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Sustainability: Value for our *Communities and Environment*



Sustainability has been part of our work since our inception. We have always been committed to responsible work with the environment and are aware of the impacts that our activities can have on neighboring communities and our role in Chile.

Our commitment to sustainability includes executing a due diligence process in order to meet our internal standards and environmental requirements. Transec's Sustainability Policy is designed to contribute to the development of the areas where we operate. It is based on six fundamental pillars.

 [You can access our Sustainability Policy here](#)



Our people: We value and protect the lives of our internal and external employees as well as the members of the communities where we operate. Transec is committed to occupational health and safety in all areas and promotes favorable labor environments for the comprehensive development of all of its employees.



Environment: We prioritize caring for the environment, including the application of the precautionary principle. We endeavor to care for our natural and social environment and efficiently use natural resources in all of our activities. This is related to the active role that Transec plays in connecting renewable energy sources to the system. We are committed to mitigating and adapting to climate change.



Communities: At Transec, we want to build relationships based on trust and mutual benefits with local communities and their officials. To do so, we must understand the social context in which we are located, recognizing the natural and social riches of each one of these places.



Integrity: We take steps to ensure that we comply with the regulations that apply to our activities, and we are committed to meeting the highest ethical standards. At Transec, we act in a comprehensive manner and honor each of the commitments voluntarily made.



Collaboration: We understand the importance of promoting collaboration and partnerships for the sustainable development and operation of the transmission system that Transec is a part of. As such, we seek to apply best practices with internal and external partners and all of our stakeholders.



Quality: Providing service that meets our client's needs is our vocation. We innovate in an effort to continuously improve the quality of our services.

In 2022, Transec took a major step forward in the area of sustainability by making it a cross-cutting focus area. This took the form of changes to the Company's structures and team and led to a new business strategy that includes sustainability as one of our three fundamental pillars.

Governance for Sustainability

(GRI 2-23, 2-24, CMF 3.2.vii)

The Vice Presidency of Corporate Affairs and Sustainability is responsible for monitoring sustainability management. It has a Sustainability Area that was created in 2022. This milestone involves corporate governance focused on ESG² topics that our Company seeks to address in an increasingly strong way.

At the operations level, the Sustainability Policy is implemented at all levels of the Company. Each vice presidency has its own strategies. The Vice Presidency of Corporate Affairs and Sustainability also has structuring initiatives linked to sustainability that provide clear direction regarding how to address sustainability issues within the Company.

The discussion and analysis of key sustainability topics are reviewed by the Company's various committees, including the Executive Committee, Operations Committee, and Projects Committee.

The Board is responsible for providing recommendations to senior management to ensure that all of the decisions made consider environmental, social, and ethical factors (governance).

While there is currently no formal periodic structure for reporting to the Board in regard to ESG aspects such as the risks and opportunities derived from climate change or companies and human rights, the senior management reports to the Board during some of its meetings. It also reports to various shareholders regarding sustainability and other issues and their management. In an effort to improve sustainability monitoring, Transec has an Integrated Management System (IMS). Its committee monitors (and manages) key indicators that comprise the Sustainability Control Panel.

One mid-range challenge for the Company entails developing a formal reporting unit for these matters with established periodicity. One of the challenges that emerged around sustainability in 2022 is the need to develop strategies for managing the material aspects identified while strengthening governance around them.

Commitment to the SDGs

Transec supports six of the 17 United Nations goals. These goals are meant to contribute to sustainable development by 2030, as described below:

Main examples of Transec efforts related to the SDGs



- Mentorships with a gender focus
- Creation of Transec Women's Network



- Decarbonization campaign
- Increased transmission of renewable energies
- New lines and expansion of the existing network to increase access to energy for all Chileans
- Rate studies



- Payments to suppliers and contractors
- Design and approval of the Diversity and Inclusion Policy
- Flexible work model developed during the pandemic



- New technologies
- Promoting innovation projects
- Expansion projects



- New lines and expansion of the existing network to increase access to energy for all Chileans
- Community Engagement Strategy



- Combating global warming and stopping the impact of the climate crisis
- Precautionary principle in the Sustainability Policy
- Voluntary environmental commitments



- Transec's Integrity Model
- Crime Prevention and Anti-Corruption Model

Our commitments to sustainability include executing a due diligence process to meet our internal standards and environmental requirements. Furthermore, as our Sustainability Policy states, the precautionary principle is applied as one of the environmental principles.

