



Sustainability Report 2020



Editorial	In times of pandemic, response to crisis	Transelec at a Glance	Sustainability Policy and Strategy	Energy Security for Chile	Commitment to our Customers	Commitment to our Employees	Shared Value, Social Investment and Citizen Participation	Environmental Responsibility	Relationship with the Ecosystem	Integrity and Accountability in Leading Our Business	Annexes
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What inspires us?

Our Mission

To lead the power transmission business in Chile, by adequately meeting the country's needs and our customers' requirements, developing efficient and quality solutions, correct system operation while upholding high occupational health and safety standards.

Our commitment to sustainable development and operational excellence of the power transmission system is embedded in our employees' daily work.



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Interview with Andrés Kuhlmann, Chief Executive Officer of Transelec S.A.

A year full Of challenges and lessons Learned

In a challenging year in world history, Transelec continued to work with a team of people committed to the sustainable development of power transmission.

In this interview, the Transelec CEO summarizes some actions taken during this period.

2020 was in many ways a challenging year, what was Transelec’s response to the pandemic?

The first thing was to take care of our employees, implementing health measures and we quickly switched to teleworking wherever possible, in addition to promoting self-care and mental health support initiatives. We

The first thing we did was to take care of our employees and ensure the operational continuity of the power transmission system, which is our duty and main commitment.

also took measures to ensure operational continuity of the transmission system, which is our duty and main commitment to Chile.

And, at the same time, from very early on we were aware of what was coming, we redesigned our community engagement plan, increasing by 70% our social investment budget and rolling out a “Community Support Plan in the context of Covid-19” that involved developing social investment projects across Chile based on five strategic pillars: food, health, education, community infrastructure and local employment, and entrepreneurship. This plan was implemented in more than 25 communities near our operations.

Employee health and safety is once again at the centre of Transelec’s actions...

Caring for our employees is essential to our work and for several decades we have stressed the importance of self-care and safety at our operations and projects.

Therefore, it is particularly sensitive to the entire organization the fatal accident in November 2020 that occurred at Conelsur, our related party in Peru, where a contractor died while doing line maintenance work. This accident has driven us to strengthen our work safety efforts, self-care and control safety standards at all times.



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In business terms, was the company affected by the extraordinary circumstances we are living?

Recent Transelec tenders have had very good outcomes. In February 2020, we won four important transmission projects, totalling close to USD227 million. In addition to the projects already underway, it means a total of 51 projects, from Arica to Chiloé, and, although they have undergone some temporary adjustments caused by lockdowns at different times, construction has continued without any problems.

How are these projects going to contribute to the Chile's development?

Most of them are improving the transmission system, making it more robust and safer, to offer better supply quality in different regions of Chile.

Other projects are to ensure viability of integrating renewable energy into the grid, taking transmission lines closer to solar and wind energy generators – normally far from consumption centres – so as to take decisive steps towards a decarbonized power grid. Transmission is essential to this process, and if renewable energy generation is moving quickly forward, then it is important to also speed up the pace of transmission.

How do you plan in an uncertain scenario such as this one that we know will continue for a long time?

Planning has undergone a complete change, where the assessment of different potential scenarios has become relevant. And this is not just because of the Covid-19 pandemic. We are living the effects of climate change, both the global and Chilean political outlook is very volatile, and socially we are living in times of a lot of distrust. In view of this uncertainty, we have to strengthen long-term commitments, build relationships with all stakeholders and, undoubtedly invest more, which is absolutely possible thanks to the significant fall in energy prices in the last few years.

Finally, what are the lessons learned by Transelec in such a complex year as 2020?

First, 2020 definitely quickened the digital transformation process we had already started. During the year, we digitalized and automated several operational tasks, not only by using the video conference and collaborative work platforms, but also by using complex tools, such as, augmented reality smart glasses to provide remote support in operation and maintenance tasks.

This digital transformation also affected our relationship with communities; we have continued working remotely with communities. In order to do so, we installed free WIFI in 33 community centres, we trained the all our local community leaders on how to use the remote communication platforms, and we created digital working groups between Transelec and the community, because we know we have to be present, regardless of the circumstances, and ours is a deep and long-term commitment to comprehensively development our neighbours.



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In times of pandemic

Response to crisis

2020 was certainly one of the most challenging years in modern human history. As they say, “in times of crisis, people show their true colours.” Times when the Purpose and Values stated by organizations are tested to see if they really are part of their strategy or just good intentions.

Transelec’s DNA consists of 567 employees who during the social crisis and pandemic showed their remarkable commitment. They are aware that thanks to their work at the office and operations and the development of the projects, Chile has access to the electricity people normally need at home, at work and even at an industrial and business level.

Our values:



Respect



Commitment



Integrity



Excellence



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Our actions

What did we do to...?



Ensure service quality of power transmission

- We enabled a new Emergency Operation Centre and we doubled the number of national power grid operators.
- We launched the new Operation Strategy to ensure service continuity through adequate risk management.
- We commenced key work to strengthen the Norte Grande power grid.
- We continue our commitment to invest more than US\$1.25 billion over the next five years, with more than 51 projects currently underway.

[More information on p. 17](#)



Support our customers

- We increased engagement actions with our customers, to understand and quickly respond to new problems caused by the pandemic.
- We digitalized field work management.
- We moved forward with the sensorization application, advanced analytics and predictive models, and we sped up the adoption of new technologies, such as augmented reality to support field activities.
- Pulse was launched, a digital platform to trace and guarantee the origin of renewable energy.

[More information on p. 28](#)



Take care of our employees and contractors

- We implemented actions promised in the Towards a More Inclusive Chile plan that includes diversity and inclusion actions, and support, for example, on personal finances and pensions.
- In the context of the pandemic, we focused on protecting people, emotional containment of employees and operational continuity.
- We maintained the People Management plan actions to develop talent, diversity, inclusion and relationship with employees.
- We strengthened labour relations and we held the first online collective bargaining process.
- We are working on improving contractor working conditions in the context of the Towards a More Inclusive Chile Plan.

[More information on p. 36](#)



Help our local communities

- We developed a community support plan in the context of Covid with social investment projects in: food, health, education, infrastructure and local employment, and economic reactivation.
- We rolled out actions promised in the Towards a More Inclusive Chile Plan.
- We strengthened our community engagement strategy, social investment and citizen participation.
- We increased our budget by 70% to support the community, to implement all the support actions for the locations next to our operations and projects

[More information on p. 53](#)

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Transelec at a glance

Transelec’s responsibility is to ensure that Chileans have an uninterrupted power supply, thus contributing to their quality of life and the country’s development.

1. Our Company

We are the leading high-voltage transmission systems provider in Chile and the most important transmission company in Chile.

We transmit electricity, through high-voltage transmission lines, from the generation sources to the cities and to major industrial and mining users.

We transport electricity to light the homes of 98% of the population who live between Arica and Chiloé, and we have a 84.9% share in the National Power Grid (SEN) in 154 kV high-voltage lines¹. Since 2016, the Transelec Group is also present in Peru, through Conelsur.

We are responsible for ensuring residential and industrial customers have a continuous power supply, and thus contribute to improving the country’s development and quality of life. Our customers are the users who withdraw and/or inject power into the transmission systems, i.e., power generation and distribution companies, industrial and mining customers.

We develop and operate projects in harmony with local communities, contributing to local and community development, and protecting the environment.



¹ In 500 kV transmission lines (23.1%), in 220kV lines (38.1%), and in 66 and 110 kV lines (9.4%).

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Transmission is the power system segment that enables the electricity to travel and to connect generation with distribution and the end users.

Generation

The journey of electricity begins with generation, this includes gas, oil, water, wind, sun and biomass energy production.

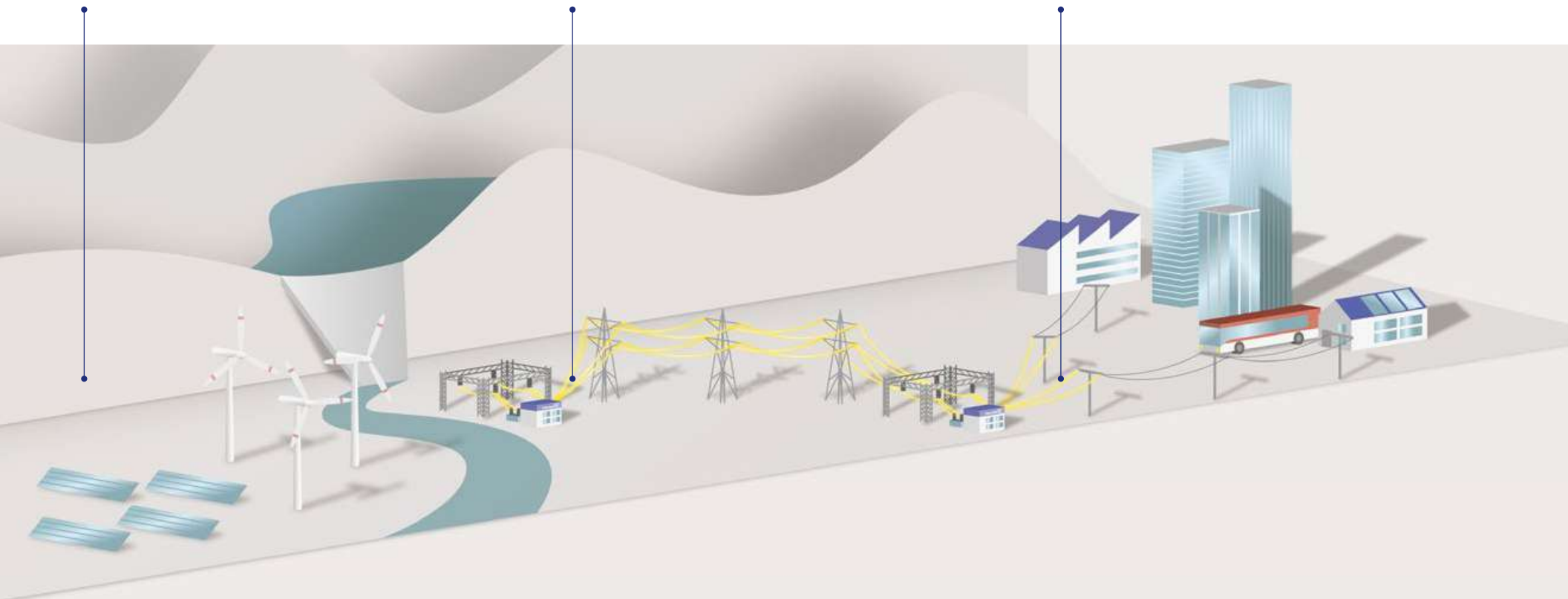


Transmission

Electricity is delivered through lines, towers and substations, from the power stations to the distribution systems.

Distribution

The journey of electricity ends in the distribution network that takes electricity to homes, companies and other end users.



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Our scope



We deliver to **98%** of the population who live between Arica and Chiloé.



9,857 km

of transmission lines.

63

substations²

19,136 MVA

(Megavolt Ampere) of transformation capacity



567

employees³
More than **96%** have technical or professional expertise.
3,518 contractors



100%

ownership interest owned by for shareholders: Canadian Pension Plan Investment Board, British Columbia Investment Management Corporation, Public Sector Pension Investment Board and China Southern Power Grid International.



US\$469

income⁴ (58% from the National Grid; 21% from Zonal Grids; 15% from Dedicated Systems and 6% from Services)

EBITDA was **US\$388 million**

² It refers to power substations owned, leased, used and enjoyed by Transelec S.A. for whatever purpose, a significant number of transmission facilities.

³ Total number of employees at Transelec S.A. as of 31/12/2020.

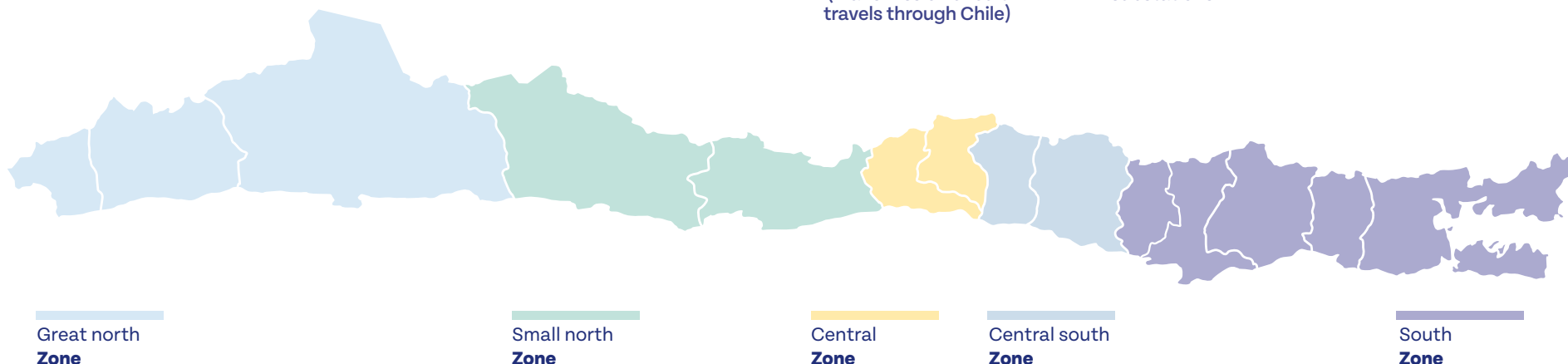
⁴ Revenues and EBITDA in US dollars are calculated based on the observed rate at the end of December 2020 (USD 1= \$ 710.95) as reference.

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Our presence in Chile

9,857 km
(Transmission circuit travels through Chile)

In a system with
63
substations



National Power Grid (SEN)

The National Power Grid (SEN) was created in 2017 by connecting the Central Power Grid (SIC) to the Norte Grande Grid (SING). It is currently 3,100 km long and it covers nearly all the Chilean territory, from Arica to Chiloé Island. The Aysén and Magallanes grids are not connected to the SEN grid.

The National Electricity Coordinator (CEN) operates the system and implements the new tasks specified in the Transmission Law, such as monitoring competition and promoting R&D. This agency also has key responsibilities in planning transmission line expansion, definition of complementary services and incorporation of new technologies to safeguard system operations.

More information about business activities, operations, services and markets at www.transelec.cl and in the Annual Report 2020 available on the same website.

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2. Our businesses

In Chile, we own and operate most of the power transmission facilities that comprise the National Power Grid and we play an essential role in the country's energy development. Our customers are users who withdraw or inject power into the transmission systems, i.e., power generation and distributions companies, industrial and mining customers. We also participate in zonal and dedicated systems.



National power grid

Interconnected lines and substations between Arica and Chiloé, creating a common electricity market, economically efficient and ensuring a continuous supply in different scenarios of generation availability.



Zonal systems

Facilities interconnected with the power grid to exclusively deliver to, free or regulated, end-consumer groups, generally located near to and in cities, where the distribution companies operate.



Dedicated systems

Transmission lines and equipment mainly to supply power to non-regulated customers; to evacuate production from a power station or a small group of power stations. Transmission through these systems is under private contracts between the users and the facility owners.



Adjacent business

We are exploring and developing new transmission-based adjacent business opportunities that take advantage of our expertise. For example, technological platforms to track the origin of energy consumed by customers, infrastructure projects for large industrial customers, especially mining companies, and the development of fiber optics, taking advantage of our transmission network.

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3. 2020 Performance and highlights

Our people

2 female employees received an award for outstanding women in the Energy+Women program.	0 fatalities⁵. 0.26 accident frequency rate.	28 years without a strike. First online collective bargaining process.	80 points in McKinsey's OHI survey, we were in the top decile of companies that use this global instrument.	We made progress with all our initiatives to support our suppliers in the context of our Towards a More Inclusive Chile plan.
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Financial performance

Despite this difficult context affecting the Chile, we kept our promise to invest more than US\$1.25 billion in five years.	USD 469 million in revenues and EBITDA was USD 388 million.	We manage assets amounting to USD 3,972 million.	We generated economic value for USD 488 million , of which USD 324 million are distributed to the different economic agents the company interacts with, and USD 164 million are retained earnings that are reinvested.	51 projects underway to improve the transmission system and connect our customers.
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Energy security

The system average interruption duration index (SAIDI) by customer was 0.8 hours .	3.49 was the Line Disconnection Rate Indicator; it measures the number of forced disconnections as a result of an internal cause every 1000 km of circuit ⁶ .	We started key work activities to strengthen Norte Grande power grid and to shift to a renewable energy grid.	We launched a new Operations Strategy , to ensure service continuity.	We opened a new Emergency Operation Centre and trained new operators.
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Customer-centric and technological innovation

Customer Satisfaction Index was 73% .	More than 60% of renewable energy installed in the last 5 years in Chile has been connected by our company	We changed our Digital Transformation and Innovation Strategy .	38 projects in the innovation portfolio.	We launched Pulse , an unprecedented service that traces and guarantees the origin of renewable energy.
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⁵ At Transelec there were no fatal accidents in 2020. In November we had to regret the death of Marco Huallpaurca Lligua, a Conelur contractor, our related party in Peru. The fatal accident occurred while he was doing line maintenance work.

⁶ The Substation Disconnection Rate Indicator, that measures the number of disconnections per every 1000 circuit end, was 73.12.

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Shared value, social investment and citizen participation

<p>For a More Inclusive Chile: we implemented all the actions promised.</p>	<p>Community Support Plan in the context of COVID with social investment projects in: food, health, education, infrastructure and local employment, and economic reactivation.</p>	<p>Leaders and neighbours from more than 25 communities were trained to use the remote communications platform to hold working group meetings.</p>	<p>We increased in 70% our budget for social investment to help communities during the pandemic</p>	<p>0 conflict or incident in communities associated with the operation or project development.</p>
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Environment

<p>We made progress with the study of two CAPEX projects to adapt to climate change and protect our transmission infrastructure.</p>	<p>We reduced 87,000 tonnes of CO₂ equivalent, comparable to CO₂ emissions of 18,000 passenger vehicles in a year, with the SF6 gas disposal initiative.</p>	<p>32 log heaters replaced by electrical equipment in Osorno and Valdivia in the context of the emission compensation plan framework related to construction projects</p>	<p>Cerro Navia substation entered into the Clean Production Zero Waste agreement driven by the Acción Empresas foundation.</p>	<p>2 environmental incidents have environmental compliance programs submitted to authorities. 0 penalties for environmental violations.</p>
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Corporate governance and integrity

<p>22% of women on the Board of Directors.</p>	<p>25 complaints received in 2020 through our Ethics Hotline; 100% solved in this period. 0 grievances for discrimination, corruption and unfair competition cases.</p>	<p>We updated our Code of Conduct and Ethics and Crime Prevention Model. We improved our Compliance Program.</p>	<p>We held Ethics Workshops for our employees.</p>	<p>We obtained very good results in the Business Ethics and Values Barometer applied by FGE⁷.</p>
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⁷ Fundación Generación Empresarial

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Sustainability policy and strategy

Creating value for the company and society

Context

Chile needs to move faster to connect renewable energy and adopt appropriate mitigation and adaptation measures to allow us to maintain service security and continuity. Technological changes and innovations have started to reshape the power industry; lower return rates and an increasingly demanding regulatory framework drive us to design new business models. In addition, a social environment that became more complex after the social crisis and the subsequent pandemic and economic crisis are some of the challenges faced by the industry.

Furthermore, an increasingly conscious citizenship and that expects investment projects to prevent and mitigate their potential environmental impacts, as well as demands a fairer and more equitable society.

This present the challenge to provide a better service, even more so considering that energy is of critical importance to Chile and, above all, its basic human need

Value creation strategy

The above challenges, and the electricity market changes in Chile and the world, show us that value creation is moving towards the end customer. To adapt our Value Creation Strategy to this new scenario, we carry out a reflection-based analysis on how we want to see Transelec in ten years' time. Thus, we see ourselves as a protagonist in the electricity business, leaders in Chile, also creating value for our shareholders and society. To achieve these goals, we need an agile, flexible, collaborative and sustainable organization.

Our Vision...

Protagonist in the electricity business

Leaders in Chile

Creating value for our shareholders

With an organization...



Agile & Flexible

+



Collaboration

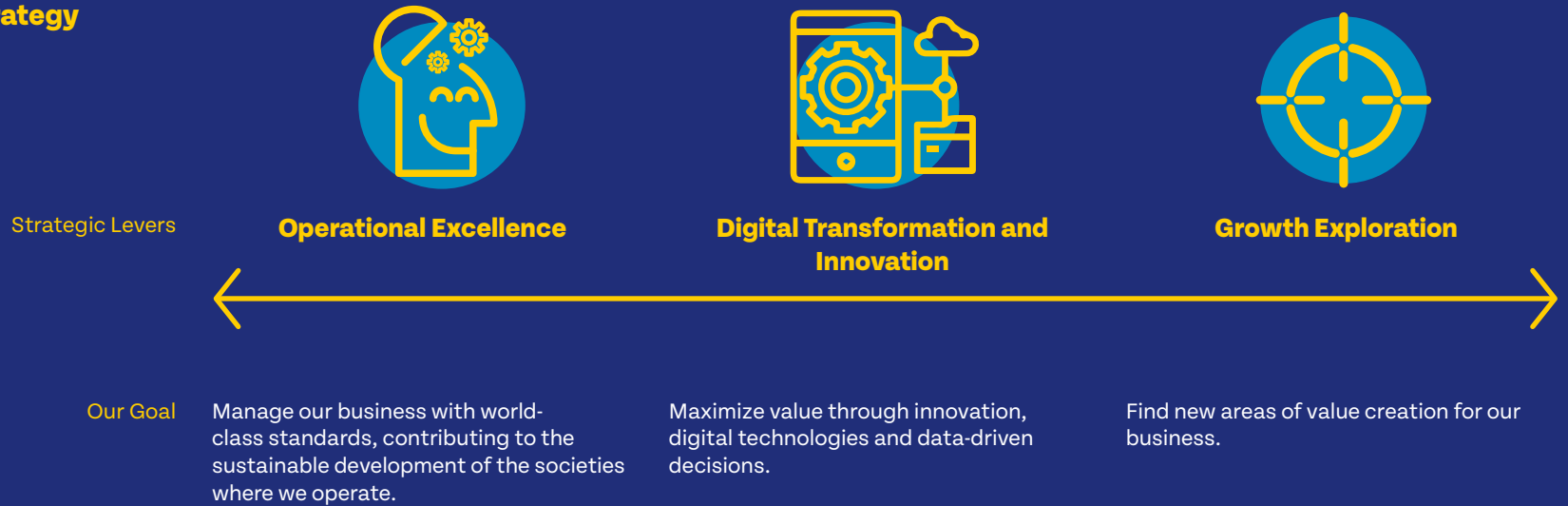
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Sustainable

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Value Creation Strategy



Sustainability policy

Our commitment to sustainable development and operational excellence of the power transmission system is based on the Sustainable Development Policy and its six principles, which we promote and hope are embedded in the daily work of each employee

Our people

We value and protect the life of each internal and external employee and the community members where we operate

Integrity

We ensure our activities comply with regulatory requirements, and we commit to the highest ethical standards.

Environment

Our priority is to protect the environment, adopting a preventive attitude

Collaboration

We promote collaboration and partnerships for the sustainable development and operation of the power transmission system.

Communities

We build relationships of trust and mutual benefit with the community and local authorities

Quality

We conform our commitment to service in order to meet our customers' needs.

Our complete policy is available at www.transelec.cl/wp-content/uploads/2019/05/politica-sostenibilidad-ES.pdf

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Energy security for Chile

Improving system reliability

Since our creation 70 years ago, we see ourselves as a public service company, working for the power transmission Chile needs. We are prepared against crises and emergencies, because we understand our role is essential for Chile and for people's wellbeing.

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1. Operational continuity of an essential service

Context

As in all industries, the pandemic has given rise to new challenges to operate and even more so in the case of an essential activity such as power transmission, which delivers electricity across the country.

The safety of our people is paramount, along with maintaining operational continuity and a robust supply. Combining all this has required several health measures, shifts have been redesigned, new facilities have been implemented to improve operational safety and even innovation.

Our action in response to the pandemic

In uncertain times such as now, we work in emergency situations and respond by preventing future scenarios; this is part of our DNA. This is why we are always ready and prepared to face critical work such as the social crisis, the pandemic and the different emergency events we normally face. This occurred in the 2010 earthquake, the 2015 floods in the north or the forest fires in 2017.

