



NAME:

ENGIE ENERGÍA CHILE S.A.

**REGISTERED OFFICES:** 

LAS CONDES, SANTIAGO, CHILE

**TAXPAYER IDENTIFICATION NUMBER:** 

88.006.900-4

TYPE OF COMPANY:

OPEN CORPORATION

**SECURITIES REGISTRATION NUMBER:** 

273, MADE JULY 23, 1985

**EXTERNAL AUDITORS:** 

EY SERVICIOS PROFESIONALES DE AUDITORÍA Y ASESORÍAS SpA

**OUTSIDE LEGAL COUNSEL:** 

PRIETO ABOGADOS SpA

LOCATIONS:

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ARICA DIESEL-FIRED PLANT:

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**EXTERNAL COMMUNICATIONS** 

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SUSTAINABILITY AND PERMITS

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About us **Integrated Report** 

We have prepared this report to share the main advances and challenges in our growth and governance strategy and social and environmental management. We selected the topics based in the concerns of our stakeholders, of which we learned from the materiality survey. We also took into consideration the regulatory requirements for annual reports by the issuers of publicly traded

securities and the standards of the Global Reporting Initiative (GRI).

This report was prepared with the active involvement of the Corporate Divisions of the Company, which are responsible for providing and validating contents.

We hope that this document is of use.

For the fifth consecutive year and on a voluntary basis, we reported our triple performance.



2016



2017



2018



2019





# Letter from the Chairman of the Board

2020 was a challenge to us and put our abilities to test. Even though the complex scenario continues to today, throughout last year we were able to meet our key commitment of supplying energy to the country while maintaining a safe work environment for our employees and not losing sight of the needs of our stakeholders.

I want to first highlight in this period the collaborative and resilient work by which efficient action plans were implemented on time that significantly reduced the risks and impacts of the crisis on the physical and emotional health of our employees and their families and on the operations of our plants. That work was recently recognized by the Chilean Safety Association that awarded the Company a green seal for preventive management of the COVID-19 protocol that had to be implemented, specifically in our operations in Tocopilla and Mejillones.

The coordination by our Crisis Committee and unions undoubtedly played a fundamental role, as did the work by our employees on site to maintain an operational continuity at all times and by those who telecommuted. In addition to highlighting our advanced digital transformation, a key aspect in moving forward with our work, I would like to take a moment to give my profound thanks to all

"Our majority shareholder, ENGIE Latam S.A., increased its equity interest to 59.9% in a display of confidence in the company's future".

efforts by our people. I also want to emphasize the particular commitment to the renewable projects that are under construction. In addition to keeping our operations going in a tremendously difficult setting, we as a company went beyond and supported our surroundings in these troubled times. We collaborated with communities adjoining our facilities by delivering food, medical inputs and money to help fund new entrepreneurships. We also helped the government of Chile in initiatives to overcome the health crisis in different hospitals in the country.

Despite the pandemic, the company held firmly to its growth plans and its aspiration of collaborating in the journey towards making both our customers and the country in general carbon neutral. We received support in this effort from the Group, through ENGIE Latam S.A., which increased its equity interest in the company's ownership last year to 59.9%, a display of confidence in the future of the Company and its development strategy.

Precisely in line with the global strategy of the ENGIE Group that in 2020 ratified the business pillars of renewable energy and energy infrastructure, we continued to work on reconverting our energy matrix by adding an installed renewable energy capacity of 1,000 MW. As we move forward in this plan, our organization is also adapting to the challenges of managing a new company with multiple operations entailing new impacts distributed throughout Chile.

Our governance must be adapted to the challenges and requirements of an increasingly complex regulatory environment. The Board has therefore intensified its review of regulatory changes and their impacts on corporate management while we continue to strengthen our internal frameworks by launching a new Tax Policy and a new Code of Corporate Governance of the company.

Finally, I would like to reiterate my gratitude to all our employees and executives for the great deployment and effort they made this year and to our shareholders and neighbors for the trust deposited in us as an organization.

I invite you to read our Integrated Report, which includes an account of the progress in our commitments to the Global Compact. In this report, we discuss the initiatives that we are promoting to overcome this troublesome year 2020 and the main challenges we are facing in our goal of becoming a sustainable company that is contributing to the energy transformation of Chile.

# **Frank Demaille**Chairman of the Board ENGIE Energía Chile

#### **ENGI**

# **Letter From The Ceo**

Timely management of the impacts of the pandemic helped us move forward with our plans and strategic projects key to the economic, social and environmental sustainability of our company. The main fruits of this work are shared in this document in which we report our results and how we attained them.

I would like to start by emphasizing that despite 2020 being an extremely complex year, we were able to maintain the operational continuity of our key activities thanks to the dedication and commitment of our employees. We achieved significant results and progress in our growth strategy. We also earned a profit of MUS\$163.5 in the fiscal year, 48% higher than 2019.

As concerns our goal of leading Chile's energy transformation, we continued to progress in our plan to build 1,000 MW of renewable energy. This year we purchased the Monte Redondo Windfarm and the Laja Hydroelectric Power Plant that, combined, represent 82 MW. Through these additions, our renewable energy installed capacity rose from 66 MW in 2019 to 156 MW by the close of 2020. Starting in 2021, we will gradually add the projects that we are building in the north of the country.

A relevant milestone in the 1,000 MW renewable energy project Plan was receiving the first green loan from IDB Invest, a member of the IDB group,

for US\$125 million to build our Calama windfarm. This is an unusual transaction linked to a reduction in carbon emissions for which we had to conduct an exhaustive analysis of our sustainability management procedures.

The requirements that arose in this process were addressed by a team comprised of different areas (Finance, Environment, Territorial and Sustainability Management, Legal and Processes, to name a few). We strengthened the Environmental Management System through their work by adding social aspects linked to the development of local economies.

In parallel, we continue to retire 0.8 GW of thermal energy as promised to the authority. As part of this work, we awarded the contract to dismantle coal-fired units 12 and 13 in the Tocopilla Complex, representing a total of 171 MW. That dismantling is scheduled to begin in the first quarter of 2021 after receiving authorization from the Municipality and the Ministry of the Environment.

Organizationally, this was a year that tested our consistency and the soundness of the company's cultural values and focal points. Part of our work in that direction was focused on strengthening the skills of leaders in times of crisis and reinforcing communication and internal dialogue to accompany our emotional health and safety measures. Our organization also engaged in providing support to neighboring communities

"Our renewable energy installed capacity rose from **66 MW** in 2019 to **156 MW** by the close of 2020."

through several initiatives like the provision of medical supplies to community health services and food. It is with great pride that I would like to highlight that these actions were undertaken with the voluntary help of many of our employees, who decided to join the 1+1 Campaign to increase the resources made available by the company.

Commercially, we continued with the plan to decarbonize the PPAs of our large mining customers. These year we closed the renegotiation of our PPA with Minera Centinela, owned by Antofagasta Minerals. Basically, this new PPA contains a pricing system that will gradually adapt the service to the production of electricity from renewable sources. We also added new customers that combined represent PPAs for 800 GWh/year. Among those new customers are CAP Acero, a company with which we closed a PPA for 420 GWh/year for 15 years.

2020 was a year of great challenges that we faced innovatively and with a great ability to adapt. This effort leaves us on a good footing for the challenges of 2021 that we will confront with the same commitment to Chile and its sustainable development.

**Axel Levêque**CEO, ENGIE Energía Chile







#### We are ENGIE **Energía Chile**

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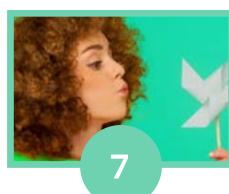
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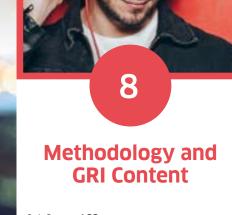
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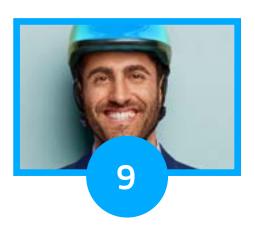
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## **1.1 Main Results In** 2020

We are present on the power generation, transmission and supply, gas transportation and port infrastructure markets.

Our main customers are found in in the industrial, mining and power distribution sectors in the north, central and south zones of the country.

Rating

**Fitch Ratings raised** 

credit rating from

a stable outlook.

The national rating

June 12th, with a

stable outlook.

was raised to AA on

**Engie Energia Chile's** 

"BBB" to "BBB+" with

In 2020, our main results were:

#### **Business Performance**

**2020 Revenues** 

**US\$1.352 Billion** 

7% below 2019

**EBITDA** 

US\$455 Billion 15% below 2019

**Profit** 

**US\$163.5** million 48% below 2019

**NET DEBT/EBITDA** 

**1.8** december 2020

Agenda through the U.N. SDGs.

**ENGIE Energia Chile is contributing to** the goals and challenges of the Global







**4**<sup>™</sup> largest power generator

Energy sales for 11.4 TWh in 2020

**26.1 GW** 

**Ports** 

landed

Gas

in 2020

27 ships

682 million

transported

Corporate

Code was

updated

Governance

cubic meters of gas

+2.7% compared to 2019.

Generation

\_\_\_ AES Gener **13%** 

3<sup>RD</sup> largest

transmission

of high- and medium-

voltage lines running

23 substations

50% interest

transmission lines

Governance

+300 employees

trained in Crime

Prevention and

Competition

with a capacity of 844 MVA

in TEN S.A.: 600 km of

2.330 kilometers

in 2020

**Market Shares** 

— Enel **28%** — Colbún **13%** 

— ENGIE Energía Chile 8% — Tamakaya 2% — Otros 36%







**Social Management** 

889 Employees (total)



**Turnover** by Gender



7.8% Men

Salary Gap

(employees with continuing contracts)

Q 98.1% O 100%

Q 95.8% O 100% Tactical professionals

Q 92.5% O 100%

**Training** 

Total of 27.619 hours

in the year

Annual average of

34 hours per person

#### **Occupational Safety**

Frequency Ratio:

0.61 en 2020. 50% below the 1.25 in 2019

**OHS Management System:** 

100% coverage of own and contractors' employees

#### **Supplier Profile**

91%



Community

MUS\$1.4 invested in communities

We engage with 17 municipalities in 6 regions

#### The Environment

**CARBON FOOTPRINT TREND** (Millions of TONS of CO2 EO)



INTEGRATED MANAGEMENT SYSTEM ISO 9001 | ISO 14001 | OSHA 18001









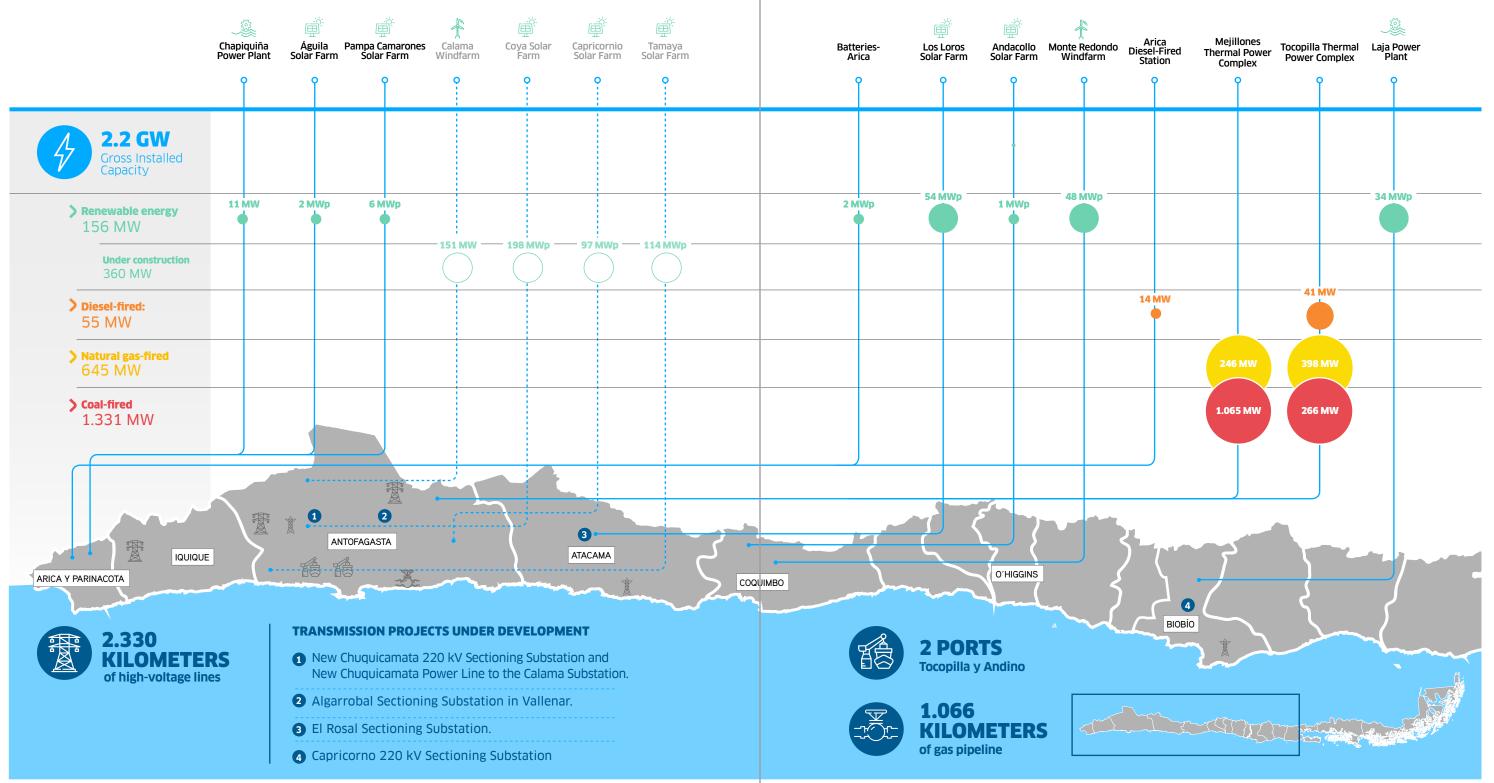


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# 1.2 Our Operations

At the close of 2020, ENGIE Energía Chile had a gross installed capacity of **2.2 GW.** In 2020, under our 1GW Renewable Energy Plan, we acquired the Monte Redondo Windfarm (48 MW) and the Laja Hydroelectric Power Plant (34 MW). These purchases raised our renewable energy matrix from 66 MW to 156 MW between 2019 and 2020.

**The diesel-fired Tamaya Power Plant (104 MW) was also disconnected** from the system in the fiscal year, lowering our share in this type of energy from 156 MW to 55 MW between 2019 and 2020.



## 1.3 Main Milestones

Electroandina was split into two companies: Electroandina, that continued to own all port facilities, and Electroandina Two, that acquired ownership of all of Electroandina's generating facilities, including the Tocopilla Thermoelectric Power Plant. This split also merged Electroandina II with E-CL and the latter took over control of all of Electroandina's generating assets.

Transmisora Eléctrica del Norte Project) (TEN), in operation since 2017, was declared to be a trunk

2015

(North Power Transmission Company transmission project to interconnect the SING and the SIC.

The Company began its decarbonization plan. It announced a plan to invest US\$1 billion in renewable energy projects and requested authorization from the authority to close Units 12 and 13 (173 MW) of the Tocopilla Thermoelectric Power Plant, subject to the start-up of the last segment of Interchile's Cardones-Polpaico power line. It also renegotiated contracts with three of its main clients in the mining sector as a result of which periods were extended and the plan to invest in renewable energy became viable.

2018

The company acquired the Monte Redondo Windfarm and Laja hydroelectric power plant that combined represent 82 MW. After this purchase, the company's renewable energy installed capacity rose to 156 MW. ENGIE Energia Chile also renegotiated the PPA with Minera Centinela as part of its PPA decarbonization program. In addition, it received a US\$125 million "green loan" from the International Development Bank (IDB) that will be used to fund the construction of the Calama Windfarm, In November, ENGIE LATAM S.A., the majority shareholder in ENGIE Energia Chile S.A., acquired 76,155,000 shares in the company, thus increasing its equity interest by 7.23%. This transaction brought its total equity interest to 59.99%.

2020

#### 2009

E-CL, formerly Edelnor, merged with Inversiones Tocopilla I S.A. As a result, E-CL acquired other electricity generation and distribution assets as well as gas transportation assets in the Far North region of Chile, including Electroandina, CTA, CTH, GNAC, GNAA and Distrinor, Distrinor was sold to Solgas S.A., a subsidiary of the ENGIE Group. in December 2013.

2011

#### 2014

E-CL was awarded a maximum of 5,040 GWh in 84 sub-blocks of electric capacity and energy within Block 3 in the power supply tender called "SIC 2013/03 - Second Call," held by SIC power distribution concessionaires. This enabled the company to deliver energy to the Central Grid (SIC) for 15 years as of 2018. The bid required investments of close to US\$1.8 billion.

#### 2016

E-CL changed its name to ENGIE Energía Chile S.A., thus adopting a globally supported brand that reflects a new strategic vision of the Group both worldwide and in Chile.

#### 2017

ENGIE Energía Chile started up the Transmisora Eléctrica del Norte (TEN) power line that connected the Far North Grid (SING) and the Central Grid (SIC) into one single National Grid (SEN). ENGIE Energía Chile changed the focus of its business strategy to integrate the new challenges and opportunities resulting from Chile's Energy Transition.

#### 2019

ENGIE Energia Chile announced the closing of units 14 and 15 of the Tocopilla Complex and units CTM1 and CTM of the Mejillones Complex by 2024, as part of our decarbonization plan. We also began to implement the plan to invest US\$1 billion in renewable energy by the purchase of two solar farms. Los Loros and Andacollo, with a combined capacity of 55 MWp, and the construction of the Calama Windfarm and Capricornio and Tamaya solar farms, with a combined capacity of 362 MW.



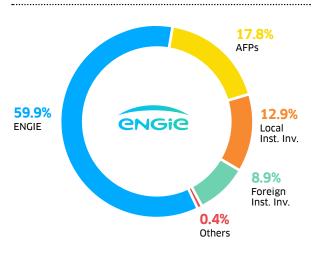
# 1.4 Ownership

#### 1.4.1 Control

ENGIE Energía Chile S.A. is controlled by ENGIE (formerly GDF Suez), a French multinational, through ENGIE Latam S.A. As of December 31, 2020, ENGIE Latam S.A. held an interest of 59.9% after it acquired 76,155,000 shares in ENGIE Energia Chile in November 2020, equal to 7.23% of the shares. The remaining 40%, or 422,377,220 shares, is controlled by Pension Fund Managers (AFPs), local and foreign institutional investors. ENGIE Latam S.A. is a Chilean closed corporation whose only shareholders are International Power S.A., owning 99.99% of the company's shares, and ENGIE Brasil Participacoes Ltda., owner of the remaining 0.01%.

ENGIE is an international industrial and services group and a leader in sustainable development. It provides innovative energy and environmental solutions to companies, groups and individuals. Its shares are listed on the Brussels and Paris Stock Exchanges.

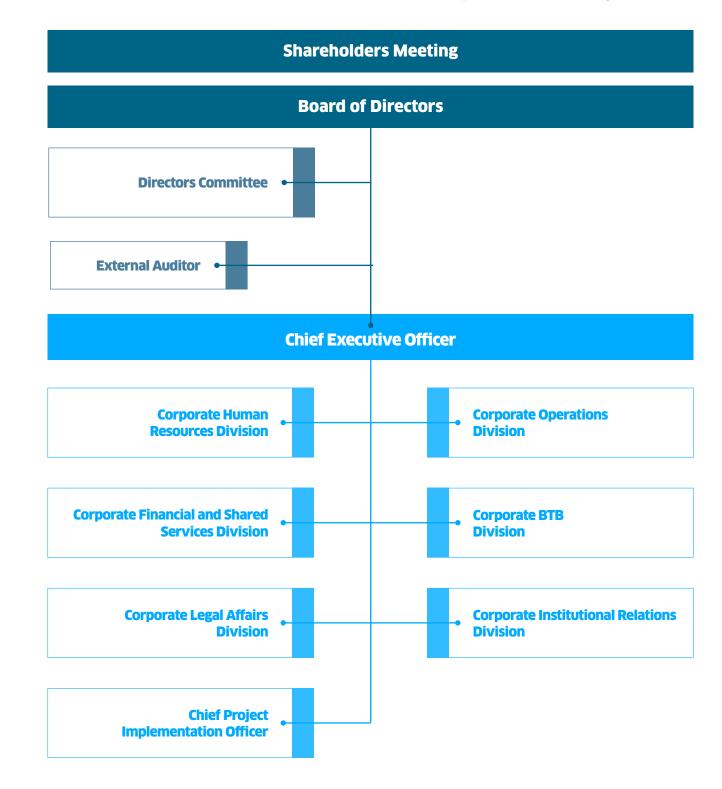
#### Ownership structure as of December 31, 2020





# 1.5 Governance Structure As of Dotthe Board

As of December 31, 2020, no member of the Board or Senior Management held an ownership interest in ENGIE Energía Chile S.A.



# 1.6 How Corporate Governance Works

ENGIE Energia Chile has a Corporate Code of Governance that systematizes the practices and forms of conduct of the different levels of the company. It provides a framework for the actions of directors, the CEO, corporate managers and senior executives, thus ensuring that they comply with strict standards of control, ethics and business transparency, in some cases more stringent or additional to the rules of law.

We updated our Corporate Code of Governance in 2020 as part of the continuing improvement of our internal framework. It can be viewed at https://engie-energia.cl/gobierno-corporativo/.

#### 1.6.1 Board Composition

The Board of Directors is the main body of management. Its work mainly encompasses determining the Company's strategic plan, analyzing the risks and opportunities of the business and defining the Company's long-term goals and strategic planning.

It is comprised of seven regular members and their respective alternates. The Board is renewed in its entirety every two years and directors can be reelected. Regular meetings are held once a month and special meetings when convened by the Chairperson. The Board always holds one of its meetings in the year at one of the company's power plants.

#### **GOOD PRACTICES**

Induction	New directors are given an induction that includes meetings with the chief executive officer and senior executives. They also receive the documentation they need to perform their duties.		
Code of Corporate Governance	It sets down the practices and rules of action based on strict standards of control, ethics and business transparency.		
Recurrent reporting	The Board of Directors receives a complete report each month on the Company's management, including an analysis of the most important variables in the Company's activities.		
Directors Manual	This contains the guidelines to help Directors in the different stages of their work, both individually and as a board.		

\* More information at https://engie-energia.cl/inversionistas/.

Code of Conduct and Business Ethics	It sets down the rules guiding the actions of all employees in the Company.		
Market Information Manual	It limits the number of people who have access to privileged information and minimizes the time elapsing between the creation and disclosure of that information.		
Tax Policy	It sets the guidelines for managing tax matters efficiently and proactively. It also encourages transparency in transactions, cooperation with the local tax authority and the promotion of responsible fiscal practices.		
Crime Prevention Model	It discusses the Crime Prevention Manual, Whistleblower Channel and Crime Prevention Officer.		

#### **1.6.2 Directors Committee**

Our Directors Committee is comprised of independent directors who must perform the duties set down in Article 50-bis of Companies Law 18,046 and the other duties in other laws and administrative regulations. Committee members hold office for two years, can be re-elected and have alternates.

#### **1.6.3 Board Compensation**

The Regular Shareholders Meeting held April 28, 2020, agreed to maintain an allowance of 160 UF per calendar month per director for the 2020 fiscal year and 320 UF per calendar month for the Board chairperson, provided they attend the regular meeting for the respective month. It was also decided that alternate directors would receive no compensation for their office unless they attend a regular meeting in replacement of their respective regular director, in which case they will receive the compensation of such regular director. Compensation of 55 UF per calendar month was approved for members of the Directors Committee and a Committee budget of 5,000 UF.



#### 1.6.4 Consulting and Services

No payments were made in the 2020 fiscal year to any member of the Company's Board for additional consulting services. The Board spent KUS\$91 on overhead during the 2020 fiscal year.

#### **Board Compensation (\*)**

DIRECTOR	12-31-2019 kUSD	12-31-2020 kUSD
Cristián Eyzaguirre, Director	93	101
Mauro Valdés, Director	93	101
Claudio Iglesis, Director	93	101
Total	279	303

<sup>\*</sup> Frank Demaille, Philip De Cnudde, Hendrik De Buyserie, Marc Jacques Z. Verstraete and Aníbal Prieto Larraín waived their directorship compensation.

# 1.7 Board of Directors of ENGIE Energía Chile

Two new regular directors were elected to the Board at the Regular Shareholders Meeting held April 28, 2020: Marc Verstraete and Aníbal Prieto Larraín, in replacement of Daniel Pellegrini and Pierre Devillers, respectively, who became alternate directors.

The five remaining directors were re-elected. The Directors Committee elected for the period is comprised of Mauro Valdés Raczynski (Chairman), Cristián Eyzaguirre Johnston and Claudio Iglesis Guillard, all independent directors (pursuant to article 50-bis of Law 18,046).

#### 1.7.1 Attendance

According to the Company's bylaws, an absolute majority of Board members must be present to hold a board meeting. The Board held 12 regular meetings during 2020 that were attended by all Regular Directors.





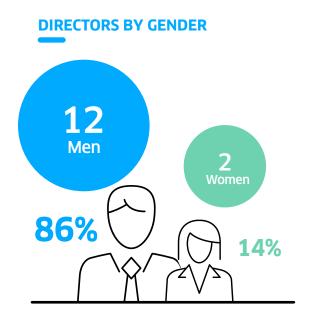


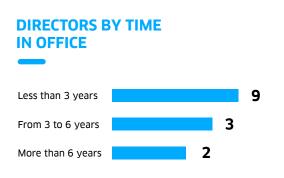
ALTERNATE DIRECTORS (\*): DANIEL PELLEGRINI, TAX ID 25.017.537-K • PIERRE DEVILLERS, TAX ID 24.671.365-9 GILDA SPALLAROSSA LECCA, PERUVIAN PASSPORT 118042457 • MARCELO FERNANDES SOARES, BRAZILIAN PASSPORT YC648242 • RICARDO FISCHER ABELIUK, TAX ID 6.400.720-3 • RICARDO LIRA MATTE, TAX ID 6.379.576-3 • VICTORIA VÁSQUEZ GARCÍA, TAX ID 6.458.603-3.

(\*) Gilda Spallarossa Lecca, Marcelo Fernandes Soares and Ricardo Fischer Abeliuk joined the Board in April 2020.



# Diversity on the **Board of Directors (\*)**





# From 41 to 50 years old From 51 to 60 years old Older than 70 DIRECTORS BY NATIONALITY Solution 8 Chilean Foreign 6

(\*) Figures include both regular and alternate directors.

# 1.8 Ethics And Compliance

Our company has a corporate ethics management system that aims to promote organizational conduct based on values and good practices. We have an Ethics Committee comprised of the CEO, the Chief Legal Officer and the Crime Prevention Officer. Their duties include reviewing the complaints of violations of the Crime Prevention Model and Code of Conduct and Business Ethics received through the website's Whistleblower Channel. There were no complaints or penalties in 2020 under Law 20,393 on the Criminal Liability of Legal Entities or for a violation of competition regulations.

## 1.8.1 Update of Internal Regulations

We took the following actions in 2020 as part of our ongoing concern to keep our internal regulations current:

- We updated our Code of Ethics to adapt it to the Gift, Present and Hospitality Policy and the Business Advisor Policy.
- We rewrote the Competition Manual to improve some procedures. We also appointed a new Competition Officer who is dedicated solely to that subject.

A/A



During 2020, we appointed a new full-time Competition Officer. Around 480 employees also received training in Crime Prevention, Competition and Ethics ??

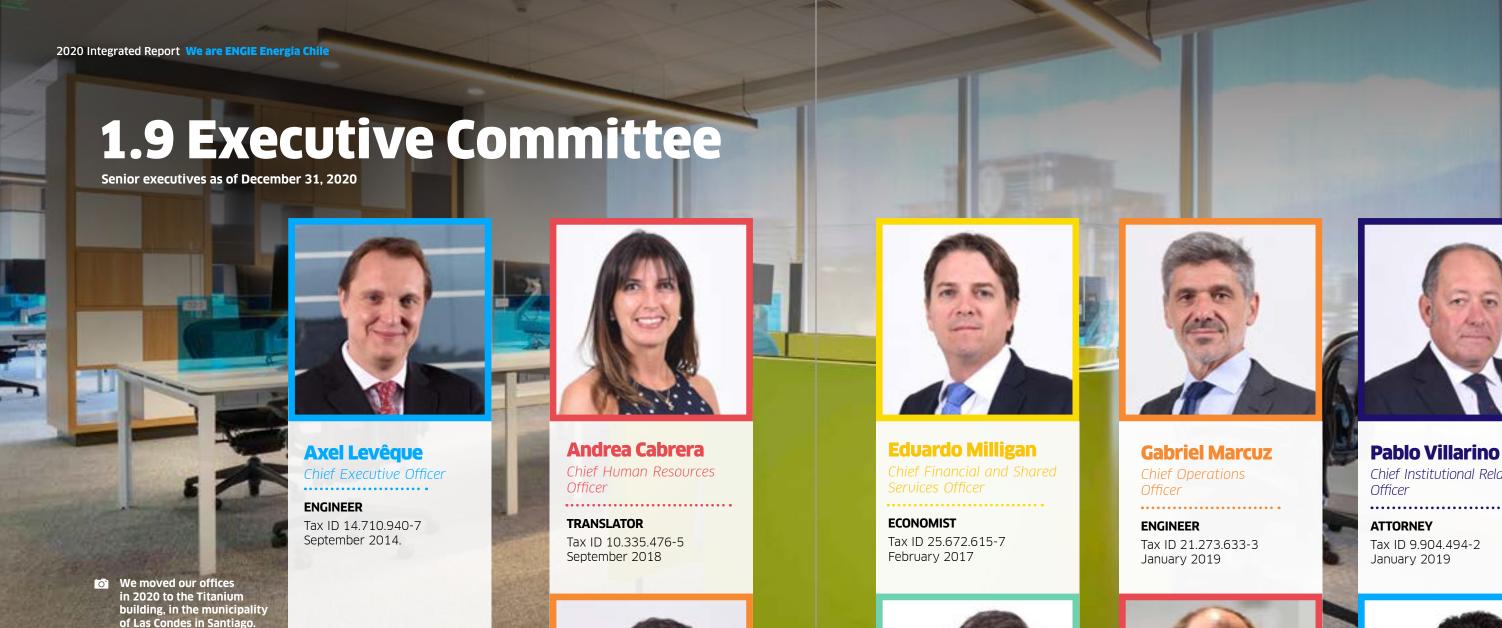
**Fernando Valdés,** Chief Legal Affairs Officer.

#### 1.8.2 Training

In 2020, we provided training in specific competition matters to the Commercial Division and Finance Division. Given the new offenses added to Law 20,393, we prepared training directed towards all employees and we also sent a letter to our suppliers and contractors to bring them up to speed. The agency certifying our model also met with the Company's Board of Directors to address the scope of the changes to this law.

#### 1.8.3 Board Agenda

Matters of note include the analysis of regulatory risks applicable to the Company's business. Those risks have increased substantially in recent years. As a result of this change, the Board intensified the review of the Regulatory Agenda led by the Company's Regulation Committee. It also decided to increase the regularity with which quantitative and qualitative risks are reviewed that have an impact on the company, such as financial or regulatory risks.



ENGIE Energía Chile is managed daily by the Chief Executive Officer, supported by the senior executives. Luis Meersohn joined the Executive Team in 2020 as Chief Commercial Officer while Beatriz Monreal, Chief Officer of Corporate Affairs, left the Company on December 31, 2020.

The executive and CEO compensation policies, including bonuses and other benefits, are based on a performance evaluation model that contains personal goals and an evaluation by the direct superior, as well as other indicators aligned with the Company's goals.



**Fernando Valdés** Chief Legal Officer

**ATTORNEY** Tax ID 13.038.373-4 January 2019



**Beatriz Montreal** Chief Officer of Corporate Affairs

**JOURNALIST** Tax ID 8.490.658-1 April 2015



**Luis Meersohn** Chief Commercial Officer

**BUSINESS ENGINEER** Tax ID 13.232.514-6 February 2020



**ENGIE** 

Chief Institutional Relations

Tax ID 9.904.494-2



**Carlos Regolf** Chief Proiect Implementation Officer

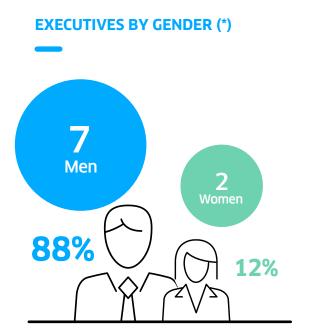
**ENGINEER** Tax ID 14.524.773-k May 2019

(The dates correspond to the period when they took office)

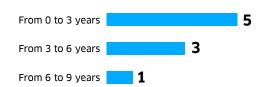
1.9.1 Compensation



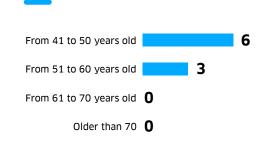
# Diversity in **Senior Management**



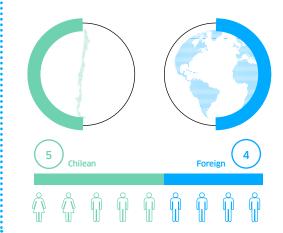
#### **EXECUTIVES BY TIME IN OFFICE**



#### **EXECUTIVES BY AGE**



#### **EXECUTIVES BY NATIONALITY**



#### **COMPENSATION OF MANAGERS AND SENIOR EXECUTIVES**

	12-31-2019 kUSD	12-31-2020 kUSD
Salary	2,291	2,993
Short-term benefits	317	328
Total	2,608	3,321

(\*) CEO, Senior Executives and Managers reporting to the CEO.

# 1.10 Awards and Memberships



We received an award in the Best Investor Relations category

Investor
magazine for
the fourth
consecutive year.

#### Institutions of which

# **ENGIE Energía Chile** is a member

#### **ACCIÓN Empresas (Business ACTION)**

www.accionempresas.cl

#### **U.N. Global Compact**

www.pactoglobal.cl

#### Sofofa (Manufacturing Development Society)

www.sofofa.c

#### The Chilean Renewable Energy Association

www.acera.c

#### **Mejillones Industrialists Association**

www.aimeiillones.c

#### **Generators Association of Chile**

www.generadoras.cl

### **Energy Efficiency Committee of the Ministry of the Environment**

www.mma.gob.c

#### **Antofagasta Industrialists Association**

www.aia.

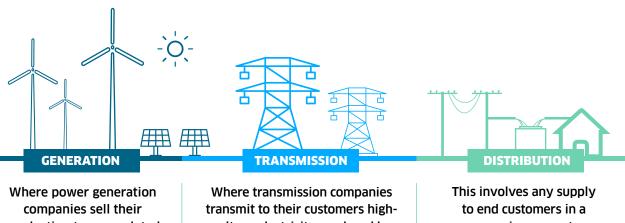






# 2.1 Our Industry

In Chile, the electricity industry is divided into three sector:



Where power generation companies sell their production to unregulated customers, to distributors and to other power generation companies

Where transmission companies transmit to their customers high-voltage electricity produced by power generation companies or required by large customers. The transmission segment includes all power lines and transforming substations that operate at a nominal voltage above 23 kV.

to end customers in a concession zone at a voltage less than or equal to 23 kV.

The main power grid in Chile is the National Electric System (SEN) that was created in November 2017 by the unification of the Far North Interconnected Grid (SING), where most of the mining industry in the nation is located, and the Central Grid (SIC), where 93% of the population resides.

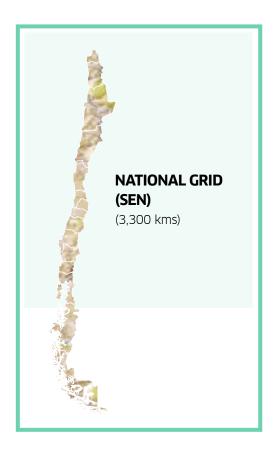
SEN runs for 3,300 kms, covering a large part of the nation from Arica to the north, to Chiloé in the south.

There are two other systems apart from the National Electric System: the Aysén Grid and the Magellan Grid.

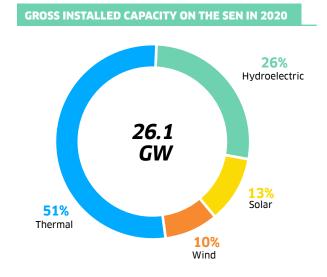
Since January 1, 2017, the National Electric Coordinator (CEN) coordinates the operation of the SEN. Its purpose is to preserve power supply with the required security in the most economical way possible, thus guaranteeing open access to transmission systems.

This entity is the successor to the former Economic Load Dispatch Centers (CDEC) of the SING and SIC that used to operate their systems independently.





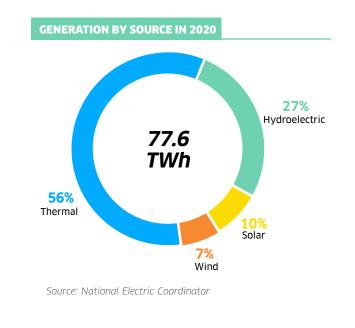
ENGIE Energía Chile supplies energy to regulated customers through distributors and to unregulated customers located in the former SING grid. It also has power purchase agreements with both regulated and unregulated customers in the former SIC grid, all now located in the National Grid.



#### 2.1.1 Types of customers

unregulated customers: These are consumers who have a connected capacity exceeding 5 MW as well as any with a connected capacity ranging from 500 kW to 5 MW who have opted to be in this category. These customers are not subject to any price regulation and the commercial aspects, such as volume, price, period and general terms of power supply, are set down in a power purchase agreement.

**REGULATED CUSTOMERS:** These are customers who have a connected capacity less than or equal to 500 kW and any customers with a capacity of 500 kW to 5 MW who have opted to remain in the regulated sector. Regulated customers receive electricity through distributors that tender supply through long-term contracts..



# 2.2 Regulatory Framework

The General Electricity Law, the Power Transmission Law and the General Environmental Framework Law, as amended, are the main rules of law regulating the operations of ENGIE Energía Chile. The main sectorial authorities and institutions with which the company engages are:

- Ministry of Energy
- National Energy Commission (CNE)
- Ministry of the Environment
- Environmental Commission
- Electricity and Fuels Commission (SEC)
- National Electricity Coordinator (CEN)
- Panel of Experts

#### 2.2.1 New Structure

This area consolidated its structure in 2020 (by adding three new members). It defined its objectives, workman and premises that would guide its actions. Among the guidelines, it is defined as a business unit that contributes to and protects the company's margin and gets ahead by proposing solutions to regulatory challenges. It also identifies and manages the risks and opportunity on the market and in the regulatory framework. It works on the Engie Seal to be a benchmark in the industry in respect for the ethical, and legal pillars and competition principals.

One of its internal challenges is to have the regulatory vision be present in the decision-making by all divisions. Another is to contribute to the sustainable and supportable regulatory development of the electricity sector.

Given the important increase in the legislative agenda on the energy sector, it was decided that the Regulation Committee would meet weekly to more exhaustively monitor the issues and make timely decisions.

4



In 2020 we consolidated our regulation division to appropriately manage the full agenda of proposals and regulatory changes imposed by the profound transformation now ongoing in the electricity sector.

Waleska Moyano, Regulation Manager.



## 2.2.2 Main Regulatory Changes in 2020

#### **FIRST SEMESTER**

#### **JANUARY**

- New rules resulting from regulatory changes in 2019 entered into effect on January 1st, such as the semi-annual pricing of transmission charges (CNE Exemption Resolution No. 815-2019) that froze the end user transmission rate, and the amendment to the Complementary Services Technical Standard.
- On January 20<sup>th</sup>, the Senate finally passed the Constitutional reform bill of law "Regulating the state of alert to prevent damage to critical infrastructure." There were no major changes to this bill of law since it was proposed.

#### **MARCH**

March was marked by the decree of a State of
Catastrophe due to the health emergency and by
the government's announcements of a voluntary
agreement with companies to impede power cutoffs. This policy of not cutting off power due to
non-payment was reinforced by the reduction in
the peak-hour control period, going from 6 to 2
months only (June and July). Progress was also
made that month in developing the regulations
needed to continue stabilizing power and capacity
prices for regulated customers. The result was CNE
Exempt Resolution 72-2020 that regulates the
Stabilization Fund mechanism.

#### JUNE

• The National Energy Commission published Exempt Resolution N°.176-2020 in the Official Gazette. This resolution fixes the scopes of the obligation to be a special-purpose company engaged only in public electricity distribution service and to keep separate accounting in accordance with Law 21,194. That resolution was later amended in August 2020 and consolidated in Resolution No. 322-2020. This coincided with the extension of the state of constitutional exception of catastrophe due to the public calamity.



- On June 15<sup>th</sup>, the sector's transmission companies submitted their disagreement with the 2019 National Transmission System Toll revision report to the Expert Panel. That report was issued by the National Electric Coordinator. The companies requested, among other things, that the amounts of tolls associated with customers taking advantage of the Transmission Equivalent Charge ("CET") not be included in the re-settlement, which means postponing the payments to be made by transmitting companies to generators for these tolls.
- On June 30<sup>th</sup>, the CNE issued Exempt Resolution No. 231 that changed the 2020 regulatory plan, postponing some task forces to the last quarter in 2020.

#### **SECOND SEMESTER**

#### **JULY**

• The CNE published the regulatory framework for the tender of supply under the "Replace your heat" program of the Ministry of Energy. Added to this was the Ministry of Energy's announcement that the reform of the distribution segment would be divided into three Bills of Law: i) Electrical portability (submitted for processing in September 2020); ii) Service Quality; and iii) Distributed Generation. The regulations on the Classification, Appraisal, Pricing and Remuneration of Transmission Facilities were also published in the Official Gazette in July (Appraisal Regulations).

#### **AUGUST**

 Edelnor Transmission was granted a definitive Electricity Concession under Decree 47-2020 to implement the project called "New Chuquicamata 220 kV sectioning substation" in the Region of Antofagasta, Province of El Loa, Municipality of Calama.

#### **SEPTEMBER**

- The CNE voided the resolutions approving the "2019-01" supply tender to award 5,880 GWh/ year to regulated customers, to be held in November 2020. The tender was launched in December 2020.
- On September 14<sup>th</sup>, the works to enlarge the National and Zonal Transmission Systems were set down in Exempt Executive Decree No. 171-2020, and those works should begin to be tendered in the following 12 months according to the 2019 expansion plan. Of note are the enlargements of the national sector, "Second 2x220 kV New Chuquicamata Calama second circuit line stringing," owned by Engie Energía Chile S.A. The period for construction is 30 months and the reference investment is close to US\$5 million.
- On September 22<sup>nd</sup>, the incorporation of the Chilean Transmitter Association was published in the Official Gazette (name in Spanish: Asociación de Transmisores de Chile A.G.), initially comprised of TEN S.A., Transelec, Celeo Redes, Interchile, Colbún Transmisión, Redenor 2 and Ferrovial.

#### **OCTOBER**

- The Decree was issued.
- In October, the bidding terms were published for the award of the rights of implementation and exploitation of the Kimal - Lo Aguirre HVDC line project contained in Ministry of Energy Exempt Decree 231-2019. The open season rates were also set, referred to in the fourth subparagraph of article 79 of the General Electricity Law, for connection and for engineering studies and analysis. In October, the National Energy Commission began to set up the Consulting Committee for the second amendment to the Technical Standard on the Scheduling and Coordination of the Operation of Units using Regasified LNG.
- The National Energy Commission set up the Consulting Committee for the second amendment to the Technical Standard on the Scheduling and Coordination of the Operation of Units using Regasified LNG.

#### **NOVEMBER**

 The National Energy Commission began the Public Consultation on the Technical Standard on Coordination and Operation for the chapters on the Marginal Cost and Economic Transfers.

#### **DECEMBER**

- Executive Decree No. 42-2020 was published in the Official Gazette, thereby amending the sufficiency capacity regulations (ED No. 42-2006) and introducing a Strategic Reserve Status.
- The Ministry of Energy opened the process to register for citizen participation in the Long-term Strategic Planning (for the period 2023-2027).
   Other regulatory milestones in the year consisted of progress in the decarbonization of the energy matrix according to the timetable for the closing of the coal-fired power plants, the national green hydrogen strategy, the preparation (under way) of the flexibility strategy and the first electromobility regulations for Chile.



## 2.3 Growth Strategy

Our business strategy is grounded on four pillars: growth, transition to carbon-neutrality, corporate social responsibility and people. The foundation of these four pillars lies in our digital strategy and



We are committed to the decarbonization of Chile's energy matrix.

**Eduardo Milligan,**Chief Finance and Shared
Services Officer

process management that make us efficient and agile, in addition to innovative.

During 2020, our controller, the ENGIE Group, adapted its growth strategy and defined the generation of renewable energy and energy infrastructure as the main focal points for its Latin American subsidiaries. The goal is to accelerate the entry of renewable energy and cause material impacts on customers looking for a carbon-neutral operation. In the case of ENGIE Energía Chile, this change is aligned with the performance of our business where 99% of income comes precisely from infrastructure, generation and transmission. In this scenario, our energy solutions business, explored in the last 3 years, was focused on large-scale projects.

GROWTH

We supply electricity, gas, transmission and port services.

We are close to our customers.

TRANSITION
TO CARBON
NEUTRALITY

We promote renewable energy.

Our investment plan

is for US\$1 billion, equal to 1GW of unconventional renewable energy. CORPORATE SOCIAL RESPONSIBILITY

We aim to operate our business so as to have the best impact on our stakeholders.

We promote local hiring and suppliers in communities beside our operations.

PEOPLE

We promote safe and diverse work environments and safeguard equal opportunity for men and women.

DIGITALIZATION EFFICIENT PROCESSES INNOVATION



#### 2.3.1 A Digitalized Organization

Our main challenge in 2020 was to ensure the operational continuity of all business processes and the plans and projects planned for the year.

As part of our digital strategy, in 2017 we began to migrate the company's processes to the cloud. This enabled us to be ready in 2020 to easily implement telecommuting and to continue with the planned projects.

In this context, please note that in the last year, we successfully implemented the first fully virtual shareholders meeting. We also made streaming available in our new offices (Let's Go Project) to provide an improved digital experience to our employees in the offices that we will occupy starting in 2021, aiming at mobility, simplicity and security.

We also provided support to projects critical to the company, the most notable of which were:

- Implanting the Electronic Signature for purchase contracts on the e-commerce platform (ARIBA Contract with Docusign).
- Supplier Portal. Our partners can register as a supplier, query information on payments, invoices and purchase orders, and also request prepayments.
- Return to Work. We developed a virtual application by which employees can request authorization to go to work at the office. This tool also helps control the number of people and monitor the health condition of those who request this authorization.
- Digital Business Case. Approval can be requested of ideas on improvement that contain a digital component.
- Risk mitigation using the Governance, Risk
   Management and Compliance (GRC) module in
   SAP. The company uses this module to manage
   compliance and mitigate/eliminate risks in
   managing key operations.



We also provided solutions to operating processes such as:

- Implementation of the Mimico platform by which the national grid can be monitored.
- Activation of temperature control points at sites.
- Connection of the Monte Redondo and Los Loros wind farms to the DARWIN platform that manages and monitors renewable generation units.
- Connection of units U16 and CTM3 to the ROBIN platform from where the combined-cycled power plants are managed and monitored.

In 2020, we also attained a 94% compliance with the SD project portfolio dashboard goals, focused on the efficiency, productivity and mobility of employees in operating their processes. We were able to create value worth US\$560,000 and an efficiency of 2,300 man-hours compared to 2019.

In 2021, the main focus will be to go further with the digitalization of our processes to make them more efficient and grow the productivity of employees by giving them more time for management and analytics.

#### 2.3.2 Processes and Innovation

In 2020, we made progress in consolidating our management system based on a business process approach. In that framework, we focused on the Commercial, Renewable Developments and Human Resource processes. We strengthened those processes through an analysis of their actual operation, benchmarks for best practices in the industry, and the identification of improvement findings. For each process, this work translated into formalizing their goals, redefining and putting critical activities in order and assigning owners to each activity (through RACI matrixes), and identifying an improvement project portfolio where the goal was to align the process performance with the expectations of management and process stakeholders. This was all aimed at improving the efficiency and agility of the Company's operation.

Another relevant aspect in the year was the reinstatement of the Learning Committee led by the Corporate Operations Division and the Process Area. Corporate managers and the Company's CEO

participated. The objective was to analyze highimpact events and experiences (real or potential) that represent learning for the organization, and to disclose the lessons learned. The Committee met every month as of the second quarter and reviewed two events per meeting.

Additionally, an internal control initiative was deployed to reduce the risk of fraud associated with the separation of functions in SAP. 50% of the initial risks were eliminated without affecting the company's normal operations. For the remaining risks, goals were set on mitigating controls for each process owner associated with the risk.

Finally, in 2020 we created the Contract Management Area that will focus on after-sales activities involving invoicing and contract management for the company's different lines of business.

#### INNOVATION

In the last year, we launched the Push for Innovation Program in the goal of relaunching a method to manage and accelerate innovation projects. Starting in 2021, this method is expected to be pilot-tested in complex, high-impact projects in which diverse areas of the Company participate. Management of the Carbon/Water Footprint of the entire Company was chosen as the initial pilot project both in production and in administrative activities, including the measurement of the real impact of all employees.

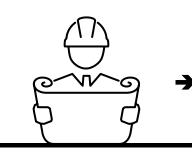
We also celebrated ENGIE's Innovation Week during which different initiatives were deployed. External professionals gave talks, the most recent innovations in digital projects were presented, workshops were held to present digital projects as well as trivia contests.

Finally, we presented three projects in the "Innovation Trophies 2020" contest of the ENGIE Group that recognizes the best innovations by the Group's companies around the world. One of these three initiatives was recorded in Engie's book on the 100 best innovations in 2020.



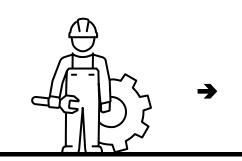
# 2.4 Value Chain

**Input from** customers and other stakeholders



















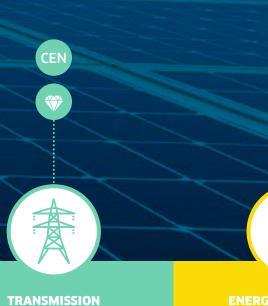
PROJECT CONSTRUCTION



SUSTAINABLE CLOSING OF OPERATIONS













# 3.1 Operational Continuity in the Pandemic

In our role of key company, the pandemic challenged us to adapt and be agile in making decisions. Our work in handling this crisis was guided by three premises:

- The health and safety of our employees
- Maintaining operational continuity
- Maintaining a direct dialogue with our external stakeholders – communities, customers, contractors, suppliers and shareholders –, collaborating with each to the extent possible.

Once the pandemic was declared in Chile, we set up our crisis committee to identify all potential risks and manage them through transversally coordinated tasks. This led to our contingency protocols and action plans that were implemented through three task forces.

Throughout this process, we also relied on medical experts to reinforce the measures instructed by the Ministry of Health. No one in the company had died from Covid-19 at the close of the year.

The agile responses that we provided in the face of these complexities were possible thanks to the work that we had been doing under our digitalization strategy that facilitated our processes, projects, work plans and communication among users continuing without interruption throughout the pandemic. Also of help to operational continuity were three cultural focal points: Occupational Safety, Leadership and



Customers. Our coherent actions, consistent with the relevant aspects of our culture and purpose, communication and permanent dialogue and the focus on safety and leadership, were key to the collaborative work throughout the health crisis.

