

# Commitment to the well-being and development of our people



Tomorrow's society is counting on electrical energy. Are we prepared to address this challenge? Are we developing human capacity to operate increasingly more automated systems? Do we have the skills to adapt to the ongoing technological and cultural changes in store?

## HUMAN CAPITAL DEVELOPMENT AND TALENT MANAGEMENT

## Why is this important?

The main facilitators for compliance with Transelec's strategic plan are its collaborators. High quality standards required for our work, together with the increasing wide range of challenges the industry is facing, mean that we must attract, recruit, train, motivate and retain prepared professionals in the different areas required by the Company. Our collaborators account for 9% of our Value Footprint (see page 17) Salaries and benefits paid in 2017 came to US\$ 48.0 million, which was distributed between 529 persons. 2% of this total corresponds to senior management (general manager and the first line of managers), 21% to middle management, 71% to professionals and technicians, and 6% to administrative workers.

New stakeholders have entered the power sector in recent years and this has generated increased competition in terms of projects offered by the market and specialists working in this industry. In addition, society and the corporate and labor scenarios are changing. Companies must operate in a diverse world that demands flexibility, collaboration and transversal integration with these differences. New generations, specifically Millennials, are trying to make contributions to companies and find meaningful work. Job flexibility and the use of new technology are essential for these people when it comes to choosing a place to work at.

## Regulatory context

Labor issues are regulated by the Labor Code in Chile and the Labor Inspection Service is the public entity responsible for inspection and compliance. The 2017 Labor Reform amended this Code, presenting a new regulatory context for companies, workers and unions. New labor inclusion legislation (Law 20,015) was passed in 2017, determining minimum labor inclusion percentages for persons with disabilities<sup>16</sup>.

<sup>16</sup> Law 20,015 requires 1% of staff at companies employing more than 100 workers to be persons with disabilities.



## Human capital challenges for the future

How do we manage this?

Transelec’s selection policy consists of finding the best talent to join the organization. We focus on recruiting young people who will be the future of the company. Our efforts in recent years have consequently aimed to make the Company more visible for the market and more attractive for new professionals. We have positioned the Company on the leading job platforms and networks while modernizing information systems to improve process management. All this has been done without abandoning other successful practices, such as company participation at job fairs hosted by some of the best universities in Chile.

Labor relations and organization

The Vice-presidency of Human Resources is responsible for labor issues and it reports to the company’s General Manager. There are two unions at Transelec. We are constantly in touch and build confidence with these unions by means of regular meetings. 69% of our workers belong to either of these unions.

Training and leadership

Aware of our leadership position in the power transmission sector, Transelec implements training programs designed to develop technical specialization and management skills for its collaborators. These programs focus on gaps detected in individual performance evaluations and on the organization’s corporate focal points. Total training hours came to 40,400 in 2017, which means an average 76.4 hours per collaborator and investment amounting to US\$ 1,752 per collaborator.

In terms of talent development, Transelec has determined that its first source of recruitment is at an internal Company level. In fact, 80% of our new managers were professionals already working at the company.

Preparing leaders for the challenges of the future is one of the central objectives of our personnel policy. The Company has been developing the Transelec Leadership Training Center in conjunction with Universidad Adolfo Ibáñez since 2014. In 2017, emphasis was placed on embedding leadership concepts. 110 managers conducted a maintenance program to reinforce what was learned and align with the company’s strategic requirements. Issues addressed during the course were personal leadership, communication and social skills, leading others, readiness for change, leading the business and safety leadership.



There were 24 new managers among the participants. Several of these managers reached these positions thanks to our internal promotion policy.

We continued working on the BIG BANG Knowledge Management Program in 2017. Among other activities, the program features talks related to the Company’s operations by means of a streaming system for our workers in other regions of Chile. In turn, the Teachers program, which started in 2007, is hosted every year to help professionals with extensive experience and specialization to transfer their knowledge to younger collaborators.

Diversity and inclusion

In 2017 we rose to the challenge to empower diversity and inclusion at the organization. We consequently conducted a corporate assessment of our perception of these two concepts and installed this debate at our Executive Committee. The Transelec Diversity and Inclusion Policy will start to be applied in 2018.

Awards

Transelec has an Awards program, which was designed to highlight our corporate values and empower recognition at the company. We have thus invited all our collaborators to nominate colleagues whose exemplary conduct reflects one or more of our Company’s values: respect, integrity, commitment and excellence.

Quality of Life

Transelec has initiatives that help to make family life more compatible with work. One of the most renowned initiatives is a shorter workday on Fridays. In addition, Club Transelec was designed to bring families closer to the Company by means of social, cultural and sports activities. Celebrations such as the Company Anniversary, Independence Day Festivities, the Christmas Party and Open Day, when the company opens its doors to its collaborators’ children, are events that contribute to improving our collaborators’ quality of life. People’s health and safety are a fundamental part of quality of life in the workplace and we are constantly managing these issues (see page 63).



