



01. Introduction

What inspires us?

Our Mission

To lead the power transmission business in Chile by appropriately meeting the country's needs and our customers' requirements by developing efficient, quality solutions and appropriate system operation while upholding high occupational health and safety standards. We create sustainable value for our shareholders and communities, creating relationships of trust and operating sustainably with the environment and with society.

In 2018



Business management, innovation and service quality

- China Southern Power Grid International purchased a 27.8% interest in Transec from the Canadian fund Brookfield Infrastructure Partners in March.
- We commissioned the new 2 x 220 kV Lo Aguirre – Cerro Navia high voltage power transmission line in November in order to strengthen the power transmission system in central Chile.
- During the tender for the National Electricity System (SEN) Upgrade Plan, Transec was awarded the project for the new aerial crossing at Canal de Chacao, a project that includes a crossing spanning between the district of Llanquihue and Isla Grande de Chiloé, as well as a new substation at Ancud.
- The “2018 Connecting Conversations” cycle, which was hosted in Santiago, Concepción and Talca, addressed challenges and opportunities for the energy of the future.
- We achieved 40 initiatives in our innovation portfolio and we were incorporated as members of the UC Center for Innovation.
- We undertook seven digital transformation projects in order to strengthen safe and reliable management of our operation and we have continued to implement the Zero Failure Culture initiative, which aims to reduce the outages rate and consequently provide a better service to our customers.
- Public-private working tables, theft detection technology and a campaign for raising awareness regarding electrical risks for the community were the different initiatives we implemented in order to ensure power supply continuity and contribute to public safety in our surrounding area.



Governance and integrity

- We updated our Sustainability Policy and published our Cybersecurity Policy.
- We extended our Crime Prevention Model to the Transec Group operation in Peru.
- We hosted the first meeting between directors and collaborators. The Board of Directors explained how it works and its responsibilities to the different Committees and collaborators shared different projects of interest under way at the company.
- We continued with the training program for all collaborators regarding the Crime Prevention Model, Compliance Officer duties, use of the Ethics Hotline and guidelines for preventing corruption, among other issues.



People

- We made substantial headway with initiatives designed to consolidate our Safety Culture Model with OHS plans designed with a preventive focus and a focus on critical risks. We achieved the best accident index in the history of Transec.
- We implemented our internal recruitment portal in order to facilitate internal mobility at Transec.
- We implemented our diversity and inclusion policy and strategy and started our “Adding Energy” program.
- We successfully reached an agreement regarding a new collective contract with the Transec S.A. Workers Union (SITRAT), which represents 67.1% of all personnel employed by the Company.
- We conducted the fifth OHI (Organization Health Index) survey and our score came to 80 points, placing us in the upper tenth decile for this survey at a global level for the second time in a row.



Our Communities

- We renewed four Collaboration Agreements with the local communities of Rucaco, Nogales, Juan Huenchumil Quintupil and Polpaico.
- Our reputation with our communities reached a “Good” level based on the Reputation Institute scale.
- Thanks to an early citizen participation process with an indigenous focus, agreements were reached with three first nations communities during the Pichirropulli – Tineo project environmental evaluation in a period of six months. This was the fastest indigenous citizen participation process ever completed in Chile.
- Our “Ideas with Energy” education program celebrated its 10th anniversary. The program has benefited over 6,000 children, providing education about renewable energy and innovation.
- Seven social investment projects regarding access to energy and renewable energy helped us to move forward with our promise to “Unite Chile with Energy”.



Environment

- Even considering the fact that we are currently managing 15 projects in development stages, for the second consecutive year we had no incidents or fines due to non-compliance with environmental commitments. The same record holds true for our assets in operating stages.
- Our preventive focus prevented intervention in 23.7 hectares of native forest in the Pichirropulli-Tineo Project which reduced the original cutting surface area by 22%.
- The Innovation Program enabled us to develop an application to ensure environmental compliance at our operations.
- We launched the “ConSuma Conciencia” Environmental Responsibility Program to encourage collaborators to take care of energy and material resources while raising awareness regarding the impact of human activity on the environment.
- We have started to study the impacts of and vulnerability to climate change for our infrastructure, as well as appropriate mitigation and adaptation measures to ensure power supply security and continuity together with experts from Pontificia Universidad Católica de Chile.
- In a one-of-a-kind initiative for Chile, Transec, SURA and VTR created a carpooling system (Súbete) for its collaborators based on a smartphone application.