#### 3.1.1 Occupational Safety

One of the main focuses in managing the crisis was the safety and physical and emotional health of our employees and their families. With that in mind, the main measures we adopted were:

- **Protocol design:** we received ongoing medical advice on appropriately applying the standards and recommendations of the health authorities. Combined with the directives and practices of the ENGIE Group, the organizational and national situation, we were able to establish and communicate clear roles that were implemented and controlled in coordination.
- **Personal situation survey:** We conducted a survey to understand the personal and family situation of each employee. We also created a link where everyone could input their information privately. We were able to thus determine strategies in consideration of the health, personal and family conditions so that employees could progressively return to in-person working.
- **Emotional health:** We set up a phone line to handle emotional issues. It was manned by psychologists and initially available to employees, and in a second stage, to their families.
- Life-work reconciliation: We launched the ENGIE LIFE Program to help employees adapt and work as best as possible in a Home Office set-up during the health crisis and to promote a balance between work and personal life. We developed different virtual tools and initiatives that included online theater, sustainability workshops, cooking classes and children's activities, as well as talks to parents about how to help their children during the pandemic.







#### **COMMUNICATION CHANNELS**

- **Pulse Survey.** This was done systematically and often to understand on a timely basis how employees perceived the handling of key aspects like safety, leadership and communication.
- We created new channels of communication with stakeholders that included an e-mail address for the crisis committee, instances of dialogue like the "Coffee with ..." Program; and a website with information on Covid-19 where employees could ask questions confidentially.
- **Support to Leaders:** We strengthened the communication and containment skills of leaders responsible for people through workshops and talks on those specific subjects.
- Permanent relations with unions: We continuously held meetings to encourage permanent dialogue by which we were able to address different matters of interest to face the challenges posed by the pandemic.

#### 3.1.2 Operational Continuity

We reorganized the way we work to make it more agile. As a result, all our business lines remained 100% operative. The main measures we adopted to do this were:

- **Telecommuting:** We created the conditions for 70% of employees to telecommute.
- **Shift system:** We reorganized the work in order to operate equipment and keep people at a less risk and to maintain operational continuity. We therefore implemented 14x14 day shifts. Close to 300 of our own employees and 400 contractor employees worked shifts at 10 different sites.
- **Camp:** In Mejillones, we built a camp with all the comforts dormitories, cafeteria and game room so that our employees had a good place to rest during their shifts.

• Maintenance Plan: We followed a limited maintenance plan in our generation business. After the more difficult months passed, we returned to the regular maintenance plan. As for transmission, we were able to implement 74% of the Maintenance Plan starting in June.

(3(3)



We managed the crisis on three premises: health, safety and the wellbeing of our employees; maintaining operational continuity; and maintaining a direct dialogue with our stakeholders."

**Andrea Cabrera,**Chief Human Resources Officer





#### 3.1.3 Contractors and suppliers

We ensured that our contractors established the same standards of occupational safety as we did. We also supported them in receiving financial support. Some of the notable measures adopted in this respect were:

- A facility entry protocol: As with our employees, all contractor workers had to pass through a health check before entering facilities. This included Covid testing and temperature checks.
- Monitoring of safety measures: We checked the lodging and dining locations of workers to ensure that they were following the measures ordered by the authority and with our protocols.
- Sanitary residence: A request was made to adapt a special location where potentially infected people could stay. The goal was to protect their families and not strain the capacity of the sanitary residences available to the population at large.

#### 3.1.4 Communities

We defined the support we provided to communities together with the communities and the local authorities through our round tables and instances of dialogue. Some of the activities implemented were:

- One plus one campaign: To attract funding, we invited all of the company's employees to make an individual voluntary contribution and that amount was then replicated by the company. The funding attracted via this initiative was added to the budgets available for community activities that addressed pandemic-related matters in 2020.
- Food donations: In coordination with the neighborhood boards and municipalities, we sent 5,000 food boxes to families in 17 municipalities within our area of influence through the "Let's Raise Chile Challenge" organization.
- Quick Test Donations: In June, one of the most critical months in the pandemic, we delivered 16,000 quick Covid-19 tests to the health authorities in the regions of Atacama, Antofagasta and Biobío. The initiative was coordinated with the Regional Medical Associations and Health Services.
- **Emergency mechanical ventilators:** We sent 5 ventilators to Calama and Copiapó.
- Children's initiative: We supported the celebration of Children's Day, Christmas and other events in conjunction with municipalities.

#### 3.1.5 Customers

When measures allowed, we visited our customers on site. We did this following a safety protocol that we developed to take care of our executives and the customers themselves. We also created several initiatives to stay in constant communication with the companies that have contracted our services.

# 3.2 Business Line Performance

#### 3.2.1 Generation

In 2020, our energy sales totaled 11,408 GWh, a 3% increase compared to the 11,123 GWh sold in 2019.

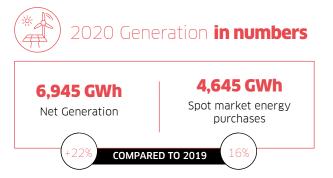
Our gross generation in the last fiscal year was 6,945 GWh, 22% above the 5,713 GWh in 2019. The increase was the result of the generation by the IEM Complex that was in operation the entire year, unlike in 2019. Its contribution began to be recorded after it started commercial operation in May 2019.

The increase in gas-fired generation and renewable energy generation also contributed to the increase in gross energy, brought about by the purchase of the Monte Redondo wind farm (48 MW) and the Laja hydroelectric power plant in July (34 MW). At the close of the year, with these new plants, our combined installed renewable energy capacity reached 158 MW. Our purchases on the spot market totaled 4,645 GWh, a drop of 16% compared to the 5.520 GWh in 2019.

#### **MAINTENANCE PROJECT**

Despite the difficulties and limitations imposed by the pandemic, we continued working on our maintenance plan, focused on attaining a greater efficiency and availability of our generation units.

With the support of expert consultants, we designed a work plan to survey the criticality of 1,000 assets that began in 2019 and progressed in 2020. Each





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asset was associated with an action plan that will be defined between March and April 2021. We were also able to dimension the structure that we need to bring those plans to fruition and the type of training required. These training programs began in 2020 and will conclude in August 2021.

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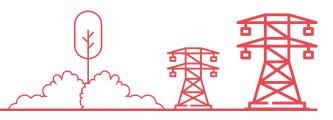
"Under this new maintenance plan, we will lower the levels of unavailability in 2021."

**Gabriel Marcuz,**Chief Operations Officer

#### **AVAILABILITY AND MAINTENANCE**

Our availability in 2020 was greater than in 2019. We performed six scheduled overhauls and one unscheduled one at the Hornitos Thermal Power Plant.

There were also three breakdowns in 2020 lasting longer than 20 days: one that occurred to gas-fired unit 16 in the Tocopilla Power Plant and two at the Mejillones Thermal Power Plant, one of which was still under repair at the close of the year.



#### **AVAILABILITY AND MAINTENANCE**

QUARTER	UNIT	TYPE	PLANT	DOWNTIME (DAYS)	TYPE OF MAINTENANCE
First	CTT16	Gas	Tocopilla Thermal Complex	39	Scheduled
Second	CTM1	Coal Mejillones Thermal Complex		15	Scheduled
Third	CTH	Coal	Mejillones Thermal Complex	22	Extra
	IEM	Coal	Mejillones Thermal Complex	27	Scheduled
Fourth	СТМ3	Gas	Mejillones Thermal Complex	18	Scheduled
	CTT16	Coal	Tocopilla Thermal Complex	12	Scheduled



	QUARTER	UNIT	TYPE	PLANT	DOWNTIME (DAYS)	FAILURE DESCRIPTION
	First	CTT16	Gas	Tocopilla Thermal Complex	23	Inspection of pillow block 55 of SS Clutch due to heavy vibrations
	Fourth	СТА	Coal	Mejillones Thermal Complex	Ongoing	High eccentricity in the turbine
		CTM1	Coal	Mejillones Thermal Complex	22	No fuel feed

#### **ASSET MANAGEMENT**

Another important project in 2020 was the design of a new asset management model in line with the rule issued by the Electricity and Fuels Commission (SEC) in relation to the management of asset integrity.

This rule, which will enter into force in 2024, is applicable to all companies that possess electrical assets, and the goal is to maximize the safety, continuity and quality of electricity supply.

Our model considers a reorganization of the area and a change in objectives. Under this new design, the unit will have an economic and commercial vision in the management of an asset throughout its life cycle, from design to dismantling.

The management of many sites distributed throughout the country also represents a challenge to our company. We therefore strengthened the role of the site manager so that he or she will be a more well-rounded, and not just technical, leader.

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#### 3.2.2 Transmission

Our transmission business in 2020 was awarded new tenders and also new service contracts.

We were awarded the tenders of projects equivalent to an investment of US\$43 million.

The projects awarded were:

- The new Roncacho substation in the Region of Arica and Parinacota that will section the new 2x220 kV Pozo Almonte-Parinacota line. Our Pampa Camarones 2 photovoltaic project will connect to this substation.
- La Negra + 2 x 22 kV substation.
- Construction of the Bypass for the 2x110KV, 1X 220 KV lines in Antofagasta.
- Enlargement of the Pozo Almonte sectioning substation and the 1x66kV transmission line from Pozo Almonte to Tamarugal.
- The Arica-Pozo Almonte Transmission Line and the Dolores sectioning substation.

The four projects that are under construction (New Calama, El Rosal, Algarrobal and Capricornio) combined represent US\$53 million.

We signed new dedicated toll contracts with Minera Mantos Blancos, Mainstream and Helio Atacama; a maintenance contract with Molycop; and property leases.

In 2020, we promoted different ways to modernize the transmission system, which included changes in conductors, insulation and hardware on transmission lines and changes in equipment at substations, such as light switches and current transformers.

#### PROJECTS UNDER CONSTRUCTION

The pandemic affected the work plan that we had set for our four projects under construction: The El Rosal Substation, the El Algarrobal Substation, the New Chuquicamata Substation and the New Chuquicamata-Calama Line. So, we had to declare force majeure to the Ministry of Energy and postpone the delivery of the works.

The impact was mainly the result of the mass protesting in 2019 and the Covid-19 pandemic, which also affected some of our contractors, especially the smaller ones participating in the El Rosal and Algarrobo projects.

Also of influence in this delay were the problems that we had with shipment of the towers we purchased for New Chuquicamata in India. Those shipments were stopped once India entered into quarantine.

#### 3.2.3 TEN S.A.

Transmisora Eléctrica del Norte TEN S.A., controlled in equal proportions by ENGIE Energía Chile and Red Eléctrica Chile, completed three years of making the transmission of energy possible between the north and south of the country. Highlights of its 2020 performance are:

#### **ECONOMIC PERFORMANCE**

- Uninterrupted operational continuity
- 99.7% service availability.
- Net profit of MUS\$11, 35% less than in 2019.

#### **SOCIAL PERFORMANCE**

Internally, the management of TEN S.A. was focused on ensuring that workers received help during the pandemic. Several protocols and health







Transmisora Eléctrica del Norte TEN S.A., controlled in equal proportions by ENGIE Energía Chile and Red Eléctrica Chile

**4** substations

**600** kilometers of line

**1,350** towers

actions were designed and applied in the work settings. In connection with prevention, there were also no work accidents among its workers, although there was one work accident at the subcontractor level. Nonetheless, these figures represent progress compared to management in the previous year.

As part of its community relations strategy, the company placed emphasis on activities that would contribute specifically to the locals affected by the health crisis, particularly those in a more precarious economic situation.

These actions were taken in the framework of a closer relationship with communities that enabled us to interpret the programs that could be implemented more empathetically and assertively to have a positive impact on the population and improve the sustainability of each intervention.

Challenges left pending for implementation in 2021, provided health conditions allow, were the "Urban Orchard" program and the new version of "Paint Your Façade," originally scheduled for 2020.

#### **ENVIRONMENTAL PERFORMANCE**

In the past year, the Environmental Commission began an investigation for presumed breaches of environmental commitments under the environmental approvals (RCAs) for the construction of a segment of the company's project in the "Desert Bloom." In response to the notice of the start of the investigation, TEN S.A. decided to submit a Compliance Program to the SMA to establish and implement an environmental remediation plan instead of defending the charges filed against it. This Compliance Program was presented to the SMA on November 19, 2020.



In 2020, we were able to unload the 27 ships arriving throughout the year, despite the difficulties of working in person.



Despite the difficulties we faced in working in person, in 2020 we managed to unload 27 ships arriving that year. We reorganized our work shifts and implemented the corresponding safety measures. We also supported contractors so that they could incorporate our safety standards.

Our goal of having Port Andino certified as a green port, planned for 2020, was postponed to 2021.

This green seal is proof that the company has, among other aspects, double dust protection, a good relationship with the community, and standards that guarantee that port and vessel waste will be treated properly.



Landings

**PORT ANDINO (MEJILLONES)** 

98,400.75 ton

1,380,222.85 ton 6 Coal 1,281,822.10 ton Ships Ships arriving

Landings

# 717.593.10 ton Ships Coal 717,593.10 ton Ships arriving

**TOCOPILLA** 





Our challenge is to begin to transport gas to and from

1.066 kilometers inpipeline

Million cubic meter Potential daily transportation capacity of

682 million cubic meters of gas transported in 2020

#### 3.2.5 Gas pipeline

Operations in the gas business continued without interruption in 2020. Despite the pandemic, the levels of consumption of our customers, mainly in mining and power generation, did not change. On the Chilean side of the pipeline, scheduled maintenance was performed, while on the Argentine side it was corrective maintenance.

682 million m<sup>3</sup> of gas were transported in 2020, an increase of 44% compared to the 473 million m<sup>3</sup> recorded in 2019.

Our challenge is to begin to transport gas to and from Argentina starting in the winter of 2021.



#### 44/4



Commercially, the focal points of ENGIE Energía Chile in 2020 were to continue progressing toward a carbonneutral world. Our clean energy agreements are going in that direction, contributing to the sustainability of our customers."

**Luis Meersohn,**Chief Commercial Officer.

#### 3.2.6 Customers

Commercially, the focal points of ENGIE Energía Chile in 2020 were:

- Consolidation of the commercial area. All customer-related areas were separate until the end of 2019 and are now unified under one single Corporate Commercial Division. With this new structure, we will continue moving forward in our customer strategy, focused on gaining a thorough understanding of their needs by means of a close relationship of trust. These two components are key to providing the solutions they need.
- Expansion of the "Certified 100% Renewable Power Purchase Agreements" to companies in other businesses.
- Closeness and creation of loyalty with actual customers in difficult times.

In the framework of these lines of action, our main achievements in 2020 were;

# 66 My commitment is to Chile and to ENGIE, and that is greater than any pandemic ??

Cristián Carrasco Site Manager, Calama Wind Farm



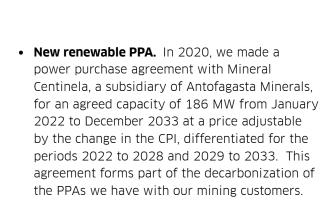








• **New customers:** We added 47 customers to the 72 with which we ended 2019. These new customers account for a volume of 850 GWh/ annually. Of note among them are CAP Acero and Parque Arauco that combined, represent 63% of the volume sold in the year. In the case of CAP, the PPA is for 420 GWh/year of certified renewable energy that will begin to be supplied in 2021 to the industrial plant of Compañía Siderúrgica Huachipato located in Talcahuano, in the Region of Biobío. Under this PPA, the steel production company will be able to offset a total of 2.5 million tons of CO2 in its operations. equal to planting more than 386,000 trees. We signed a power purchase agreement with Parque Arauco for 117 GWh/year of certified renewable energy. This agreement entered into force in the second half of 2020 for the Metropolitan Region and other branches throughout the country. Parque Arauco will be able, as a result, to offset a total of 53,100 tons of CO2, equal to planting more than 106,200 trees. We also added new companies engaging in the business of clinics and industrial services. among others.



#### 2021 CHALLENGES

In the last quarter of 2020, ENGIE Energía Chile adopted a new growth strategy focused on the sale of services in our traditional business. For the company, this meant centering efforts on the bundle sale, if possible, of its main services of energy, transmission, gas and ports to address all of the needs of customers.

This will be one of the main challenges in 2021, together with the permanent reinforcement of the company's presence in the north of the country and its expansion to the south and center zones.



representing more than 10% of the

#### **Unregulated customers:**

company's invoicing were:

- Codelco: Chuquicamata and Minera Gaby.
- AMSA: Minera Centinela, including its Esperanza and El Tesoro operations, Minera Antucoya and Compañía Minera Zaldivar SpA.
- Freeport-McMoran: El Abra.
- Glencore: Lomas Bayas and Alto Norte.

#### **Regulated customers:**

- Empresas CGE: EMELARI, ELIQSA and ELECDA.
- PPAs with 26 distribution companies in the central and south parts of the country.

# New customers in 2020

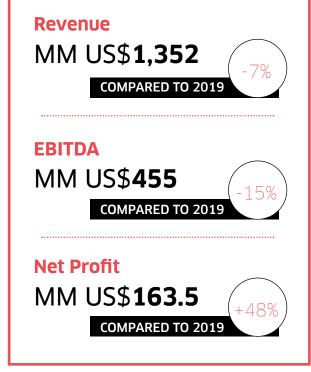
- CAP ACERO (420 GWh/year)
- PARQUE ARAUCO S.A. (114.0 GWh/year)
- SOCIEDAD PUNTA DEL COBRE S.A.(42.0 GWh/year)
- RED DE SALUD UC CHRISTUS (32.0 GWh/year)
- CLINICA LAS CONDES (24.0 GWh/year)
- BIMBO GROUP (14.0 GWh/year)
- Coexpan (12.0 GWh/year)
- CCU Nueva Planta Renca (11.5 GWh/year)
- Coembal (8.0 GWh/year)
- Embotelladora Metropolitana S.A. (7.2 GWh/year)

# 3.3 Economic **Performance**

In 2020, ENGIE Energía Chile's revenues totaled US\$1,352 billion, a decrease of 7% compared to the previous year, mainly the result of lower average prices of the energy sold and a decrease in other operating income.

The EBITDA was US\$455 million, a drop of 15% in comparison to 2019, the result of lower energy prices and a decrease in other income.

The net profit was US\$163.5 million, a 48% increase compared to the previous year. There were major non-recurrent effects because of the announcement of the closing of thermoelectric power plants.



#### 3.3.1 Revenue

In 2020, income from the sale of energy and capacity totaled US\$1.165.2 billion, a reduction of 6% (US\$76.4 million) compared to 2019. This was due mainly to the lower average prices for both unregulated and regulated customers. The lower average prices of energy sold resulted from drops in the main price indexes (CPI and gas and coal prices) and from renegotiated prices that, in the case of the PPA with Centinela, resulted in a significant discount in 2020 through which we paid for the purchase of 40% of Inversiones Hornitos.

As for energy volume, there was a recovery in the sales to unregulated customers. This segment was

stop of some smelters for reconditioning to comply with environmental regulations on the capture of gases emitted in their industrial processes, and the strike at Chuquicamata (Codelco) in June. Energy sales to regulated customers rose because of the addition of the EMR contracts starting July 1st and because of a slight recovery in power demand despite the effects of Covid-19. Please note that as of 2020. EECL's share of power purchase agreements with distribution companies in the central-south zone of the SEN increased because of the expiration of old power purchase agreements with other generators.





because of the pandemic was offset by the increased share of the Company in all PPAs.

Physically, sales to the spot market decreased because there were fewer sales by Los Loros and CTA that were offset to some extent by sales by EMR to the spot market. However, the spot market sales rose because the net resettlements of capacity and energy increased.

Gas sales made a greater contribution than in the previous period. Other operating income was comprised of transmission tolls and miscellaneous services (ports, maintenance, etc.). In 2020, this

item included financial income of US\$31.7 million from the purchase of 40% of Inversiones Hornitos SpA by ENGIE Energía Chile in monthly installments under the power purchase agreement renegotiated with AMSA that included a greater price discount for 2020. On the other hand, in the first 9 months of 2019, pre-tax income of US\$74.9 million was recognized, corresponding to payments by the main IEM contractor to compensate ENGIE Energía Chile for the drop in income and the increase in costs because of the delay in the startup of this power plant.





#### 3.3.2 Operating Costs

Gross power generation increased 22% compared to the previous year, especially because of the increase in coal-fired generation by IEM that was operative throughout 2020 while in 2019, its contribution began to be recognized as of its commercial operation start date of May 16th.

Not only did the share of coal-fired generation increase, but also that of gas-fired generation because more of this fuel was available. Renewable generation also rose after the purchase of Los Loros in April 2019 and the Monte Redondo Wind Farm in July 2020.

In 2020, fuel costs dropped 6% (US\$16.8 million) because there was an increase of 26% in self-

generation, accompanied nonetheless by a drop in costs due to the decline in coal and gas prices in 2020.

The "Cost of energy and capacity purchases on the spot market" fell by US\$68.5 million (17%) compared to the previous year, mainly due to the decrease in the volume of energy purchased at lower mean prices. This was the result of a total interconnection of the systems, an increase in hydraulic generation and the inflexible operation of gas-fired power plants because there was a greater availability of gas. In May 2019, the last segment of INTERCHILE's Cardones – Polpaico line began operation as did the Mejillones Energy Infrastructure (IEM).

The increase in depreciation in 2020 was caused by the startup of IEM and by the depreciation of more property, plant and equipment because of the major maintenance of Unit 16. The other direct operating costs include transmission tolls, plant employee compensation, operating and maintenance costs, insurance premiums and the cost of fuel sales, among others. This was the highest item because of the increase in the cost of outsourcing (maintenance) and rises in insurance premiums, among other variables.

Selling and administrative expenses (excluding depreciation) were below those for the same period in the previous year.

Other operating income/costs are comprised of the sale of water, recoveries, miscellaneous provisions and income that are of little magnitude. This item includes the recognition of the share in net profits reported by TEN S.A., which totaled US\$4.3 million in the period.

#### 3.3.3 Operating Income

The 2020 EBITDA totaled US\$455.3 million, a decrease of 15%, or US\$79.5 million, compared to the previous year. The main reason was the other operating income earned in 2019 to compensate for the delay in IEM startup that had a positive impact of US\$74.9 million on the 2019 EBITDA.

Other factors that contributed to the decrease in the 2020 EBITDA were the drop in income from the gas business, which includes a cost of US\$10.5 million for the cancellation of a gas shipment, and in income from the transmission business because of the retroactive recognition of the new transmission toll system. All of this was partially offset by an increase of US\$11 million of the electricity business margin, the combined result of an increase in physical sales, a drop in mean rates and lower costs of energy supplied. Added to the better electricity margin was income of US\$31.7 million from the acquisition of 40% of Inversiones Hornitos.

#### 3.3.4 Financial Income

Financial income dropped because of the lower interest rates. There were two main factors behind the increase in financial expenses. On the one hand, this item included the payment of the premium of US\$13.6 million for the early redemption of the US\$400 million 144A/RegS bond, originally expiring in January 2021, replaced by a new 10-year US\$500 million bond at an interest rate of 3.4% annually. On the other hand, less interest was capitalized in 2020 than in 2019 because the IEM project was completed.

The exchange differential caused a loss of US\$7.3 million in the period, compared to a loss of US\$3.0 million in 2019.

In 2020, there was a net other non-operating loss of US\$7.5 million, an improvement over the loss of US\$180.6 million recorded in 2019. This loss was due to the recognition of the asset impairment caused by the closing of Tocopilla Units 14 and 15, announced for the end of 2021, totaling approximately US\$63 million net of taxes (US\$87.4 million before taxes); and by the closing of Mejillones Units CTM1 and CTM2, announced for the end of 2024, for a net after-tax amount of approximately US\$70 million (US\$95.5 million before taxes).

#### 3.3.5 Net Profit

In 2020, the net after-tax profit was US\$163.5 million, compared to a profit of US\$110.8 million in 2019. As said earlier, the drop in profit in 2019 stemmed from the recognition of the asset impairment after the announcement of early closing of four coal-fired power units.

In 2020, there were also non-recurrent impacts caused by the payment of premiums associated with the early redemption of the 144-A bonds that had an after-tax impact of US\$9.9 million, and by the increase in the power plant dismantling provision that had an impact of US\$7.5 million net of taxes. As a result, the recurrent net profit in 2020 was US\$181 million.





In 2021, we will gradually begin to bring renewable energy projects online that we are building in the north of the country.

Our 1,000 MW renewable energy plan requires an investment of US\$1 billion.

#### **PERIOD OF IMPLEMENTATION**

From 2019 to 2023.

#### **FINANCING**

Internally and a loan from IBD Invest for US\$125 million

#### **AMOUNT SPENT IN 2020**

US\$206 million.

We achieved relevant milestones in 2020 in our Decarbonization Plan, which includes an installed renewable energy capacity of 1,000 MW and the disconnection of 800 MW of coal-fired energy from this system by 2024.

In addition to the purchase of the Monte Redondo Wind Farm (48 MW) and the Laja Power Plant (34 MW), we approved commencement of construction of the Coya 198 MW photovoltaic farm. This latter project will be added to the three that we are building in the north of the country that will gradually begin to operate as of 2021.

Other relevant milestones were the start of the dismantling of our coal-fired units 12 and 13 in the Tocopilla Complex, the first of which we

disconnected from the grid in June 2019. We also closed a US\$125-million loan with IBD Invest to build our Calama Wind Farm. This transaction is unusual because it is tied to a reduction in carbon emissions and entailed an exhaustive prior review of our policies and procedures on sustainability management.

In July we were awarded land in the Ministry of Public Properties' Tender Plan. The land is located in Taltal and measures 2,347 hectares. We will use it to develop renewable energy projects in Antofagasta to be closer to our mining customers. Additional to the land already assured in previous tenders, we are continuing to actively participate in processes in that region as it is one of the best locations to develop wind energy in Chile.







## 4.1 Main Advancements

Advancing with our renewable energy projects during the pandemic required aggregated efforts. Our focal point in this area was to provide a safe and infection-free environment for the workers of both the company and contractors. To this end, we implemented several safety protocols for all areas used by employees, from the construction site to the place where they lodged. We also supported outside companies with their cash flows when necessary. Throughout 2020, around 700 people worked at the sites of our renewable energy projects.

Another relevant aspect in this area was the coordination we achieved with our international inputs suppliers. We adopted different measures, such as replacing Chinese inputs by Spanish ones. In the specific case of the aerogenerators, we imported a mix from Spain and China. We also freighted parts by air to assemble key infrastructure in Chile, such as the Capricornio Solar Farm transformer.

Our challenge in 2021 is to put all these projects into service and to obtain the permits pending in time to begin the construction of other new ones.

#### **4.1.1 Projects under Construction**

- Calama Wind Farm (151 MW): In 2020, we completed the foundations and received all of the aerogenerators. We closed the year with 18 generators assembled, 50% of the total.
- Capricornio Photovoltaic Farm (95 MWp): We began the construction of this farm this year.
   We have all materials on site to begin assembly in 2021.
- Tamaya Photovoltaic Farm (114 MWp): We began construction on this site in the past year.
   As with Capricornio, we have all materials on site
- Parque eólico Coya. (198 MWp).

#### First Units **Dismantled**

In 2020, we awarded the contract for the dismantling of coal-fired units 12 and 13 in the Tocopilla Complex. The contract is scheduled to start in the first quarter of 2021 after receiving municipal and environmental authorizations.

This project involved developing a waste traceability model to trace waste from the moment it leaves the company's facilities to when it reaches its destination.

As part of the preparation prior to beginning work, we removed hazardous waste (like lubricants) and non-hazardous waste in the year, and we did a clean-up. We also recovered materials and equipment, and to do so, we organized visits to the operations and maintenance areas in the aim of identifying parts or equipment that could be reused as spare parts in other units. The

We held a material recovery event in which the Tocopilla inhabitants participated, the purpose being to reuse those materials.

Tocopilla Bay Fishers and Helpers Union also participated, who requested material .... We held a material recovery event in which the Tocopilla inhabitants participated, the purpose being to reuse those materials.

Z/Z



"The main achievement in the year was to have implemented opportunely all infection control and prevention measures together with our contractors so that we could continue with the projects.

#### Carlos Regolf,

Chief Project Implementation Manager.

## 4.1.2 Trends and New Technologies

Chile is one of the best places in the world to implement renewable energy projects because of its natural conditions. Our company is a strong force behind these initiatives to offer 24/7 renewable energy solutions. For that reason, in addition to have having set up a balanced portfolio, we are developing new alternatives like energy storage.

## 4.2 IDB Invest Loan

In the last quarter of 2020, IDB Invest, a member of the IBD Group, granted us a loan for US\$125 million to build the Calama Wind Farm.

This transaction, unusual for IDB Invest, is the first one in the world to monetize emission reductions in the energy sector. It consists of two tranches:

- The first, a senior loan from IDB Invest for US\$74 million and a loan for US\$36 million from the China Fund.
- The second, for US\$15 million, is mixed funding from the Clean Technology Fund (CTF) that includes a premium lower interest rate for accelerating the closing of the coal-fired units. A method was designed in this process to measure the CO2 emissions that will stop being emitted after the closing of the units and the contribution of renewable units that will begin to replace those units.

This is a pilot finance model that IDB Invest will continue developing in different countries for this and other industries.

(3(3



This unusual loan transaction also involved strengthening our social, environmental and governance management."

**Bernardita Infante,**Chief Finance Manager



#### **4.2.1 Due Diligence Process**

To receive this loan, a very exhaustive due diligence was conducted of our environmental, social and corporate governance management (ESG) and of the Calama Wind Project.

During this due diligence, the external auditors retained by IDB Invest performed an analysis that included a visit by the audit team to our facilities, to the construction site of the Calama Wind Farm, neighboring communities, universities in the zone, local authorities and archeological sites, among other points.

The Company set up a task force comprised of the Environment, Territorial and Sustainability Management, Legal, Human Resource, Process, Project Implementation and Finance Areas to address the requirements arising in this analysis. Based on their work, we defined how to reinforce the environmental management system by including social aspects. Some of the main commitments and improvements that resulted from this due diligence were:

#### **ENVIRONMENTAL MANAGEMENT**

- Care for biodiversity: We designed a
   Biodiversity Management Plan for the Calama
   Wind Farm that contains all of the commitments
   under the Environmental Impact Statement
   (DIA) and the baseline monitoring. A lizard
   endemic to the zone was found during this
   investigation, which led us to conduct studies of
   critical habitats and review the measures that
   had been adopted during construction to keep
   from harming the species.
- Environmental Plan for the Dismantling of Tocopilla Units 14 and 15 that are scheduled for disconnection in 2021.

#### SOCIAL MANAGEMENT

- Community complaints channel and Calama Farm workers: We created a formal channel on the website that records the receipt, handling and closing of these complaints.
- People safety and emergency response plans for the Tocopilla Power Plant and risk management plan.
- Participation of social actors. We documented the continuing participation with communities and stakeholders in the proximity of the plants.

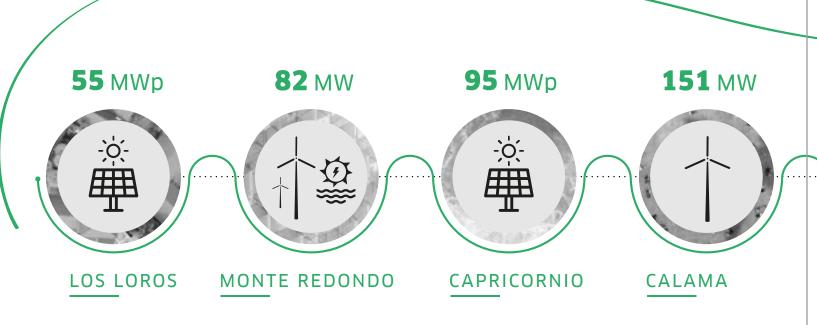
#### GOVERNANC

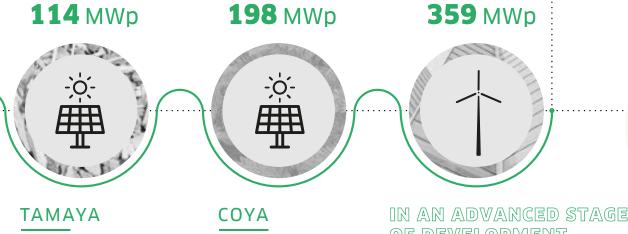
- We adapted our internal policies and procedures by updating the Integrated Environmental Management System Policy to include social aspects.
- We created an Environmental and Social Management Manual.

# 4.3 Main Milestones in the 1,000 MW Renewable Energy Plan

+1,000 MW

0,6 MW wind 0,4 MW solar





OF DEVELOPMENT

2023 - 2025

334 MW

CTM1 | CTM2

Units disconnected or in the process of being disconnected

Disconnected

Disconnected

Preparation for disconnection

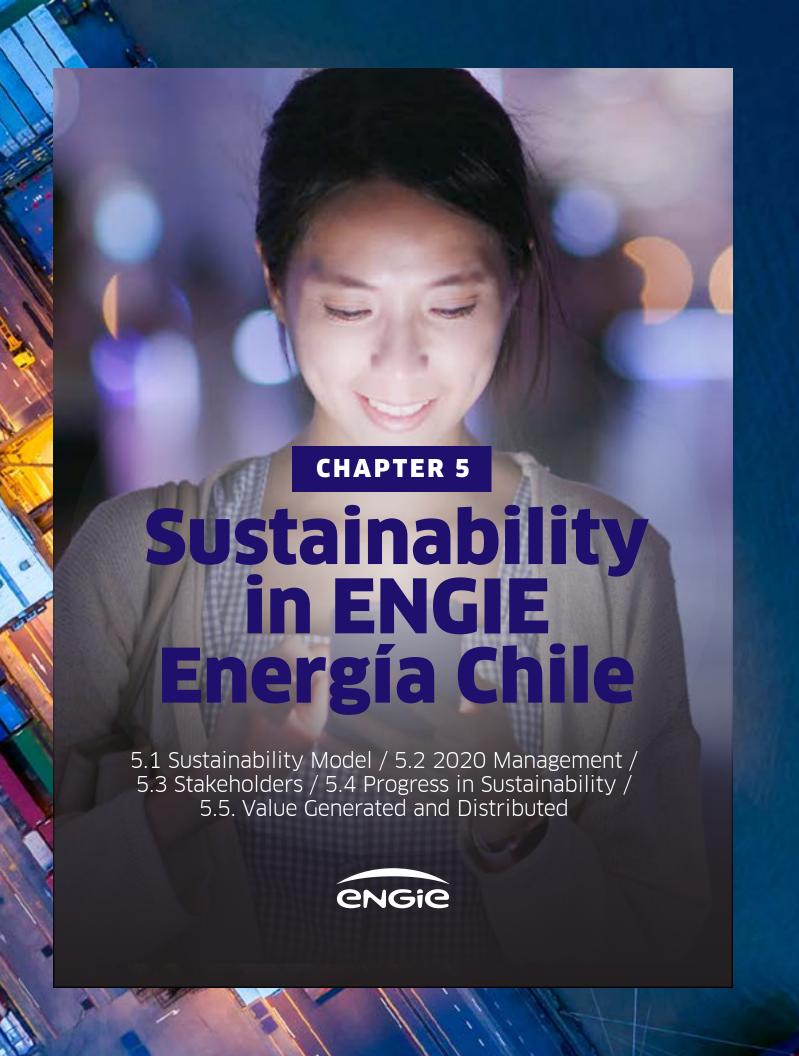
2022

268 MW

U14 | U15







# **5.1 Sustainability Model**

We aim to grow by having the least impact possible and contributing to the quality of life and development of our employees and neighboring communities.

At ENGIE Energía Chile, managing sustainability is aligned with our corporate strategy that seeks to grow and make our business profitable while having the least environmental impact and contributing to the quality of life and development of our employees and of the communities adjoining our facilities.

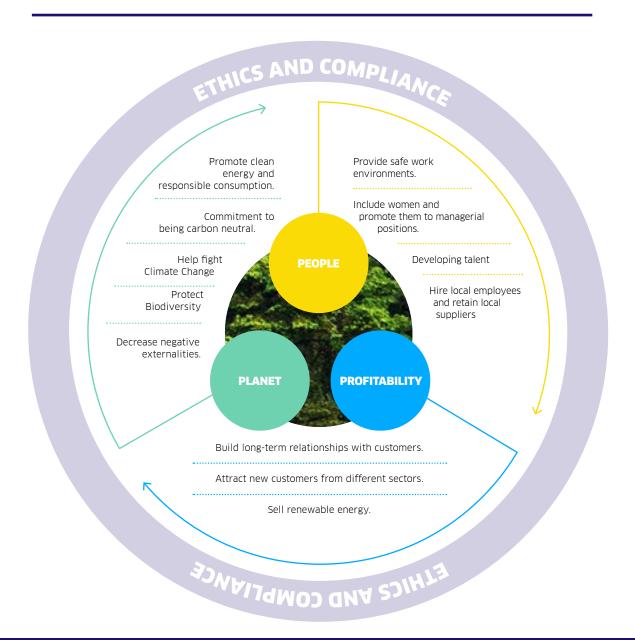
Our sustainability model is supported on four priority thrusts – People, Planet and Profitability – and on a focus of ethical management and legal compliance in line with the best international standards. Managing these issues includes monitoring systems and goals incorporated to our Balanced Scorecard to promote throughout the organization work consistent with our commitment to a responsible growth.

This model also enables us to proactively manage potential economic, social and environmental risks in our operation.





## Sustainability **Model**



# 5.2 2020 Management

In addition to handling the impacts of the pandemic in 2020, we also confronted the challenges posed by the 1GW renewable energy plan and our growing transmission business. The company is moving from managing large power generation complexes located in the north of the country to administrating many operations found at different points in the country. In a bit more than 2 years, we doubled our area of influence to 17 municipalities from the Region of Arica and Parinacota to the Region of Araucania. Although the renewable energy projects are smaller, they also require environmental assessments and territorial management, among other processes. The same is true for the transmission business.

In that framework, we decided to reinforce our Community Engagement Model to include hiring locals and using local suppliers as part of our goals in the development and construction of our projects. We designed and put into practice a Local Economy Involvement and Hiring Policy in 2020 that requires our national and international suppliers to retain local suppliers and people. Our goal is to formalize and promote fair relationships.

We also developed a Partnership Policy that aims to facilitate access by our neighbors to renewable energy, either in their own homes or in local public infrastructures, which is in addition to formalizing our commitment to local suppliers. We want to create public and private alliances whereby we can co-finance access to renewable energy in homes and

public areas, improve energy efficiency, substitute solid fuels, encourage the use of electricity and the creation of a local fund to lower utility bills, among other initiatives.

#### **5.2.1 Biodiversity Management**

This year we added management of the biodiversity to our environmental management. We have plans focused on relocating vegetable species, foresting and reforesting, among other initiatives. We began 4 renewable energy projects and our challenge is to move towards the design of specific indicators and goals in conjunction with new actions.

## **5.2.2 Social-Environmental Indicator**

In 2019, we created a social-environmental indicator that measures the handling of undesired incidents that could cause a social disturbance with an effect on the company's reputation, regardless of whether there is any resulting environmental damage. It is indexed to the annual performance bonus of all employees, like the other corporate KPIs. No social-environmental incident had occurred by the close of 2020, so we achieved this KPI.



### 5.3 Stakeholders

ENGIE Energía's relationship with stakeholders is a salient aspect in the conduct of the business. Our relationship with stakeholders is grounded on ongoing communication, mutual trust and reciprocal development.

Our stakeholder relations plan is part of the energy transition and the priorities are an economic conversion of the localities where we will be closing coal-fired plants and the search for new, fully renewable energy projects to guarantee their complete social and environmental viability.

SPHERE	STAKEHOLDERS		COMMUNICATION CHANNELS
و و و	COLLABORATORS		Intranet, Newsletters, ENGIE & Me Survey, Performance Management, Training and Leadership Programs, In-house campaigns.
	UNIONS	•	Collective bargaining, Monthly meetings.
INTERNAL STAKEHOLDERS	JOINT HYGIENE AND SAFETY COMMITTEES	<b>&gt;</b>	Work meetings, Panels and annual retreats.
	COMMUNITIES		Task forces, territorial managers, stakeholders manager, South Zone Leaders Program, Integrated Report.
	NGOs		Territorial managers, stakeholders manager, Integrated Report.
COMPANY'S STAKEHOLDERS	TRADE ASSOCIATIONS	<b>•</b>	Participation in committees, task forces, Integrated Report.
	LOCAL		Task forces, stakeholders manager, Integrated Report
AUTHORITY STAKEHOLDERS	NATIONAL	•	Formal conduits, stakeholders manager, Integrated Report
FINANCIAL STAKEHOLDERS	SHAREHOLDERS ANALYSTS BONDHOLDERS BANKS		Shareholders Meetings, corporate website, conference calls, Investor Relations officer, Integrated Report, regular market reports.
	CLIENTS		Monthly Newsletter, Customer Day, corporate website, site visits, social network postings, and Integrated Report.
	SUPPLIERS		New Supplier Portal, internal contact person, monthly meetings with critical suppliers and the Integrated Report.
BUSINESS STAKEHOLDERS	INDUSTRIAL PARTNERS		Alliances and Agreements.

## 5.4 Advances in **Sustainability**

The managerial scopes of our sustainability model are aligned with the Sustainable Development Goals (SDG) of the UN.\* We contribute specifically through our management to 17 of these global challenges:

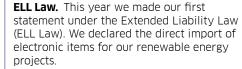


### **ENVIRONMENTAL MANAGEMENT**

**Zero** environmental incidents.



**Biodiversity.** We began managing biodiversity in renewable energy projects.





**Dismantling of the first coal-fired units.** We tendered the dismantling in 2020 and it will begin in 2021.

OCCUPATIONAL HEALTH AND SAFETY

We lowered the Frequency Ratio from **1.25** 



### **COMMUNITY RELATIONS**

We held a **Leaders Workshop** for locals in the south zone.





#### DIVERSITY

We began to design a Diversity Plan.



We performed a diagnosis based on the **7 Women's Empowerment Principles of the U.N.** 

We held **talks to sensitize** leaders and employees to unconscious biases.

We deployed a **communications campaign** oriented towards highlighting women.

**2021 CHALLENGE:** Progress in our Diversity Plan with a gender focus. Union-Company Decarbonization Committee.



### PROMOTING LOCAL HIRING

**2021 CHALLENGE:** Receive ISO 45.001

in 2019 to 0.61 in 2020.

**Local Economy Involvement and Hiring Policy.** We are promoting hiring services and workers from the communities.

**Training women** in assembling photovoltaic panels.

We created the first catalogue of local suppliers. 72 local companies were included from María Elena in the Region of Antofagasta.



Conduct the ENGIE&ME survey and disclosure of material results.

### TRAINING AND PERFORMANCE

Launch the inclusion program.

Specific **training of the People Division** in inclusive people management.

<sup>1.</sup> The Sustainable Development Goals (SDGs), also known as the World Goals, form a part of the agenda set by the United Nations to solve, by 2030, the main social, economic and environmental issues affecting humanity. See more at https://www.un.org/sustainabledevelopment/sustainable-development-goals/.



5.5 Value Generated and Distributed

In 2020, ENGIE Energía Chile created a direct economic value of **US\$1.357 billion**. This is 7.3% below the figure of US\$1.464 billion for 2019. Of the total economic value that we generated in the last fiscal year, we distributed **US\$1.066 billion** among our main stakeholders, 5.7% more than in 2019. The remainder of **US\$292 million** is our retained value.



DISTRIBUTED ECONOMIC VALUE

US\$1.066



EMPLOYEES (1)
US\$23 million



**OPERATING EXPENSES (2)**US\$877 million



GOVERNMENT (3)
US\$40 million



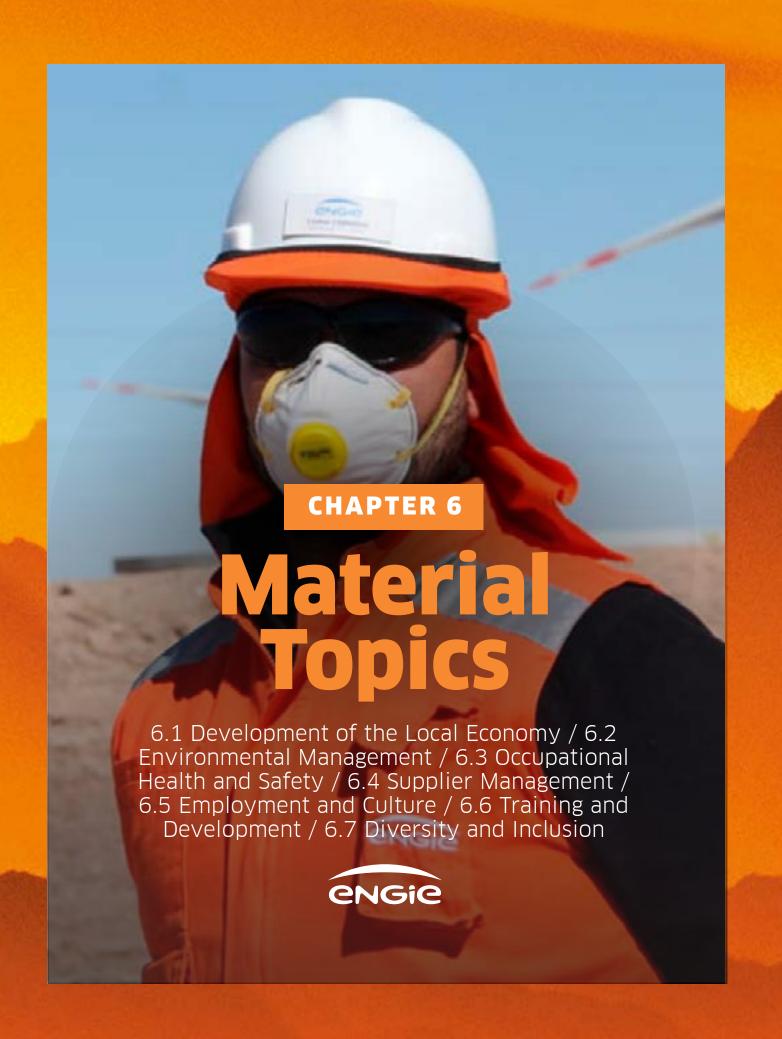
SHAREHOLDERS AND LENDERS (4)



COMMUNITY (5)
US\$1.4 million

- (1) Salaries and benefits, excluding training
- (2) Payments for raw materials, product components, facilities and services acquired, property rental, license fees, facilitation payments, royalties, worker subcontracting, training of employees and the cost of employee protective equipment.
- (3) Taxes accruing in the fiscal year and recorded as an expense in the consolidated statements of the Group including the corporate tax and special taxes
- (4) Dividends to shareholders and interest payments to important suppliers
- (5) Social plans developed as part of territorial managemen





# 6.1 Development of the Local Economy

### WHY IS IT MATERIAL?

Deploying renewable energy projects throughout the country challenges us to become a social actor who contributes to the development and quality of life of the communities nearby by developing local suppliers.

### **HOW DO WE DO THIS?**

We have an early approach model and we promote work jointly with locals to support them in projects that will improve their standard of living. Under the Local Economy Involvement and Hiring Policy and the Partnership Policy, we encourage the participation of suppliers and local workers in our projects.







(5)



We created the first catalog of local suppliers in Maria Elena, as part of our Hiring Policy and Involvement of the Local Economy.

### **Matías Bernales,** Chief Sustainability and Permits Officer.

### **6.1.1** New Policies in the Area of Territorial Management

Building projects in a locality represents a great opportunity for small companies and local workers to provide services to companies that come to the zone to develop and implement projects. Through 2020, this hiring took place in most cases without supporting contracts, which left providers in a vulnerable situation.

Considering the drive for new projects that we are developing as part of our Decarbonization Plan (See more on page 61), in the last year we launched the Local Economy Involvement and Hiring Policy in order to promote formally contracting local workers and suppliers for our facilities in a framework of fair treatment.

In this same respect, in 2020 we also developed a Partnership Policy that incorporates a new line of work to our territorial management, aimed at promoting access by communities to renewable energy, either in homes or in public infrastructure.

For this purpose, we will endeavor to establish public and private alliances to co-fund this type of project as well as projects related to energy efficiency, the substitution of solid fuels, the use of electricity and the creation of a local fund to lower electricity bills, among other initiatives.

### **6.1.2 Local Hiring and Suppliers**

### The Local Economy Involvement and Hiring Policy

requires our national and international suppliers to consider the participation in local companies and workers in the construction and operation of our projects.

Among other aspects, this policy considers:

- **Local Tenders.** Contractors and suppliers involved in our projects are required to retain the services they need to operate within the community. They must also contact the Municipal Employment Intermediation Office (OMIL).
- Work Plan. The principal must provide the information needed on its internal operating processes so that local suppliers can participate in the tender on an informed basis and under arm's length conditions with competitors.

- **Single Information Medium.** The company must have an officer or a single window of attention during the development and construction of a project to provide information to all suppliers.
- Monthly Report. Suppliers must report on the progress in tenders and the need for support in territorial relations as well as the progress and deadlines associated with opening, processing and closing the tenders.

In support of these processes, ENGIE Energía Chile has promised to:

- Prepare a catalogue of local suppliers. In the development stage of each project, we will prepare a list of local suppliers and workers to create an early bond with them through the pertinent entities like the OMIL in the municipality where the project is located.
- Establish a formal complaint channel. We set up a formal channel for the community to express its upset or disagreement with the way that a person or company has proceeded that is related to the construction or operation of a company project. The channel is accessible at https://engieenergia.cl/denuncias/.

## Contributions and **Donations in 2020**

In 2020, our contributions and donations to the community totaled US\$1.4 million, made through different instances and permanent programs. This figure is 136% higher than the US\$593,440 in 2019. The increase is mainly the result of our contributions dedicated specially to combating the impacts of COVID-19 in communities and health care services in the nation and in communities close to our operating facilities. The sources were channeled in the following way:

**Special COVID-19 contribution** 

US\$601,933

Work plans in communities where ENGIE has operations

US\$517,871

**Community work plans** 

US\$278,442

policies developed this year.

Despite the limitations on movement during were willing to engage virtually.

Our main progress was:



We trained women in the maintenance and operation of photovoltaic panels in order to give them the necessary skills to encourage their hiring by the larger suppliers. We worked together with the OMIL on the contact with contractors.

16

Number of women trained in photovoltaic panels

80

identified local

(María Elena)

suppliers

### **CAPRICORNIO FARM**

We organized an educational exposition to teach all employees about the main archeological findings in the area that will be conserved in the Lasana Museum.

We also furnished 1,500 solar toys in the municipalities of Tocopilla, Calama and Mejillones during the construction of our renewable energy projects.

As concerns gender equity, we produced, together with the Regional Office of the Ministry of Energy and the Regional Office of Women, both in Antofagasta, several short videos with the testimonies of women in diverse roles in solar and wind projects in the region.

### **CALAMA WIND FARM**

In 2020 we focused on implementing the agreements we adopted with six communities in Alto Loa: Toconce, Ayquina, Chiu Chiu, Lasana, Caspana and Cupo. Under our Partnership Policy, we signed an agreement with the Municipality to supply solar energy to one of its main avenues. We will also install a photovoltaic electrical system in the Ayquina Church, where one of the main religious festivities of the zone is held. The agreement with the Lasana community led to the modernization of the electricity system of the rural emergency care center that attends to more than 150 inhabitants. We also provided rescue equipment to the Firehouse One, and in order to heighten the culture in the zone, we undertook a major intervention in the Lasana Museum.

### COYA SOLAR FARM, MARÍA ELENA

Our engagement in María Elena began this year. Through this project, the implementation of our local hiring policy debuted. We prepared our first catalogue of suppliers who hold a local business license. We identified 72 local service providers in areas like lodging, meals and electricity services. We implemented a work plan with local stakeholders and authorities that included, as part of the initial measures, providing aid and donations of food and safety inputs to partially mitigate the effects of the pandemic. We also began a certification program directed towards our contractors to keep them from leaving without paying debt owed to the community.

**6.1.3 Renewable Energy Projects in the North** 

In 2020 we began our formal engagement with several communities neighboring our projects located in the north. We took advantage of this setting to push for initiatives in line with the new

quarantines, we were also able to continue with the early participation planned for the period. This was possible because we established communications through technology and because our new neighbors





## **6.1.4 Indigenous Peoples Management**

In the surroundings of El Rosal Substation in Los Angeles, in the Biobio Region, we are engaging with the Pehuenche community, consisting of 40 families, who come down from the Andes in the winter months to the El Sauce Ranch. Although they do not directly adjoin our site, we presented the project to them and included them in our relations program to support them in their development and look for opportunities for the provision of services and hiring of workers in line with the new policies.

