

Influence in and contribution to local communities



Tomorrow’s society requires a real commitment by all of its participants in order to reconcile economic growth with the well-being of its inhabitants. Aware of this pressing need, Transelec’s influence in the territory means a real opportunity for the development and well-being of communities where we operate.

Why is this important?

Our operation covers most of Chile, with transmission lines spanning 10,000 kilometers and 61 substations between Arica and Chiloé. This territorial extension and a changing social context –with increasingly empowered citizenry more aware of its rights and more active throughout the country’s territory– pose challenges when it comes to operating our facilities and especially for developing investment projects. New projects require social licenses and harmonious operations with neighboring communities. We have therefore made consistent progress over recent years in terms of creating relationships of trust with these communities, developing early and open citizen participation processes so that communities can examine projects in-depth before they are built and make contributions to local development. Harmonious relations with communities have become an essential factor for our corporate reputation, project feasibility and business development.

Our community actions are evidenced by the company's contributions and economic value distribution. We contributed US\$ 6.1 to communities in 2017, accounting for 1% of our distributed value. This value includes financial items associated to actions directly benefiting the local community and society as a whole. In addition, we paid US\$ 101.5 million to the Chilean Government, which accounts for 20% of our distributed value (see page 17).

Regulatory context

The project development and evaluation stage requires formal citizen participation processes as indicated by Law 19,300 (Environmental Bases) and Law 19,253 (On Indigenous Protection, Encouragement and Development), which regulate indigenous consultation, and by Law 20,500 related to citizen participation in public administration. In addition, Transelec has implemented a policy for developing citizen participation processes for all projects featuring communities in their areas of influence.

How do we manage this?

In order to address territorial challenges and create relationships of trust with communities, we have formulated and implemented strategies that enable innovative work throughout transmission system project design, development, construction and operation processes. These strategies are listed as follows:

Community Relations and Social Investment Model:

Designed in 2015, this model enabled the prioritization of communities where Transelec will develop community relations processes and social investment projects. These focus on prioritizing communities neighboring Transelec substations or transmission lines and studying the following criteria or variables: (a) the community's proximity to any facility considered by Transelec to be of strategic importance to the company or for the national power transmission system; (b) the community's proximity to an area of potential growth for the company (areas where new projects could be developed); (c) the community's proximity to an area where there are reputational risks or opportunities; and, (d) the track record of the community's territory in terms of how it relates to investment projects. Once these communities have been studied they are catalogued according to intervention level in terms of community relations and social investment. These are then classified as base, priority or strategic communities. Finally, this analysis is used to determine the program or type of intervention to be executed in the area.

Regardless of community classification, the Company's relations model considers objectives, opportunities for dialogue, local development programs and an associated management model associated with local leaders, which these agreements are then set out in writing as "Social Investment and Collaboration Agreements", which are signed by community leaders and Transelec representatives. The program determines which social investment projects will be implemented, formal dialogue mechanisms with communities, and then formally creates a working table with social leaders and regular community assemblies (see page 79).

The social investment and community relations strategic plan increased the number of communities where intervention took place by 30% in 2017 compared to 2016. Projects designed to promote local development were created in the following areas: community infrastructure, improving public spaces, construction



of green areas, agricultural development, entrepreneurship, culture, first nations, environmental and energy education. To date, these initiatives have been executed in 20 communities neighboring the following substations: Diego de Almagro, Pan de Azúcar, Nogales, Polpaico, Cerro Navia, Neptuno, Alto Jahuel, Itahue, Ancoo, Concepción, Charrúa, Temuco, Cautín, Ciruelos and Valdivia.

Strategies for Citizen Participation and the Obtaining of Social Licenses for Projects: each investment project developed by the company considers a citizen participation strategy and a strategy for obtaining a social license that are executed starting at the project design stage.