The company has been able to respond to the challenges of this health crisis in a resilient manner and, while operationally we have not had major difficulties, we have implemented measures that strengthen and improve the operation of the transmission system, which is critical for Chile. The pandemic has accelerated the changes to the Operations Strategy, which is customer-centric and, hence, all the actions we undertake are to provide the best solution in collaboration with customers. *(see figure).*



Training for New Operators for the National Power Grid

To ensure a robust business continuity and improved preparedness, for events such as this health crisis, we provided a training program for 24 operators for the National Power Grid. They will have an important role in the Transelec operation centres.

As a result, we doubled the original number of employees, this allowed us to have alternative personnel in the event an employee is affected in existing shifts and also to have the personnel needed for the recently opened Emergency Operation Centre.



Click here to watch the video
you will be redirected to <https://www.transelec.cl/videos/transelec-trabajandoporchile/>



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In 2020, we used technology to get closer and keep fluid communication with employees at headquarters and at the different zonal departments. We adapted to teleworking, identifying difficulties and benefits of working from home. We developed and took advantage of augmented reality technology, to be virtually present at one or more sites, which will probably become the norm tomorrow.

Furthermore, Real Time operation, as it is such a critical process for operational continuity, was quickly adapted to this

new scenario, enabling the National Centre for Transmission Operations (CNOT) at three different points (Alto Jahuel, Cerro Navia and Orinoco), adapting the operation control center to the recommended health measures. In this context, a training plan was implemented for engineers and analysts, which had a positive impact on their professional and team development, and we increased the number of system operators (*see figure*).

New Operations Strategy

In 2020, we launched the new Operations Strategy; its strategic pillars are: Quality, Risk and Productivity, under a comprehensive asset management model.

The strategy establishes a balance between quality requirements – focused on the end customer – and it ensures service continuity through adequate risk management and budget control.

Strategic pillars of our operations management



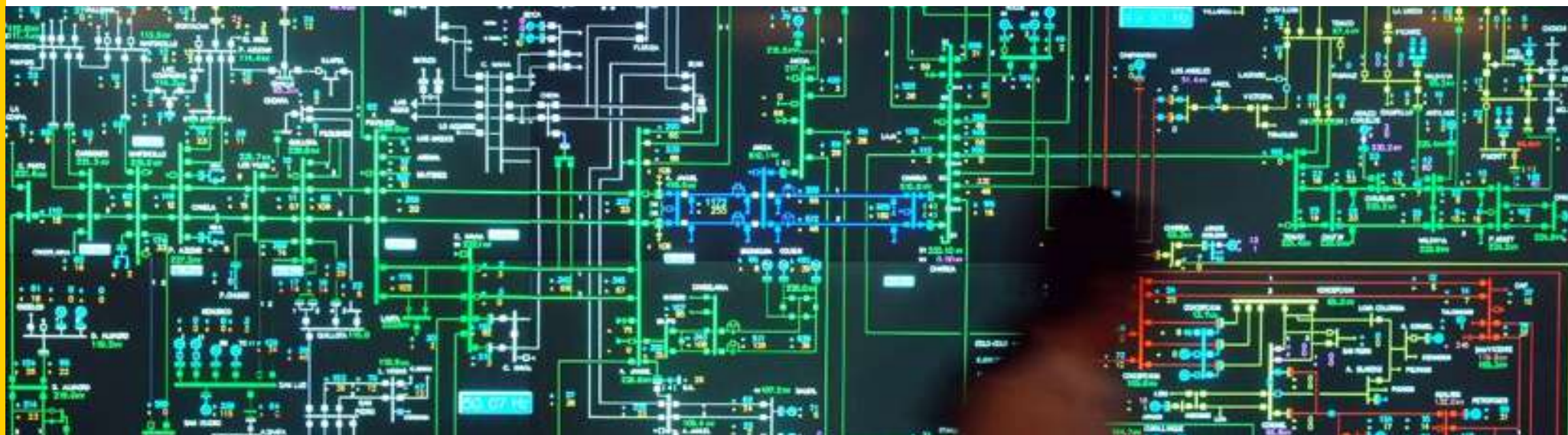
Quality



Risk



Productivity



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Asset management

A key factor to ensure a continuous supply in the transmission processes is the proper management of transmission assets (e.g., lines, towers and substations). In 2020, a strategic approach in this area was to define specific measures and action plans to ensure service quality at facilities where disconnections have an impact on regulated customers.

In this context, two initiatives were carried out to define preventive activities for pre- and post-failure management:

1. Define actions to prevent the occurrence of faults in critical lines and substations, which result in prioritized investments in OPEX and Sustainable CAPEX
2. Establish procedures to manage corrective actions during repair work to mitigate the impact events have on these critical facilities

Likewise, the new Operations Strategy has posed management challenges, which are being addressed through work approaches and teams dedicated to each strategic pillar (Quality, Risk, Productivity). To this end, initiatives are being developed to enhance emergency assistance and disconnection prevention of end customers. The Critical Facility Integrity Plan is also being developed to create additional measures to increase their reliability, mainly those without redundancy and whose failures cause loss of supply.



Driving digitalization to continue improving service quality

In 2020, we signed an agreement with GE, a technology company, to implement an Asset Performance Management (APM) platform to optimize the maintenance and replacement strategy of the main transmission network in Chile. This platform starts operations in 2021.

A milestone in 2020 was the development of Sprint 1, which consisted in modelling 50 power transformers using historic data. As this milestone was completed, in 2021 we will continue with the implementation process, which will incorporate all the power transformers, transmission lines and switch modelling.

Another key point is the development of a platform adoption strategy in order to use the analysis results provided by APM to the asset decision-making process. Therefore, the use of digital technology with analytics, will also help to assess the condition of assets which in turn will improve performance.

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Measuring service quality

We have several indicators to monitor our service quality.

SAIDI⁸

It measures the length of time a location is without electricity and, based on this, we measure Transelec's impact on the end customer at the 13 most critical points in the system, chosen for their performance history or topological vulnerability. In 2020, we improved our performance by 11% compared to 2019.

	2018	2019	2020
SAIDI ⁸	3.9	0.9	0.8

HIE

It measures the number of high-impact events, i.e., all the supply interruptions that affect the end user that last for more than 1 hour, regardless of the number of customers. In 2020, our performance improved by 25% over 2019.

HIE	5	9	7
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Disconnection rate

It measures the number of failures due to internal causes at our facilities.

Line Disconnection Rate by own causes⁹

(number of failures per 1,000 kilometres by own cause): in 2020, for the second consecutive year, it was lower than the previous year.

Line Disconnection Rate by own causes ⁹	4.3	3.8	3.5
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Substation Disconnection Rate¹⁰

(number of failures per 1,000 circuit end): it is the sum of the high voltage and control. In consolidated terms, in 2020, it was slightly higher than in 2019. Although we had a better performance in Control and Protection Disconnection rate, High Voltage increased. This was caused by some repetitive disconnections in a specific FACTS equipment and less critical equipment underwent fewer maintenance and replacement activities because we focused on critical assets during the pandemic.

Substation Disconnection Rate ¹⁰	83.5	67.8	73.1
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⁸ SAIDI is calculated by the Superintendencia of Electricity and Fuels (SEC) to measure the performance and behaviour of supply interruptions of the three Chilean energy market sectors: generation, transmission and distribution. The transmission sector is responsible for at least 3% of the total time end customers are disconnected.

⁹ Disconnections caused by failures or forces courses, it only considers causes attributable to Transelec, based on ITOMS.

¹⁰ In 2020, we changed the way we measured the Substation Disconnection Rate indicator. We consolidated in this same indicator the "Primary Equipment" and "Control and Protection Equipment" disconnections, to determine a similar measurement to the ITOMS benchmark. However, we continue to keep differentiated internal statistics to define the specific areas to improve the indicator.

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Service interruptions in 2020

Below are the major events that caused service interruptions in 2020. After each event we carried out comprehensive analyses to take actions to prevent similar future events.

- **Service interruption in Cautín-Ciruelos line that affected the power supply between Valdivia and Chiloé (July):** the recovery time was 0.17 hours for circuit 2 and 0.37 hours for circuit 1, and the areas affected by the outage were reenergized. There was a simultaneous failure of both circuits caused by an atmospheric discharge during a storm. We are working on incorporating a line cable guard.
- **Service interruption in the Maitencillo- Vallenar line (July):** caused by a conductor short circuit, it left 20,000 customers in the Vallenar, Freirina and Alto del Carmen municipalities without electricity for 12.77 hours. We are working on changes the conductors in two-line sections that have cut wires.
- **Service interruption in Atacama – Miraje,** 220 kV line, caused by insulator contamination, leaving the (40 MW) tap off link without power, it supplies electricity to Antucoya Mine, for 9.87 hours. As part of subsequent preventive measures, we changed the chains at structures 52 and 53, we increased line inspections in that area, in addition to other measures to secure the section because of topographic difficulties.

Conaf brigade training to prevent electrical hazards

More than 100 Conaf employees from across Chile attended two online training courses on how to safely fight wildfires near high-voltage lines. This initiative, which we have provided since 2016, is to promote electrical hazard prevention and ensure the power supply continuity and quality during extreme events.



Emergency preparedness and response

Chile regularly has climate emergency events and other types of natural disasters; therefore, our preventive approach is to prevent and manage these hazards. The main hazards, caused by climate change and which can lead to emergency events and affect our infrastructure and operations are: floods that can destroy critical infrastructure; higher temperatures that can affect facilities and operations caused by a growing number of wildfires, and they can also reduce the carrying capacity of transmission lines; increased wind speed (gusts, tornadoes) that may exceed design criteria, and droughts that require lines to be cleaned more frequently to prevent failures.

In prevention, in 2019 we updated our Business Continuity Plan incorporating global best practices and based on the results of the study we performed to identify vulnerabilities in our transmission infrastructure caused by climate change.

We have a Crisis Committee and a Business Continuity Plan (PCOT) to prepare our emergency response. Both are especially important in the context of the social crisis and pandemic we are experiencing.

Our emergency management framework prioritizes five key aspects: systemic leadership; organization and logistics; contractor preparedness and coordination; new technological tools to improve localization and execution; and predefined solutions to prevent a lack of preparedness to address common failure modes in critical facilities.

These five key aspects were strengthened with personnel training activities on crisis management and emergency management, we performed drills including contractors, asset maintenance and equipment needed in case of an emergency. The evaluation of Emergency Restoration System (ERS) alternatives to the designs currently in use at Transelec was very important, as was the tender process for the new technical operations contract, which considers how to involve our contractors in efficient and effective service.

In 2020, we developed emergency plans for critical lines in all zonal departments, i.e., the lines that directly impact residential customers and generate compensation. We also distributed spare parts at strategic points and carried out drill exercises. In 2021, a methodology for emergency response measurement will be defined, its implementation and substation failure plans will also be improved.

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Facility security against third-party actions

Public security is an ongoing concern as it has a major impact on our facilities. Cable theft, acts of vandalism, accidents, terrorism and even cyber-attacks put the electric power system, our infrastructure and, consequently, transmission service continuity at risk.

Cable theft: This is a major problem repeatedly faced by the company. Although statistics show theft rates have dropped in recent years, this crime continue to affect the company, the communities and users who consume the electricity we deliver. Particularly, non-redundant transmission lines.

Although in 2019 there were five thefts, totalling 4.2 tonnes of cable, causing serious damage to infrastructure and service outages that affected different locations, mainly in the south of Chile; in 2020, there were no thefts.

We have rolled out initiatives to make our work more efficient and to have a quicker response time to the incident site. We installed on more vulnerable lines cable theft devices (guards) to detect the exact location of a theft, even if it is a de-energized line. We also developed a real-time monitoring platform with “guards” that integrate the patrol vehicles GPS with the geographic layers of our Geographic information System (GIS). In 2020, we implemented a new dynamic patrol strategy, it permanently changes its schedules, days and number of patrols.

Our commitment is to continue working on cable theft and supporting authorities to catch criminal gangs through regional meetings with local authorities, law-enforcement agencies and other power companies to prevent and quickly respond to these crimes.

Guidelines for attacks against facilities: in 2019, we prepared guidelines to respond to a mob or attacks that may affect equipment, infrastructure and, primarily, people. This is in the midst of public insecurity in the current environment in Chile after the social crisis and the increased acts of violence in certain regions. In 2020, the entire executive level received these guidelines to enforce them in the different departments and then specifically in the different zones.

In each zone, Emergency Monitoring and Management Centres were established with experienced guards exclusively dedicated to monitoring the facilities and vehicles on route. Furthermore, all company vehicles were equipped with a panic button, which are monitored by GPS at the corresponding monitoring centres.

Furthermore, more than 32 projects were developed to implement technical security systems at facilities that did not have them, some systems were changed, the physical protection of sites that host cyber systems was improved and passive barriers, such as walls and gates, were also improved and other similar actions were undertaken.



Wildfire and electrical hazard prevention campaign

For Transelec, people’s lives is a fundamental value. Therefore, we rolled out this campaign aimed at employees, contractors, landowners where our lines are located and communities next to our facilities.

Through pamphlets, posters, videos and a minisite on the website, we invite people to learn about and prevent electrical hazards caused by unsafe interaction with high-voltage lines.

Click here to watch the video
you will be redirected to <https://www.transelec.cl/videos/prevencion-riesgos-electricos>



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2. Strengthening the transmission system for the future of energy security

Context

The first major task facing the sector is to develop a robust transmission system, to take advantage of the energy generated by renewable sources and take it to the main consumer centres in Chile. In other words, the challenge is to make the transmission network more reliable as more renewable energy is connected, which is, however, an intermittent source. There are also other major challenges for the energy sector as a whole: Storage, Digitalization and Adaptation.

Connecting renewable energy

At Transelec we believe that Chile has many opportunities to take advantage of its potential for renewable energy, both wind and solar, and become a clean and sustainable energy explorer in the region. To realize this possibility, transmission plays a key role in opening up this market.

If Chile wants to accelerate the rate of entry of renewable power stations into the system, it will have to speed up its transmission expansion process, starting with long-term planning. But it is not enough just to go faster. Instead of building new lines following the pace of projects as they emerge, Chile will need to manage its grids with a more forward-looking approach, anticipating generators that might appear in the future. This is because renewable energy initiatives, which in Chile have grown in recent years, come into operation much faster than the projects that traditionally dominated the country's generation: hydroelectric and thermoelectric power stations.

As it takes a long time to install a transmission line promoted by authorities between the Atacama and Metropolitan Regions to develop the generation poles in the north of Chile, at Transelec we are studying and promoting alternatives to effectively integrate renewable energies, both in the north and south, by developing energy storage and transmission systems to mitigate the intermittency of some Non-Conventional Renewable Energy sources (NCRE).

Transelec has been part of this process since the very beginning and in the last five years more than 60% of renewable energies generated have been delivered through our transmission lines.

To address this renewable energy variability, particularly solar and wind, a key issue is energy storage. Chile needs to update its regulations to enable generators, large power customers and transmission network companies to play a major role in storage. For example, creating market incentives for these actors to contribute new technologies, as well as flexible regulations to adopt these solutions to operate these networks.

Another key aspect is the digitalization of the network, because the old paradigm, which was to plan based on the centralization of energy with customers who developed slowly over time, has been completely superseded today. The number of variables that play in this network optimization are so many, that without digital technology it will be very difficult to make such solutions compatible.

This implies a cultural change on how to manage the transmission business model. And since the world is becoming increasingly uncertain, it is essential to learn and adapt quickly. Complex problems require different perspectives, so corporate cultures must integrate and attract new talent, women and men from various professional backgrounds and who have different technical skills.



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Projects to improve transmission

Despite these complex times we are living in Chile, i.e., health, economic and social issues, our commitment remains strong, contributing new investments and developing projects that will benefit all the inhabitants of Chile. There are 51 projects underway, both in the regulated and dedicated systems.

For example, the Frontera substation, in the Antofagasta Region recently started operations and the future startup of the Parinas substation, also in the north, enables the development of major low-cost, clean and renewable generation projects. There are other works in progress, such as the environmental application for Tineo-Nueva Ancud and Parinas-Monte Mina 500 kV lines submitted by the company. Our company will also build the transmission line for the Puelche Sur Wind Farm, which will cover 12.8 kilometres and connect the Mainstream renewable energy project to the National Power Grid (*more information about this and other renewable energy connection projects on p. 65*).

In 2020, we completed the expansion of Tinguiririca Substation (in the Placilla municipality, O'Higgins Region) which will strengthen the interregional transmission grid and respond to growing consumption in the region. We also carried out major maintenance work on the Maintencillo-Vallenar line that supplies electricity to the communities in Vallenar and Alto del Carmen .

Transelec is also developing a portfolio of various projects to provide transmission solutions to generators and mining customers. For example, the transmission system that will supply the Quebrada Blanca 2 project owned by Teck, a Canadian mining company. We are also developing transmission solutions required by generators to connect their power stations to the transmission system, for different customers, such as Enel, Mainstream and, Generadora Metropolitana. These solutions include new substations, transmission lines and improvements to existing infrastructure.

Furthermore, in recent tenders by the National Electric Coordinator, Transelec has had very good results. In February 2020, we won four national and zonal contracts, located in the Tarapacá, Antofagasta, O'Higgins and Biobío regions. The contracts awarded represent a benchmark capital set by the National Electrical Coordinator estimated to be close to USD227 million.

At the same time, at the beginning of 2020, Conelsur, a Transelec company in Peru, completed the acquisition of new transmission assets, doubling its size in the neighbouring country and it won the contract to build the Portillo substation.

Project development in pandemic scenario

To continue developing transmission projects in progress and to protect the health of our employees, contractors, suppliers and local communities next to these projects, we implemented health protocols. In most cases, these projects have start dates ordered by authorities.

Hence, in 2020, and despite all the complexities faced, we managed to energize and contribute to eight projects to help develop the national power grid – these projects involved an investment of USD 60 million, of a total of 15 originally scheduled (USD108 million investment). Project development was mainly affected by the measures put into place by the health authority, which, for example, affected production performance, disrupted logistics chains, restricted people's movements and capacity numbers at food and accommodation establishments. As the pandemic is still present, the impacts associated with extension of deadlines and investment costs remain under continuous assessment.

We had to temporarily suspend the construction of three projects: Quebrada Blanca II due to a measure imposed by the customer (Teck) to temporarily suspend the project; Nueva Ancud Substation as access to the Island of Chiloé was restricted and Cerro Navia because the strict health measures caused the contractor excessive lack of production.

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We started major work to improve the Norte Grande power grid and move towards a renewable energy grid

An investment of approximately USD24 million, which forms part of the Expansion Plan ordered by the National Energy Commission (CNE), in 2020, the Frontera substation was opened, in the Antofagasta Region, and two new bays at the Cóncores and Parinacota substations, in the Tarapacá, Arica and Parinacota regions, respectively.

These changes will improve service recovery times, given that the new bays detect with more precision the location of a potential failure.

Overall, Transelec is working on 11 projects in the area, i.e., an investment of approximately USD400 million, this includes different activities, such as improve the existing system, enable the connection of the new renewable energy generation projects, as well as transmission solutions for large-scale mining projects.

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New transmission line to improve supply to Chiloé

This project, ordered by the Ministry of Energy as part of the regulated system, requires an investment of more than USD100 million and it will cover approximately 95 kilometres. Its goal is to enhance the power grid in the Los Lagos Region and, in particular, to improve the supply to Chiloé. It was awarded in 2019 to Transmisora del Pacífico, a Transelec related party. This line will connect the Tineo substation, in the Llanquihue municipality, and the Nueva Ancud substation, in the Ancud municipality, both are currently under construction in the Los Lagos region.

The existing line that crosses the Chacao Channel is 25 years old and, based on estimated energy demand for the area, it is expected to become saturated in five years. Furthermore, it is not supported, hence each maintenance task or failure may affect the electricity supply to the inhabitants of Chiloé.

For this reason, the new line is indispensable, because once the new overhead line crosses over the channel scheduled to started services in 2024, it will give the island redundancy for the first time and it will have a service quality standard similar to most of the national territory.

The Environmental Impact Study of the new Tineo–Ancud transmission line, was submitted in September 2020 to the Environmental Impact Assessment System (SEIA).

The construction work will require hiring 400 workers on average over a period of two years and a series of social-environmental measures will be implemented ([see more information on p. 61](#)).



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Commitment to our customers

Transforming challenges into opportunities

2020 required our team to be fully committed to quickly respond to customer needs in a pandemic scenario. Being close and flexible was essential to adapt to their emergencies and challenges while developing their connection projects.

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1. Customer-centric business

Context

We are in the electricity transmission business in Chile, both in regulated transmission (National and Zonal systems) and through bilateral contracts with large customers (dedicated systems). With regard to the former, it is the Ministry of Energy that defines by decree its expansion.

Our customers are users who withdraw and/or inject electricity into transmission systems, i.e., power generators and distribution companies, industrial and mining customers. They expect quality service, with a continuous and uninterrupted power supply, as well as speed and excellence in the implementation of their connection projects. At Transelec we work to facilitate the entry of new projects into the system, while minimizing the impact of these connections on the network. Our end customers are the users of the energy we transmit, made up of 98% of the population that lives between Arica and Chiloé.

2020 was very dynamic for connections in regulatory terms, as the National Energy Commission (CNE) issued a new Technical Annex of minimum interconnection conditions. We are also waiting for the Transmission Planning Regulation to be published; it regulated open access, tenders, temporary connections and a number of other issues. These and other new regulations put forward during the year involved a learning process for our company; we reviewed our processes, characterized and quantified their impact.

In recent years, we have made progress in driving the cultural change within our organization, from a company mainly focused on operation to a customer-centre business, placing customers at the centre of all our decisions. As part of this transformational process, we developed a Customer Service strategy and, in 2020, we centred our customer relationship in the new Open Access and Connections Subdepartment. Customers now have a one-stop shop throughout their project development and operation process and, in 2021, they will have a technological platform to track all their project-related processes.

The new strategy of our operations department ([see p. 19](#)), puts the end customer at the center of our decisions, and, therefore, in 2020, we improved our emergency protocols, and we made progress in measuring how regulated customers perceive the transmission service, which will allow us to improve our response to power outages.

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Customer relations and experience

In 2020, we increased engagement actions with our customers, to provide quick support and response to new problems that emerged due to the pandemic. Therefore, we developed and improved the digital platforms to maintain fluid communication and suitable response times.

We also focused on free customers who currently have transmission projects underway. With the support of specialized consultants, we conducted in-depth interviews with key counterparts to improve processes and service experience. The objective was to assess Transelec’s support during project development to take actions “during” and not just at the “end” of these projects. Additionally, in 2019 and 2020, we visited zonal offices to test areas of improvements in customer relations. Based on this, in 2020, we improved the various aspects that impact customer service and aligned the entire organization to provide a solution and rapid response to their requirements and projects.

Measuring customer satisfaction

In the context of our Customer Satisfaction Plan, we conducted the Service Quality survey that every year monitors their level of satisfaction. In 2020, connection customers joined open access customers and those who we are working with on development projects, to measure their satisfaction and see how the main factors that affect them have evolved. The commitment and efforts of all our team have been compensated by the high assessment results achieved.

Every two years we conduct a Corporate Reputation survey of our key stakeholders, including customers. However, due to the social crisis and subsequently the pandemic, in 2020, we did not conduct this survey.

Connection customer satisfaction

Percentage of customers who are “Satisfied”



*: In 2019, survey was not conducted due to the social crisis.

Who are our non-regulated customers and what need do we aim to satisfy?



Producers (mining, forestry companies, etc.)
They require a transmission line to deliver electricity to their projects.



Traditional Energy Generators
They need to connect to the transmission system to inject electricity via their power stations.



Renewable Energies Generators
They need to connect to the transmission system to inject electricity. These connections must be developed quickly because of short project timelines.



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2. Digital transformation and innovation for the future of energy

Our digital transformation strategy puts our data at the centre of our decisions. Its goal is to contribute to an increasingly smart management of the transmission network.

As actors in the Energy sector, a strategic and highly competitive industry, in Transelec we have established innovation and digital transformation as essential drivers for new value creation (see p. 16). The roadmap had to be sped up in the wake of the Covid-19 health crisis.

This unexpected scenario found us in the midst of executing an intense digital transformation strategy that puts data at the centre of our decisions, and its main goal is an increasingly smart management of the transmission network.

DIGITAL TRANSFORMATION STRATEGY

In 2020, we started a digital transformation process and we promoted innovation, which resulted in a project portfolio that, by the end of 2020, had 38 initiatives, in addition to eight subcommittees operating within the company focused on different topics.