### **6.1.5 Leaders Program**

In 2020 we continued our social leader training program. Given the limitations imposed by the pandemic, we developed an online course attended by 40 social leaders. To facilitate their participation, each was given a mobile telephone in which the course was downloaded.

## Competitive **Funding**

### The focus was on economic reactivation.

In 2020, competitive funding was centered on developing entrepreneurships. In Tocopilla, we made contributions of \$250,000 to 39 local entrepreneurs (artisans, flower shops and beauty salons, among them, who received economic aid for their businesses).

In Mejillones, 32 projects were awarded funding to support entrepreneurs in the community so that they could reactivate their businesses and/or recondition their premises in line with the required sanitary measures.

### Task Forces

### Tocopilla Task Forces.

Under the agreement of leaders, the Task Forces allocated available funding to mitigating the impacts of the pandemic. Gas vouchers were purchased for senior citizens, health kits for the neediest families as well as food boxes, among other elements. Playful activities were held on Children's Day and Christmas in order to enliven and entertain small children.

### **Mejillones Committee:**

A more direct relationship with the community had to be established to coordinate help during the pandemic. This meant integrating leaders and entrepreneurs to this Committee as well as local authorities.

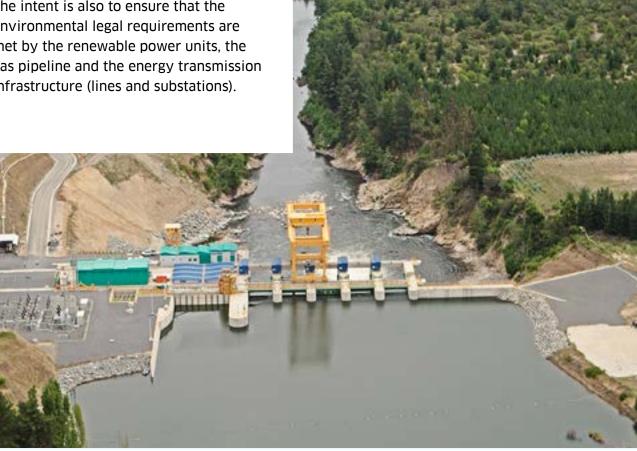
# 6.2 Environmental Management

### **WHY IS IT MATERIAL?**

ENGIE Energía Chile is committed to climate action. Added to the decarbonization plan is our environmental management where the highest priority is to reduce and mitigate the effects caused by our generating units, mainly on sources of water (the ocean) and air (SOx, NOx and particulate matter emissions and greenhouse gases). The intent is also to ensure that the environmental legal requirements are met by the renewable power units, the gas pipeline and the energy transmission infrastructure (lines and substations).

### **HOW DO WE MANAGE IT?**

We have an environmental management system that guarantees compliance with the regulations applicable to our activities and an alignment with the most exigent performance standards. We incorporated plans for the protection of biodiversity to our management in 2020.







### **6.2.1 Biodiversity**

We must relocate vegetable species, forest and reforest, among other initiatives, in the locations of our renewable energy projects. To accomplish this, we implemented ecological management plans to manage and monitor the programs that we undertake through indicators, specific goals and owners.

In 2020, as part of this work, we put the following ecological management plans into effect in renewable energy projects:

- Chapiquiña Hydraulic Power Plant, Region of Arica and Parinacota: This facility is located in Chapiquiña. Province of Parinacota. 120 kms from Arica, at an elevation of 3,300 meters above sea level, close to the Lauca National Park that is part of the Lauca Biosphere Reserve created in 1981. The territory of the power plant is part of the buffer and transition area of the Biosphere Reserve where the key purpose is to reconcile the conservation of biodiversity with the search for economic and social development and maintenance of cultural values of an area of great, sensitive biodiversity. Here we are implementing several initiatives of protection and conservation in line with the 2018-2022 Lauca Biosphere Reserve management plan, both individually and together with CONAF and other local organizations.
- Pampa Camarones Photovoltaic Plant, Region of Arica and Parinacota: Here we began studies of Tillandsia landbecki, the rescue, relocation and monitoring of Phyllodacttylus gerrophygus, and of the Markham's storm petrel that enter through the Camarones Ravine, where there are some nesting sites close to our facilities.
- Los Loros Photovoltaic Power Plant, Region of Atacamaa: At this power plant, we engage in the rescue, relocation and monitoring of reptiles, long-tailed hares cactuses in a category of conservation, and the forestation of other species of interest, and implemented a xerophyte formation work plan.
- Monte Redondo Wind Farm, Region of Coquimbo:
   We tracked colonies of coruros, implemented
   xerophyte formation plans, monitored birds and
   bats, and enriched degraded zones on the wind
   farm's land with vegetable species.

Our 2021 biodiversity challenge is to continue implementing these plans, evaluate adding new ones and complement them by specific indicators and goals.

No environmental fine or penalty was imposed upon the company in 2020.

### **6.2.2 Environmental Compliance**

There were 10 in-person inspections in 2020 and 20 requests for information from the environmental authorities. No material environmental deviations were found. As a result, we closed the year with no environmental fines or penalties.

However, in Tocopilla and Mejillones, the health authority began investigation after noting operating deviations because of the temporary storage of waste in unauthorized sectors. Corrective actions have been taken to resolve these deviations.

In 2020, we also proposed opportunely to the authority the need to postpone the monitoring that we should have done between the first and second quarters, because of the pandemic affecting the nation. That monitoring was rescheduled to the following months and all environmental monitoring commitments have been fulfilled.

In the framework of the pandemic, we also completed the automated online delivery of the results of continuous emission monitoring of the air and air quality, as required by the government.

In our case, all stack emissions by the Mejillones and Tocopilla generating units and the information from the air quality stations located in these cities are reported online to the Environmental Commission (SMA).

## Monitoring of **Mejillones Bay**

In 2019 we began to voluntarily monitor Mejillones Bay to improve the understanding of the bay as compared to the environmental diagnosis coordinated by the Regional Office of the Ministry of the Environment for the Region of Antofagasta.

To that end, we retained a study by an oceanographer from the University of Concepción that includes the assessment of the marine environment, ocean water catchments and discharges to the marine environment, together with other companies that participated in the study and operate in the location.

In 2020, we finalized the second and last monitoring campaign and prepared a report that consolidated the results of the measurements from both campaigns.

According to this report, which is still in preparation, the share of organic matter and metals coming from the industrial activities evaluated is less than the share of these substances originating in Mejillones Bay itself:

- For total organic matter (TOM) and nutrients.
   This contribution is 11 orders of magnitude less than the natural contribution in the bay because of ocean upwelling.
- The contribution of metals is 8 to 11 orders of magnitude lower.
- Additionally, a study was made on improving the predictive capacity of a tool used to predict sea foam events.
   These improvements will be implemented in 2021.

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### **6.2.3 Waste Management**

No new projects were implemented in 2020 to manage hazardous and non-hazardous waste. As with the previous year, we continued to send fly ash generated by the Andina and Hornitos units from the Mejillones site to Inacesa and Polpaico, cement companies, for use in the manufacture of cement.

### **6.2.4 ELL Statement**

This year we prepared our first statement according to the Producer Extended Liability and Recycling Development Law (ELL). After an internal analysis, we concluded that we had to declare the direct import of electronic items for our units and for the projects that are under construction.

For the time being, reporting is the only requirement for products considered to be a priority by this law. It is estimated that the recycling goals for each will enter into force in 2024.



### WASTE GENERATED ANNUALLY (IN TONS)

	2019	2020
Hazardous industrial waste	206	227
Non-hazardous waste (including household waste)	313,715	334,556



### Waste management in numbers

**2019** (in tons)

260,983
Waste sent to dumps

**51,631** Recycled ash

106
Recovered
hazardous waste

**2020** (in tons)

333,728 Waste sent to dumps **36,643** Recycled ash

Recovered hazardous waste

### **WASTE BY DESTINATION (IN TONS)**

	Ash s dur	ent to nps	Slag s dur		Recy contains to Inace Polp	ers (sent esa and		mestone dump	Clay s du	ent to mp
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
TOCOPILLA	16,127	8,475	1,670	525	-	-	-	-	-	-
MEJILLONES	41,968	19,772	2,311	1,251	-	-	-	-	-	-
IEM	47,927	86,844	4,249	7,000	-	-	-	-	12,553	22,011
ANDINA	51,962	62,862	2,515	5,466	16,451	18,406	13,266	20,335	-	-
HORNITO	43,341	69,847	6,964	6,074	35,180	18,237	16,130	23,264	-	-
TOTAL	201,325	247,325	17,709	20,317	51,631	36,643	29,396	43,599	12,553	22,011

### **6.2.5 Water Management**

ENGIE Energía Chile uses seawater in its production processes, which it then discharges back into the ocean. According to the effluent dumping regulations, which sets the maximum temperature of water discharged into the ocean at 30°C, we have a temperature sensor system for the water in the discharge ponds so that it is managed on a timelier basis.

### WATER FOOTPRINT

The water footprint is an indicator that quantifies the potential environmental impacts from the use of water in the production of goods and services and the efficient use of water.

ENGIE Energía Chile calculates its water footprint using the following variables:

• For our conventional power plants, the Water Footprint was calculated using the water balances and water flow charts to identify types of water (blue, green or gray).



Water Footprint	

**1.4** 2019

Specific water consumption (Nm³/MWh-gross)

**0.24** 2019

2020

2020

HORNITOS

 133,849,259 150,178,34

 At power plants consuming externally sourced potable water the water consumed will be

- potable water, the water consumed will be calculated according to the source.
- The fraction of water that is ocean in origin is not included in the Blue Water footprint balance.
- Water losses from overflows and evaporation in the operation of hydroelectric power plants as the water passes through the generator are minimal and have no material impact on the calculation of the water footprint.

Since 2015, we have measured our water footprint according to these principles, mainly influenced by the Laja Hydroelectric Power Plant. In 2020, our water footprint was 1.7 million Nm3/year, 21% higher than 2019. This was attributed to an increase in the natural evaporation of water mirrors because of a 1.07°C rise in the average temperature in the zone where the Laja Power Plant is located.

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	Seawater catchment used for cooling m3/year		used in	of seawater cooling year	used to wate	r (WWTP water er green areas) /year	(seawater	o water plants catchment) year	Water used to CTT ash m3/	dump
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
TOCOPILLA	271,977,234	195,452,816	271,976,180	195,452,816	38,685	38,430	432,681	494,399	4.384	3,054
MEJILLONES	294,926,678	358,765,056	269,349,017	327,938,814	8,742	10,465	307,928	335,456	11.620	5,058
IEM	184,252,793	274,476,885	183,533,653	272,939,522			719,141	1,537,363		
ANDINA	98,893,651	138,138,353	98,884,083	138,084,435	5,938	5,938	180,305	177,947	20,778	12,894
HORNITOS	133,849,259	150,178,345	133,835,183	150,126,516	7,220	7,220	220,343	203,577	25,264	14,751

<sup>\*</sup> Data on the Mejillones IEM generating unit was added in 2020.

### **6.2.6 Energy Efficiency**

In 2020, our energy consumption rose to 63,453,509 GJ, an increase of 22.6% compared to 2019.

Energy Consumption (Energy Efficiency) (GJ)	2019	2020	Definition
Total energy consumed	51,740,073	63,453,509	The consumption of electricity (Auxiliary Services in Service) + Fuel consumption (coal, gas, diesel oil and biomass).
Electricity consumed	1,481,396	1,810,335	Electricity consumption (Auxiliary Services in Service)
Fuel consumed	50,258,677	61,643,174	Fuel consumption (coal, gas, diesel oil and biomass)
Fuels from renewable sources	0	0	Biomass
Fuels from non-renewable sources	50,258,677	61,643,174	Coal, gas, diesel oil





### **6.2.7 Carbon Footprint**

In 2020, our GHG emissions (\*) totaled 4.68 million tons of CO2e, 13.8% higher than in 2019 when it was 4.11 million tons of CO2e. This increase was due to the increase in generation and availability of our coal-fired IEM power plant in Mejillones, the last thermal unit that we built.

Despite this specific result, our emissions have fallen substantially in recent years, in line with the commitment assumed by the ENGIE group of reducing its CO2 emissions by 52% by the year 2030, using the year 2017 as the base. This means a reduction of 43 million tons in this period by ENGIE Energía Chile.

In harmony with this statement, at the close of 2020 we were able to lower the 5.7 million tons of CO2 that we recorded in 2017 as emissions by our thermoelectric units by 19.2%. These efforts to reduce the corporate carbon footprint have been helped by the Company's decarbonization plan. In practice, it has meant significantly reducing the operations of our thermoelectric units.

As part of this work, in 2020 we paid green taxes of close to MUS\$21.2 for emissions in 2019. That amount is approximately 12% below the previous year.

### **6.2.8 Particulate Matter Emissions**

In 2020, our total PM emissions were close to 80 tons, 48% higher than in 2019 because the IEM unit operated the entire year.

Nitrogen oxide (NOx) and sulfur dioxide (SO2) emissions were 4,099 tons and 2,999 tons annually, representing a reduction of 4.4% and 14.2%, respectively, in comparison to 2019. This trend was the consequence of a better operation of the abatement systems.

Please note that ENGIE Energía Chile has been monitoring the air quality in the cities of Tocopilla and Mejillones for several years. According to those measurements, both cities show SO2 ratios in line with the parameters in the Primary Standard that became applicable in May 2019. Therefore, the regulation causes no effect on our operations.

In the past year, the annual mean concentration of PM10 in Tocopilla was 31 micrograms/m3N. This level is quite below the requirements in the breathable particulate matter air quality standard for a zone classified as clean under this parameter.

Total PM emissions (tons/year)	<b>56.3</b> 2019	<b>79.8</b> 2020
NOx emissions (tons/year)	<b>4,288</b> 2019	<b>4,099</b> <sub>2020</sub>
SOx emissions (tons/year)	<b>3,496</b> 2019	<b>2,999</b> 2020

AIR EMISSIONS BREAKD	OWN

(in micrograms/m³N)	2019	2020
Mean concentration of PM 2.5 in Tocopilla	12	8
Mean concentration of PM 2.5 in Mejillones	12	6
Mean concentration of PM 10 in Tocopilla	33	31
Mean concentration of PM 10 in Mejillones	22*	12

(\*) This variation is due to the entry of IEM into operation.

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### Carbon Footprint in numbers

GHG Emissions (millions of tons of CO2e)	<b>5.7</b> 2017	<b>4.76</b> 2018	<b>4.11</b> 2019	<b>4.68</b> 2020	
Carbon Footprint Intensity (tons of CO2e / MWh)	<b>0.89</b> 2017	<b>0.84</b> 2018	<b>0.66</b> 2019	<b>0.67</b> 2020	

<sup>\*</sup> This measurement is taken following the method proposed by the Ministry of Energy and the ISO standard, using emission factors proposed by the IPPC to determine tons of CO2 and the equivalency in GHG (SF6, NOx and SO2) to tons of CO2e.

### THE PRIMARY AIR QUALITY STANDARD (SO2 IMMISSIONS IN MG/M3N)

		MEJILLONES			TOCOPILLA			
	Hourly	Daily	Annually	Hourly	Daily	Annually		
2020	10.9	8.8	3.4	25.8	16.3	6.1		
PREVIOUS STANDARD	None	250	80	None	250	80		
NEW STANDARD (MAY 2019)	350	150	60	350	150	60		

# 6.3 Occupational Health And Safety

### WHY IS IT MATERIAL?

In line with our integrated management system, ENGIE Energía Chile considers providing safe and healthy working conditions to be a strategic goal in preventing injury and/or avoiding a deterioration in the health of all employees while working.

### **HOW DO WE ADDRESS IT?**

From that perspective, we involve the entire organization in occupational safety management and monitor the results based on goals associated with the Balanced Scorecard. For OHS topics, our management system is based thus far to date on OHSAS 18001 certification. For 2021, our goal is to migrate to ISO 45001 certification. As part of our permanent management, we develop plans to promote safe behavior and we conduct assessments to identify breaches opportunely, which are addressed with specific initiatives for continuous improvement



### 6.3.1 Milestones in occupational health and safety management

In 2020, apart from the focus we gave to managing and controlling the pandemic (see more in the Operating Management Chapter), we gave continuity to most of the measures we adopted in the previous fiscal year in order to reduce the number of High-Potential Events (Hipos) and promote prevention.

Notable among those actions were the reinforcement of the permit approval process, cultural intervention to strengthen the culture of self-care and "zero tolerance" of breaches.

Some of the main advances in this work were:

- We recorded three lost-time accidents, none of which was serious. Two occurred to employees of contractors and one to an ENGIE Energía Chile employee.
- We closed the year with an historic Frequency Ratio of 0.62, far below the 1.25 in 2019.
- We recorded several Hipos, all resulting from speeding, but there were no repeat offenses.
- We continued our work with the Hygiene and Safety Committees and we then organized our Contractor Panels. These were meetings held with companies that had employees at our facilities, where we discussed their breaches and analyzed action plans.
- In our sensitization campaigns, we gave priority to safe behavior. All our corporate releases include messages from the health and safety areas to reinforce the concept of "Take Care of Yourself."
- 13,800 hours of OHS training were imparted, which helped us achieve an average of 18 hours of training annually on average per person.



- We held drills for rescue at a height and responses to spills of hazardous substances.
- Our annual training plan had both a technical component and a regulatory component. We therefore held workshops on work permits, tagout and lockout systems and manual lifting, among other subjects.
- We did not conduct the Psychological and Social Risk Survey.

In the last week of December, however, we lamented the death of a contractor employee, which was still under investigation at the close of this report. The accident occurred during the construction of a tower in the El Rosal project (in the Biobio Region) and was the result of a fall from a height.

Please note that to avoid risks involved in these tasks, the Company has action plans and sets up task forces, certifies the experience and training, and conducts "fresh eyes" inspections, in addition to reviewing the qualifications-hiring processes of each of our contractors and employees.





## Reorganization of the safety area

Through 2019, the health and safety model of ENGIE Energía Chile was divided into zones in which each installation owner was responsible for their respective business unit. That division did not provide a full visualization of events.

We therefore decided to incorporate all these teams to the Prevention Division, which strengthened the unit and helped us implant a more flexible management.

Since then, the prevention area staff offers specialized assistance to other divisions and hands over the responsibility for the health and safety to each operation.

## 6.3.2 Health and safety challenges in renewable energy projects

The inclusion of numerous renewable energy projects to our operations will mean, rather than a change in the health and safety guidelines, developing a new form of attention for the units more dispersed geographically that have less employees. This poses a challenge to the Prevention Division of becoming increasingly more agile in the provision of its services.

As concerns occupational risks, renewable energy projects involve few activities, unlike what occurs, for example, with coal-fired plants where more hazardous tasks, processes and products are present. This means a more orderly health and safety management.

Even so, there are facilities that, because of their features and location, bring with them additional health and safety complexities. This is what occurs with the units located in isolated areas, like Visviri, that requires specific health conditions for workers. In these cases, another challenge lies in timely emergency care, considering the distance from health care centers.

### **6.3.3 Our OHS Management System**

ENGIE Energía Chile has had an integrated management system for several years based on OHSAS 18001 and as of 2021, on ISO 45,001 as concerns Occupational Health and Safety topics.

Known internally as "Simpler," this system sets down the operating standards in the areas of Quality, Environment, Ethics, and Occupational Health and Safety that the company believes are fundamental to meeting its strategic objectives and ensuring its sustainability over time.

This system defines the priority corporate health and safety goals of "providing safe and healthy working conditions to prevent injury and/or avoid a deterioration in the health of any employee while at work," and of "establishing processes to eliminate and control hazards and reduce occupational health and safety risks."

Implementing and administrating the health and safety aspects of this system is the responsibility of a group of internal multidisciplinary professionals, comprised of civil and commercial engineers and human resource specialists, all with vast experience in the industry and in their respective areas of action.

Please also note that all of the company's facilities have a structure to handle occupational health and safety risks and hazards. These units are run by an Occupational Health and Safety Division that reports to the Corporate Operations Division.

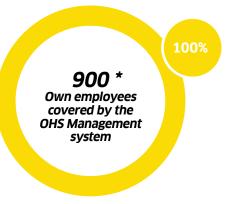
At the close of 2020, EECL employed 23 professional OHS experts, whose work is supported by 12 outside experts facilitated by the Chilean Safety Association, which is an insurance administrator for ENGIE Energía Chile. The Company also requires each contractor to have at least 1 OHS expert.

### **6.3.4 Continuing improvement**

Simpler is managed with resources of ENGIE Energía Chile and certified by outside entities. It involves processes based on the key principles of continuing improvement, namely: Plan, Implement, Verify and Act. As part of this cycle, the system addresses the cases using the SCRUM agile method.

The Simpler team is responsible for recording all OHS cases in the system database and verifying that the stages of continuing improvement are completed in each of the programs.

COVERAGE OF THE OHS MANAGEMENT SYSTEM OF ENGIE ENERGÍA CHILE (AT THE CLOSE OF 2020)



1,800 \*
Non-ENGIE
employees whose
work or workplace is
controlled by ENGIE,
covered by the OHS
Management
System

<sup>\*</sup> These same universes of own employees and contractor employees covered by the management system of ENGIE Energía Chile are subject to internal and external audits.



## 6.3.5 How we identify the hazards, assess the risks and investigate incidents

All activities and business lines of the Company prepare a risk and hazard identification, assessment and management matrix.

The processes in all our activities in this respect work under a system that involves the following phases:

Task or Activity Planning: **Work Permit**  If the task is critical, a special work permit is needed (SWP) Preparation of the Job Risk Analysis (JRA) and Job Safety Analysis (JSA)

**Consignment list** (Tagout and Lockout)

**Handbook**(on insulating energy or agents)

Each year the Human Resource Area designs a training and improvement plan to strengthen the technical and psychological skills of all employees. This program includes activities to ensure the quality of these processes and the understanding of the teams in charge.

All deviations, high-potential events (HIPOS) and accidents occurring during these tasks are analyzed integrally. This analysis is done by preparing a Root Cause Analysis (RCA), a

continuing improvement tool based on which action plans are defined to avoid recurrences.

There are no reprisals for workers reporting potential deviations or substandard conditions. Our teams can communicate their observations using the "Digital Operator." On this platform, the entire cycle of improvement applied as of the notice of the deviation or its condition is evaluated, managed, closed and reported to the particular worker.

### **OHS Performance**

in 2020

### **FREQUENCY RATIO**



3,800,000

Hours worked (2020 average)

### **SEVERITY RATIO**



MAIN TYPES OF INJURIES IN WORK ACCIDENTS OF OUR OWN EMPLOYEES

- → Slight burn
- → Slight blow to extremities







### 6.3.6 Employee participation

Simpler defines and establishes the processes for all employees and their representatives to ask questions and participate in the development, planning, implementation and evaluation of the performance and continuing improvement actions that are implemented within the management system. This participation involves unions and joint hygiene and safety committees and considers onsite inspections by employees and other stakeholders.

The employees of ENGIE Energía Chile are represented on the Joint Hygiene and Safety Committees and on the Site Committees. These committees meet monthly, as required by law, and hold special meetings when particular concerns or needs must be addressed.

Unions, on the other hand, also participate actively in occupational health and safety. They address topics at monthly meetings held with the Corporate Operations Division and Health and Safety Division.

### Joint Hygiene and Safety Committees in ENGIE Energía Chile

2019

Number of Joint Hygiene and Safety Committees existing in EECL

24

Employees represented on Joint Hygiene and Safety Committees

2.4%

Percentage of employees represented on Joint Hygiene and Safety Committees

2020

Number of Joint Hygiene and Safety Committees existing in EECL

Employees represented on Joint Hygiene and Safety Committees

Percentage of employees represented on Joint Hygiene and Safety Committees

We imparted 13,800 thousand hours of OHS Training, which meant an average of 18 hours of training annually per person.

### held during the workday, including those that require travel to a city or country. The company pays for the cost of flights, hotels, taxis and related services.

All these courses are free for employees and are

Through its technical training unit, the HR Area monitors, measures and evaluates to determine how effective these plans are and to identify new training needs.

### **6.3.7 Training in Occupational Health and Safety**

The training plans for these topics are defined by the OHS area based on its own needs. These plans address aspects from legal compliance to training in mandatory policies of the ENGIE Group, the development of skills in controlling major risks and certification, among other dimensions.

These requirements are defined with the support of the HR Division and translate into a joint work proposal to be prepared by the respective area.

Depending on the content, the courses are designed and imparted in person, online, through a combination of online and in person, and through webinars and technology platforms, among other formats.

### Main OHS **Courses held** in 2020

### **PREVENTING THE SPREAD OF COVID-19**

**NO LIFE AT RISK** 

RISK PREVENTION GUIDANCE

PREVENTION IN TELECOMMUTING

THE USE OF EXTINGUISHERS AND FIRST AID

**FIRST RESPONSE TO HEALTH EMERGENCIES** 



### Risk prevention training in numbers

**Employees** trained

387 2019

**693** 2020

**Total hours** of OHS training

5.096 2019

13.800 2020





### **6.3.8 Promoting Integral Health**

All employees in our company have access to timely, suitable medical services. To this end, we have an occupational health area that coordinates and monitors the needs of the teams. We also have a general medical area that operates as a health care center in Tocopilla, but will see any employee in the organization, regardless of their workplace.

In 2020, the work by this unit was focused on advising and implementing a plan for the monitoring and tracking of the conditions to prevent infection by COVID-19.

This area also permanently monitors the physical and psychological non-work parameters that may affect the general health of our collaborators, such as the Body Mass Index (BMI) and diabetes. In the context of the health crisis, part of this tracking involved implementing a burnout control system to detect vulnerabilities relating to personal stress and exhaustion.

The work we do as a company in these respects is in harmony with the law on protecting the private information of employees. We also protect that information to keep it from being used to give preferable or discriminatory treatment to someone.

# 6.4 Supplier Management

### WHY IS IT MATERIAL?

We aspire to build a bond of trust with suppliers grounded on mutual collaboration and ethical conduct in all processes comprising the chain of supply, with a great commitment to development in harmony with our environment.

### **HOW DO WE MANAGE IT?**

We have a procurement policy where the

guidelines are targeted to the acquisition of goods and services efficiently and opportunely while simultaneously guaranteeing responsible environmental management through transparent, competitive processes focused on the safety of people and on an integral development of our businesses technically, economically and sustainably so that appropriate goods, materials and services are received that our operations need on a daily basis.





### 6.4.1 New types of relationships

Among the main objectives of our activities in the recent year was the strengthening of commercial relations with suppliers strategic to our operation. As part of the digitalization of processes, one of the strategic pillars of our company, platforms were also set up to manage information to and from our suppliers. Some of these new digital platforms were:

### FEBOS SUPPLIER PORTAL

This platform will facilitate supplier self-management in the enrollment process and being an EECL Supplier in the general consultation of process information between EECL and Suppliers. In November 2020, we invited more than 1,300 suppliers of goods and services to join this platform, from whom we had purchased in 2019. As of December 2020, 160 of those companies were already working on this portal.

**2021 Goal:** Invite suppliers who have not yet been activated and issue instructions and training plans to facilitate the use of this platform.



### ARIBA SOURCING PLATFORM AND NETWORK

Adding this platform meant that the entire procurement process could be traced, which guaranteed the transparency and equity of the processes conducted by EECL's Procurement Division. Quotes can be uploaded and tenders held through this platform, in a secure digital environment. To participate, suppliers must register with this platform, at no cost.

**2021 Goal:** Promote the use of tools through supplier training programs.

## ENGIE Energía Chile Suppliers in numbers



NUMBER OF CONTRACTORS WITH EMPLOYEES AT OUR FACILITIES

1,233
TOTAL NUMBER
OF CONTRACTOR
EMPLOYEES

MUS\$ 149

Total purchases from domestic suppliers

MUS\$ **399** 

Total purchases from international suppliers

MUS\$ **548** 

Total sum paid to suppliers in 2020



### **6.4.2 Payment to suppliers**

Policies and procedures on timely payment to our suppliers were issued in 2020. Some of the resulting improvements were:

- We created policies on timely payment to strategic suppliers and a strategy of alignment with the new Supplier Payment Law.
- We changed the usual time of payment to our suppliers from 30 to 25 days after receipt of the tax document, which helps us fulfill our payment commitments before the invoice expiration.
- We made timely payment to suppliers more flexible by implementing spot payment against receipt of tax documents and the processing of early payments in exceptional cases. There was a considerable increase in this respect in 2020 compared to previous years, mainly because of the payment requirements for the purchase of inputs and services for the health crisis.
- We analyzed compliance with the payment strategy agreed with the suppliers of administrative services and we amended those that were outside of contract stipulations (such as fleet, facilities and other aspects).
- In 2021, we proposed the goal of implementing a Timely Supplier Payment Policy and Monitoring.

We made timely payment to suppliers more flexible by implementing spot payment.

## 6.4.3 Selection and Evaluation Criteria

Our supplier selection process considers the sustainability guidelines and directives of the ENGIE Group:

- Timely payment of social security for their employees; and
- Promotion and respect for the environment during the provision of services or supply of goods to the company.

In the implementation of renewable energy and transmission projects, we have posed the 2021 goal of including local suppliers in the chain of value. So, in 2020 we prepared a list of new suppliers in our areas of influence and identified those that were local SMEs that could be included in our procurement processes and regarding whom we believed it was pertinent to create a particular form of payment.

In order to share good practices with our contractors, in December 2020, like every year, we sent all of our active suppliers a letter on ethical conduct in which we explained our current ethical framework.

In 2021, our goal is to begin to include social and environmental criteria in supplier selection and evaluation.



## Employer **compliance**

In the past year, we conducted an exhaustive control of fulfillment of employer and social security obligations by our recurrent contractors in respect of their employees through an outside company specialized in that function. We extended this control to spot service contractors with employees at our sites.

## 6.4.4 Other 2021 supplier management challenges

- Incorporate safety as a specific measurement in the performance evaluation of suppliers. At this time only quality and deadlines are considered.
- Develop and implement new methods of rapprochement with our suppliers.
- Draft a Supplier Code of Conduct.
- Categorize suppliers and implement a Supplier Panel by category.
- Define and monitor action plans as a result of supplier evaluation.
- Expand the portfolio of suppliers of goods and services.

## 6.5 Employment and Culture

### WHY IS THIS MATERIAL?

Our growth strategy is developed in a business environment that is changing as a consequence of the transition to being carbon neutral, which requires an ongoing effort of adaptation by our employees.

### **HOW DO WE MANAGE IT?**

Through our internal culture management, we aim to create a commitment to our goals and objectives. We use several communication, training and consultation tools to help us evaluate how effective our initiatives are.



In 2020, the cultural dimensions we measured through ENGIE&ME scored higher than all the benchmarks against which we measured.



### **6.5.1 Culture**

The pandemic put to test our organizational consistency and cohesiveness. In this period, we were concerned that all our decisions regarding safety, leadership and customers were consistent with our purpose, adaptational challenges and the health crisis we were facing. In that direction, we implemented action plans that we then evaluated on the basis of the feedback we received from internal consultations and our communications channels

In 2020, we focused on reinforcing our organizational communications. We added different moments of feedback to the permanent delivery of information to ensure that our health and safety measures (both physical and emotional) were going in the right direction and appropriately responding to the needs and concerns of our employees. The good results that we obtained from these initiatives were due largely to the collaboration and ongoing feedback provided by employees.

We also developed new channels to maintain a direct, fluid communication among the executive staff in charge of decision-making and the organization.

We created instances of dialogue directly between employees and superiors and between employees and chief officers to understand the concerns and hear their observations about the measures that were being implemented. We also joined a survey taken regionally by the ENGIE Group to monitor employees' perceptions about the internal handling of the pandemic, their feelings and the support they had received from the company. One of the aspects surveyed involved a balance between personal and working life. We developed the ENGIE Life Program based on this analysis, created for the purpose of promoting a better balance.

This year we also took our ENGIE&ME survey by which we measure the impact of the actions we implement to strengthen cultural focal points.

According to this survey, especially considering the results for the safety pillar, employees positively evaluated the way in which the company handled the pandemic, which they also qualified as "consistent" with the corporate culture.

The scores showed a positive trend in all of the categories and the results were higher than all the benchmarks against which we measured. The most notable trends were in Sustainable Engagement, Safety and Leadership, and this latter category is the one with the greatest growth compared to evaluations in previous years.



### **6.5.2 Compensation and Benefits**

We maintained our same compensation system in 2020. Allocations and bonuses continued to be paid like any other year, as did merit raises and performance bonuses.

As a consequence of the pandemic and telecommuting, the restaurant check benefit was replaced by a cash allowance, which gave employees a greater flexibility in the use of this benefit.

We also launched the Beneflex flexible benefits program as part of the compensation for higher positions.

### Let's Go **ENGIE**

In 2020 we moved our offices to the Titanium building. This change involved a new way of working, with open workspaces, no private offices, and meeting rooms, among other changes.

To facilitate adopting this change, we created the Let's Go Engie program in which ambassadors were appointed, in charge of explaining the change in the way of working and mainly answering questions. It also included the Spocs, people who play the role of contact point for each employee.



This new program consists of giving executives a cash purse so that they can choose the benefits that best suit their needs according to their age and family group.

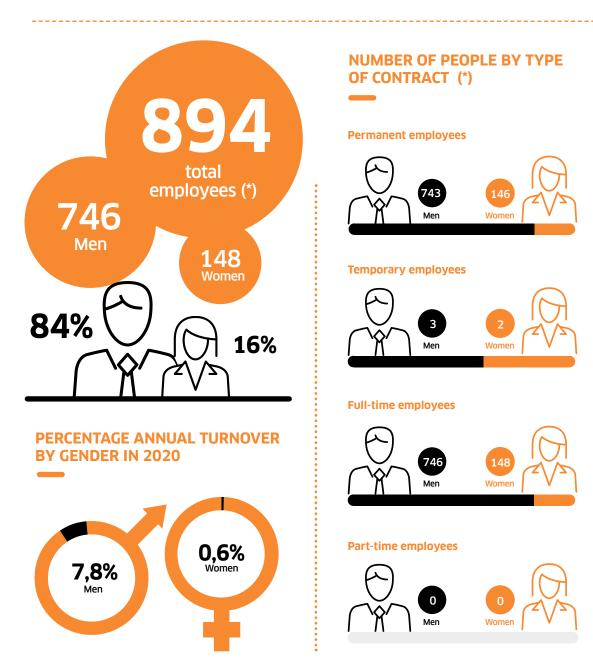
This change is aligned with a new way of working that we understand has come to stay after the pandemic, which will give employees a greater flexibility and better experience.

Challenge 2021

#### **CONSIDERING THE ENERGY TRANSITION**

Develop tools that automate processes and facilitate employees' experience with their needs and benefits.

## Our employees in numbers



(\*) This figure includes employees with continuing and fixed-term contracts with ENGIE Energía Chile and TENS.A.



# 6.6 Training and **Development**

### WHY IS IT MATERIAL?

Our business needs creative people who are leaders and have the necessary know-how to respond agilely to the needs of our customers.

### **HOW DO WE MANAGE IT?**

We manage this aspect through a training model that gives our employees the skills they need to successfully face the challenges of our business.





### 6.6.1 Formation

Through our training model, we address the skills and competencies required in our cultural focal points as well as the technical skills that our employees need to do their job.

Under our annual 2020 training plan, ENGIE Energía Chile's investment in training totaled US\$275,551.

In the past year, we imparted a total of 27,619 training hours to employees, which meant an average of 34 hours of training per person. We implemented an expanded training program for the maintenance area in line with the changes that we are implementing in that area.

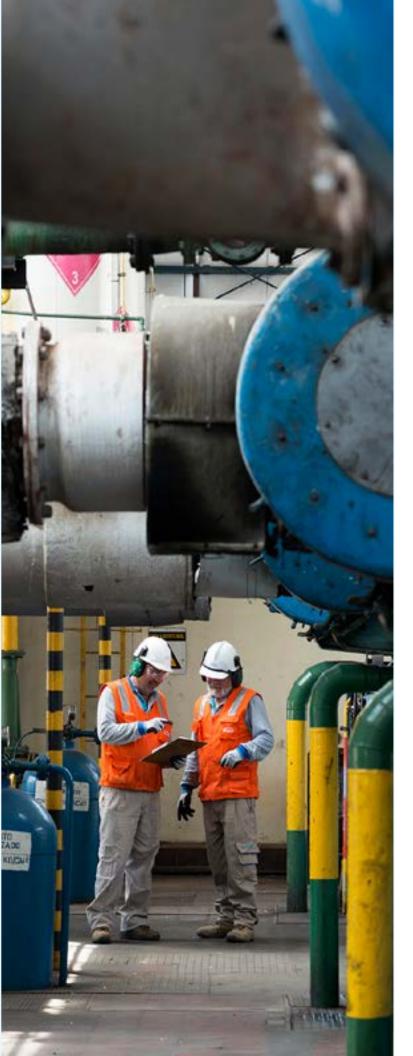
### 6.6.2 Leadership

Because of the pandemic, we focused on strengthening the skills and competencies of our leaders so that they could support their employees through specific initiatives and through our annual leadership plan. One of the initiatives is the Leaders in Action Program under which the following workshops were held:

- Leading in times of crisis: It addressed managing communications, adopting decisions agilely and quickly, closeness with employees, virtual meetings and emotional containment of people during the pandemic.
- Psychological first aid: it entailed transferring the tools to provide an initial containment.
- Wellbeing in times of crisis: It taught content for leaders to help their teams rescue positive aspects in difficult times. We also held workshops for supervisors and people working on site that included psychological support and emotional containment because of the impacts of the pandemic.

The annual Leadership Program strengthened the competencies and skills needed to confront the reality of the time. For example:

- It provided feedback on reports.
- Coaching tools to evaluate performance and development.
- Talks were given on the law and finance.



99% of the employees at ENGIE Energía Chile received their 2020 performance evaluation virtually.

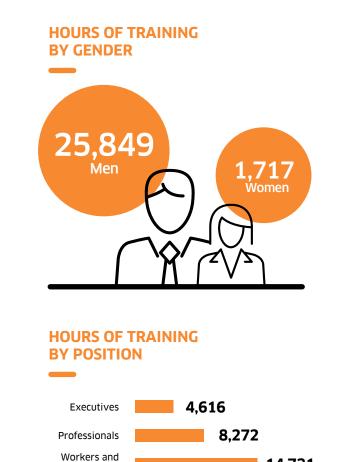
### **6.6.3 Performance Evaluation**

Despite the complications resulting from the health crisis, we conducted our performance evaluation process in 2020 with a 99% participation of employees. The performance evaluation and feedback are not only focused on what our goals/plans will become, but also on how, which is associated with our behavior and the "Leadership Way."

### 6.6.4 Induction

In 2020, we continued with our recruitment process. One of our advancements was to move the induction and welcome processes to a virtual format. This meant logistical challenges because it involved taking all the implements necessary for the job (chairs, computers, meal card and other elements) to the homes of the new employees so that they could receive the corporate induction on their first day at the Company. We also continued with our tutoring program. Our tutors guide the new hires. In subsequent interviews, the new hires positively evaluated this effort and emphasized their closeness.

## Training in numbers





### **TOTAL HOURS OF TRAINING BY AREA**

992

administrative staff

Administrative employees (excluding e-learning)

**21**Quality, environment

and safety

14,731

8,048
Technical
(e-learning
excluded)

**16,788** E-learning

## 6.7 Diversity and Inclusion

### WHY IS IT MATERIAL?

Our sustainability strategy is focused on providing a safe work environment that offers conditions for everyone to develop without distinction by gender.

### **HOW DO WE DO IT?**

We have a work plan that contains mediumand long-term commitments and goals to achieve gender equity within our organization.



### 6.7.1 Gender equity

ENGIE Energía Chile is working on increasing the participation of women in the company and in our managerial staff in line with the goal of 50% of executive positions being held by women, as proposed by the ENGIE Group for 2030.

To that end, we incorporated women as candidates in the search for new talent and if experience and knowledge were equal, we chose the women.

Our main progress in this area in 2020 was:

- We began to design a Diversity Plan.
- We conducted an analysis based on the 7 Women's Empowerment Principles of the UN to determine our gaps in connection with internal policies, awareness and equal pay.
- We organized sensitization talks on unconscious biases for leaders and employees.
- We deployed a communications campaign oriented towards highlighting women who currently performed roles traditionally occupied by men.



### 6.7.2 Inclusion

In the past year, with the support of a consultant, we designed an inclusion plan that will be implemented in 2021. This program will contain an analysis to learn how much our employees know about this subject. It will also include sensitivity talks and an exhaustive review of our facilities to detect and implement the required adaptations.

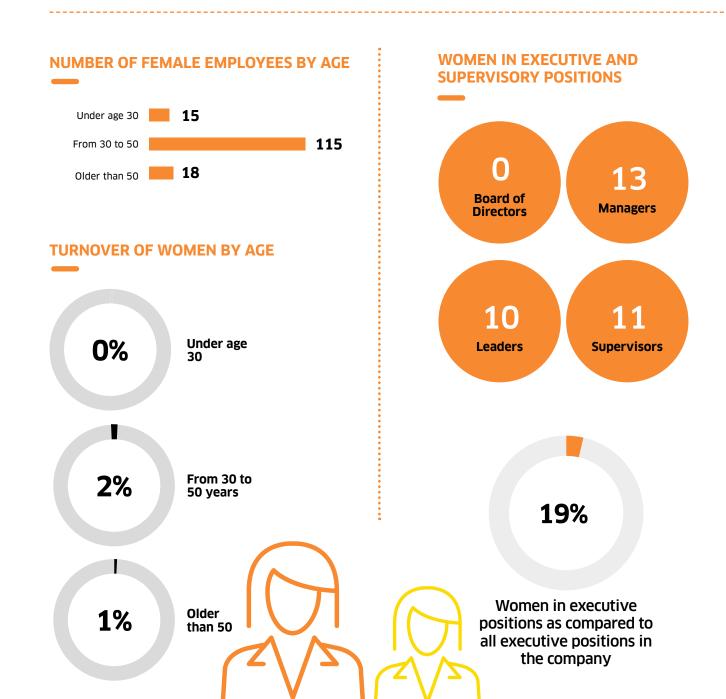
Another part of this plan will be to impart specific training of the People Division from which we want to learn how to design inclusive searches and selection interviews, among other procedures.

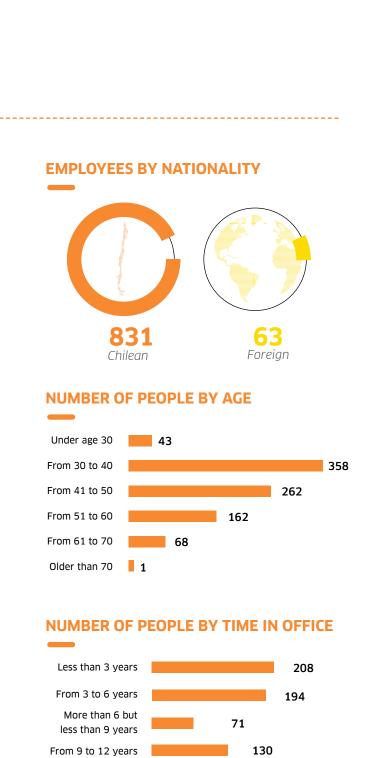
Our challenges 2021

### PROGRESS IN OUR DIVERSITY PLAN WITH A GENDER FOCUS

- Devise a benefit plan that contributes to diversity
- Work on a specific work plan with women.

## **Inclusion and diversity in** ENGIE Energía Chile 2020





More than 12 years





### **6.7.3** Pay gap

ENGIE Energía Chile manages the compensation system based on the HAY Model. This method defines compensation levels by position, meaning based on the functions performed by the position in which know-how, problem-solving and responsibility are evaluated so that there is no bias or discrimination.

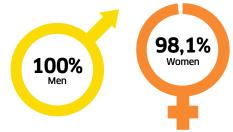
Using this approach, the differences between the compensation of men and women that might arise in the company are due to variables such as time in office and the specificity of the positions.

#### Therefore:

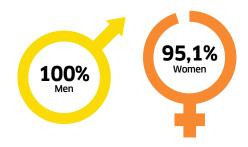
- The greatest gaps are seen in levels where there is a lower turnover and a longer time of employment. The same occurs with some positions for which there are only male candidates. For example, supervisors in renewable energy construction projects, which are currently quite in demand on the market.
- On the other hand, there are virtually no pay gaps at the higher levels, explained by their greater mobility.

### **PAY GAP BY POSITION**

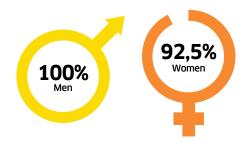




### **Tactical Professionals**



### **Workers and Administrative Staff**



### **6.7.4 Union Relations**

In 2020, the relations between the company and its unions were focused on defining together a large part of the contingency plans to maintain an operational continuity and ensure the health of employees, both internal and external, during the pandemic. Specifically, in the setting of this crisis, unions:

- facilitated these changes by their openness to dialogue, their understanding and continuing negotiation.
- played the role of containing their members in the face of the uncertainty caused by the pandemic.
- were guarantors of the health care and wellbeing of all employees and their families. As a result of this ongoing cooperation, several initiatives were implemented and actions taken that proved to be key in this period, the most notable being:

- changes in work schedules and times: for 6 months, extended shifts of 14 days on and 14 days off were established.
- a protocol on the monitoring, testing and tracing of cases.
- Telecommuting: Telecommuting was put into effect right after the health crisis was declared and was perfected by company defining a telecommuting policy.
- Extraordinary health care measures were imposed at work sites, for transportation, in cafeterias, operations rooms and scheduled maintenance.
- A modular camp was set up in record time to house operations employees in Mejillones.
- Talks were held weekly to disclose information to unions and discuss the evolution of the crisis (See more in the Operational Continuity Chapter).

#### **COLLECTIVE BARGAINING**

In 2020, ENGIE Energía Chile also held early collective bargaining with four of its unions. This was conducted virtually over a period of two months and ended with the signature of a three-year agreement.



### **2021 LABOR RELATIONS CHALLENGES**

- Provide transparent labor relations mechanisms.
- Encourage the participation and interaction with union organizations to build a common agenda.
- Establish an agenda and task force that meets regularly to handle concerns, proposals and improvements proposed by unions.

### **EECL UNIONIZATION RATES**

	2018	2019	2020
Number of unions	7	7	7
% unionization	84.42%	77.28%	77.56%
Coverage under collective bargaining agreements (number of people)	723	653	660
Strikes in the year	0	0	0
Number of years with no strikes	14	15	16





## 7.1 Legal Information

### 7.1.1 Charter Documents

ENGIE Energía Chile S.A. was incorporated by capital contributions from Empresa Nacional de Electricidad S.A. (Endesa) and the Production Development Association (Corfo). It was incorporated under the name of Empresa Eléctrica del Norte Grande Limitada (Edelnor) by public deed executed October 22, 1981, in the notarial office of Enrique Morgan Torres. An abstract of that deed was registered on page 556 (overleaf), No. 314, in the Commercial Register of the Antofagasta Real Estate Registrar, and it was published in the Official Gazette on November 7, 1981.

### 7.1.2 Main Modifications

The business of the company is the production, transmission, distribution and supply of electricity; the purchase, sale and transport of all types of fuels, whether liquid, solid or gaseous; the rendering of consulting services in all areas and fields of engineering and business management; and the provision of electric system maintenance and repair services.

Since its incorporation ENGIE Energía Chile S.A. has undergone several modifications, the most important of which are described below:

### **MAIN MODIFICATIONS**

DATE OF PUBLIC DEED	MODIFICATION	NOTARIAL OFFICE	REGISTRATION	REGISTER	PUBLICATION IN THE OFFICIAL GAZETTE
09/30/1983	The company (then Edelnor) was converted into a continuing open corporation traded on the country's stock exchanges.	Enrique Morgan Torres	Page 467, No. 244	1983 Commercial Register of the Antofagasta Real Estate Registrar	11/03/1983
11/09/1988	A Special Shareholders Meeting decided to divide the company effective July 1, 1998, into four corporations: a continuing company that would retain its name and three new open corporations: Empresa Eléctrica de Antofagasta S.A. (Elecda S.A.), Empresa Eléctrica de Iquique S.A. (Eligsa S.A.) and Empresa Eléctrica de Arica S.A. (Emelari S.A.)	Vicente Castillo Fernández, Antofagasta	Page 1,141, No. 437	1988 Register of the Antofagasta Real Estate Registrar	01/03/1989
03/13/2002	A Special Shareholders Meeting held March 13, 2002, resolved to amend the bylaws to move the registered offices from the city of Antofagasta to Santiago, in the municipality of Las Condes.	María Soledad Santos Muñoz, Antofagasta	Page 8,180, No. 6,673	2002 Commercial Register of the Santiago Real Estate Registrar	03/23/2002



### MAIN MODIFICATIONS (CONTINUATION)

DATE OF PUBLIC DEED	MODIFICATION	NOTARIAL OFFICE	REGISTRATION	REGISTER	PUBLICATION IN THE OFFICIAL GAZETTE
06/02/2004	A Special Shareholders Meeting held April 26, 2004, resolved to modify the company's capital in order to state it in dollars of the United States of America.	Fernando Opazo Larraín, Santiago	Page 17,684, No. 13,314	2004 Commercial Register of the Santiago Real Estate Registrar	06/18/2004
12/29/2009	A Special Shareholders Meeting held December 29, 2009, decided:  A) to merge EDELNOR with Inversiones Tocopilla-1 S.A. ("Tocopilla" or the "Absorbed Company") by the absorption of Tocopilla by EDELNOR. As a result, Inversiones Tocopilla-1 S.A. was dissolved and all of its assets and liabilities were transferred in block to the company. The shareholders in Tocopilla received shares issued by EDELNOR in exchange, in the manner and periods agreed by that Shareholders Meeting.  B) Because of the company's merger with Inversiones Tocopilla-1 S.A: and the merger conditions, to increase the capital by US\$704,404,607.11 through the issuance of 604,176,440 new shares with no par value, in one series and of the same par value as the remaining shares in the company.	Iván Torrealba Acevedo, Santiago	Page 3,581, No. 23	2010 Commercial Register of the Santiago Real Estate Registrar	01/22/2010
05/04/2010	A Special Shareholders Meeting held April 27, 2010, amended the company's by-laws to change its name to E.CL S.A., with the right to do business under the acronym "E.CL."	Iván Torrealba Acevedo, Santiago	Page 22,767, No. 15,578	2010 Commercial Register of the Santiago Real Estate Registrar	05/11/2010
03/30/2011	The ipso jure decrease in capital was declared.	Iván Torrealba Acevedo, Santiago			
05/09/2016	A Special Shareholders Meeting held April 26, 2016, amended the company's by-laws to change its name to "ENGIE Energía Chile S.A."	Iván Torrealba Acevedo, Santiago	Page 34,238, No. 18,064	2016 Commercial Register of the Santiago Real Estate Registrar.	05/19/2016

## 7.1.3 Share Transactions by Related Parties

The management of ENGIE Energia Chile did not receive any reports of any purchases of the company's shares by its majority shareholders, chairman, directors, CEO or senior executives during 2020.