AWARDS AND DISTINCTIONS IN 2018

- **Chilean Engineers Association 2018 National Prize, Companies category.**
This award was presented to Transec for our contribution to the Chile’s development and its inhabitants’ quality of life.
- **Third place in the PROhumana Corporate Sustainability Ranking**
We were one of seven companies that received awards for their outstanding sustainable management performance.
- **Innovación Best Place to Innovate ranking**
We were ranked among the 50 most innovative companies in Chile. This award is presented by GFK Adimark and the Universidad Adolfo Ibáñez Center for Innovation, Entrepreneurship and Technology (CIET).

Our General Manager's Vision



Andrés Kuhlmann
Transelec General Manager

We know that an increasingly electricity-intensive future is in store, with all the advantages this entails in terms of costs for people and environmental care. This requires appropriate renewable energy development.

Ten years have gone by since Transelec published its first sustainability report. How has the company changed throughout this time period?

Ten years ago we were starting a lot of things and moving into a new ownership scheme. We were a fledgling company. We are now a consolidated company and run risk of falling prey to our own success.

Three government administrations have come and gone. Chile has matured and our shareholders have changed. Capital from the other side of the world was injected into the company. We are currently experiencing a deep-rooted transformation of the power market stemming from technological change and global electrification.

These are all opportunities, challenges different from what we faced ten years ago. All of this leads us to make a strong commitment to innovation. Ten years ago we had to build a high performance company in all areas. We are now becoming a competitive company that is able to innovate.

What do you think the main challenges for power and power transmission will be another ten years from now?

We know that an increasingly electricity-intensive future is in store, with all the advantages this entails in terms of costs for people and environmental care. This requires appropriate renewable energy development. The great challenge is therefore to facilitate connection to power transmission systems. This is no future challenge, but rather what we are currently working on.

In addition, we expect to see fundamental changes in business models used by power companies. This should lead to the massification of distributed power generation, batteries and other technologies we are not yet aware of.

This means we must have flexible legislation for the future in order to enable the development

of new business models, incorporating new stakeholders and allowing stakeholders currently operating in the sector to take on new roles.

At another level, digital transformation is now an imperative for us. It is the engine that will enable us to stay at the lead of the industry and to ensure our success in tomorrow's electricity markets.

Adapting to climate change is another major challenge. The impact of acute, chronic effects is increasingly evident and this affects the way we see the business and our current and future operations.

In addition, society is more and more demanding and citizenry is increasingly empowered. Transelec has therefore consolidated a mutually beneficial community relations model that considers early participation processes, collaboration through dialogue and participatory social investment projects.

Mankind is facing important economic, social and environmental challenges and in keeping with these challenges we have reaffirmed our commitment with the Global Compact and our contribution to meeting UN Sustainable Development Goals.

How is Transelec preparing for this future?

It is essential that the power of the future, together with everything technology will entail, new business models and opportunities

created by legislation, be developed in keeping with stringent safety and quality standards in order to satisfy customer expectations. Our commitment to research, innovation and development (R+I+D) is therefore absolute, in that our success and survival depend on it.

What are your priorities in terms of sustainability?

One priority in this area is service quality. This means providing uninterrupted service by means of a robust system, pillars for the sustainability of our business. Although Transelec has an extremely low interruption time record for power supply in Chile (3.3%), we hope to bring this level even lower in order to provide a better global standard, applying smart digital tools, better managing risk and further developing this focus in our organizational culture.

Another priority is to continue empowering associative work as our roadmap for sustainability. This means promoting and espousing processes and projects involving other companies, public institutions, communities and any important institution in general. Associativity is at the core of our stakeholder relations model. We are committed to associativity because it brings together diverse and complementary stakeholders while generating synergies and improving efficiency, and especially because results are generated faster with a greater impact for communities.

OUR VALUES