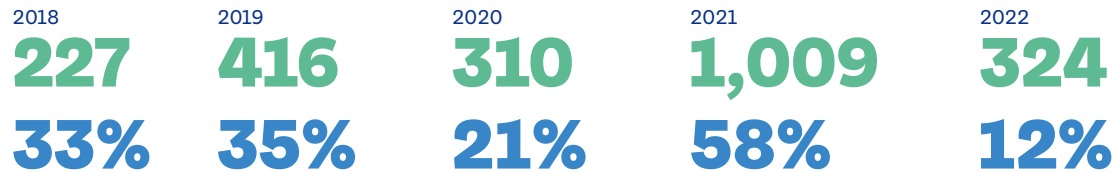
² ESG stands for Environmental, Social and Governance. In practice, it refers to factors that make a company sustainable through its social, environmental, and governance commitment without ever leaving aside financial aspects.

Towards Decarbonization

(T9-2)

Transelec is Chile's leading electricity transmission company. As such, we play a key role in the energy transition and the ability to reach decarbonization goals, contributing to the climate targets that Chile proposed in an effort to combat global warming and stop the impact of the climate crisis following the adoption of the Paris Agreement in 2015.

Renewable energies connected for the first time by Transelec to the National Electricity System (MW) and % in relation to the entire system ^(T9-2)



Learn more about our contribution to decarbonization efforts [here](#)

This year, we launched the campaign “We are the key to energy transition in Chile.” Its goal is to raise awareness about the matrix decarbonization process that is being promoted through multiple stakeholders in which transmission and Transelec play key roles. We must continue our work with a focus on sustainability, maintaining our alignment with communities and the environment that surrounds us, maintaining the quality of the service provided and the robustness of the system at all times.

Keys to Decarbonization

Renewable energy generation

- Increasing renewable energy production plays a critical role in achieving decarbonization in Chile.
- Between 2011 and 2021, photovoltaic and wind energy together grew from 0.5% to 21.6% of Chile's generation matrix.
- However, by August 2022, the SEN had an installed generation capacity of 32,038 MW, 58% of which corresponds to renewable sources.
- Part of that energy is lost. This problem is known as dumping. Through October 2022, 921 GWh of energy was dumped. This is equivalent to driving 59,653 passenger vehicles for a year.

Increased transmission capacity

- The increased transmission capacity also involves an increase in investments, which means more income.
- Transmission systems allow renewable energies to be transported throughout the country. Most are produced in the far north and south of Chile.
- However, renewable energy generation plant technology and construction progress much more quickly than the transmission line projects required to transport the energy generated.
- The government's 2022-2026 Energy Agenda states that it will:
 - a) Propose regulatory changes that allow for the improved development of electricity transmission projects.
 - b) Improve electricity transmission standards to promote projects that support Decarbonization.

Storage technologies

- Storage is the process by which electricity is saved for subsequent transmission or distribution.
- These systems are very important for renewable energy because they help prevent dumping.
- There is currently only around 60 MW installed storage capacity in the National Electricity System.
- This number could grow, as various companies are incorporating this element into the projects that they are promoting as part of the current transmission system expansion process.

Energy Storage

In the latest Expansion Plan proposed by the National Energy Commission² to the Electric Coordinator, the Transelec initiative named “New Parinas - Seccionadora Lo Aguirre Flow Control through Storage System” was approved. This project includes the installation of a Battery Energy Storage System (BESS) that is capable of controlling power flow using the 500 kV lines that connect the Parinas and Seccionadora Lo Aguirre substations.

This project requires an investment of US\$ 211 million and should be capable of controlling the power flow through the 500 kV lines that connect these two substations, acting in a coordinated manner in response to a simple eventuality in any of the lines between the substations. As such, it will allow for an increase of between 400 and 500 MVA of permanent system transmission capacity through the 500 kV corridor listed above.