### 7.1.4 Ownership

12 largest shareholders as of December 31, 2020:

NAME	NUMBER OF SHARES	INTEREST
ENGIE Latam S.A.	631,924,219	59.99%
Banco Santander for account of foreign investors	35,480,295	3.37%
Banco de Chile for account of State Street	31,315,100	2.97%
AFP Capital S.A. Type A Fund	18,367,789	1.74%
AFP Provida S.A. Type C Fund	18,277,635	1.74%
AFP Provida S.A. Type B Fund	16,154,591	1.53%
AFP Capital S.A. Type B Fund	15,899,652	1.51%
AFP Provida S.A. Type A Fund	15,232,414	1.45%
AFP Habitat S.A. Type A Fund	15,014,763	1.43%
Moneda S.A. AFI for Pionero Investment Fund	14,744,000	1.40%
Larrain Vial S.A. Corredora de Bolsa	13,065,953	1.24%
BCI Corredores de Bolsa S.A.	15,582,335	1.48%
Other shareholders	212,251,030	20.15%
Total	1,053,309,776	100.00%



### **Types of Shareholders**

ТУРЕ	NUMBER OF SHAREHOLDERS	PERCENTAGE BY TYPE	NUMBER OF SHARES PAID IN				
Individual	4,669,766	0.44%	4,669,766				
Legal Entity	1,048,640,010	99.56%	1,048,640,010				
Total	1,053,309,776	100%	1,053,309,776				

### **ENGIE Energía Chile Stock Trading in 2020**

PERIOD	NUMBER OF SHARES	PRICE	AVERAGE PRICE PER SHARE
1 quarter	68,771,264	74,671,759,018	1,039
2 quarter	94,796,067	96,061,469,567	1,025
3 quarter	51,590,387	55,535,099,348	1,037
4 quarter	155,346,177	143,485,223,674	868

### 7.1.5 Dividend Policy

The EECL dividend policy, approved that the Regular Shareholders Meeting held Tuesday, April 28, 2020, is to distribute at least the minimum mandatory dividend according to the law and bylaws during the course of each fiscal year. To the extent the business situation allows, always taking into consideration the projects and development plans of the company, interim of final dividend distributions may be approved above the minimum mandatory dividend. Subject to Board approval, efforts will be made to distribute the profits from each fiscal year in the form of interim dividends based on the results of the financial statements for the first three quarters, plus a final dividend payable in May of each year.

At its meeting held May 28, 2019, the Company's Board approved payment of an interim dividend

to shareholders on account of 2019 fiscal year profits for a total of US\$50,000,000, corresponding to a dividend of US\$0.047469416 per share, which was paid in the Chilean peso equivalent on June 21, 2019.

On December 13, 2019, the company paid a second interim dividend against 2019 fiscal year profits for US\$40 million, or US\$0.03798 per shares, approved by the Board on November 26, 2019.

On April 28, 2020, the Regular Shareholders Meeting decided not to pay a final dividend to shareholders on account of 2019 fiscal year profits because of the outbreak of the COVID-19 pandemic. Therefore, dividends against 2019 fiscal year profits totaled US\$90 million, equal to 81% of the net profits in the fiscal year that totaled US\$110.8 million.

On October 27, 2020, the Company's Board approved distribution of an interim dividend of US\$66.6 million against 2020 fiscal year profits, which was a dividend of US\$0.0632310625 per share that was paid to shareholders in the Chilean peso equivalent on November 30th, converted at

the Observed dollar exchange rate published in the Official Gazette on November 23rd.

The dividends paid since 2010 are shown in the next table:

### Dividends paid by Engie Energía Chile S.A.

PAYMENT DATE	TYPE OF DIVIDEND	AMOUNT (IN US\$ MILLIONS)	US\$ PER SHARE
May 4, 2010	Final (against net profits for 2009)	77.7	0.07370
May 4, 2010	Additional (against net profits for 2009)	1.9	0.00180
May 5, 2011	Final (against net profits for 2010)	100.1	0.09505
August 25, 2011	Interim (against net profits for 2011)	25.0	0.02373
May 16, 2012	Final (against net profits for 2011)	64.3	0.06104
May 16, 2013	Final (against net profits for 2012)	56.2	0.05333
May 23, 2014	Final (against net profits for 2013)	39.6	0.03758
September 30, 2014	Additional (against net profits for 2014)	7.0	0.00665
May 27, 2015	Final (against net profits for 2014)	19.7	0.01869
October 23, 2015	Additional (against net profits for 2015)	13.5	0.01280
January 22, 2016	Additional (against net profits for 2015)	8.0	0.00760
May 26, 2016	Final (against net profits for 2015)	6.8	0.00641
May 26, 2016	Additional (against net profits for 2016)	63.6	0.06038
May 26, 2016	Final (against net profits for 2016)	12.8	0.01220
May 18, 2017	Final (against net profits for 2017)	30.4	0.02888
October 25, 2018	Additional (against net profits for 2018)	26.0	0.02468
May 24,2019	Final (against net profits for 2018)	22.1	0.02102
June 21, 2019	Additional (against net profits for 2019)	50.0	0.04747
December 13, 2019	Additional (against net profits for 2019)	40.0	0.03798



## 7.1.6 Trademarks, Patents, Licenses, Franchises, Royalties and/or Concessions as of December 2020

TRADEMARK	APPLICATION NO.	ТҮРЕ	CLASS(ES)	APPLICATION DATE	STATUS	REGISTRATION NO.	REGISTRATION DATE	COVERAGE	HOLDER	EXPIRATION DATE
CENTRAL TERMOELECTRICA ANDINA	848563	Denominative	37 39 40 42	17-Dec-08	Registered	873762	25-Jan-10	Services	Central Termoeléctrica Andina S.A.	25-Jan-30
СТА	848564	Denominative	37 39 40 42	17-Dec-08	Registered	1027608	02-Aug-13	Services	Central Termoeléctrica Andina S.A.	02-Aug-23
PUERTO ANDINO	1249504	Denominative	36	06-Apr-17	Registered	1259247	14-Sep-17	Services	Central Termoeléctrica Andina S.A.	14-Sep-27
PUERTO ANDINO	1249505	Denominative	37	06-Apr-17	Registered	1269674	15-Feb-18	Services	Central Termoeléctrica Andina S.A.	15-Feb-28
PUERTO ANDINO	1249507	Denominative	39	06-Apr-17	Registered	1265467	13-Dec-17	Services	Central Termoeléctrica Andina S.A.	13-Dec-27
PUERTO ANDINO	1249508	Denominative	42	06-Apr-17	Registered	1261415	18-Oct-17	Services	Central Termoeléctrica Andina S.A.	18-Oct-27
PUERTO DE TOCOPILLA	979777	Denominative	39	18-Nov-11	Registered	945854	18-Jan-12	Services	Electroandina S.A.	18-Jan-22
	1081618	Label	35 36 37 38 39 40 42	06-Nov-13	Registered	1066231	27-Nov-13	Services	ENGIE ENERGÍA CHILE S.A.	27-Nov-23
	1081624	Label	35 36 37 38 39 40 42	06-Nov-13	Registered	1069793	04-Dec-13	Services	ENGIE ENERGÍA CHILE S.A.	04-Dec-23
DISTRINOR	1003230	Denominative	39	17-Apr-12	Registered	971387	21-Jun-12	Services	ENGIE ENERGÍA CHILE S.A.	21-Jun-22
E.CL	329044	Mixed	04 Sep 16	28-Feb-20	Registered	896784	10-Sep-20	Products	ENGIE ENERGÍA CHILE S.A.	10-Sep-30
E.CL	891537	Mixed	35 36 37 39 40 42	13-Jan-10	Registered	942347	17-Jan-12	Services	ENGIE ENERGÍA CHILE S.A.	17-Jan-22
E·CL GREEN	1164325	Mixed	37 39 40 42	30-Jul-15	Registered	1218377	26-Aug-16	Services	E.CL S.A.	26-Aug-26
EDELNOR	329045	Denominative	35 37 39 40	28-Feb-20	Registered	905136	16-Dec-20	Services	ENGIE ENERGÍA CHILE S.A.	16-Dec-30
EDELNOR	1037224	Denominative	42	10-Dec-12	Registered	1012123	18-Feb-13	Services	ENGIE ENERGÍA CHILE S.A.	18-Feb-23
GNE GAS NATURAL ESENCIAL	1027237	Mixed	04 16 35 39 40	28-Sep-12	Registered	1131771	09-Oct-14	Products and Services	ENGIE ENERGÍA CHILE S.A.	09-Oct-24
IMA	1309692	Denominative	07	17-Dec-18	Registered	1303829	14-Aug-19	Products	ENGIE ENERGÍA CHILE S.A.	14-Aug-29
IMA	1309694	Denominative	09	17-Dec-18	Registered	1298455	05-Jun-19	Products	ENGIE ENERGÍA CHILE S.A.	05-Jun-29
IMA	1309699	Denominative	11	17-Dec-18	Registered	1305934	12-Sep-19	Products	ENGIE ENERGÍA CHILE S.A.	12-Sep-29
IMA	1309703	Denominative	35	17-Dec-18	Registered	1311557	05-Dec-19	Services	ENGIE ENERGÍA CHILE S.A.	05-Dec-29
IMA	1309704	Denominative	36	17-Dec-18	Registered	1300274	28-Jun-19	Services	ENGIE ENERGÍA CHILE S.A.	28-Jun-29
IMA	1309706	Denominative	37	17-Dec-18	Opposed			Services	ENGIE ENERGÍA CHILE S.A.	
IMA	1309708	Denominative	39	17-Dec-18	Registered	1314736	17-Jan-20	Services	ENGIE ENERGÍA CHILE S.A.	17-Jan-30
IMA	1309712	Denominative	40	17-Dec-18	Registered	1317093	25-Feb-20	Services	ENGIE ENERGÍA CHILE S.A.	25-Feb-30
IMA	1309713	Denominative	41	17-Dec-18	Registered	1320764	23-Apr-20	Services	ENGIE ENERGÍA CHILE S.A.	23-Apr-30
IMA	1309718	Denominative	42	17-Dec-18	Opposed			Services	ENGIE ENERGÍA CHILE S.A.	
Ima	1309722	Mixed	07	17-Dec-18	Registered	1303830	14-Aug-19	Products	ENGIE ENERGÍA CHILE S.A.	14-Aug-29
Ima	1309728	Mixed	09	17-Dec-18	Registered	1300275	28-Jun-19	Products	ENGIE ENERGÍA CHILE S.A.	28-Jun-29
Ima	1309729	Mixed	11	17-Dec-18	Registered	1305935	12-Sep-19	Products	ENGIE ENERGÍA CHILE S.A.	12-Sep-29
Ima	1309731	Mixed	35	17-Dec-18	Registered	1309642	12-Nov-19	Services	ENGIE ENERGÍA CHILE S.A.	12-Nov-29
Ima	1309732	Mixed	36	17-Dec-18	Registered	1300276	28-Jun-19	Services	ENGIE ENERGÍA CHILE S.A.	28-Jun-29
Ima	1309734	Mixed	37	17-Dec-18	Opposed			Services	ENGIE ENERGÍA CHILE S.A.	
Ima	1309736	Mixed	39	17-Dec-18	Registered	1314737	17-Jan-20	Services	ENGIE ENERGÍA CHILE S.A.	17-Jan-30
Ima	1309741	Mixed	40	17-Dec-18	Registered	1317094	25-Feb-20	Services	ENGIE ENERGÍA CHILE S.A.	25-Feb-30

TRADEMARK	APPLICATION NO.	ТУРЕ	CLASS(ES)	APPLICATION DATE	STATUS	REGISTRATION NO.	REGISTRATION DATE	COVERAGE	HOLDER	EXPIRATION DATE
Ima	1309739	Mixed	41	17-Dec-18	Registered	1320765	23-Apr-20	Services	ENGIE ENERGÍA CHILE S.A.	23-Apr-30
Ima	1309740	Mixed	42	17-Dec-18	Opposed			Services	ENGIE ENERGÍA CHILE S.A.	
Т	811926	Mixed	39 40	18-Mar-08	Registered	828494	29-May-08	Services	ENGIE ENERGÍA CHILE S.A.	29-May-28
	809736	Label	39	29-Feb-08	Registered	838560	09-Jan-09	Services	Gasoducto Nor Andino S.A.	27-Feb-28
	809737	Label	04	29-Feb-08	Registered	847321	27-Feb-18	Products	Gasoducto Nor Andino S.A.	27-Feb-28
GASODUCTO NOR ANDINO	942751	Denominative	39	01-Mar-11	Registered	917542	22-Jun-11	Services	Gasoducto Nor Andino S.A.	22-Jun-21
GASODUCTO NOR ANDINO	943489	Denominative	04	08-Mar-11	Registered	917823	30-May-11	Products	Gasoducto Nor Andino S.A.	30-May-21
стн	848565	Denominative	37 39 40 42	17-Dec-08	Registered	872006	07-Jan-10	Services	Inversiones Hornitos S.A.	07-Jan-30
HORNITOS	848566	Denominative	37 39 40 42	17-Dec-08	Registered	872007	07-Jan-10	Services	Inversiones Hornitos S.A.	07-Jan-30
TEN	1162942	Denominative	37 39 40 42	20-Jul-15	Registered	1232831	05-Jan-17	Services	Transmisora Eléctrica del Norte S.A.	05-Jan-27
TEN	1162940	Mixed	37 39 40 42	20-Jul-15	Registered	1211970	07-Jul-16	Services	Transmisora Eléctrica del Norte S.A.	07-Jul-26
TEN	1375329	Mixed	37	23-Sep-20	In process			Services	Transmisora Eléctrica del Norte S.A.	
TEN	1375330	Mixed	39	23-Sep-20	In process			Services	Transmisora Eléctrica del Norte S.A.	
TEN	1375354	Mixed	40	23-Sep-20	In process			Services	Transmisora Eléctrica del Norte S.A.	
TEN	1375355	Mixed	42	23-Sep-20	In process			Services	Transmisora Eléctrica del Norte S.A.	
TEN UNA EMPRESA RED ELÉCTRICA INTERNACIONAL	1375356	Mixed	37	23-Sep-20	In process			Services	Transmisora Eléctrica del Norte S.A.	
TEN UNA EMPRESA RED ELÉCTRICA INTERNACIONAL	1375331	Mixed	39	23-Sep-20	In process			Services	Transmisora Eléctrica del Norte S.A.	
TEN UNA EMPRESA RED ELÉCTRICA INTERNACIONAL	1375332	Mixed	40	23-Sep-20	In process			Services	Transmisora Eléctrica del Norte S.A.	
TEN UNA EMPRESA RED ELÉCTRICA INTERNACIONAL	1375333	Mixed	42	23-Sep-20	In process			Services	Transmisora Eléctrica del Norte S.A.	

### 7.1.7 Main Suppliers

As of December 31, 2020, the main suppliers of ENGIE Energía Chile who represent 80% of purchases were:

### SPARE PARTS AND SERVICES FOR GENERATING UNITS

G.E. (General Electric) ANSALDO ENERGÍA SPA DOOSAN SKODA POWER SRO

### SPARTE PARTS AND SERVICES FOR GENERATION AND TRANSMISSION

SIEMENS S.A.

### **INDUSTRIAL CLEANING**

SOC. POR ACCIONES LSV INDUSTRIAL SPA ISS CHILE S.A.

### TRANSMISSION PROJECT EQUIPMENT AND SERVICES

SIEMENS GRID SOLUTIONS CRUZ Y DÁVILA INGENIEROS TOZZI LATAM SPA

### WIND FARM EQUIPMENT

SIEMENS

### **INFRASTRUCTURE**

FLESAN MINERÍA

### **SUBMARINE SERVICES**

SOLMATEK SERVICIOS INDUSTRIALES

### **INDUSTRIAL PROTECTION**

SOCIEDAD DE MANTENCIÓN, CONSERVACIÓN Y REPARACIÓN S.A. (SOMACOR)

### **IT SUPPORT**

ACT

### **INDUSTRIAL OPERATION**

SOC MARÍTIMA Y COMERCIAL SOMARCO LTDA. SERVICIOS INDUSTRIALES LIMITADA (AXINNTUS) IMA INDUSTRIAL SPA ADECCO RECURSOS HUMANOS S.A. ABB S.A. ARQUITECTURA Y CONSTRUCCIÓN WORKPLACE

### **GAS PIPELINE SERVICES**

COMGAS ANDINA

### **SOLAR FARM EQUIPMENT**

TRINA SUNGROW

### **FUEL SUPPLY**

COPEC

## 7.2 Directors **Committee** Report

In compliance with article 50-bis of Law 18,046, the company's Board of Directors agreed, at its Meeting #598 held April 28, 2020, to appoint Mauro Valdés Raczynski, Cristian Eyzaguirre Johnston and Claudio Iglesis Guillard as members of the Directors Committee, all of whom are independent directors. Mauro Valdés Raczynski was elected chairman at the Committee meeting held on that same date.

The Directors Committee met regularly during 2020 and accomplished the following:

- 1. It examined and adopted a decision on the quarterly financial statements of the Company in 2020.
- 2. It met with the Company's external auditing firm and the Internal Auditor and Crime Prevention Officer.
- 3. It reviewed the transactions with related parties discussed in the next point.

### TRANSACTIONS WITH RELATED

In accordance with article 50-bis of Law 18,046, in 2020, the Directors' Committee examined information on the company's transactions with related parties pursuant to Title XVI of Law 18,046, and it recommended approval of the following acts and contracts:

1. The purchase of all or part of the gas surplus available in 2020 from **Sociedad GNL Meillones S.A.** in compensation for the increased efficiency in regasification and gas storage (Committee Meeting held January 28, 2020).





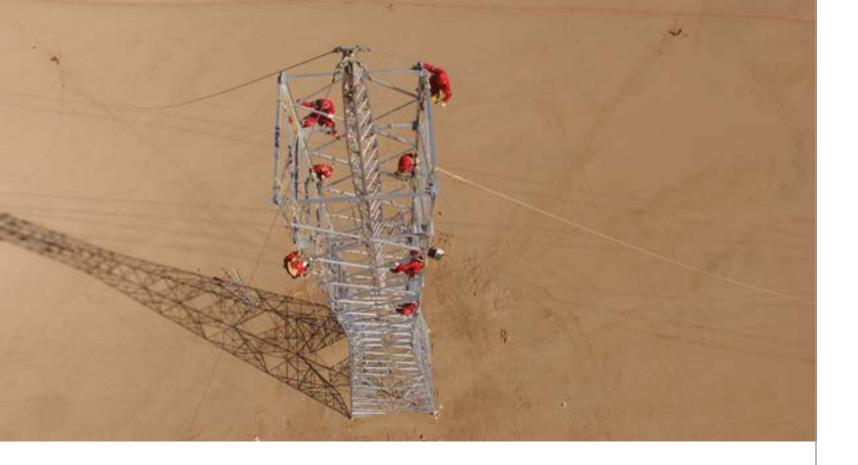


- 2. The inclusion in the contract with **Engie Services** for operation and maintenance of the limestone plant major additional work in the event of emergencies not contained in the maintenance schedule (Committee Meeting held January 28, 2020).
- 3. A contract with **Electrabel Corporate HQ Benelu**x to set up the ROBIN monitoring platform for units CTM3 and 16 (Committee Meeting held January 28, 2020).
- **4.** Regularization of the compensation to the Company's former managers through a reimbursement from Engie Latam and BU Hidrógeno, related companies (Committee Meeting held January 28, 2020).
- **5.** A 12-month extension of the contract with **Tractebel Engineering** for technical and professional support services in developing new projects (Committee Meeting held March 3, 2020).
- **6.** Extension of the car-sharing agreement with Los Andes Rent a Car through April 2021, which includes vehicle rental (Committee Meeting held March 3, 2020).

- **7.** A contract with **Engie Services** for the installation of an electrical charger and magnetic box to keep car keys at EECL's new offices (Committee Meeting held March 3, 2020).
- **8.** A contract with **Engie Services** for the supply of a pilot DSM control monitoring system at Mall Plaza Antofagasta (Committee Meeting held March 3, 2020).
- **9.** Payment to **Engie University** for the 7 EECL employees that took the Challenge Up course (Committee Meeting held March 3, 2020).
- 10. The purchase of a full or half shipment of liquefied natural gas from Total S.A., a **GEM** (ENGIE Trading) related company, or from any other authorized supplier; and a regasification and storage contract for this purpose with **GNL Mejillones S.A.** and, eventually, with any user under the Terminal Use Agreement (TUA) (Committee Meeting held March 31, 2020).
- 11. A contract with **Engie Digital** for monitoring of the DARWIN WEB in order to remotely supervise and control the operation of renewable energy power plants in Chile (Committee Meeting held April 28, 2020).

- 12. The extension through March 2021 of the contract with **Engie Services** for operation, maintenance, calibration and issuance of reports on the IEM Continuing Emissions Monitoring System (Committee Meeting held April 28, 2020).
- 13. CA sublease with Transmisora Eléctrica del **Norte S.A.** of an area of 380 square meters on the 11th floor in the building at Apoquindo 3721 to temporarily move the EECL Dispatch Control Center to that location (Committee Meeting held May 26, 2020).
- **14.** A contract with **Engie Services** to subcontract the cleaning of the Altonorte 23kV lines and to rent a washing truck to Engie Services for the number of hours required for this cleaning (Committee Meeting held May 26, 2020).
- **15.** Signature of a release for the services provided by **Engie Solar** in the stages of development and procurement of the renewable asset projects and control in respect of the Capricornio and Tamaya photovoltaic plants (Committee Meeting held Mary 26, 2020).





- **16.** A contract with **Engie Solar** for engineering services for the Coya photovoltaic project (Committee Meeting held May 26, 2020).
- **17.** The contribution of initiatives involving related companies to the social aid initiatives of the **Engie Group** (Committee Meeting held May 26, 2020).
- 18. The purchase of the Laja Power Plant and Monte Redondo Wind Farm through the purchase of all of the shares in Eólica Monte Redondo S.A. (Committee Meeting held May 29, 2020).
- **19.** A Master Administrative Services (MASA) with **ENGIE Energía Perú S.A.** for PaaS access to the server platform at the SAP HEC Data Center (Committee Meeting held June 30, 2020).
- 20. A tender to which **GEM** (ENGIE Trading) may be invited for the purchase of a full cargo or half cargo of liquefied natural gas, either individually or in conjunction with Kelar S.A., and a gas sale agreement with the awarded supplier (Committee Meeting held June 30, 2020).

- 21. A contract with **GNL Mejillones S.A.** and, eventually, with some of the actual users of its regasification terminal for the regasification and storage of the quantity of natural gas acquired, by means of signature of a TUA (Committee Meeting held June 30, 2020).
- **22.** Extension of the maintenance contract with **ENGIE Services** for the Los Loros photovoltaic farm to include the new Capricornio and Tamaya solar farms, including preventive and regular corrective maintenance, provided Management presents a risk analysis of having only one operating contractor (Committee Meeting held August 25, 2020).
- 23. A maintenance contract with **ENGIE Services** for specific maintenance of medium-voltage cells and step-up substation equipment at the Calama wind farm (Committee Meeting held August 25, 2020).
- **24.** A master administrative services agreement with **ENGIE Services** to provide cybersecurity and access to technology server platforms at the Data Center as well as help center support services for such platform (Committee Meeting held August 25, 2020).

- 25. Payment to **ENGIE Latam** for The Mind Gym ENGIE Booster program taken by EECL employees at ENGIE University (Committee Meeting held August 25, 2020).
- **26.** Payment to **Engie S.A.** for the Microsoft Office 365 licenses under the corporate contract between Engie S.A. and Microsoft for the period from October 2019 to September 2020 (Committee Meeting held August 25, 2020).
- 27. A Master Administrative Services Agreement with companies in the ENGIE Group engaged in the gas business, namely GNL Mejillones S.A., ENGIE Gas Chile SpA and ENGIE Stream Solutions Chile, to provide recurrent and non-recurrent administrative services and access to server platforms in the Data Center (Committee Meeting held September 29, 2020).
- 28. A Master Administrative Services Agreement with **ENGIE Latam S.A.** for recurrent and non-recurrent administrative services and access to the server platform in the Data Center (Committee Meeting held September 29, 2020).
- 29. The revocation and release of a purchase agreement with **GEM**, a related company, for the purchase of an additional cargo of liquefied natural gas for delivery in September 2020 (Committee Meeting held September 29, 2020).
- 30. The purchase of 600,000 m3 of gas per day from Argentina through ENGIE Consulting Services from December 2020 to December 2021 (Committee Meeting held October 27, 2020).
- 31. A contract with INEO TINEA to integrate signals from the Los Loros photovoltaic farm to the SCADA control center in Santiago and to monitor and execute commands remotely (Committee Meeting held November 24, 2020).
- **32.** A contract with **ENGIE Information et Technologies** for the annual renewal of the corporate services support and licenses, such as SAP and CRM SalesForce (Committee Meeting held November 24, 2020).

- **33.** Contracts with **ENGIE Services** to co-develop and implement an energy solution project for UC-Christus (Committee Meeting held November 24, 2020).
- **34.** A two-year renewal, starting in December 2020, of the Master Agreement with **ENGIE Lab** for technical and specialized support in different aspects and fields (Committee Meeting held December 15, 2020).
- 35. Effective January 2021, a three-year renewal of the Master Agreement with Tractebel Engineering for engineering support services in the areas considered strategic for EECL (Committee Meeting held December 15, 2020).
- **36.** Award of the Counterparty Engineering Service to **Tractebel Engineering** for four renewable energy projects and 6 transmission projects (Committee Meeting held December 15, 2020).
- 37. An amendment to the scope of the MASA with ENGIE Energía Perú for PaaS access to the server platform at the SAP HEC Data Center to increase the number of users of ENGIE Energía Perú with access to the platform and add access to the SAP ARIBA and SAP SCP platforms (Committee Meeting held December 15, 2020).
- **38.** Master Administrative Services Agreement with **ENGIE Impact Chile SpA** to provide recurrent and non-recurrent administrative services and access to server platforms in the Data Center (Committee Meeting held December 15, 2020).

### COMPENSATION OF THE DIRECTORS COMMITTEE AND USE OF EXPENSE BUDGET

The compensation set by the Regular Shareholders meeting for members of the Directors Committee totals an all-events fee of 55 UF monthly, and the committee was assigned a budget of 5,000 UF annually. The Committee made no disbursements against that budget in the 2020 fiscal year.



### PROCEDURE FOR APPROVAL OF THE CONTRACTING OR TENDERING OF SERVICES IN WHICH RELATED COMPANIES MAY PARTICIPATE

- 1. In preparing the budget, the Corporate Divisions must plan the services that could potentially be provided by related companies.
- 2. The chief executive officer must present a list of the services at least quarterly to the Directors Committee, indicating the characteristics of the tender procedure to be followed in each case and the companies to be invited to submit bids. This presentation will be notwithstanding the need to submit the tendered agreement at the pertinent time to the approval procedure described below.
- 3. If there are market, competition or quality reasons that justify a direct contract, the chief executive officer must present the information to the Directors Committee so that it can express its opinion. However, the service cannot be awarded until it is approved by the Board.
- **4.** The Directors Committee will state its opinion on the tenders presented to it and may, as part of its authority, make recommendations to management, review or cause others to review the bidding terms and conditions, and ask that certain companies be included or excluded from the invitees. It may also decide that the bids should be addressed exclusively to one of the independent directors appointed by the Committee especially for that purpose. Moreover, when services require a more complex evaluation, the Committee may ask that both the bidding terms as well as the bids received be reviewed by an independent third party in order to protect the competitiveness and transparency of the procedure.
- 5. If it is recommendable for a service to be awarded to a related company, the chief executive officer will present the outcome of

- the tender to the Directors Committee and a recommendation on its approval. However, the service cannot be awarded until it is approved by the Board.
- 6. During the course of the service, the respective corporate manager must report quarterly to the chief executive officer on the progress in the service and expenses involved, and any deviation from the scope or difficulty that may arise. The chief executive officer must report this quarterly to the Directors Committee.
- 7. The process of approval by the Directors
  Committee must be carried out by the
  pertinent corporate manager and once
  approval is received, it will take effect via a
  purchase order for the amounts approved by
  the Committee in order to keep an appropriate
  control of disbursements.
- 8. In general, services will be contracted from related companies for a lump sum after a comparison of the total cost, always endeavoring to avoid awards based on merely estimated budgets.
- 9. Any stages of bid improvement in bidding procedures must require that new bids--or changes to those submitted—be presented on the same date by all bidders selected for that stage. This will protect the arm's length conditions and competitiveness among the bidders. The contract must be awarded to the bid most convenient to the Company, according to the criteria set down in the bidding terms.

### 7.3 Material Events

DAY AND TIME	ENTITY	SUBJECT
23/Jan/2020 5:28:10 p.m.	ENGIE ENERGÍA CHILE S.A.	Placement of securities on international and/or domestic markets
28/Jan/2020 6:59:44 p.m.	ENGIE ENERGÍA CHILE S.A.	Placement of securities on international and/or domestic markets
1/Apr/2020 11:17:05 a.m.	ENGIE ENERGÍA CHILE S.A.	Miscellaneous disclosures
1/Apr/2020 11:45:43 p.m.	ENGIE ENERGÍA CHILE S.A.	Regular shareholders meeting, meeting notices, resolutions and proposals.
6/Apr/2020 8:46:52 p.m.	ENGIE ENERGÍA CHILE S.A.	Miscellaneous disclosures
28/Apr/2020 9:48:54 p.m.	ENGIE ENERGÍA CHILE S.A.	Regular shareholders meeting, meeting notices, resolutions and proposals.
28/Apr/2020 10:05:41 p.m.	ENGIE ENERGÍA CHILE S.A.	Changes in management.
01/Jul/2020 8:31:01 p.m.	ENGIE ENERGÍA CHILE S.A.	Assets or share packages, acquisition or sale.
27/Oct/2020 10:25:09 p.m.	ENGIE ENERGÍA CHILE S.A	Profit distribution (dividend payments)
25/Nov/2020 5:34:03 p.m.	ENGIE ENERGÍA CHILE S.A	Miscellaneous disclosures
26/Nov/2020 7:50:41 p.m.	ENGIE ENERGÍA CHILE S.A	Changes in ownership and/or control.

### SUMMARY

- On January 23, 2020, the Company disclosed that on that same date it had agreed to the terms and conditions for the issuance and placement of bonds totaling US\$500,000,000 on international markets, to be issued in the period of 3 business days from that date, according to Rule 144-A and Regulation S, both under the U.S. Securities Act of 1933. The funds from the placement of these bonds will be used to purchase the Company's bonds outstanding on international markets.
- On January 23, 2020, the Company disclosed that on that same date it had issued Rule 144-A and Regulation S bonds on international markets for USD 500,000,000, for a period of 10 years at a coupon interest rate of 3.4%. Both Rule 144-A and Regulation S are under the U.S. Securities Act of 1933.



- On April 1, 2020, the Company disclosed that on March 31st, it and its subsidiary Inversiones Hornitos S.A. signed the following acts and contracts with Minera Centinela, their customer: (a) an amendment to the power purchase agreement between Inversiones Hornitos S.A. and Minera Esperanza, now Minera Centinela. dated September 7, 2009; (b) an amendment to the power purchase agreement between Inversiones Hornito S.A. and Minera el Tesoro. later absorbed by Minera Esperanza, now Minera Centinela, dated December 20, 2012: (c) a new power purchase agreement between EECL and Minera Centinela that will be in effect from January 2022 to December 2033; and (d) an amendment to the Corporate Governance and Ownership Agreements regarding Inversiones Hornitos S.A.
- On April 1, 2020, the Company disclosed that at a meeting held March 31st, the EECL Board of Directors resolved to convene a Regular Shareholders Meeting for 9:00 a.m. on April 28, 2020, in the city of Santiago, in which shareholders would participate and vote remotely. The purpose was to discuss and decide on, among other matters, the motion not to pay final dividends to shareholders against 2019 fiscal year profits.
- On April 6, 2020, the Company supplemented the material disclosure reported April 1, 2020, regarding acts and contracts signed by EECL and its subsidiary, Inversiones Hornitos S.A., with Mineral Centinela. It disclosed that according to the Company's estimates, the net impact on income from that transaction would be, after taxes, a loss of approximately US\$4 million for 2020 and of approximately US\$2 million for 2021. As of this date there are no impacts in relation to this transaction other than those reported.
- On April 28, 2020, the Company disclosed the following decisions by its Regular Shareholders Meeting: (a) not to pay a final dividend to

- shareholders for the 2019 fiscal year but to ratify the interim dividends paid in that year; (b) to appoint Frank Demaille, Marc Verstraete, Aníbal Prieto Larraín, Hendrik De Buyserie, Cristián Eyzaguirre Johnston, Mauro Valdés Raczynski and Claudio Iglesis Guillard as regular directors of the Company, and as their respective alternates, Daniel Pellegrini, Pierre Devillers, Gilda Spallarossa, Marcelo Soares, Ricardo Fischer Abeliuk, Ricardo Lira Matte and Victoria Vásquez García; and (c) to appoint Ernst & Young Servicios Profesionales de Auditoría y Asesoría Limitada (EY) as the external auditing firm. On this date there are no other impacts in relation to this disclosure but those reported.
- On April 28, 2020, the Company disclosed the following resolutions adopted by its Board of Directors at a meeting held on that same date:

   (a) to appoint Frank Demaille as Chairman of the Board; and
   (b) to appoint Cristian Eyzaguirre Johnston, Mauro Valdés Raczynski and Claudio Iglesis Guillard as members of the Directors Committee set up in accordance with Article 50-bis of Law 18,046, in their capacity of independent directors. On this date there are no impacts in relation to this disclosure other than those reported.
- On July 1, 2020, the Company disclosed the purchase of all of the shares in Eólica Monte Redondo SpA, formerly called Eólica Monte Redondo S.A. ("EMR"), from ENGIE Latam S.A. EMR is the owner and operator of the following generating assets: a) the Monte Redondo Wind Farm, with a generation capacity of approximately 48 MW; and b) the Laja Hydroelectric Power Plant, with a generation capacity of approximately 34.4 MW. The price of the shares purchased was US\$53 million, plus the cash of EMR on the transaction date, estimated to be US\$2 million. This acquisition is part of the strategy to diversify the generation portfolio and to transition to renewable energy generation to which the Company is committed.

- On October 27, 2020, the Company disclosed that the Board of Directors of ENGIE Energía Chile S.A. approved, at its meeting held October 27, 2020, distribution of an interim dividend totaling US\$66,601,896.12 on account of fiscal year profits, which means a dividend of US\$0.06323106251 per share. On this date there are no impacts other than those reported in relation to this disclosure.
- On November 25, 2020, the Company disclosed that Banchile Corredores de Bolsa S.A. had reported that ENGIE Latam S.A., a majority shareholder in EECL, had instructed it to

- purchase a total of 76,155,000 shares in the Company in one or more transactions on the Santiago Stock Exchange in order to increase its equity interest by an additional 7.23%.
- On November 26, 2020, the company disclosed that ENGIE Latam S.A., a majority shareholder in EECL, had reported the purchase of 76,155,000 shares in the Company through a buying instruction to Banchile Corredores de Bolsa S.A. by which it increased its interest in EECL by an additional 7.23%, thus becoming the owner of 59.9% of the shares in the Company.

# 7.4 Summary of comments and proposals by shareholders and the Directors Committee

There were no comments or proposals by shareholders during the 2020 fiscal year.

In compliance with Law 18,046, the Directors Committee did make the following recommendations to shareholders:

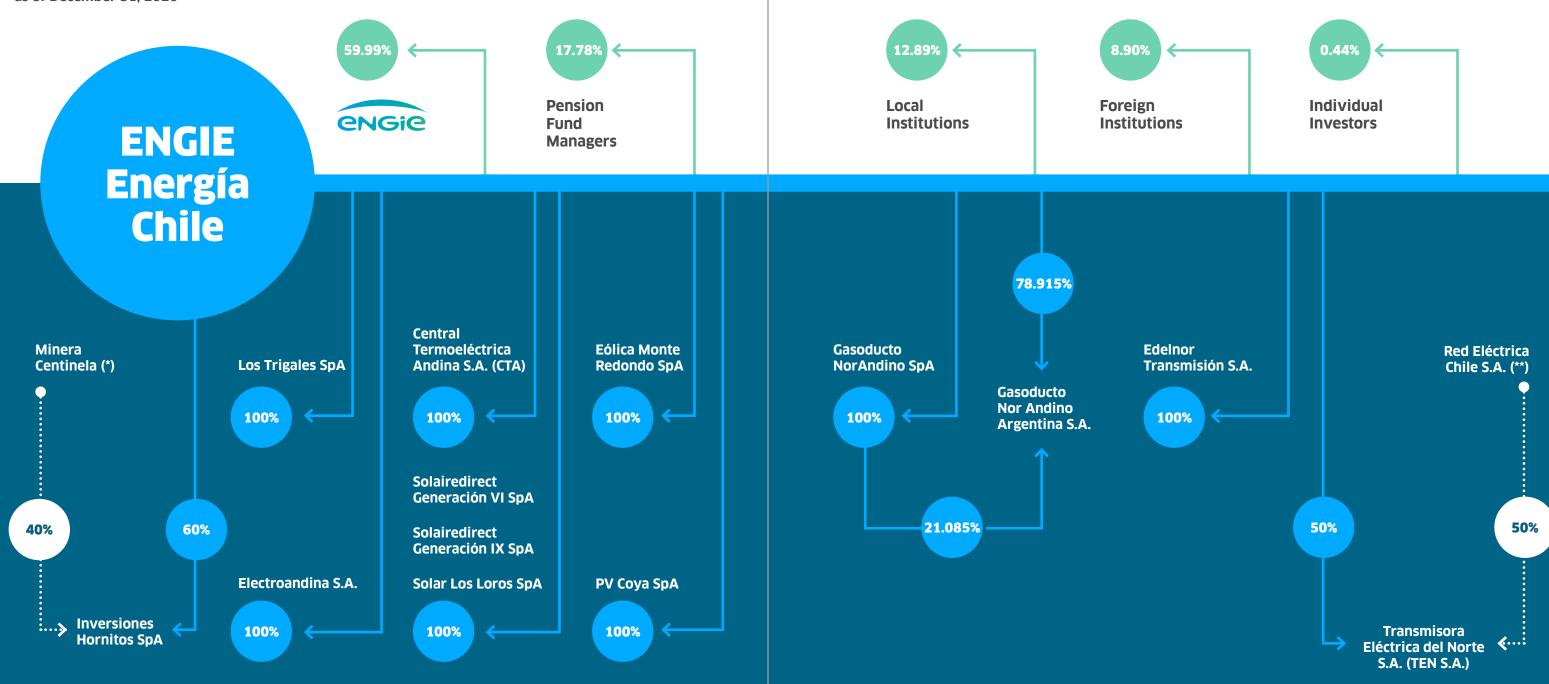
(1) Approval of the annual report for the fiscal year ending December 31, 2020, balance sheet, other financial statements for that fiscal year, and external auditing opinion on the company for that fiscal year.

- (2) Appointment of Ernst & Young Servicios
  Profesionales de Auditoría y Asesorías Limitada
  as the external auditing firm for the 2020
  fiscal year and Deloitte Auditores y Consultores
  Limitada as the second alternative.
- (3) Appointment of Feller Rate Clasificadora de Riesgo Ltda. and Fitch Chile Clasificadora de Riesgo Ltda. as the private risk rating agencies for the 2020 fiscal year.



## 7.5 Corporate Organization Chart

as of December 31, 2020



(\*) Minera Centinela is owned by Antofagasta Minerals

(\*\*) Red Eléctrica Chile S.A. is owned by Red Eléctrica of Spain



## 7.6 Subsidiaries and Associates

as of December 31, 2020

### **ELECTROANDINA S.A.**

This subsidiary was incorporated by public deed dated May 15, 1995, in the Santiago Notarial Office of Hugo Leonardo Perez Pousa. An abstract of that deed was registered on page 16 (overleaf), number 11, of the 1995 Tocopilla Commercial Register and was published in the Official Gazette on May 18, 1995.

**Company Name:** Electroandina S.A.

**Tax ID:** 96.731.500-1

Type of Company: Closed Corporation

Paid-in Capital: kUS\$50.445

Held by: ENGIE Energía Chile S.A., 100%

**Board of Directors:** Axel Levêque, Gabriel Marcuz, Fernando Valdés Urrutia, Luis Meersohn García-Huidobro, Carlos Arias and Eduardo Milligan Wenzel

**Chief Executive Officer:** Axel Levêque

**Business Purpose:** Generation, transmission, sale of energy and other services

### CENTRAL TERMOELÉCTRICA ANDINA S.A.

This subsidiary was incorporated by public deed dated November 20, 2006, in the Santiago Notarial Office of Juan Ricardo San Martin Urrejola. An abstract of that deed was registered on page 48,227, number 34,417, of the 2006 Santiago Commercial Register and was published in the Official Gazette on November 29, 2006.

Company Name: Central Termoeléctrica Andina S.A.

**Tax ID:** 76.708.710-1

Type of Company: Closed Corporation

Paid-in Capital: kUS\$30,000

Held by: ENGIE Energía Chile S.A., 100%

**Board of Directors:** Axel Levêque, Gabriel Marcuz, Fernando Valdés Urrutia, Luis Meersohn García-Huidobro, Carlos Arias and Eduardo Milligan Wenzel

Chief Executive Officer: Axel Levêque

**Business Purpose:** Generation, transmission and distribution of electricity.

### **INVERSIONES HORNITOS S.A.**

This subsidiary was incorporated by public deed dated May 15, 1995, in the Santiago Notarial Office of Hugo Leonardo Perez Pousa. An abstract of that deed was registered on page 16 (overleaf), number 11, of the 1995 Tocopilla Commercial Register and was published in the Official Gazette on May 18, 1995.

**Company Name:** Inversiones Hornitos SpA

**Tax ID:** 76.009.698-9

Type of Company: Joint Stock Company

Paid-in Capital: kUS\$180,000

Held by: ENGIE Energía Chile S.A., 60%

Chief Executive Officer: Axel Levêque

**Business Purpose:** The generation, transmission and distribution of electricity.

### TRANSMISORA ELÉCTRICA DEL NORTE S.A.

TEN is an associate, incorporated by public deed dated March 1, 2007, executed in the Santiago Notarial Office of Juan Ricardo San Martín Urrejola. An abstract of that deed was registered on page 9373, No. 6856, of the 2007 Commercial Register of the Santiago Real Estate Registrar and it was published in the Official Gazette on March 7, 2007.

Company Name: Transmisora Eléctrica del Norte S.A.

**Tax ID:** 76.787.690-4

Type of Company: Closed Corporation

Paid-in Capital: kUS\$72,876

**Held by:** ENGIE Energía Chile S.A., 50%

**Board of Directors:** Angel Mahou (Chairman), Axel Levêque, Eduardo Milligan Wenxel, Gabriel Marcuz, Eva Pagán Diaz and Juan Maiada Tortosa

Chief Executive Officer: Demian Talavera

**Business Purpose:** Electric power transmission. It may exploit and develop its own or third-party electric systems, regardless of the transmission system of which it is a member or the name it may be given. This therefore includes its own dedicated national transmission facilities, zonal facilities and development poles, the sale of transmission line capacity and the transformation capacity of power substations and assets, equipment and facilities associated with such lines and substations; obtaining and exploiting concessions, easements and the permits necessary to conduct its business; and providing services in the area of electrical engineering, electric system maintenance and the management of companies related to its special purpose.



### **EDELNOR TRANSMISIÓN S.A.**

Edelnor Transmisión S.A. ("ETSA") was created under article 7 of the Electricity Law. It is a subsidiary that was incorporated by public deed dated December 9, 2008, executed in the Santiago Notarial Office of Iván Torrealba Acevedo. An abstract of that deed was registered on December 17, 2008, on page 59,017, No. 40920, of the 2008 Commercial Register of the Santiago Real Estate Registrar. That abstract was published in the Official Gazette on December 22, 2008.

**Company Name:** Edelnor Transmisión S.A.

**Tax ID:** 76.046.791-K

Type of Company: A corporation registered in the Reporting Entities Register established by Article 7 of Law 18,045.

Paid-in Capital: KUS\$2

Held by: ENGIE Energía Chile S.A., 100%

**Board of Directors:** Eduardo Milligan Wenzel, Fernando Valdés Urrutia, Carlos Regolf, Luis Meersohn García-Huidobro, Carlos Arias and Gabriel Marcuz

Chief Executive Officer: Axel Levêque

**Business Purpose:** Electricity transmission through power lines, power substations and other facilities, whether they are part of the trunk transmission system, subtransmission system or additional transmission system, owned by the Company or by third parties, in the terms of the Electricity Law, as amended.

### **GASODUCTO NOR ANDINO SPA**

Gasoducto Nor Andino SpA was incorporated on March 4, 1997. It was converted into a Closed Corporation on November 12, 1997, and changed its name to its actual name, abbreviated as "GNA". On November 30, 2015, Gasoducto Nor Andino S.A. was converted to a Joint Stock Company and consequently changed its name to Gasoducto Nor Andino SpA.

Company Name: Gasoducto Nor Andino SpA

**Tax ID:** 78.974.730-K

**Type of Company:** Joint stock company

Paid-in Capital: kUS\$12,516

Held by: ENGIE Energía Chile S.A., 100%

**Board of Directors:** Gabriel Marcuz, Axel Levêque, Fernando Valdés Urrutia, Gustavo Schettini (Chairman), Eduardo Milligan Wenzel, Andrea Cabrera Monzón, Luis Meersohn García-Huidobro and Carlos Regolf

**Chief Executive Officer:** Axel Levêque

**Business Purpose:** a) The design, construction, ownership, operation, exploitation, commercialization, financing, maintenance, expansion and modification of a gas pipeline running between the Republic of Argentina and the Republic of Chile, either directly or through third parties.

(b) The purchase, sale, commercialization, import and export of natural gas, the transportation of that fuel from the Republic of Chile to other countries in the region and vice versa, and the export of services relating to the above activities. (c) The execution of any type of act and contract, including the creation of, and holding of an interest in, companies; and the obtainment of the permits, rights and concessions required for this purpose.

### EÓLICA MONTE REDONDO SPA.

This subsidiary was incorporated by public deed dated November 12, 2007, executed in the Santiago Notarial Office of Antonieta Mendoza Escalas. An abstract of that deed was registered on page 52,557, No. 37,149, of the 2007 Santiago Commercial Register and it was published in the Official Gazette on December 10, 2007.

Name: Eólica Monte Redondo SpA.

**Tax ID:** 76.019.239-2

Type of Entity: Joint Stock Company

Paid-in Capital: KUS\$396,101

Business Purpose: Generation, transmission, sale, commercialization and distribution of electricity.

### **GASODUCTO NOR ANDINO ARGENTINA S.A.**

The original by-laws were registered in the Public Commercial Register on December 1, 1997.

**Company Name:** Gasoducto Nor Andino Argentina S.A.

Type of Company: Closed Corporation

Paid-in Capital: The nominal capital is 6,565,300 shares with a par value of a A\$1, equal to US\$1.

Held by: ENGIE Energía Chile S.A., 100%

Board of Directors: Axel Levêque (Chairman), Dante Dell'Elce, Gustavo Schettini, Ricardo Fraga and Darío Febre.

Chief Executive Officer: Rodolfo Reale

**Business Purpose:** Construction, design, erection, operation and exploitation of gas pipelines, oil pipelines and multi-product pipelines in the territory of the Republic of Argentina and of related engineering works, services and equipment.

### **ALGAE FUELS S.A.**

Algae Fuels S.A. was incorporated by public deed dated October 26, 2010, executed in the Santiago Notarial Office of Patricio Zaldívar Mackenna. An abstract of that deed was registered on page 61,492, No. 42,775, of the 2010 Commercial Register of the Santiago Real Estate Registrar and it was published in the Official Gazette on November 18, 2010.

Company Name: Algae Fuels S.A.

**Tax ID:** 76.122.974-5

**Type of Company:** Closed Corporation

Paid-in Capital: CLP\$2,038,093

Held by: ENGIE Energía Chile S.A., 100%

**Board of Directors:** Roberto Zazzali Sanchez, Lorenzo Gazmuri Schieyer, Gloria Lederman Enríquez, Anselmo Palma Pfotzer, Fernando Delfau Vernet and María Loreto Massanés Vogel

**Chief Executive Officer:** Juan Claudio Ilharreborde

**Business Purpose:** The implementation, execution and development of research, development and innovation programs relating to the production of biofuels made from microalgae, among other associated businesses.



# **PARQUE EÓLICO LOS TRIGALES SPA**

**Incorporation:** The Company was incorporated on May 20, 2014, in the Santiago Notarial Office of Eduardo Avello Concha and it was registered on page 38,858, number 24,133, of the 2014 Santiago Commercial Register.

Company Name: Parque Eolico Los Trigales SpA

**Tax ID:** 76.379.625-K

Paid-in Capital: CLP\$973,235,052

Type of Company: Joint Stock Company

Held by: ENGIE Energia Chile, 100%

Board of Directors: It is managed by representatives of ENGIE Energia Chile S.A.

**Chief Executive Officer:** Axel Levêque

**Business Purpose:** The management, development and investment in all types of renewable energy projects in Chile, either for its own account or for third parties; and the generation, transmission, distribution, transportation, transformation, acquisition, supply, purchase and sale of electricity of any nature, in particular renewable energy.

# **SOLAIREDIRECT GENERACIÓN VI SPA**

**Incorporation:** The Company was incorporated on August 31, 2012, in the Santiago Notarial Office of Eduardo Avello Concha and it was registered on page 66,219, number 45,959, of the 2012 Santiago Commercial Register.

**Company Name:** Solairedirect Generacion VI Spa

**Tax ID:** 59.169.880-K

Paid-in Capital: CLP\$100,000

**Type of Company:** Joint Stock Company

Held by: ENGIE Energia Chile, 100%

Board of Directors: It is managed by representatives of ENGIE Energia Chile S.A.

Chief Executive Officer: Axel Levêque

**Business Purpose:** The generation, transmission, distribution, transportation, transformation, acquisition, supply, purchase and sale of electricity of any nature, in particular renewable energy.

# **SOLAIREDIRECT GENERACIÓN IX SPA**

**Incorporation:** The Company was incorporated on February 28, 2013, in the Santiago Notarial Office of Eduardo Avello Concha and it was registered on page 18,840, number 12,302, of the 2013 Santiago Commercial Register.

Company Name: Solairedirect Generacion IX Spa

**Tax ID:** 76.267.537-4

Paid-in Capital: CLP\$100,000

**Type of Company:** Joint Stock Company

Held by: ENGIE Energia Chile, 100%

Board of Directors: It is managed by representatives of ENGIE Energia Chile S.A.

**Chief Executive Officer:** Axel Levêque

**Business Purpose:** The generation, transmission, distribution, transportation, transformation, acquisition, supply, purchase and sale of electricity of any nature, in particular renewable energy.

# **SOLAR LOS LOROS SPA**

The Company was incorporated on August 31, 2012, in the Santiago Notarial Office of Eduardo Avello Concha and registered on page 66,137, number 45,926, of the 2012 Commercial Registry of the Santiago Real Estate Registrar.

Name: Solar Los Loros SpA

**Taxpayer ID:** 76.247.976-1

Type of Entity: Joint Stock Company

Paid-In Capital: KUS\$52,120

Held by: ENGIE Energía Chile S.A. 100%

Board of Directors: This company is managed by representatives of ENGIE Energía Chile S.A.

**Chief Executive Officer:** Axel Levêque

**Business Purpose:** Distribution, transmission, generation, transmission and supply of electricity or any other energy, in particular renewable energy, whether solar, wind, hydraulic or otherwise.

# **PV COYA SpA**

This subsidiary was incorporated by public deed dated May 28, 2014, executed in the Santiago Notarial Office of Eduardo Avello Concha. An abstract of that deed was registered on page 41,149, No. 24,560, of the 2014 Commercial Register of the Santiago Real Estate Registrar, and it was published in the Official Gazette on June 11, 2014.

Name: PV Coya SpA

**Tax ID:** 76.412.401-4

**Type of Entity:** Joint Stock Company

Paid-in Capital: CLP\$1,536,124,000

**Equity Interest:** ENGIE Energía Chile S.A., 100%

Board of Directors: Axel Leveque, Luis Meersohn García-Huidobro and Eduardo Milligan Wenzel

Chief Executive Officer: Axel Levêque

**Business Purpose:** Investment in any type of chattels and real estate and the development of electricity and/or thermal energy projects using unconventional renewable energy sources.

# 7.7 Risk Factors

The energy sector is subject to diverse and changing economic, political, social and competitive conditions. As part of the normal course of business, our company is exposed to several risks, both operating and financial, that can impact our performance and financial situation and that are monitored constantly and closely by the owners of the different processes in the company, and coordinated by the Company's Risk and Management Control and Insurance Areas.

