

2024 External Auditor Selection for Transelec Group

March 22nd , 2024



Article 50 bis of Law 18,046 and Circular Letters No. 718/2012 and No. 764/2012 of the Commission for the Finance Market – CMF (ex Superintendency of Securities and Insurance (SVS)) requires the Audit Committee and the Board of Directors of listed companies to propose the designation of an external audit firm to the Board, so that it recommends to the Ordinary Shareholders' Meeting the appointment of such firm as the External Auditors for 2024. Additionally, Article 243, f) of Law 18,045, requires a senior partner rotation after a maximum of 5 years of continued auditing to ensure independence.

In 2023, Deloitte was appointed in the Ordinary Shareholders' Meeting on April 30, 2023, to audit the financial statements of Transelec Group for that year, according to the proposal set up by the Audit Committee and the Board of Directors as per Transelec Auditor Rotation Policy and current legal framework.

Quotations for audit services were requested to the 4 largest Audit Firms in order to select independent auditors to be in charge of the Financial Statements audit for the year ending December 31, 2024.

These consultancy companies answered our request and sent their proposal for audit of the Financial Statements for the 2023 period:

- KPMG
- EY
- PwC and
- Deloitte – current auditor (2018 - 2023)

1. Firm qualifications

- Experience and expertise in Utility sector.
- Understanding of emerging financial accounting and tax issues for the sector.
- Industry and professional leadership.
- Independence and limitations of any potential conflict.

2. Team qualifications

- Overall experience/strength/depth of service teams assigned to the engagements, especially partners and managers.
- Involvement of technical experts and specialists to support teams.

3. Audit approach

- Features of audit plan that would meet the specific needs of Transelec Group.
- Methodology used to create audit plan, including assessments methods to focus on high-risk areas.
- Approach for communication and interaction between domestic and international audit teams.
- Methods to communicate best practices and other value adding improvements.
- Approach for communication, interaction with the Audit Committee and Management.

4. Quality assurance

- Internal practices and policies to ensure compliance with reporting and audit standards.
- Results from local regulatory entity (CMF), PCAOB/Peer review reports.

5. Fee arrangement (see annexes)

- Competitiveness of fee quotes.
- Audit time estimated to be used.

6. Proposal

- Proposals submitted timely and contained all requested information.
- Demonstrated willingness to work with Transelec Group.
- Proposal reflects inputs from discussions and tailored to Transelec Group needs.

7. Other

- Approach to transition from previous auditor including timing, coordination, pragmatism and cost.
- Potential exposure from prior, pending or potential legal actions.
- Other value-added services such as technical training.

- ❖ **Rotation of audit firm each 5 to 6 years with a minimum of 3 years for the new audit engagement**
- ❖ **Audit firm to be elected among “Big Four” with relevant presence in Chile (currently: Deloitte, PwC, E&Y & KPMG)**
- ❖ **Partner in charge of the audit engagement should be rotated no more than 5 years as per Chilean legal demand**
- ❖ **On a yearly basis, the designation of the Audit Firm must be subject to the approval of an ordinary shareholders meeting as per Law N°18.046 (Corporates Act)**