Environmental Management

At Transelec, we understand that energy transmission plays a key role in our society and has the potential to impact our environment. As such, we believe that a culture of prevention can minimize impacts and result in responsible environmental performance.

Environmental Objectives

The Integrated Management System Committee allows Transelec to set environmental and community goals and targets. The committee is comprised of staff from various areas of the Company and is based on ISO 9.001, ISO 45.001, and ISO 14.001.

It focuses on six main areas:

Objectives of the Environmental Management System:

Socio-environmental Licensing

Managing our **significant environmental impacts**

Cultivating **social license and territorial coexistence**

Recognizing best practices for the design of environmental measures based on the incorporation of lessons that emerge from environmental assessment and operations processes developed by the Company and other stakeholders.

Management and Leadership

Verifying **compliance with legal requirements**

Promoting **awareness of our environmental commitment and the dissemination of our Environmental Management System**

Sustainability

Verifying compliance with legal requirements

Identifying **digital innovation and transformation initiatives** around sustainability in our regional divisions

Quantifying the 2022 **carbon footprint** at the corporate operations level

Managing the **recycling of solid waste and/or residential-like waste** at the operations and corporate levels

Quantifying **water and energy consumption** at the operations level

² On July 29, 2022, the Panel of Experts issued Ruling 7/2022 on the Transmission System Expansion Plan for 2021, which was developed by the National Energy Commission.

Waste Management

(GRI 306-1, 306-2, 306-3, 306-4, 306-5)

Transelec recycles waste similar to household waste generated in our Santiago corporate offices and regional offices in Antofagasta, Coquimbo, Santiago (Cerro Navia), Concepción, and Temuco.

In the area of hazardous waste, we dismantle autotransformer equipment for component reuse and recycling. This year, we managed four of these units in the city of Concepción.

Waste generation by type (Tons)(*)

Type	2021	2022
Plastics	1.5	2.5
Paper and Cardboard	0.5	4.7
Wood	12.4	41.1
Metals (aluminum, copper, iron, and steel)	147.1	151.5
Tiles and ceramic materials	457.9	59.9(**)
Electric and electronic equipment	7.2	66.9
Non-hazardous industrial waste in general	116.3	985.6
Hazardous industrial waste in general	67.6	75.4

Waste disposal (tons) and percentage recycled

Type	2019	2020	2021	2022
Hazardous industrial waste	133	78	68	142
Percentage recycled	69%	67%	86%	78%(***)
Non-hazardous industrial waste	676	900	647	1.245
Percentage recycled	82%	44%	85%*	26%

(*) In 2022, some figures present a considerable increase respect to previous year. This is mainly due to the fact that the operational scope was increased, including to a greater extent the activities related to developments projects.

(**) Waste from “ceramic materials for insulation” removed in large quantities in 2021 (457.9 tons) is not included because Chile does not have a viable recovery alternative.

(***) The remaining 22% are disposed of at authorized disposal sites.

For more details on types of waste elimination, see [Chapter 9 Annexes](#).

Energy and Water Consumption

(GRI 302-1, 302-3, 302-4)

In 2022, we strengthened efforts to gather basic information in order to assess our energy and water consumption. This allowed us to move towards targets that may be proposed in the future in a context in which both topics are part of the structuring sustainability initiatives established in the Vice Presidency.

Energy Consumption 2019-2022

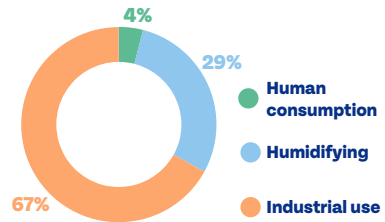
Total Energy consumption(GI)



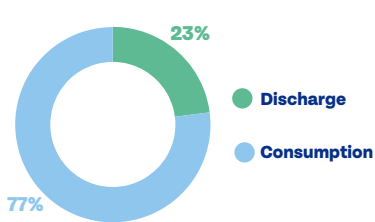
Water Management

(GRI 202-4, 303-2, 303-5, SASB IF-EU-140 a.1)

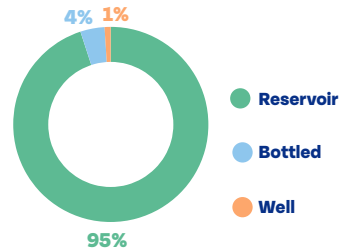
Consumptive activity (m³)



Type of water output (m³)



Source (m³)



Greenhouse Gas Emissions

(GRI 305-1,305-2,305-3 SASB IF-EU-110a.1, IF-EU-110a.2, IF-EU-110a.3, IF-EU-120a.1)

Transelec’s mid-range goal is to develop the Greenhouse Gas Mitigation Strategy.