ENGIE Energía Chile has implanted risk management procedures that describe the risk assessment and analysis method, including the construction of a risk matrix, that is updated and reviewed semi-annually.

Additionally, progress in action plans is monitored on an ongoing basis as part of the Enterprise Risk Management. Risk Management is presented annually to the Company's Board of Directors. The Company's financial risk management strategy aims to protect the stability and sustainability of ENGIE Energía Chile in relation to all components of financial uncertainty or material risks.

Below is a summary of the risk management of the Company and its subsidiaries, grouped into:

- 1. Business risks
- 2. Country risks
- 3. Market risks
- 4. Reputational risks
- 5. Regulatory risks

# 7.7.1 Business Risks

# DECARBONIZATION

Our business is facing both risks and opportunities because of the efforts to promote decarbonization amidst the growing demand for energy generated from unconventional renewable sources. Moreover, the potential legislative and regulatory actions to address climate change and environmental issues could have a material impact on our industry and business.

The Chilean government has adopted a policy of supporting renewable energy generation to reduce its dependency on coal as a source of electricity production.

In relation to this policy, the previous government's energy agenda declared that at least 70% of electricity generation should come from renewable sources by the year 2050. The current regulatory framework stipulates that 20% of electricity must



come from unconventional renewable sources by the vear 2025.

We have participated actively in all instances and task forces convened by the government. In 2019, we announced the schedule for the closing of 6 coalfired units in the period 2019-2024 as part of our Decarbonization Plan.

This program involves an asset replacement plan to replace thermal generation by renewable energy as well as several initiatives targeting mitigating the social impacts occurring because of this change, among them the decrease in the capacity of renewable assets to create jobs.

By the end of 2024, we will have disconnected from the grid almost 800 MW of coal-fired energy provided by units 12 and 13 in the Tocopilla Thermal Complex (June 2019), by units 14 and 15 in the Tocopilla Complex (2021) and units CTM1 and CTM2 in the Mejillones Thermal Complex (2024). In the same period of time, we will bring online the first 417 MW of renewable energy (more information on pages xx to xx).

There are several initiatives before the National Congress that could result in even stricter limitations or prohibitions in relation to coal-fired power plants and their future production.

Although we are engaged in finding ways to accelerate our decarbonization, by closing or reconverting the remaining units, legal initiatives of this nature will translate into future losses because the value of our assets will decrease, and into additional needs for investment in renewable assets and in energy storage systems to honor our power purchase agreements.



# **FUELS AND SUPPLY CHAIN**

# Unavailability or interruption in the fuel supply chain

We import or buy from local distributors who in turn import a significant portion of our fuel supply under short-, medium- and long-term contracts. This makes us vulnerable to potential supply shortages or default by our suppliers. We also acquire a significant portion of coal, natural gas and other fuels from a limited number of suppliers. Should any of our material suppliers experience a disruption in their chain of production and are unable to fulfill their obligations under the supply contracts, we might be forced to purchase either the same fuel or a substitute at higher prices and be incapable of adjusting the price of the electricity sold according to the rate adjustment methods included in our contracts with customers.

# • Fuel Price Risk

ENGIE Energía Chile is exposed to the price volatility of certain commodities since its generation assets require a continuous supply of fossil fuels, mainly coal, liquefied natural gas and fuel oil, at international prices that fluctuate according to market factors beyond the Company's control. Most coal is purchased under annual contracts where the prices are linked to traditional indexes on the international coal market. Fuel oil and certain purchases of liquefied natural gas are made at prices based on the international prices of oil (WTI or Brent). The Company also has long-term liquefied natural gas purchase agreements at prices linked to Henry Hub. Additionally, the price of fuel is a key factor in the dispatching of thermoelectric power plants, in the mean cost of the company's generation and in the marginal cost of the power grid on which it operates. Historically, the company has had the policy of introducing price indexation methods in its power purchase agreements based on the fluctuations of fuel



prices relevant in determining its variable operating costs. In this way, the company has managed to align its power supply and production costs with its income from contracted power sales. However, in its energy transformation plan, the Company has considered giving preference to indexing rates to the variation in the Consumer Price Indexes over the indexation to fuel prices, especially as of 2021, which could temporarily increase its exposure to commodity price risk until it has a sufficient renewable generation asset base to support power purchase agreements indexed to inflation. The Company has made derivatives contracts to hedge the exposure of its income and cash flows to the volatility of fuel prices. Therefore, its exposure to commodity risk is largely mitigated, which is why no sensitivity analysis has been made.

# **CUSTOMERS**

# • Dependency on a limited number of customers representing a significant volume of our sales.

In electricity sale business, we depend on the capacity and willingness of a limited number of large-scale customers to meet their contractual commitments to us opportunely. If any of these customers is unable or refuses to fulfill their payment obligations, our cash flow and financial situation could be affected. Additionally, if any of these customers becomes insolvent, our ability to recover payments owed under power purchase agreements could be limited. Moreover, we cannot guarantee that we will be able to renew power purchase agreements with

material customers on expiration or to renew them in conditions that are at least as favorable as the actual ones. The Company has evaluated that the risk concentration of trade receivables is acceptable because the customers are mainly large mining companies and power generators and distributors of great solvency.

# Impact of a drop in the price of copper of our main customers

Approximately 48% of our physical energy sales are to copper producers and their financial situation depends to a great extent on the international price of copper. Historically, copper prices have been subject to fluctuations and affected by factors beyond the control of our customers, such as international political and economic conditions, levels of supply and demand, substitute product availability and cost, inventory levels and different actions by commodities market agents. Although our customers are among the largest copper producers in the world, sustainable drops in the price of copper or prolonged drops in the demand for copper could have adverse impacts on the income and financial results of our customers, who could be forced to reduce or suspend some of their mining operations, thereby reducing their demand for electricity and their ability to fulfill their financial obligations under our power purchase agreements.

# Plans to expand installed capacity and expansion plans of our customers

Historically, increases in the demand for electricity in Chile have been correlated to the development of large mining projects. The growing concern for global warming and the water shortage have also contributed to stricter environmental limitations and regulations for the mining industry, resulting in important challenges to the development of large mining projects. We have responded to the needs



of our customers to reduce their own carbon footprint by renegotiating our power purchase agreements, changing rate indexation and sources of supply. Should our customers potentially not complete the construction of new projects, they might be unable to honor their demand commitments under the power purchase agreements or they might terminate those agreements early. Although these types of agreements are usually supported by guarantees, we could be exposed to the sale of electricity on the spot market or to looking for alternative contracts, which could have adverse impacts on our financial condition and our operating results.

# • Fines for non-supply to customers

The Company is exposed to fines for infringing the laws governing in Chile, including total or partial blackouts of the power grid and/or delays in restoring energy after a blackout. These fines could be imposed upon all electricity companies participating in the SEN when the blackout of the system is the result of an operating error of any generator or operator of the transmission system, including failures related to the coordination of the obligations of the system's participants. Generating companies might also be forced to pay indemnities to unregulated customers or to regulated customers affected by a power outage.

# Power supply to regulated customers

Generating companies supplying electricity to regulated customers are exposed to additional risks. Approximately 47% of our electricity sales, measured in U.S. dollars, are made to regulated distribution companies. First of all, a generating company entering into power purchase agreements with regulated customers has the obligation to make compensatory payments to regulated customers affected by power failures when those failures are attributable to the generating company. For example, if a generating company cannot fulfill

its power purchase agreements with regulated customers during periods when there is a rationing decree in force, it has the obligation to indemnify those customers for the resulting power shortage. This contrasts with the power purchase agreements with unregulated customers, which require an indemnity only if stipulated in the power purchase agreement. Generating companies that have power purchase agreements with regulated customers cannot invoke force majeure under those agreements when a rationing decree has been issued, either as a consequence of default, a failure in generating units or a shortage of gas transported through international pipelines.

Therefore, unlike power purchase agreements with unregulated customers, the supplier assumes, under a power purchase agreement with regulated customers, a greater risk should any event of force majeure occur.

# Lawsuits, arbitrations and other contingencies

We sell electricity under contracts with large mining and industrial customers and with power distribution companies. We also sign other commercial and legal contracts in the ordinary course of our business. The interpretation and enforcement of certain provisions or clauses in our contracts could lead to disagreements or disputes between us and our customers, suppliers or other counterparties.

# • Risks relating to transmission system restrictions

Our power plants are connected to the main power grid in Chile, the SEN. We supply energy using existing transmission lines to which there is open access by law. Accordingly, we can dispatch energy to a substation, but our customers may withdraw it at another substation closer to their facilities. We also depend on services provided by third parties that own or control the transmission lines and substations that we use to supply energy. Should transmission restrictions be imposed

because of technical or design conditions, our capacity to supply power to our customers could be limited, which could materially affect our business and financial situation.

# Delays or cost overruns in the construction or startup of our new projects

Delays in construction or in the commercial startup of new projects could affect our business adversely, but we do carry insurance and have put protective clauses in our contracts with suppliers and contractors. Some of the factors that could impact our ability to build or begin the operation of new projects are: (i) delays in receiving permits, including environmental and sectorial permits; (ii) adverse legal rulings on government approvals that have already been issued, such as environmental approvals; (iii) a shortage or increase in the price of equipment. materials or personnel; (iv) the inability of contractors to complete the main or auxiliary works on agreed dates because of technical. operating or financial difficulties; (v) opposition by political, environmental or ethnic groups, both local and international; (vi) strikes; (vii) adverse political and regulatory changes in Chile; (viii) bad weather; (ix) adverse geological conditions; and (x) natural disasters, accidents or other unforeseen events, like the COVID-19 pandemic that invaded our country in 2020 and had various adverse effects because of quarantines, port closings and restrictions on the carriage of inputs, among others.

# Necessary capital investments

Our business has a high capital coefficient. Major capital expenditures will be required to build, repair, replace and improve our power generation, transmission and energy transport facilities. The response to increases in competition, satisfying new customer demands and improving the capacity of our power generating, transmission and transport facilities could cause an increase in the capital spending required in the future.

# • Technology changes and greater competition

Thanks to the evolution of technology, the cost of developing wind and solar energy projects has fallen significantly in recent years in comparison to traditional thermoelectric or hydroelectric technologies. This was one of the main reasons for the mass entry of new suppliers to a market traditionally dominated by limited number of producers. This has also led to a decrease in the energy prices offered in the most recent power supply tenders held by the Government of Chile for power distribution companies. It is expected that the unconventional renewable generation power plants will easily meet the goals of the Chilean government of having 20% be unconventional renewable generation by 2025. As both new and incumbent participants increase power generation capacity using renewable sources, pressures from our customers, competitors and society to lower power prices will continue to rise, forcing changes in the conditions of our power purchase agreements. Although this trend is expected to result in a reduction in our operating costs, it could have a temporary adverse effect on our financial situation and on our capacity to finance the construction of renewable energy projects needed for our asset reconversion plans.

# • IT risks and cyberattacks

Information security risks have generally increased in recent years because of the proliferation of new technologies and the greater sophistication and activities of cyberattackers, in addition to the increase in the connection of equipment and systems to the internet. Any cyberattack could interrupt our commercial operations and cause losses and response costs, in addition to litigation and damage to our reputation. A cyberattack could adversely affect our business, operating results and financial situation.





RISKS RELATED TO MECHANICAL OR ELECTRICAL FAILURES OR ACCIDENTS THAT COULD AFFECT THE SUPPLY OF ENERGY BY OUR ASSETS

Although we perform maintenance regularly and make operating improvements to guarantee the commercial availability of our power plants, and although we carry insurance with coverage for damage and business interruption, mechanical or electrical failures or accidents could cause periods of unavailability of electricity. Having our power plants down for long periods of time could have an adverse impact on our financial performance because we might be forced by buy electricity on a spot market at a higher price or to make up for this unavailability by increasing the energy produced by our other, higher-cost power plants in order to be able to meet our contractual obligations. To manage this risk, the Company carries insurance for damage and business interruption resulting from events that interrupt our services.

A greater difficulty in contracting insurance policies that cover coal-fired power plants and an increase in premiums because of a higher loss rate, both for operating reasons and for geological or weather phenomena beyond our control, might have an adverse impact on our business, operating results and financial situation.

# 7.7.2 Country Risk

Our business, operating results and financial situation depend considerably on the economic conditions in Chile. The Chilean economy proved to be resistant during the last international financial crisis, but it is smaller than other economies. In addition, the economic conditions in Chile depend substantially on the export of raw materials like copper and those exports in turn depend on international prices. As prices decline, copper exports diminish, which reduces the power demand of our mining customers and could have a negative impact on our sales and operating results. In particular, power sales of some of our subsidiaries depend on the mining industry, especially the copper mining industry.

Moreover, changes in social, political, regulatory and economic conditions or in the laws and policies governing foreign trade, manufacture, development and investment in Brazil, the United States, Asia and Europe, among other nations and regions, combined with the political crises and uncertainties in other countries in Latin America, could have an adverse effect on the economic growth of Chile and neighboring countries and, accordingly, an adverse effect on our business.

On October 18, 2019, a period of mass protesting began in the country, initially triggered by an increase in the prices of the Santiago Subway system. Episodes of violence took place during the protesting, and numerous subway stations and other public and private assets were destroyed in Santiago and other cities in the country. The protesting and associated violence caused disruptions in industry, transport and commerce, affecting, among other things, the demand for electricity in the fourth quarter of 2019. Numerous demands by citizens became visible in view of which the government announced a social agenda that included an increase in the minimum pension, the expansion of social and economic health care coverage in the country, an increase in the taxation of the wealthiest, a reduction in the work week and a reduction in, and stabilization of, the rates for public transport and electricity. To finance the social agenda, the government began to work on a tax reform with Congress. On November 15, 2019, the Government and the main political parties agreed to hold a plebiscite in April 2020 to determine the willingness of citizens to change the Political Constitution of the country. This plebiscite, which had to be postponed to October 2020 because of the Coronavirus pandemic, resulted in an approval by an ample majority of the writing of a new constitution by electing a Constitutional Assembly. The Assembly will have 9 months to write the new Constitution. and that period could be extended for another 3 months. Each new article in the Constitution must be approved by two-thirds of the Assembly and a plebiscite, where voting will be mandatory, must ratify the Constitution. Although these measures have tended to calm people down. the so-called mass protesting has had economic impacts, increased unemployment, slowed down economic growth and lowered the exchange rate. among other impacts, and there continues to be a more polarized environment and episodes of violence in different regions of the country. The increased degree of political, economic and social uncertainty could have impacts on our operations and results.

# **NATURAL DISASTERS**

Natural disasters could damage our power plants, adversely affect our generating capacity and increase our production costs. They could also impact our customers and their demand for electricity. Should any of those operating difficulties occur, we might find ourselves in the need to purchase energy on the spot market or enter into additional power purchase agreements to fulfill our contractual obligations, all of which could adversely impact our financial situation and operating results.

We cannot assure that natural disasters have no negative impact on our installations in the future. Chile is in a seismic area that exposes our facilities to earthquakes. To mitigate the potential impacts of these risks, the Company's management adopts the measures it deems pertinent, such as contracting property and business interruption insurance policies, designing evacuation plans coordinated with the authorities, holding drills, setting up contingency sites and other business continuity measures.

# HEALTH CRISES: EPIDEMICS, ENDEMICS AND PANDEMICS

A health crisis, whether an epidemic or pandemic, could have adverse impacts on our employees. our operations, the demand for energy and the payment capacity of our customers, among other multiple effects that could negatively impact our financial situation and operating results. In a major health crisis like the COVID-19 pandemic that began to appear in Chile in March 2020, the Company immediately ordered a crisis committee to be set up, and it implemented contingency plans with all the corresponding onsite sanitary measures ordered by the authority to ensure the health and wellbeing of our employees. The actions taken by our contractors and suppliers were also tracked and necessary standards were imposed to keep their respective workers safe.



In a health crisis, we give preference to three courses of action: ensuring the wellbeing of our employees; ensuring the operational continuity of our company, fundamental to keeping power supply in the country; and coordinating as best possible with our stakeholders, such as shareholders, customers, suppliers and communities, to keep a direct dialogue going and collaborate with each to the extent possible.

The Company is highly digitalized and a large percentage of its employees were able to work remotely to avoid contagion and the spread of the virus. A pandemic can lead to an international financial crisis that could adversely impact our capacity to obtain financing on the financial market or affect the costs of funding. It could also affect international trade, with impacts on inputs relevant to ensuring our operation and the construction of investment projects. The first case of coronavirus, or COVID-19, was recorded in Chile on March 3, 2020.

On March 11, 2020, the World Health Organization officially recognized the coronavirus as a pandemic. In 2020, the Company's results were affected by the pandemic because of a lower demand for electricity by regulated customers, a slight increase in payment delinquency by our customers, and delays in construction projects due to temporary interruptions in the supply of equipment, the closing of ports in countries of origin, difficulties in the carriage of materials and infection of contractor employees. Despite these effects, the company was able to meet the results forecasted for the year.

# **EXPOSURE TO INFLATION**

Chile has experienced high inflation rates in the past. Although those rates have been relatively low in recent years, we cannot guarantee that this trend will continue. It may be that the measures adopted by the Chilean government to control inflation restrict the availability of loans and impede economic growth. It is also possible that inflation increase one of our costs and expenses and even though our power purchase agreements are denominated in dollars or partially indexed to the U.S. CPI, we might be unable to transfer an increase in local inflation to our customers, which could have an adverse impact on the company's results.

# **TAX RISKS**

On September 29, 2014, Law 20,780 (amended by Law 20,899, the "2014 Tax Reform") made significant changes to the taxation system in Chile and consolidated the authority of the Chilean Internal Revenue Service (SII) to control and prevent tax evasion. The 2014 Tax Reform made changes to the tax system by allowing alternative taxation regimes to coexist: (i) the partially integrated regime and (ii) the attributed income regime.

As an open corporation, we were subject to the partially integrated regime that meant a 27% corporate tax rate as of 2018.

After the mass protesting in October 2019 in Chile, the Chilean government and part of the opposition reached an agreement that translated into the enactment of Law 21.210 that mainly introduced the following changes: (i) a new marginal tax limit of 40% instead of 35% for the personal tax bracket; (ii) a property tax surcharge on a set of real estate assets of one same taxpayer when the tax appraisal exceeds around US\$0.6 million, at a progressive rate of 0% to 0.275%; (iii) the elimination of the provisional payment on absorbed profits (PPUA) effective in the 2024 fiscal year; (iv) the elimination of the attributed income regime while keeping the semi-integrated regime as the general and only income tax system; (v) a special tax regime for SME taxpavers (entities with annual sales below around US\$3.1 million), which included measures such as a 25% income tax rate. greater incentives for the reinvestment of profits while increasing the possibility of deducting 50% of the reinvested profits as an expense (limited to approximately US\$0.2 million), instant depreciation and exemption from the property tax surcharge: (vi) creation of a special assessment of 1% on investment projects for first-category taxpayers that carry full accounting, provided the investment in tangible assets is greater than or equal to US\$10 million and provided the project is subject to the Environmental Impact Assessment System (SEIA): and (vii) maintenance of the actual 65% VAT credit on the construction of housing.

In addition, Law 21,256 was published on September 2, 2020, that establishes tax measures that form part of the emergency plan for economic reactivation and recovery of employment in a framework of a medium-term fiscal convergence. The main measures are: (i) a decrease in the tax rate to 10% for taxpayers in the Pro SME regime; (ii) the possibility of Pro SME taxpayers requesting a reimbursement of the cumulative remainder of VAT credit in tax declarations in July, August or September 2020; and (iii) the possibility of applying instant and integral depreciation for taxpayers who declare First-Category Tax on actual income determined according to complete accounting pursuant to the Income Tax Law who acquire new or imported fixed assets in the period from June 1, 2020 to December 31, 2022.

The 2014 Tax Reform also imposed a new annual tax on particulate matter, NOx, SO2, and CO2 emissions for establishments whose stationary sources, like boilers or turbines, have an individual or combined thermal energy equal 50 MW or more (the "Green Tax"). The Company is subject to this Green Tax.

Currently, the Green Tax applicable to CO2 emissions is approximately US\$5.00 per ton emitted, while the Green Tax on NOx, SO2 and particulate matter emissions is approximately US\$0.02 per ton emitted.

In each case, the tax base is multiplied according to a formula that considers the contaminant dispersion factor, the social cost per capita of the contaminant and the country's population. The Green Tax entered into force and began to accrue on emissions in 2017. The Company and its subsidiaries paid a total of US\$21.2 million in Green Taxes in April 2020. The February 2020 Tax Reform contains some changes to the Green Tax rules, mainly in regard to the following:

**First.** The 50 MW limit for the application of Green Taxes was replaced and every establishment was ordered to pay Green Taxes (regardless of the technical capacity of their stationary sources) if emissions exceed (i) 100 tons of particulate matter or (ii) 25,000 tons of CO2 per year. This change will enter into effect on January 1, 2025.

**Second.** To calculate the Green Tax, the reform defines establishment (the place where raw material is processed or new products are created),

emitting source (stationary source generating emissions from combustion), excluding the "technological bias" by eliminating the requirement of installed capacity and combustion. Lastly, hot water boilers were excluded.

**Third.** The law allows Green Taxpavers to offset all or part of their taxable emissions by implementing projects to reduce the emissions of the contaminant that triggers the tax. Those projects must be certified by the Environmental Commission (SMA). This amendment will enter into force three years after publication of the law. A new specific tax was enacted, applicable to air emissions, in relation to the 2014 Tax Reform that entered into force in 2017 where the initial payments came due in 2018. This could have an adverse effect on our business, financial situation and operating results if we are unable to transfer the cost increase caused by this tax to our customers. A new Tax Reform Bill of Law currently being debated by the Chilean Congress contains changes to some aspects of the specific tax. Currently, the SMA sends a report in March of each year to the SII on the quantity of emissions by each Green Taxpayer in the previous calendar year so that the SII can calculate the applicable tax. If the Green Taxpayer objects to the SMA's calculation, the law only allows an appeal in the form of a general tax claim against the report before the tax courts after the applicable Green Tax has been calculated.

The bill of law currently under debate gives Green Taxpayers the right to file claims before the Environmental Courts requesting a review of the Green Tax emission calculation by the SMA. If the Environmental Court issues a decision amending the report, the SII must issue a new tax calculation.

According to some of our power purchase agreements, we can transfer part of the cost increase from certain changes to laws to our customers. However, it is possible that we will not always be able to transfer the entire cost increase because of specific Green Taxes to our customers according to the change-in-law provisions in our PPAs. Our business, financial condition and operating results could be affected if we are unable to transfer them to some of our existing and future customers. Moreover, we cannot guarantee that there will be no further changes to the Green Tax





Rules during the debate of the new Tax Reform bill of law or that any such changes will not increase Green Taxes in the future, or that we will be able to continue transferring the entire cost increase under our PPAs, all of which could have a materially adverse impact on our business, financial condition and operating results. In any case, our strategy to convert generation assets to renewable energy sources aims, among other things, to reduce our exposure to the risk of increases in Green Taxes.

# 7.7.3 Market Risks

Market risk is the risk that fair value of future cash flows of a financial instrument fluctuate due to changes in market prices. This risk is comprised of 4 types: interest rate, exchange rate, commodity and other risks. The financial instruments exposed to market risk are mainly loans and bank debt, time deposits and mutual funds, and financial derivatives.

# **EXCHANGE RATE RISK**

Exchange rate risk is the risk that the value of an asset or liability (including the fair value of future cash flows of a financial instrument) fluctuate due to variations in exchange rates.

In the year ending December 31, 2020, EECL held hedges (forwards and options) with banks in order reduce the effects of dollar/peso exchange rate fluctuations on the Company's cash flows and its financial results that were indexed to the U.S. Dollar. For regulated PPAs with distributors, the rate is set in dollars and converted to pesos at the monthly average observed dollar exchange rate, so the exchange rate exposure of these PPA is limited in terms of impacts on the Company's statement of income.

However, there is an impact on the Company's cash flow because of the lags in publication of Average Node Price decrees, which translated into monthly invoicing at exchange rates other

than the monthly exchange rate stipulated in each PPA. Although these temporary differences are settled after the Average Node Price decrees are published, the uncertainty about the time of resettlement does not allow for an effective hedging through derivatives. This lag in collecting receivables from distribution companies for the differences between the exchange rates effectively invoiced and the exchange rates applicable according to governing law increased significantly after approval of the electricity rate stabilization law in November 2019 for which the technical rules of implementation were disclosed in March 2020 by Exempt Resolution 72 of the National Energy Commission. These rules have caused an increase in the receivables from the distribution companies where the pace of the increase and subsequent recovery will largely depend on the behavior of exchange rates, among other variables. To face this risk and mitigate its

effects on cash flow, in early 2021 the Company signed agreements with Goldman Sachs and IDB Invest to sell these receivables from distribution companies to a special-purpose company called Chile Electricity PEC SpA, with no recourse to the Company.

On January 29, 2021, Chile Electricity PEC SpA placed Rule 144 A/ Regulation S bonds for US\$489 million on the international market. A part of that amount was used to purchase the receivables corresponding to the January 2022 Average Node Price Decree. Since the sale was in dollars, at a discount and with no recourse to generating companies, EECL and EMR will reduce their exchange rate exposure and the credit risk associated with these receivables, and they will improve their liquidity, all at the cost of a discount that will have an impact on the 2021 financial statements.

The main cost in Chilean pesos relates to employees and administrative expenses that account for approximately 10% of our operating costs. Therefore, since most of the Company's income is denominated in or linked to the Dollar while some operating costs are in Chilean pesos, the Company has decided to partially hedge the peso payment flows for recurrent items with known payment dates, such as wages and salaries and some service contracts, by forwards and zero-cost collar options.

As of December 31, 2020, the Company had no currency derivatives. In the past, the Company and its subsidiary CTA had signed cash flow derivatives associated with payments under EPC contracts for the construction of projects, which are normally considered regular payment flows in currencies other than the dollar (CLF and EUR), that expired at the same time as project completion. The Company has thus avoided variations in the cost of investing in fixed assets because of fluctuations in exchange rates beyond its control. At this time, it holds no derivatives associated with the cash flows of investment projects.



# **INTEREST RATE RISK**

Interest rate risk is the risk created by changes in the fair value cash flows of financial instruments in the balance sheet because of changes in the market interest rates. Interest rate exposure occurs mainly because of long-term debt at floating interest rates. The Company and its subsidiaries manage interest rate risk through fixed-rate debt or Interest Rate Swaps (IRS) under which the Company agrees to swap from time to time an amount resulting from the differences between a fixed rate and a variable rate calculated on a notional amount. As of December 31, 2020, the consolidated financial debt of EECL was denominated entirely at a fixed rate.

# **SHARE PRICE RISK**

As of December 31, 2020, neither EECL nor its subsidiaries held investments in equity instruments.

# **CREDIT RISK**

We are exposed to credit risk in the ordinary course of our business and when investing our cash balances. In the power generation business, our main customers are large mining companies of renowned solvency who generally present a low level of risk. However, those companies are subject to the variation in the world prices of raw materials. Even though our customers have proven to be strong in confronting adverse cycles, our company conducts regular reviews of commercial risks. We also have regulated customers who supply residential and commercial customers whose credit risk is lower. In recent years, the electricity industry has evolved toward a greater automation of its customer base due to the right of consumers with a demand of 500 kV to 500 MW to contract their power supply directly with generating companies instead of through power distribution companies.

As a result of this elimination of intermediaries, the Company has signed PPAs with smaller commercial and industrial customers who could entail a greater credit risk.

To mitigate this risk, the Company has implemented a commercial counterparty risk policy that requires, among other things, a review of the credit risk prior to signature of power purchase agreements. At this time, PPAs with small and mid-sized commercial and industrial customers represent a small percentage of our contract portfolio.

The outbreak of the pandemic caused by the COVID-19 virus is causing an economic recession in the nation and the world, with the consequent uncertainty about the behavior of demand and the financial capacity of basic utility customers to make timely payment of their power consumption and other services. To confront this situation, the Company has ordered its commercial areas to stay in direct contact with our customers in order to track the situation and adopt timely measures to support our customers and to mitigate the impacts of the pandemic on the Company's performance.

Our investment policy stipulates investing our cash resources in the short term with investment-grade institutions. We also consider the financial risk of our counterparties when contracting exchange rate or interest rate derivative hedges and we set maximum limits for investments with each counterparty in order to manage and diversify our credit risk.

# **TRADE RECEIVABLES RISK**

Credit risk is managed by each business unit subject to the policy, procedures and controls established by the Company. The company sets credit limits for all its customers based on internal policies. Both credit limits and policies are reviewed regularly. Trade receivables are monitored periodically for performance in consideration of the international prices of minerals

and other relevant factors, while for generating companies, it is based on their generation capacity and debt.

Impairment is analyzed on each reporting date individually for all material customers. The maximum exposure to credit risk on the reporting date is the current value of trade receivables. The Company has evaluated the concentration of risk in trade receivables as acceptable because customers are mainly large mining companies, power generating companies and power distribution companies.

# **FINANCIAL ASSETS AND DERIVATIVES**

The credit risk to which the Company is exposed in transactions with banks and financial institutions in current accounts, time deposits, mutual funds and financial derivatives is managed by the Corporate Finance Division according to the Company's policy. Investments can only be made with authorized counterparties and within the credit limits assigned to each. The Company also has set limits by period and risk diversification by financial counterparty. The credit limits for each counterparty are set according to the national or international risk rating and liquidity insolvency indicators of each institution, and they are reviewed from time to time by management. Limits are set to minimize risk concentration and thus mitigate losses in a potential counterparty default.

# LIQUIDITY

Liquidity risk relates to the need for funding to pay obligations when due. The goal of the Company is to maintain a balance between fund availability and financial flexibility through regular operating flows, loans, short-term investments and credit facilities. The Company recurrently evaluates risk concentration in respect of debt refinancing.

As of December 31, 2020, the Company had a total of US\$50 million in short-term financial debt

expiring in May 2021, but no other significant debt maturities until 2025. Given its sound credit rating, the Company has easy access to financial markets and it keeps cash and holds short-term investments sufficing to easily meet its short-term financial commitments. Therefore, the Company's liquidity risk is currently considered to be low.

# 7.7.4 Reputation Risks

# **REPUTATION AND IMAGE**

In addition to environmental and electricity industry regulations, our business must comply with a significant number of laws, standards and regulations, including in relation to competition and anti-trust, anti-bribery and anti-corruption, health, safety and the environment, employees and employment, and taxation. We could be the subject of investigations or proceedings by the authorities because of alleged infringements of these laws. The outcome of these processes could result in fines or other forms of liability that might have a materially adverse effect on our reputation, business, financial condition and operating results.

To mitigate this risk, we have implanted compliance procedures and internal control systems to prevent or detect inappropriate practices, fraud or violations of the law by our subsidiaries, directors, officers, employees, contractors or other persons who act on our behalf.

# **SUSTAINABILITY**

In the framework of sustainability management, in 2019 we created a social-environmental indicator that measures the handling of undesired incidents that may cause social unrest with an effect on the company's reputation, regardless of whether they cause environmental damage. That indicator considers the operating containment of the event and timely management with stakeholders.



# 7.7.5 Regulatory Risks

The Company is subject to regulations governing in Chile that may encompass diverse aspects of the business. Its operations must abide by broad regulations on rates and other aspects regulating its business in Chile. Accordingly, any new laws or regulations or amendments to existing ones could impacts its activities, economic situation and the results of its operations. The Company's activities are also required to abide permanently by broad environmental regulations. Eventual changes to these matters could affect activities, the economic situation and the results of operations. Among other things, environmental regulations require that environmental impact studies be prepared for projects under study; that licenses, permits and other regulatory authorizations be received; and that all requirements in such licenses, permits and standards be met. Like what occurs with any regulated company, the Company cannot guarantee that the government authorities will approve the environmental impact studies; that public opposition will not result in delays or changes to a proposed project; that laws or regulations will not be amended or interpreted so as to increase expenses; or that operations, plants or plans of the Company will not be affected (further information on page 33 in the Regulatory Framework Chapter).

# CHANGES TO, AND COMPLIANCE WITH, ENVIRONMENTAL REGULATIONS

Our operations are subject to a wide range of environmental requirements. We have defrayed expenses and made investments, which we will continue to do, in order to stay in compliance with environmental laws and the permits required for our operations. A breach of environmental requirements could result in fines or civil or criminal penalties, environmental damage lawsuits, reparation obligations, the revocation of environmental authorizations or the temporary or permanent closing of facilities. Many of our PPAs include clauses on the transfer

of capital costs, operating costs or the cost of complying with certain changes in law, in particular environmental laws.

It may be that new environmental requirements or changes in the enforcement, interpretation or implementation of existing requirements result in a substantial increase in capital, operating and compliance costs, and conditions may be imposed that restrict or limit our operations. Moreover, changes in environmental regulations may restrict even further the use of coal or increase the cost of using it as a source fuel, which may adversely impact our income and, consequently, our financial situation and operating results. These changes in environmental regulations could limit the availability of our funding for other purposes, which might have a negative impact on our business, operating results and financial situation.

# LAW 21,185 AND TEMPORARY ELECTRICITY PRICE STABILIZATION

On March 11, 2020, the National Energy Commission published Exempt Resolution 72 that contains rules and provisions required to implement the temporary electricity price stabilization method for rate-regulated customers, according to Law 21,185 of November 2, 2019. This method considers freezing electricity rates at levels existing in the first half of 2019 until the end of 2027, subject to certain adjustments stipulated in the law, while prices that generating companies charge distribution companies will remain the same according to the contracts existing between them. The method will produce a differential between the rates that generating companies are authorized to charge according to their contracts and the rates applied in the collection from end customers subject to price regulation. As a result of the rate differential, generating companies are reporting accounts receivable from distribution companies

that combined create the so-called stabilization. fund. Under Law 21.185, this fund may grow through July 2023 or until a total of US\$1.35 billion has been accumulated, whichever occurs first. It is expected that once the power purchase agreements awarded in the most recent tenders enter into effect at lower prices, the average prices of PPAs between generating companies and distribution companies will begin to drop gradually as from 2021 and fall below the stabilized price that will continue in force with the adjustments stipulated by law through December 31, 2027. As of the moment when the average contractual rates fall below the stabilized price, distribution companies may begin to pay the receivables forming part of the stabilization fund. As of December 31, 2020, non-current receivables of EECL and its subsidiary EMR for this reason totaled approximately US\$142 million.

To confront this risk and mitigate its effects on cash flow, on January 20, 2021, the Company and its subsidiary Eólica Monte Redondo SpA ("EMR") reached an agreement with Goldman Sachs & Co. LLC and Goldman Sachs Lending Partners LLC ("GS") on the terms and conditions of a financing transaction by which the Company will sell these receivables from distribution companies on a non-recourse basis to a special-purpose company called Chile Electricity PEC SpA. Goldman Sachs has promised to provide financing to this latter company, either through a bond issue on the international market with its own resources sufficing to purchase a nominal number of receivables, totaling US\$162 million in the specific case of EECL and EMR. Additionally, EECL, EMR and Inter-American Investment Corporation ("IDB Invest") signed an agreement under which IDB Invest will participate in financing the purchase by Chile Electricity PEC of an additional portion of such receivables, totaling US\$74.7 million for EECL and EMR combined. On January 29, 2021, Chile Electricity PEC SpA placed Rule 144 A/Regulation S bonds for US\$489 million on the international

market. A portion of that amount was allocated to the purchase of receivables of 7 power generating companies, including EECL and EMR, corresponding to the January 2020 Average Node Price Decree. As the sale was in dollars, at a discount and without recourse to the generating companies, EECL and EMR will reduce their exchange rate exposure and credit risk associated with these receivables and will improve their liquidity, all at the cost of a discount that will have an impact on the 2021 financial statements.

# **REGULATORY INITIATIVES IN PROCESS**

As a result of the ongoing technological, political, social and environmental evolution taking place in the energy industry, there are a variety of congressional and authority initiatives that are in different stages of development on the date of this report. If they materialize, they could have material effects on our operations, results and the course of our businesses.

The main initiatives that might have an impact on our operations include (1) the Electrical Portability Law that is centered on three main thrusts: (i) activating sales; (ii) modernizing supply tenders; and (iii) creating an Information Manager; (2) the congressional Accelerated Decarbonization initiative: (3) an amendment to the Technical Standard for the Scheduling and Coordination of Operational Units using regasified natural gas (NT GNL); and (4) the Ministry of Energy's Flexibility Strategy that involves 12 measures and thus far has focused on: (i) perfecting the method for sufficiency compensation to determine the contribution of different generating units to the reliability and sufficiency of the power grid and (ii) incorporating flexibility requirements in the capacity payment method.





# 8.1 Scope

This is the Fourth Integrated Report of ENGIE Energía Chile. We prepared this document as part of the ongoing commitment we have to our stakeholders to provide relevant information on the management of economic, social and environmental aspects of our business for their decision-making.

This report has been prepared following General Rule No. 30 and General Rule No. 386 on Financial Reporting, in line with the Standards of the Global Reporting Initiative (GRI), Core option.

This report considers the operations of ENGIE Energía Chile in the country. The information was provided by the areas in charge of the management of the topics reported.

Figures from previous periods were included in order to give readers a more comprehensive vision of the evolution of our company.

Please direct questions and suggestions on economic performance content to marcela.munoz@engie.com. For social and environmental performance content, please contact matias.bernales@engie.com.

# 8.1.1 Application of the principles in the GRI Standards

We considered, in preparing this document, the GRI Reporting Principles for defining content and the quality of the information disclosed. This report has been prepared following General Rules 30 and 386 on Financial Reporting, in line with the Standards of the Global Reporting Initiative (GRI), Core option.

# Participation of stakeholders Sustainability context Materiality Exhaustiveness

INFORMATION QUALITY PRINCIPLES	
Accuracy	
Balance	
Clarity	
Comparability	
Reliability	
Regularity	



# 8.2 Materiality

To respond through this Integrated Report to the information requirements of our groups of interest, we developed a materiality process that included the following actions:

# **8.2.1 Material Topic Identification:**

# **MATERIALITY SURVEY**

- We conducted a survey, by invitation, among Shareholders, Trade Associations, Banks, Local Authorities, National Authorities, Employees, Customers, Communities, the Board of Directors, Foundations and NGOs, Suppliers, Contractor Employees and the Media.
- The survey was voluntary and anonymous.
   Participants only had to indicate the stakeholder group to which they belonged. A total of 130 people responded.
- The survey covered the 40 topics most relevant to the sustainability of our company, grouped into Governance and Ethics; Business Performance; Sustainability Management; COVID-19 Handling; Customer Strategy; People Management; Responsible Procurement; Relations with the Community; and Environmental Management. The material topics reported in 2019 were included in the selection and the aspects of management emphasized by the senior officers in our Company, as well as external factors arising from the economic, social and environmental setting that impacted the Company's performance in 2020.

 To identify stakeholders' main concerns, we issued a broad invitation to participate in our survey. A list was prepared with the topics of greatest relevance that are reported in this Integrated Report.

We interviewed chief officers and senior managers to understand the priorities of each area and their contributions to sustainability. We also met with the heads of specific areas. In all, this round involved 26 executives.

# **VOLUNTARY STANDARDS AND INITIATIVES WERE USED AS REFERENCE:**

- The GRI sustainability reporting standards.
- The initiatives of organizations and centers specialized in sustainability matters.
- The United Nations Sustainable Development Goals (SDGs).
- The Principles of the Global Compact.



# 8.2.2 Stakeholders' main concerns

Among the results of the consultation, the following topics were identified:

# **TOPICS OF HIGH IMPORTANCE**

- **1.** Handling the impacts of the pandemic on jobs, operations and commerce.
- 2. Growth plan for the coming years.
- **3.** Progress in the Decarbonization Plan.
- **4.** Contract renegotiation and new green contracts.
- **5.** Economic reconversion programs in localities impacted by decarbonization.

- Organizational development (talent management, training, performance evaluation and leadership).
- **7.** Measurement and control of Greenhouse Gas Emissions.
- 8. Benefits and reconciliation of personal and working lives.
- **9.** Early engagement with communities for new projects.

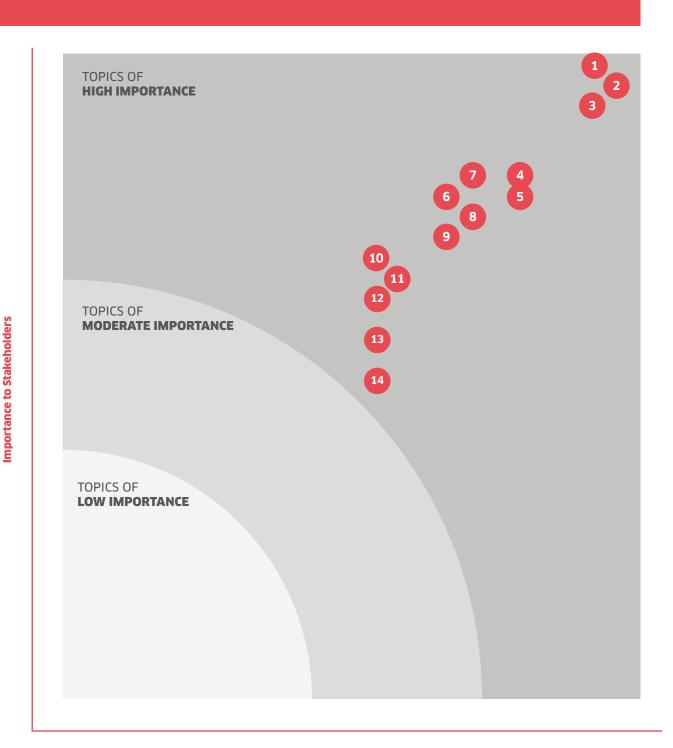
- **10.** Economic value generated and distributed.
- 11. Relations with stakeholders.
- **12.** Local supplier development.
- **13.** Social investment programs.
- **14.** Sustainability Model.

# **TOPICS OF MODERATE TO LOW IMPORTANCE**

- Information on ownership and the Board of Directors.
- Energy efficiency plans.
- Channels of communication with customers.
- Progress in the customer service model.
- Water consumption and water footprint.
- Promotion of diversity and inclusion.
- Progress in the environmental management system and environmental certifications.
- Management of corporate ethics, Code of Ethics and internal regulations.

- Transfer of good practices to suppliers.
- Studies to measure the level of customer satisfaction.
- Payment and tender processes.
- Compliance with regulations and fines imposed in the year.
- Control of compliance by suppliers and contractors with labor regulations.
- Waste management.
- Progress in the Crime and Corruption Prevention Model.
- Contribution to SDGs.
- Progress in occupational health and safety.

- Competition policies and practices.
- Internal culture management.
- Union relations.
- Risk management.
- $\bullet \ {\sf Digital} \ transformation.$
- Honors and recognitions.
- Support to charities and NGOs.
- Materials and input management.
- Innovation management.



The Materiality of Economic, Environmental and Social impacts



# 8.3 GRI Standards Index

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102-11 Precautionary principle or approach	The environmental practices, procedures and internal frameworks of ENGIE Energía Chile are in full harmony with Principle 15 of the Rio Declaration that says: "In order to protect the environment, the precautionary approach shall be widely applied by States according to their capabilities. When there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing costeffective measures to prevent environmental degradation."
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102-49 Changes in reporting	There are no significant changes.
102-50 Reporting period	2020
102-51 Date of most recent report	2019
102-52 Reporting cycle	Annual
102-53 Contact point for questions regarding the report	marcela.munoz@engie.com/matiasbernales@engie.com
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# 8.4 Commitment to the Global Compact

GLOBAL IMPACT PRINCIPLES

PAGES WITH 2020 ADVANCES AND/OR CORPORATE VISION

# **PRINCIPLE 1**

Businesses should support and respect the protection of internationally proclaimed human rights; and

▶ In its Human Rights policy, entitled "Group Human Rights Commitments," ENGIE Energía Chile publicly reaffirms its support of a respect for human rights according to the principles and directives of the United Nations (Code of Conduct and Ethics in Business, page 40, available at www.engie-energia.cl).

# **PRINCIPLE 2**

make sure that they are not complicit in Human Rights abuses.

▶ ENGIE Energía Chile includes a provision in contracts with its suppliers, contractors and partners stipulating that these stakeholders respect the human rights commitments to which the company ascribes (Code of Conduct and Ethics in Business, page 44, available at www.engie-energia.cl).

# **PRINCIPLE 3**

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

- ▶ In Commitment 2 of its Human Rights Policy, ENGIE Energía Chile states that it will ensure that the human rights of its employees are respected according to the conventions of the International Labor Organization. This means, among other aspects, its "Recognition of the Freedom of Association and the Right to Collective Bargaining" (Code of Conduct and Ethics in Business, page 41, available at www.engie-energia.cl).
- ▶ Pages 118 and 119 of the Integrated Report.

# PRINCIPLE 4

The elimination of all forms of forced and compulsory labor;

▶ In Commitment 2 of its Human Rights Policy, ENGIE Energía Chile states that it will ensure respect for the human rights of its employees according to the conventions of the International Labor Organization. This means, among other aspects, its "Rejection of any Form of Forced or Mandatory Labor" (Code of Conduct and Ethics in Business, page 41, available at www.engie-energia.cl).

# GLOBAL IMPACT PRINCIPLES

# PAGES WITH 2020 ADVANCES AND/OR CORPORATE VISION

# PRINCIPLE 5

The effective abolition of child labor; and

▶ In Commitment 2 of its Human Rights Policy, ENGIE Energía Chile states that it will ensure respect for the human rights of its employees according to the conventions of the International Labor Organization. This means, among other aspects, its "Rejection of any Form of Forced or Mandatory Labor" (Code of Conduct and Ethics in Business, page 41, available at www.engie-energia.cl).

### PRINCIPLE 6

The elimination of discrimination in respect of employment and occupation.

> Page 114 of the Integrated Report

# **PRINCIPLE 7**

Businesses should support a precautionary approach to environmental challenges.

Page 83 of the Integrated Report

# **PRINCIPLE 8**

Undertake initiatives to promote greater environmental responsibility; and

> Pages 83 to 91 of the Integrated Report

# PRINCIPLE 9

Encourage the development and diffusion of environmentally friendly technologies.

▶ Pages 83 to 91 of the Integrated Report

# **PRINCIPLE 10**

Businesses should work against corruption in all its forms, including extortion and bribery.

▶ Page 25 of the Integrated Report





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# / ENGIE Energia Chile S.A

# **Consolidated Classified Statements of Financial Position**

as of December 31, 2020 and 2019, in thousands of U.S. dollars

ASSETS	Note	12/31/2020 kUSD	12/31/2019 kUSD
Current Assets			
Cash and cash equivalents	6	235,250	239,083
Other financial assets, current	7	54	471
Other non-financial assets, current	8	14,894	8,181
Trade receivables and other accounts receivable, current	9	107,242	96,638
Intercompany receivables, current	10	812	11,999
Current inventories	11	76,680	116,204
Current tax assets	12	29,934	12,679
Total Current Assets		464,866	485,255
Non-Current Assets			
Other non-current non-financial assets	13	16,067	5,707
Trade receivables and other accounts receivable, non-current	9	139,888	73,519
Intercompany receivables, non-current	10	21,726	27,722
Investments accounted for using the equity method	14	81,608	89,697
Intangible assets other than goodwill	15	204,825	221,288
Goodwill	16	25,099	25,099
Property, plant and equipment	17	2,668,897	2,537,109
Right-of-use assets	18	76,457	24,282
Deferred tax assets	19	21,547	18,112
Total Non-Current Assets		3,256,114	3,022,535
Total Assets		3,720,980	3,507,790

The accompanying notes form an integral part of these consolidated financial statements.

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# **Consolidated Classified Statements of Financial Position**

as of December 31, 2020 and 2019, in thousands of U.S. dollars

EQUITY AND LIABILITIES Note	12/31/2020 kUSD	12/31/2019 kUSD
Current Liabilities		
Other financial liabilities, current 20-2	64,280	102,083
Current lease liabilities 23	4,327	1,665
Trade payables and other accounts payable 24	207,141	190,426
Intercompany payables, current 10	9,732	12,635
Current tax liabilities 12	10,161	23,432
Current provisions for employee benefits 25	15,524	12,348
Other non-financial liabilities, current 26	12,294	14,896
Total Current Liabilities	323,459	357,485
Non-Current Liabilities		
Other non-current financial liabilities 20-2	L 830,998	760,446
Non-current lease liabilities 23	78,341	700,440
Intercompany payables, non-current 10	54,948	56,431
Other non-current provisions 27	62,418	16,395
Deferred tax liabilities 19	202,682	193,370
Non-current provisions for employee benefits 28	69	62
Other non-current non-financial liabilities 26	57	0
Total Non-Current Liabilities	1,229,513	1,026,704
Total Liabilities	1,552,972	1,384,189
Equity		
Issued capital	1,043,728	1,043,728
Retained earnings	798,096	701,167
Other reserves 29	326,184	314,356
Net equity attributable to the owners of the controller	2,168,008	2,059,251
Non-controlling interests 30	0	64,350
Total Equity	2,168,008	2,123,601
Total Equity and Liabilities	3,720,980	3,507,790

The accompanying notes form an integral part of these consolidated financial statements.

# / ENGIE Energia Chile S.A

# **Consolidated Statements of Comprehensive Income by Function**

as of December 31, 2020 and 2019, in thousands of U.S. dollars

Consolidated Statement of Comprehensive Income by Function	Note	12/31/2020 kUSD	12/31/2019 kUSD
Revenue	31	1,351,658	1,454,436
Cost of sales	32	(1,043,672)	(1,042,145)
Gross Earnings		307,986	412,291
Other income	33	3,380	6,290
Administrative expenses	34	(37,059)	(43,813)
Other income or expenses by function	36	(10,753)	(185,086)
Profit (loss) from operating activities		263,554	189,682
Financial income	37	2,545	5,166
Financial expenses	38	(59,476)	(37,837)
Share in earnings (losses) of associates and joint ventures accounted for using the equity method	14	4,368	7,334
Exchange differentials	39	(7,269)	(3,024)
Pre-tax profit (loss)		203,722	161,321
Tax expense in continuing operations	19	(40,191)	(42,604)
Earnings (loss) from continuing operations		163,531	118,717
Earnings (loss) attributable to			
the owners of the controller		163,531	110,823
non-controlling interests	30	0	7,894
Earnings per Share			
Profit (loss)		163,531	110,823
Basic earnings (loss) per share in continuing operations	38	USD 0.155	USD 0.105

The accompanying notes form an integral part of these consolidated financial statements.

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# Other Consolidated Comprehensive Income

as of December 31, 2020 and 2019, in thousands of U.S. dollars

Other comprehensive income	12/31/2020 kUSD	12/31/2019 kUSD
Gain	163,531	118,717
Cash flow hedges		
Earnings (losses) on cash flow hedges, before taxes	(13,299)	(14,826)
Income tax related to cash flow hedges in other comprehensive income		
Income tax related to cash flow hedges in other comprehensive income	1,215	811
Other comprehensive income	(12,084)	(14,015)
Comprehensive income	151,447	104,702
Comprehensive Income attributable to:		
the owners of the controller	151,477	96,808
non-controlling interests	0	7,894
Total Comprehensive Income	151,447	104,702

The accompanying notes form an integral part of these consolidated financial statements.

