of this kind for its employees
EC4	Significant financial assistance received from governments.	-	-	-	Tax credits were received in 2012 relating to property taxes, donations & training expenses of Ch\$ 307,065,228
Market presence					
EC5	Range of differences between the initial standard wage and the local minimum wage by gender in places where significant operations are carried out.	-	-	6.4.4 6.8	120
EC6	Policy, practices & proportion of expense relating to local suppliers in places where significant operations are carried out	-	-	6.6.6 6.8 6.8.5 6.8.7	134
EC7	Procedures for local contracting and proportion of senior management from the local community in places where significant operations are carried out	6	-	6.8 6.8.5 6.8.7	119
Indirect economic impacts					
EC8	Development & impact of investments in infrastructure and the services provided mainly for the public benefit under commercial commitments, pro bono or In specie.	-	1 al 8	6.3.9 6.8 6.8.3 6.8.4 6.8.5 6.8.6 6.8.7 6.8.9	142
EC9	Understanding & description of significant indirect economic impacts, including the scope of the impacts.	-	1	6.3.9 6.6.6 6.6.7 6.7.8 6.8 6.8.5 6.8.6 6.8.7 6.8.9	142
Availability and reliability					
EU10	Planned capacity against projected long-term demand for electricity, analyzed by source of energy & regulatory regime.	-	-	-	35
Efficiency of the system					
EU11	Average efficiency of thermal generating plants by source of energy & regulatory regime.	-	-	-	100
EU12	Transmission & distribution losses as percentage of total energy.	-	-	-	Not applicable due to the nature of Endesa Chile's business which the generation of energy, but not its transmission or distribution.
Environmental performance					
DMA EN	Environmental management focus	-	-	6.2 6.5	87, 92, 97, 99, 100, 101, 102, 104
Materials					
EN1	Materials used, by weight or volume.	8	7	6.5 6.5.4	99, 101
EN2	Percentage of materials used that are reutilized materials.	8.9	7	6.5 6.5.4	Not applicable as Endesa Chile does not use raw materials in its energy generation that are the waste of other processes or industries.

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Energy					
EN3	Direct energy consumption by primary sources.	8	7	6.5 6.5.4	99
EN4	Indirect energy consumption by primary sources	8	7	6.5 6.5.4	99
EN5	Energy saving due to conservation & improvements in efficiency.	8.9	7	6.5 6.5.4	87, 88, 89
EN6	Initiatives for providing efficient products & services in the consumption of energy or based on renewable energies, and reductions in energy consumption as a result of such initiatives.	8.9	7	6.5 6.5.4	86, 89, 111
EN7	Initiatives to reduce the indirect consumption of energy and the reductions achieved by these initiatives.	8.9	7	6.5 6.5.4	During 2012, initiatives were developed like the ISO 50001 certification of the Quintero plant and the preparation of an energy management systems implementation manual which will be published in March 2013, in order to reduce the direct & indirect consumption of energy in our production processes, motivating a correct energy performance.
Water					
EN8	Water catchment by sources.	8	7	6.5 6.5.4	97
EN9	Water sources that have been significantly affected by water catchment.	8	7	6.5 6.5.4	98
EN10	Percentage & total volume of water recycled & reused.	8.9	7	6.5 6.5.4	The company does not recycle or reuse water.
Biodiversity					
EN11	Description of adjoining land or that located within natural protected spaces or areas of large unprotected high biodiversity. Indicate the location & area of land owned, leased or managed of high biodiversity value in areas outside protected areas.	8	-	6.5 6.5.6	105
EN12	Description of the most significant impacts on biodiversity in protected natural spaces or in areas of unprotected areas of high biodiversity, deriving from the activities, products & services in protected areas & in areas of high biodiversity value in zones outside the protected areas.	8	-	6.5 6.5.6	106
EU13	Comparison between the biodiversity of the habitats affected and the biodiversity of the habitats displaced.			-	106
EN13	Protected or restored habitats.	8	7	6.5 6.5.6	106, 109
EN14	Strategies & actions introduced & planned for the management of impacts on biodiversity.	8	7	6.5 6.5.6	108
EN15	Number of species, identified as a function of their danger of extinction, included in the Red List of the IUCN and in national lists and whose habitats are in areas affected by the operations, according to the degree of threat to the species.	8	-	6.5 6.5.6	107