Strategy and Approaches

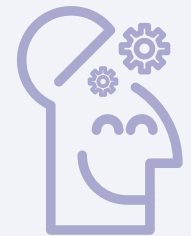
In 2020, we took a new step and changed our Digital Transformation and Innovation Strategy, reorganizing initiatives in both areas under a single portfolio. This, under the premise that “Innovation arises from a problem or opportunity”, and that the solution to this problem can be found in a combination of innovative initiatives of digital and non-digital origin; therefore, regardless of the type of solution, the important thing is to respond to two criteria: (i) solve problems or capture key opportunities throughout the lifecycle of an asset and (ii) consider the topics that concentrate most of the company’s value and costs.

In view of the above criteria, we chose eight work areas that will concentrate our innovation and digital transformation efforts.

Digital Transformation and Innovation Strategy

Approach:

Innovation arises from a problem or opportunity



Focusing on what is important

What criteria?

- Problems or opportunities throughout the Asset Lifecycle ...
- That concentrate most of the company’s value and costs

Work areas

- | | | | |
|--|---|--|---|
| Business intelligence and investment opportunities | Engineering and construction optimization | Optimal maintenance and replacement plan | Efficiency and productivity in asset intervention, maintenance and replacement activities |
| Vegetation management | Insulator pollution and structure/cable corrosion | Service quality | Business support and assistance services |

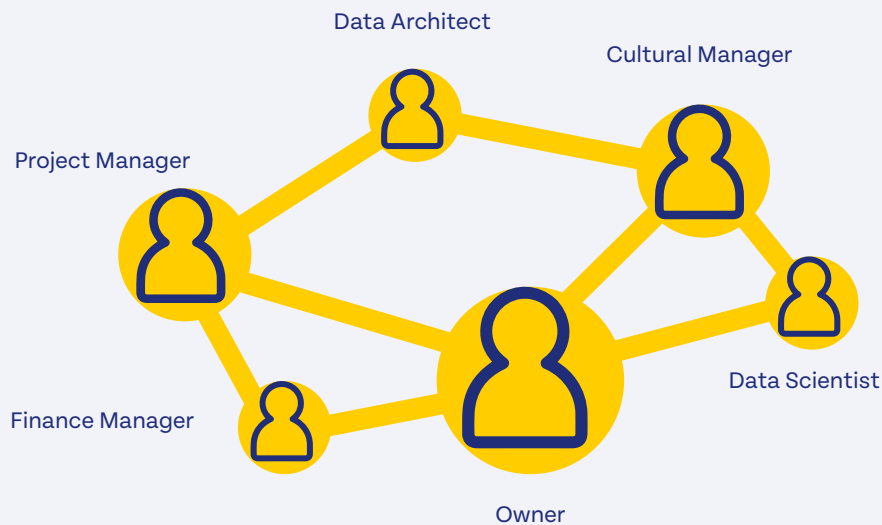
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Governance

We have a Digital Transformation and Innovation Executive Committee that holds a monthly meeting, as well as subcommittees in each of the eight work areas that on average meet every two weeks. A Sponsor has been assigned to each work area, who is responsible for leading and establishing the strategic guidelines linked to each work area.

Additionally, for each existing project a Product Owner, who has the support and advice of a manager from the Project Digital transformation and Innovation Office (PMO) and also, depending on the complexity of the initiative, is accompanied by specialists in different subjects (*see graph*).

Digital Transformation and Innovation Project Teams



Product owner: responsible for leading and coordinating innovation project or digital product progress.

Data Scientist: responsible for designing, building and maintaining advanced data analytics models to transform them into key input when making business decisions.

Agile Coach/Cultural Manager: responsible for the cultural change process of the organization towards using digital solutions in our work and adopting agile methods to develop innovation and digital projects.

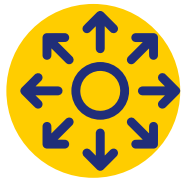
Digital Project Manager (PMO): involved in complex digital product and innovation project execution using agile methods to ensure expected value and benefits are accomplished.

Data Architect: design, build and manage the company's Big Data governance and infrastructure. Develops architecture to help analyze, model and process data, assuring its quality and availability based on organizational requirements.

Finance Manager: responsible for the financial and value creation aspects of projects.

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TECHNOLOGIES TO IMPROVE TRANSMISSION AND ITS FUTURE EXPANSION



New technologies for future system expansion: the key projects Transelec is currently assessing and defining for the future expansion of the transmission system include new technologies that add flexibility, control and security. We have been working on optimizing future DC corridors, lines that will introduce HVDC (high voltage direct current) technology to evacuate the renewable generation potential in the north of Chile. We are also studying and promoting energy storage systems and FACTS equipment, which are also non-invasive, ensuring safe operation of the system while they are developed.



Field work digitalization: sensorization, advanced analytics and the development of predictive models, are some of the digital levers we have been exploring in recent months. We have made progress in fully digitalizing field work management, such as inspections through electronic forms; developing intervention plans using mathematical models; and algorithms to optimize task execution and programming.



Augmented reality for remote support, training and operations: The current situation also led us to speed up the use of technologies, such as augmented reality that we acquired just before the pandemic and it became particularly important given travel and face-to-face activity restrictions. This initiative was piloted in 2019 and, during its first implementation phase, it already has twelve smart glasses distributed in the field to support sites in the four macro zones where we operate. This technology enables technical support, field training and many other operation and maintenance activities to be one click away between employees and experts. In fact, the system training and setup was done remotely, all zones participated, as face-to-face meetings were banned.

The current situation confirms our decision to drive digital solutions and open an important major opportunity to develop new capabilities we hope to implement permanently.

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Digital Substations: we have made significant progress in this area, which presents a new way to connect equipment using fibre optics instead of traditional analogous means. In January 2021, Chile's first digital substation started operations, in an Alto Jahuel bay, with equipment connected via fibre optics. To promote and develop this type of technology also requires regulations that adapt more quickly.



Algorithms and predictive models (Asset Management 4.0): the application of the Industrial Internet of Things (IIoT) helps to monitor equipment variables and through algorithms and predictive models, improves intervention decision making, such as the company's equipment and facilities maintenance and replacement activities. It uses the information gathered during previous inspections and maintenance activities to determine its current condition and to predict the likelihood of failures over a certain period of time. Currently, the project is in development phase and it is being piloted with certain assets, such as transformers, and then it will continue with current switches and transmission lines.



Design optimization for transmission solutions: through analytical and optimization models and we are incorporating the potential of Building Information Modeling (BIM) methodology to improve productivity across the design, construction, management and operations process of substations, as well as to achieve optimal transmission line designs, including, for example, layout, cables and structures.

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TECHNOLOGIES FOR COLLABORATION IN REMOTE WORKING AND LEARNING

Remote working communication platforms: with regard to adopting digital platforms to work during the pandemic, after establishing telework for most of our employees since mid-March, it has increased twentyfold compared to previous months in terms of using digital platforms, mainly collaboration platforms.

Digital learning: Transelec Classroom: is an e-learning platform with open access to all employees; it offers a range of on-demand courses and learning evaluations. Also, through our Operational Training System, an operation simulator of the National Transmission Operations Centre (CNOT), employees train to face power grid incidents in real time. Lessons learned are based on detection and gap closure.

NEW SOLUTIONS AND TECHNOLOGIES AT THE SERVICE OF CUSTOMERS

Fortunately, we were prepared for the Covid emergency, mainly with regard to support for field activities and collaborative work. But it also confirmed our decision to promote digital solutions, providing us with a great opportunity to develop new capabilities that we hope will be permanently installed at Transelec and in its culture, at the service of operational excellence, productivity and supply quality.



Transelec launches an unprecedented service that traces and guarantees the origin of renewable energy

In the midst of the decarbonization process, this innovative digital platform will show the companies that are using clean energies in their products and services, making a difference for people who want to take part in the change through responsible and sustainable consumption.

Launched in January 2021, with the participation of the bi-minister of Mining and Energy, Juan Carlos Jobet, and Transelec CEO, Andrés Kuhlmann, the platform traces and guarantees the origin of renewable energy that organizations and companies use throughout the value chain of their processes, products and services.

Pulse uses blockchain technology to track the journey of energy from its source to identify and guarantee it is renewable. This platform is already being used at two wind farms and a Latin America Power (LAP) hydroelectric power station in the Atacama, Coquimbo and La Araucanía regions.

(More information about Pulse and use of blockchain on p. 65)



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Commitment to our employees

Year to strengthen relationships

While we maintained the work areas defined for 2020 in people, contractor and occupational health and safety management, several plans had to be adapted, modified and sometimes we even had to create new initiatives to effectively and closely respond to the problems caused by Covid-19.

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1. People management in times of crisis

Context

In 2020, the Vice Presidency of People and Organization primarily focused its efforts on strengthening our role as a strategic partner within the company, accompanying the change processes occurring across the organization. To this end, our work axes considered redefining our competency model and leadership seal; optimizing and automating processes; and using advanced analytics in decision-making.

While we maintained these challenges, we had to add other challenges due to the pandemic, such as setting new ways of working, team separation, implementing safety measures at our facilities, generating emotional support plans and continuous monitoring of the pandemic. Furthermore, our target was to achieve proposed pre-pandemic objectives; therefore, we had to learn how to implement virtual workshops using digital tools that we did not know how to use. Also, in an unprecedented process, we conducted a virtual collective bargaining process with a satisfactory result for the company and employees.

We were strongly affected this year by both the social crisis and the Covid-19 pandemic. Due to concerns arising from the 2019 protests and their effects on the community, we organized 20 discussion sessions with employees. As a result, we created 24 initiatives for the Towards a More Inclusive Chile plan (*see p. 38*), the majority have already been rolled out and the remaining initiatives are at the stage of implementation completion.



We scored 80 points in the McKinsey's Organizational Health -Index (OHI) survey; we were in the top decile among companies that use this instrument.

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Towards a More Inclusive Chile

During the discussion sessions, participants recognized that Transelec employees have very good working conditions; but we need to level up and support habitual contractor conditions; and that there is diversity of opportunities that are not necessarily associated with more resources, but with people’s dignity. Other improvement ideas included those related to personal finances, the lack of pension planning and the company’s support at difficult times, such as in the case of a catastrophic illness.



Towards a More Inclusive Chile	Progress 2020
1. Comprehensive program for retirement support.	We hired an experienced consultant specializing in pensions and we organized a talk about Pensions and Retirement; about 230 employees participated.
2. Financial assessment to identify corrective and preventive actions to cope with levels of over-indebtedness.	We organized a Financial Portability talk and a “Financial Management Techniques” course to provide tools in order to take control of personal finances, prevent over-indebtedness and achieve financial well-being.
3. Increase existing complementary health insurance coverage.	We extended the Complementary Health Insurance coverage to part of the family group that had previously not been included because it was not a legal burden.
4. Make remote work official.	Given the pandemic scenario, teleworking was deliberately used, which led to an in-depth discussion about how to re-imagine the future of work. In this context, telework is used as another measure that will be required in the future in new job scenarios.
5. Promote diversity and inclusion efforts.	In 2020, we were active in diversity and inclusion initiatives: we reviewed the strategy and defined three pillars: Gender, Multigenerational Organization and People with Disabilities. We included these variables in the new Skills Model; we conducted McKinsey’s Diversity and Inclusion survey and organized a series of talks and training sessions on Diversity and Inclusion. We also promoted the Transelec Women’s NETWORK and the Mentoring Program and we participated in the Energy +Women Program. We also move towards certification with the gender equality standard and assessed 100% of jobs, opening positions to people with disabilities.
6. Continue to drive the Get-In Initiative.	In 2020, the Get-In program had to be modified due to the pandemic. Therefore, we decided to restructure the initiative focusing on cycling. We conducted surveys about the situation of cyclists and a new and exclusive bike rack was made for the Transelec building.
7. Increase benefits when an immediate family member has a serious illness.	We improved special leaves, applicable in the event of a serious illness affecting father, mother, children and spouse.
8. Expand Transelec family activities.	We extended our Christmas party to include people who live with our employee: spouse’s children, parents and grandchildren.
9. Continue to create dialogue spaces for the different Company departments.	We created a formal volunteer program and explored new ways to enhance employee’s quality of life through adaptation and benefit creation.

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As Coronavirus spread from China to Europe, Transelec took immediate action to safeguard operational continuity, creating the first Covid-19 protocols in February. To protect people, early on we decided to start with remote working and employees who did fieldwork were divided into two teams and they only did essential work.

All measures taken were to ensure three aspects: protect people, their emotional containment and operational continuity. Key actions implemented included the promotion of remote work for all the roles that could work from home and to have a minimum number of personnel on site. The teams were also divided, work safety guidelines were prepared and implemented, and we started rapid tests, daily reporting on infection cases and preventive quarantines.

Emotional containment was addressed through meetings with the CEO and all the teams and the implementation of the Virtual Break Workout program and the Extraordinary Emotional Support and Containment Plan (PEACE), which provides mental health support for employees and their family. We also conducted a perception survey in June called Work in Times of Crisis, in order to learn how our employees were coping with the pandemic, remote work and household responsibilities. We also organized leadership talks in times of crisis and co-responsibility. This whole process was supported by corporate internal communications through the Covid-19 Newsletter and the We Always Take Care campaign.

At head office, remote work was maintained for 99% of staff between March 19 and August 30, when we started to return under a pilot plan based on the 4x10 model developed by academics from the Weizmann Institute of Israel, which consists of dividing all teams into two groups (A and B), who work alternately in person at the office and the rest of the time remotely.

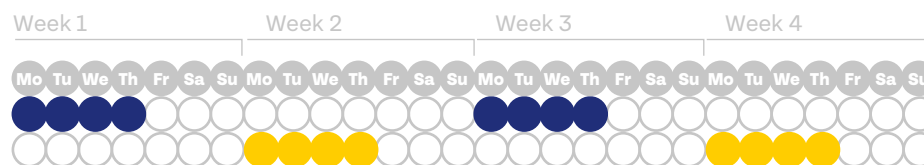
Pandemic Measures:



1. Protect people
2. Emotional containment of employees
3. Operational Continuity

Return to Work Pilot Model

- Group A
- Group B



The pilot, involving 50 people, 25 in each group, allowed us to test all the safety measures adopted at our facilities and define a positive emotional impact on the employees who return to work, even if it was only a partial return. Subsequently, a transition phase was designed, where we had capacity for more than 100 people per shift, while Las Condes municipality remained in phase 4. In December when we returned to phase 2, capacity went down to about 50 employees per shift at the head office until the end of December.

In the regional departments, this process was different, because part of the team never stopped working in the field and the administrative staff who were working from home also started to gradually return, based on the Step-by-Step phase of the municipalities where they worked.

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2. Talent management and skills

This process changed paradigms in terms of how we approach work. Teleworking is an aspect that will continue in place after the pandemic and, therefore, we have been working on a model for the future. It also showed us the importance of technology to support our processes and open communication under this new mode of work. The next challenges are in line with these lessons learned, as we still need to design a post-pandemic work model, capture the value of the opportunities that arise and review all the aspects that will be affected, such as the use of our facilities (office space).

Hiring management continued in line with corporate decisions made regarding the country's situation, reducing the number of positions available and postponing some hiring decisions until 2021. Therefore, the incorporation of critical talent for asset management and operational continuity of Transelec was prioritized, and vacancies were mainly in the Operations Vice Presidency. In 2020, of the total positions filled, 29% were filled from internal talent mobility, i.e., 12 employees who changed positions within the organization.

29% of job vacancies were covered by internal mobility processes.



This year, marked by social distancing, strengthening our safety standards and an imminent paradigmatic shift towards a digital work format, resulted in major challenges for talent management. Key processes of people development and organizational management were transformed, giving way to the consolidation of a virtual workspace, which facilitated cooperation through multidisciplinary and different options, from a geographical point of view, transcending physical boundaries. Not only were job applications done digitally, but an online performance assessment format was created, fully remote selection processes, and the digitalization of numerous procedures important to this management.

In terms of talent, we continue to encourage internal mobility by opening selection processes that allowed us to impact the development of our employees, highlighting spaces emerging from changes in our organizational structural and the strong conviction of recognizing internal talent by promoting Transelec professionals.

Additionally, a management pillar in this period was the new Corporate Skills Model that was launched. It focuses on developing critical comprehensive skills to leverage cultural changes in the organization and move towards meeting our strategic goals.

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Attracting young talent

Over the last few years, we can observe a change in the composition of our work teams, steadily incorporating young talent. This transformation is the result of our commitment to incorporate new graduates to start their professional career in our organization. Furthermore, since the beginning of the pandemic, we are committed to maintaining our Professional Training program, adjusting the training process method to the requirements of this primarily virtual scenario. We also had to adapt our recruitment process, by using new communication tactics to reach a larger spectrum of young talent, while multiplying the number of views our job offers had and, consequently, applications to these job openings.

To maintain and create new spaces to connect with young professionals, this year we also participated in career fairs of institutions that give key courses associated with our business, creating spaces for Transelec professionals to interact with students from different disciplines through virtual technical and informative talks.

Change management model

In recent years, even more so in the current Covid situation, we have seen how the world undergoes accelerated change processes, where new professional and academic requirements arise in the workplace. Within this scenario of uncertainty, people become protagonists, as they must deploy special capabilities, skills and attitudes to attain their goals.

In this context and after an in-depth analysis of the requirements of today and tomorrow, Transelec decided to boost capabilities across the organization, to be better prepared to face the new times and challenges that the future of work requires. In response, we created a new Corporate Skills Model, which aims to establish a baseline of skills, capabilities and attitudes in each employee, regardless of their role. This new way of working aims to facilitate our culture and, at the same time, to guide the people development in selection, performance assessment, talent and training processes. It consists of 12 skills organized into three groups: Management, People and Transformational Competences.

The Change Management process implemented allowed us to quickly incorporate digital tools that help to manage important processes within the company and to continue them, despite the pandemic. In 2020, one approach focused on supporting the digital transformation process, helping the Product Owner develop digital products and implement the new skills model through virtual workshops to communicate and train. This allowed us to re-imagine the workplace of the future through collaboration tools. In this context, in 2020, there were more than 20 workshops on agile methodologies; eight workshops were organized on data science, on different topics such as Google and Amazon analytics tools; sessions on asset management data; and workshops on data governance. In total, 146 employees participated in these development options.

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Training programs

There was a significant shift in the learning methodologies adopted by Transelec. We went from a format that, in most cases, was face-to-face to digital programs. On the one hand, we were able to enhance LEARN, our e-learning platform, developing tailor-made and comprehensive courses and, on the other hand, we promoted access to training courses offered by prestigious national and international providers and institutions, achieving quality, greater scope and reducing time and costs.

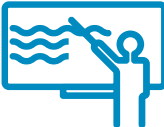
Thanks to online training, this year we covered several training requirements, reaching a significant number of people who needed to improve specific knowledge. This tool has become an instrument that democratizes knowledge, increases accessibility to employees, regardless of their geographical location and facilitates the learning process of the entire organization. In 2020, 28,608 hours of training were given, representing an average of 49.7 hours of training per worker. In addition, 100% of employees were able to participate in training (courses, workshops, seminars, webinars, diplomas, etc.) related to technical subjects, soft skills, safety, innovation, digital transformation, languages, administrative, management and information technology and other topics.

Likewise, comprehensive training on Compliance topics was provided, and we designed an e-learning course on the Transelec Crime Prevention Model; different workshops were organized on Ethical Dilemmas, Occupational Health and Safety, pandemic-based issues, such as Coronavirus Prevention and Teleworking Health and Safety, as well as subjects stipulated in the annual plan.

In the context of the New Corporate Skills Model launched, all leaders received training through remote workshops so that employees would learn about this model which guides their conduct, performance and development at Transelec. In 2020, 597 people participated in at least one training course.

As a result of changing the new Skills Model, the Leadership Program based on the Transelec Leadership Seal was not implemented in 2020 and the Leadership Program for Inspectors was updated, as it was also based on the leadership seal, prior to the Skills Model. The goal is to relaunch it in virtual format in 2021 for a specific group of inspectors.



 Training	2018	2019	2020
Amount invested per employee USD	1,573	1,394	1,353
Average training hours per employee	66.4	51.2	49.7

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3. Diversity and inclusion

Five years after starting to work on diversity and inclusion and reviewing the path travelled together with the Adding Energies Program, today we have made positive progress. We have created dialogue spaces and awareness at a corporate level that have gradually made us into a company more open to diversity in all its forms, by considering it a value declared as a fundamental pillar to manage our company's strategy.

However, the focus of our work has changed. For this reason, in 2020, we reviewed our diversity and inclusion strategy and analyzed the axes that were part of the program. As a result of this review, work areas were reduced and three pillars were defined: Gender, Multigenerational Organization and People with Disabilities.

Our goal is not only to attract different professionals, but we also want to retain and develop this talent, creating spaces free of prejudice where they can deploy their potential. This is evidenced in our Corporate Skills Model; we have integrated a transformational competence to Manage or Work Diversity (aimed at leaders or employees) and it evidences the need to recognize and promote diversity as a corporate principle, which will be assessed as part of the talent management system.

Diversity and Inclusion Initiatives

- Review strategy and definition of three pillars: Gender, Multigenerational Organization and People with Disabilities
- New Skills Model includes a skill to manage diversity
- McKinsey's Diversity and Inclusion Survey.
- Series of talks and training courses on Diversity and Inclusion
- Transelec Women's NETWORK
- Mentoring Program
- Energy +Women
- Progress in certification process for gender equality standard
- Assess 100% of job positions, opening positions to people with disabilities.

Another initiative to create integration spaces are a series of talks and training courses delivered at a corporate and senior management level during 2020. This has raised awareness in areas such as balance with co-responsibility, inclusive leadership, unconscious biases and new masculinities. We are convinced that, from these spaces of dialogue, we can create a real change towards a new way of working that incorporates the gender perspective and the vision of inclusion in our management.

In 2020, we also conducted McKinsey's Diversity and Inclusion (D&I) survey for the first time, which helped us to review how effective we are in driving these issues and how actions are working to achieve our goal to be a more inclusive and diverse company. The results of this first version are favourable and they invite us to reflect on the current perspective of employees based on D&I issues and continue to work on the implementation of our corporate strategy.

This year we continued to assess the certification process of the Chilean Standard NCh3262:2012 on gender equality and family and work-life balance promoted by the National Service for Women and Gender Equity. As a result, we developed an alliance with an institution responsible for implementing the standard at several organizations and our plan is to start working towards certification in March 2021.

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Gender diversity

Regarding the gender pillar, this year we grew in female participation, increasing the number of women to 21%. We remain committed to promoting gender diversity, but it is essential that this presence occurs in critical, decision-making and leadership positions. For this reason, in 2020, we launched the Transelec Women's NETWORK to create a scenario conducive to female growth in our company and to make gender issues visible in a space of trust. We also prepared a program which will be launched in 2021, and it will include the Gender and Multigenerational pillars, called the Transelec Mentoring Program. In its first version, internal mentoring will deploy the talent of female professionals of lower seniority (mentee) guided by professional men or women who have more experience (mentor).

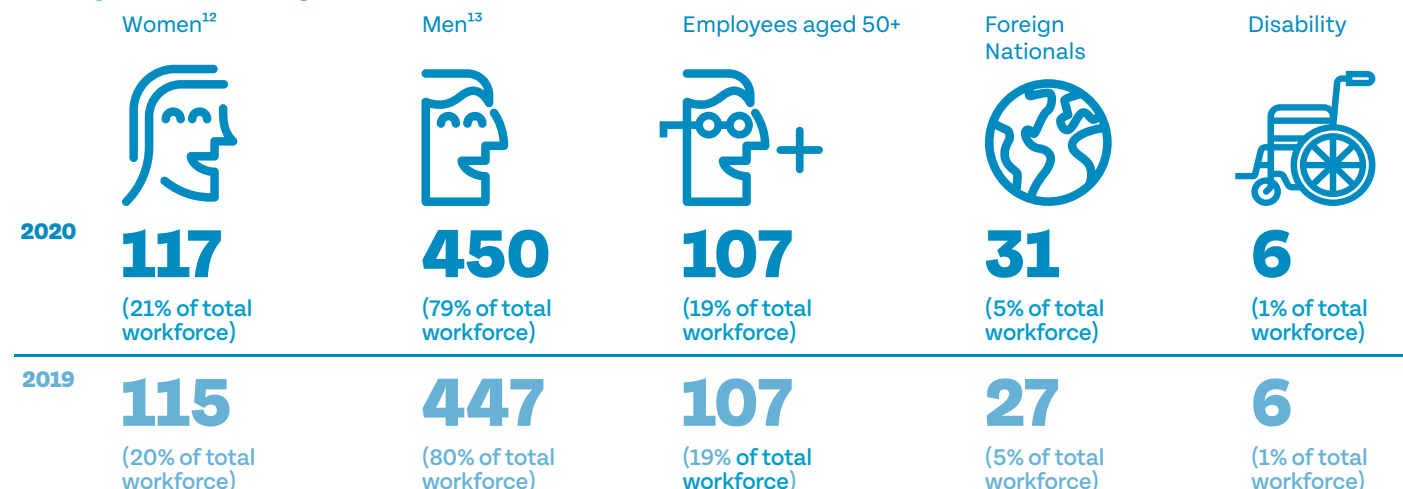
This year we will also continue to work on initiatives related to the agreement signed with the Ministry of Energy and its Energy +Women Program. In this context, we carried out follow-up assessments about diversity and inclusion management. In addition, we participated in the outstanding women in the energy sector awards of

the Energy + Women program, where our Centre Zone Regional manager, Verónica Gajardo, received an award in recognition of her career, her commitment to diversity and for her key role in training new generations of professionals. Rosana Carrasco, Regulations Manager, and Tatiana Buritica, Project Manager, were chosen in the Women in Energy program of the World Energy Council, WEC - Chile¹¹.