# / ENGIE Energia Chile S.A

# Statements of Cash Flows - Direct Method,

as of as of December 31, 2020 and 2019, in thousands of U.S. dollars

CONSOLIDATED STATEMENT OF CASH FLOW - DIRECT Note	12/31/2020 kUSD	12/30/2019 kUSD
Cash flow from (used in) operating activities		
Types of collections in operating activities		
Collection of the sales of goods and provision of services	1,491,036	1,621,576
Collection of premiums and benefits, annuities and other policy benefits	7,337	2,133
Other collections in operating activities	14	81,204
Types of cash payments in operating activities		
Payments to suppliers for the supply of goods and services	(991,611)	(977,305)
Payments to and for account of employees	(55,229)	(51,879)
Payments for premiums and benefits, annuities and other obligations under policies	(17,923)	(14,127)
Other payments in operating activities	(216)	(266)
Cash flow from (used in) operating activities		
Interest paid, classified as operating activity	(55,681)	(21,471)
Income tax paid (refunded), classified as operating activity	(61,094)	(55,594)
Other cash inflows (outflows) classified as operating activities	(85,300)	(106,439)
Cash flow from (used in) operating activities	231,333	477,832

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# Statements of Cash Flows - Direct Method.

as of as of December 31, 2020 and 2019, in thousands of U.S. dollars

CONSOLIDATED STATEMENT OF CASH FLOW - DIRECT Note	12/31/2020 kUSD	12/30/2019 kUSD
Cash flow from (used in) investing activities		
Cash flows used to obtain the control of subsidiaries or other businesses	(56,651)	(35,472)
Other collections from the sale of equity or debt instruments of other entities, classified as investing activities	2,739	0
Other payments to acquire equity or debt instruments of other entities, classified as investing activities	(2,354)	0
Proceeds from the sale of property, plant and equipment, classified as investing activities	0	35
Purchases of property, plant and equipment, classified as investing activities	(185,089)	(154,720)
Collections from related entities	7,500	21,559
Interest received	1,894	2,706
Payments under futures, term, option and swap contracts	(36,000)	(31,983)
Collections under futures, term, option and swap contracts	26,435	27,902
Cash flow from (used in) investing activities	(241,526)	(169,973)
Cook flow from (used in) financing activities		
Cash flow from (used in) financing activities  Proceeds from short-term loans	50,000	215,000
Proceeds from long-term loans	500,000	213,000
Loans paid	(480,000)	(225,000)
Payment of financial lease liabilities	(2,327)	(2,868)
Dividends paid	(64,813)	(118,703)
Cash flow from (used in) financing activities	2,860	(131,571)
Increase (decrease) in cash and cash equivalents before the effect of variations in the exchange rate	(7,333)	176,288
Effects of the variation in the exchange rate on cash and cash equivalents	1,123	(1,671)
Increase (decrease) in cash and cash equivalents	(6,210)	174,617
Cash and cash equivalents at the start of the period 6	241,460	64,466
Cash and cash equivalents at the end of the period 6	235,250	239,083

The accompanying notes form an integral part of these consolidated financial statements.

# / ENGIE Energia Chile S.A

# Statement of Changes in Consolidated Net Equity

as of as of December 31, 2020, in thousands of U.S. dollars

		Char	nges in Other Reserves	Change in	Net Equity	Changes	
Statement of Changes in Net Equity	Changes in Issued Capital	Other Sundry Reserves	Translation Reserves	Retained Earnings (Cumulative Losses)	Attributable to the Owners of the Controller, Total	Changes in Non- Controlling Interests	Changes in Net Equity, Total
as of December 31, 2020	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
Equity at 1/1/2020	1,043,728	314,356	0	701,167	2,059,251	64,350	2,123,601
Profit	0	0	0	163,531	163,531	0	163,531
Other Comprehensive Income	0	(12,084)	0	0	(12,084)	0	(12,084)
Total Comprehensive Income	0	(12,084)	0	163,531	151,447	0	151,447
Dividends	0	0	0	(66,602)	(66,602)	0	(66,602)
Increases (decreases) due to other changes in equity(1)	0	23,912	0	0	23,912	(64,350)	(40,438)
Changes in Equity	0	11,828	0	96,929	108,757	(64,350)	44,407
Final Balance as of 12/31/2020	1,043,728	326,184	0	798,096	2,168,008	0	2,168,008

- (1) As of March 31st, EECL and its subsidiary Inversiones Hornitos S.A. had signed the contracts listed below with Minera Centinela, a client:
- 1. An amendment to the power purchase agreement dated September 7, 2009 between Inversiones Hornitos S.A. and Minera Esperanza, now Minera Centinela and a subsidiary of Antofagasta Minerals S.A., for a capacity of 150 MW. The purpose was to apply a price discount for the years 2020 and 2021 and set the expiration date as December 31, 2021;
- 2. An amendment to the power purchase agreement dated December 20, 2012 between Inversiones Hornitos S.A. and Minera El Tesoro, later absorbed by Minera Esperanza and now Minera Centinela, for a capacity of 36 MW. The purpose was to apply a price discount for the years 2020 and 2021 and set the expiration date as December 31, 2021;
- 3. A new power purchase agreement between EECL and Minera Centinela for an agreed capacity of 186 MW covering the period January 2022 to December 2033 at a price adjustable by the change in the CPI, differentiated for the periods 2022 to 2028 and 2029 to 2033; and
- 4. An amendment to the agreements on corporate governance and ownership of Inversiones Hornitos S.A., including (a) an agreement where Inversiones Hornitos S.A. will not distribute new dividends until the debt it owes EECL is extinguished so that the cash generated by Inversiones Hornitos can be allocated to payment of that debt; and (b) the transfer of the remaining 40% of the shares in Inversiones Hornitos S.A. to EECL (until now owned by Inversiones Punta de Rieles Limitada, a company related to Antofagasta Minerals S.A.) no later than December 2021. The global agreement means that EECL will gain full control of Inversiones Hornitos S.A. and consequently eliminate the minority interest in that subsidiary.

The accompanying notes form an integral part of these consolidated financial statements.

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# / ENGIE Energia Chile S.A

# **Statement of Changes in Consolidated Net Equity**

as of December 31, 2019, in thousands of U.S. dollars

	Changes Other Translation		nges in Other Reserves	Reserves Change in Ne		Changes	
Statement of Changes in Net			Translation Reserves	Retained Earnings (Cumulative Losses)	Attributable to the Owners of the Controller, Total	Changes in Non- Controlling Interests	Changes in Net Equity, Total
as of December 31, 2019	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
Equity at 1/1/2019	1,043,728	328,371	0	697,707	2,069,806	68,218	2,138,024
Profit	0	0	0	110,823	110,823	7,894	118,717
Other Comprehensive Income	0	(14,015)	0	0	(14,015)	0	(14,015)
Total Comprehensive Income	0	(14,015)	0	110,823	96,808	7,894	104,702
Dividends	0	0	0	(107,363)	(107,363)	(11,762)	(119,125)
Increases (decreases) due to other changes in equity	0	0	0	0	0	0	0
Changes in Equity	0	(14,015)	0	3,460	(10,555)	(3,868)	(14,423)
Final Balance as of 12/31/2019	1,043,728	314,356	0	701,167	2,059,251	64,350	2,123,601

The accompanying notes form an integral part of these consolidated financial statements.

# **NOTE 1 - GENERAL INFORMATION**

# 1.1 Corporate Information

ENGIE ENERGIA CHILE S.A., hereinafter EECL, was created as a limited liability company on October 22, 1981, through contributions made by Empresa Nacional de Electricidad S.A. (ENDESA) and Corporación de Fomento de la Producción (CORFO. the Production Development Association of Chile).

The Company's first registered address was in Antofagasta, where it began operating in June 1981.

On September 30, 1983, Engie Energia Chile S.A. was transformed into a continuing open corporation listed on the Chilean stock exchange. It was registered under number 273 on July 23, 1985, in the Securities Registry of the Securities and Insurance Commission, and is therefore subject to oversight by the Financial Market Commission. The company's taxpayer identification number is 88.006.900-4.

A Special Shareholder's Meeting held on April 26, 2016 resolved to change the company's name from E.CL S.A. to "Engie Energia Chile S.A."

The registered and main offices of Engie Energia Chile S.A. are at Isidora Goyenechea 2800, Suites 1601,1701 and 1801, Las Condes, Santiago, Chile, and its phone number is (56-2) 2353-3200.

The company is controlled directly by the Engie Group through Engie LATAM S.A., which owns 631,924,219 shares with no par value in one single series, equal to an interest of 59.99%. The remaining 40.01% is traded on Chilean stock exchanges.

The Company's Board approved the consolidated financial statements of Engie Energia Chile S.A. as of December 31, 2020 on January 26, 2021. The Company's Board approved the consolidated financial statements of Engie Energia Chile S.A. as of December 31, 2019 on January 28, 2020.

These consolidated financial statements are presented in thousands of U.S. dollars (unless otherwise expressly indicated), as this is the Company's functional currency.

# NOTE 2 - BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

# 2.1 Basis of Presentation

The consolidated financial statements of Engie Energia Chile S.A. and its subsidiaries have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

These consolidated financial statements fairly reflect the financial position of Engie Energia Chile S.A. as of December 31, 2020 and 2019, and the results of its operations, changes in net equity and cash flows for the periods ending on those dates.

These consolidated financial statements have been prepared using the accounting records kept by Engie Energia Chile S.A. and its subsidiaries



# 2.2 New IFRS and Interpretations of the IFRS Interpretations Committee

The Company applied certain standards, interpretations and amendments for the first time that entered into effect for the periods beginning January 1, 2020 or later. The Company has not adopted any standard, interpretation or amendment early that was issued but had not yet entered into effect.

a) The standards, interpretations and amendments to IFRS that entered into effect on the date of the financial statements, their nature and impacts are described below:

Standards and Interpretations	Date of mandatory application
Conceptual Framework (revised)	January 1, 2020

# **Conceptual Framework (Revised)**

The IASB issued the Conceptual Framework (Revised) in March 2018. It adds new concepts, provides revised definitions and criteria on the recognition of assets and liabilities. It also explains some important concepts.

The changes to the Conceptual Framework may affect the application of IFRS when no standard applies to a particular transaction or event. The revised Conceptual Framework will enter into effect for periods beginning on or after January 1, 2020.

The amendment is applicable for the first time in 2020 and has no impact on the Company's financial statements.

Amendments	Date of mandatory application
IFRS 3, Definition of a Business	January 1, 2020
IAS 1 and IAS 8, Definition of material	January 1, 2020
IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform	January 1, 2020
IFRS 16, Covid-19-related rent concessions	January 1, 2020

# IFRS 3 Business Combinations - Definition of a business

The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether a set of activities and assets acquired is or is not a business. The IASB explains the minimum requirements to define a business, eliminates the evaluation of whether market participants are capable of replacing any missing element, includes guidance to help entities evaluate whether a process acquired is substantive, reduces the definitions of a business and products, and introduces an optional fair value concentration test.

The amendments must be applied to business combinations or asset acquisitions occurring on or after the start of the first year of reporting as from January 1, 2020. Consequently, entities do not have to revise any transactions in previous periods. Early application is allowed and must be disclosed.

Since the amendments are applied prospectively to transactions or other events occurring on or after the date of first application, most entities will likely not be affected by these amendments in the transition. However, entities that considered the acquisition of a set of assets and activities after applying the amendments must first update their accounting policies on a timely basis.

The amendments may also be relevant to other areas of IFRS (such as when a controller loses control of a subsidiary and has adopted early the sale or contribution of assets between an investor and its associate or joint venture) (amendments to IFRS 10 and IAS 28).

The amendment is applicable for the first time in 2020 and has no impact on the Company's financial statements.

# IAS 1 Presentation of Financial Statements and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of "material" in all standards and explain certain aspects of the definition. The new definition stipulates that Information is material "if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments must be applied prospectively. Early application is allowed and must be disclosed.

Although the amendments to the definition of material are not expected to have a significant impact on an entity's financial statements, the introduction of the word "obscuring" to the definition could impact the way in which judgments of materiality are made in practice, raising the importance of how information is communicated and organized in financial statements.

The amendment is applicable for the first time in 2020 and has no impact on the Company's financial statements.

# IFRS 9, IAS 39 and IFRS 7. Interest Rate Benchmark Reform

In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7 that concluded the first phase of its work to respond to the effects of the interbank offering rate (IBOR) reform on financial information. The amendments provide temporary exceptions for hedge accounting to continue during the period of uncertainty, prior to replacing existing benchmark interest rates by alternative interest rates that are virtually risk-free.

The amendments must be applied retrospectively. However, any hedge relationship that has been previously discontinued cannot be reintegrated by the application of these amendments, nor can a hedge relationship be designated using the benefit of retrospective reasoning. Early application is allowed and must be disclosed.

The amendment is applicable for the first time in 2020 and has no impact on the Company's financial statements.

# IFRS 16, Covid-19-related rent concessions

The IASB issued an amendment to IFRS 16 Leases in May 2020 to provide relief to lessees in applying the IFRS 16 guide, related to amendments to leases to reduce rent occurring as a direct consequence of the Covid-19 pandemic. The amendment does not apply to lessors.

As a practical solution, lessees may choose not to evaluate whether a reduction in rent related to Covid-19 made by a lessor is an amendment to the lease. Lessees making this choice must recognize the changes in lease payments as a result of Covid-19-related rent concessions in the same way that they would recognize the change under IFRS 16 as if such change were not an amendment to the lease.

Lessees must apply this practical solution retroactively and recognize the cumulative effect of the initial application of the amendment as an adjustment to the initial balance of cumulative profits or losses (or other component of equity, as applicable) at the start of the year being reported when the lessee applies the amendment for the first time.



Lessees must apply this amendment for the years beginning June 1, 2020. Early application is allowed, including in financial statements not approved for publication as of May 28, 2020.

The amendment is applicable for the first time in 2020 and has no impact on the Company's financial statements.

b) The following new standards and interpretations have been issued, but have not yet entered into effect:

# **IFRS 17 Insurance Contracts**

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a new accounting standard specifically for insurance contracts that covers recognition, measurement, presentation and disclosure. Once it takes effect, it will supersede IFRS 4, Insurance Contracts, issued in 2005. The new standard applies to all types of insurance

Standards and Interpretations	Date of mandatory application
IFRS 17, Insurance Contracts	January 1, 2023

contracts, regardless of the issuing entity, as well as to certain guarantees and financial instruments with certain discretionary participation features.

IFRS 17 will take effect for periods beginning on or after January 1, 2023, and comparative figures will be required. Early application is allowed provided the entity is applying IFRS 9 Financial Instruments on or before the date when IFRS 17 is applied for the first time.

The amendment is applicable for the first time in 2020 and has no impact on the Company's financial statements.

# IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Benchmark Interest Rate Reform - Phase 2

In August 2020, the IAS issued the second phase of the Benchmark Interest Rate Reform comprising the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. This publication completed the IASB's work to handle the impacts of the Interbank Offered Rate Reform (IBOR) on financial reporting.

Amendments	Date of mandatory application
IFRS 9, IAS 39, IFRS 7, IFRS 4 AND IFRS 16 Benchmark Interest Rate Reform - Phase 2	January 1, 2021
IFRS 3 Reference to the Conceptual Framework	January 1, 2022
IAS 16 Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
IAS 37 Onerous Contracts - Cost of Fulfilling a Contract	January 1, 2022
IAS 1 Classification of liabilities as current or non-current	January 1, 2023
IFRS 10/IAS 28 - sale or contribution of assets between an investor and its associate or joint venture in consolidated financial statements	To be determined

The amendments allow temporary exceptions to address the impacts on financial reporting when an IBOR is replaced by an alternative, and nearly risk-free, interest rate.

The amendments are mandatory and early application is allowed. A hedge relationship must be renewed if it had been discontinued solely due to the change required by the benchmark interest rate reform and would not have been discontinued if the second amendment phase would have been applied at that time. Although application is retrospective, entities are not required to restate previous periods.

The Company will evaluate the impact of the amendment after it enters into effect.

# IFRS 3 Reference to the Conceptual Framework

The IASB issued amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework in May 2020. These amendments are intended to replace the reference to a previous version of the IASB's Conceptual Framework (1989 Framework) by a reference to the present version issued in March 2018, but without significantly changing the requirements.

The amendments will enter into effect for periods beginning on or after January 1, 2022 and must be applied retrospectively. Early application is allowed provided an entity is also applying, either simultaneously or previously, all amendments to the References to the Conceptual Framework of the IFRS issued in March 2018.

The amendments will make financial reporting consistent and will avoid potential confusion from having more than one version of the Conceptual Framework in use.

The Company will evaluate the impact of the amendment once it enters into effect.

# IAS 16 Property, Plant and Equipment: Proceeds before Intended Use

The amendment forbids entities to deduct any sale made to take an asset to the location and put it in the condition needed to be operated as intended by management from the cost of an element of property, plant and equipment. Instead, entities must recognize the proceeds from the sale of those elements and their cost in the income for the period, according to applicable Standards.

The amendments will enter into effect for periods beginning on or after January 1, 2022 and must be applied retrospectively only to the elements of property, plant and equipment available for use on or after the start of the first period in which the entities apply the amendment for the first time to the financial statements.

The Company will evaluate the impact of the amendment once it enters into effect.

# IAS 37 Onerous Contracts - Cost of Fulfilling a Contract

The IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets in May 2020 to specify the costs that entities must include when evaluating whether a contract is onerous or is causing losses.

The amendment will enter into effect for periods beginning on or after January 1, 2022 and must be applied retrospectively to contracts existing at the start of the first period when the entities apply the amendment for the first time (date of initial application). Early application is allowed and must be disclosed.

The amendments are intended to provide clarity and help guarantee that the standard is applied consistently. Entities that previously applied the incremental cost approach will see provisions rise to reflect the inclusion of the costs directly related to the contract's activities, while entities that previously recognized provisions for contractual losses using the guide for the previous standard, IAS 11 Construction Contracts, must exclude the indirect cost allocations from their provisions.

The Company will evaluate the impact of the amendment once it enters into effect.



# IAS 1 Presentation of Financial Statements - Classification of liabilities as current or non-current

In June 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for the classification of liabilities as current or non-current.

The amendments take effect for periods beginning on or after January 1, 2023. Entities must carefully consider whether there is any aspect of the amendments that suggests that the terms of their existing loan agreements must be renegotiated. In this context, it is important to emphasize that the amendments must be applied retrospectively.

The Company will evaluate the impact of the amendment once it enters into effect.

# IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associations and Joint Ventures – sale or contribution of assets between an investor and its associate or joint venture

The amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) address a recognized inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in the treatment of a sale or contribution of assets between an investor and its associate or joint business. The amendments, issued in September 2014, stipulate that when the transaction involves a business (whether or not it is in a subsidiary), the entire gain or loss must be recognized. A partial gain or loss is recognized when the transaction involves assets not comprising a business, even when the assets are in a subsidiary. The date of mandatory application of these amendments is to be determined because the IASB is waiting for the results of its research on accounting according to the equity method. These amendments must be applied retrospectively, and early adoption is allowed, which must be disclosed.

The company will evaluate the impact of the amendment once it enters into effect.

# 2.3 Responsibility for the information, judgments and estimates

The Board of Engie Energia Chile S.A. has analyzed the information included in these consolidated financial statements and assumes liability for the veracity of the information contained in these financial statements as of December 31, 2020.

The preparation of the financial statements requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates. Relevant estimates and assumptions are reviewed on a regular basis. Any revision to these accounting estimates is recorded in the period in which such estimates are revised and in any future period affected.

The estimates mainly relate to:

# - Useful lives of property, plant and equipment and impairment testing

Management has estimated the useful life of each set of productive assets. This estimate could vary as a result of technological changes and/or other business factors. In addition, the Company has looked for any signs of impairment at the fiscal year closing, as required by IAS 36..

# - Assumptions used for the actuarial calculation of severance indemnities

An actuarial study is the method that has been used to determine the respective liability, using the discount rate, employee turnover, the mortality rate, average retirements and, finally, the salary increase rate (Note 3.10.1)..

# - Contingencies, lawsuits and litigation

The Company evaluates the probability of losing its lawsuits and of contingencies from time to time based on estimates made by its legal counsel. No provisions have been made whenever Management and the Company's attorneys opine that the outcome will be favorable or is uncertain and the lawsuits are ongoing.

# - Intangible Assets

The Company prepares pre-tax future cash-flow provisions to estimate value in use. If the recoverable amount is less than the net carrying value of the asset, the corresponding impairment loss provision is made for the difference, as a debit against amortization in the Statement of Income.

# 2.4 Subsidiaries

These consolidated financial statements include the financial statements of the Company and of entities controlled by the Company. Control exists when the company:

- has power over the investee:
- has rights or is exposed to variable returns on its interest in the investee; and
- has the ability to use its power to affect the investee's returns.

The Company re-evaluates whether it has control over an investee if facts and circumstances indicate that there are changes in one or more of the three elements of control mentioned above.

The subsidiaries Electroandina S.A., Central Termoeléctrica Andina S.A., Gasoducto Nor Andino SpA, Gasoducto Nor Andino Argentina S.A., Inversiones Hornitos SpA, Edelnor Transmisión S.A., Solairedirect Generación VI SpA, Solairedirect Generación IX SpA, Parque Eolico Los Trigales SpA, Solar Los Loros SpA, PV Coya SpA and Eolica Monte Redondo SpA are consolidated in these financial statements. The assets, liabilities and income are included in the annual consolidated financial statements after eliminating and/or adjusting transactions within the EECL Group (see Appendix 1.a).

# 2.5 Investments Accounted for Using the Equity Method

These are interests in companies in which EECL has joint control with another company or over which it exercises a significant influence.

The equity method consists of recording the interest as the fraction of net equity that the Company's interest represents in the issuer's adjusted capital.

Associates are entities over which the Company has a significant influence, but not control over financial and operating policies.

The companies accounted for using the equity method are described in Appendix 1.b.

Transmisora Electrica del Norte S.A. is accounted for using the equity method.

A joint venture is a joint agreement whereby the parties who have joint control under the agreement have the right to the net assets in the joint venture. Joint control is a contractual agreement to share the control of an agreement, and it exists only when the decisions on the relevant activities require the unanimous consent of the parties sharing control.

The income, assets and liabilities of associates and/or joint venturees are included in these Financial Statements using the equity method, unless the investment is classified as held for sale. In this latter case, it is recorded according to IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates and/or joint ventures are initially recorded at cost, and then adjusted by the changes occurring to the portion of net assets of the associate belonging to the Company after the acquisition, less any impairment in the value of the individual investments.



When the Company's share in losses of an associate or joint venture exceeds its share in the same, it will stop recognizing its share in further losses. The share in an associate or joint venture will be the carrying value of the investment in the associate or joint venture calculated using the equity method, as well as any long-term interest that essentially forms a part of the net investment by the entity in the associate or joint venture.

An investment in an associate and/or joint venture will be accounted for using the equity method as from the date when it becomes an associate or joint venture. Any cost of the investment exceeding the Company's share in the net fair value of identifiable assets and liabilities at the time of investment in the associate or joint venture will be recorded as goodwill and will be added to the carrying value of the investment. Any interest in the net fair value of identifiable assets and liabilities of the investee exceeding the investment cost, after a reassessment, will be immediately recognized in income in the period when the investment was acquired.

# 2.6 Principles of Consolidation

The operations of Engie Energia Chile S.A. and its subsidiaries have been consolidated line by line according to the following basic principles:

- 1. On the date that the Company takes control, the assets acquired and liabilities assumed by the subsidiary are recorded at the fair value, except for certain assets and liabilities, which are accounted for according to the valuation principles of the IFRS. If the fair value of the total transferred, plus the fair value of any non-controlling interest, exceeds the fair value of the net assets acquired in the subsidiary, this difference is recorded as goodwill. Any gain from a purchase at a low price is recorded as a credit to income, after re-evaluating whether the assets acquired and liabilities assumed have been correctly identified and after reviewing the procedures used to measure the fair value of such assets and liabilities.
- 2. If it is not possible to determine the fair value of all such assets and liabilities on the date of acquisition, the Company will report the provisional values recorded. During the measurement period, which may not exceed one year from the date of acquisition, the provisional values will be adjusted retrospectively and additional assets or liabilities will also be recognized to reflect new information on the facts and circumstances existing on the date of acquisition, but which were unknown to management at that time.
- 3. The value of the interests of non-controlling shareholders in the equity and comprehensive income of subsidiaries is shown in Non-Controlling Interests in Total Equity in the consolidated statement of financial position and in Earnings attributable to non-controlling interests and Comprehensive income attributable to non-controlling interests in the Consolidated Statement of Comprehensive Income.
- 4. The balances and transactions among the consolidated companies have been eliminated in their entirety in the consolidation process.
- 5. The changes in interests in subsidiaries that do not result in a gain or loss of control are recorded as equity transactions and the carrying value of controlling and non-controlling interests are adjusted to reflect changes in the relative shares in the subsidiary. Any difference that may exist between the adjustment to the non-controlling interests and the fair value of the consideration paid or received is recognized directly in Equity attributable to the owners of the controller.

# 2.7 Changes in significant accounting policies

The Company implemented IFRS 16, Leases, effective January 1, 2019, and it is disclosing the impacts in the Consolidated Financial Statements as of December 31, 2020. As a lessee, Engie Energía Chile S.A. has decided not to use the practical exception in IFRS 16 that allows no re-evaluation of old contracts classified as an operating lease under IAS 17 and IFRIC 4: "As a practical solution, an entity is not required to re-evaluate whether a contract is or contains a lease on the date of initial application. Instead, the entity is allowed: (a) to apply the standard to contracts that were previously identified as leases in the application of IAS 17, Leases, and IFRIC 4. Determining Whether an Arrangement Contains a Lease." Since Lessors are not required to any make any adjustment in the transition to IFRS 16, the company opted not to analyze the contracts in which EECL is lessor. For the transition to the standard, EECL decided to apply the modified retrospective approach model to record the right-of-use asset for an amount equal to the liability. This record began to be made on January 1, 2019, thus applying the standard on its date of mandatory application. The effect of applying this standard totals KUSD 82,668 (consolidated total, see Note 22). The incremental discount rates used to calculate the respective amortization tables associated with the lease obligation were determined by the Company's Management as well as the lease periods for those where a renewal is possible. The application of other pronouncements has had no significant impact on EECL. The remaining accounting criteria applied during the 2020 fiscal year did not vary compared to those used in the previous fiscal year.

# 2.8 Functional Currency and Currency of Presentation

The functional currency and currency of presentation of the Company and its subsidiaries is the U.S. dollar. All amounts have been rounded to the nearest thousand (kUSD).

# 2.9 Accounting Period

These Consolidated Financial Statements cover the following periods:

- Consolidated Statements of Financial Position for the fiscal years ending December 31, 2020 and 2019.
- Statements of Changes in Equity for the periods ending December 31, 2020 and 2019.
- Consolidated Statements of Comprehensive Income for the periods ending December 31, 2020 and 2019.
- Statements of Direct Cash Flows for the periods ending December 31, 2020 and 2019.

# 2.10 Foreign Currency Translation

The U.S. dollar is the Company's functional currency and the presentation currency of the consolidated financial statements of Engie Energia Chile S.A. Transactions in local and foreign currencies other than the functional currency are translated using the exchange rates on the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated at the functional currency exchange rate on the date of the general balance sheet. Foreign currency gains and losses resulting from these transactions and from the translation of monetary assets and liabilities in a foreign currency at the closing exchange rates are recognized under Exchange Differentials in the consolidated statement of income.



Assets and liabilities in a foreign currency were translated using the following closing exchange rates:

Currency	12/31/2020 USD 1	12/31/2019 USD 1
Chilean peso	710.9500	748.7400
Euro	0.8141	0.8918
Yen	103.3000	108.9000
Argentine peso	84.1411	59.8300
Pound sterling	0.7351	0.7615
Unidad de Fomento	40.8894	37.8101

# **NOTE 3 - ACCOUNTING CRITERIA**

The main accounting criteria applied in preparing these consolidated financial statements were as follows:

# 3.1 Property, Plant and Equipment

Property, plant and equipment are valued at either the acquisition cost or construction cost, less cumulative depreciation and impairment losses. The historic cost of property, plant and equipment as of January 1, 2009, the date of transition to IFRS, was used to determine the cost of property, plant and equipment. Costs include expenses attributed directly to the acquisition of the asset. The cost of assets built by the Company includes the cost of materials, direct labor, and any other cost directly attributable to the process of making the asset ready for use. In addition to the price paid to acquire each element, cost also includes the following items, where relevant:

- 1. Financial expenses accrued during the construction period that are directly attributable to the acquisition, construction or production of qualified assets, and which require a substantial period of time before being ready to use. The specific loan interest rate was used, or if there was none, the mean financing rate of the company making the investment.
- 2. Subsequent costs: The cost of replacing part of an item of property, plant and equipment is recorded as an asset when it is likely that the future economic benefits associated with it will be received by the company, provided they can be reliably determined. The value of the replaced component is charged off in the accounting.

The costs of maintaining property, plant and equipment are recognized in profit or loss as they are incurred.

Strategic spare parts are classified as Property, Plant and Equipment and a distinction is made as to whether they will be used in major maintenance or are required for emergencies.

Depreciation is recognized in profit or loss using the straight-line method for the economic useful life of each component of property, plant and equipment, without any residual value. Leased assets are depreciated over the shorter of the term of the lease or their useful lives, unless the Company is certain that it will obtain ownership at the end of the lease.

Land is recorded separately from buildings or facilities that might be built on it, and it has an indefinite useful life, so it is not depreciable.

The following are the main classes of property, plant and equipment along with their estimated useful lives:

Estimated Useful Lives of the Company's Main	Assets	Minimum	Maximum
Coal-fired power plants	Years of useful life	25	40
Combined cycle power plants	Years of useful life	25	25
Wind farm	Years of useful life	25	45
Civil works	Years of useful life	25	50
Hydraulic works	Years of useful life	35	50
Transmission lines	Years of useful life	10	50
Gas pipelines	Years of useful life	25	30
Control systems	Years of useful life	10	14
Auxiliary systems	Years of useful life	7	10
Furniture, vehicles and tools	Years of useful life	3	10
Other	Years of useful life	5	20

The Group reviews the useful lives of property, plant and equipment at the end of each fiscal year being reported.

# 3.2 Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at the fair value on the acquisition date, and the amount or quantity of any non-controlling interests in the investee. The Group chooses, for each business combination, whether to measure non-controlling interests in the investee at the fair value or at the proportional part of its identifiable net assets. The costs related to the acquisition are recorded as expenses incurred and included in administrative expenses.

When the Group acquires a business, it evaluates the financial assets and liabilities acquired for their classification and designation according to the contract terms, economic circumstances and pertinent conditions on the date of acquisition. This includes the separation of embedded derivatives in the investee's main contracts. Any contingent consideration to be transferred by the buyer will be recognized at the fair value on the acquisition date.

The contingent consideration classified as equity is not remeasured, and any subsequent settlement is accounted for in net equity. A contingent consideration classified as an asset or liability that is a financial instrument within the scope of IFRS 9 Financial Instruments is measured at the fair value, and changes in fair value are recognized through profit or loss according to IFRS 9.

Other contingent considerations outside the scope of IFRS 9 are measured at the fair value on each reporting date, and changes in fair value are recognized through profit or loss.

Goodwill is initially measured at cost (which is the excess of the aggregate of the consideration transferred and the sum recognized for non-controlling interests and any prior interest held in identifiable net assets acquired and liabilities assumed). If the fair value of the net assets acquired is above the consideration transferred, the Group re-evaluates whether it has correctly identified all assets acquired and all liabilities assumed, and it reviews the procedures used to measure the amounts to be recognized on the acquisition date. If there is an excess fair value of the net assets acquired above the consideration transferred after this re-evaluation, then the gain is recognized in income.



After the initial recognition, goodwill is measured at cost, less any cumulative impairment loss. For impairment testing, goodwill acquired in a business combination is allocated from the acquisition date to each of the Group's cash generating units that are expected to benefit from the combination, regardless of whether other assets or liabilities in the investee are allocated to those units.

When goodwill has been allocated to a cash generating unit (CGU) and part of the operation is eliminated from that unit, the goodwill associated with the eliminated operation is included in the carrying value of the operation to determine the gain or loss in the derecognition or impairment. Goodwill that has been written off or derecognized under these circumstances is measured at the value of the transferred operation and the portion retained in the cash generating unit.

# 3.3 Other Non-Current Non-Financial Assets

The Company includes assets among its other non-current non-financial assets that are by nature long term and are not classified as tangible assets, intangible assets or financial assets.

The Company classifies all its relevant projects under development in this line until they begin to operate or have tangible elements. As of that moment, they are reclassified to Property, Plant and Equipment.

# 3.4 Intangible Assets

Intangible assets in contracts with customers are comprised mainly of power purchase agreements of our subsidiaries Central Termoeléctrica Andina S.A. and Inversiones Hornitos S.A., which are being amortized over 30 years and 15 years, respectively, since 2011. The amortization shown for intangible assets in contracts with customers in 2010 pertains to the gas transportation agreement of our subsidiary, Gasoducto Nor Andino SpA, and the amortization is being recorded as a cost of sale in the statement of income for a period of 11 years.

The other identifiable intangible assets are comprised of assignments and transfers of rights, transmission line concessions and other government-land concessions. These rights are recorded at the purchase price and are being amortized on a straight-line basis over a period of 30 years since 2012.

Intangibles	Useful Life of	Useful Life of Intangibles	
	Minimum	Maximum	
Rights and concessions	20 years	30 years	
Contracts with customers	10 years	30 years	

Nevertheless, the potential recovery of intangible assets with indefinite useful lives that form a part of Cash-Generating Units is assessed annually.

The recoverable amount is the higher of its market value less the cost required to sell it, and its value in use, which is understood to be the present value of the estimated future cash flows. Value-in-use is the criterion that is almost always used by the Company to calculate the recoverable value of intangible assets.

To estimate the value in use, Engie Energia Chile S.A. prepares pre-tax future cash-flow projections based on the most recent available budgets. These budgets contain EECL Management's best estimates of income and costs of cash-generating units based on sectorial projections, past experience and future expectations. These projections cover the next five years. Cash flows are estimated for following years using reasonable growth rates that are never increasing or in excess of the mean long-term growth rates for the relevant sector and country.

# 3.5 Asset Impairment

The useful lives of property, plant and equipment are reviewed annually to determine whether there are any signs of impairment. This occurs when there are events or circumstances indicating that the value of the asset might not be recoverable. When the carrying value of an asset exceeds its recoverable value, a loss is recognized in the statement of income.

The recoverable value is the higher of the fair value, less the cost of sale, and its value in use. Fair value less the cost of sale is the amount that can be obtained by selling an asset or cash-generating unit in an arm's length transaction between interested and duly informed parties, less disposal costs. The value in use is the present value of the estimated cash flows from the continuous use of an asset. If this cannot be determined for a specific asset, the cash-generating unit to which it belongs is used.

Intangible assets and other non-current non-financial assets are evaluated during the fiscal year, especially on the closing date, for any sign of any impairment loss. If there is any impairment loss, an estimate is made of the recoverable value of the asset in order to determine the impairment, if any.

For financial instruments, the Group's companies have established a generally applicable policy of recording an impairment provision based on the age of the balance past-due, except in cases where a certain particularity makes a specific collectability analysis advisable.

The process of determining the obsolescence of spare parts consists of an item-by-item review, and a provision is made for 100% of the impairment of spare parts for which:

- the related equipment is in permanent disuse;
- there is no related equipment;
- the spare part is damaged in such a way that it cannot be used; and
- there is no active market for its sale

The provision for the rest of the spare parts inventory is calculated globally according to the following rule:

- 10% after 2 years without use.
- 20% after 4 years without use
- 30% after 6 years without use
- 40% after 8 years without use
- 50% after 10 years without use
- 60% after 12 years without use
- 70% after 14 years without use
- 80% after 16 years without use
- 90% after 18 years without use
- 100% after 20 years without use

# 3.6 Leased Assets

The implementation of IFRS 16 means that most leases are recognized in the balance sheet by lessees, which changes the financial statements of companies and their related ratios to a greater extent. EECL has leases for long-term concessions with the government, for vehicles, pick-ups and properties.



# 3.6.1 Lessee

As a lessee, the Company recognizes an asset on the date the lease begins provided it represents the right to use the underlying asset during the period of the lease (a right-of-use asset) and a liability for rent payments (lease liability). Leases out to less than 12 months (and not renewable) may be excluded as well as leases where the value of the underlying asset is not significant. The Company recognizes separately the interest expense for the lease liability and the amortization expense for the right-of-use asset.

# 3.6.2 Classification

All leases are classified as if they were financial. Lessees record a right-of-use asset and a lease liability on the date the lease begins.

# 3.6.3 Depreciation Charge

Lessees will apply the depreciation requirements in IAS 16, Property, Plant and Equipment, when depreciating a right-of-use asset.

### 3.6.4 Impairment

Lessees will apply IAS 36, Impairment of Assets, to determine whether the right-of-use asset has become impaired and to account for identified impairment losses.

### 3.6.5 Lessor

The accounting of lessors under IFRS 16 is substantially the same as the accounting under IAS 17. Lessors will continue classifying at the start of the lease whether the lease is operative or financial based on the essence of the transaction. Leases that substantially transfer all risks and benefits inherent to ownership of the underlying asset are classified as financial leases. All other leases are classified as operating leases.

In the case of operating leases, the installments are recognized as expenses if the Company is lessee, or as revenue if it is lessor, on a straight-line basis for the term of the lease, unless another systematic basis of distribution is more representative.

# **3.7 Financial Instruments**

A financial instrument is any contract that simultaneously creates a financial asset in an entity and a financial liability or an equity instrument in another entity.

Financial assets mostly include investments in time deposits and fixed-income mutual funds, which are recognized at the fair value. They are classified as investments held through maturity and are settled in 90 days or less.

# 3.7.1 Fair Value Hierarchy

The Company measures financial instruments, such as derivatives, and non-financial assets, such as investment properties, at the fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- on the principal market for the asset or liability or
- in the absence of a principal market, on the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset for its greatest and best use or by selling it to another market participant that would use the asset for its greatest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows:

Level 1: Quoted (unadjusted) price on active markets for identical assets and liabilities;

Level 2: Inputs other than quoted prices that are included in Level 1 and are observable for assets or liabilities, either directly (namely price) or indirectly (i.e., a price derivative). The methods and assumptions used to determine the fair values in this level take into consideration, by type of financial asset or financial liability, the estimated future cash flows discounted using the zero-coupon interest rate curves for each currency. All such appraisals are made using external tools like "Bloomberg"; and

Level 3: Inputs for assets or liabilities not based on observable market information (non-observable inputs).

# 3.7.2 Financial Assets

# Initial recognition and measurement

Financial assets are classified, at initial recognition and in subsequent measurements, at amortized cost, at fair value through other comprehensive income (OCI), or at fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and EECL's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, EECL initially measures a financial asset at its fair value, and in the case of a financial asset not at fair value through profit or loss, plus transaction costs.

Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in the section (IFRS 15 Revenue from contracts with customers).

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it must generate cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and it is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

EECL's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective of holding financial assets in order to collect contractual cash flows, while financial assets classified and measured



at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and of selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular-way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

# Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

# Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

EECL's financial assets at amortized cost may include items such as trade receivables and loans to related parties, and they are included under other non-current financial assets.

# Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of income and calculated in the same way as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

EECL's debt instruments at fair value through OCI include investments in listed debt instruments shown under other non-current financial assets.

# Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI provided they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the income statement when the right of payment has been established, except when EECL benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company elected to classify irrevocably its non-listed equity investments in this category.

# Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of income.

This category includes derivatives and listed equity investments which EECL had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as other income in the statement of income when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset outside the fair value through profit or loss category.

# Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from EECL's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired, or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company as neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that EECL has retained.

Continuing involvement that takes the form of a guarantee on the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to pay.

# Impairment

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that EECL expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages:

- For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from events of default that may occur within the next 12 months (a 12-month ECL).
- For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).



For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, EECL applies the low credit risk simplification. At every reporting date, EECL evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, EECL reassesses the internal credit rating of the debt instrument. In addition, EECL considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, EECL may also consider a financial asset to be in default when internal or external information indicates that EECL is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

# 3.7.3 Financial Liabilities

# Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, as loans and borrowings, as accounts payable, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and accounts payable, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, loans and borrowings, including bank overdrafts, and financial derivatives.

# Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

# Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchase in the near term. This category also includes financial derivatives entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the income statement. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

# Financial liabilities at amortized cost (loans and borrowings)

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of income.

# Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of income.

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

# 3.7.4 Derivatives and Hedge Transactions

# Derivative financial instruments and hedge accounting

# Initial recognition and subsequent measurement

The Company uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction or the foreign currency risk in an unrecognized firm commitment;
- hedges of a net investment in a foreign business.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument;



- The effect of credit risk does not "dominate the value changes" that result from that economic relationship:
- The hedge ratio is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for as described below:

### Fair value hedges

The change in the fair value of a hedging instrument is recognized in the statement of income as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the statement of income as other expenses.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss.

# Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in the cash flow hedge reserve in OCI, while any ineffective portion is recognized immediately in the statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Company uses forward currency contracts as hedges against its exposure to foreign currency risk in forecasted transactions and firm commitments, as well as forward commodity contracts for its exposure to the volatility of commodity prices. The ineffective portion relating to foreign currency contracts is recognized as other expenses and the ineffective portion relating to commodity contracts is recognized in other operating income or expenses.

The Company designates only the spot element of forward contracts as a hedging instrument. The forward element is recognized in OCI and accumulated in a separate component of equity, under hedging reserve cost.

The amounts accumulated in OCI are accounted for according to the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and added to the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecasted transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment to which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for according to the nature of the underlying transaction, as described above.

The financial risk management strategy of Engie Energia Chile S.A. and its subsidiaries focuses on mitigating the exchange rate risk related to income, costs, investments of cash surpluses, investments in general and debt denominated in a currency other than the U.S. dollar.

Delays or changes in the payment flows may produce a mismatch between the hedge flows and the hedged item. To reduce the impact of these mismatches on the effectiveness of the hedge, the main hedged instruments are complemented by other instruments contracted on their due date, such as: (a) time deposits in UF, (b) repo agreements, (c) extensions of forwards or (d) new, opposite forwards.

EECL's hedges may only be interrupted in the following cases:

- The position of the designated hedge instrument expires, and no situation or renewal is predicted if it is sold or liquidated, exercised or closed.
- The hedge no longer meets one of the requirements for special hedge accounting.
- There is evidence that the predicted future transaction being hedged will not be consummated.
- Any subsidiary of the Company suspends its designation separately from the other subsidiaries.

# 3.8 Inventories

This category mainly includes spare parts for maintenance and inputs used in generating electricity. Inventories are recorded at cost, based on the weighted average. The cost of inventories excludes financing expenses and exchange differentials. The cost of inventories is debited against income as the inventories are consumed.

# 3.9 Non-Current Assets Held for Sale and Discontinued Operations

The Company classifies property, plant and equipment, intangible assets, investments in associates, joint ventures and disposal groups (a group of assets that will be sold together with the directly associated liabilities) as non-current assets held for sale, provided actions are being taken as of the closing date of the statement of financial position to sell them and it is considered highly likely that the sale will be consummated within twelve months following that date.

These assets or disposal groups are appraised at the lower of the carrying value or the estimated sale price after deducting the costs of sale, and they are no longer amortized as of the date that they are classified as non-current assets held for sale.

The assets no longer classified as held for sale or no longer considered part of a disposal group are appraised at the lower of the carrying value prior to classification, less depreciation, amortization or revaluation that would have been recognized if they had not been so classified, and the recoverable value on the date on which they will be reclassified in Non-Current Assets.



# 3.10 Provisions

A provision is made if:

- the Company has a legal or implicit obligation as a result of a past event;
- it can be estimated reliably:
- it is likely that a cash outflow will be required to settle the obligation.

Obligations existing as of the date of the financial statements as a consequence of past events that are likely to result in equity damage for the Company, but the amount and payment date of which are uncertain, are recorded as provisions at the current value of the most probable amount that is estimated to be disbursable to discharge the obligation.

# 3.10.1 Post-Employment Benefits and Other Similar Benefits

The Company recognizes the present value of severance indemnity obligations in liabilities (severance for years of employment) as of the closing date of its financial statements. These obligations are appraised using an actuarial calculation that utilizes assumptions on mortality rates, employee turnover, interest rates, derecognition dates, effects of employee salary raises, and the effects on benefit variations resulting from changes in the rate of inflation. The actuarial losses or gains from variations in the pre-established obligations are recorded directly in other comprehensive income. The actuarial losses and gains originate in the deviations between the estimated and real values of the actuarial assumptions or the reformulation of the established actuarial assumptions (see Note 28).

# 3.11 Classification of Current and Non-Current Assets and Liabilities

The Company classifies its assets and liabilities by maturity. Current assets and liabilities mature in twelve months or less and any maturing beyond one year are classified as non-current.

Liabilities maturing in less than twelve months but securely refinanced in the long term, at the Company's discretion, through unconditional long-term credit facilities, may be classified as non-current liabilities, and the short-term portion as a current liability.

# 3.12 Income Tax and Deferred Taxes

# Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to calculate the amount are those that have been enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in net equity, and not in the statement of income. Management periodically evaluates positions adopted in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation, and it establishes provisions where appropriate.

# Deferred tax

Deferred taxes are calculated, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, it affects neither the book profit nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, it affects neither the book profit nor taxable profit or loss:
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will be reversed in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized, or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction, either in other comprehensive income or directly in equity.

# 3.13 Recognition of Income and Expenses

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the procurement services below, because it typically controls the goods or services before transferring them to the customer.

EECL analyzes and takes into consideration all relevant facts and circumstances when it applies each step of the IFRS 15 model for contracts with customers: (i) identification of the contract; (ii) identification of performance obligations; (iii) determination of the transaction price; (iv) allocation of the price; and (v) recognition of revenue.

EECL also evaluates whether there are any incremental costs of obtaining a contract as well as the costs directly related to contract performance. Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

EECL recognizes revenue when the steps in IFRS 15 have been completed satisfactorily and it is likely that future economic benefits will flow to the company.

Revenue comes mainly from the sale of energy, capacity, port services, industrial services and electricity transmission, including services provided but not yet invoiced at the close of the period. Revenue is shown net of taxes, refunds, rebates and discounts and is recorded when the amount can be reliably measured and it is likely that future economic benefits will flow to the Company. Said benefits are allocated on an accrual basis.



- <u>Energy sales:</u> Energy supplied and not invoiced as of the last day of the closing month is recorded as revenue, appraised at the prices in force in the relevant period of consumption. The energy cost is also included in income.
- Sales of services: Services are recorded in income in the period that the services are provided.
- <u>Interest income</u>: Interest income is recorded on the basis of the proportion of time elapsed, using the effective-interest-rate method.
- <u>Leases</u>: The current value of the payments for leased assets recognized as a financial lease is recorded as an account receivable. The difference between the gross amount receivable and the current value of such payment is recognized as a financial yield. This amount is recorded in income on a straight-line basis over the term of the lease.

# 3.14 Earnings (Loss) per Share

The basic earnings per share are calculated as a quotient between the net earnings (losses) in the fiscal year attributable to the Parent Company and the weighted average number of common shares in the Parent Company outstanding during the fiscal year, excluding the average number of Parent Company shares held by subsidiaries, if any.

# 3.15 Dividends

EECL's dividend policy is to pay the minimum dividend required by the law and the Company's bylaws. Dividends above the legal minimum can be approved if the company's conditions allow. Each year the board proposes a dividend payment based on financial results, available cash and the estimated financing needed for capital investments. The dividend proposed by the Board must be approved at a Regular Shareholders Meeting pursuant to law.

In relation to Circulars 1945 and 1983 of the Financial Market Commission, the Company's Board decided that the net distributable profit will be the fiscal year profit attributable to shareholders shown in the financial statements, without any adjustment.

A proposal may be made to the respective Regular Shareholders Meeting to distribute, as a final dividend, the profits not distributed as an dividend, which must be done within thirty days following the date of the respective Meeting.

# 3.16 Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash on hand, unrestricted bank checking accounts, time deposits and marketable securities maturing within 90 days, which are easily convertible into known amounts of cash with little risk of significant changes in value.

# 3.17 Operating Segments

The Company's principal business is the generation and sale of electricity. It has thermal and combined-cycle, solar and hydroelectric power plants that produce the energy that is sold to customers with whom it has power purchase agreements, pursuant to the Electricity Law. Its customers are classified as regulated customers, non-regulated customers and the spot market.

There is no direct relationship between any one generating unit and the power purchase agreements as power purchase agreements are made in line with the Company's total capacity. PPAs are supplied by any of its power plants or, otherwise, energy is acquired from other generating companies.

EECL is part of the National Grid (SEN). The National Electricity Coordinator (CEN) defines how much each of the generating units will generate.

As EECL only operates on the National Grid, geographic segmentation does not apply.

Chilean electricity regulations define energy and capacity separately, not because they are different physical elements, but rather in order to set economically efficient prices. Energy prices are thus set in monetary units per unit of energy (KWh, MWh, etc.), and capacity prices are set in monetary units per unit of capacity-unit of time (KW-month).

Consequently, in accordance with IFRS 8, EECL's only operating segment is the entire business described above.

# 3.18 Contingent Assets and Liabilities

Contingent liabilities are not recorded in the financial statements, but rather are disclosed in the notes to the financial statements unless it is unlikely that they will occur. Contingent assets are not recorded in the financial statements and are disclosed only if the cash inflow is likely.

# **NOTE 4 - REGULATION AND OPERATION OF THE ELECTRICITY SYSTEM**

# 4.1 Description of the Business

The objectives of Engie Energia Chile S.A. are the production, transmission, distribution and supply of electricity; the purchase, sale and transportation of fuels, either in a liquid, solid or gaseous state; and the provision of engineering and management consultancy services as well as electrical system maintenance and repair services.

As of December 31, 2020, Engie Energia Chile S.A. had an installed capacity of 2,182 MW on the National Grid, thus giving it an approximate 8.35% share of the system's total gross capacity. The Company's transmission lines are operated over a distance of 2,330 kilometers, and it has a natural gas pipeline with the capacity to transport 8 million cubic meters per day for gas distribution and sale in the north of Chile.

# 4.2 Regulation and Operation of the Electricity System

The electricity sector in Chile is regulated by the General Electricity Law contained in Statutory Decree 1, issued in 1982 by the Ministry of Mining, and by the Regulations to that law contained in Executive Decree 327 of 1998. Three government agencies are responsible for the enforcement of, and compliance with, the law: the National Energy Commission (Comisión Nacional de Energía, or NEC), which has the authority to propose regulated prices (node price) and to design indicative plans for the construction of new generation units; the Electricity and Fuels Commission (Superintendencia de Electricidad y Combustibles, or EFC), which supervises and enforces compliance with the laws, regulations and technical standards for the generation, transmission and distribution of electricity, liquid fuels and gas; and the Ministry of Economy, which reviews and approves the prices proposed by the NEC and regulates concessions granted to electricity generation, transmission and distribution companies based on a report prepared by the EFC. The law establishes a panel of experts primarily responsible for resolving any disputes that might arise among electricity companies.

The National Grid runs from Arica to Chiloe.

According to the Electricity Law, companies that generate for a power grid must coordinate their operations through the CEN so that the system operates at minimum cost while preserving service security. The CEN therefore plans and manages the operation of the system, including the calculation of the hourly marginal cost, which is the price used to appraise energy transfers among generators. Each company's generation is subject to the CEN operating plan. Companies may freely decide whether to sell electricity to regulated or non-regulated customers. Any surplus or deficit between customer sales and production is sold to, or purchased from, other generators at the marginal cost.

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# **4.3 Types of Customers**

a) Regulated customers: Residential, commercial and small and mid-sized businesses with a connected capacity of no more than 5,000 KW that are located in a distribution company's concession area. The transfer price between generation and distribution companies will be the price resulting from tenders by distribution companies.

b) Non-regulated customers: Customers that have an installed capacity above 5,000 KW, mainly mining and industrial companies. These customers can negotiate their power supply prices freely with generators and/ or distributors. Customers with a capacity of 500 to 5,000 KW have the option of contracting energy at prices agreed with their suppliers, or to continue to be subject to regulated prices. They must remain in the chosen regime for a minimum of four years.

c) Spot or short-term market: Power purchase transactions between generating companies resulting from the coordination of the CEN to ensure an economic operation of the system. Any production surpluses (deficits) as compared to a generator's commercial commitments are transferred through sales to (purchases from) other generators who are members of the CEN. Energy transfers are appraised at the marginal cost, while capacity is appraised at the appropriate node price set by the authority every six months.

The capacity payable to each generator in Chile depends on the annual system-wide calculation made by the CEN that shows the sufficiency capacity for each power plant. This value is separate from load dispatching.