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Emissions, dumps and waste					
EN16	Total emissions, direct & indirect, of greenhouse gases, by weight.	8	-	6.5 6.5.5	At the end of the period reported, the company was in the process of verifying the methodology for calculation of the carbon footprint under the ISO 14064 standard. A preliminary calculation of Scope 1 of the carbon footprint of the installations of Endesa Chile for 2012, reached 4,817,098.5 tCO ₂ e. Of these, 99.84% relate to the electricity generation from the thermal plants and 0.16% to hydroelectric plants.
EN17	Other Indirect emissions of greenhouse gases, by weight	8	7	6.5 6.5.5	At the end of the period reported, the company was in the process of verifying the methodology for calculation of the carbon footprint under the ISO 14064 standard. A preliminary calculation of Scope 3 of the carbon footprint of the installations of Endesa Chile for 2012, reached 1,108.5 tCO ₂ e, relating to national & international air travel of personnel of Endesa Chile.
EN18	Initiatives to reduce greenhouse gas emissions & reductions achieved.	7,8,9	7	6.5 6.5.5	112
EN19	Emissions of substances destructive of the ozone layer, by weight.	8	7	6.5 6.5.3	Not considered a significant aspect of the company's activity as the processes involved in electricity generation do not cause emissions of such characteristics.
EN20	NOx, SOx & other significant emissions to the air, by type & weight.	8	7	6.5 6.5.3	95
EN21	Total discharge of waste waters, by nature & destination.	8	7	6.5 6.5.3	98
EN22	Total weight of waste managed, by type & method of treatment.	8	7	6.5 6.5.3	100
EN23	Total number & volume of most significant accidental spillages.	8	7	6.5 6.5.3	102
EN24	Weight of waste transported, imported, exported or treated considered as hazardous, according to the classification of the Basle Convention, appendices I, II, III & VIII and percentage of waste transported internationally.	8	7	6.5 6.5.3	100
EN25	Identification, size, state of protection & biodiversity value of water resources & related habitats, significantly affected by discharges of water & slag waters of the organization.	8	7	6.5 6.5.4 6.5.6	None of the electricity generation installations of Endesa Chile significantly affects the value of the biodiversity of the water resources & related habitats as a result of discharges of water & slag waters.
Products and services					
EN26	Initiatives for mitigating the environmental impacts of the products & services, and degree of reduction of this impact.	7, 8, 9	7	6.5 6.5.4 6.6.6 6.7.5	92
EN27	Percentage of products sold & their packaging materials that are recoverable at the end of their useful lives, by category of products.	8, 9	7	6.5 6.5.4 6.7.5	Not applicable. The business of Endesa Chile is energy generation which cannot be recovered at the end of its useful life.

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Regulatory compliance					
EN28	Cost of significant fines & number of non-monetary sanctions for non-compliance of regulatory standards.	8	-	6.5	There were no fines or non-monetary sanctions for non-compliance of regulatory standards during 2012.
Transportation					
EN29	Significant environmental impacts of transportation of products & other goods & materials used for the organization's activities, plus the transportation of personnel.	8	-	6.5 6.5.4 6.6.6	Not applicable for having no significance in the company's operations.
General					
EN30	List by type of all environmental expenses & investments.	7,8,9	-	6.5	102
Labor performance					
DMA LA	Labor management focus				116, 118, 120, 123, 125, 126, 127, 128, 129, 131, 132
Employment					
EU14	Processes for retaining & renewing talent.	-	-	-	123
EU15	Percentage of employees with right to retire in the next 5 & 10 years, by job category & region.	-	-	-	118
EU16	Policies & requirements relating to employee safety & health, and of contractors & sub-contractors.	-	-	-	131
LA1	Workforce by type of employment, contract & region, according to gender.	-	1 y 3	6.4 6.4.3	116, 131
LA2	Total number of new employees & average turnover of workers, by age group, gender & region.	6	1 y 3	6.4 6.4.3	118
EU17	Contractor & sub-contractor workers involved in construction, operation & maintenance activities.	-	-	-	132
EU18	Contractors & sub-contractors who have received relevant training in matters of health & safety.	-	-	-	132
LA3	Social benefits for full-time workers that are not offered to temporary or party-time workers, detailed by the principal operating locations.	6	1, 2, 4, 5, 6	6.4 6.4.3 6.4.4	124
LA15	Average reinsertion to work & retention after paternal tights, by gender.	-	-	-	127
Company / Worker relations					
LA4	Percentage of employees covered by a collective agreement.	1, 3	-	6.3.10 6.4 6.4.3 6.4.4 6.4.5	128, 132
LA5	Minimum periods of advance notice relating to organizational changes, including whether such notices are specified in the collective agreements.	3	-	6.4 6.4.3 6.4.4 6.4.5	Any organizational change at the management level is communicated by internal means. In addition, within the "open doors" policy that Endesa Chile has with the unions, the company is able to maintain a fluid and constant dialogue. The company does not consider periods of advance notice of large changes.
Health and safety					
LA6	Total percentage of workers represented on joint safety & safety committees established to help control & advise on occupational safety & health programs.	1	6	6.4 6.4.6	130
LA7	Rates of absenteeism, professional illnesses, days lost & number of fatalities related to work, by region & gender.	1	-	6.4 6.4.6	129, 133
LA8	Programs of education, formation, advising, prevention & control of risks applied to workers, their families or members of the community with serious illnesses.	1	4 al 6	6.4 6.4.5 6.8 6.8.3 6.8.4 6.8.8	130