Disability

In 2020, we completed 100% of our organization's job analyses, officially opening all the company's positions to people with disabilities. We also started to explicitly mention Law 21.015 that encourages the recruitment of people with disabilities, in all our job advertisements. We are currently committed to being an inclusive company and we have met the government's proposed target to have more than 1% of people with disabilities in our organization.

Diversity and Inclusion in Figures



¹¹ <https://www.wec-chile.cl/>

¹² Percentage compared to total workforce.

¹³ Percentage compared to total workforce.

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4. Employee engagement

Transelec has strived to maintain open and friendly dialogue processes with all its employees. For example, the initiatives implemented in the Towards a More Inclusive Chile plan that, among other things, helped us to implement important goals for the organization, such as the creation of a formal voluntary work program. We also continued to perform the Organizational Health survey to put people's expectations at the centre of our strategy, and we had to explore new ways to safeguard employees' quality of life through adaptation and benefit creation. Likewise, a key milestone in this period was the first virtual collective bargaining process.

Voluntary work

Until 2019, our voluntary work was limited to environmental projects and they were sporadic actions. In 2020, as a result of the Towards a More Inclusive Chile Initiatives, we created a formal volunteer space called the Transelec Social Engagement Committee, known as "Solidarity Energy". While its initial goal was to liaise and build ties with communities where the organization does not have a strategic relationship; then volunteers had to respond to the critical situation that hit Chile and, at the end of the year, the committee collaborated with some of the initiatives of the Community Support plan in the context of Covid, such as the Christmas food boxes in different regions of Chile, defined as the most critical for the company (see p. 56). The next steps include planning the activity program for 2021, add new members, carry out more voluntary work and consolidate itself as a space of self-managed solidarity.

Organizational health

To understand the expectations of the people who form part of our organization and to put them at the core of our strategy, over the last decade we have measured our environment every two years, using a world-class tool. In 2020, once again we applied the McKinsey's Organizational Health Index (OHI)¹⁴ survey, which is used by 1,900 companies in 100 countries to identify the ability of companies to align workers and achieve long-term strategic goals.

As a result, we continued in the top decile of the global performance and our organization continued strong in the nine dimensions measured: Leadership, Management, Coordination, Control, Work Environment, Motivation, External Direction, Innovation and Learning.

To achieve this result, in 2019 and 2020 work was done in different areas, including digital transformation, which although is not directly measured by this survey, several of the dimension practices are associated with the new ways of working promoted by the company, such as the strategic vision, supportive leadership, trust and learning. Some of these practices are part of the change management work we do in various teams and vice presidencies associated with digital products, and consequently have a positive impact on organizational health (see p. 41). Work also focused on team-level intervention, where activities were carried out in line with the challenges raised in the previous survey, in some cases having significant improvements that today allow them to have satisfactory organizational health indicators. There are still teams in the process of intervention, whose results will be observed in the longer term.

Organizational Health Survey Results



¹⁴ <https://www.mckinsey.com/solutions/orgsolutions/overview/organizational-health-index>

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Benefits

2020 made use explore new ways of working and protecting the quality of life of our employees. Transelec has adapted to the current scenario, modifying its existing initiatives and benefits against this new scenario in 2020. As shown below:

- We included the Extraordinary Emotional Support and Containment Program (PEACE), which consists of a counselling services for employees, their spouses and dependent children.
- We organized a talk to create spaces for dialogue that will improve work-life synergy.
- We provided an online version of our Break Workout program to all our employees; this program was launched in 2011.
- We continued with the Transelec Club that carries out recreation, sports and cultural activities. In 2020, the Club enhanced its virtual activities and competitions that could be done from home.
- For the tenth consecutive year we had an “Open Day,” which aims to bring our employees’ children closer to where their parents work and their contribution to the company. This year it was a virtual event.

- We adapted the 18th September, Christmas and birthdays celebrations to reach employees and significant contractors at home.
- As part of the Towards a More Inclusive Chile initiatives, the Financial Portability talk and the Financial Management Techniques course were organized to deliver tools to prevent over-indebtedness and achieve financial well-being. We also held a talk on Pensions and Retirement; nearly 230 employees participated.

Trade union relations

In 2020, we continued to promote good relations with union leaders. This work is based on an open-door policy with the two trade unions and on building a relationship of trust through regular meetings.

In June, we successfully concluded a new Collective Agreement with SINATRAN, the National Workers' Union of HQI Transelec Chile S.A. and Subsidiaries. This union represents 5.8% of the company’s total workforce. This was a virtual bargaining process via meetings in Microsoft Teams, within the deadlines set out in the Labour Code and it was concluded with a 3-year agreement, the maximum permitted by law. This is the first virtual collective agreement and it reflects our mutual trust and commitment.

Internal communications

We strengthen our internal communication spaces even more, by delivering timely and clear information to our employees on a regular basis to keep them informed, reduce uncertainties and ensure protection and health spaces at work.

We also conducted a survey called Work in Times of Crisis, which allowed us to study, through anonymous responses, key employee concerns and emotional conditions. At the same time, we were able to find out how they were balancing work-family life while teleworking so that we could provide them with tools and information to help balance and cope with the simultaneous roles they have today.



First successful online collective bargaining

	2018	2019	2020
Unionization percentage (%)	74	74	75

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5. Contractor commitments

Transelec's key contractors work on high-voltage line and substation operations; on new projects which require specialization; and on feeding, cleaning and maintaining gardens and buildings. These companies employ 3,518 workers.

In the context of the pandemic, in 2020 our focus was on ensuring the occupational health and safety of our contractors, informing and training them, in a timely manner, about the health measures implemented for the projects. Similarly, the need for work safety was ingrained in the teams, and employees were empowered to stop work if they detected unsafe actions.

Towards a more inclusive Chile

The Towards a More Inclusive Chile initiatives include five commitments ([see table in next page](#)). In 2020, we made progress in implementing all of them to financially strengthen our contractors.

Monitoring working conditions

We constantly monitor the development of our investment projects through regular inspections of all on-site personnel. Facilities, equipment and tools used in construction are checked; and we also monitor the working day, type and quality of transport vehicles to and from their accommodation and resting areas and, in general, all the contractor worksites. This is to ensure and enforce Transelec guidelines, labour laws and commitments made by each contractor regarding the quality of life of their workers.

In 2020, we also had to suspend work at three sites: Quebrada Blanca II due to a measure ordered by the owner Teck to temporarily suspend the project; the New Ancud substation due to access restrictions to the island of Chiloé; and Cerro Navia as the strict health measures caused contractors not to be productive ([see p. 25](#)).



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Towards a More Inclusive Chile

The relationship with contractors was a key topic during the discussion sessions. This raised the need to assess and move forward to ensure adequate wages, as well as access to decent working conditions and facilities. Participants also expressed the need to support smaller businesses.



Towards a More Inclusive Chile	Progress 2020
1. Adopt ethical salary for contractors.	A diagnosis of the current situation of contractors was made. A gross ethical salary of \$500,000 was defined and the cost of closing the gap was identified with 27 contractors involved. The project is under review with contractors for its implementation. By the end of 2020, a pilot plan was underway with a contractor that has 14 workers.
2. Include contractors in social activities	Since the 2019 Christmas celebrations, we have included our key contractors significant in our Fiestas Patrias and Christmas celebrations. This year due to the pandemic, both the Fiestas Patrias and Christmas gifts, including children's gifts, were sent to their homes.
3. Access to working conditions similar to Transelec employees	Checked workplace conditions and status our contractors are similar to Transelec employees, for similar jobs. This led to coordinating standardized work when necessary.
4. Mechanisms to share use of sports, leisure and work infrastructure.	Shared use was implemented for sports facilities, cafeterias, BBQ areas and meeting rooms for contractor talks, seminars and courses. We also provided contractor accommodation.
5. Support companies more affected by social crisis through work assignment.	Rescheduled and advanced contractor work to advance their flows and contribute to these businesses and their own workers.

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Contractors as business partners

We are convinced that the relationship with our operation and construction contractors is essential to meet target and deadline dates. For this reason, we have developed formal innovation and co-creation options, ranging from the tender stage to project design and construction (*see figure*). Thus, the project tender process already includes innovation in the contracts.

This joint work makes Transelec's offers more competitive, it has helped us to win tenders and to develop projects in a more limited timeframe. In 2020, for example in the case of transmission line construction projects, the construction method used was helical piles.

Contractor sustainability standards

In 2018, we rolled out the Sustainable Supplier Management Program (GESPRO) which defines the principles and behaviour expected of all those involved in Transelec's goods and services procurement processes. Its goal is to ensure a management with equality, transparency, excellence and quality, boosting ethical and social and environmental responsibility practices.

Suppliers and contractors must know and accept Transelec's Procurement Policy which includes its commitment to have transparent procurement processes, develop local suppliers and SMEs, and protect the environment and corporate social responsibility.

More information about GESPRO on p. 87.

Innovating with project contractors



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6. Occupational health and safety

Our Sustainability Policy sets out our overall commitment to protect the health and safety of our employees, contractors and communities. No operational goal or emergency justifies affecting their dignity or exposing them to uncontrolled risks.

Based on this principle, we faced the 2019 social crisis and the 2020 pandemic. Therefore, after the social crisis in October 2019, in the communication and conversation spaces with our employees, we always analyzed the impact that events could have on occupational health and safety issues and for this reason actions were taken to increase safety measures.

The COVID pandemic forced the company to change its OHS management strategy. It continued to focus on three High Risk activities (work with energized equipment and lines, driving vehicles and work at height); however, we had to reallocate resources and plan actions to manage this new risk and its potential impact. Working sessions were organized to analyse the information and statistics issued by authorities; to prepare and update protocols; to purchase Personal Protective Equipment against COVID; to develop internal communication tools; and communicate the new OHS standards, meetings with the administrative body and contractors, and the application of rapid tests at critical sites, etc. (*see p. 39*).

In addition to the measures taken to face this crisis, we continued the SSO work programed for 2020; this involved preparing a Safety Intelligence strategy, implementing the company's penalty and recognition policy; and migrating from OHSAS18001 to ISO45001 certification.

Although there were no fatalities at Transelec, in November 2020, Marco Huallpaurca Lligua, a contractor at Conelsur, our related party in Peru, had a fatal accident while carrying out line maintenance work. People are our priority and their safety is of utmost importance. We were deeply saddened by this occurrence and this led us to emphasize the importance of risk prevention, self-care and enforcing safety standards at all times across the company so that no fatal accidents occur in the future.

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Safety intelligence

Developing a Safety Intelligence strategy involves incorporating data intelligence and new technologies to analyze and obtain quality and empirically-based information to improve occupational health and safety indicators. Therefore, designed a data capture system for different issues, such as hazards, events, alerts and safety deficiencies, to achieve more accurate and preventive decision-making.

In 2020, part of the Safety Intelligence strategy underwent modifications due to COVID, and efforts and resources had to be prioritized and allocated to processes that could otherwise be implemented. Given this context, a line of work was established to instill in employees the need to make regular reports, to motivate them to be vigilant on safety conditions, and to report, alert or communicate situations below standard that occur in their workplace. This is how the "Personal Safety or Physical Safety Incident Reporting" performance indicator was created.

This is the first time the effort to fight against "Organizational Silence" has been measured. As a result, all the employees who were applied this indicator participated in the survey with a result of 90% compliance. In 2020, more than 4,400 reports were received.

The challenge for the next few years will be to obtain better quality reporting and data to predict potential incidents that will ultimately be a valuable contribution to the Occupational Health and Safety Management System.



Work Safety Goals 2021

Reduce accident frequency rate to

0.45

Reduce the severity rate to

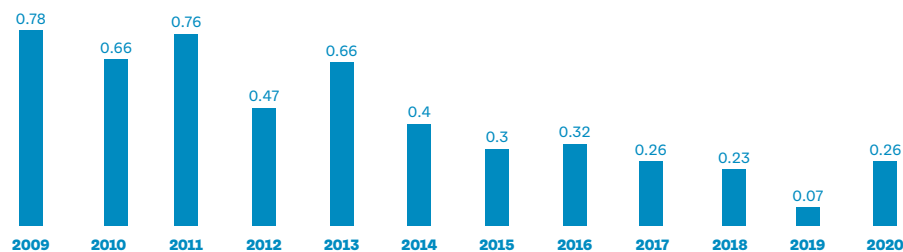
15.00

Maintain zero fatalities, the same as in the last 17 years.

0

Accident frequency rate

Lost - Time injury / Average Employee



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Safety culture model

The Safety Culture Model, rolled out in 2017, requires to continuously review risk inventories, reinforcing reflection on the effectiveness of defense mechanisms, improving our communication and positive reinforcement, as well as cultivating a shared awareness about the most important risks, working with joint committees, trade unions, trade associations, academia, etc.

Safety culture is a set of ways of doing and thinking, which is widely shared by the members of an organization to control the most significant risks associated with its activities. Our Safety Culture Model, based on the "Vital Signs of Safety", provides clear guidelines that allow us to work and foster in our culture, implementing actions or work plans based on the Vital Sign goals (see diagram).

Informed Organization / Reporting
We want to boost reporting on actions, incidents, conditions or any other safety-related event.

Penalty and Recognition
We want to build a "Fair Organization" that clearly and fairly defines its non-negotiables and penalties, with a validated policy across the organization and that also recognizes the contributions made by employees to OHS management.

Safety culture model

Leadership
We want consistency between leaders' words and actions, always observing policies and promoting a Safety Culture.

Contractor Management
We want to create virtuous circles with our contractors.

Vital Signs of Safety



ISO 45001 certification

Another challenge the company had to face in 2020 was the migration of our Security Management System from OHSAS 18001:2007 to the new ISO45001:2018 standard.

In addition to the natural effort of the different teams involved in this migration process to a new standard, we had to develop it remotely, including online internal and external audits. After nine months of work, in November 2020, Transelec received its certification from Bureau Veritas, for its migration to the ISO45001:2018 standard.

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Shared value, social investment and citizen participation

Our flexibility and ability to adapt was put to the test

When we still had not left behind the effects of the social movement that began in October 2019, we faced a new challenge, which not only forced us to look for creative ways to develop our social investment projects already in progress, but also led us to rethink and even modify our Community Engagement, Citizen Participation and Social Investment strategy. The pandemic is not fully under control, so we must continue this flexibility and creativity needed to face what is yet to come.

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Context

For more than 10 years we have implemented a Community Engagement, Citizen Participation and Social Investment strategy based on building trust through dialogue and implementing community projects to promote local development.

Our vision and strategy are based on building a relationship of trust between the communities and the company, which we have built through the development of projects that help to improve the quality of life of communities and contribute to local economic development. All this to ensure the company has the proper social licence to operate and develop its new projects in harmony with the communities, avoiding conflicts and building relationships of trust.

In late 2019 and early 2020, as a result of the social movement, we decided to deepen our commitment to society and hold talks with leaders from all our priority communities. A conclusion of this process was the importance of strengthening all the positive things we had done so far and integrate the community as a player, a coordinator, transparent and open to dialogue. At the same time, help to bridge the gaps in our communities in terms of isolation and vulnerability.

With this disposition we reached the first quarter of 2020, where because of COVID-19 we were put to the test once again and we had to adapt our strategy to respond to the emergency, in order to offer quick and concrete solutions at a time when our communities required urgent support to deal with the pandemic.

One thing we learned last year is that all the previous dialogue sessions, as well as the trust gained in the local communities where we operate, contributed to maintain, and even strengthen, our relationship with them, even in the worst health, social and economic crisis we have ever faced. Therefore, it is clear that we have to continue to maintain this open and proactive listening attitude, because it is by co-creating initiatives that the community is benefited and strengthened and the company is validated as a good citizen and achieves its licence to operate.



Our community engagement strategy is based on building trust, social investment and obtain our social licence.



1. Active listening to co-create ideas

At the end of 2019, Chile faced unprecedented social movements that sought to include deep and urgent social demands into the political and economic agenda to build a more equal and just society. In order to know our employees' opinion, reflect on this process and develop an action plan that would help to promote a country with more dignity, we immediately organized a dialogue process led by the CEO, that consisted of 20 discussion sessions and a total of 40 hours of workshops and the participation of employees from Santiago, Antofagasta, Coquimbo, Cerro Navia, Orinoco, Talca, Concepción and Puerto Montt, as well as contractors and consultants.

As a result of this process, we developed the Towards a More Inclusive Chile plan, which was inserted into our Community Engagement plan, and which included nine employee-based initiatives; nine contractor-based initiatives; and six community-based initiatives. This collaborative approach allowed us to add new actions to our regular strategy and include different points of view in our planning.



Towards a More Inclusive Chile

In the context of the Towards a More Inclusive Chile plan, six initiatives were developed and most were implemented in 2020; however, they had to be adapted based on the effects of the pandemic.

Towards a More Inclusive Chile Plan	Progress 2020
1. Promoted open dialogue with our communities.	We trained community leaders to use online platforms. To this end, a digital literacy course was organized, and open connection was guaranteed in 33 municipal centres and digital working groups were organized. In 2020, we started the listening and evaluation processes. Thanks to these talks, some of the COVID initiatives were co-created and implemented (see p. 59).
2. We improved our social investment program.	Originally this initiative sought to approach communities directly, but as a result of COVID, we increased the number of covered communities from 10 to 26 and had to create other forms of contact, mainly online. We increased in 70% the social investment budget compared to 2019; our effective social investment was \$1 billion.
3. We implemented a support program to obtain resources and solve community infrastructure issues.	We designed and implemented a technical support program where leaders were trained and helped to raise funds with the government or with private funds. Although the government closed several application processes, we were able to raise private funds and even exceed our target to double the investment. Transelec invested about \$20 million and managed to confirm projects for \$53.7 million.
4. New citizen participation and civic education approach for the Ideas with Energy Program.	This initiative was suspended as schools were closed. However, this aid was redirected to the 25 schools by improving the sanitation infrastructure through the Ideas with Energy - Infrastructure plan (see p. 58).
5. We created the Social Engagement Committee.	A Social Engagement Committee, as a volunteer program, was organized and began its work in the last quarter of the year; 40 employees were registered. Its first activity was to deliver 2,200 food boxes converted into Christmas packages in December.
6. Join and improve our recycling efforts.	We implemented a recycling infrastructure program with 11 units and a collection centre at our head office. The Zero Waste Committee was also created and, by the end of 2020, 24 people had registered. We are planning to expand this initiative to other Transelec offices in regional departments.

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2. Community support plan in the context of COVID

In April 2020, we began the path of adapting to a new way of engaging our communities and responding to the emergency with new initiatives. Although we maintained our vision and strategy, we had to change our work plan as a result of the pandemic to immediately alleviate the social, health and economic problems that started to affect the communities next to our operations and projects. To do this we did what is in our principles: we visualized the problem and designed solutions through dialogue with leaders and neighbours.

This time, however, the Coronavirus posed challenges to which we had to respond quickly; this changed the way we worked and made us develop new projects, with new actors, methodologies and beneficiaries. Furthermore, because we believe that this is such a large-scale problem and because it is time to show our commitment to communities is at the core of our business Even though all corporate departments had made budget adjustments, the Community Engagement and Corporate Social Responsibility department doubled its budget to implement the Community Support in the context of COVID plan, and its social investment was more than \$1 billion in 2020.

In practice, activities were divided into an immediate phase of the emergency response and a longer-term phase that included local economic reactivation and promotion. In order to truly support not only the community, but also the authorities, at a time when all the resources were needed to face the pandemic. This support plan was implemented with five strategic pillars:

Food

The main effect of the pandemic was the quarantine imposed throughout the country. These quarantines caused thousands of families in Chile and in our communities to lose their sources of income and, hence, put access to food at risk in thousands of households.

To help these families, especially older adults, single mothers and new unemployed, we designed a food box delivery plan. We delivered more than 9,000 boxes between May and December. These boxes were distributed with the support of employees from all Transelec vice presidencies and they reached their final destination through neighbourhood councils, older adults centres and to indigenous communities located throughout the country

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Health

At the beginning of the pandemic there were two important health-related issues that we wanted to collaborate on. First, the personal protective equipment shortage for frontline workers, due to the rapid spread of the virus and second, the delay in non-COVID-19 healthcare in rural areas and overwhelmed public systems.

In this context, one of the most important communities in the Metropolitan Region for Transelec is Cerro Navia and, for this reason, together with the Desafío Levantemos Chile foundation, we delivered 1,500 healthcare kits and personal protective equipment for frontline health workers at the Félix Bulnes hospital so that they could continue their work.

Furthermore, together with Desafío and Techo para Chile foundations, as well as with local health services, we took primary healthcare to rural medical centres, neighborhood centres and

Cesfam, to reduce exposure to the virus of people who required non-COVID-19 care.

We also provided this service to highly vulnerable population in remote locations and the public health system was freed up through different services, such as sampling, PCR tests and general healthcare, in the Metropolitan, Antofagasta, Valparaíso, La Araucanía, Los Ríos and Los Lagos regions.

We also made available to authorities and local health systems, two mobile clinics to provide non-COVID-19 primary healthcare, PCR tests, vaccinations and medication delivery. Between July and December these vehicles visited municipalities in the Antofagasta and Los Lagos regions. Overall, this healthcare service benefited 2,000 people, and carried out 9,736 PCR tests and 390 medical appointments between June and December.



Click here to watch the video

you will be redirected to <https://www.transelec.cl/videos/transelec-acerca-atencion-de-salud-junto-a-desafio-levantemos-chile-y-techo/>

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Education

We implement two new lines of work. The first one focused on improving the infrastructure at 25 schools in the Ideas with Energy program between the Atacama and Los Lagos regions. The program originally promoted the environment and energy through workshops, but we redirected funds and as children were not going to schools, we decided to improve the school sanitation quality and infrastructure. This initiative, which by the end of the year had already been implemented in 23 of the schools and work was in progress in the other two schools, consisted of making improvements to the school sanitation infrastructure and prepare them for a safe return to school. Therefore, improvement works were carried out in toilets, dining rooms, playgrounds and classrooms; air conditioning equipment and sinks were installed in common areas, as well as other improvements, depending on the needs of each school. In 2021, a new version of the program will be drafted given the need for special social distancing infrastructure required to welcome the children back.

The second initiative, carried out with the Children First foundation, was the Power Families program. Its goal was to support 50 families and children in Cerro Navia through distance learning to protect the family bond, improve literacy, contribute to early stimulation, parental skills and strengthen family bonds.

Infrastructure and local employment

As part of the commitment arising from the Towards a More Inclusive Chile plan (*see p. 55*) we promoted a social investment program in 10 priority communities for Transelec. Due to the social and economic effects of COVID, we enhanced this program, reaching 26 locations with infrastructure projects built with contractors and local workers. In addition to the improvement projects in 26 schools, we promoted the construction of community kitchens; family allotments: we promoted an indigenous agricultural development program, an older adult care program, we improve municipal centres and installed lighting in public spaces, among other initiatives.



Economic reactivation

During 2020, we worked on the design of an entrepreneurship program to promote the projects of 100 micro-entrepreneurs in 10 communities in a remote initiative with the Simón de Ciro foundation. This program was launched in January 2021.