With the enactment of Law 20,018, since 2010 distribution companies must have a supply available constantly for their entire demand, which requires that they hold long-term public tenders.

# **4.4 Principal Assets**

The generating capacity of EECL and its subsidiaries is comprised of combined-cycle thermal and coal-fired power plants that combined supply 2,182 MW to the National Grid, 8.35% of the total gross generation supplied to that grid.

It has 9 coal-fired and combined-cycle power plants in the Region of Antofagasta, 6 located in Mejillones and 3 in Tocopilla, with a total capacity of 1,940 MW, and other smaller power plants that, taken together, generate a total of 242 MW. which are located along the SEN.

# 4.5 Renewable Energy

Renewable Energy Law 20,257 was enacted in April 2008 and amended by Law 20,698 passed in October 2013. It encourages the use of unconventional renewable energy (UCRE). The principal aspect of this law is that it obliges generators to generate at least 5% of their energy sold from renewable sources between 2010 and 2014. That requirement then rises progressively by 0.5% per annum from 2015 to 2024, the year when a total of 10% should be generated for contracts signed after August 31, 2007 but prior to July 1, 2013. For contracts signed after July 1, 2013, this requirement is 5% by 2013, with annual increases of 1% from 2014 until it totals 12% by 2020, and then annual increases of 1.5% as of 2021 to total 18% by 2024, followed by an increase of 2% in 2025 to become 20%.

In 2013, EECL opened the El Aguila I Photovoltaic Power Plant that has an installed capacity of 2 MWp.

The Pampa Camarones Photovoltaic Solar Power Plant began commercial operation on September 9, 2016. It has an installed capacity of 6 MWp.

On April 17, 2019, the Company acquired the subsidiaries "Solar Los Loros SpA," that has an installed capacity of 46 MWp, and "Solairedirect Generacion Andacollo SpA," that has an installed capacity of 1.3 MWp.

On July 1, 2020, the Company acquired "Eolica Monte Redondo SpA" that has an installed capacity of 82.4 MW.

The Company purchases unconventional renewable energy (UCRE) in order to comply with governing regulations.

# **NOTE 5 - CORPORATE REORGANIZATIONS**

# 5.1 Acquisition of subsidiaries

On March 29, 2018, the Company acquired Solairedirect Transmisión SpA, SD Minera SpA, Solairedirect Generación II SpA, Solairedirect Generación VI SpA, Solairedirect Generación IX SpA, Solairedirect Generación XI SpA and Solairedirect Generación XV SpA from Solairedirect S.A.S., a French company.

On July 9, 2018, the Company acquired Parque Eólico Los Trigales SpA.

On April 17, 2019, the Company purchased all of the shares in the subsidiary "Solar Los Loros SpA" from Solaire Los Loros Holding SARL ("SARL"). This purchase was treated as an investment.

On April 17, 2019, the Company purchased all of the shares in the subsidiary "Solairedirect Generación Andacollo SpA" from Solaire Direct Chile Ltda. and Engie Solar SAS. This purchase was treated as an investment. Solairedirect Generación Andacollo SpA was merged with Engie Energia Chile S.A. on August 1, 2019.

On October 25, 2019, Solairedirect Generación II SpA was dissolved pursuant to article 103 of Law 18,046 and article 31 of its bylaws because all shares became the property of Engie Energía Chile S.A., taxpayer identification number 88.006.900-4. As a result, this latter company acquired all assets, liabilities, rights and obligations of the dissolved company.

On March 31, 2020, EECL and its subsidiary Inversiones Hornitos S.A. signed the following contracts with their client Minera Centinela:

- 1.An amendment to the power purchase agreement dated September 7, 2009 between Inversiones Hornitos S.A. and Minera Esperanza, now Minera Centinela and a subsidiary of Antofagasta Minerals S.A., for a capacity of 150 MW. The purpose was to apply a price discount for the years 2020 and 2021 and set the expiration date as December 31, 2021:
- 2.An amendment to the power purchase agreement dated December 20, 2012 between Inversiones Hornitos S.A. and Minera El Tesoro, later absorbed by Minera Esperanza and now Minera Centinela, for a capacity of 36 MW. The purpose was to apply a price discount for the years 2020 and 2021 and set the expiration date as December 31, 2021;
- 3.A new power purchase agreement between EECL and Minera Centinela for an agreed capacity of 186 MW covering the period January 2022 to December 2033 at a price adjustable by the change in the CPI, differentiated for the periods 2022 to 2028 and 2029 to 2033; and
- 4.An amendment to the agreements on corporate governance and ownership of Inversiones Hornitos S.A., including (a) an agreement where Inversiones Hornitos S.A. will not distribute new dividends until the debt it owes EECL is extinguished so that the cash generated by Inversiones Hornitos can be allocated to payment of that debt; and (b) the transfer of the remaining 40% of the shares in Inversiones Hornitos S.A. to EECL (until now owned by Inversiones Punta de Rieles Limitada, a company related to Antofagasta Minerals S.A.) no later than December 2021. The global agreement means that EECL will gain full control of Inversiones Hornitos S.A. and consequently eliminate the minority interest in that subsidiary.

The Company acquired PV Coya SpA, a subsidiary, from Holding Intihuaira SpA on April 3, 2020.

The Company acquired Eolica Monte Redondo S.A. from Engie Latam S.A. on July 1, 2020. Eolica Monte Redondo owns two generating assets: Monte Redondo Wind Farm and Laja Hydroelectric Power Plant.

Solairedirect Transmisión SpA, SD Minera SpA, Solairedirect Generación XI SpA and Solairedirect Generación XV SpA were merged into Engie Energia Chile S.A. effective December 1, 2020.

Details are provided in Appendix 1.a).

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# **NOTE 6 - CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as of December 31, 2020 and 2019, classified by type of cash, are shown below:

Types of Cash and Cash Equivalents (Presentation)	12/31/2020 kUSD	12/31/2019 kUSD
Cash	47	45
Bank balances	40,993	9,464
Short-term deposits classified as cash equivalents	194,210	229,574
Total Cash and Cash Equivalent	235,250	239,083

# Reconciliation of the starting cash flow balance

Reconciliation of starting cash flow balance	kUSD
Starting balance at 1/1/2020	239,083
Increase due to subsidiary acquisition (July 2020)(1)	2,377
Total reconciled starting balance	241,460

(1) Eolica Monte Redondo SpA.

The balances of cash and cash equivalents shown in the Statement of Financial Position do not differ from those shown in the Statement of Cash Flow and are not subject to any type of restriction.

Cash is comprised of cash on hand and in bank checking accounts, and the carrying value is the same as the fair value.

# 6.1 Cash Available

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Cash available is comprised of cash held in tills and in bank current accounts, and the carrying value is the same as the fair value.

# **6.2 Time Deposits**

Time deposits include principal plus accrued interest and adjustments as of the closing date

Entity	Currency	Rate %	Expiration	9/30/2020 kUSD	Rate %	Expiration	12/31/2019 kUSD
Banco Consorcio	USD	0.65%	4-Jan-21	5,006	3.45%	13-Jan-20	8,027
Banco Consorcio	USD	0.37%	8-Jan-21	5,808	3.50%	13-Jan-20	7,023
Banco Consorcio	USD	0.50%	20-Jan-21	5,002		-	0
Banco Consorcio	USD	0.70%	26-Jan-21	9,014			0
Banco Consorcio	USD	0.40%	17-Nov-20	5,001		-	0
Banco Itaú Corpbanca	USD	0.50%	4-Jan-21	3,001	3.25%	2-Jan-20	10,025
Banco Itaú Corpbanca	USD	0.37%	7-Jan-21	8,003	3.50%	2-Jan-20	10,033
Banco Itaú Corpbanca	USD	0.82%	11-Jan-21	20,008	2.90%	7-Jan-20	16,018
Banco Itaú Corpbanca	USD	0.65%	15-Jan-21	4,502	2.70%	17-Jan-20	6,002
Banco Scotiabank	USD	0.05%	4-Jan-21	7,000	3.55%	9-Jan-20	15,060
Banco Scotiabank	USD	0.25%	5-Jan-21	4,000	3.50%	11-Jan-20	4,013
Banco Scotiabank	USD		-	0	2.40%	13-Jan-20	6,000
Banco Scotiabank	USD		-	0	2.55%	14-Jan-20	16,016
Banco Santander	USD	0.48%	6-Jan-21	1,401	2.20%	3-Jan-20	4,501
Banco Santander	USD	0.65%	11-Jan-21	14,706	1.44%	6-Jan-20	6,678
Banco Santander	USD	0.40%	14-Jan-21	10,004	2.24%	10-Jan-20	6,501
Banco Santander	USD	0.70%	25-Jan-21	8,003	2.42%	27-Jan-20	11,000
Banco Estado	USD	0.05%	6-Jan-21	22,000	2.45%	2-Jan-20	6,003
Banco Estado	USD	0.05%	12-Jan-21	4,000	2.47%	2-Jan-20	13,010
Banco Estado	USD		-	0	1.56%	3-Jan-20	5,343
Banco Estado	USD		-	0	2.32%	3-Jan-20	12,003
Banco Estado	USD		-	0	2.30%	10-Jan-20	3,001
Banco Chile	USD	0.10%	4-Jan-21	7,000	3.15%	2-Jan-20	8,019
Banco Chile	USD	0.10%	6-Jan-21	21,800	2.20%	28-Jan-20	3,001
Banco Chile	USD	0.55%	19-Jan-21	5,502		-	0
Banco Chile	USD	0.10%	26-Oct-20	10,000		-	0
Banco Chile	USD	0.10%	28-Oct-20	5,500		-	0
Banco BCI	USD	0.04%	5-Jan-21	1,500	3.30%	2-Jan-20	6,019
Banco BCI	USD	0.02%	6-Jan-21	1,300	2.32%	8-Jan-20	4,001
Banco BCI	USD	0.30%	6-Jan-21	5,900	2.71%	10-Jan-20	10,008
Banco BCI	USD	0.11%	13-Jan-21	0	2.65%	13-Jan-20	6,004
Banco BCI	USD		-	0	2.77%	17-Jan-20	16,014
Banco BCI	USD		-	0	2.57%	27-Jan-20	10,001
Banco BBVA							
	USD	0.11%	4-Jan-21	250	1.55%	3-Jan-20	250

Total Collsolidado 194.210 229.574



## 6.3 Cash and Cash Equivalents

Liabilities originating in financing activities		Finar	ncing cash flo	ows	Changes not representing cash flows						Balance at	
iii iiiidiiciiig activities	Balance at 1/1/2020 (1)	From	Used	Total	Acquisition of subsidiaries	Sale of subsidiaries	Changes in fair value	Exchange differentials	New financial leases	Other changes (2)	12/31/2020 (1)	
	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	
Unsecured bonds (Note 20)	754,623	500,000	(419,125)	80,875	0	0	0	0	0	9,284	844,782	
Interest-bearing loans (Note 20)	80,663	50,000	(80,819)	(30,819)	0	0	0	0	0	652	50,496	
Intercompany loans (Notes 10.5 and 10.6)	12,635	83,107	(86,010)	(2,903)	0	0	0	0	0	0	9,732	
Total	847,921	633,107	(585,954)	47,153	0	0	0	0	0	9,936	905,010	

<sup>(1)</sup> The balance includes the current and non-current portions.

## (2) Interest accrued.

Liabilities originating in financing activities		Finar	ncing cash flo	ows	Changes not representing cash flows						
in mancing activities	Balance at 1/1/2019 (1)	From	m Used Total		Acquisition of subsidiaries	Sale of subsidiaries	Changes in fair value	Exchange differentials	New financial leases	Other changes (2)	12/31/2019 (1)
	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
Unsecured bonds (Note 20)	751,529	0	(38,250)	(38,250)	0	0	0	0	0	41,344	754,623
Interest-bearing loans (Note 20)	91,472	175,000	(185,000)	(10,000)	0	0	0	0	0	(809)	80,663
Intercompany loans (Notes 10.5 and 10.6)	9,460	78,959	(75,784)	3,175	0	0	0	0	0	0	12,635
Total	852,461	253,959	(299,034)	(45,075)	0	0	0	0	0	40,535	847,921

#### **NOTE 7 - OTHER FINANCIAL ASSETS**

# Current

Description of Instruments	12/31/2020 kUSD	12/31/2019 kUSD
Mutual Funds	54	471
Total Other Financial Assets	54	471

## 7.1 Fixed-Income Mutual Fund Shares

Mutual fund shares are recorded at fair value and were as follows:

Description of Instruments	Currency	12/31/2020 kUSD	12/31/2019 kUSD
Banco Santander Río	USD	54	471
Total Mutual Funds		54	471

## **NOTE 8 - OTHER CURRENT NON-FINANCIAL ASSETS**

The amounts that the Company has recorded in this category correspond to services that will be provided in subsequent months, within one year from the closing date of the period being reported.

VAT credit Supplier advances Other	6,988 958	2,111 1,144
Other  Total	25 <b>14,894</b>	435 <b>8,181</b>

<sup>((1)</sup> Damage, business interruption, civil liability and other insurance policies for EECL and associates.

#### NOTE 9 - TRADE RECEIVABLES AND OTHER ACCOUNTS RECEIVABLE

In general, balances in this category do not accrue interest.

There are no restrictions on the disposal of significant amounts of this type of accounts receivable.

As required by paragraph 36 of IFRS 7, the Company carries no collateral for its commercial credit to customers.

The average maturity of customers' obligations is 15 calendar days from the invoice date. No individual customer has significant balances as compared to the Company's total sales or accounts receivable.

See Note 23 Risk Management for further analysis of the risk of uncollectibles.

The Company establishes an uncollectibles provision at the close of each quarter, taking into account aspects such as the age of its accounts receivable and a case-by-case analysis of each.

The Company has renegotiated accounts with one customer and has no protested portfolio or customers from whom collection is being sought through the courts.

The amounts included in this category relate to the following types of documents:

## 9.1 Current Trade Receivables and Other Accounts Receivable

Current trade receivable and other accounts receivable	12/31/2020 kUSD	12/31/2019 kUSD
Invoices and accounts receivable	98,541	88,511
Sundry receivables, current	233	372
Other accounts receivable, current	8,468	7,755
Total	107,242	96,638



# 9.2 Non-Current Trade Receivables and Other Accounts Receivable

Non-current trade receivable and other accounts receivable	12/31/2020 kUSD	12/31/2019 kUSD
Accounts receivable (*)	139,868	73,499
Other sundry receivables	20	20
Total	139,868	73,519

<sup>(\*)</sup> These are the accounts receivable impacted by the regulated customer rate stabilization fund under Electricity Price Stabilization Law 21,185. kUS\$130,950 are distribution company receivables owed to Engie Energia Chile and kUS\$8,918 are distribution company receivables owed to Eolica Monte Redondo.

The aged balances of the Company's gross receivables were as follows as of December 31, 2020:

		Payment Arrears		Total								
	Compliant Portfolio	1-30 days	31-60 days	61-90 days	91-120 days	121-150 days	151-180 days	181-210 days	211-250 days	Mas 250 days	Total Current	Non- Current
Receivables	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
Current receivables for credit transactions	90,014	5,169	2,180	447	359	326	204	243	275	4,726	103,943	141,936
Estimated uncollectibles	(371)	(21)	(4)	(5)	(319)	(326)	(204)	(243)	(275)	(3,634)	(5,402)	(2,068)
Current sundry receivables	233	0	0	0	0	0	0	0	0	0	233	20
Estimated uncollectibles	0	0	0	0	0	0	0	0	0	0	0	0
Other current accounts receivable	8,468	0	0	0	0	0	0	0	0	0	8,468	0
Total	98,344	5,148	2,176	442	40	0	0	0	0	1,092	107,242	139,888

Balances expired for which no provision has been made correspond to customers who have no liquidity or solvency troubles. However, they have objected to a charge in some invoices and we were negotiating a solution on the date of these financial statements.

The aged balances of the Company's gross receivables were as follows as of December 31, 2019:

		Payment Arrears		Total								
	Compliant Portfolio	1-30 days	31-60 days	61-90 days			151-180 days	181-210 days	211-250 days	Mas 250 days	Total Current	Non- Current
Receivables	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
Current receivables for credit transactions	82,712	4,697	181	215	194	71	66	35	360	4,083	92,614	73,499
Estimated uncollectibles	(200)	0	0	(128)	(194)	(71)	(66)	(35)	(360)	(3,049)	(4,103)	0
Current sundry receivables	372	0	0	0	0	0	0	0	0	0	372	20
Estimated uncollectibles	0	0	0	0	0	0	0	0	0	0	0	0
Other current accounts receivable	7,755	0	0	0	0	0	0	0	0	0	7,755	0
Total	90,639	4,697	181	87	0	0	0	0	0	1,034	96,638	73,519

The rescheduled portfolio is defined as a non-performing portfolio or a portfolio with a significant increase in risk. No lower risk rating can be assigned until the entire debt is repaid. This ensures that a rescheduling will not cause any reduction in provisions.

Segments of Payment Arrears	Rescheduled	Portfolio	Portfolio Not	Rescheduled	<b>Total Gross Portfolio</b>		
as of September 30, 2020	Number of Customers	Amount USD	Number of Customers	Amount USD	Number of Customers	Amount USD	
Compliant	-	0	1,180	104,755	1,180	104,755	
From 1 to 30 days	-	0	443	5,009	443	5,009	
From 31 to 60 days	-	0	62	5,063	62	5,063	
From 61 to 90 days	-	0	20	83	20	83	
From 91 to 120 days	-	0	19	360	19	360	
From 121 to 150 days	-	0	3	55	3	55	
From 151 to 180 days	-	0	11	223	11	223	
From 181 to 210 days	-	0	5	1	5	1	
From 211 to 250 days	-	0	34	78	34	78	
More than 251 days	1	2,288	447	2,360	448	4,648	
Total		2,288		117,987		120,275	

Segments of Payment Arrears	Rescheduled	Portfolio	<b>Portfolio Not</b>	Rescheduled	<b>Total Gross Portfolio</b>		
as of September 30, 2019	Number of Customers	Amount USD	Number of Customers	Amount USD	Number of Customers	Amount USD	
Compliant	-	0	1,086	90,839	1,086	90,839	
From 1 to 30 days	-	0	666	4,697	666	4,697	
From 31 to 60 days	-	0	133	181	133	181	
From 61 to 90 days	-	0	90	215	90	215	
From 91 to 120 days	-	0	73	194	73	194	
From 121 to 150 days	-	0	11	71	11	71	
From 151 to 180 days	-	0	24	66	24	66	
From 181 to 210 days	-	0	47	35	47	35	
From 211 to 250 days	-	0	23	360	23	360	
More than 251 days	1	2,288	305	1,795	306	4,083	
Total		2,288		98,453		100,741	

Provisions and write-offs	9/30/2020 kUSD	12/31/2019 kUSD
Starting balance	4,103	3,593
Provision for portfolio not rescheduled	2,066	493
Recoveries in the period	(1,645)	(412)
Other	121	429
Ending balance	4,645	4,103

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## NOTE 10 - ACCOUNTS RECEIVABLE, ACCOUNTS PAYABLE AND TRANSACTIONS WITH RELATED

## **10.1 Compensation of Key Management Personnel**

The Company is managed by a Board of Directors comprised of seven members who hold office for a period of two years and may be re-elected.

The shareholders appointed all the members of the board, in accordance with Law 18,046, at the Regular Shareholders Meeting held on April 28, 2020. The Company has identified key personnel to be the Chief Executive Officer and Corporate Managers.

The Regular Shareholders Meeting approved compensation of UF 160 per meeting per director for the 2020 fiscal year, payable until the next Regular Shareholders Meeting. The chairman of the board receives compensation of U.F. 320 per meeting. The shareholders also resolved that alternate directors would receive no compensation for their duties, except when they attend meetings in replacement of a regular director.

No other compensation is paid but the fees received by the directors for their directorships, except as explained in the next paragraph.

In accordance with the article 50-bis of Companies Law 18,046, the minutes of the Regular Shareholders Meeting show that although the Company has no obligation to create a director's committee, it has done so voluntarily. The members of this committee are the independent directors. Their compensation will be UF 55 monthly, and the committee approved an annual expense budget of UF 5,000. The committee did not disburse against this budget thus far in 2020.

Board Compensation	12/31/2020 kUSD	12/31/2019 kUSD
Cristian Eyzaguirre, Director	93	101
Mauro Valdes, Director	93	101
Claudio Iglesis, Director	93	101
Total Board Compensation	279	303

ENGIE Energia Chile S.A. did not pay any member of the Company's Board of Directors for any additional consulting thus far in 2020, and it recorded general expenses of kUSD 91 for the Board in the same period.

Key Manager Compensation	12/31/2020 kUSD	12/31/2019 kUSD
Compensation	2,993	2,291
Short-term benefits	328	317
Total	3,321	2,608

The costs include recurrent monthly salaries part of which is variable and earned in the form of bonuses based on individual performance and the Company's results for the fiscal year. They also include severance indemnities.

## **10.2 Key Management Personnel**

## Managers and Senior Executives

Name	Position
Axel Levêque	Chief Executive Officer
Fernando Valdes	Corporate Chief Legal Officer
Eduardo Milligan	Corporate Chief Financial and Shared Services Officer
Andrea Cabrera	Corporate Chief Human Resources Officer
Beatriz Monreal*	Corporate Chief Officer of Corporate Affairs
Gabriel Marcuz	Corporate Chief Operations Officer
Luis Meersohn	Corporate Chief Commercial Officer
Pablo Villarino	Corporate Chief Institutional Relations Officer

<sup>\*</sup>The Corporate Chief Officer of Corporate Affairs left the Company on November 30, 2020.

## 10.3 Current Intercompany Accounts Receivable

Accounts receivable from and payable to, and transactions with, related parties are in compliance with articles 44 and 49 of Companies Law 18,046. The Company has made no provisions for doubtful accounts because these obligations are paid when due, which varies from 7 to 30 days.

Intercompany accounts receivable were as follows:

TAX I.D.	Company	Country	Relationship	Currency	12/31/2020 kUSD	12/31/2019 kUSD
76.019.239-2	Eólica Monte Redondo SpA	Chile	Common Parent	CLP	0	95
76.134.397-1	Engie Gas Chile SpA	Chile	Common Parent	USD	123	7,934
76.134.397-1	Engie Gas Chile SpA	Chile	Common Parent	UF	6	2
76.134.397-1	Engie Gas Chile SpA	Chile	Common Parent	CLP	2	0
96.885.200-0	ENGIE LATAM S.A.	Chile	Parent	UF	41	29
96.885.200-0	ENGIE LATAM S.A.	Chile	Parent	CLP	12	0
96.885.200-0	ENGIE LATAM S.A.	Chile	Parent	USD	414	0
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	USD	1	3,844
76.122.327-5	Desert Bioenergy S.A.	Chile	Associate	CLP	0	2
Foreign	Energy Consulting Services S.A.	Argentina	Associate of Shareholder	Argentine Peso	2	0
76.129.879-8	Solairedirect Chile Ltda.	Chile	Common Parent	CLP	0	20
76.215.533-8	Engie Stream Solutions Chile SpA	Chile	Common Parent	USD	30	10
76.215.533-8	Engie Stream Solutions Chile SpA	Chile	Common Parent	CLP	2	0
FOREIGN	Suez International	France	Common Parent	USD	0	20
88.689.100-8	IMA Industrial Ltda.	Chile	Common Parent	UF	5	10
76.242.762-1	IMA S.A.	Chile	Common Parent	USD	101	33
76.242.762-1	IMA S.A.	Chile	Common Parent	USD	73	0
Intercompany	Receivables, Current				812	11,999



# 10.4 Non-Current Intercompany Accounts Receivable

TAX I.D.	Company	Country	Relationship	Currency	12/31/2020 kUSD	12/31/2019 kUSD
76.787.690-4	Transmisora Eléctrica del Norte S.A. (1)	Chile	Joint Control	USD	21,726	27,722
Intercompan	y Receivables, Non-Current				21,726	27,722

<sup>(1)</sup> A loan granted to Transmisora Electrica del Norte S.A. Interest accrues annually at the 180-day Libor + 2.7%. The loan expires on July 17, 2024.

# 10.5 Current Intercompany Accounts Payable

TAX I.D.	Company	Country	Relationship	Currency	12/31/2020 kUSD	12/31/2019 kUSD
95.543.670-7	CAM CHILE SPA	Chile	Common Parent	UF	3	0
O-E	Energy Consulting Services S.A.	Argentina	Shareholder Affiliate	USD	31	0
O-E	Engie Digital	France	Common Parent	EUR	11	0
76.134.397-1	Engie Gas Chile SpA	Chile	Common Parent	USD	349	338
O-E	Engie GBS Latam SA de CV	Mexico	Common Parent	USD	49	523
O-E	Engie Information et Technologies	France	Common Parent	EUR	60	65
96.885.200-0	ENGIE Latam S.A.	Chile	Parent	EUR	0	21
96.885.200-0	ENGIE Latam S.A.	Chile	Parent	USD	9	0
O-E	Engie S.A.	France	Common Parent	EUR	13	72
76.019.239-2	Eólica Monte Redondo S.A.	Chile	Common Parent	USD	0	222
76.108.126-8	IMA Automatización Ltda.	Chile	Common Parent	UF	51	46
88.689.100-8	IMA Industrial Ltda.	Chile	Common Parent	UF	510	665
88.689.100-8	IMA Industrial Ltda.	Chile	Common Parent	CLP	0	100
77.292.170-5	Inversiones Punta Rieles Ltda.	Chile	Shareholder	USD	0	3,762
76.284.839-2	Laborelec Chile Spa	Chile	Common Parent	EUR	0	65
76.284.839-2	Laborelec Chile Spa	Chile	Common Parent	UF	0	46
59.281.960-0	Laborelec Latin America	Chile	Common Parent	EUR	98	0
76.143.206-0	Los Andes Rent a Car Ltda.	Chile	Common Parent	UF	2	9
76.775.710-7	Sociedad GNL Mejillones S.A.	Chile	Common Parent	USD	5,273	996
76.129.879-8	Solairedirect Chile Ltda.	Chile	Common Parent	CLP	0	309
O-E	Solairedirect Global Operations SA	Switzerland	Common Parent	USD	181	0
96.902.900-6	Termika S.A. Ingeniería y Montaje	Chile	Common Parent	UF	0	88
96.858.530-4	Termika Servicios de Mantención S.A.	Chile	Common Parent	CLP	0	55
96.858.530-4	Termika Servicios de Mantención S.A.	Chile	Common Parent	UF	221	0
76.058.076-7	Tractebel Engineering S.A.	Chile	Common Parent	UF	120	7
76.058.076-7	Tractebel Engineering S.A.	Chile	Common Parent	CLP	11	45
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	USD	1,329	2,220
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	CLP	21	1,718
76.787.690-4	Transmisora Eléctrica del Norte S.A.(1)	Chile	Joint Control	USD	1,390	1,263
Intercompany	Payables, Current					12,635

<sup>(1)</sup> The short-term portion of the lease payable for transmission facilities, in monthly installments over a period of 20 years.

# 10.6 Non-Current Intercompany Accounts Payable

TAX I.D.	Company	Country	Relationship	Currency	12/31/2020 kUSD	12/31/2019 kUSD
76.134.397-1	Engie Gas Chile SpA	Chile	Common Parent	USD	0	93
76.787.690-4	Transmisora Eléctrica del Norte S.A. (1)	Chile	Joint Control	USD	54,948	56,338
Intercompany	Payables, Non-Current				54,948	56,431

<sup>(1)</sup> The long-term portion of the lease payable for transmission facilities, in monthly installments over a period of 20 years.

# 10.7 Intercompany Transactions

Entidad				1	2/31/2020	1	2/31/2019		
Tax I.D.	Company	Country	Relationship	Currency	Transaction Description	Amount	Impact on Income	Amount	Impact on Income
					Description	kUSD	kUSD	kUSD	kUSD
96.543.670-7	CAM Chile SpA	Chile	Common Parent	CLP	Services received	20	(20)	15	(15)
O-E	Electrabel Corporate HQ Benelux	Belgium	Common Parent	USD	Services	24	0	23	0
O-E	Energy Consulting Services S.A.	Argentina	Shareholder Associate	Argentine peso	Services provided	2	2	2	2
O-E	Energy Consulting Services S.A.	Argentina	Shareholder Associate	Argentine peso	Services received	308	(308)	203	(203)
O-E	Energy Consulting Services S.A.	Argentina	Shareholder Associate	USD	Purchase of gas	7,147	(7,147)	1,560	(1,560)
0-Е	Engie Digital	France	Common Parent	EUR	Services Received	11	(11)	0	0
O-E	Engie (China) Energy Technology Co., Ltd.	China	Common Parent	USD	Services	0	0	4	0
O-E	Engie Energy Marketing Singapore Pte Ltd	Singapore	Common Parent	USD	Indemnity	2,000	2,000	0	0
76.023.027-8	Engie Factory Chile SpA	Chile	Common Parent	CLP	Services	0	0	3	(3)
76.134.397-1	Engie Gas Chile SpA	Chile	Common Parent	UF	Leases	26	26	16	16
76.134.397-1	Engie Gas Chile SpA	Chile	Common Parent	USD	Services provided	85	85	66	66
76.134.397-1	Engie Gas Chile SpA	Chile	Common Parent	USD	Services received	152	(152)	146	(146)
76.134.397-1	Engie Gas Chile SpA	Chile	Common Parent	USD	Sale of gas	27,101	27,101	15,307	15,307



Entidad			1	12/31/2020	1	2/31/2019			
Tax I.D.	Company			Transaction	Amount	Impact on Income	Amount	Impact on Income	
					Description	kUSD	kUSD	kUSD	kUSD
76.134.397-1	Engie Gas Chile SpA	Chile	Common Parent	USD	Gas transportation	938	938	580	580
76.134.397-1	Engie Gas Chile SpA	Chile	Common Parent	CLP	Recovery of expenses	1	1	25	0
O-E	Engie GBS Latam S.A. de CV	Mexico	Common Parent	USD	Services received	717	(717)	1,341	(1,341)
O-E	ENGIE Global Markets	France	Common Parent	USD	Derivatives	0	0	1,210	(1,210)
O-E	Engie Hydrogen International SAS	France	Common Parent	USD	Recovery of expenses	99	99	0	0
O-E	Engie Information et Technologies	France	Common Parent	EUR	Services	205	(205)	145	(145)
96.885.200-0	Engie LATAM S.A.	Chile	Parent	USD	Dividend	35,142	0	59,169	0
96.885.200-0	Engie LATAM S.A.	Chile	Parent	UF	Leases	432	432	354	354
96.885.200-0	Engie LATAM S.A.	Chile	Parent	EUR	Services	21	(21)	20	(20)
96.885.200-0	Engie LATAM S.A.	Chile	Parent	USD	Recovery of expenses	773	773	0	0
96.885.200-0	Engie LATAM S.A.	Chile	Parent	CLP	Recovery of expenses	33	33	0	0
96.885.200-0	Engie LATAM S.A.	Chile	Parent	USD	Share purchase	55,031	0	0	0
96.885.200-0	Engie LATAM S.A.	Chile	Parent	USD	Services received	8	(8)	0	0
96.885.200-0	Engie LATAM S.A.	Chile	Parent	USD	Services provided	124	124	0	0
0-Е	Engie SA	France	Common Parent	EUR	Services	58	(58)	71	(71)
76.215.533-8	Engie Stream Solutions Chile SpA	Chile	Common Parent	USD	Recovery of expenses	0	0	0	0
76.215.533-8	Engie Stream Solutions Chile SpA	Chile	Common Parent	CLP	Recovery of expenses	6	6	0	0
76.215.533-8	Engie Stream Solutions Chile SpA	Chile	Common Parent	UF	Leases	28	28	0	0
76.215.533-8	Engie Stream Solutions Chile SpA	Chile	Common Parent	USD	Services provided	29	29	0	0
O-E	Engie Solar S.A.S	France	Common Parent	USD	Services provided	205	0	0	0
O-E	Engie Perú S.A.	Peru	Common Parent	UF	Services provided	73	73	0	0
76.019.239-2	Eólica Monte Redondo SpA (*)	Chile	Common Parent	UF	Services provided	560	560	1,495	1,495
76.019.239-2	Eólica Monte Redondo SpA (*)	Chile	Common Parent	USD	Sale of energy and capacity	40	40	49	49
76.019.239-2	Eólica Monte Redondo SpA (*)	Chile	Common Parent	USD	Purchase of energy and capacity	26	(26)	388	(388)

Entidad 12/31/2020 12/31/2019

Tax I.D.	Company	Country	Relationship	Currency	Transaction Description	Amount	Impact on Income	Amount	Impact on Income
					Description	kUSD	kUSD	kUSD	kUSD
76.019.239-2	Eólica Monte Redondo SpA (*)	Chile	Common Parent	USD	Green taxes	0	0	39	39
76.019.239-2	Eólica Monte Redondo SpA (*)	Chile	Common Parent	USD	Tolls	8	(6)	20	20
76.019.239-2	Eólica Monte Redondo SpA (*)	Chile	Common Parent	CLP	Recovery of expenses	0	0	1	0
76.579.088-3	Factory Soluciones SpA	Chile	Common Parent	CLP	Services	0	0	1	(1)
76.108.126-8	IMA Automatización Ltda	Chile	Common Parent	UF	Services	256	(256)	341	(341)
76.108.126-8	IMA Automatización Ltda	Chile	Common Parent	USD	Services	9	(9)	0	0
76.108.126-8	IMA Automatización Ltda	Chile	Common Parent	CLP	Services	39	(39)	0	0
88.689.100-8	IMA Industrial Ltda.	Chile	Common Parent	UF	Services	12	12	8	8
88.689.100-8	IMA Industrial Ltda.	Chile	Common Parent	CLP	Services	8,353	(8,121)	3,671	(3,671)
88.689.100-8	IMA Industrial Ltda.	Chile	Common Parent	USD	Services	0	0	442	(442)
76.242.762-1	IMA S.A.	Chile	Common Parent	USD	Recovery of expenses	352	352	33	0
76.242.762-1	IMA S.A.	Chile	Common Parent	USD	Services provided	21	21	0	0
77.292.170-5	Inversiones Punta Rieles Ltda.	Chile	Shareholder	USD		0	0	10,308	0
77.292.170-5	Inversiones Punta Rieles Ltda.	Chile	Shareholder	USD		0	0	8,000	0
76.284.839-2	Laborelec Chile SpA	Chile	Common Parent	EUR	Services received	0	0	109	(81)
76.284.839-2	Laborelec Chile SpA	Chile	Common Parent	UF	Services received	0	0	16	0
59.281.960-0	Laborelec Latin America	Chile	Common Parent	EUR	Services received	535	(346)	180	(163)
59.281.960-0	Laborelec Latin America	Chile	Common Parent	UF	Services received	0	0	70	(25)
76.143.206-0	Los Andes Rent a Car Ltda.	Chile	Common Parent	CLP	Services received	16	(16)	30	(30)
76.775.710-7	Sociedad GNL Mejillones S.A.	Chile	Common Parent	USD	Sale of energy, capacity and services	595	595	1,055	1,055
76.775.710-7	Sociedad GNL Mejillones S.A.	Chile	Common Parent	USD	Gas regasification service	47,589	(47,589)	43,716	(43,716)
76.775.710-7	Sociedad GNL Mejillones S.A.	Chile	Common Parent	CLP	Recovery of expenses	5	0	0	0
76.775.710-7	Sociedad GNL Mejillones S.A.	Chile	Common Parent	UF	Leases	54	54	0	0



Entidad						1	2/31/2020	1	2/31/2019
Tax I.D.	Company	Country	Relationship	Currency	Transaction Description	Amount	Impact on Income	Amount	Impact on Income
					Description	kUSD	kUSD	kUSD	kUSD
76.775.710-7	Sociedad GNL Mejillones S.A.	Chile	Common Parent	USD	Tolls	659	659	693	693
76.775.710-7	Sociedad GNL Mejillones S.A.	Chile	Common Parent	USD	Green taxes	0	0	5	5
76.775.710-7	Sociedad GNL Mejillones S.A.	Chile	Common Parent	USD	Services provided	70	70	0	0
76.129.879-8	Solairedirect Chile Ltda.	Chile	Common Parent	UF	Services	0	0	218	(218)

<sup>(\*)</sup> The transactions with Eolica Monte Redondo SpA took place from January 1, 2020 to June 30, 2020. As of July 1, 2020, this company began to be consolidated with Engie Energia Chile.

Entidad						1	2/31/2020	1	2/31/2019
Tax I.D.	Company	Country	Relationship	Currency	Transaction Description	Amount	Impact on Income	Amount	Impact on Income
					Description	kUSD	kUSD	kUSD	kUSD
76.129.879-8	Solairedirect Chile Ltda.	Chile	Common Parent	USD	Services	0	0	65	(65)
O-E	Solairedirect Global Operations SA	Switzerland	Common Parent	USD	Services provided	181	0	0	0
O-E	SSINERGIE blu.e	France	Common Parent	EUR	Services	34	(34)	101	(101)
O-E	Suez International	France	Common Parent	USD	Recovery of expenses	0	0	20	0
96.902.900-6	Termika S.A. Ingeniería y Montajes	Chile	Common Parent	USD	Services received	0	0	264	0
96.902.900-6	Termika S.A. Ingeniería y Montajes	Chile	Common Parent	UF	Services received	46	0	313	0
96.902.900-6	Termika S.A. Ingeniería y Montajes	Chile	Common Parent	UF	Services received	2	0	0	0
96.858.530-4	Termika Servicios de Mantención S.A.	Chile	Common Parent	CLP	Services received	10	(10)	290	(290)
96.858.530-4	Termika Servicios de Mantención S.A.	Chile	Common Parent	UF	Services received	374	(374)	58	(58)
Foreign	Tractebel Engineering S.A.	Belgium	Common Parent	EUR	Services received	68	(68)	66	0
76.058.076-7	Tractebel Engineering S.A.	Chile	Common Parent	USD	Services received	40	(20)	0	0
76.058.076-7	Tractebel Engineering S.A.	Chile	Common Parent	EUR	Services received	0	0	3	0
76.058.076-7	Tractebel Engineering S.A.	Chile	Common Parent	UF	Services received	397	(375)	403	(240)
76.058.076-7	Tractebel Engineering S.A.	Chile	Common Parent	CLP	Services	231	(121)	55	(12)

Entidad 12/31/2020 12/31/2019

Tax I.D.	Company	Country	Relationship	Currency	Transaction Description	Amount	Impact on Income	Amount	Impact on Income
					Description	kUSD	kUSD	kUSD	kUSD
76.058.076-7	Tractebel Engineering S.A.	Chile	Common Parent	UF	Leases	4	4	11	7
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	USD	Loans (interest)	865	865	1,529	1,529
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	USD	Payment of loan	7,500	0	21,559	0
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	USD	Services provided	640	640	612	612
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	USD	Recovery of expenses	2	2	5	0
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	UF	Lease of facilities	229	229	253	253
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	UF	Leases	19	19	0	0
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	UF	Leases Paid	47	(47)	0	0
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	CLP	Recovery of expenses	11	11	0	0
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	CLP		14	(14)	0	0
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	CLP	Tolls	7,675	(7,675)	7,492	(7,492)
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	CLP	Sale of energy and capacity	109	109	229	229
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	USD	Amortization of lease principal	1,263	0	1,148	0
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	USD	Amortization of lease interest	6,064	(6,064)	6,220	(6,220)
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	USD	Purchase of materiales	76	0	0	0
76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	Joint Control	USD	Dividends	0	0	2,558	0

Guarantees have been granted or received for transactions with related parties (see Note 41.2).

There are no doubtful accounts related to outstanding balances that warrant a provision or expense for this reason.

All transactions with related parties were performed under market terms and conditions.

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## **NOTE 11 - CURRENT**

Current inventories were as follows at the closing date:

Types of Inventories	12/31/2020 kUSD	12/31/2019 kUSD
Operating materials and inputs	104,359	102,698
Obsolescence provision	(26,265)	(24,327)
Spare parts impairment provision	(42,295)	(42,295)
Coal	28,128	49,939
Bunker oil 6	511	511
Diesel oil	2,049	2,398
Hydrated lime	5,710	5,532
Limestone - Biomass - Silica Sand	1,707	1,081
LNG	2,623	20,488
Lubricants	153	179
Total	76,680	116,204

Details on the inventory costs recorded in expenses in 2020 and 2019 are shown in the next table:

Expenses in the period	12/31/2020 kUSD	12/31/2019 kUSD
Fuel for operations	233,345	253,152
Other operating inputs	11,144	12,983
Materials and spare parts	8,045	8,514
Total	252,534	274,649

The movements in the obsolescence provision were as follows:

Inventories Obsolescence Provision (1)	12/31/2020 kUSD	12/31/2019 kUSD
Starting balance	24,327	27,643
Reversal of provision due to sale of spare parts	0	(1,292)
Increase (decrease) in the provision	1,938	(2,024)
Ending Balance	26,265	24,327

<sup>(1)</sup> See the provision criteria in Note 3.5 (Asset Impairment)

## **NOTE 12 - CURRENT TAXES**

## **General Information**

The balances of income tax recoverable and payable shown in current assets and liabilities, respectively, are comprised of the following:

## a) Current Tax Assets

Recoverable Taxes	12/31/2020 kUSD	12/31/2019 kUSD
Provisional monthly tax payments	20,588	2,379
Foreign-sourced tax credit	459	459
Taxes recoverable from previous fiscal years	8,661	9,341
Training credit	0	274
Other recoverable taxes	226	226
Total Recoverable Taxes	29,934	12,679

## b) Current Tax Liabilities

Income Tax	12/31/2020 kUSD	12/31/2019 kUSD
Current tax expense	10,109	23,012
Article 21 Special Tax	52	420
Total Taxes Payable	10,161	23,432

# **NOTE 13 - OTHER NON-CURRENT NON-FINANCIAL ASSETS**

Other Non-Financial Assets	12/31/2020 kUSD	12/31/2019 kUSD
Rights to other assets	2,161	2,161
Project under development - Solar Power Plants (1)	3,109	1,163
Project under development - Los Trigales Wind Farm (1)	4,493	1,484
Project under development - Coya Photovoltaic (1)	4,582	0
Other projects under development (1)	1,225	569
Other	497	330
Total	16,067	5,707

(1) The Company's policy is to show the costs of projects in a development stage in Other Non-Financial Assets in the Statement of Financial Position as long as the technical viability and economic profitability of the project are reasonably assured. The projects are:

- Solar power plants: photovoltaic projects in an early stage of development, located between the Regions of Arica and Parinacota and of Atacama.
- Los Trigales Wind Farm: a wind farm located in the Region of La Araucania.
- Photovoltaic power plant located in the Region of Antofagasta.
- Other projects under development: 3 small wind farms are being developed.



# NOTE 14 - INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

## **Companies under Joint Control**

The details on the company accounted for by the equity method and the movements as of December 31, 2020 were as follows:

Type of Relationship	Company	Number of Shares	Percentage Interest	Balance at 12-31-2019	Profit (Loss) Accrued	Dividend Provision	Variation in the Hedge Derivatives Reserve at 12/31/2020	Total at 12/31/2019
			%	kUSD	kUSD	kUSD	kUSD	kUSD
Joint Control	Transmisora Eléctrica del Norte S.A.	1,438,448	50.00%	89,697	4,368	0	(12,457)	81,608
Total				89,697	4,368	0	(12,457)	81,608

Profit (Loss) Accrued	9/30/2020 kUSD	12/31/2019 kUSD
Share in earnings (loss) of associates and joint ventures accounted for using the equity method	3,632	7,334

	Company Name .	Interest	Current Assets	Non- Current Assets	Total Assets	Current Liabilities	Non- Current Liabilities	Total Liabilities	Net Equity	Revenue	Ordinary Expenses	Net Profit (Loss)
		%	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
76.787.690-4	Transmisora Eléctrica del Norte S.A.	50.00%	86,008	738,578	824,586	39,890	739,275	778,779,165	45,421	74,151	26,873	11,124

The details on the company accounted for by the equity method and the movements as of December 31, 2019 were as follows:

Type of Relationship	Company	<i>'</i>	Number of Shares		centage Interest	Balance at 12-31-2019		oss) Prov		ariation in the erivatives Res 12/3		Total at 12/31/2019
					%	kUSD	kl	JSD	kUSD		kUSD	kUSD
Joint Contro	Joint Control Transmisora Eléctrica del Norte S.A.		1,438,448	}	50.00%	96,745	7,334 -		2,558	2,558 (11,824		89,697
Total						96,745	7,:	334 -	2,558	(1	1,824)	89,697
TAX I.D.	Company Name	Interest	Current Assets	Non- Current Assets	Total Assets	Current Liabilities	Non- Current Liabilities	Total Liabilities	Net Equity	Revenue	Ordinary Expenses	
		%	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSE	kUSD
76.787.690-4	Transmisora Eléctrica del Norte S.A.	50.00%	86,979	748,810	835,789	51,670	724,908	776,578	59,211	85,213	25,151	17,056

# NOTE 15 - INTANGIBLE ASSETS OTHER THAN GOODWILL

Below are the movements and reconciliation of intangible assets of the Company as of December 31, 2020 and 2019.

Intangible Assets, Net	12/31/2020 kUSD	12/31/2019 kUSD
Intangibles, Contracts with Customers, net (1)	199,949	216,732
Easements, net	4,876	4,556
Net Total	204,825	221,288

(1) Intangible assets related to contracts with customers mainly come from power purchase agreements associated with projects of our subsidiaries Central Termoeléctrica Andina S.A. and Inversiones Hornitos S.A., which have been amortized since 2011 over periods of 30 and 15 years, respectively. See the criteria in Note 3.4.

Intangible Assets, Gross	12/31/2020 kUSD	12/31/2019 kUSD
Intangibles, Contracts with Customers, gross (1)	362,134	362,134
Easements, gross	13,847	13,063
Gross Total	375,981	375,197
Amortization of Intangible Assets	12/31/2020 kUSD	12/31/2019
	ROSE	kUSD
Amortization of Intangibles, Contracts with Customers	(162,185)	(145,402)
Amortization of Intangibles, Contracts with Customers  Amortization of Easements		

The movement in intangible assets by type was as follows during 2020 and 2019:

Intangible Assets	Starting Gross Balance 01/01/2020 kUSD	Additions (Charge- Offs) in the Period kUSD	Ending Gross Balance at 12/31/2020 kUSD	Cumulative Amortization at 12/31/2019 kUSD	Amortization in the Period kUSD	Cumulative Amortization (Charge-Offs) 12/31/2020 kUSD	Cumulative Amortization at 12/31/2020 kUSD	Net Balance at 12/31/2020 kUSD
Contracts with Customers (business combinations)	362,134	0	362,134	(145,402)	(16,783)	0	(162,185)	199,949
Easements	13,063	784	13,847	(8,551)	(420)	0	(8,971)	4,876
Total	375,197	784	375,981	(153,953)	(17,203)	0	(171,156)	204,825



Intangible Assets	Starting Gross Balance 01/01/2019 kUSD	Additions (Charge- Offs) in the Period kUSD	Ending Gross Balance at 12/31/2019 kUSD	Cumulative Amortization at 12/31/2018 kUSD	Amortization in the Period kUSD	Cumulative Amortization (Charge-Offs) 12/31/2019 kUSD	Cumulative Amortization at 12/31/2019 kUSD	Net Balance at 12/31/2019 kUSD
Contracts with Customers (business combinations)	362,134	0	362,134	(128,619)	(16,783)	0	(145,402)	216,732
Easements	13,063	0	13,063	(8,086)	(421)	0	(8,507)	4,556
TOTAL	375,197	0	375,197	(136,705)	(17,204)	0	(153,909)	221,288

The amortization of intangible assets is recorded under the cost of sales in the statement of income (Note 30).

In December 2009, as a result of the acquisition of the companies indicated in Note 16, the Company recognized intangible assets associated with contracts with customers of Central Termoelectrica Andina S.A. (CTA) and Inversiones Hornitos S.A. (CTH), according to IFRS 3 Business Combinations.

These contracts were appraised using the multi-excess earning method (MEEM) that considers the value of the contracts with customers to be the present value of the excess cash flows generated by the intangible asset during its useful life, after deducting the cash flows associated with the remaining tangible and intangible operating assets, deducted at a discount rate that represents the risk of each asset.

The Company's ownership of intangible assets is unrestricted and there are no commitments to acquire new intangible assets (IAS 38, paragraph 122(c) and (d)).

## **NOTE 16 - GOODWILL**

The following table summarizes the main types of consideration that were transferred and the amounts recorded for assets acquired and liabilities assumed, as of the date of acquisition.

Goodwill	12/31/2020 kUSD	12/31/2019 kUSD
Fair purchase value	1,221,197	1,221,197
Identifiable assets acquired and liabilities assumed		
Net assets	902,929	902,929
Fair value of property, plant and equipment	37,466	37,466
Intangible assets	315,750	315,750
Deferred tax liabilities	(60,047)	(60,047)
Subtotal	1,196,098	1,196,098
Goodwill	25,099	25,099

The origin of goodwill is explained as follows:

On December 29, 2009, the companies of the Engie LATAM Group (formerly Engie Chile S.A., and before that, Suez Energy Andino – SEA) and Codelco signed an agreement to merge the Company (the continuer) with Inversiones Tocopilla 1. Inversiones Tocopilla 1 was a vehicle created for the merger that held the investments that SEA and Codelco had in Electroandina S.A., Central Termoeléctrica Andina S.A., Inversiones Hornitos S.A., Gasoducto Nor Andino S.A. and Gasoducto Nor Andino Argentina S.A.

As a consequence of the merger, the Company became the controller of Central Termoeléctrica Andina S.A., Gasoducto Nor Andino S.A. and Gasoducto Nor Andino Argentina S.A. It is also the owner and operator of the assets of Electroandina S.A. and Inversiones Hornitos S.A.

The fair value of the acquisition was determined by appraising 100% of the assets delivered in the transaction and the payments made on the transaction date. The market method was used, which consists of the present value of future cash flows discounted at a rate representing each asset's risk, which ranged from 7% to 8% per annum.

The fair value of property, plant and equipment was determined to be the replacement value, adjusted by the functional or market useful life. Outside experts appraised property, plant and equipment.

The intangible assets, mainly contracts with customers, are appraised following the Multi-Excess Earning Method, or MEEM. This method considers that the value of contracts with customers is the present value of the surplus cash flows generated by the intangible asset over its useful life, after deducting cash flows associated with the rest of existing tangible and intangible operating assets, discounted at a rate representative of the risk of each asset. The range is from 8% to 9% annually.

## **NOTE 17 - PROPERTY, PLANT AND EQUIPMENT**

The movements recorded in Property, Plant and Equipment were as follows in 2020:

Movement in 2020	Construction in progress	Land	Buildings	Plant and Equipment	Information Technology Equipment	Fixed Facilities and Accessories	Motor Vehicles	Other Property, Plant and Equipment	Property, Plant and Equipment
	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
Gross Value	101,005	37,968	282,523	3,656,657	38,162	442,361	11,901	258,197	4,828,774
Cumulative Depreciation	0	0	(98,153)	(1,498,748)	(31,156)	(260,309)	(9,012)	(160,526)	(2,057,904)
Impairment	0	0	(2,673)	(203,753)	(530)	(14,927)	0	(11,878)	(233,761)
Starting balance at 1-1-2020	101,005	37,968	181,697	1,954,156	6,476	167,125	2,889	85,793	2,537,109
Additions	213,180	0	0	39,341	5	0	0	(418)	252,108
Acquisitions by means of PPE business combinations	48	316	0	55,801	228	0	0	168	56,561
Derecognitions	0	0	0	(158)	0	0	(3)	0	(161)
Impairment	0	0	0	(18,437)	0	0	0	0	(18,437)
Depreciation expenses	0	0	(8,081)	(121,816)	(2,719)	(10,409)	(674)	(14,584)	(158,283)
Closing of work in progress	(42,333)	0	358	4,875	1,931	3,064	199	26,082	0
Total Changes	170,895	316	(7,723)	(40,394)	(555)	(7,345)	(478)	11,248	125,964
Ending balance at 9-30-2020	271,900	38,284	173,974	1,913,762	5,921	159,780	2,411	97,041	2,663,073

<sup>(\*)</sup> The provisions for dismantling of generating units were adjusted and the amounts for coal-fired units for which impairment was recorded in previous periods were adjusted and recorded as an increase in impairment.