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Indicator	Description	Global Compact principles	Millennium development objectives	ISO 26.000	Page
LA9	Health & safety matters covered by formal agreements with unions.	1	5	6.4 6.4.6	129
Formation and education					
LA10	Average hours of formation per annum per employee, detailed by gender & job category.	-	3	6.4 6.4.7	122
LA11	Programs for the management of skills and continual formation that promote the employability of the workers and that support them in handling the end of their professional careers	-	1 y 3	6.4 6.4.7 6.8.5	123
LA12	Percentage of employees receiving regular performance & professional development evaluations, by gender.	-	3	6.4 6.4.7	123
Diversity and equality of opportunities					
LA13	Composition of corporate governance organs and details of job categories according to gender, age group, belonging to minorities and other indicators of diversity.	1,6	3	6.3.7 6.3.10 6.4 6.4.3	119
LA14	Relationship of men's base wage and remuneration with respect to women's, detailed by professional category and by the principal operational locations.	1,6	3	6.3.7 6.3.10 6.4 6.4.3 6.4.4	127
Human rights					
DMA HR	Management focus relating to human rights				58, 132, 141, 144
Investment and procurement practices					
HR1	Percentage & total number of investment agreements & significant contracts that include clauses incorporating human rights matters of have been the subject of analysis in terms of human rights.	1,2,3,4,5,6	1 y 3	6.3 6.3.3 6.3.5 6.6.6	In 2012, of the 25 contractor companies of Endesa Chile, 84% (21) represent significant investment contracts (over 5 million euros). All of these include clauses regarding compliance with human rights through the acceptance of general contracting conditions. These requirements are established in the ten principles of the Global Compact that suppliers should meet in terms of human rights. Purchase orders also mention the general contracting conditions.
HR2	Percentage of the principal suppliers, contractors & other commercial partners that have been analyzed in terms of human rights, and measures taken as a consequence.	1,2,3,4,5,6	1	6.3 6.3.3 6.3.5 6.4.3 6.6.6	In 2012, 84% (21) of the principal suppliers & contractors were analyzed in terms of human rights.
HR3	Total hours of formation of employees in policies & y procedures relating to those aspects of human rights relevant to their activities, including the percentage of employees formed.	1,2,3,4,5,6	-	6.3 6.3.5	In 2012, Endesa Chile trained & provided up-to-date information & action tools enabling employees to be able to respond to the requirements of application of Convention 169, on indigenous rights & participation. 6 people were trained during the year with a 76 hours of training.
Non-discrimination					
HR4	Total number of incidents of discrimination and corrective measures adopted.	1, 2, 6	3	6.3 6.3.6 6.3.7 6.3.10 6.4.3	58