Monitoring and results

Maintaining a good working climate and direct relations with collaborators is essential for Transelec, especially with our collaborators' representatives and the company's unions by means of an open house policy and regular meetings. This is reflected by the good internal climate determined by the McKinsey Organizational Health Index (OHI) survey, which has been applied to the entire company since 2011. This survey is conducted once every two years and it measures nine organizational health dimensions. Important advances have been reported in all areas starting when this survey was first applied at the company. (see page 59)

The conclusions of this study are disseminated in each area by the first line of the Vice-presidency of Human Resources. The idea is to achieve a climate of confidence and good faith, with space for questions, concerns and comments in order to facilitate understanding and subsequent development of an action plan to address these indicators. Areas evidencing gaps in any of these variables have an improvement program which includes team development workshops, personal conversations, training plans, etc.

Labor management figures

	2015	2016	2017
<b>Training</b>			
Total hours in thousands	30.8	35.8	40.4
<b>Amount invested in training per collaborator</b>			
US\$	1,597	1,679	1,752
<b>Women</b>			
Percentage of total Transelec workers	17%	17%	19%
<b>Unionization</b>			
Percentage	67%	65%	69%

CARE AND RESPECT FOR PEOPLE'S HEALTH AND SAFETY

Why is this important?

People's lives are a fundamental value at Transelec. No operational goal or emergency justifies exposing a worker to uncontrolled risks. Considering the fact that electrical energy requires high-risk activities that must be appropriately controlled, such as altitude work, work with energized lines and equipment and vehicle operation, we work even harder to manage these issues.

Regulatory context

There is clear, definite legal framework for all companies and workers in Chile that is updated on a regular basis. The Superintendence of Social Security -SUSESO- is responsible for inspection and compliance. In addition, all companies and workers must be affiliated to a mutual safety association<sup>17</sup>, a private non-profit institution responsible for risk prevention actions, services and treating work-related accidents and illnesses. Occupational health regulations require conditions in the workplace that could affect the physical, psychological or social health of workers to be evaluated.

<sup>17</sup> Mutual safety associations were created in Chile by means of Law N° 16,744 on Work-related Accidents and Illnesses dated 1 February 1968.



How do we manage this?

The occupational health and safety (OHS) management strategy places top priority on the integrity of our workers in the execution of their duties. These efforts are taken in keeping with the Company's Strategy and our Sustainability Policy. The third principle of our Sustainability states that "No operational goal or Policy emergency justifies exposing a worker to uncontrolled risks", clear guidelines that also enable efforts to be focused on managing High-Risk Activities (Altitude Work, Work with Energized Lines and Equipment and Vehicle Operation).

Transelec is a leading power transmission company with accidentability indices much lower than the national and industry average. As such, the company is required to develop new OHS management tools. We will consequently continue with the "Consolidating a safety culture" project we started in 2017 in conjunction with the Chilean Chamber of Construction (CChC) Mutual Safety Association and the French Institute for an Industrial Safety Culture (ICSI), a project based on a Systematic Management Model that will foster long-term development of an integral safety culture. The results of a diagnostic conducted in 2017 confirmed that we were headed in the right direction but also led us to continue improving certain systematic aspects, in which organizational analysis and human factors constitute the working focus. direction but also led us to continue improving certain systematic aspects, in which organizational analysis and human factors are the working focus.



Occupational health

We applied a Psychosocial Risks in the Workplace Questionnaire (ISTAS 21) in 2017. This questionnaire evaluates conditions that could affect physical, psychological and social health. Results obtained were positive, in line with the trend evidenced by the last questionnaire in 2015.

For the sixteenth year in a row, the were no accidents with fatal consequences in 2017.

Organization and reporting

Each area is responsible for its own occupational health and safety. This is managed by the Vice-presidency of Operations, which in turn reports to the General Manager. Work-related accidents and illnesses are reported directly to the mutual safety association and to SUSESO.

Legal compliance

Chile has a definite legal framework for OHS issues, which is constantly updated based on the country's requirements in terms of worker protection. This framework requires companies to keep their legal identification updated and to monitor compliance with current legislation and regulations. Compliance with legislation is an essential element in our safety management. It also helps us to improve safety standards applicable to our sites, collaborators and contracting company workers. We have a wide range of monitoring and compliance procedures.

Monitoring and results

We complied with 100% of our OHS management program goals and initiatives in 2017. These were approved by the Integral Management System Executive Committee. These are monitored on a monthly basis in order to correct any deviation from what was planned. The participation of contracting companies in this monthly monitoring is evidently fundamental.

We wish to point out that there were two lost-time accidents in 2017. Considering the number of days lost, our Accident Rate consequently went up higher than the average and minimum rates over the last 9 years.

Occupational health and safety (OHS) figures

	2015	2016	2017
<b>Accidentability rate</b> (Number of lost-time accidents / average workers)*100	0.30	0.30	0.26
<b>Accident rate</b> (Number of days lost / average workers)*100	4.80	5.60	16.09
<b>Fatalities</b> Number	0	0	0
<b>High-risk incidents</b> Number	2	0	2
<b>Work-related illnesses</b> Number	0	0	0





## STRATEGIC SUPPLIERS AND CONTRACTORS

### Why is this important?

The success of our projects largely depends on the quality of our contracting companies, which include engineers, suppliers of equipment and/or systems, construction companies, providers of maintenance and cutting and pruning services, among others.