This strategy aims to develop routes that will generate the least possible social and environmental impact. The strategy continues



through the evaluation stage by means of early and formal citizen participation to give communities a detailed overview of projects to be executed by the company and to ensure that these projects are built in harmony with the community while making contributions to community development. This is an early relations and social investment strategy designed to create relationships of trust with local communities and authorities in the area of influence for our projects before the construction stage. This prevents projects from being rejected because communities were not familiar with them and also enables the construction of direct channels of communication between citizens and projects. Successful community participation was a part of the 2017 “Lo Aguirre - Cerro Navia” and “Nueva Charrúa” transmission line projects.

Mitigation starting with the design phase

2017 investment projects and how these relate with communities

Formal implementation of early citizen participation processes has been successful for all new Transelec projects in 2017. One of the success indicators is completion within planned deadlines, which is evidenced in the two following cases. Moving consultation processes up leads to formal early citizen participation with all issues settled together with the community and starting investment projects with good community relations.

The Entre Ríos Substation

An early citizen participation process (ECP) was executed in order to generate communication mechanisms for the provision of direct and timely information to the inhabitants of towns in the area of influence, indicating the scopes and possible effects of the project ahead of time. This led to the development of action plans to mitigate potential impacts during the construction stage that sometimes lead to conflict (roads affected by the circulation of heavy trucks, impact of particulate material generated, among others). The process included six meetings in the districts of Cabrero and Pemuco. Transelec and the residents of these districts talked about opportunities for contributing to most highly valued expressions of local development, which were jointly executed. The company committed to cooperate with the most important traditional festivities in these districts. In addition, we were able to take the project to the community, inviting them to visit the Entre Ríos substation to get a first-hand account of how it works. The project was completed within the scheduled deadlines.

The Pichirropulli- Puerto Montt Power Transmission Line

More than 100 meetings were held with local and regional leaders, authorities and the community in general over a timeframe of approximately five months. We conducted an early citizen participation process, approaching 72 towns in nine districts of the Los Rios and Los Lagos Regions (Paillaco, La Unión, Río Bueno, San Pablo, Osorno, Río Negro, Purránque, Frutillar and Llanquihue).

These meetings were used to establish a communication mechanism with communities located in towns throughout the Project area of influence. The meetings were attended by indigenous communities, specifically by two communities for whom significant impacts had been declared. We produced and handed out audiovisual material (videos and pamphlets) for the dialogue process and these were used to complement our personnel's fieldwork by disseminating project specifications. Formal citizen participation was then started. The process was coordinated by the SEA and lasted for two months. Approximately 36 presentations and meetings were made and held with leaders, municipalities and the general community. This was followed by two dialogue sessions (early citizen participation and formal citizen participation). An indigenous consultation process was started, which was formulated and directed by the SEA.

COMMUNITY RELATIONS

Getting to know local conditions enabled the generation of better strategies for each territory and for each project. We at Transelec understand that all employees and contractors working with the company's projects and operations must have cordial relations with communities and strengthen the social license for each initiative. We have community relations managers who concentrate and generate efficient and effective communication mechanisms, while creating relationships of trust and ties with the community on a daily basis.

In addition, we create formal working tables with community leaders in prioritized communities, together with regular assemblies where social investment initiatives are designed, approved and developed. In addition, we publish "Zone Newsletters" in each of the four zones where the company operates in order to announce projects underway, infrastructure works and other issues to local communities and authorities. We also create opportunities for community relations such as program launch and closure ceremonies.