Click here to watch the video
 you will be redirected to <https://www.transelec.cl/videos/mejor-infraestructura-en-25-escuelas-ideas-con-energia/>

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3. Community engagement plan

Most of our efforts were directed towards the Community Support plan in the context of COVID and to move forward with the Towards a More Inclusive Chile plan; with great effort, we also continued the initiatives developed through what is today one of our greatest strengths: active listening.



Working group

An initiative we wanted to continue and protect was the working groups, since within the context of the pandemic they were deeply affected by not being able to hold face-to-face meetings. To address this issue, we designed a digital literacy plan, offering training to leaders from more than 25 communities on the use of remote communication using digital platforms. As a result, we now have highly efficient digital working groups with regular meetings and schedules. Thanks to the relationship built with the leaders, we were able to co-design the community support program in the context of COVID-19, which was delivered during the pandemic.

Another important challenge in this area was the creation of new online working groups, so not only did the work with old leaders continue, but we also start to liaise with new representatives, starting from scratch, but this time, remotely, which required a great effort from both sides to make progress. Likewise, observing the urgent need to have internet in the communities, we installed WIFI connections with a connectivity plan in 33 neighbourhood centres. Today the centres have free and open internet to facilitate meetings and which can also be used by neighbours. Thus, 2020 was a year of adaptation and strengthening of relationships, for which both Transelec and the leaders are grateful.



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Citizen participation

Another issue we had to address was the adaptation of citizen participation processes and indigenous consultations. According to the Institute of Human Rights, in 2020, there were 117 socio-environmental conflicts in Chile, 63 of which were active. It also states that, in recent years, the relationship between communities, the government and investment projects has become strained, and the environmental institutionality has not provided an entirely adequate response to solve major conflicts.

In this context, we are convinced that to hold these activities in advance is the best decision for communities and the company; this has provided us excellent results over time. Although in 2020, early citizen participation processes were not what they used to be in terms of number of participants, we continued the process through digital platforms, primarily with the leaders we already knew and we also sent a professional expert to go and live in the 10th Region to make the most of the opportunities to interact with people and activate new citizen participation projects, which even allowed us to organize face-to-face bilateral meetings.

Keeping these processes alive will be one of the challenges we will face in the future. We must look for new ways to organize them to ensure the transfer of clear and transparent information and obtain adequate feedback from the community. However, in 2020, we were able to maintain our target to carry out early and formal citizen participation in all projects that were submitted to the Environmental Assessment System and that included communities in their area of influence.

In 2020, we achieved our target to carry out early and formal citizen participation across all our projects submitted to the Environmental Assessment System.



Citizen Participation in the Tineo-Nueva Ancud Transmission Project

A key process during this period is the voluntary process of Early Citizen Participation carried out for over a year within the framework of the Tineo - Ancud transmission project, which will connect the Llanquihue and Nueva Ancud municipalities (*see p. 27*). Thanks to the open and friendly conversations held at 77 meetings with community organizations, neighbourhood councils, local indigenous communities in the area of influence of the project, modifications were made based on community and environmental concerns, and we optimized the line layout in areas determined by the neighbours needed to be modified based on to the day-to-day activities of those communities in the area (*see table*). The transmission line will cover approximately 95 km and it will have 251 towers, crossing six municipalities in the Llanquihue and Chiloé provinces, Los Lagos region, including the overhead crossing of the Chacao Channel.

Compensation measures include the implementation of a native forest recovery plan that increases connectivity between areas with highly sensitive environmental areas and a support plan to rescue and strengthen cultural and traditional practices of the Huilliche Wüdko indigenous community in San Gallán, Estero Chacao and Senda Chacao.

Some modifications to the Tineo - Ancud layout due to early citizen participation

Socio-Environmental Considerations	Modifications and some of their impacts
Larch tree population found between tower 177 and tower 180	<ul style="list-style-type: none"> • Micro-routes to define layout variant. • Discard criteria of affected forest, accept Conaf suggestions. • Reduced impact on loss of native forest.
Interference with priority site and the nature sanctuary Maullín River	<ul style="list-style-type: none"> • Interaction in five sectors of the priority site. • Overhead crossing over river bed. • Apply criteria of minimum vegetation cut-off.
Interference with religious ritual site of the indigenous community Huilliche Estero Chacao	<ul style="list-style-type: none"> • Move layout between towers 188 and 199 to avoid interference with Wechipantu ceremonial site. • Indigenous community favourably received the layout change.
Archeological Findings	<ul style="list-style-type: none"> • Relocated towers and early works, access road change. • Of the 15 findings, only one will be intervened, which will be rescued and material will be taken to regional museum.
Tower sites in natural watersheds	<ul style="list-style-type: none"> • Hydraulic axis simulation studies. • All towers were relocated outside watershed. • Avoided impact in hydrology and its ecosystems.



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Early listening enables the implementation of social and environmental projects in Los Ríos and Los Lagos

The measures agreed with the community and authority in the framework of the construction of the new transmission system Pichirropulli Substation –Tineo Substation included the construction of a ruca (hut), promotion of tourism entrepreneurship and replacement of wood heaters in Osorno. This project includes a new 2x500 kV line covering approximately 145 km. The new transmission system will enhance the energy supply in the Los Ríos and Los Lagos regions.

These initiatives are the outcome of early conversations with communities, even before the project’s Environmental Impact Study is submitted. The process included early discussions with indigenous groups, which led to social investment agreements and then accelerated the indigenous consultation process. Furthermore, the definition of a functional layout visually distant from populated centres and national parks and reserves, among other protected areas, was important.

Initiatives include a program to promote tourism activities in the municipalities of Osorno, Río Negro, San Pablo, Purranque, Frutillar, Paillaco, La Unión, Río Bueno and Llanquihue and workshops and projects on culture, heritage and Mapuche – Huilliche traditions based on the interests of each community in Paillaco, La Unión, San Pablo, Osorno, Río Negro and Purranque.

In environmental matters, the Pichirropulli – Tineo project has contributed to the air quality targets promoted by the Ministry of the Environment, by designing an emissions compensation plan for Osorno, which consists of replacing wood heaters with electrical equipment in 17 households (see p. 68). The project also considers other environmental measures associated with reforestation, rescue of specimens and replacing exotic species with native species.



Communications management system

In 2019, we implemented our Communications Management System, which allows us to respond to a documented and standardized request, query or requirement. It applies to all Transelec projects and facilities throughout Chile. In also helps us to face the challenges of coexistence in the territory and to build relationships of trust with communities as well as innovatively work during the project design, development, construction and operational processes.

For its startup, our employees received on-site training, improving our interaction to address community concerns and truly receive questions and queries.

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Environmental Responsibility

Clean energy transmission guarantors

Our responsibility in the decarbonization of the energy grid gained special importance in 2020, with several initiatives that have put us at the forefront of renewable energy traceability and certification. Furthermore, we remain committed to reducing GHG emissions and managing our environmental impact.

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Context

As a member of the United Nations Framework Convention on Climate Change, Chile presented in April 2020, its new Nationally Determined Contribution (NDC), in the context of the Paris Agreement, through which it has committed to develop and implement climate policies and actions that enable local adaptation, mitigation and compliance with global agreements.

The Chilean Energy Policy - 2050, presents the need to incorporate sustainability issues when developing projects to protect the environment, understand and incorporate social dynamics and cultural values of communities so that these different groups correctly integrate into local and national economic development.

In this case, we believe that one of our main contributions to national and international sustainability goals is to help decarbonize the energy grid through projects that allow us to transport and connect renewable energies to the National Power Grid (SEN) and, from 2020, the certification of the origin of energies through blockchain technology that measures, traces and certifies the source of energy generation. we also continued our commitment to measure our carbon footprint and to manage our main environmental impacts.

Our main contribution to national sustainability goals is to contribute to decarbonizing the electricity grid through projects that transport and connect renewable energies to the National Power Grid.



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1. Our role in the national decarbonization process

In 2019 and as part of the 2050 Energy Policy, the Ministry of Energy announced the National Power Grid (SEN) Decarbonization Plan, which consists of the voluntary, scheduled and gradual closure of Chile's 28 coal-fired power plants which produce about 40% of the country's gross power generation. However, the responsibility for these power plants exceeds this by also generating 91% of total carbon dioxide emissions (CO₂) in the National Power Grid; 88% of particulate matter; 97% of sulphur dioxide (SO₂) emissions and 91% of total nitrogen oxide emissions (NO_x).

We must drive, together with this decision, structural changes in energy generation based on a cleaner and more resilient grid in order to shift towards renewable energies, as this sector is currently one of the sectors that discharges more greenhouse gases (GHGs) into the atmosphere.

In this context, Transelec's role in the decarbonization process of the energy grid in Chile, is to promote electricity generated from renewable natural sources, such as solar and wind, is transported and connected to the SEN and is used by end users, enabling its connection across Chile. And in this context, in 2020, there were three important milestones: certification of clean energies, an application was launched to certify the source of renewable energies and renewable energy was connected to the SEN.

Companies face the challenge of raising their environmental standards, showing their users and consumers that their processes and operations are sustainable. Therefore, to know that the electricity used throughout the value chain of a product or service comes from clean sources is a requirement that increasingly must be certified. Pulse is a response to this challenge.



Our path to decarbonization:

- Certification pilot for origin of renewable energy from four of our substations.
- Launched Pulse, which is a service to trace, certify and see the renewable energy that companies use to prepare products and services.
- Start real-time certification of generation stations by entering into a contract with Latin America Power.
- Renewable energy connection to the SEN with signature of Mainstream Renewable Power.

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The first milestone began with a pilot to explore the use of blockchain technology to certify the origin of renewable energy transmitted from four of our substations (Alto Jahuel, Cerro Navia, Itahue and Temuco). The project provided online information, in real time and verifiable regarding the origin of the energy. This initiative, which is in Transelec's portfolio of innovation and digital transformation projects (*see p. 32*), has 20 photovoltaic solar panels that, to date, have generated close to 16 MWh of renewable energy, equal to reducing CO₂ by 6.45 ton at the company's operation. The next step was to certify in real time, generation plants in operation, and the contract was signed to certify the energy of two wind farms and a hydroelectric power plant owned by the company Latin America Power (LAP) in the Atacama, Coquimbo and La Araucanía regions, respectively. Its energy will be measured, traced and certified as renewable by this new service designed for any company that wants to show its commitment to decarbonization.

The second key milestone is the Pulse website (www.pulseenergia.cl) was launched; an application that traces, certifies and shows the renewable energy used by companies to produce products and services. This was developed for consumers who are concerned about the environment (*see explanatory video on p. 35*). In 2020, Pulse recorded 278.27 GWh of renewable energy, equal to a CO₂ reduction by companies equal to 112,867 planted trees.

The third milestone was the connection renewable energy to the national power grid. For example, the Company has two contracts with Mainstream Renewable Power for construction, operation and maintenance of the transmission line that connects the Puelche Sur Wind Farm to the National Power Grid (*see information in table*).

Enabling renewable energy connection

Other key projects that connect renewable energies to the SEN are:

PUELCHÉ SUR WIND FARM

(Mainstream Renewable Power)

The 156 MW project, located in the Los Lagos Region, will displace more than 200,000 metric tons of CO₂ and generate clean energy to supply more than 180,000 households. This agreement is in addition to the agreement entered into between the two companies in 2019 to build a transmission line in the Atacama Region that will connect the Río Escondido and Valle Escondido solar projects to the National Power Grid. In the last five years, Transelec has transported through its high-voltage lines 60% of the renewable energies consumed in the SEN.

RÍO MALLECO SUBSTATION PROJECT

It will enable the connection of the Malleco Wind Farm, with a nominal capacity of 273 MW that will be supplied to the National power Grid. The project was energized in September 2020.

ATACAMA SOLAR PROJECT

It involves the construction of a 1x220 kV transmission line covering approximately 45 km between the Lagunas substation and the Matilla elevator in the Pica and Pozo Almonte municipalities. The project will connect the Atacama Solar photovoltaic farm with a nominal capacity of 250 MW that will be supplied to the National Power Grid. The project was energized in January 2021.

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2. Climate change

Chile's Energy Policy 2050 reflects a commitment in response to the challenge posed by climate change and it supports a transition to a significantly decarbonized economy and energy grid, at least achieving a 30% reduction in greenhouse gas (GHG) emission intensity by 2030, based on international commitments made.

Transelec continuously measures its carbon footprint and is developing a corporate greenhouse gas emission reduction agenda, mainly sulphur hexafluoride (SF6), an artificial gas widely used by the electrical industry due to its insulating properties.

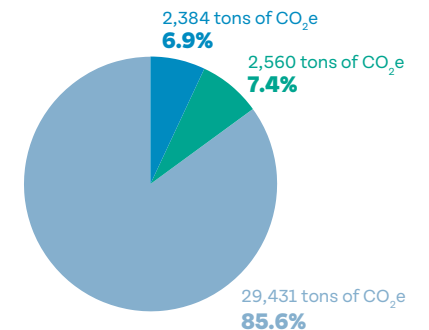
Carbon footprint

In 2020, we carried out a new study to measure our carbon footprint and define actions to reduce our main emissions generated. As a result, Transelec's total greenhouse gas emissions were 34,374 tons of CO₂e, of which 85.6% were in scope 3, 7.4% in scope 2 and the remaining 6.9% in scope 1. We also identified materials used in projects, travel and electricity consumption as major sources of emissions.

Carbon footprint calculations are also used as an input to analyze our behaviour. In 2018, it showed the impact of SF6 gas emissions which is used as an insulator in our electrical equipment. For this reason, in 2020 we sent all gas storage cylinders in bad condition to Hidronor for disposal. This initiative allowed us to reduce about 3,800 kg of SF6 gas, i.e., 87,000 tons of CO₂ equivalent, comparable to the emission generated by 18,000 passenger vehicles in a year. Furthermore, other actions taken to prevent SF6 gas leaks from equipment include a contractual clause with primary equipment suppliers, regarding responsibility for mitigating the risk of SF6 leaks through climate action certifications.

In 2020, we have continued our 'Get-In program' which was an initiative that encouraged employees to car-share with people from other companies to travel to the corporate office because in 2019 commuting travel accounted for 2.3% of the company's total carbon footprint. However, due to the pandemic and not to enable infection hotspots with our employees, we decided to restructure this initiative and focus on cycling. To this end, coordination meetings were organized between Human Resources, the Vice-Presidency of Corporate Affairs and Sustainability and the Transelec group of cyclists. During 2020 we studied the situation of cyclists and a new exclusive bike rack was installed at the Transelec building.

Carbon footprint



● Scope I ● Scope II ● Scope III

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Heaters Replaced

Unprecedented emission compensation process

As part of the Early Citizen Participation process carried out with the local community and indigenous communities associated with the new transmission system construction, which goes from Pichirropulli, in the Paillaco municipality, to Tineo, in the Llanquihue municipality, not only were measures to promote entrepreneurship and tourism activities agreed (*see p. 61*), but also an unprecedented measure to replace wood-fired heaters in Osorno. This initiative contributed to the air decontamination plans promoted by the Ministry of the Environment in the municipalities located in the south of Chile.

In this context, an emissions compensation plan was designed for Osorno, which consists of replacing wood heaters with electrical equipment. This plan benefited 17 households, compensating temporary emissions, associated with construction work, with the permanent removal of particulate matter emissions from the area.

Due to the success of this pilot plan in Osorno, a similar plan was implemented in Valdivia, under the Emissions Compensation Plan presented for the New Valdivia tap-off substation project. This initiative, which benefited 15 families, removed the first annual ton of fine particulate matter from the city.

Both projects, which received technical support from the Sofofa Energy and Environment Centre, concluded their respective processes by sending the wood heaters for disposal and conversion into scrap.

Climate change vulnerability assessment

Electrical systems need to be better prepared to react to the different potential effects of climate change than other sectors. This is because resilient systems are required, i.e., they need to recover in the shortest time possible to continue providing the committed electricity service. In particular, Transelec considers it important to assess the current condition of the power transmission infrastructure (substations and transmission lines) in terms of its historic vulnerability to climate-related events and to determine the potential effects on this infrastructure in the future due to climate change, in order to define adaptation strategies.

In this context, in 2019 we commissioned a "Climate Change Vulnerability, Effects and Adaptation in Energy Infrastructure Assessment Study," developed by the UC Global Change Centre (CCG-UC) with the Research Centre for Integrated Disaster Risk Management (CIGIDEN) and the UC Energy Centre. This study assesses the risks, vulnerabilities and effects of climate change on infrastructure, as well as appropriate mitigation and adaptation measures to ensure the safety of our facilities and service continuity.

In 2020, progress has been made in the study of two CAPEX not VI projects, which aim to adapt and protect

channel transmission infrastructure near watersheds, including:

1. Project to reinforce the Córdores – Parinacota 220 kV transmission line, near the Quebrada Chiza area, waiting for approval by the General Water Board.
2. Flood protection project in the Alto Jahuel –Sauzal 110 kV transmission line, in the Río Peuco area, initiative being prepared to submit to the General Water Board.

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3. Environmental management

The development of new transmission systems is addressed with a multidisciplinary approach, which integrates the environmental and social dimensions from the planning and study phase, to the operation phase (and eventual closure). This environmental management approach, which goes beyond legal compliance, helps to identify and assess early on potential environmental impacts, analyze site alternatives, and ensure compliance to design appropriate mitigation, compensation, and/or restoration measures, where appropriate.

In 2019, we created the Environment Subdivision to oversee this process, which is responsible for coordinating and implementing environmental initiatives, as well as for the environmental management of investment projects, from the design phase to the operation phase. Its objective is to contribute to the sustainable development and operation of the electrical system, preventing hazards and negative impact on the environment, complying with current regulations, the sustainability strategy and other standards defined by the company.

In 2020, we began to review the Environmental Compliance Model, to improve the different verification and monitoring processes at Transelec involved in environmental compliance, as well as in the definition of roles and responsibilities.

Transelec's environmental management has focused on different topics, such as protected areas, biodiversity protection, avian interaction and waste management.



Protected areas

Transelec has electrical installations in territories considered "Protected Areas", such as national parks and reserves and priority sites for biodiversity. To protect them, the company coordinates with CONAF, it fulfils the committed management plans and monitors the commitments contained in its Environmental Qualification Resolutions.

In the construction phase, we consider various socio-environmental variables when designing and selecting a facility layout or site. Thanks to the early analysis processes of alternative locations, the baseline studies in the field and early citizen participation processes, it is possible to provide feedback to project engineering and introduce the necessary adjustments to protect the natural heritage that could be affected.

In the case of the operation phase, we incorporated preventive measures so as not to affect the biodiversity in some natural areas where we are present. To do this we created alliances and work in coordination with public and private institutions in our ecosystem.

To reduce the risk of wildfires and to make electricity independent by using hybrid renewable energy sources (solar and wind) instead of fossil fuels, in 2020, the autonomous power system of El Volcán radio station, located inside the Vicente Pérez Rosales National Park, Los Lagos Region, was placed into service. This system consists of a 3.2 kW wind turbine, 12 solar panels (370 Wp), a 13.5 kVA backup generator set, as well as 48 batteries and control systems to power, autonomously and renewably, the radio station equipment and systems throughout the year.

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An ecological infrastructure consists of a natural, semi-natural and anthropogenic ecosystem network, strategically planned, designed and managed, its function is to provide a broad range of ecosystem services and well-being to the inhabitants of a territory.

Respect biodiversity

Transelec has nearly 10,000 kilometres of lines; 9.93% of our operations and projects are in protected areas or in areas of high biodiversity value. For this reason, all our layouts include environmental and social considerations, to have the lowest possible impact on the environment and on communities. This is why from the very design of the transmission infrastructure we include an ecosystem approach that enables us reduce effects, guide the reforestation process with native species and recover various ecosystem services for local inhabitants in the long term (*see example in figure*).

Additionally, in our Environmental Impact Assessments we consider everything from elimination of environmental impact measures, mitigation and compensation actions to voluntary commitments.

In order to protect biodiversity, we have promoted outreach, research and protection initiatives, as well as our commitment since 2011 to ecologically restore the Nonguén National Reserve,

through an experimental unit and various reforestation activities carried out in the south of Chile.

Another key issue is to protect our safe strips. For this reason, based on a vegetation risk assessment conducted in 2019, we started a process to analyze and search for better solutions. Thus, in 2020, an initiative was carried out within a Vegetation Management approach that seeks to improve the coexistence between urban woodland and transmission lines located in urban parks and traffic islands. We are working with the Mi Parque Foundation, to find pruning techniques, urban woodland replacement solutions and manage agreements with municipalities and neighbours. The study results will be ready in the first quarter of 2021.



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Avian Interaction Guidelines

The company is actively involved in the protection of birds during their interaction with our power infrastructure. For this reason, we have implemented rescue plans, installed devices to scare off some species and protective guards to prevent birds from coming too close to the energized lines.

In the project phase, we also do bird surveys and air traffic studies in areas where there may be species in a conservation category to measure and monitor their behaviour, and at the same time, implement mitigation measures.

Some steps taken in 2020, include:

- Rescued and released a Pacific swallow species.
- Monitored birds around projects in operation: Nueva Charrúa and Lo Aguirre-Cerro Navia line.
- Monitored birds around New Charrúa and Lo Aguirre - Cerro Navia projects.



“Ecological” Transmission Infrastructure

As part of the Environmental Impact Assessment process for the Tineo–Nueva Ancud Substation Transmission System project, the implementation of a pilot unit to advance the design of an Ecological Infrastructure was proposed as a voluntary environmental commitment. The objective is to start a conservation planning process in the northeast area of the Norte Grande of Chiloé, starting with the design of an Ecological Infrastructure that enables us to shift towards the sustainable development of the territory. In this context, the idea was to design an Infrastructure that would mainly guide the reforestation process with native species and the recovery of various ecosystem services for local inhabitants in the long term. Through systematic criteria and indicators incorporated in a scale Geographical Information System of watersheds and landscape, it will be possible to divide priority sites in zones for reforestation to help the recovery of key ecosystem services in the area, such as water quality and quantity regulation.

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Waste management

Waste management at Transelec's operations and projects includes hazardous industrial waste, such as electrical oils from transformer maintenance or disposals. It also includes non-hazardous industrial waste, such as items from transmission line tower and substation maintenance. This includes materials such as glass (from insulators) and metals from disused electrical cable and tower structures. Final waste disposal management is carried under a disposal framework contract.

In 2020, the Cerro Navia substation adhered to the Clean Production Zero Waste for Disposal agreement, driven by Acción Empresas; its objective is to reduce the volume of solid waste disposal, by introducing circular economy practices to avoid generating waste or increasing its value. Some actions taken to incorporate circular economy into the facility is to use worm composting to reduce organic waste in the cafeteria. Another example is when hazardous or non-hazardous waste is removed, we have a waste manager who has the tools to assess most of the waste. Hence, we prevent both organic and inorganic waste from being incorrectly sent to landfills. Based on an external audit conducted by the consulting firm WSP, Cerro Navia substation was certified to be 100% in

compliance with the actions undertaken in the APL, and it received the Zero Waste to Landfill seal (middle level) from the Ministry of Environment.

Similarly, Transelec's head office has made progress with the #yoreciclo initiative (#Irecycle) after implementing a recycling management system with the support of Tricycles. This system includes different actions to create a recycling culture, the installation of recycling units and a specific recycling collection system, and figures are regularly reported. This initiative is expected to be carried out by Transelec's other offices, in the regional departments.