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Indicator	Description	Global Compact principles	Millennium development objectives	ISO 26.000	Page
Freedom of association and collective agreements					
HR5	Principal operations & suppliers in which the right to freedom of association & collective bargaining may be violated &/or run important risks, and measures	1, 2, 3	-	6.3 6.3.3 6.3.4 6.3.5 6.3.8 6.3.10 6.4.3 6.4.5	No operations were identified during the period that places at risk the rights of the company's employees, the unions also being able to denounce these. Neither were limitations detected to freedom of association or expression of employees within the company, as shown by the number of unions & unionized workers.
Child exploitation					
HR6	Principal operations & suppliers that have been identified as of significant risk of child labor, and measures adopted to contribute to the effective abolition of child labor.	1, 2, 5	2	6.3 6.3.5 6.4.3 6.6.6	Endesa Chile rejects any form of child labor in every country where it operates, as indicated in the United Nations Global Compact & labor legislation. To ensure compliance with these principles, contractors should comply with the criteria or the Global Compact.
Forced labor					
HR7	Principal operations & suppliers that have been identified as of significant risk of originating from incidents of forced or non-consented labor, and measures adopted to contribute to the elimination of all forms of forced & non-consented labor.	1, 2, 4	3	6.3 6.3.5 6.4.3 6.6.6	Endesa Chile rejects any form of forced labor in every country where it operates, as indicated in the United Nations Global Compact & labor legislation. To ensure compliance with these principles, contractors should comply with the criteria.
Security practices					
HR8	Percentage of security personnel who have been formed in the organization's policies or procedures in human rights aspects relevant to their activities.	1, 2	-	6.3 6.3.5 6.4.3 6.6.6	Endesa Chile's own security personnel consist of two people who work as private industrial security guards. These have been formed in human rights matters. They are re-trained every two years on the same matters. The sub-contracted security personnel, as for all sub-contractors working in the company, are subject to all current regulations set out in the general contract conditions.
Indigenous rights					
HR9	Total number of incidents related to violations of the rights of indigenous people and measures adopted.	1, 2	3	6.3 6.3.6 6.3.7 6.3.8 6.6.7	There was no formal denouncement during 2012 about possible violations of indigenous rights.

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Indicator	Description	Global Compact principles	Millennium development objectives	ISO 26.000	Page
Evaluation					
HR10	Percentage & total number of operations that have been subject to human rights revisions &/or evaluations of impact.	-	-	-	See HR5, HR6, HR7, HR8
Remediation					
HR11	Number of complaints relating to human rights that have been classified, directed & resolved through complaint mechanisms.	-	-	-	No complaints relating to human rights were recorded during 2012.
Society					
DMA SO	Management focus in relation to society	-	-	6.2 6.6 6.8	55, 56, 77, 108, 141, 142, 143, 144, 152
Community					
SO1	Percentage of operations with programs implemented through agreements with the community, impact evaluations & development of programs.	1	1 al 8	6.3.9 6.6.7 6.8 6.8.5 6.8.7	Regarding the installations in operation & under construction, 96%, i.e. 27 of the 28, have commitment programs with the community, specifically the "Energy for Education" program. The only installation with no program is the Diego de Almagro thermal plant as there are no schools in its neighborhood.
SO9	Operations with significant present or potential negative impacts on local communities.	-	-	-	141
SO10	Prevention & mitigation measures implemented in operations with significant present or potential negative impacts on local communities	-	-	-	144
EU19	Participation of stakeholders in decision-taking processes related to the planning of projects and the development of infrastructure.	-	-	-	142, 143, 144
EU20	Engagement to manage displacement impacts (local residents).	-	-	-	152
EU22	Number of people displaced by the expansion of or new project related to the generation installations and transmission lines, analyzed for physical & economic displacement.	-	-	-	144
Disasters, emergencies and response plans					
EU21	Contingency planning measures, disasters or emergencies management plan & training programs, and recuperation & restoration plans.	-	-	-	77
Corruption					
SO2	Percentage & total number of business units analyzed with respect to risks related to corruption.	10	-	6.6 6.6.3	55
SO3	Percentage of employees formed in the organization's anti-corruption policies & procedures.	10	-	6.6 6.6.3	55
SO4	Measures taken in response to incidents of corruption.	10	-	6.6 6.6.3	58