Our contracting companies provided jobs for 2,160 workers in 2017, up 37% compared to 2016 because of the large number of projects under construction. Companies providing services amounted to 198 in 2017 and were paid US\$ 40.6 million. These account for 8% of our distributed value (see page 17).

### How do we manage this?

Our main task is to align contracting companies with our labor, safety and environmental policies, relations with neighboring communities, respect for subcontracting legislation and to jointly seek innovative solutions for our operations. In order to prevent discrepancies with regard to contracts, we specify environmental, social and integrity procedures required by Transelec by means of the technical bases or terms of reference for tasks to be executed. We have a clear Supply Policy that includes guidelines supporting and regulating our strategy, operation and management for the provision of goods and services, favoring sustainability among other issues.

### Innovation and the creation of new solutions

Considering the high level of competitiveness required in the current power market and the incorporation of an important number of new stakeholders, it is indispensable that we identify all opportunities to make project implementation more efficient. We must consider the complete life cycle of our facilities, which is to say, design, supply, construction, operation and maintenance. This requires the incorporation of new technological solutions and new construction methods to make resource use more efficient. We work together with our collaborating companies and apply sustainability criteria in the search for the best technical solutions. We analyze aspects such as environment-friendly construction in order to optimize construction resources, methods and deadlines, design innovations and technological advances.

We have developed an extensive plan to visit national and international supplier facilities, consultants and works under construction in order to improve and innovate in terms of design and construction. We have consequently been familiarized with cutting-edge design and manufacturing of power equipment, a wide variety of civil and structural works, and new construction methods. We are also accompanied by representatives from contracting companies during these visits in order to facilitate service provider development and to gain a better understanding of projects and innovations to be incorporated.

358 providers of goods and services have worked with us over the last three years.

### Labor alignment

Once again, in 2017 we conducted a competency accreditation process for maintenance contractors in the fields of transmission lines and high-voltage equipment. Incorporation of this procedure is mandatory for new contracts because we believe that people who are competent in their field and working activities make the difference when it comes to preventing accidents and damage.

72 people were evaluated by means of technical knowledge tests, personal interviews and on-site safety inspections this year. Results are shared with contractors so these can formulate working plans with their teams in order to maintain good results or bridge gaps detected.

Transelec uses this type of initiatives to contribute to skill management for those collaborating with our objectives in order to ensure service quality and improve our people's health.

Contractors have also joined our safety culture project because they also contribute to the process of consolidating new habits and behavior. In fact, they are more exposed to the risks of potential accidents.

### Fair and timely payment

Our commitment with our suppliers includes fair and timely payment. We comply with best sustainability practices, ensuring the payment of services rendered within 30 days after service invoices have been submitted.

### Monitoring and results

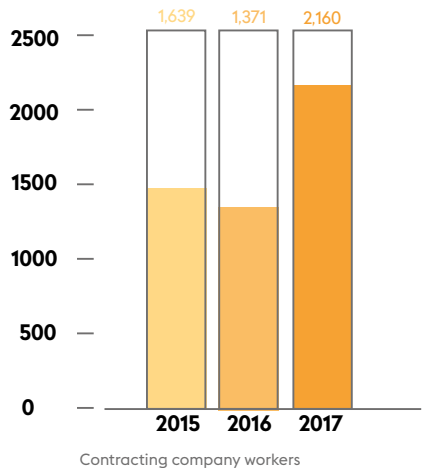
Transelec revises complete performance track records in terms of compliance with contractual commitments when selecting our suppliers and contractors. This includes facility specifications and design criteria, construction methodology and environmental, community, risk prevention and work-related accident indicators. We design a risk evaluation procedure for new projects and this is integrated into the bidding conditions, considering mitigations by taking out insurance policies and the appropriate implementation of safety procedures.

For construction companies, the selection process includes a complete performance evaluation in terms of safety indicators, risk prevention and compliance with environmental commitments set out in the Company's policies and Environmental Qualifications Resolution (RCA) for projects.

These measures enable Transelec to employ a wide range of suitably qualified suppliers and contractors, identify their capacities with regard to project size and complexity, and to provide feedback regarding their performance in order to identify opportunities for improvement.

In 2017 we hosted two conventions with international and national transport companies in order to evaluate services rendered, detect opportunities for improvement and announce new regulations. In addition, we presented awards to the companies with the most outstanding service levels and applied a questionnaire to over 200 of our normal suppliers and contractors in order to evaluate our compliance with commercial and contractual commitments we have made and the transparency of our bidding processes. In addition, we worked to empower our Supply Portal in terms of tenders and price quotations, as well as incentives for long-term tendering processes, especially for supplies.

### Contractor management figures



100%

Contractors whose work performance has been evaluated

Contractors with occupational health and safety training

\*corresponding to 2015, 2016 and 2017