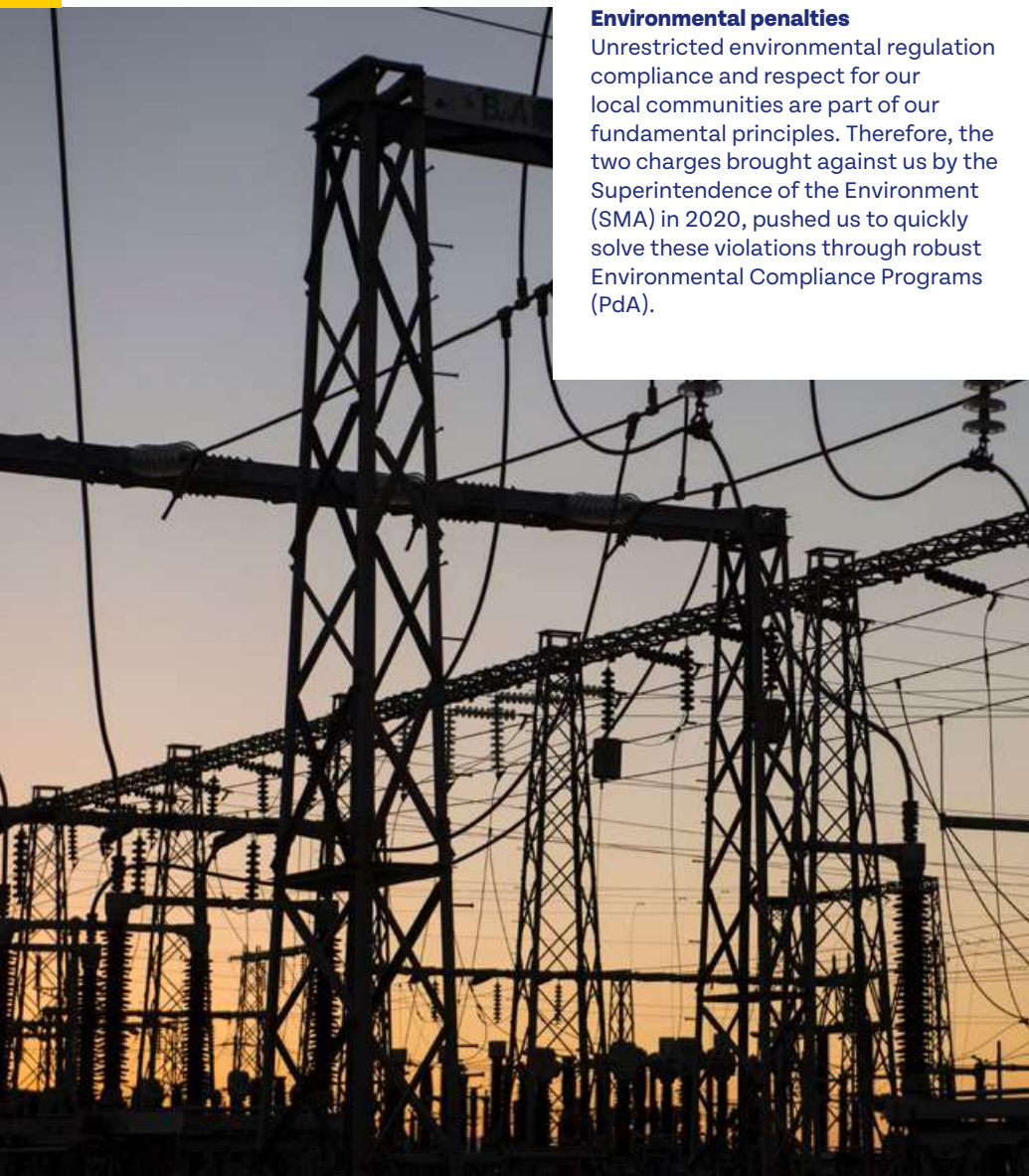
In 2020, the amount of waste generated was 978 tonnes, 20.8% more than in 2019, which is explained by the plan to clean up hazardous and non-hazardous waste storage facilities.

Recycling Units

We implemented with Triciclos, a consulting company, a recycling infrastructure program with 11 units and a collection centre at our head office. The Zero Litter Committee was also created and, by the end of 2020, 24 people had registered. The idea is to expand this program across Chile, so we have already started conversations to install units at different offices.



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Environmental penalties

Unrestricted environmental regulation compliance and respect for our local communities are part of our fundamental principles. Therefore, the two charges brought against us by the Superintendence of the Environment (SMA) in 2020, pushed us to quickly solve these violations through robust Environmental Compliance Programs (PdA).

Rincón de Pataguas: the Ancoa electrical substation, part of the Central Power Grid (SIC), is located in the Rincón de Pataguas sector, Colbún municipality, Maule Region. The SMA received complaints from the local community due to noise annoyance from the substation operation and high voltage lines. Therefore, we made measurements, and observed sound levels exceeded 15 decibels, i.e., above the limits set out in the standard for rural areas. In July 2020, the agency brought charges against Transelec and other companies operating inside the Ancoa substation. A month later, our company submitted an Environmental Compliance Program (PdC) to the SMA that includes noise barriers to ensure compliance with the noise standard. In February 2021, Transelec submitted a new PdC., independently for the noise barriers installed in the Transelec area.

Charrúa-Lagunillas Transmission Line: this project, associated with the Charrúa-Lagunillas Transmission Line, comprises the construction and operation of a new double-circuit transmission line, a new substation, called Lagunillas substation and a four-circuit line. The work and facilities are in two provinces, Concepción and Biobío, and in four municipalities, Coronel, Hualqui, Yumbel and Cabrero.

The objective of the project is to improve the power transmission capacity, at a municipal, regional and national level. In July 2020, the SMA filed charges against Transelec for not satisfactorily complying with measures to compensate for the impact on vegetation in the area. In particular, Transelec has not accredited the reforestation of the 10 hectares in addition to the cut native forest area, i.e., 30 in total, on rural land agreed with CONAF, and by not maintaining the survival condition (survival plant) of specimens above 80% on reforested land, in order to guarantee what we had promised and set out in the Environmental Qualification Resolution (RCA 174/2009).

In August 2020, we submitted the Environmental Compliance Program (PdC) to the institution with reforestation and restoration actions, which was approved in September 2020. In December, the first progress report to the SMA was submitted with the actions that had been executed.

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Relationship with the Ecosystem

Strengthening relationships with our networks

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1. Stakeholders

Closeness, immediacy and strengthening of ties could be the adjectives to describe 2020 in terms of our interaction with our stakeholders. While we have always maintained the importance of building trust and maintaining a stable relationship with our stakeholders, throughout this period, our ties were tested and we managed not only to maintain, but also to strengthen them, with special emphasis on providing support to the communities where we have operations and projects, and specifically their local authorities, their community leaders and the underprivileged.

In 2020, we had to postpone the Corporate Reputation survey we do every two years, to dedicate all our efforts to helping those in need during the pandemic, and we implemented the Community Support plan in the context of COVID, while continuing the support defined in the Towards a More Inclusive Chile plan and the programs undertaken in the Community Engagement plan (see p. 55).



Our priority stakeholders are those who could be significantly affected by our activities, products and/or services; and those whose actions may affect our ability to successfully carry out our strategy and objectives.



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Snapshot of our stakeholders

Who are they?	How do we liaise?	Key interests and concerns
<p>Shareholders Transelec is owned by Canadian Pension Plan Investment Board (CPP, 27.73%), British Columbia Investment Management Corp. (bcIMC, 26,00%), Public Sector Pension Investment Board (PSP, 18.48%) and China Southern Power Grid International (CSG, 27.79%).</p>	<p>Every month we have telephone and face-to-face meetings in Chile and Canada; scheduled videoconferences, reports and Annual Report.</p>	<ul style="list-style-type: none"> • Create Sustainable Value based on the 5 pillars of the corporate strategy. • Contribute to Chile’s development.
<p>Authorities and regulatory bodies The company liaises primarily with the following regulatory authorities: Ministries of Energy and the Environment, National Energy Commission (CNE), Superintendence of Electricity and Fuel (SEC), Superintendence of the Environment (SMA), Financial Market Commission (CMF) and the National Electricity Coordinator (CEN). At a political level, Transelec liaises with the members of the Mining and Energy Commission of the Senate and Chamber of Deputies, the Ministry Internal Affairs, the regional governors and intendants, and regional secretaries of the Ministry of Energy, and other ministries.</p>	<p>Face-to-face meetings whenever necessary, deliver information about the company’s operations in a monthly corporate newsletter, Annual Report, Sustainability Report and corporate website; corporate events, such as seminars and substation visits. Engagement is forged when the company invites, is invited to present its position or when hearings are requested under the Transparency Law. Regular environmental compliance reports for Transelec’s environmental qualification resolutions.</p>	<ul style="list-style-type: none"> • Service quality • Ensure Transelec is a good citizen • New projects • Environmental Standard Compliance
<p>Customers Primarily non-regulated customers (e.g., mining companies) that require a transmission line to develop their projects, and generation companies of different types of energy that need to connect to the power transmission system.</p>	<p>Meetings with each customer whenever necessary; breakfast meetings to discuss solutions and topics of interest; communicate information about the company in the monthly corporate newsletter; Annual Report; website; presence at important energy industry events and publications in national and regional communication media.</p>	<ul style="list-style-type: none"> • Response time • Transparencies • Leadership • Service quality
<p>Employees and contractors Our employees are everyone who works directly for Transelec, and whose performance is essential to achieve the company’s goals.</p> <p>We have 3,518 contractors, who work indirectly at Transelec.</p>	<ul style="list-style-type: none"> • We communicate with employees through workshops, working sessions, breakfast meeting with the CEO, regional report, newsletters, El Trasmisor magazine, Transelec TV, intranet and website and through other means. • We communicate with contractors through training workshops, working sessions, subject-matter reports and direct contact via Technical Site Inspectors (ITOS) related to the company’s Project Area and through other means. 	<ul style="list-style-type: none"> • Employment quality • Safety • Corporate Leadership

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Who are they?	How do we liaise?	Key interests and concerns
<p>Communities Transelec has nearly 10,000 kilometres of transmission lines. For our company, the communities are all the inhabitants of the towns, settlements and cities near to its facilities. However, we have given priority to approximately 25 communities with which we are directly and continuously in contact. This group also includes the neighbourhood and municipal authorities.</p>	<p>Working with neighbourhood leaders and local authorities, social investment programs and projects, early and formal citizen participation activities for projects, distribution of regional newsletters featuring important information, presence on local radios, community visits to substations, media publications, and similar activities.</p>	<ul style="list-style-type: none"> • Contribute to local development • Access to information about the company’s socio-environmental impact, as well as mitigation and compensation measures if applicable
<p>Landowners The owners of the land where Transelec transmission lines are located. Landowners are stakeholders who we had not explicitly approached before.</p>	<p>Directly through maintenance activities, educational campaigns, such as Electrical Hazard Prevention, and information about the company, and the landowners’ rights and responsibilities. We rolled out a Landowner Engagement Model in 2018. It explains the communication channels and incorporates mechanisms to assess the quality of the relationship.</p>	<ul style="list-style-type: none"> • Personal safety • Ensure Transelec is a good citizen
<p>Informed leaders All the people whose expertise or position means they have extensive knowledge and an opinion about what is happening in the energy sector and how it can influence Chile. Most leaders are associated with think tanks, the academic world and external consultants.</p>	<p>One-on-one meetings, monthly corporate newsletter, Annual Report, Sustainability Report, website, social media and media publications. Since 2016, we have hosted a series of seminar “Conversations that connect,” attended by representatives from different groups of society, from different regions of Chile.</p>	<ul style="list-style-type: none"> • Service quality • Good citizen.
<p>Business and financial sector The business sector consists of all the trade associations (e.g., SOFOFA, CPC and energy companies) that promote growth and encourage discussions about Chilean issues. The financial sector consists of national and international banking institutions, risk rating agencies and insurance companies.</p>	<p>Meetings, breakfast meetings, monthly corporate newsletter, Annual Report, Investor Day, Quarterly Report, Sustainability Report, website and media publications, as well as various seminars hosted by the company.</p>	<ul style="list-style-type: none"> • Robustness • Leadership • Innovation

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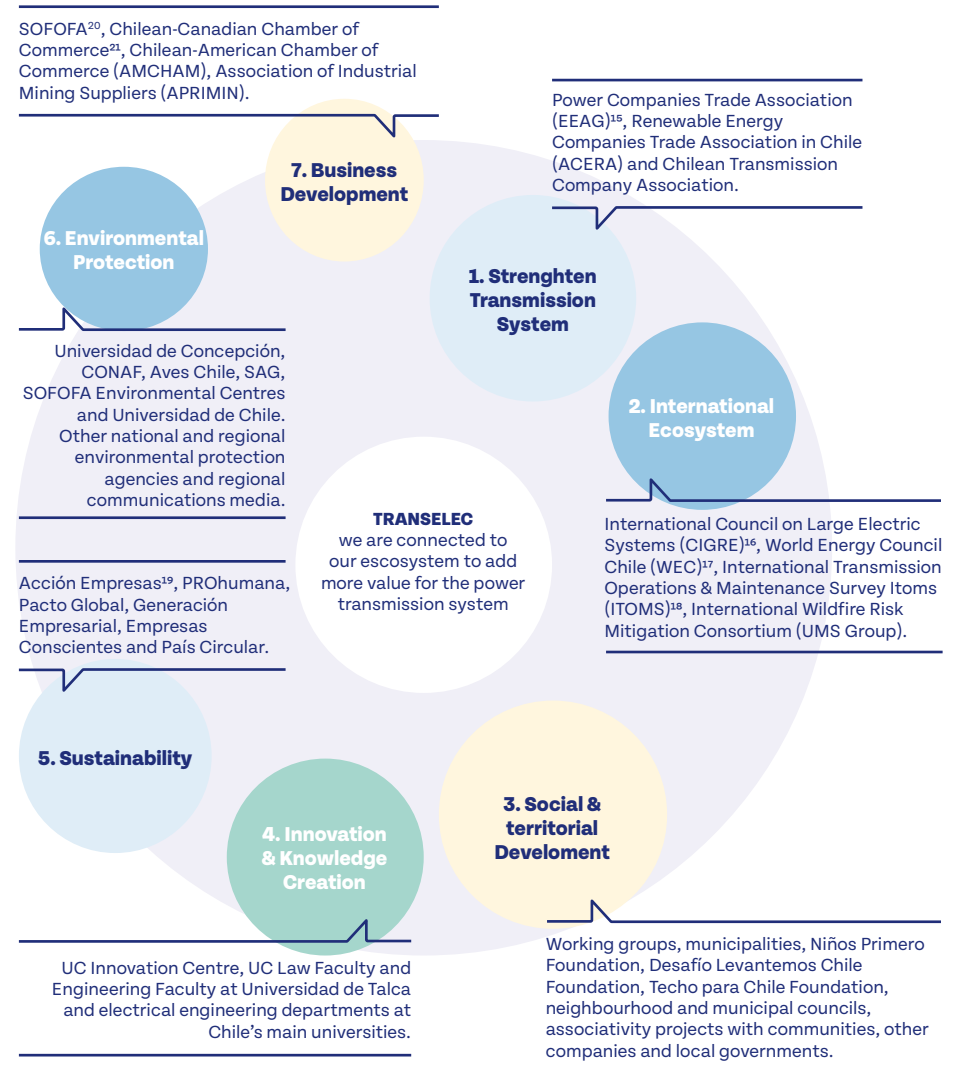
2. Collaboration with the ecosystem to create value

Ecosystem refers to **“a community of living organisms whose vital process are interconnected”** and their development occurs based on the physical factors in their shared environment. Extrapolating this definition to the corporate world, we find the growing need to transform an organization’s networks, consisting of all its stakeholders, into strategic knowledge-sharing ecosystems to accelerate results and increase their impact.

In this sense, we understand that we can get more value when we open our needs and ideas to the environment, building relationships that encourage experience and skill sharing. This associativity is at the core of our stakeholder relationship model. We believe it allows us to call upon diverse and complementary actors; generate synergies and greater efficiency; and, above all, it allows us to obtain faster and higher impact results for us and for our ecosystem.

For this reason, and especially in 2020, work among members in the different ecosystems was essential to achieve many of the initiatives we are involved in. In 2020, the Chilean Association of Transmission Company was created, an association that groups the seven main transmission companies in Chile. We are members of this association and we joined International Wildfire Risk Mitigation Consortium (UMS Group) a global association of companies in the industry that share fire protection best practices.

¹⁵ Our Legal Affairs VP, Arturo Le Blanc, and Corporate Affairs and Sustainability VP, David Noe, joined the Board.
¹⁶ Our New Technologies Assistant Manager, Alex Alegría, is a director and our Engineering and Studies Manager, Bladimir Rivas, is treasurer.
¹⁷ Our Corporate Affairs and Sustainability VP, David Noe, is a Director.
¹⁸ Our Operations VP, Rodrigo López, on the Board.
¹⁹ Our Corporate Affairs and Sustainability VP, David Noe, on the Board.
²⁰ Our Transelec CEO, Andrés Kuhlmann, is Elected Board Member for the 2019-2023 period.
²¹ Our Transelec CEO, Andres Kuhlmann, is on the Board.



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Integrity and accountability in leading our business

Excellence management

Strong Corporate Governance is essential to ensure our company's value creation now and the future. To this end, we have defined guidelines, bodies and mechanisms to ensure Transelec will develop a sustainable and cost-effective business in time.

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1. Corporate governance

Context

Transelec is a public corporation. Its shares are not traded on the Santiago Stock Exchange; however, the company is subject to the Financial Market Commission (CMF) guidelines and to Chilean Corporate Governance laws and regulations.

A self-regulatory framework to complement existing Corporate Governance laws and regulations in Chile was deemed necessary. Our General Corporate Governance Principles are a form of self-regulation, providing general guidance to Transelec S.A. Senior Management, its subsidiaries and to all its employees.

Board of directors

Role: Our Board of Directors is responsible for the corporate strategy, including definition of goals, the annual business plan, and setting medium and long-term goals. It also defines its basic principles, mission, values, policies, strategies and priorities; monitoring value creation and the efficient use of resources; overseeing performance, risks and management control systems, including sustainability.

Induction Process: We have induction and training guidelines for board members, specific procedures for Board visits to corporate facilities and several procedures to address other issues, such as teamwork and crisis management.

Structure: The Board consists of nine members, who hold office for a two-year term, subject to re-election. None of the directors has an executive position in the company. In December 2020, it was composed of three Canadians, one Chinese director and five Chileans. Two women are board members.

Training: At Transelec we believe that decision-making should be a highly informed process, especially in the central body of our Corporate Governance. For this reason, we provide ongoing training to directors, which during 2020 covered trending topics in corporate governance in the new context of Chile, criminal liability legislation, competition law within the framework of the Chilean Competition Law.

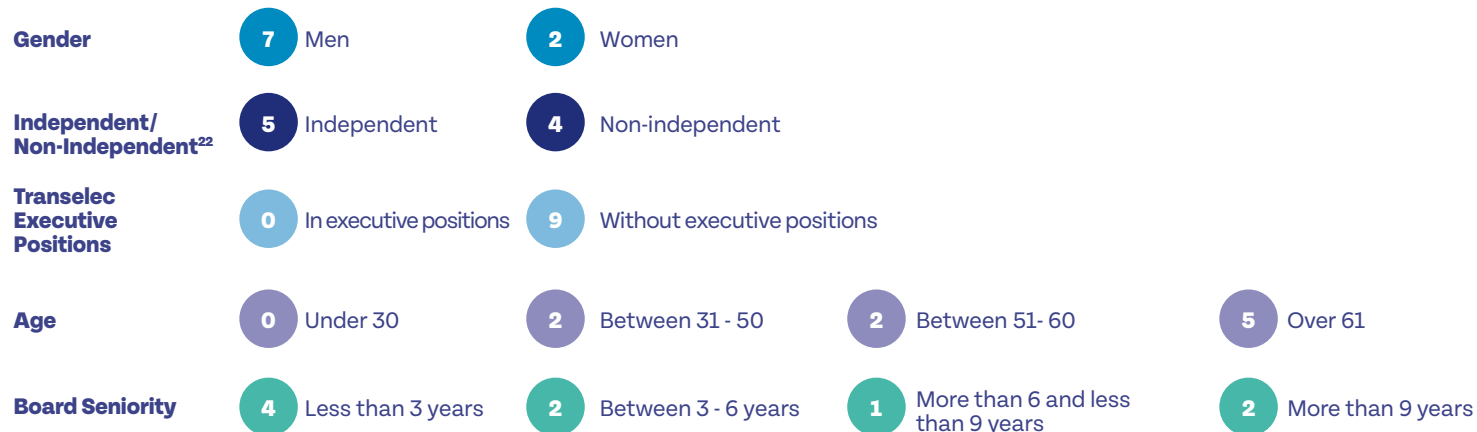
Committees: The following committees help the Board to perform its duties: Corporate Governance, Audit, Human Resources, Finance, Operations and Investment Advisory Committee.

From 2020, and as a sign of corporate best practice, our Compliance Officer, as a senior management member, has joined Board meetings and is a permanent member of the Corporate Governance and Audit Committees.

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Board of Directors Structure

(31 de December 2020)



Board's Roles during Pandemic

For the Board to continue its role safely and in accordance with the regulations of the Financial Market Commission (CMF), we implemented a technological solution to conduct its sessions safely and reliably, so as to avoid exposing board members, executives and employees to the virus.

Policies and Guidelines 2020

In 2020, the Board approved the following policies and guidelines:

- Donation and Sponsorship Policy
- Updated Transelec's Code of Conduct and Ethics.
- Conflict of Interest Policy.



²²In the case of Transelec, "independent" does not refer to definition contained in the Chilean Corporation Law, because it does not meet the requirements; therefore, it is not applicable to the Company. It means that the directors are "independent" from the Company's shareholders.

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Sustainability governance

The Board of Directors monitors the sustainability programs and provides recommendations to senior management to ensure ethical, economic, environmental and social issues are considered in their decisions. Corporate management and administration are delegated by the Board of Directors to the Chief Executive Officer, who is responsible for all the corporate operations. In turn, the different business and support units report to the CEO.

In order to discuss key sustainability issues, define priorities, determine action plans and monitor progress, we have Board committees and different Coordination Committees, at an executive level, to discuss major issues for Transelec, as well as the Integrated Management System Committee (IMS).

Sustainability Dashboard

We have defined ten key variables consolidated in the Integrated Management System (IMS) dashboard. Each indicator is monitored at IMS Committee meetings, and the indicators analyse workplace safety, operations, certification maintenance, community engagement, impact assessment of the social investment program in communities, environmental, labour and social compliance.

We submit a monthly Flash Report to the Board. The report addresses sustainability and other key issues, such as, occupational safety, grievances, inquiries reported on the Ethics Hotline or directly to, for example, the compliance, environment and community relations department.



More information about the role of these committees, and the description of other administrative bodies at <http://www.transelec.cl/quienes-somos/#q-gobiernocorporativo>

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2. Risk management

Role of the board

The Board is responsible for ensuring correct identification and management of risks, establishing controls and responsibilities to prevent and/or mitigate them. Together with the Senior Management, it regularly reviews the corporate risk matrix and delegates monitoring of action plans to the Risk Management department. The department also performs data collections in the different areas to identify and describe the most important risk factors and define the corresponding mitigation measures.

To determine the main business risks, including sustainability risks, we rely on COSO²³ guidelines and ISO 31.000²⁴. In 2020, we focused on adopting the latter and did a detailed analysis of the standard to gradually incorporate its approaches and concepts into our risk management process. This allows us to better classify the information, more accurately identify the risk manager or owner, and improve monitoring of the defined control measures.

Every quarter the Board reviews the controls of major risks, potential changes to risk level for major risk factors, and how Senior Management is acting and reacting to emerging risks.

Pandemic and risk management



During 2020 the Board ask for a special review of the risks arising from the health, social and economic crisis.

Therefore, we reassessed the risk level of the factors included in the matrix (latest update was at the end of 2019), and we identified some additional risks, which were discussed at different Board meetings.

Risks associated with the physical safety of employees and the security of our facilities, new ways of working and regulatory changes, were analyzed in the context of the crisis.

Main risks and emerging risks

The main risk factor faced by our company are events that may affect operational continuity, such as power outages, cable theft, fires, vandalism and terrorism. In the context of the pandemic and social crisis, the situations due to the restrictions and quarantines caused by the health crisis; availability and opportunity in the delivery of supplies in our supply chain and the increased likelihood of vandalism or terrorist acts against our employees, facilities and information and telecommunications systems.

Other risk factors that emerged at the end of 2019 were the reaction and effect of the social, economic and political situation on employees and the situation of our suppliers, contractors and customers in prevailing market conditions. Similarly, the recurring risks already identified in the risk matrix updated at the end of 2019, such as the legal/regulatory scenario that we will face in the future, the potential opposition of communities to our projects and facilities, the correct assessment of business opportunities, people's safety and supplier portfolio. In recent years, they have gained importance, both the impact that natural disasters can have on our operation as well as cybersecurity.

As a result of all these risks, in 2020, we defined and implemented control measures to prevent their occurrence or to mitigate their impact. Economic, ethical, social and environmental risks in the supply chain are also considered in the risk management process.

We have a Crisis Committee, in constant communication, that detects emerging risks and takes concrete and immediate actions for risk mitigation and solution. The committee consists of people from different areas, with special emphasis on operational issues.