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Indicator	Description	Global Compact principles	Millennium development objectives	ISO 26.000	Page
Public policy					
SO5	Position in public politics & participation in their development and lobbying activities.	1, 2, 3,4, 5,6,7,8,9,10	-	6.6 6.6.3	64
SO6	Total amount of financial contributions & in specie to political parties or related institutions, by countries.	10	-	6.6 6.6.4	No financial contributions & in specie were made in 2012 to political parties or related institutions in Chile by Endesa Chile.
Unfair competition					
SO7	Total number of actions for cases related to monopoly practices or against free competition, and their results.	-	-	6.6 6.6.5 6.6.5	There are no cases related to monopoly practices or against free competition
Regulatory compliance					
SO8	Monetary value of significant sanctions & fines and total number of non-monetary sanctions deriving from non-compliance with laws & regulations.	-	-	6.6 6.6.7 6.8.7	There were no significant sanctions or fines in 2012.
Liability for products					
DMA PR	Management focus related to product liability	-	-	6.2 6.6 6.7	72
Access					
EU23	Programs, including those jointly with the government, for improving or maintaining access to electricity & customer support services.	-	-	-	Not applicable. Endesa Chile is a generator company, not a distributor, and therefore has no relations with residential customers. All its direct customers are large companies, as stipulated in Chilean legislation.
Provision of information					
EU24	Practices for tackling the little culture, language, spelling & disability associated with limitations of access & safe use of electricity by customers	-	-	-	Not applicable. Endesa Chile only supplies energy to large customers and distributor companies. Its commercial contacts are at a professional level and present no kind of restrictions like those stated in this indicator.

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Indicator	Description	Global Compact principles	Millennium development objectives	ISO 26.000	Page
Customer health and safety					
PR1	Phases of life cycle of products & services in which are evaluated, with a view to improvement, their impacts on the health & safety of customers, and percentage of significant product & service categories subject to such evaluation.	1	4	6.3.9 6.6.6 6.7 6.7.4 6.7.5	Not applicable to Endesa Chile due to the nature of its product which is electricity. The actions for preventing & mitigating their adverse effects on health & safety are made on external aspects, such as investment in safety & protection equipment & installations, adherence to industrial safety regulations, educational campaigns, appropriate signs, etc. These actions are oriented to persons neighboring operations or high-tension lines of the company.
PR2	Total number of incidents deriving from non-compliance with legal regulations or voluntary codes related to the impacts of the products & services on health & safety during the life cycle, distributed as function of the type of result of such incidents.	1	-	6.3.9 6.6.6 6.7 6.7.4 6.7.5	No incidents are recorded impacting the health & safety of customers of Endesa Chile due to breach of regulations or internal safety regulations.
EU25	Number of injuries & fatalities to the public involving the company's assets, including legal actions, establishments & cases pending for illnesses.	-	-	-	59
Labeling of products and services					
PR3	Types of information on products & services that are required by current procedures & regulations, and percentage of products & services subject to such information requirements.	8	-	6.7 6.7.3 6.7.4 6.7.5 6.7.6 6.7.9	72
PR4	Total number of non-compliances with regulation & voluntary codes relating to information & labeling of products & services, distributed by type of results of such incidents.	8	-	6.7 6.7.3 6.7.4 6.7.5 6.7.6 6.7.9	Due to the nature of the product sold by Endesa Chile, electric energy & power, this requires no labeling. Information on the characteristics of the product (supply volumes & conditions) is a contractual matter between the company & its customers, and its quality meets regulatory standards of each country's market. Any discrepancy between the product supplied and that contracted is resolved according to the mechanisms contemplated between the parties and in accordance with current regulations.
PR5	Practices with respect to customer satisfaction, including the results of customer satisfaction surveys.	-	-	6.7 6.7.3 6.7.4 6.7.5 6.7.6 6.7.9	75