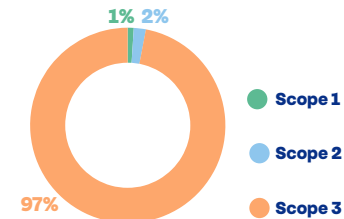
In the coming years, the Company’s baseline GHG emissions will be strengthened and consolidated based on historic emissions and an estimate that allows Transelec to make projections based on its long-term operations. This process began with the quantification of the carbon footprint in 2022, which has included Scope 3 categories in addition to those reported during previous years (SASB IF-EU-110a.3).

The additional categories are: Acquisition of capital goods, Activities related to fuel and energy, and Upstream water transportation. These are in addition to those previously reported on Waste Treatment and disposition, Business travel, and Movement of people.

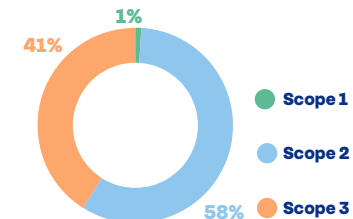
For the first time, the 2022 carbon footprint includes additional Scope 3 categories: Acquisition of capital goods, Activities related to fuel and energy, and Upstream cargo transport. This wider reported scope is designed to strengthen the Company’s baseline.

In addition, emissions from electricity losses (Scope 2) associated with the transmission and distribution of the country’s energy matrix are included even though Transelec does not have direct control over them.

Scopes 1, 2 and 3 excluding losses



Scopes 1, 2 and 3 including losses



Greenhouse gas emissions related to energy supplies

5,519
tCO₂eq

For more details on Water and Emissions Management, see [Chapter 9 Annexes](#).

Biodiversity

(GRI 304-2, 304-3)

Protecting the natural environment and its biodiversity is fundamental for Transec. We want to contribute to the fight against climate change and develop sustainable business activities.

Reforested Areas	2022
New areas reforested by Transec (hectares) through voluntary commitments	2.7
New areas reforested by Transec (hectares) based on mandatory or regulatory standards	3.1
Total new areas reforested by Transec	5.8



Actions designed to protect biodiversity in 2022

Flora and vegetation:

- As a compensation measure of the Charrúa-Lagunillas 2x220kV Electric Transmission Line and Associated Projects Environmental Impact Study, Transec committed to reforesting 10 hectares of native forest in addition to the amount required. The location was to be agreed upon in collaboration with the National Forestry Corporation (CONAF). The process began in 2011 and has been ongoing for 10 years. A series of ecological benefits involving the composition, structure, and functioning of the forest have become apparent during this period. We analyzed the pre-restoration condition of five plant species in the area, all of them of exotic origin. A total of 20 species have been identified, and only 10% of them are exotic (GRI 304-3).
- Maintenance of high-tension lines: Pruning prior to the possible cutting of the native forest area. Cutting is done only when strictly necessary, such as when there is a risk that the tree will fall or when not doing so would pose a danger to our staff.
- When cutting is necessary, we work with officials to find the best possible approach to carrying out the activities, especially in the case of protected species. When we undertake new projects, we cut only when strictly necessary to establish the security strip, seeking out routes that minimize intervention.

Fauna:

Our operations include important mitigation measures designed to prevent potential incidents.