More information on risk management in the supply chain on p. 87.
 More information on risk factors in the Annual Report 2020 available at www.transelec.cl

²³ Committee of Sponsoring Organizations of the Treadway that contain risk management and control guidelines.

²⁴ International standard developed by ISO. It provides risk management principles and guidelines.

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Cybersecurity

According to the latest edition of the annual risk report published by the World Economic Forum in January 2021, once again cyberattacks appear as one of the main threats, ranking fourth and increasing their severity from the 2020 report (seventh position). According to WHO, due to the COVID-19 pandemic, cyberattacks have increased fivefold and according to an IBM report, they increased by 40%. Last year ransomware attacks were the most used by cybercriminals, affecting hundreds of companies around the world, of all sizes and sectors.

Cybersecurity risks now take on multiple forms related to new technologies such as 5G, the cloud, and the Internet of Things (IoT). But cyberattacks are also beginning to appear on critical infrastructures, such as energy, health and transportation. These crimes are increasingly being committed by organized groups and with low probability of being detected and prosecuted.

To address the above challenge, we developed our Cybersecurity Plan 2019-2020, with its corresponding roadmap and associated structure. We organized a Cybersecurity Committee that meets on a monthly basis and we have the role of Chief Information Security Officer.

We have identified two main risks. The first risk is associated with critical cyber-asset breaches that can affect operational continuity. The second risk is data theft, hacking sensitive information with effect on competitiveness, reputation or operational continuity. To mitigate these risks we have prevention protocols, we perform simulations of cyberattacks on systems, integrate artificial intelligence technology, establish a sensitive data protection plan, a cybersecurity incident response plan and we have adopted the best standards, such as NERC-CIP, NIST CSF and ISO27001 in order to define controls.

Training

To raise our employees' awareness and reduce the number of cyberattack incidents and impact of potential attacks or adverse events, we carry out campaigns and training. In 2020, we carried out a campaign to communicate ten cybersecurity tips, throughout the year, via intranet and mailing. We also had the Cybersecurity Month, a talk with a renowned Latin American-speaker and training for operators of the National Transmission Operations Centre (CNOT) developed by a leading global provider of cybersecurity training.

2020 Progress of cybersecurity plan

As part of our Cybersecurity Plan, key milestones in 2020 were: the first Security Operation Centre (SOC) started operations; it monitors technology infrastructure every day of the year, as well as providing a service to identify network vulnerabilities. It also monitors social media and hacker forums to search for any data breaches in the company; it proactively detects emerging global threats and its mitigation measures; and it provides support in the event of a cyber incident.

It also highlights the creation of a cybersecurity framework, consisting of a set of procedures using industry best practices related to this issue; the implementation of protection measures for data stored in the cloud using Artificial Intelligence; review of user access to key systems; collection of personal data and protection measures; implemented MFA for Office 365 cloud access; and began a plan to adopt the National Cybersecurity Standard of the National Power Grid (SEN), among other key initiatives.

Next few years

In the next few years, our goal is to continue to reduce the likelihood and impact of cybersecurity incidents by adopting new technologies - such as specific tools to protect OT networks and cloud data - to continue to improve our internal processes and disaster recovery plans by incorporating industry best practices, and to continue to address a key factor, i.e., user training.



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3. Ethics and performance

Context

In a highly polarized scenario among citizens, a scenario of distrust in institutions and a questioned economic and social system, today more than ever transparency, ethical action, consistency between words and actions, and the fulfillment of promises made constitute the basic elements for building trust.

This is how we see it at Transelec. Our goal is that our corporate values and principles are embedded in the DNA of our decisions and actions. We strive and persevere when things are not as we expected, because millions of Chileans depend on us to provide the electricity they need for their daily lives. That is why our service and actions must be impeccable.

Ours is a long-term business. Therefore, the consistency between our words and actions is essential to build and maintain relationships of trust with shareholders, investors, regulators, clients and society.

Integrity model

The purpose of our Integrity Model is to make each employee a compliance ambassador, actively protecting all the company's actions. It defines two action points: prevention and early detection of unethical behaviour. We have established several governance bodies:

- a. Board Corporate Governance Committee:** it is responsible for guiding the organization to prevent illegal or unethical behaviour; best practices and training for Board of Directors, elect new members and other responsibilities.
- b. Board Audit Committee:** it reviews the audit reports, balance sheets and other financial statements and it is also responsible for reviewing the annual audit plan (internal and external), its progress and reporting; and it oversees the application, operation and certification of our Crime Prevention Model.
- c. Compliance Officer:** officer's role is to ensure the company, in an ethical and legal manner, meets its corporate goals, The Compliance Officer ensures that all our business processes and transactions comply with all applicable regulations and internal policies. The Compliance Officer is responsible for developing the Corporate Compliance Program, preparing and reviewing policies, establishing training programs and advising the company about potential risks. This includes all the organization members, i.e., Board of Directors, CEO, frontline executives, Managers, assistant managers and all our employees, suppliers, shareholders and customers. The Compliance Officer is independent and reports directly to the Corporate Compliance Committee. The Compliance Officer also submits compliance and ethical issues to the Ethics Committee.
- d. Internal Audit:** it oversees our business activities meet the highest standards, in an independent and objective manner. For this purpose, it reviews different areas, approved by the Board Audit Committee and to which it reports, based on an annual strategic risk analysis. This analysis aims to make management, control and governance processes more efficient.

We enhanced our compliance program



The main initiative for 2020 was to enhance the Corporate Compliance program pillars at Transelec and its subsidiaries. We developed various training and communication initiatives, identified risks and implemented the corresponding control, mitigation and corporate monitoring measures.

Environmental compliance



In 2020, the Superintendence of the Environment (SMA) brought two charges against Transelec, one for noise pollution at Ancoa Substation, and another for unsatisfactory compliance with reforestation measures in the Charrúa-Lagunillas project. In both cases we submitted an Environmental Compliance Program and are implementing the committed measures.

As a result, we focused on the performance of our environmental commitments and the effects our operations may have on the environment.

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Ethics management system

Our ethics management system consists of our Code of Conduct that applies to employees and the Code of Ethics, focused on the responsible conduct of directors and executives. It also includes a reporting channel and an investigation protocol, as well as ongoing training on these issues. In 2020, the Board approved to update both codes in order to keep them up-to-date and incorporate the most current subjects related to responsible conduct.

The Ethics Hotline is the instrument defined for questions and complaints related to potential events or conducts that could constitute a breach of laws, corporate values, the Code of Ethics and Conduct or other unlawful acts. It operates through a web platform; it is available to employees and people outside the company and guarantees confidentiality.

We have a protocol to investigate complaints, which is carried out by the Compliance department and we also communicate information on possible cases of ethical conflicts, events constituting a complaint, the complaint channels available, the investigation process and example associated penalties, used as a reference

In 2020, we received 25 complaints related to ethical issues (in 2019 there were 17), and all were resolved during this period. The main grievances were potential breaches of internal or legal processes (43%), conflicts of interest (22%) and other issues such as potential theft, use of confidential or privileged information and work environment (35%).

In the case of training, since 2014, all employees who enter our company are trained on the Crime Prevention and Corporate Governance Model. Additionally, in 2020 we held a series of online talks to enforce compliance and explain the role of the Compliance Officer and the use of communication and hotline channels.

As for Free Competition, and in line with Transelec's commitment to respect and promote good competitive practices, we provided online training, with experts in the field, for the team on basic principles, public tender issues, engagement with market players and competitors, and with trade associations, and authorities.

We also increased communications on our invitation and gift policies; we developed Ethics Workshops (*see figure*) and ensured our suppliers knew about our ethical standards (*see p. 87*).

2020

Ethics Complaints		Compliance	Training
25 complaints received	0 discrimination-based reports	0 significant fines for breaching social or economic laws or regulations ²⁵ .	100% of directors and 96% of employees received anti-corruption training.
100% settled in period	0 corruption cases	2 charges filed by the Superintendence of the Environment ²⁶ .	

New Code of Conduct and Ethics



At the end of 2020, the Board approved to update our Code of Conduct which applies to all employees and the Code of Ethics, which applies to directors and executives.

Ethics workshops



During the second half of the year, we held Ethics Workshops so that employees could understand the role and importance of ethics and values in their daily decisions.

At these online workshops through interactive activities, we enhanced good corporate practices with the support of Generación Empresarial Foundation. Employees from all operations, including our executive team, participated in these workshops.

²⁵ A penalty is "significant" if it exceeds USD1,000,000.

²⁶ Sanction imposed by the Chilean Superintendence of the Environment and sector organizations, during this period.

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4. Responsible procurement

Context

Contractors (service providers) and suppliers of goods have a significant impact on our ability to deliver an excellent, reliable and sustainable transmission service. Therefore, we strive to build relationships of trust, respect and mutual benefit with them and, at the same time, ensure they are conducting business in compliance with corporate policies and standards. We are aware that behind each company there are workers and families, so we assumed our commitment to their fair and responsible treatment.

In 2020, 1,004 service providers²⁷ and goods suppliers were part of our supply chain with 3,518 contractors workers.

1,004

service providers

3,518

contractors' employees

Sustainable supplier management program (GESPRO)

We have a Transelec Sustainable Supplier Management Program (GESPRO) since 2018. It has principles and conducts that define the goods and service procurement process, ensuring equality, transparency, excellence and quality of the bidders and processes.

GESPRO is organized into four categories: T Cumplimos (We commit to U), T Escuchamos (We listen to U), T Ayudamos (We help U) and T Inspiramos (We inspire U). Each category focuses on Transelec's commitments to its suppliers and the suppliers' commitment to the company.



Supplier ethical practices promotion

At the beginning of 2020, we held a face-to-face talk with our suppliers, to make them aware and encourage them join Transelec's commitment to conduct its business adhering to the highest ethical standards. During this activity different issues were address, such as the company's pillars of ethics, its community and supplier engagement, the independence of its procurement process, conflict of interest statements, and its relationship with politically exposed persons.

In January 2020, we held the Annual Supplier Meeting where we emphasized good practices in ethics.

²⁷ Suppliers with PO created in 2020, (released, opened and closed).

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Procurement policy and portal

While the policy defines the conceptual framework that oversees the company’s procurement processes, the portal is similar to an electronic communication channel where our suppliers and contractors have access to documents and information throughout the supply cycle. For example, they can participate in tender and quotation processes, and also submit questions, suggestions and observations.

Ethics hotline

We encourage our suppliers and contractors to raise issues or concerns related to their relationship with Transelec or with their contracts. For this reason, we have this hotline as well as other engagement and communication channels.

Responsible procurement program

We participate in this initiative led by Acción Empresas Foundation. This initiative focuses on: prompt payment, transparency and greenhouse gas management.

Sustainability: guidelines, programs and initiatives with our suppliers



More information about GESPRO at www.transelec.cl/portal-de-abastecimiento/

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Risk management in supply chain

The economic, ethical, social and environmental risks in the supply chain are included in our Risk Management System and audits that monitor implemented control measures. Supplier contracts now included clauses associated with crime prevention and child labour.

In the case of contractors, we check their tax, financial, commercial, technical, labour and compliance situation. This is to mitigate reputational and operational continuity risks. We specifically review, for example, the mandatory pension payments to their employees, and ensure they provide PPEs and correct training.

In 2020, we reviewed the risks associated with the supply chain to incorporate any factors arising from the current health, economic and social crisis affecting Chile. Key risks are associated with stock availability from Chinese, Europe and local manufacturers. At a local level, quarantines and measures imposed by the health authority affected travel times. There were also delays as suppliers adapted to the new health protocols established by the health authority and Transelec. Whenever possible, local supply sources were given priority, which implied shorter travel times and fewer stops.

In 2020, in order to ensure minimum safety stocks of critical materials to reduce risk of a possible supply chain failure, we analyzed the suppliers who are strategic or sole source in critical categories that could impact operational continuity, and together we agreed on a plan with specific deadlines and actions to mitigate those risks in each case.

Towards a More Inclusive Chile



This program was launched at the end of 2019, it was originally designed as Transelec's response to the social crisis (*see p. 55*) and from 2020 it became more significant due to the health and economic crisis. A core point is to support our suppliers, SMEs that have suffered acts of violence or have been negatively hit by the economic slowdown.

Supplier initiatives	Progress 2020
1. Seven-day prompt payment	In 2020 we continued to pay SMEs seven days after the invoice date. We also trained our key users to ensure documents are issued promptly so that suppliers can send their invoices.
2. SME have higher scores in tender process	We defined a differentiated mechanism to give less developed SMEs a higher score in our procurement process.
3. Regular meetings with suppliers to get first-hand information about their concerns and suggestions	This has helped us have a better understanding of their needs and, at the same time, identify collaboration opportunities and promote innovation. In January 2020, we hosted the Annual Supplier Meeting where we emphasized best practices in business ethics. In October, we reviewed together the progress status of supplier initiatives.
4. Facilitate access to tender process	We financed 32 micro, small and medium-sized enterprises for the first year they register their business with the Santiago Chamber of Commerce, making it easier to submit documents for the procurement processes conducted by Transelec.
<i>Information about the other five initiatives specifically for contractors on p. 48</i>	

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5. Financial responsibility and value footprint

We kept our commitment to invest more than USD1.25 billion in five years

Context

Transelec's business is capital-intensive, due to the transmission infrastructure construction work, and the return on such investments are generated over long-term horizons. These factors make responsible financial and risk management a critical aspect, especially if we consider that we develop transmission projects in Chile and we operate assets of USD3,972 million²⁸.

Therefore, clear and stable business rules are key to protecting investor confidence as well as the resources needed to develop the transmission Chile needs. Infrastructure work is primarily financed by issuing government bonds and debentures, through local and foreign institutional investors. While return on investments is long term, the risk is controlled, as our revenues mainly come from a regulated business and from robust companies.

Financial responsibility

Health Crisis Challenges

First it was the social movements, and then it was the health crisis; they have both affected the execution of some of our projects equal to more than USD1.25 billion, in five years. Transelec has these projects in progress in Chile, which are in different phases. This is because of logistics issues or difficulties in obtaining the required permits. Today, however, most projects have been able to get back on track and are recovering lost time.

In recent years, Chile has undergone regulatory changes which have also had a strong impact on our business. One change was the 2016 Transmission Law which, among other things, lowered the return rate of companies in the sector to 7%. In 2020, the measures adopted after the social crisis and pandemic, such as freezing transmission and

energy prices, to avoid further hikes in electricity bills of regulated customers and the project that stops utility shutoffs due to unpaid bills. Furthermore, the reinterpretation regarding transmission charges settlement, which required Transelec to return about USD120 million (out of a total of USD142 million) to the generators. About half of that amount can only be recovered from 2022 onwards. While a country is expected to modify its regulatory framework from time to time and in extraordinary circumstances it is necessary to adopt exceptional measures, these changes have had a significant impact on the company.

²⁸ As of 31 December 2020, in Transelec S.A.

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Recurrent Financial Challenges

A key objective is to ensure continuous access to capital markets and banks, so as to have the necessary funds for project development and acquisitions required to drive our business. Therefore, it is essential for investors to trust our company.

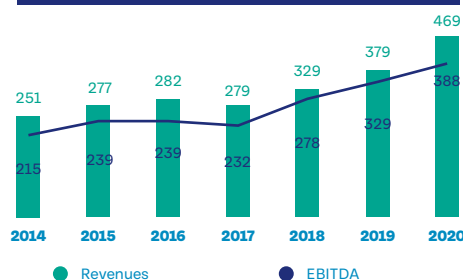
Regulatory issues have a major impact, given that a significant portion of our revenue is determined by law. Transelec obtains funding based on the stability of Chilean regulations and on an investor-friendly environment, with clear and long-term rules. In this sense, changing the rules of the game halfway and on a recurring basis becomes negative for the investment environment in this sector.

Transelec primarily uses two financing channels: corporate and project finance schemes. The financial market continues with both financing channels open to Transelec, although it is naturally more demanding given the national and global context.

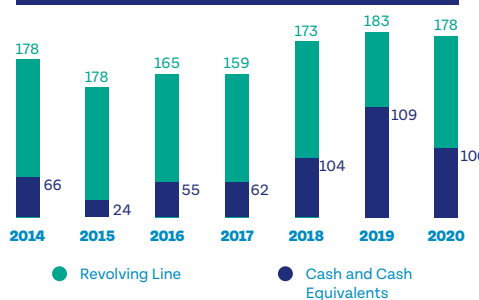
Today the company has a very strong financial position, which helps it to get selected when it needs to raise capital, thanks to its robust financial position and its consistent business model, which is resilient over time. The market will be more risk-averse; however, our business is strong enough to secure income, so we see no major problem in having access to quality financing for future growth opportunities.

Financial Responsibility of Transelec S.A.

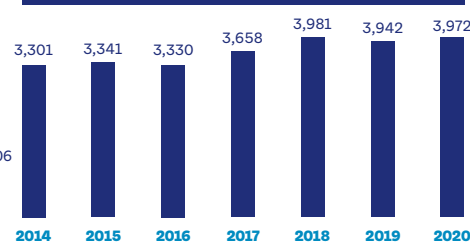
Revenues and EBITDA evolution
USD Million



Liquidity
CLP Million



Investment Value
USD Million



More information about financial performance in 2020 Annual Report available at www.transelec.cl

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Value footprint

The value footprint²⁹ shows the economic value we generate (operating income³⁰) and how it is distributed to our main stakeholders. By reclassifying traditional financial accounts, it reflects the extent to which the company is creating value for the business and for the rest of the stakeholders with which it interacts: shareholders, financiers, government, employees, service providers, the community, and also what it invests in environmental protection.

This methodology provides a look at the social economic dimension of the binding company with the conventional financial approach of the Financial Statements: applying the same accounting information of origin exposes a different vision, that of creating and distributing Transelec's value for society as a whole.

In 2020, we generated economic value amounting to USD 487.5 million³¹. We distributed USD 323.8 million to the different stakeholders and USD 163.7 million were retained and mainly reinvested.

The financial value we generated is distributed as follows:

- Transelec - by reinvesting the value its annual retained earnings.
- Shareholders - the actual amount they receive from annual earnings.
- Financiers - interest accrued in the year, used to finance operations and infrastructure.
- Employees - value received as remunerations and benefits.
- Service providers - for the value they received.
- Government - money accrued as taxation.
- Community and environment, through financial items related to actions directly benefiting the environment, people and society as a whole.

As mentioned above, our business consists of providing services that are capital intensive. Therefore, our value creation (Transelec profits) is expected to be distributed mainly as returns to financial capital providers (financiers and shareholders), reinvestment in the business, and as tax payments to the Government, i.e., 64% of the amount distributed in 2020,

ECONOMIC VALUE CREATED AND DISTRIBUTED USD 487.5 million

Government	USD 80.5 million in taxes
Employees	USD44.9 million in remunerations and benefits
Service providers	USD 34.5 million in supplier payments
Shareholders and financiers	USD 39.6 million in payments to shareholders USD 118.9 million in payments to financiers
Community and environment	USD 5.5 million in environmental and social projects and donations
Reinvestment in company	USD 163.7 million reinvested in the company

²⁹ Transelec's Value Footprint combines financial data from Transelec S.A. and Transelec Concesiones S.A.

³⁰ It includes operating income based on Audited Financial Statements, plus other revenues from every reclassified year. It is added as an adjustment exposure to net VAT collected from customers by the Government.

³¹ Exchange rate used US\$ 1 = \$ 710.95

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Annexes

- About This Report and Key Topics
- Contribution to the UN Sustainable Development Goals
- Sustainability Performance Summary
- GRI Content Index - Standards

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About this Report

Transelec prepared this 12th Sustainability Report to communicate our strategy, priorities and performance regarding the most important issues for the sustainable development of its operations.

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option. It focuses on the most important topics for Transelec and its stakeholders, which have been selected in keeping with GRI Standards.

The information contained in this report also address the company's management in 2020. Additional information from previous years has also been included to provide context, as well as key events that occurred before the reporting date. The report encompasses all Transelec business operations.

A corporate-wide team was involved in the preparation of this report, helped by external consultants. The team ensured our compliance with GRI principles and it also gathered data and confirmed its validity.

Key topics

Transelec conducted a Materiality Assessment to identify key topics to be reported in this sustainability report. The Chief Executive Officer and all of the Corporate Vice Presidencies took part in this assessment.

The information gathered on the material issues during the previous year for this reporting process was analyzed and updated, incorporating new issues or problems that arose in the context of the social, health, economic and climate crisis faced by Chile and mankind. For this reason, we considered the following perspectives:

- How the needs of society have evolved and the specific challenges faced by the energy sector in this new scenario³³.
- Sustainability requirements in the financial world (DJSI; TCFD; the new 385/386 standard currently under review in Chile).

As a result, the company created a list of the key issues which were prioritized at two work meetings with Transelec Executive Committee members, including the CEO. The design and key messages of this report were also discussed at these meetings.

Subsequently, department executives and vice-presidents had meetings about the selected material topics, where the management approach, key issues, initiatives and indicators were determined.

Key topics are described in the following table:

Profitable and sustainable business

- Response to pandemic
- Financial responsibility
- Cybersecurity

Energy security & clients

- Operational Continuity
- Energy Security for the Future
- Customer commitment
- Digital Transformation and Innovation

Our people

- Talent and skills management
- Diversity and inclusion
- Employee engagement
- Contractor commitment
- Occupational health and safety

Communities

- Local engagement and active listening
- Community support

Environment

- Contribution to Chile's decarbonization process and climate change
- Environmental management

Collaboration

- Collaboration with ecosystem to create value
- Stakeholder engagement

Integrity

- Corporate governance
- Risk management
- Ethics and compliance
- Responsible procurement

³³ Sources: WBCSD, WEF, Imperative 21, Edelman Trust Barometer 2020, Icreo Survey "Trust in the Era of the Public Brand" (October 2020)

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Contribution to the Sustainable Development Goals

The UN Sustainable Development Goals (SDGs), also known as the 2030 Agenda, represent the roadmap to eradicate poverty, protect the planet and ensure peace and prosperity for everyone. The SDGs,

under the United Nations Development Programme (UNDP), includes a set of 17 goals and 169 targets defined for the next 15 years and which have been adopted by nearly 200 countries.

At Transelec we have adopted the SDGs, which in turn have provided guidance for our strategy and contribution to sustainable development in the areas where our projects and operations are located.

SDG & Respective Goals³⁴ by2030

Transelec Initiatives to achieve SDGs

SDG 7: AFFORDABLE AND CLEAN ENERGY

7.1 Ensure universal access to affordable, reliable and modern energy services.

- Nationwide access to energy, 98% of the population who live between Arica and Chiloé (p. 10)
- Projects to improve transmission (pp. 25 - 27).

7.1 Increase substantially the share of renewable energy in the global energy mix.

- Renewable energy connection to transmission system (p. 24).
- Our role in national decarbonization process (pp. 65-66)

7.b Expand infrastructure and upgrade technology for supplying modern and sustainable energy services.

- Operations strategy focused on 3 strategic pillars: quality, risk and productivity (p. 19).
- Contract with GE technology Company to implement Asset Performance Management (APM) platform and to optimize maintenance and replacement strategy for main transmission network in Chile (p. 20).
- Emergency preparedness and response (p. 22).
- Develop Attacks on Facilities guidelines (p. 22).

SDG 8: DECENT WORK AND ECONOMIC GROWTH

8.1 Sustain per capita economic growth.

- Growth, financial sustainability and value footprint at Transelec (p. 90)

8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation...

- Digital transformation and innovation for reliable and sustainable transmission (pp. 31 -35).
- Digital learning program (p. 35).
- Digital Transformation and Innovation Executive Committee and formation of work teams (p. 32).

8.3 Encourage the formalization and growth of micro-, small- and medium-sized enterprises...

- Responsible procurement, Sustainable Supplier Management Program (GESPTRO), and support to supplier and contractor development (pp. 47-49, 87-89).

8.5 Achieve full and productive employment and decent work for all women and men.

- People management in times of crisis (p. 37).
- Initiatives of the Towards a More Inclusive Chile Plan (p. 38).
- Talent and Skills Management, Change Management Model and Training Programs (pp. 40-42).
- Quality of life and Benefits program (p. 46).
- Contractor commitment (pp. 47-48).
- Assess contractor work performance (p. 89).
- Initiatives to improve working conditions of our contractors in the Towards a More Inclusive Chile plan (p. 48).

³⁴ Summary of Sustainable Development Goals.

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SDG 8: DECENT WORK AND ECONOMIC GROWTH (continued)

8.6 Substantially reduce the proportion of youth not in employment, education or training. • Strategy to incorporate young talent (p. 41).