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Indicator	Description	Global Compact principles	Millennium development objectives	ISO 26.000	Page
Communications and marketing					
PR6	Programs of compliance with laws or adherence to standards & voluntary codes mentioned in marketing communications, including advertising, other promotional activities & sponsorships.	-	-	6.7 6.7.3 6.7.6 6.7.9	Not applicable due to the type of product sold. However, corporate publicity fully adheres to the Chilean Code of Publicity Ethics which is based on the standards of the International Code of Publicity Practices of the International Chamber of Commerce, Paris, with the implications, modifications & updates proposed by the associations members of the Council of Publicity Self-regulation and Ethics (CONAR).
PR7	Total number of incidents resulting from non-compliance with regulations relating to marketing communications, including publicity, promotions & sponsorship, distributed by type of result of such incidents.	-	-	6.7 6.7.7	Not applicable due to the type of product sold. There has been no such incident.
Customer privacy					
PR8	Total number of duly-founded complaints with respect to privacy & the leakage of personal data on customers.	1	-	6.7 6.7.7	No complaints of this kind have been made. Supply contracts between Endesa Chile & its customers contemplate confidentiality clauses that safeguard all information susceptible to being used by a third party for its benefit, including for periods that extend beyond the term of the contract.
Regulatory compliance					
PR9	Cost of significant fines resulting from non-compliance with regulations relating to the supply & se of the organization's products & services	-	-	6.7 6.7.6	59
Access					
EU26	Percentage of the population not served within the service areas.	-	-	-	Not applicable. The nature of Endesa Chile's business is the generation of energy, not its transmission or distribution.
EU27	Number of residential disconnections due to non-payment, detailed by duration of the disconnection & regulatory regime.	-	-	-	Not applicable. The nature of Endesa Chile's business is the generation of energy, not its transmission or distribution..
EU28	Frequency of energy interruptions	-	-	-	Not applicable. The nature of Endesa Chile's business is the generation of energy, not its transmission or distribution.
EU29	Average duration of energy interruptions.	-	-	-	Not applicable. The nature of Endesa Chile's business is the generation of energy, not its transmission or distribution.
EU30	Average availability factor of the plant by source of energy & regulatory regime.	-	-	-	28

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Anexo III. External verification report



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Independent Accountants' Report

The President and Directors

Empresa Nacional de Electricidad S.A. (Endesa - Chile)

We have reviewed the content and data disclosed in the "2012 Sustainability Report of Endesa - Chile", as of December 31, 2012, discussed below of Empresa Nacional de Electricidad S.A. ("Endesa - Chile"), its power-generation subsidiaries: its power - generation subsidiaries Empresa Eléctrica Pehuenche S.A., Empresa Eléctrica Pangué S.A., Compañía Eléctrica Tarapacá S.A., Compañía Eléctrica San Isidro S.A., Endesa Eco S.A. Central Eólica Canela S.A. and its joint controlled entities: Gas Atacama Generación S.A. and Centrales Hidroeléctrica de Aysén S.A. Endesa - Chile's Management is responsible for the preparation and presentation of the Sustainability Report.

Our review was conducted in accordance with attestation engagement standards established by the Colegio de Contadores de Chile A.G. A review is substantially less in scope than an examination or audit, which purpose is to express an opinion on the 2012 Sustainability Report of Endesa - Chile. Accordingly, we do not express such an opinion.

Contents and data disclosed in the 2012 Sustainability Report of Endesa - Chile were reviewed considering the criteria addressed in the GRI Sustainability Reporting Guidelines as described in G3.1 and its related Supplement for the Electricity Sector, which is summarized as follows:

- Determine that the information and data disclosed in the 2012 Sustainability Report of Endesa - Chile are duly supported with sufficient evidence.
- Determine that Endesa - Chile has prepared its Sustainability Report 2012 in accordance with GRI Principles on Content and Quality as discussed in G3.1 and Supplement for the Electricity Sector.
- Confirm the applicability level as stated in the 2012 Sustainability Report of Endesa - Chile is in accordance with the guidance as discussed in G3.1.

Our procedures considered conducting inquiries with the Board of Directors, Management and other personnel in Endesa - Chile irresponsible for the preparation of this report, as well as performing other analytical procedures, that included:

- Interviews with Endesa - Chile relevant personnel, in order to assess Management's preparation process, content definition and information systems used in 2012 Sustainability Report of Endesa - Chile.
- Review of data included in the report to support the information provided by Endesa - Chile.
- Review of the design and implementation of the systems and methods used to collect and process the information reported.
- Analytical procedures on the reliability and accuracy of the data provided.
- Visits to the San Isidro Combined Cycle Power Station and Rapel Hydroelectric Power Station sites selected on a basis of a risk analysis that considered both quantitative and qualitative criteria.
- Review the information disclosed in the 2012 Sustainability Report of Endesa - Chile.

Based on our review, nothing came to our attention that caused us to believe that:

- The information and data disclosed in the 2012 Sustainability Report of Endesa - Chile are not duly supported with sufficient evidence.
- The 2012 Sustainability Report of Endesa - Chile has not been prepared in accordance with the GRI Sustainability Reporting Guidelines as discussed in G3.1 and Supplement for the Electricity Sector.
- The A+ application level as stated by Endesa does not meet the requirements for such a level, as discussed in the GRI Guideline G3.1.

Luis Felipe Encina K-F

March 22, 2013

KPMG Ltda.