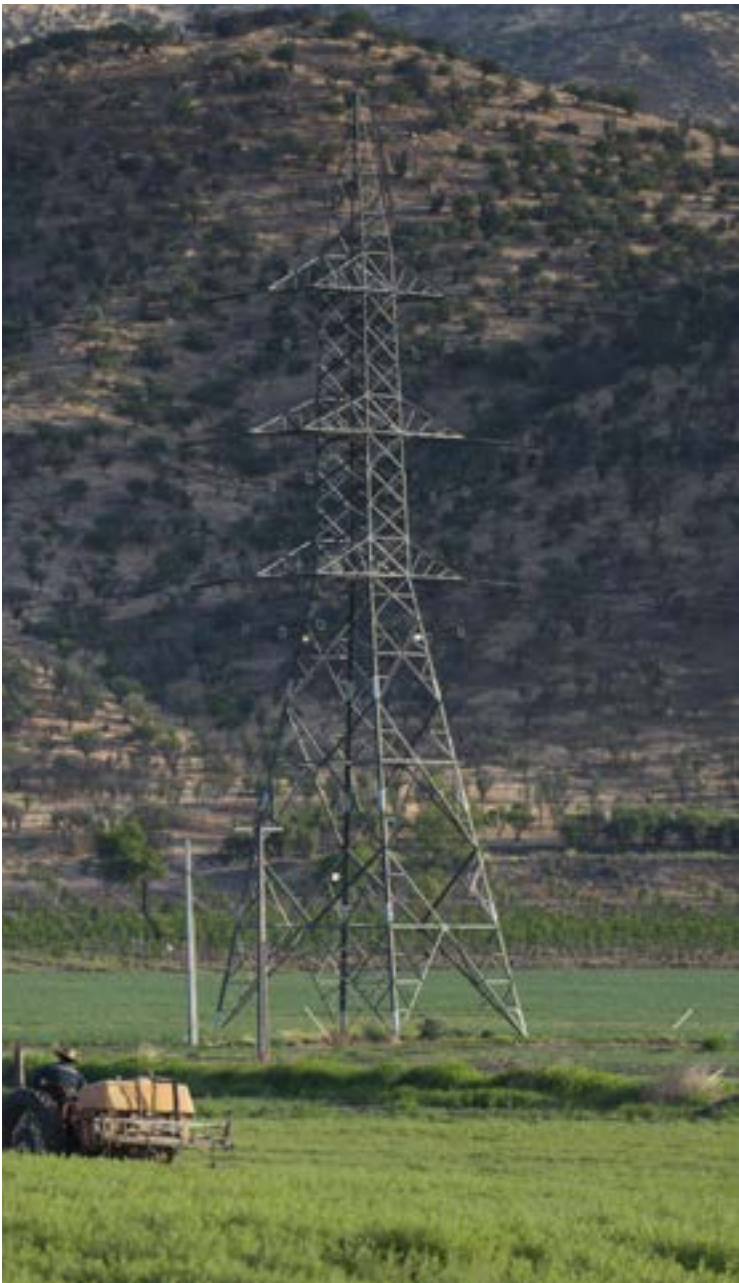
Working tables

These are formal dialogue forums with the community and other stakeholders. We address aspects such as the following on a monthly basis:

Social investment: these tables are used to diagnose, design, implement and evaluate social investment projects to be executed by Transelec together with the community in order to promote local development, among other issues.

Dialogue with regard to co-existence with Transelec infrastructure (operations and projects): these tables are used as a vehicle to regularly deliver important information to the community regarding these issues.

Determining opportunities for interaction between Transelec and the community: community dialogue is used to determine opportunities widely appreciated by the local community, so that Transelec can provide funding (community festivities, etc.).



We continued dialogue by means of six working tables with the community throughout 2017: Nogales (Nogales Substation), Polpaico (Polpaico Substation), Cerro Navia (Cerro Navia Substation), Rincón de Pataguas (Ancoa Substation), Juan Huenchumil Quintupil (Cautín Substation) and Rucaco (Ciruelos Substation).

In addition, we have maintained four associative working tables where we participate with the community and other companies operating in the territory:

(a) The Antofagasta Camps Working Table: we participate together with the community, the power companies Engie and Elecda, and the Antofagasta Region Local Government and Regional Ministerial Secretariat of Energy.

(b) The Polpaico Companies Associative Table: we participate together with the Polpaico community and the following companies: Cementos Polpaico, CMPC, ISA and Aguas Andinas, among others.