8.8 Protect labour rights and promote safe and secure working environments for all workers. • Safety Intelligence, an occupational safety strategy (p. 51).
 • Safety strategy, goals, and Safety Culture Model (pp. 51-52).
 • Towards a More Inclusive Chile Plan (p. 89).
 • Assess contractor work performance (p. 89).

SDG 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE

9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and transborder infrastructure... • Service quality, trust and customer satisfaction (p. 30).
 • Digital transformation and innovation (p. 31).
 • Operational continuity plan and development of emergency plans for critical lines in all regional departments (p. 22).
 • Attacks on Facilities guidelines (p. 23)

9.3 Increase the integration of small-scale industrial and other enterprises, into value chains and markets. • Responsible procurement and supplier and contractor development support (pp. 47-49).
 • Contractor innovation (p. 49).

9.4 Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of technologies... • Digital transformation and innovation; New customer service solutions and technologies, Digital transformation Strategy (pp. 31-35).

9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors... • Digital transformation and innovation (pp. 31-35).
 • Cybersecurity Plan (p. 84).

9.b Support domestic technology development, research and innovation in developing countries. • Transelec professional training and development of (pp. 40-42).
 • Contractor innovation (p. 49).

SDG 10: REDUCED INEQUALITIES

10.2 Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status. • Diversity and Inclusion Strategy (p. 43).
 • Community Engagement Model: working groups in strategic communities and early citizen participation (pp. 59-62).
 • Initiatives of Towards a More Inclusive Chile Plan (p. 55).
 • Community Support Plan in the context of COVID (pp. 56-58).
 • Applied McKinsey Diversity and Inclusion survey (p. 43).
 • Commitment to Energy+Women Program of the Ministry of Energy (p. 44).
 • Assessment of certification process under Chilean standard NCh3262:2012 on gender equality and work-life balance (p. 43).

10.3 Ensure equal opportunity and reduce inequalities of outcome. • Responsible procurement and supplier and contractor development support (GESPRO) (pp. 87-88).
 • Ethics Hotline (pp. 86, 88).
 • Diversity and Inclusion Strategy (p. 43).

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SDG 13: CLIMATE ACTION

- 13.1 Strengthen resilience and adaptive capacity to climate-related hazards....**
- Power Infrastructure Vulnerability, Impacts and Adaptive Capacity to Climate Change Assessment study (p. 68).
 - Carbon footprint measurement and associated initiatives (p. 67).
 - Strategy for responsible SF6 gas management (p. 67).
 - Emission offset processes in the context of Early Citizen Participation processes (p. 68).
 - Recycling and waste management (p. 72).
 - Mitigation strategy for potential effects on protected areas and biodiversity management (pp. 69-70).

- 13.3 Improve education, awareness-raising and human capacity on climate change mitigation...**
- Protected area management and biodiversity management (pp. 69-70).
 - Conaf brigade training to prevent electrical hazards and wildfires (p. 22).
 - Electrical hazard and wildfire prevention campaign (p. 23).

SDG 16: PEACE, JUSTICE AND STRONG INSTITUTIONS

- 16.5 Substantially reduce corruption and bribery in all their forms.**
- Crime Prevention Model (p. 85).
 - Code of Ethics and Conduct (p. 86).
- 16.6 Develop effective, accountable and transparent institutions at all levels.**
- Governance and Integrity Model (p. 85).
 - Annual Sustainability Dashboard (p. 82).
 - Annual Sustainability Report.
 - Code of Ethics and Conduct, Ethics Channel and Hotline (p. 86).
 - Compliance Officer and Audit at Transelec (p. 86).
 - Communications Management System (p. 62).
- 16.b Promote and enforce non-discriminatory laws and policies for sustainable development**
- Transelec Sustainable Development Policy (p. 16).

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Sustainability performance summary

Indicator Description	Calculation Basis	GRI Indicator	2018	2019	2020
PROFITABLE AND SUSTAINABLE BUSINESS					
Financial Responsibility and Value Footprint					
Net revenues	USD millions	102-7	474	506	469
Revenues from National Grid	Percentage	102-7	57%	57%	58%
Revenues from Zonal Systems	Percentage	102-7	23%	20%	21%
Revenues from Dedicated Systems	Percentage	102-7	17%	19%	15%
Revenues from Services	Percentage	102-7	3%	4%	6%
EBITDA	USD millions	102-7	400	439	388
Economic value generated and distributed	USD millions	201-1	592 ³⁵	629	488
Transmission lines	Kilometres	102-7	9,672	9,792	9,857
Innovation					
Projects in innovation portfolio	Number. In all the process stages		47	68	38
ENERGY SECURITY & CUSTOMERS					
Service Quality and Reliability					
SAIDI	Hours of power outage at 13 critical points in system		3.9	0.9	0.8
EAI – High Impact Events	Number of high-impact events (that exceed one hour of interruption)		5	9	7
Transmission line disconnection rate attributable to company ³⁶	Number of failures every 1000 kilometres		4.3	3.8	3.5
Substation disconnection rate	Number of failures every 1000 <i>circuit end</i>		83.5	67.8	73.1
Thefts at Transelec facilities	Number of events		6	5	0
	Tonnes of stolen conductor cable		3	4,2	0
Attempted Theft	Number of events		4	1	0
Alliances with law enforcement agencies to tackle cable theft	Number of working groups		5	1	4
Customer Satisfaction and Trust					
Customer Satisfaction	Percentage, measured by connection customers		93%	NA ³⁷	73%
Renewable energies connected by Transelec	MW		227	416	310
	Percentage of total connected to system		33%	35%	21%

³⁵ 2018 economic value has been modified from USD535 to USD592, because the original amount was calculated applying the exchange rate on 31 December every year, but the new calculation is based on the average annual exchange rate.

³⁶ Corresponds to disconnections by failure and forced outages, taking into own causes attributable to the company only, based on ITOMS.

³⁷ 2019 Survey was not conducted because it clashed with the social crisis in Chile.

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Indicator Description	Calculation Basis	GRI Indicator	2018	2019	2020
OUR PEOPLE					
Talent and Skills Management					
Training hours	Thousands of hours	404-1	35.7	28.8	28.6
	Hours/employee	404-1	66.4	51.2	49.7
Amount invested in training	USD invested in training		846,354	783,335	767,151
Amount invested per employee	USD/employee		1,573	1,394	1,353
Employees with performance review	Percentage of total employees	404-3	100%	100%	100%
Diversity and Inclusion					
Full-time permanent employees	Number as at 31 December every year	102-8	538	562	567
Men	Number as at 31 December every year	102-8	439	447	450
Women	Number as at 31 December every year	102-8	99	115	117
Women under 30 years old	Number as at 31 December every year	405-1	18	21	20
Women 30-50 years old	Number as at 31 December every year	405-1	73	85	88
Women over 50 years	Number as at 31 December every year	405-1	8	9	9
Employees with disabilities	Number as at 31 December every year	405-1	5	6	6
Foreign employees	Number as at 31 December every year	405-1	22	27	31
Employee Engagement					
Promotion to managerial positions	Number of employees who have been promoted to managerial positions		14	15	9
Unionization	Percentage of total employees	405-1	74%	74%	75%
Strikes	Number		0	0	0
Years without strikes	Number		26	27	28
Work environment index	OHI Score ³⁸ (measured every two years)		80	*	80
Contractor Commitment					
Total number of contractors	Number as at 31 December every year	102-9; 102-10	3,083	2,627	3,518
Contractor performance review	Percentage of contractors who have undergone performance review		100%	100%	100%
Contractor and subcontractor training on occupational health and safety	Percentage	403-5	100%	100%	100%

³⁸ Survey conducted every two years by the McKinsey & Company, a global consulting firm.

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Indicator Description	Calculation Basis	GRI Indicator	2018	2019	2020
OUR PEOPLE (continued)					
Occupational Health and Safety					
Lost time accident rate	(Number lost time accidents /average employees)*100	403-9	0.2	0.07	0.26
Severity Rate	(Number of lost days/average employees)*100	403-9	11.1	2.1	3.6
Fatalities	Number	403-9	0	0	0
High-risk incidents	Number	403-2	2	2	1
Work-related illness	Number	403-10	0	0	0
COMMUNITIES					
Local Engagement					
Social Incidents	Number	413-1	0	2	0
Social impact complaints	Number. It only includes incidents reported via formal grievance mechanisms	413-1	0	2	1
Communities with engagement programs	Number	413-1	20	21	22
Communities with impact assessment	Number	413-1	14	5	5
Agent of Change in the Communities where we operate					
Communities with development programs	Number	413-1	10	11	15
Social investment	Amount in USD thousands	413-1	943	866	1,303
Beneficiaries	Number	413-1	3,300	6,048	3,090
ENVIRONMENT					
Power Lines and Territory					
Waste and recycling	Hazardous industrial waste (ton)	306-3	227	133	78.1
	Recycling percentage	306-4	51%	69%	67%
	Non-hazardous industrial waste (ton)	306-3	6,331	676	900.2
	Recycling percentage	306-4	78%	82%	44%
Environmental fines	Number of fines	307-1	0	0	0
	Amount in USD	307-1	0	0	0
Reduced felling of native trees	Hectares not felled	304-3	24	0	0
New areas reforested by Transelec	Hectares	304-3	23	27	0

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Indicator Description	Calculation Basis	GRI Indicator	2018	2019	2020
ENVIRONMENT (continued)					
Climate Change					
Greenhouse Gas Emissions ³⁹	Tonnes of CO ₂ eq. Scope 1	305-1	3,134	3,627	2,384
	Tonnes of CO ₂ eq. Scope 2	305-2	6,459	6,358	2,560 ⁴⁰
	Tonnes of CO ₂ eq. Scope 3	305-3	13,615	12,399	20,432 ⁴¹
Energy consumption	Gigajoules	302-1	56,163	54,667	55,355 ⁴²
CORPORATE GOVERNANCE AND INTEGRITY					
Board of Directors Composition					
Male directors	Total number	102-22	9	9	9
Female directors	Number	102-22; 405-1	2	2	2
Directors with executive positions in the company	Number	102-22	0	0	0
Independent directors	Number	102-22	5	5	5
Directors under 30 years old	Number	102-22; 405-1	0	0	0
Directors 31-50 years old	Number	102-22; 405-1	0	1	2
Directors over 51 years old	Number	102-22; 405-1	9	8	7
Ethics Code					
Reports received	Total number of grievances received during the year	102-17	13	17	25
Reports resolved	Percentage of total grievances resolved during the reporting period	102-17	92%	100%	100%

³⁹ From 2019, Transelec has included GHG emission indicator, separated by scope.

⁴⁰ This value is without transmission losses. Transmission losses were 368,876 tons of CO₂e

⁴¹ This figure is higher than in 2019 as the 2020 carbon footprint survey included materials used by four projects in progress, unlike previous years (2018 and 2019) where project materials were not included.

⁴² It refers to 15,376,409 KWh. Conversion Factor: 1 GJ = 277,778 KWh

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Indicator Description	Calculation Basis	GRI Indicator	2018	2019	2020
CORPORATE GOVERNANCE AND INTEGRITY (continued)					
Corruption, Discrimination and Unfair Competition					
Board members who have received communication and training about anti-corruption policies and procedures	Percentage	205-2	100%	100%	100%
Employees who have received communication and training about anti-corruption policies and procedures	Percentage reported and trained during the year	205-2	59%	15%	96%
Confirmed cases of corruption	Number	205-3	0	0	0
Discrimination incidents	Number	406-1	0	0	0
Unfair Competition Cases	Number of legal actions pending or completed regarding anti-competitive behaviour, anti-trust, or monopoly practices in which the organization has been identified as a participant.	206-1	0	0	0
Compliance					
Cost of fine	Total monetary value of significant fines for non-compliance with laws and regulations in the social or economic area. In USD millions	419-1	0	0	0
Number of non-monetary sanctions	Number of non-monetary sanctions for non-compliance with social or economic issues.	419-1	0	0	0
Number of cases	Number of cases brought through dispute resolution mechanisms regarding social or economic issues	419-1	0	0	0
Environmental fines	Number of fines sanctioned by the SMA and Sector Agencies during the reporting period.	307-1	0	0	0
Cost of environmental fines	Amount in US dollars of fines sanctioned by the SMA and sectorial organizations during the reporting period.	307-1	0	0	0

NA= Not Applicable

⁴² A fine is "significant" if it exceeds USD 1,000,000.

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GRI Content Index - Standards. Core Option

GRI Standard	Disclosure	URL and/or Page Number	Omission
GRI 101: FOUNDATION 2016	[GRI 101 does not A1:D207 disclosures]		
GENERAL DISCLOSURES			
GRI 102: General Disclosures 2016	102-1 Name of the organization	Front Page	
	102-2 Activities, brands, products and services	8, 9, 12	
	102-3 Location of headquarters	Our headquarters are located in the city of Santiago, Chile.	
	102-4 Location of operations	11	
	102-5 Ownership and legal form	10, 80	
	102-6 Markets served	8, 9, 12	
	102-7 Scale of the organization	10, 11, 98, 99	
	102-8 Information on employees and other workers	10, 44, 46, 99, 100	Information about employees and other workers is not presented by region because they are grouped together for the entire operation in Chile.
	102-9 Supply Chain	10, 47-49, 87, 88, 99	
	102-10 Significant changes to the organization and its supply chain	5, 90, 25-27	
	102-11 Precautionary principle or approach	Transelec's Sustainability Policy ensures the application of a precautionary approach to corporate actions.	
	102-12 External initiatives	78, 95-97	
	102-13 Membership of associations	78	
	102-14 Statement from senior decision maker	4, 5	
	102-15 Key impacts, risks, and opportunities	4-7, 18, 24-27, 37, 65-68, 83	
	102-16 Values, principles, standards, and norms of behaviour	2, 6, 15, 16, 81, 85	
	102-17 Mechanisms for advice and concerns about ethics	86, 101	
	102-18 Governance structure	80, 81, 101	
	102-19 Delegating authority	82	

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GRI Standard	Disclosure	URL and/or Page Number	Omission
GRI 102: General Disclosures 2016 (Continued)	102-20 Executive level responsibility for economic, environmental, and social topics	82	
	102-22 Composition of the highest governance body and its committees	80, 81, 101	Composition information is not available: number of significant positions held and commitments made by each person and the nature of these commitments; membership of underrepresented social groups and stakeholder group representation.
	102-23 Chair of the highest governance body	The Board Chairman does not hold an executive position in the company.	
	102-26 Role of highest governance body in setting purpose, values, and strategy	80	
	102-27 Collective knowledge of highest governance body	80	
	102-29 Identifying and managing economic, environmental, and social impacts	80, 82	
	102-30 Effectiveness of risk management processes	83	
	102-31 Review of economic, environmental, and social topics	82	
	102-32 Highest governance body's role in sustainability reporting	The Board of Directors is responsible for assessing and formally approving the Sustainability Report and for ensuring that all material issues are discussed. The Board approved this report at its April 2021 meeting.	
	102-40 List of stakeholder groups	76, 77	
	102-41 Collective bargaining agreements	46, 99	
	102-42 Identifying and selecting stakeholders	75	
	102-43 Approach to stakeholder engagement	75-77	Information not available for engagement frequency by type and by stakeholder group.
	102-44 Key topics and concerns raised	76-77	

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GRI Standard	Disclosure	URL and/or Page Number	Omission
GRI 102: General Disclosures 2016 (Continued)	102-45 Entities included in the consolidated financial statements		This report refers to the same entity as the Annual Report, Transelec S.A.
	102-46 Defining report content and topic boundaries	94	
	102-47 List of material topics	94	
	102-48 Restatements of information		Any restatement of information regarding previous reports and the reasons for such restatement are specified as footnotes in the respective indicators where information has been restated.
	102-49 Changes in reporting		Significant changes regarding the reporting of issues are specified as footnotes when this information is included.
	102-50 Reporting period	94	
	102-51 Date of most recent report		2020 Sustainability Report, published in April 2020.
	102-52 Reporting cycle		Annual
	102-53 Contact point for questions regarding the report	114	
	102-54 Claims of reporting in accordance with the GRI Standards	94	
102-55 GRI content index	103		
102-56 External assurance			This report has not been subjected to external assurance.

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GRI Standard	Disclosure	URL and/or Page Number	Omission
MATERIAL TOPICS			
PROFITABLE & SUSTAINABLE BUSINESS DEVELOPMENT			
Pandemic Response			
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	4-6	
	103-2 The management approach and its components	4-6, 18, 19, 30, 37-40, 54-58, 89, 90	
	103-3 Evaluation of the management approach	4-6, 18, 19, 30, 37-40, 54-58, 89, 90	
	Initiatives rolled out to face pandemic	4-6, 18, 19, 30, 37-40, 54-58, 89, 91	
Financial Responsibility			
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	90	
	103-2 The management approach and its components	90, 91	
	103-3 Evaluation of the management approach	90, 91	
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	92	
	Revenue variance	91, 98	
	Ebitda variance	91, 98	
	Investment value	91, 98	
	Liquidity	91, 98	
Cybersecurity			
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	84	
	103-2 The management approach and its components	84	
	103-3 Evaluation of the management approach	84	
	Cybersecurity Initiatives	84	

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GRI Standard	Disclosure	URL and/or Page Number	Omission
CUSTOMERS AND ENERGY SECURITY			
Operational Continuity			
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	18	
	103-2 The management approach and its components	17-23	
	103-3 Evaluation of the management approach	21-23	
	SAIDI	21, 98	
	EAI	21, 98	
	Disconnection rates	21, 98	
	Service interruptions	22, 98	
	Conductor cable thefts	23, 98	
	Alliances to ensure facility security	23, 98	
Energy Security for the Future			
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	17, 24	
	103-2 The management approach and its components	24, 25	
	103-3 Evaluation of the management approach	24-26	
	Projects to enhance transmission system of the future	25-27	
	Renewable energy connection initiatives	24, 98	
Customer Commitment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	28, 29	
	103-2 The management approach and its components	29, 30	
	103-3 Evaluation of the management approach	29, 30	
	Customer satisfaction	30, 98	
	Renewable energy MW connected by Transelec	98	

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GRI Standard	Disclosure	URL and/or Page Number	Omission
CUSTOMERS AND ENERGY SECURITY (Continued)			
Digital Transformation and Innovation			
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	31	
	103-2 The management approach and its components	31, 32	
	103-3 Evaluation of the management approach	31, 32	
	Digital transformation and innovation initiatives	33-35	
	Number of projects in innovation portfolio	98	
OUR PEOPLE			
Talents and Skills Management			
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	37	
	103-2 The management approach and its components	37, 40, 43, 45	
	103-3 Evaluation of the management approach	38, 42, 44, 45	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	42	Information not available: average hours of training by gender and job category
	404-2 Programs for upgrading employee skills and transition assistance programs	40, 42	Information not available: Transition programs to help professionals who leave the company
	404-3 Percentage of employees receiving regular performance and career development reviews	99	Information not available: listed by gender and job category
Diversity and Inclusion			
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	43	
	103-2 The management approach and its components	43, 44	
	103-3 Evaluation of the management approach	44	
GRI 405: Diversity and Inclusion 2016	405-1 Diversity of employees	44	
Employee Engagement			
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	45	
	103-2 The management approach and its components	45, 46	
	103-3 Evaluation of the management approach	45	
	Labour relations: unionization, strikes, work climate index, voluntary work	45, 46	

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GRI Standard	Disclosure	URL and/or Page Number	Omission
OUR PEOPLE (Continued)			
Contractor Commitment			
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	47	
	103-2 The management approach and its components	47, 49	
	103-3 Evaluation of the management approach	48	
	Contractors and subcontractors received occupational health and safety training	99	
	Contractors undergo performance review	99	
Occupational Health and Safety			
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	50	
	103-2 The management approach and its components	50-52	
	103-3 Evaluation of the management approach	51	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	50, 51	
	403-2 Risk management, safety incidents	50, 51	
	403-5 Health and safety training	51, 52	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	37, 39, 40, 50	
	403-9 Work-related injuries	51, 100	Safety indicators are not presented by region because they are grouped together for entire operation in Chile. Information not available: listed by gender and by job type. Each indicator is registered based on the rules determined by Chilean legislation through SUSESO.
	403-10 Work-related illnesses	100	

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GRI Standard	Disclosure	URL and/or Page Number	Omission
COMMUNITIES			
Local Engagement and Active Listening			
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	54	
	103-2 The management approach and its components	54, 55, 56, 59	
	103-3 Evaluation of the management approach	55, 56-58, 61	
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments and social incidents	60-62, 100	
Community Support			
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	54, 55, 56, 59	
	103-2 The management approach and its components	54, 55, 56, 59	
	103-3 Evaluation of the management approach	54, 55, 56, 59	
GRI 413: Local Communities 2016	413-1 Operations with development programs, social investment and number of community beneficiaries	100	
ENVIRONMENT			
Contribution to Chile's Decarbonization and Climate Change			
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	64	
	103-2 The management approach and its components	64, 65, 67	
	103-3 Evaluation of the management approach	67	
GRI 302: Energy 2016	302-1 Energy consumption within the organization	101	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	101	
	305-2 Energy indirect (Scope 2) GHG emissions	101	
	305-3 Other indirect (Scope 3) GHG emission, travel and value chain emissions	101	
	Initiatives to contribute to Chile's decarbonization (e.g., renewable energy connection)	65-68	

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GRI Standard	Disclosure	URL and/or Page Number	Omission
ENVIRONMENT (Continued)			
Environmental Management			
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	69	
	103-2 The management approach and its components	69-72	
	103-3 Evaluation of the management approach	69-72	
GRI 307: Environmental Compliance 2016	307-1 Total number of environmental fines	73, 102	
	307-1 Total monetary value of environmental fines	102	
GRI 306: Waste 2020	306-3 Waste generated	72	
GRI 306: Waste 2020	306-4 Waste diverted from disposal	100	
GRI 306: Waste 2020	306-5 Waste directed to disposal	100	
GRI 304: Biodiversity 2016	304-3 Habitats protected or restored	70	
COLLABORATION			
Collaboration with the Ecosystem to Create Value			
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	78	
	103-2 The management approach and its components	78	
	103-3 Evaluation of the management approach	76,77	
Stakeholder Engagement			
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	75	
	103-2 The management approach and its components	75-77	
	103-3 Evaluation of the management approach	76,77	

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GRI Standard	Disclosure	URL and/or Page Number	Omission
INTEGRITY			
Corporate Governance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	80	
	103-2 The management approach and its components	80, 82	
	103-3 Evaluation of the management approach	80-82	
GRI 405: Diversity and Equal Opportunity 2016	405-1 Number of female directors	81, 101	
	405-1 Directors under 30 years old	81, 101	
	405-1 Directors 31 - 50 years old	81, 101	
	405-1 Directors over 51 years old	81, 101	
Risk Management			
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	83	
	103-2 The management approach and its components	83	
	103-3 Evaluation of the management approach	83	
Ethics and Compliance			
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	85	
	103-2 The management approach and its components	85, 86	
	103-3 Evaluation of the management approach	85, 86	
GRI 205: Anti-Corruption 2016	205-2 Board members received training about anti-corruption policies and procedures	86, 102	Information not available: total number and percentage of business partners who have received Transelec anti-corruption policies and procedures; and total number and percentage of Board members and employees who have received anti-corruption training, listed by region.
	205-2 Employees received training about anti-corruption policies and procedures	86, 102	
	205-3 Confirmed incidents of corruption	86, 102	
GRI 206: Anti-Competitive Behaviour 2016	206-1 Cases of anti-competitive behaviour	102	
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination	86, 102	
GRI 419: Socioeconomic Compliance 2016	419-1 Total monetary value of fines for social and economic non-compliance	86, 102	
	419-1 Total number of non-monetary sanctions for social and economic non-compliance	86, 102	
	419-1 Number of cases for social and economic non-compliance	86, 102	

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GRI Standard	Disclosure	URL and/or Page Number	Omission
INTEGRITY (Continued)			
Corporate Governance (Continued)			
	Percentage of employees covered by Ethics Code	100% of employees. The Code covers all the Company's operations	
	Number of grievances received through Hotline	86, 101	
	Percentage of grievances solved during the period of total received	86, 101	
Responsible Procurement			
GRI 103: Management Approach 2016	103-1 Explanation of the material topics and its boundaries	87	
	103-2 The management approach and its components	87-89	
	103-3 Evaluation of the management approach	87-89	
	Sustainable supplier management Initiatives	87-89	

2020 Sustainability Report TRANSELEC

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