Anexo IV- Declaration of control of level of GRI application

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Statement GRI Application Level Check

GRI hereby states that **Endesa Chile** has presented its report "Sustainability Report 2012" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3.1 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 26 March 2013



Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because Endesa Chile has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 11 March 2013. GRI explicitly excludes the statement being applied to any later changes to such material.

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This Sustainability Report has been prepared for knowledge and diffusion to all stakeholders, who may make their comments and suggestions in the section Contact of the institutional web page www.endesa.cl.

For information on this Report, please contact:

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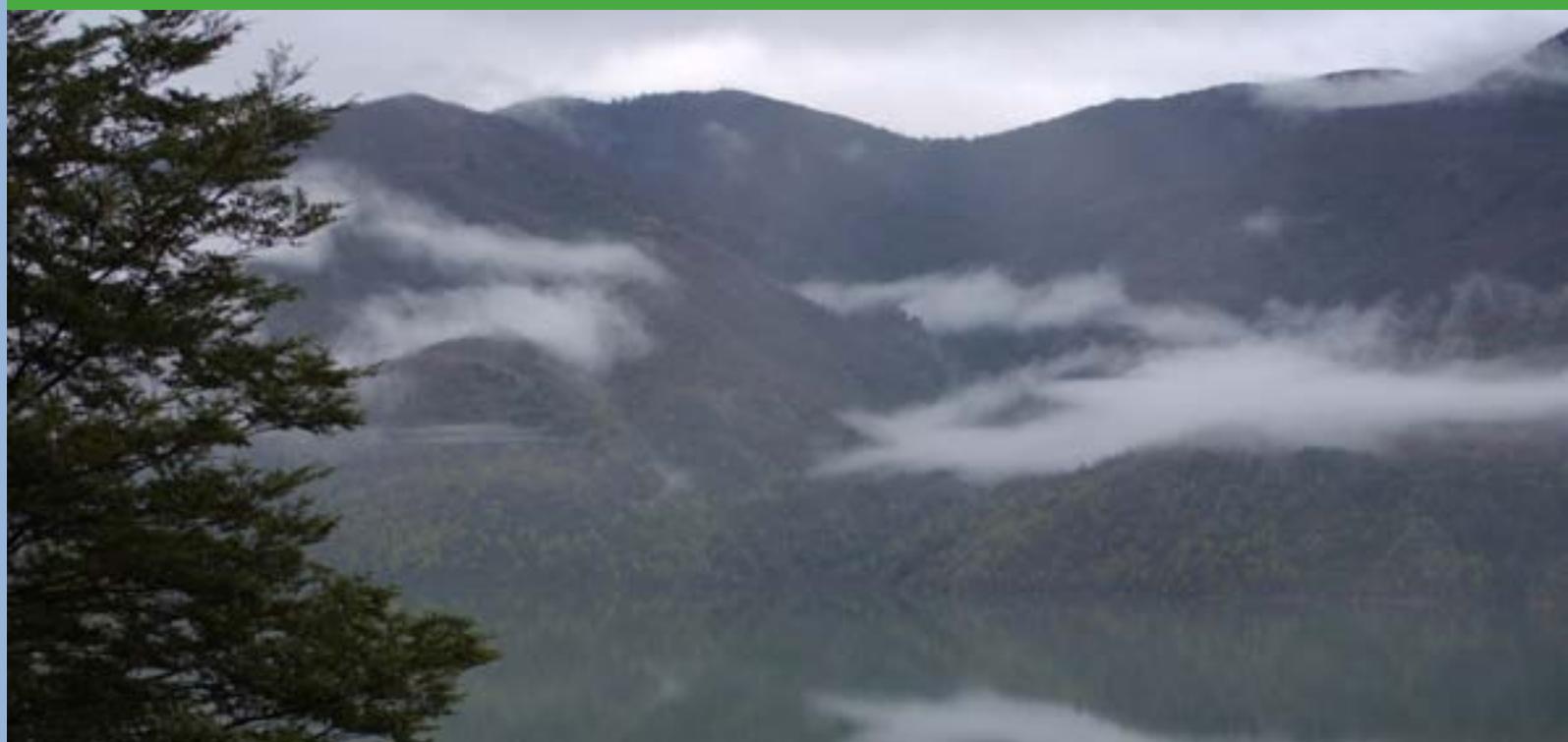
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