(c) The Charrúa Associative Table: the Charrúa community and the following companies participate: Colbún, Los Guindos, Inprolec, AES Gener and the Municipality of Cabrero.

(d) The Rucaco Associative Table: we participate together with the Rucaco community, the forestry company Arauco and the Municipality of San José de Mariquina.

PREVENTING AND MITIGATING THE OPERATION'S IMPACTS ON NEIGHBORING COMMUNITIES

Despite the fact that these are vital for Chile's development, the construction and operation of power transmission lines and substations can potentially generate impacts on communities in the area of influence for our projects and facilities. These impacts may be associated to the visual impact of the infrastructure facility, the use of roads during the construction stage and during maintenance activities, and noise emissions under specific atmospheric conditions, etc.

In addition, a reduced number of communities have raised concerns regarding eventual health impacts of electromagnetic fields produced by high-voltage transmission lines.

The development of new power transmission systems is approached from a multidisciplinary perspective integrating both social and environmental dimensions from the planning and design phases of the project up to its operation (and eventual closure). In the framework of the Sustainability Policy and based on our community relations and citizen participation strategy for investment projects, we plan to move up a detailed analysis to develop projects with the least possible socio-environmental impact while mitigating the possible impacts throughout the entire life cycle for each project as much as possible.

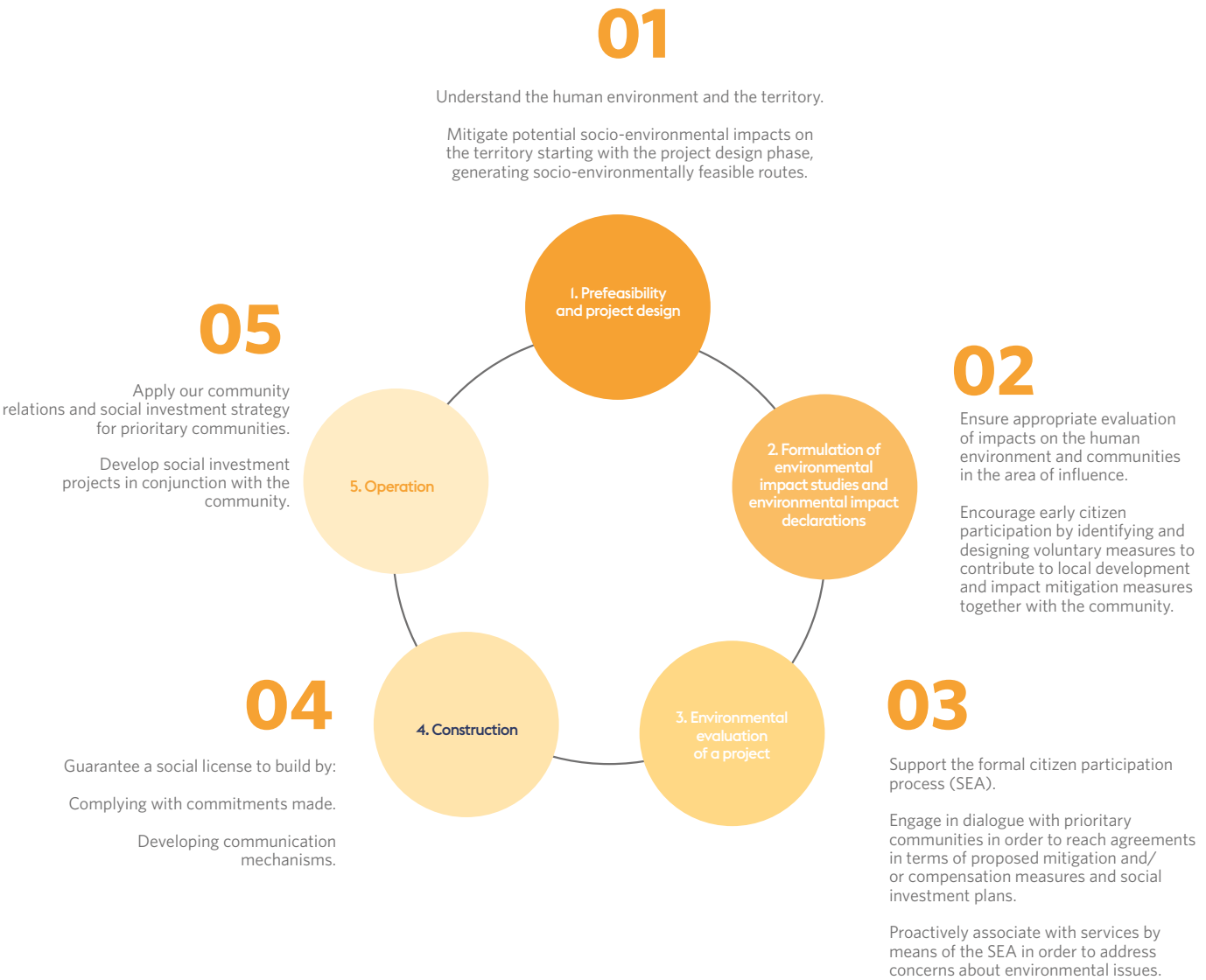
The landowner relations model

The expected crew behavior guidelines manual

We designed this model in 2016 in order to standardize and improve relations with the owners of land crossed by our transmission lines. We formulated the expected crew behavior guidelines manual in 2017. This manual contains recommendations and suggestions for improving relations with the owners of easement strips at construction sites and during operation and maintenance activities. We will continue to train our employees and contractors in this regard throughout 2018.



MITIGATION STARTING WITH THE DESIGN PHASE
We manage impacts throughout the entire project life cycle, which is to say during five stages:



CONTRIBUTION TO LOCAL DEVELOPMENT AND WELFARE