- We use flight deterrence and anti-perching devices. These are installed on high tension wires and certain substation equipment based on the studies conducted.
- Periodic preventative maintenance activities are conducted. These include visual pedestrian inspections along the length of all lines and substations. This allows us to effectively assess these mitigation measures and take corrective action in response to possible deviations.
- We began to shut off the lights at night in 2022 in order to eliminate the potential impact of light pollution and to reduce the impact on sensitive birds that fly over our facilities in the Norte Grande area. These practices were applied to the Laguna, Geolglifo, and Patache substations in particular.
- Our internal procedures for handling the discovery of avifauna in the northern region of the country were updated and improved. This includes endangered species and covers dissemination and training for our staff and employees.

No habitats of IUCN Red List species were impacted in 2022. This is due to the fact that the potential impact occurs during the project development stage. During operations, intervention is limited to maintenance, which involves cutting, pruning, and spraying strips that have already been intervened on, not at the species level.

Environmental Compliance

(GRI 2-27, CMF 8.1.3)

Chile's Environmental Impact Assessment System (Sistema de Evaluación de Impacto Ambiental, SEIA) is managed by the Environmental Assessment Service. It is the preventative management tool that allows officials to analyze projects prior to their execution to determine whether they comply with current regulations and address potential significant environmental and social impacts.

It is very important for our Company to be aware of and manage impacts associated with our operations. Based on the categorization of "significant impacts" regulated under Chilean law, no significant impacts have been identified at the operations stage. For more information on how we manage the environmental impact of our operations, see [Chapter 9, Annexes](#).

Transelec has submitted all of its projects or their modifications for assessment in accordance with current legislation and the Company's Sustainability Policy. These projects have entered the system through Environmental Impact Studies or Statements, as appropriate, in compliance with the requirements of the General Law on the Environment in place to date and its respective Environmental Impact Assessment Service regulations.

The conditions and measures imposed by environmental officials have been monitored for all of the projects that have entered the system as part of their approval. This is reflected in each project's Environmental Qualification Resolution.

Measures associated with Compliance Programs for punitive processes began in 2020 were planned and executed in 2022:

- Charrúa-Lagunillas Line Compliance Program (Exp. F-049-2020) is being executed. It was developed after the Company failed to prove that it had reforested 10 hectares and had not maintained the condition of collection of the specimens harvested in the reforested properties. The end date of this Program is March 2023.
- Rincón de Pataguas -Ancoa Substation Compliance Program (Exp. D-094-2020), which is being executed. It was developed due to a failure to comply with night-time noise regulations. The end date for this Program is November 2023.

Two complaints have been filed by the National Forestry Corporation (CONAF). These were processed in 2020 and are related to one case:

- Case No. 4226/2020: Complaint filed by CONAF with the Ovalle Local Police Court in the Coquimbo Region due to the cutting of xerophytic clusters without a work plan approved by the National Forestry Corporation during maintenance on the strip for the La Cebada-Pan de Azúcar 2x220 kV Transmission Line. A plan to correct this was submitted and observed, and a fine was imposed. The correction plan is being processed by the relevant authorities.

To ensure environmental compliance, avoid environmental deterioration, and limit the risk of exposure to sanctions, the system for managing our environmental obligations was strengthened in 2022. This involved, among other things:

- The implementation of technological platforms for data management;
- Environmental compliance audits; and
- The identification and verification of legal requirements.

These tools are managed by the **Environment Sub-Division**. Their scope covers project development and transmission asset operations.

A series of training activities were held in 2022 on environmental components that are important for the operation of transmission assets, providing tools and knowledge to employees and contractors.

For more detailed information, see [Chapter 9 Annexes](#).

➔ [For more information on Chile's Environmental Assessment Service, click here](#)

Community Management

(GRI 203-2, 413-1, 413-2)

Transec works to create trust-based relationships with neighboring communities. We offer regular working groups, early citizen participation processes, and social investment projects to promote the development of these communities.

The Community Relations and Social Investment Area works with external consultants to address the challenge of designing a new Engagement Strategy in 2023 for the 2024-2027 period. The purpose of this strategy is to build trust-based relationships with the communities located near our operations and projects. It was designed on the basis of:

- A participatory community assessment;
- A dialogue for generating social investment agreements;
- Citizen participation and indigenous consultation for the development of new projects; and
- The implementation of social investment projects that benefit over 60 organizations nationwide.