As stated previously, Transelec seeks to make contributions to issues that create real value for the community and which have an impact on local development. We wish to highlight the following initiatives in 2017:

1. The “Play More with Transelec” Energy and Environmental Education Program

An educational program designed to provide support for the education of children in communities neighboring our substations, which includes technical assistance and equipment for rural schools. The thematic emphasis of this program is energy for science, energy with interdisciplinary projects and the culture of first nations at schools with students from first nations.

We worked with 16 schools neighboring 10 substations by means of 18 courses attended by a total of 469 students in 2017. Ever since the creation of Play More nine years ago, Transelec has benefited over 5,000 children between the Atacama and Los Ríos regions.

The Play More with Transelec program

We seek to create positive ties with the school population neighboring our facilities.

The Energy in Science Program

This program was designed to develop skills for students, teachers and the school community near our operations in terms of issues related to energy and the environment. The program features activities, student training and the provision of methodological tools for teachers. The program includes a visit from the school community at our facilities.

The Energy with Interdisciplinary Projects Program

An interdisciplinary program consisting of natural science, language and mathematics or social sciences.

First Nations

This initiative was designed to contribute to the construction of cultural identity for children from schools located in indigenous zones. The main activity is to write stories -in the Mapudungún language "Epew"- pooling the history of the sector from a Mapuche socio-cultural context.

Ideas with Energy education program

This program started in November 2017 and aims to encourage students to learn about energy and its impact on daily living by means of research activities, experimentation and urban intervention. The plan was designed for elementary school students and includes classes with subject matter about energy and how it relates to people, educational material, a visit to the Transelec substation and a fair at the end of the year where students will be able to display their projects. The program also featured training workshops for guardians and teachers from the school communities.

2.The “Growing Together” Agricultural Production and Development Program:

Transelec aims to use this program to empower local economic development by strengthening community entrepreneurship and agricultural development for communities while promoting production networks and associativity. Transelec signed collaboration agreements featuring the provision of seed capital to entrepreneurs with the Juan Huenchumil Quintupil indigenous community from the Padre de Las Casas district, and with the Rucaco community from the Los Ríos Region in 2017. Agreements signed with both communities have several lines of action, starting with strengthening family farming and the recovery and valuation of community textile production by means of training, working capital and equipment. These also consider development of a plan to make better use of the community hall (implemented by Transelec in 2016) and to support the staging of festivities. In the case of Rucaco, ten entrepreneurs who applied for seed capital to enhance their businesses were approved following an evaluation featuring judges from INDAP, the local DIDECO¹⁹, the Valdivia Chamber of Commerce, the Development Studies Center and Transelec. These projects, which received funding and technical assistance, include lodging and catering services, handicrafts and even a mechanical workshop.

3. A social contribution stemming from dialogue with the community:

A long-term perspective for community welfare was integrated at dialogue tables involving the different communities we work with. Dialogue was started at each of these tables in order to

determine what the community appreciated the most. In a framework of collaboration, we contributed to making initiatives that would contribute to making their well-being come true. One example in 2017 was the public square remodeling project for the residents of Nogales. This project was the first achievement to come out of the Social Investment and Collaboration Agreement signed in August 2017. Other achievements stemming from the agreement in 2017 included a Children's Day celebration, Independence Day Festivities and a Christmas party. La Capilla road improvement work is scheduled for 2018.

A second example was the Master Class with Maggie MacDonnell as part of the work being done by Transelec in the field of education with its neighboring communities. Understanding that this is the basis for countries working to develop a better society, we worked with the Elige Educar Foundation to host a Master Class with Maggie MacDonnell, winner of the Global Teacher Prize, for over 200 teachers from the districts of Cerro Navia, Itahue and Molina at the Violeta Parra Cultural Center in Cerro Navia.

Transelec actively participated to implement the Charrúa Associative Table in 2017. This working group consists of the Charrúa community and Transelec worked together with the community to design a public space lighting project.

We also wish to highlight our contribution, together with the company Siemens Chile, of equipment and reconstruction of a computer room for two schools in the Padre Las Casas district, near the Cautín Substation in La Araucanía Region.

¹⁹ INDAP: National Agriculture and Livestock Development Institute DIDECO: Community Development Directorate managed by a local municipality



An innovative social contribution

The Coronel Sustainable Neighborhood

This project came about after the 2010 earthquake and tsunami affecting the Coronel District. We took an innovative approach to making a long-term contribution for our neighbors. We donated property adjacent to the “Lagunillas Hualpén” transmission line in order to offer a sustainable and energy efficient housing alternative to people in need. Future residents participated starting with the design phase. We called for architectural ideas to be submitted and the process was supported by the Ministry of Housing. The call to bid attracted renowned and specialized architects, specifically those specializing in sustainable architecture who then supported quality certification for 289 housing units built on the 23 hectares we had donated. The housing units that were built meet higher quality standards than low-cost social housing provided in Chile. These units feature solar panels for heating water, PVC windows, reinforced concrete slabs between the first and second floors, and 30% more floor space than the average low-cost social housing units provided in Chile, among many other aspects.



Monitoring and results

We strengthened our participatory design processes for social investment projects in strategic communities throughout 2017. This led to a change in our community relations methodology and a substantial increase in terms of dialogue with leaders and the community. Our objective is to ensure that the social investment projects executed have a real impact on local development, address a requirement prioritized by the community and are consequently appreciated by those benefited.

The Social Investment Assessment Model

In order to gauge the results and impacts of investment in communities, we developed a Social Investment Assessment Model between 2016 and 2017. The model is adapted to our business and also applies to future projects and initiatives. It includes the participation of our stakeholders throughout the entire assessment process and features an Assessment Matrix tool that records possible results and impacts for each initiative to be evaluated. This tool enables the evaluation of ideas and initiatives starting from the design phase.

Community Figures

	2015	2016	2017
Grievances stemming from social impacts			
Number	7	1	0
Communities with impact evaluation			
Number	4	6	8
Communities with participation programs			
Number	11	16	20
Social investment program beneficiaries			
Number	n/a	2,129	2,706