The methodology for identifying and generating commitments with those communities is based on two main processes:

- Community dialogue for the development of social investment projects; and
- Formally constituted working groups comprised of community leaders and Transec representatives.

The working group meetings are held bi-weekly and mainly address the following topics:

Early Citizen Participation for New Transmission Project Development: In addition, dialogue with communities for the development of new transmission projects is executed formally through citizen participation processes. In accordance with Company policy, this is implemented for all substation and transmission line projects that require submission to the Environmental Assessment System.

In addition to the bi-weekly work meetings with community leaders and open community assemblies, Transec has a centralized Communications Management System (CMS) that allows it to monitor and quickly respond to the communications that it receives from the community. This system is known to the communities, and they can use this mechanism to formally submit complaints, claims or congratulations.





What is community engagement management like?

Internal progress has been made that has yielded benefits for the strategy's implementation.

• **Business:** supports planning from the social perspective through analysis (Energy Ministry); new projects decree (Energy Ministry); and due diligence (acquisition of infrastructure - private entities).

• **Project Development:** supports environmental processing through analysis and participation processes (formal and informal) and indigenous consultation processes. During the construction process, compliance with voluntary community environmental agreements and Indigenous Consultation Process agreements are managed.

• **Operations:** Working groups, social investment, and energy ideas are developed with communities located near critical and strategic infrastructure.

• **Cross-cutting programs to support society in general:** We have cross-cutting programs that benefit those who live near our facilities and others in those municipalities. We have expanded the spectrum of beneficiaries and included the environmental assessment process.

• **Strategy development:** Design of the Community Engagement and Social Investment Strategy for 2024-2027; updating of the strategy with owners; Strip Encroachment Strategy.

Energy efficiency program

Main achievements of the Energy and Water Efficiency Program in 2022



➤ For more information about the Energy Efficiency Program, click [here](#)

Social Investment Projects

The social investment projects that we develop with the community are designed in a participatory manner based on the specific characteristics of each community and its surroundings. As such, the projects executed vary widely.

Type of project	Main results for 2022
<u>Community infrastructure projects</u>	→ 40 community infrastructure projects for 49 community organizations
<u>Non-Conventional Renewable Energy access projects</u>	→ Three projects of this nature were developed in three communities.
<u>Energy and Water Efficiency Program</u>	<ul style="list-style-type: none"> → The program was implemented in 15 municipalities located in six regions of the country. → A total of 440 people participated in the initiatives, including students, municipal workers, and community members. → A total of 440 energy efficiency kits with home water and energy saving equipment was distributed (LED lighting, aerators to reduce water consumption, etc.).
<u>Kids First Program (Fundación Familias Power)</u>	<ul style="list-style-type: none"> → The program was implemented in 2 municipalities. → A total of 21 families participated in the initiative. → Some 535 activities and 66 sessions were held. → A total of 506 books and educational games were distributed.
<u>Growing Together Program (Fundación Simón de Cirene)</u>	<ul style="list-style-type: none"> → The training course “Techniques for Growing My Business” was offered to 100 micro-enterprise owners from communities located near Transec operations. → Fifty micro-enterprises were chosen to receive personalized technical advice over the course of four months. → The selected companies received a CLP\$ 300,000 grant to help generate value for their business.
<u>Nourishing Networks Program (Fundación Núcleo Nativo)</u>	<ul style="list-style-type: none"> → The program was implemented in 6 municipalities located in the Los Lagos region. → Thirty-two workshops were held. → A total of 518 students, teachers, and community members participated in the program, and 416 native trees were planted.



No. of communities with a development program



Social investment budget (in thousands of US\$)



*These data include March 2022-March 2023 activities, including consulting, general management, social investment, and donations.

No. of social incidents



No. of complaints related to social impacts



*Formal complaint filed with the Environment Superintendency. A related compliance program is being developed.

Beneficiary families



Communities with programs



**Social investment programs and all programs in which participatory processes were implemented.

Communities with impact evaluation programs



No impact evaluations were held for Transelec social investment projects in 2022. However, the **Corporate Reputation Survey** was conducted. This tool measures various stakeholders' perceptions of Transelec. The results show that 78% of respondents evaluated the company and its relationship with the community positively.