The movements recorded in Property, Plant and Equipment were as follows in the 2019 fiscal year:

Movement in 2019	Construction in progress	Land	Buildings	Plant and Equipment	Information Technology Equipment	Fixed Facilities and Accessories	Motor Vehicles	Other Property, Plant and Equipment	Property, Plant and Equipment
	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
Gross Value	954,470	37,469	265,938	2,662,662	33,462	415,291	11,437	248,076	4,628,805
<b>Cumulative Depreciation</b>	0	0	(90,005)	(1,388,124)	(28,001)	(250,506)	(8,647)	(147,000)	(1,912,283)
Impairment	0	0	(653)	(62,765)	132	(14,926)	0	(2,318)	(80,794)
Starting balance at 1-1-2019	954,470	37,469	175,280	1,211,773	5,329	149,859	2,790	98,758	2,635,728
Additions	174,449	0	32	8,537	6	18	0	(4,778)	178,264
Additions because of IFRS 16	554	0	0	0	0	0	0	0	554
Acquisitions by means of business combinations	0	0	0	14,024	0	0	0	0	14,024
Derecognitions	0	0	(345)	(242)	0	(20)	0	0	(607)
Impairment	0	0	(2,020)	(140,988)	(398)	(1)	0	(9,560)	(152,967)
Depreciation expenses	0	0	(8,146)	(102,615)	(3,155)	(9,803)	(640)	(13,528)	(137,887)
Closing of work in progress	(1,028,468)	499	16,896	963,667	4,694	27,072	739	14,901	0
Total Changes	(853,465)	499	6,417	742,383	1,147	17,266	99	(12,965)	(98,619)
Ending balance at 12-31- 2019	101,005	37,968	181,697	1,954,156	6,476	167,125	2,889	85,793	2,537,109

\*On June 4, 2019, the National Energy Commission was given notice of the removal and disconnection of Units 14 and 15 as from January 2022. The Company decided to make a negative book adjustment for the asset goodwill. An impact of kUSD 78,923 was recorded in income. The Company could possibly postpone that removal and disconnection to a different date (but never later than May 31, 2024).

\*On December 20, 2019, the National Energy Commission was given notice of the removal and disconnection of generating units CTM 1 and CTM 2 during 2014. The Company decided to make an adjustment in the accounting for the asset goodwill. It recorded an impact of kUSD 74,044 in income.

Property, plant and equipment were comprised as follows as of December 31, 2020 and 2019:

Types of Property, Plant and Equipment, Net (Presentation)	12/31/2020 kUSD	12/31/2019 kUSD
Construction in Progress		
Renewable Energy Plants	200,294	33,508
Transmission Substations	24,443	8,337
Other Projects	47,163	59,160
Land	38,384	37,968
Buildings	173,974	181,697

Types of Property, Plant and Equipment, Net (Presentation)	12/31/2020 kUSD	12/31/2019 kUSD
Plant and Equipment		
Combined Cycle Thermoelectric Power Plants	69,597	84,800
Thermoelectric Power Plants	1,542,806	1,613,143
Diesel-Fired Power Plants	1,111	1,345
Hydroelectric Power Plants	22,402	204
Photovoltaic Power Plants	35,930	32,653
Wind Farm	36,962	0
Gas pipelines	115,612	128,843
Ports	89,342	93,168
Information Technology Equipment	5,921	6,476
Fixed Facilities and Accessories		
Power lines and substations	157,561	164,172
Other fixed facilities and accessories	2,219	2,953
Motor Vehicles	2,411	2,889
Other Property, Plant and Equipment		
Leased Buildings	11,762	12,080
Leased Power Lines and Substations	44,525	45,837
Other Leased Property, Plant and Equipment	3,704	3,799
Other Property, Plant and Equipment	42,874	24,077
Total Property, Plant and Equipment	2,668,897	2,537,109

Types of Property, Plant and Equipment, Gross (Presentation)	12/31/2020 kUSD	12/31/2019 kUSD
Construction in Progress		
Renewable Energy Plants	200,294	33,508
Transmission Substations	24,443	8,337
Other Projects	47,163	59,160
Land	38,284	37,968
Buildings	281,111	282,523



Types of Property, Plant and Equipment, Gross (Presentation)	12/31/2020 kUSD	12/31/2019 kUSD
Plant and Equipment		
Combined Cycle Thermoelectric Power Plants	318,345	317,733
Thermoelectric Power Plants	2,700,138	2,668,354
Diesel-Fired Power Plants	42,191	42,191
Hydroelectric Power Plants	40,993	6,426
Photovoltaic Power Plants	49,968	45,128
Wind Farm	94,551	0
Gas pipelines	428,325	428,325
Ports	150,037	148,500
Information Technology Equipment	41,183	38,157
Fixed Facilities and Accessories		
Power lines and substations	384,001	381,544
Other fixed facilities and accessories	61,425	60,818
Motor Vehicles	12,122	11,902
Other Property, Plant and Equipment		
Leased Buildings	12,716	12,716
Leased Power Lines and Substations	52,386	52,386
Other Leased Property, Plant and Equipment	3,990	3,990
Other Property, Plant and Equipment	220,832	189,105
Total Property, Plant and Equipment	5,204,498	4,828,771

Types of Cumulative Depreciation, Property Plant and Equipment (Presentation)	12/31/2020 kUSD	12/31/2019 kUSD
Buildings	(104,464)	(98,153)
Plant and Equipment		
Combined Cycle Thermoelectric Power Plants	(248,748)	(232,933)
Thermoelectric Power Plants	(935,495)	(851,811)
Diesel-Fired Power Plants	(40,727)	(40,493)
Hydroelectric Power Plants	(18,591)	(6,222)
Photovoltaic Power Plants	(14,038)	(12,475)
Wind Farm	(57,589)	-
Gas pipelines	(312,713)	(299,482)
Ports	(60,695)	(55,332)
Information Technology Equipment	(34,732)	(31,151)
Fixed Facilities and Accessories		
Power lines and substations	(211,513)	(202,445)
Other fixed facilities and accessories	(59,206)	(57,865)
Motor Vehicles	(9,711)	(9,013)
Other Property, Plant and Equipment		
Leased Buildings	(954)	(636)
Leased Power Lines and Substations	(7,861)	(6,549)
Other Leased Property, Plant and Equipment	(286)	(191)
Other Property, Plant and Equipment	(166,080)	(153,150)
Total Cumulative Depreciation of Property, Plant and Equipment	(2,283,403)	(2,057,901)
Types of Impairment, Property Plant and Equipment (Presentation)	31/12/2020 kUSD	31/12/2019 kUSD
Buildings	(2,673)	(2,673)
Plant and Equipment		
Cumulative Depreciation of Diesel-Fired Power Plants	(353)	(353)
Cumulative Depreciation of Thermoelectric Power Plants	(221,837)	(203,400)
Information Technology Equipment	(530)	(530)
Fixed Facilities and Accessories	(14,927)	(14,927)
Other Property, Plant and Equipment	(11,878)	(11,878)
Total Impairment of Property, Plant and Equipment	(252,198)	(233,761)
Total Cumulative Depreciation and Impairment of Property, Plant and Equipment	(2,535,601)	(2,291,662)

The Company's ownership of property, plant and equipment is unrestricted.

Property, Plant and Equipment is appraised at the amortized cost, which does not differ significantly from the fair value.

The Company had no items of property, plant and equipment temporarily out of service on the date of these financial statements.

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## **17.1 Capitalized Financing Costs**

Project	Interest Rate	12/31/2020 kUSD	12/31/2019 kUSD
Mejillones Energy Infrastructure	5.096%	0	14,985
Renewable Energy Projects	3.750%	4,439	0
Total		4,439	14,985

The rate used is the weighted rate of the Company's loans.

## 17.2 Reconciliation of minimum payments for leased assets

	<b>December 31, 2020</b>		
Reconciliation of minimum financial lease payments by lessee	Gross kUSD	Interest kUSD	Present Value kUSD
Less than one year	7,023	5,663	1,390
From 1 to 5 years	28,093	20,999	7,094
More than 5 years	84,279	36,425	47,854
Total	119,395	63,087	56,338

<b>December 31, 20</b> :			
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Reconciliation of minimum financial lease payments by lessee	Gross kUSD	Interest kUSD	Present Value kUSD
Less than one year	7,023	5,760	1,263
From 1 to 5 years	28,093	21,644	6,449
More than 5 years	91,302	41,413	49,889
Total	126,418	68,817	57,601

See Notes 10.5 and 10.6.

## **NOTE 18 - RIGHT-OF-USE ASSETS**

As of December 31, 2020, the balance of right-of-use assets was kUSD 76,457, which was the net carrying value of the assets subject to a financial lease. EECL currently records financial leases for its vehicles and concessions with the Government. The right-of-use assets recognized as leases as of December 31, 2020 and 2019 are shown below:

Right-of-Use Assets in 2020	Land kUSD	Motor Vehicles kUSD	Total kUSD
Right-of-Use Assets	81,460	1,153	82,613
Depreciation	(5,007)	(1,149)	(6,156)
Final balance at 12-31-2020	76,453	4	76,457

Right-of-Use Assets in 2019	Land kUSD	Motor Vehicles kUSD	Total kUSD
Right-of-Use Assets	25,809	1,153	26,962
Depreciation	(1,982)	(698)	(2,680)
Final balance at 12-31-2019	23,827	455	24,282

## 18.1 Reconciliation of minimum payments for leased assets

		December 3	31, 2020	
Reconciliation of minimum financial lease payments by lessee	Gross kUSD	Interest kUSD	Short-Term Present Value kUSD	Long-Term Present Value kUSD
Less than one year	6,993	2,666	4,327	0
From 1 to 3 years	16,484	7,434	0	9,050
From 3 to 5 years	10,937	4,487	0	6,450
More than 5 years	92,730	29,889	0	62,841
Total	127,144	44,476	4,327	78,341

#### December 31, 2019 **Reconciliation of minimum** Short-Term Long-Term financial lease payments by lessee Gross Interest **Present Value Present Value kUSD kUSD kUSD kUSD** 0 Less than one year 2,630 965 1.665 From 1 to 3 years 6,321 2,690 0 3,631 From 3 to 5 years 3.515 1.673 0 1.842 More than 5 years 28,129 10,860 0 17,269 40.595 Total 16.188 1.665 22.742

## **NOTE 19 - DEFERRED TAXES**

Deferred taxes correspond to the taxes that the Company will have to pay (liabilities) or that it may recover (assets) in future years, related to temporary differences between the tax base and carrying value of certain assets and liabilities.

Our Argentine subsidiary takes into account the effects caused by taxes after the income tax law was amended by Law 27,430, published December 29, 2017.

The main amendment to the corporate tax regime is as follows:

- Article 69 of the Income Tax Law (ITL) reduces the corporate tax rate from 35% to 25% (also applicable to permanent establishments). However, the reduction will be in stages.

The tax reduction schedule is as follows, according to article 86 of Law 27,430:

- 1. The corporate rate will be 30% for the fiscal years beginning January 1, 2018 through December 31, 2019; and
- 2. The corporate tax rate will be 25% for the fiscal years starting January 1, 2020 and beyond.
- Chapter II of the ITL stipulates that taxes must be withheld on profit distributions by resident entities and assimilated companies. The withholding must be made whether the recipients of the distribution are residents



or non-residents. The withholding rate is consistent with the corporate tax rate. Profit distributions were being assessed at a corporate tax rate of 35% on which no withholding was required. However, profits distributed from January 2010 to January 31, 2019 have been subject to a 7% tax withholding. Finally, the withholding rate against the 25% corporate tax (for fiscal years as from January 1, 2020) will be 13%. Equivalent rates are set for profit distributions by permanent establishments.

<b>Closed Fiscal Years</b>	Corporate Rate	Tax Rate on Profits and Dividends	Quantitative Impact	Theoretical Tax
2018 and 2019	30.00%	7.00%	7% of 70 = 4.9	34.90%
2020 and beyond	25.00%	13.00%	13% of 75 = 9.75	34.75%

## 19.1 Deferred tax assets at closing

Deferred Tax Assets	12/31/2020 kUSD	12/31/2019 kUSD
relating to provisions	13,944	12,016
relating to the fair value of property, plant and equipment (not at cost)	103,134	96,292
relating to pre-operating income	4,580	4,815
relating to tax losses	24,187	0
relating to intangibles	568	609
relating to deferred income	7,016	3,494
relating to other items	1,357	1,697
Deferred Tax Assets	154,786	118,923

The recovery of deferred tax assets depends on whether there will be enough taxable income in the future. According to the Company's management, future income as forecasted should suffice for the recovery of these assets.

## 19.2 Deferred tax liabilities at closing

Deferred tax liabilities	12/31/2020 kUSD	12/31/2019 kUSD
relating to depreciation	138,558	118,037
relating to post-employment benefit obligations	1,154	1,154
relating to intangibles	61,515	66,796
relating to compoundable interest	38,245	38,019
relating to cost differentials for property, plant and equipment of subsidiaries	78,197	51,963
for the historic cost differential of property, plant and equipment of Gasoducto Nor Andino Argentina S.A.	10,983	12,548
relating to other items	7,269	5,664
Deferred Tax Liabilities	335,921	294,181

Deferred taxes are shown in the balance sheet as explained below:

	12/31/2020 kUSD	12/31/2019 kUSD
Non-current deferred tax assets	21,547	18,112
Non-current deferred tax liabilities	202,682	193,370
Net	181,135	175,258

The Company is potentially subject to income tax audits by the tax authorities of each country. Those audits are limited to a number of tax years, which are generally not open to audit after the statute of limitations has expired. Tax audits are, by nature, often complex and may take several years. The tax periods potentially subject to audit are summarized below:

Country	Period
Chile	2015-2020
Argentina	2016-2020

# 19.3 Reconciliation of Effective Rates

The reconciliation of tax expense was as follows as of December 31, 2020 and 2019:

## 19.3.1 Consolidated

		2020	2019			
Item	27% Tax	<b>Effective Rate</b>	27% Tax	<b>Effective Rate</b>		
	kUSD	%	kUSD	%		
Theoretical tax on financial income	54,247	27.00	43,672	27.00		
Non-deductible expenses	0	0.00	0	0.00		
Present value of permanent differences for subsidiaries	(1,179)	(0.94)	(1,980)	(1.23)		
Other permanent differences	(12,877)	(6.33)	912	0.64		
Total Permanent Differences	(14,056)	(7.27)	(1,068)	(0.59)		
Income Tax Expense	40,191	19.73	42,604	26.41		

# 19.3.2 Domestic Entities

		2020	2019			
Concepto	27% Tax	<b>Effective Rate</b>	27% Tax	<b>Effective Rate</b>		
	kUSD	%	kUSD	%		
Theoretical tax on financial income	57,563	27.00	43,168	27.00		
Non-deductible expenses	0	0.00	0	0.00		
Present value of permanent differences for subsidiaries	(1,179)	(0.54)	(1,980)	(1.24)		
Other permanent differences	(13,840)	(6.50)	1,490	0.93		
Total Permanent Differences	(15,019)	(7.04)	(490)	(0.31)		
Income Tax Expense	42,544	19.96	42,678	26.69		

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## 19.3.3 Foreign Entities

	20	020	2019			
Item	35% Tax	<b>Effective Rate</b>	35% Tax	Effective Rate		
	kUSD	%	kUSD	%		
Theoretical tax on financial income, Gasoducto Nor Andino Argentina S.A.	(3,316)	35.00	504	35.00		
Non-deductible expenses	0	0	0	0		
Other permanent differences	963	(10.17)	(578)	(40.14)		
Total Permanent Differences	963	(10.17)	(578)	(40.14)		
Income Tax Expense	(2,353)	24.83	(74)	(5.14)		

## 19.3.4 Effects of income tax and deferred taxes on income

The debit for income tax against income was as follows:

Item	2020 kUSD	2019 kUSD
Current tax expense (tax provision)	32,345	69,482
	52	420
Tax expense adjustment (previous fiscal year)	667	(556)
Impact of deferred tax assets and liabilities in the fiscal year	20,177	(28,675)
Tax benefit for tax losses	(11,077)	792
Tax differentials for other jurisdictions	(758)	330
Income tax on investments in equity instruments in other comprehensive income	(1,215)	811
Total	40,191	42,604

## 19.3.5 Income tax related to other comprehensive income

Item	2020 kUSD	2019 kUSD
Income tax on investments in equity instruments in other comprehensive income	1,215	(811)
Total	1,215	(811)

# 19.4 Taxable Income of Domestic Subsidiaries at the end of the period

Taxable income was kUSD 130,837 as of December 31, 2020 and kUSD 246,472 as of December 31, 2019.

## **NOTE 20 - OTHER FINANCIAL LIABILITIES**

As of December 31, 2020 and 2019, other financial liabilities were:

	12/31	12/31/2019			
Other Financial Liabilities	Current	Non-Current	Current	Non-Current	
	kUSD	kUSD	kUSD	kUSD	
Interest-bearing loans	64,280	830,998	97,582	737,704	
Hedge derivatives (see Note 21)	0	0	4,501	0	
Total	64,280	830,998	102,083	737,704	

## Interest-bearing loans

	12/31	12/31/2019			
Types of interest-bearing loans	Current	Non-Current	Current	Non-Current	
	kUSD	kUSD	kUSD	kUSD	
Bank loans	50,496	0	80,663	0	
Bonds	13,784	830,998	16,919	737,704	
Total	64,280	830,998	97,582	737,704	

# 20.1 Interest-Bearing Loans, Current

Borrower			Lender							Out to 9	90 days	90 days	to 1 year	Total	Total						
Tax I.D.	Name	Country	Tax I.D.	Name	Country	Currency	Type of	Effective		12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019						
Tax I.D.	Name	Coontry	Tax I.D.	Name	Coontry	Correlicy	Amortization	Amortization Rate	mortization Rate R	Rate Rate	Rate Rate	Rate	e Rate	Rate Rate	Rate Rate	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
88.006.900-4	Engie Energia Chile S.A.	Chile	Foreign	Banco Estado (1)	Chile	USD	Bullet	1.580	1.580	0	0	50,496	0	50,496	0						
88.006.900-4	Engie Energia Chile S.A.	Chile	Foreign	Banco Scotiabank (2)	Chile	USD	Bullet	2.173	2.173	0	0	0	40,169	0	40,169						
88.006.900-4	Engie Energia Chile S.A.	Chile	Foreign	Banco Estado (2)	Chile	USD	Bullet	3.100	3.100	0	0	0	40,494	0	40,494						
Interest-Beari	ing Loans, Total									0	0	50,496	80,663	50,496	80,663						

(1) The short-term loan for USD 50 million with Banco Estado is accruing interest at a fixed rate and expires May 14, 2021. It has been documented by a simple promissory note recording the obligation to make payment on the agreed date. There are no financial or operating restrictions and the Company can prepay it without being charged any prepayment fee.

(2) The short-term loan for USD 40 million with Scotiabank is accruing interest at a fixed rate and was extended to October 16, 2020. It has been documented by a simple promissory note recording the obligation to make payment on the agreed date. There are no financial or operating restrictions and the Company can prepay it without being charged any prepayment fee. It was prepaid in February 2020.

(3) The short-term loan for USD 40 million with Banco Estado is accruing interest at a fixed rate and was extended to June 25, 2020. It has been documented by a simple promissory note recording the obligation to make payment on the agreed date. There are no financial or operating restrictions and the Company can prepay it without being charged any prepayment fee. It was prepaid in February 2020.



## **20.2.** Bonds

#### 20.2.1 Bonds, current

Borrower			Lender							Out to	90 days	90 days	to 1 year	Total	Total
Tax I.D.	Name	Country	Tax I.D.	Name	Country	Currency	Type of		Nominal	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Tux I.D.	runc	coonay	Tux I.D.	rume	coonary	correlicy	Amortization	Rate	Rate Rate	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
88.006.900-4	Engie Energia Chile S.A.	Chile	Foreign	The Bank of New York Mellon	USA	USD	Bullet	6.015	5.625	0	10,313	0	0	0	10,313
88.006.900-4	Engie Energia Chile S.A.	Chile	Foreign	The Bank of New York Mellon	USA	USD	Bullet	5.228	4.500	6,606	6,606	0	0	6,606	6,606
88.006.900-4	Engie Energia Chile S.A.	Chile	Foreign	The Bank of New York Mellon	USA	USD	Bullet	3.669	3.400	7,178	0	0	0	7,178	0
Total for Bon	ds									13,784	16,919	0	0	13,784	16,919

## 20.2.2 Bonds, non-current

Borrower			Lender								1 to 3 years		3 to 5 years		More than 5 years		Tota	al at
Tax I.D.	Name	Country	Tay I D	Name	Country	Currency	Type of	Effective	Nominal	Face	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Tux I.D.	Nume	Country	TUX I.D.	Nume	Coolid y	Correlicy	Amortization	Rate	Rate	Value	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
88.006.900-4	Engie Energia Chile S.A.	Chile	Foreign	The Bank of New York Mellon (1)	USA	USD	Bullet	6.015	5.625	0	0	398,250	0	0	0	0	0	398,250
88.006.900-4	Engie Energia Chile S.A.	Chile	Foreign	The Bank of New York Mellon (2)	USA	USD	Bullet	5.228	4.500	420,875	0	0	341,372	0	0	339,454	341,372	339,454
88.006.900-4	Engie Energia Chile S.A.	Chile	Foreign	The Bank of New York Mellon (3)	USA	USD	Bullet	3.669	3.400	661,500	0	0	0	0	489,626	0	489,626	0
Total for Bond	is										0	398,250	341,372	0	489,626	339,454	830,998	737,704

(1) On December 17, 2010, EECL made a bond issue on the international market for a total of US\$400,000,000 under Rule 144-A, Regulation S, of the U.S. Securities Act of 1933. It was listed on the Luxembourg Stock Exchange to be traded on the Euro MTF Market. The bonds have a term of 10 years and the coupon interest rate is 5.625%. Interest is payable semi-annually starting July 15, 2011 and the principal is repayable in one single installment on January 15, 2021. In January 2020, the Company announced a voluntary early redemption program of these bonds, subject to the placement of a new bond according to Rule 144-A and Regulation S, as explained below.

(2) On October 29, 2014, EECL made a bond issue on the international market for a total of US\$350,000,000 under Rule 144-A and Regulation 5, of the U.S. Securities Act of 1933. It was listed in the Official List of the Luxembourg Stock Exchange to be traded on the Euro MTF Market of the Luxembourg Stock Exchange. The bonds have a term of 10 years and the coupon interest rate is 4.500%. Interest is payable semi-annually starting January 29, 2015, and the principal is repayable in one single installment on January 29, 2025.

(3) On January 23, 2020, EECL made a bond issue on the international market for a total of US\$500,000,000. A significant part of the funds from the new issue was allocated to payment of the offer made under the voluntary early redemption of bonds for US\$400,000,000 originally expiring in January 2020 ("Any and All Tender Offer"). The Company then made use of the prepayment option contained in the documentation on the bond expiring in January 2021 to be able to retire the bond and pay the balance outstanding to bondholders who did not participate in the voluntary redemption program. In February 2020, the Company was able to pay the US\$400M bond in full that was to expire in January 2021. The remainder of the new issue was allocated to debt payment, transaction costs and other general purposes of the company. Premiums paid on the early redemption totaled US\$13,618,079.36 that was debited entirely against 2020 fiscal year income. The new US\$500M bond is for 10 years at a coupon interest rate of 3.400% annually. Interest will be paid semi-annually starting July 28, 2020, and principal will be amortized in one single installment on January 28, 2030.

## 20.2.3 Bonds, face value

## 2020

			Lender								0 to 1 year	1 to 3 years	3 to 5 years	years	Total
				Manua			Type of	Effective	Nominal		12/31/2020	12/31/2020	12/31/2020	12/31/2020	
Tax I.D.	Name	Country	Tax I.D.	Name	Country	Currency	Amortization	Rate	Rate	Face Value	kUSD	kUSD	kUSD	kUSD	kUSD
88.006.900-4	Engie Energia Chile S.A.	Chile	Foreign	The Bank of New York Mellon (2)	USA	USD	Bullet	5.228	4.500	420,875	15,750	31,500	373,625	0	420,875
88.006.900-4	Engie Energia Chile S.A.	Chile	Foreign	The Bank of New York Mellon (3)	USA	USD	Bullet	3.669	3.400	661,500	17,000	34,000	34,000	576,500	661,500
Total										1,082,375	32,750	65,500	407,625	576,500	1,082,375
2019															
Borrower			Lender								0 to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Borrower	Namo	Country		Name	Country	Currency	Type of	Effective	Nominal	Face Value	0 to 1 year	1 to 3 years	3 to 5 years		Total
Borrower	Name	Country	Lender Tax I.D.	Name	Country	Currency	Type of Amortization	Effective Rate	Nominal Rate	Face Value -				years	Total kUSD
	Name  Engie Energia Chile S.A.	Country		Name  The Bank of New York Mellon (1)	Country	Currency	Type of Amortization  Bullet		Nominal Rate	Face Value - 433,750	12/31/2020	12/31/2020	12/31/2020	years 12/31/2020	
Borrower Tax I.D.	Engie Energia Chile		Tax I.D.	The Bank of New York			Amortization	Rate	Rate		12/31/2020 kUSD	12/31/2020 kUSD	12/31/2020 kUSD	12/31/2020 kUSD	kUSD

## **NOTE 21 - DERIVATIVES AND HEDGE TRANSACTIONS**

The assets and liabilities in financial derivatives classifying as hedge transactions were recognized in the statement of financial position as of December 31, 2020 and 2019, as shown below:

		12/31/	2020		12/31/2019					
Exchange Rate Hedge	A	sset	Lia	ability	A	sset	Liability			
Exchange hate freage	Current	Non-Current	Current	Non-Current	Current	Non-Current	Current	Non-Current		
	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD		
Cash flow hedges	0	0	-	0	0	0	4,501	0		
Total	0	0	-	0	0	0	4,501	0		

Below is a description of the financial hedge derivatives and underlying assets:

Hedge	Description of	Description of Hedged	Fair Value Instru	of Hedged ments	Nature of the Risks		
Instrument	Hedge Instrument	Instruments	12/31/2020 kUSD	12/31/2019 kUSD	Hedged		
Forward	Exchange rate	Local currency debt	0	132,000	Cash flow		

At the close of the fiscal years ending December 31, 2020 and 2019, the Company had not recognized any gains or losses due to the ineffectiveness of cash flow hedges.

## **2020 Integrated Report Financial Statements**

Total

Total

**Financial Liabilities** 

Financial derivatives used as a cash-flow hedge

Derivative contracts have been made to hedge against interest-rate risk exposure. The effects of forwards are shown in income when the Company does not meet the formal documentation requirements needed to qualify those instruments as hedge instruments.

Forwards that qualify as cash-flow hedges are to reduce the variability of the cash flows in a currency other than the functional currency (USD) and under fuel purchase and sale contracts.

The financial instruments recorded at fair value in the statement of financial position are classified at their fair value, according to the levels indicated in Note 3.7.1.

12/31/2020 12/31/2020 12/31/2019 12/31/2019

Financial Instruments	12/31/2020	12/31/2020	12/31/2019	12/31/2019
Financial instruments	Carrying Value kUSD	Fair Value kUSD	Carrying Value kUSD	Fair Value kUSD
Cash and cash equivalents				
Cash on hand	47	47	45	45
Bank balances	40,993	40,993	9,464	9,464
Short-term deposits classified as cash equivalents	194,210	194,210	229,574	229,574
Financial assets				
Trade receivables and other accounts receivable, current and non-current	247,130	247,130	170,157	170,157
Intercompany receivables	812	812	11,999	11,999
Financial liabilities				
Other financial liabilities	895,278	929,998	864,194	782,707
Trade payables and other accounts payable	207,141	207,141	190,426	190,426
Intercompany payables, current and non-current	64,680	64,680	69,066	69,066
		"		
Financial Instruments Measured at Fair Value	12/31/2020 kUSE			LEVEL 3 kUSD
Financial Assets				
Financial assets at fair value through profit or loss	C	) (	0	0

0

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Financial Instruments Measured at Fair Value	12/31/2019 kUSD	LEVEL 1 kUSD	LEVEL 2 kUSD	LEVEL 3 kUSD
Financial Assets				
Financial assets at fair value through profit or loss	0	0	0	0
Total	0	0	0	0
Financial Liabilities				
Financial derivatives used as a cash-flow hedge	4,501	0	4,501	0
Total	4,501	0	4,501	0

## Hedge Effectiveness - Prospective

Hedge effectiveness should be measured prospectively, simulating different scenarios in the USD-Libor interest-rate curve using the "hypothetical derivative" method, which consists of structuring a derivative in such a manner that it is 100% effective in hedging the syndicated loan. The changes in the fair value of the hypothetical derivative will be compared to the changes in the fair value of the "real derivative," which is the derivative obtained by the Company on the market to make the hedge. The quotient of the change in both fair values attributable to the hedged risk must range between 80%-125% throughout the life of the hedge in order to meet the standard specified in IFRS 9. This test is performed at each accounting closing, simulating different scenarios in the USD-Libor interest-rate curve, which are described below:

Scenario 1: -50 bps Scenario 2: -25 bps Scenario 3: -15 bps Scenario 4: +15 bps Scenario 5: +25 bps Scenario 6: +50 bps

The results support the fact that the expected effectiveness of the hedge is high in the case of changes in cash flows attributable to the hedged risk (USD Libor), satisfactorily achieving the set-off.

## Hedge Effectiveness - Retrospective

The effectiveness of the hedge should be measured retrospectively, using the hypothetical derivative method. This effectiveness must be measured by evaluating changes in the fair value of the hypothetical derivative and of the real derivative using the real changes that occurred on the market for the inputs used in the appraisal.

## **Hedge Ineffectiveness**

The ineffectiveness of a hedge is the difference between the fair value of the real derivative and that of the hypothetical derivative, which must be recognized as a gain or loss in the statement of income for the period of measurement.



# **NOTE 22 - LEASE LIABILITIES**

Lease liabilities were as follows as of December 31, 2020 and 2019:

	12/31	12/31	/2019		
Lease Liabilities	Current	Non-Current	Current	Non-Current kUSD	
	kUSD	kUSD	kUSD		
IFRS 16 Leases	4,327	78,341	1,665	22,742	
Total	4,327	78,341	1,665	22,742	

# 22.1 Lease Liabilities, current

Lessee		Lessor					Out to 9	00 days	90 days	to 1 year	Total		
Tax I.D.	Name	Country	Name	Currency	Type of Amortization	Effective Rate	Nominal Rate					12/31/2020	
88.006.900-4	Engie Energia Chile S.A.	Chile	Ministry of National Defense	Monthly Tax Units	Semi-annual	4.455	4.455	kUSD 64	kUSD 61	kUSD 26	kUSD 24	90	kUSD 85
88.006.900-4	Engie Energia Chile S.A.	Chile	Ministry of Public Property	UF	Annual	3.810	3.810	153	136	202	175	355	311
88.006.900-4	Engie Energia Chile S.A.	Chile	Ministry of Public Property	UF	Annual	3.810	3.810	110	97	144	125	254	222
88.006.900-4	Engie Energia Chile S.A.	Chile	Ministry of Public Property	UF	Annual	3.810	3.810	192	0	252	0	444	0
88.006.900-4	Engie Energia Chile S.A.	Chile	Ministry of Public Property	CLP	Annual	3.395	3.395	134	123	409	377	543	500
88.006.900-4	Engie Energia Chile S.A.	Chile	Ministry of Public Property	UF	Annual	3.810	3.810	37	40	71	27	108	67
88.006.900-4	Engie Energia Chile S.A.	Chile	Deka Inmobiliaria Chile One SpA	UF	Monthly	2.430	2.430	206	0	583	0	789	0
88.006.900-4	Engie Energia Chile S.A.	Chile	Los Andes Rent a Car Ltda.	UF	Monthly	2.990	2.990	3	3	0	10	3	13
88.006.900-4	Engie Energia Chile S.A.	Chile	Sencorp Rentas Inmobiliarias SpA	UF	Monthly	2.450	2.450	110	0	311	0	421	0
88.006.900-4	Engie Energia Chile S.A.	Chile	Compañía de Leasing Tatersall S.A.	UF	Monthly	3.373	3.373	0	191	0	191	0	382
88.006.900-4	Engie Energia Chile S.A.	Chile	Ministry of Public Property	UF	Annual	2.940	2.940	284	0	328	0	612	0
88.006.900-4	Engie Energia Chile S.A.	Chile	Ministry of Public Property	UF	Annual	3.560	3.560	28	0	32	0	60	
88.006.900-4	Engie Energia Chile S.A.	Chile	Ministry of Public Property	UF	Annual	2.670	2.670	7	0	45	0	52	
76.019.239-2	Eolica Monte Redondo Spa	Chile	Monte Redondo S.A.	USD	Quarterly	4.006	4.006	84	0	158	0	242	0
76.247.976-1	Soloar Los Loros SpA	Chile	Sociedad Agricola Rio Escondido Limitada	UF	Annual	4.371	4.371	4	43	43	0	47	43
76.708.710-1	Centra Termoelectrica Andina S.A.	Chile	Ministry of Public Property	CLP	Monthly	2.960	2.960	12	10	34	32	46	42
76.708.710-1	Centra Termoelectrica Andina S.A.	Chile	Ministry of National Defense	Monthly Tax Units	Semi-annual	2.500	2.500	140	0	121	0	261	0
Total								1,568	704	2,759	961	4,327	1,665

# 22.1 Lease Liabilities, non-current

Lessee		Lessor					1 to 3	years	3 to 5	3 to 5 years		More than 5 years		Total at	
Tax I.D.	Name	Country	Name	Currency	Type of Amortization	Effective Rate	Nominal Rate		12/31/2019	9/30/2020	12/31/2019		12/31/2019		12/31/2019
88.006.900-4	Engie Energia Chile S.A.	Chile	Ministry of National Defense	Monthly Tax Units	Semi-annual	4.455	4.455	<b>kUSD</b> 170	kUSD 154	kUSD 126	kUSD 115	1,395	1,391	1,691	1,660
88.006.900-4	Engie Energia Chile S.A.	Chile	Ministry of Public Property	UF	Annual	3.810	3.810	651	574	477	427	8,443	6,139	9,571	7,140
88.006.900-4	Engie Energia Chile S.A.	Chile	Ministry of Public Property	UF	Annual	3.810	3.810	465	410	340	305	6,026	4,382	6,831	5,097
88.006.900-4	Engie Energia Chile S.A.	Chile	Ministry of Public Property	UF	Annual	3.810	3.810	815	0	597	0	10,564	0	11,976	0
88.006.900-4	Engie Energia Chile S.A.	Chile	Ministry of Public Property	CLP	Annual	3.395	3.395	0	517	0	0	0	0	0	517
88.006.900-4	Engie Energia Chile S.A.	Chile	Ministry of Public Property	UF	Annual	3.810	3.810	230	92	169	71	5,394	3,856	5,793	4,019
88.006.900-4	Engie Energia Chile S.A.	Chile	Deka Inmobiliaria Chile One SpA	UF	Monthly	2.430	2.430	2,438	0	1,726	0	2,355	0	6,519	0
88.006.900-4	Engie Energia Chile S.A.	Chile	Los Andes Rent a Car Ltda.	UF	Monthly	2.990	2.990	0	3	0	0	0	0	0	3
88.006.900-4	Engie Energia Chile S.A.	Chile	Sencorp Rentas Inmobiliarias SpA	UF	Monthly	2.450	2.450	1,301	1,618	951	810	1,313	640	3,565	3,068
88.006.900-4	Engie Energia Chile S.A.	Chile	Compañía de Leasing Tatersall S.A.	UF	Monthly	3.373	3.373	0	0	0	0	0	0	0	0
88.006.900-4	Engie Energia Chile S.A.	Chile	Ministry of Public Property	UF	Annual	2.940	2.940	1,044	0	748	0	21,277	0	23,069	0
88.006.900-4	Engie Energia Chile S.A.	Chile	Ministry of Public Property	UF	Annual	3.560	3.560	103	0	76	0	980	0	1,159	0
88.006.900-4	Engie Energia Chile S.A.	Chile	Ministry of Public Property	UF	Annual	2.670	2.670	142	0	101	0	1,365	0	1,608	0
76.019.239-2	Eolica Monte Redondo Spa	Chile	Monte Redondo S.A.	USD	Quarterly	4.006	4.006	677	0	498	0	1,924	0	3,099	0
76.247.976-1	Soloar Los Loros SpA	Chile	Sociedad Agricola Rio Escondido Limitada	UF	Annual	4.371	4.371	141	128	104	95	850	861	1,095	1,084
76.708.710-1	Centra Termoelectrica Andina S.A.	Chile	Ministry of Public Property	CLP	Monthly	2.960	2.960	116	135	0	19	0	0	116	154
76.708.710-1	Centra Termoelectrica Andina S.A.	Chile	Ministry of National Defense	Monthly Tax Units	Semi-annual	2.500	2.500	757	0	537	0	955	0	2,249	0
Total Lease Li	abilities							9,050	3,631	6,450	1,842	62,841	17,269	78,341	22,742

## **NOTE 23 - RISK MANAGEMENT**

# Financial Risk Management Policy

EECL is exposed in the ordinary course of business to several risk factors that may impact its performance and financial condition, which are monitored closely from time to time by the company's Finance and Risk and Insurance Areas.

EECL has procedures for Risk Management where the method of risk assessment and analysis is described, including the building of the risk matrix. The risk matrix is updated and reviewed every six months and the progress in action plans is constantly monitored. Risk management is presented to the Company's board each year.

The Company's financial risk strategy aims to protect EECL's stability and sustainability in relation to all components of financial uncertainty or material risk events.

The market risk management policy of the Company and its subsidiaries can be summarized as follows.



### **Risk Factors**

## 23.1 Market Risk

Market risk is the risk that the fair value of future cash flows from a financial instrument may fluctuate due to changes in market prices. It is composed of four types of risk: interest rate risk, exchange rate risk, commodity risk, and other risks.

The financial instruments exposed to market risk are mainly bank debt, loans, time deposits, mutual funds and financial derivatives.

## 23.1.1. Exchange Rate Risk

Exchange rate risk is the risk that the value of an asset or liability (including the fair value of future cash flows of a financial instrument) fluctuate due to variations in exchange rates.

EECL had hedge agreements (forwards and options) outstanding with banks in the year ending December 31, 2020 for the purpose of reducing the impacts of dollar/peso exchange-rate fluctuations on the company's cash flows and financial results.

Since most of our income, costs and financial debt are denominated in dollars, our exposure to the risk of fluctuations and exchange rates is limited. The Company's income is mostly denominated in, or indexed to, dollars. The rate for regulated contracts with distribution utilities is set in dollars and converted to pesos using the average monthly observed dollar exchange rate, so the exposure of these contracts to the exchange rate is limited in terms of the impact on the company's results. However, there is an impact on the company's cash flow because of the backlog in publishing the decrees on the Average Node Price. This means that monthly invoicing is at exchange rates different from the monthly exchange rates stipulated in each contract. Although these temporary differences are re-settled once the Average Node Price decrees are published, effective hedging by derivatives is not possible given the uncertainty of the time of re-settlement. This backlog in collecting the differences between the exchange rates invoiced and the exchange rates applicable by law to the accounts receivable from distribution companies has risen significantly after approval of the Electricity Rate Stabilization Law in November 2019. The technical rules on implementation in that law were disclosed in March 2020 in Exempt Resolution 72 of the National Energy Commission. They caused an increase in the accounts receivable from distribution companies and the rate of increase and subsequent payment will largely depend on the trend in exchange rates, among other variables. The company is currently facing and mitigating the effects of this risk by working with banks on the design and implementation of an alternative to monetize these accounts receivable.

Our main cost in Chilean pesos is for personnel, administrative and maintenance expenses that account for approximately 10% of our operating costs. Therefore, since most of the company's income is denominated in its functional currency, but some operating costs are in Chilean pesos, the Company decided to partially hedge the peso payment flows for recurrent items that have known payment dates, such as wages and salaries, some service contracts and dividend commitments. In addition, in the past, the Company and its subsidiary CTA signed cash flow hedge derivative agreements for the payments under the EPC agreements for project construction, which are usually considered regular payment flows in currencies other than the Dollar (CLF and EUR), until the end of the respective periods of construction of the projects.

The Company has thus avoided variations in the costs of investments in property, plant and equipment as a result of fluctuations in exchange rates beyond its control. As of December 31, 2020, there were no derivatives contracts associated with EPC contracts.

In the aim of reducing exposure to exchange rate volatility, the Company also stipulated in its Cash Surplus Investment Policy that at least 80% of the cash surpluses must be invested in U.S. dollars unless a different percentage is required to keep assets and liabilities naturally matched by currency. This policy

helps provide a natural hedge of commitments or debt in currencies other than the dollar. As of December 31, 2020, 92.7% of the current accounts and short-term investments used in cash management were denominated in U.S. dollars. The Company's exposure to other foreign currencies is immaterial.

## 23.1.2 Interest-rate risk

Interest-rate risk is the risk that arises from changes in the fair value of the cash flows from the financial instruments in the general balance sheet due to changes in market interest rates. Exposure to interest-rate risk arises mainly from long-term debt at floating interest rates. The Company and its subsidiaries manage interest rate risk through fixed interest rates or interest-rate swaps (IRS) in which the Company agrees to swap from time to time the difference between a fixed rate and a variable rate calculated on an agreed notional amount. As of December 31, 2020, the consolidated financial debt of EECL was entirely at a fixed rate.

	12/31/2020 kUSD	12/31/2019 kUSD
Fixed interest rate	100.00%	100.00%
Variable interest rate	0.00%	0.00%
Total	100.00%	100.00%

# 23.2 Share Price Risk

Neither EECL nor its subsidiaries held investments in equity instruments as of December 31, 2020 or December 31, 2019.

## 23.3 Fuel Price Risk

The company is exposed to the volatility of certain commodities since its generation activities require a continuous supply of fossil fuels, mainly coal, diesel oil and liquefied natural gas. The international prices of those fuels fluctuate according to market factors beyond the Company's control. Coal is purchased mostly under annual contracts in which prices are linked to traditional indexes for the international coal market. Diesel oil and certain purchases of liquefied natural gas are bought at prices based on international oil prices (WTI or Brent). The Company has also made long-term liquefied natural gas purchase agreements in which the prices are linked to the Henry Hub index.

Fuel prices are a key factor in the dispatching of the company's thermal power plants, in its average generation costs, and in its marginal costs on the grid where it operates. For this reason, the Company's policy has been to include price indexing in its power purchase agreements based on fluctuations in the prices of fuels material to calculating its variable operating costs. The Company endeavors to align its supply costs with revenue under its power purchase agreements. However, under its energy transformation plan, the Company has decided to give preference to indexing rates to the change in consumer price indexes, especially as from 2021, which might temporarily increase its exposure to commodity price risk until it has a sufficient renewable energy base to back the inflation-indexed power purchase agreements. The Company has contracted derivatives to hedge the exposure of its income and cash flows to price volatility. Therefore, its exposure to commodity risk is largely mitigated, so no sensitivity analysis is currently being made.

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#### 23.4 Credit risk

## Our income is dependent upon certain important customers

Most of our sales are to large mining companies and power distribution utilities. These sales are governed by the terms of long-term contracts, which consequently creates a dependency upon the financial capacity of those customers and the fulfillment of their contractual obligations. A small proportion is comprised of industrial and commercial customers that have a connected capacity of 500 kW or more. This proportion is growing because of the reduction in the thresholds according to which customers can choose unregulated pricing.

Drops in the prices of copper and other raw materials and any decrease or depletion in mineral resources or other operating, climate or labor issues could have an adverse impact on our customers' income and financial results, lowering the demand for electricity. A lower growth in energy demand by end users could adversely impact our financial condition, operating income and cash flows. The Electricity Rate Stabilization Law enacted in November 2019 is not expected to materially affect our income, but it is predicted to impact our cash flow, with the consequent financial cost associated with a temporary rise in working capital. In 2020, the demand for electricity by price-regulated customers fell 4.24% in Chile because of the coronavirus pandemic, as compared to 2019. Due to the decline in economic activity because of the preventive measures adopted to flatten the contagion curve in the nation, such as mandatory quarantines in certain communities where the number of cases is higher, the payment of basic utilities, like electricity, has been postponed in the sectors most affected. This could result in a slower collection pace, with the consequent rise in the company's need for working capital loans.

## 23.5 Trade receivables

Credit risk is managed by each business unit and it is subject to the policy, procedures and controls established by the Company. The Company sets credit limits for all customers in line with internal policies that require assigning risk ratings to each customer. The credit limits, risk ratings and the internal policies are reviewed from time to time. Trade receivables are monitored regularly for performance on the basis of different risks to which they are exposed. Impairment of all relevant customers is analyzed at each reporting date on an individual basis, and provisions are made according to IFRS 9 to which a default probability is assigned and a percentage loss in the event of receivable non-payment. The maximum exposure to credit risk as of the reporting date is the current value of trade receivables. The Company has determined that trade receivables risk concentration is acceptable as customers are mostly highly solvent large mining companies, power companies and electricity distribution companies.

## 23.6 Financial assets and derivatives

The credit risk to which the Company is exposed in transactions with banks and financial institutions for checking accounts, time deposits, mutual funds and financial derivatives is managed by the Corporate Finance Division in accordance with the Company's policy. Investments can only be made with authorized counterparties within the credit limits assigned to each counterparty. The Company also has term and risk diversification limits per financial counterparty. Counterparty credit limits are set on the basis of the national or international risk rating and of liquidity and solvency indicators for each institution, which are reviewed from time to time by management. Limits are set in order to minimize the concentration of risk and thus mitigate losses in the event of default by counterparties.

## 23.7 Liquidity risk

Liquidity risk is related to the need for money to meet payment obligations when due. The Company's objective is to maintain a balance between cash availability and financial flexibility through normal operating cash flows, loans, short-term investments and lines of credit. The company regularly evaluates the concentration of risk in relation to

## debt refinancing.

On May 19, 2020, the Company took out a one-year loan for US\$50 million with the New York Branch of Banco Estado. This loan is documented by a simple promissory note and does not impose any financial restrictions or positive or negative covenants. It can be prepaid at no cost to the Company. As of December 31, 2020, the Company's short-term debt included this loan, the interest accrued and the current portion of financial leases. Also as of December 31, 2020, the Company had no other significant maturities until 2025. Given its sound credit rating, the Company has access to financial markets and holds cash and short-term investments that enable it to easily face its short-term financial and trade commitments. The Company signed a loan agreement for US\$125 million with IDB Invest on December 24, 2020, to fund renewable energy projects to replace coal-fired generation that will be phased out as the power plant closing schedule was brought forward. No drawdowns had been made on this loan as of December 31,2020, so it is available in its entirety. As a result, the Company's liquidity risk is currently considered to be low.

## 23.8 Insurance

We carry insurance for our properties, operations, third parties, directors and executives, personnel and businesses.

We carry an Operational All-Risk policy for EECL and associates. This policy covers our physical assets, such as plants, offices and substations, as well as business interruption. The policy includes coverage for machinery damage, fire, explosions and risks of nature.

Our company and its subsidiaries also carry coverage for transportation under a cargo insurance policy with limits that vary by the type of merchandise carried; and global charterer liability insurance that provides protection and indemnities for ship risks and damage. We also carry a general civil liability insurance policy that covers employer liability and supply outages, as well as motor vehicle accident insurance. Directors and executives are insured under the Director and Officer liability policy.

The Company has contracted other insurance programs, such as life insurance and vehicle, building, content, contractor equipment and contractor liability insurance policies.

The projects are insured against all risks of construction, including consequential damages caused by delays in start-up (DSU), civil liability, employer civil liability and freight.

## 23.9 Risk Rating

As of December 31, 2020, EECL was risk-rated as follows:

International Risk Rating	Solvency	Outlo	Outlook		
Standard and Poor's	ВВВ				
Fitch Ratings	BBB+	BBB+ Stable			
	'				
National Risk Rating	Solvency	Outlook	Shares		
National Risk Rating Feller - Rate	Solvency AA-	Outlook Positive	Shares  1st Class, Level 2		



In June 2020, Fitch Ratings raised the long-term debt rating of Engie Energia Chile to BBB+ with a Stable outlook. In January 2020, Standard & Poor's ratified the BBB long-term debt rating of Engie Energia Chile, with a Stable outlook. Nationally, in June 2020 Fitch Ratings raised the Company's solvency rating to AA, with a Stable outlook, while Feller-Rate ratified the rating of -AA in December 2020, changing the outlook to Positive. Both agencies maintain the rating of Engie Energia Chile's shares as 1st Class, Level 2.

## NOTE 24 - TRADE PAYABLES AND OTHER ACCOUNTS PAYABLE

Trade payables and other accounts payable are itemized below:

Trade Payables and Other Accounts Payable, Current	12/31/2020 kUSD	12/31/2019 kUSD
Invoices payable to foreign suppliers	26,029	28,118
Invoices payable to domestic suppliers	130,467	126,772
Invoices receivable for domestic and foreign purchases	50,645	35,536
Total	207,141	190,426

The carrying value of these obligations does not differ significantly from their fair value because they are paid on average at 30 days.

Trend of		4	Amounts by E	xpiration			0/20/2020	Average Period of
Type of supplier	Out to 30 days KUSD	31-60 days KUSD	61-90 days KUSD	91-120 days KUSD	121-365 days KUSD	366 days and longer KUSD	9/30/2020 KUSD	Payment (days)
Products	18,250	0	0	0	0	0	18,250	30
Services	188,650	0	0	0	0	0	188,650	30
Dividends payable	0	0	0	0	0	0	0	
Total kUSD	206,900	0	0	0	0	0	206,900	
Type of		12/21/2020						
Type of supplier	Out to 30 days KUSD	31-60 days KUSD	61-90 days KUSD	91-120 days KUSD	121-365 days KUSD	366 days and longer KUSD	12/31/2020 KUSD	
Products	10	0	1	1	0	0	12	
Services	117	7	2	89	4	11	230	
Dividends payable	0	0	0	0	0	0	0	
Total kUSD	127	7	3	90	4	11	242	

Type of supplier			Average					
	Out to 30 days KUSD	31-60 days KUSD	61-90 days KUSD	91-120 days KUSD	121-365 days KUSD	366 days and longer KUSD	KUSD	Period of Payment (days)
Products	30,280	0	0	0	0	0	30,280	30
Services	159,832	0	0	0	0	0	159,832	30
Dividends payable	0	0	0	0	0	0	0	150
Total kUSD	190,112	0	0	0	0	0	190,112	

Type of supplier	Amounts by Days Past-Due							
	Out to 30 days KUSD	31-60 days KUSD	61-90 days KUSD	91-120 days KUSD	121-365 days KUSD	366 days and longer KUSD	12/31/2019 KUSD	
Productos	16	49	0	0	3	0	68	
Servicios	169	30	0	25	22	0	246	
Dividendos por Pagar	0	0	0	0	0	0	0	
Total kUSD	185	79	0	25	25	0	314	

The amounts by days past-due may be for different situations, such as credit notes pending receipt, invoices not collected by suppliers, and invoices lacking support for payment.

## NOTE 25 - CURRENT PROVISIONS FOR EMPLOYEE BENEFITS

Provisions for Employee Benefits, Current	12/31/2020 kUSD	12/31/2019 kUSD
Vacation provision	6,199	4,550
Annual bonus provision	8,096	6,545
Social security and health insurance deductions	793	748
Tax withholdings	392	498
Other compensation	44	7
Total	15,524	12,348

# **NOTE 26 - OTHER NON-FINANCIAL LIABILITIES**

Other current non-financial current liabilities were as follows:

Other Current Non-Financial Liabilities	12/31/2020 kUSD	12/31/2019 kUSD
Debitable VAT	11,392	12,985
Withholding taxes	637	1,646
Prepaid income	18	0
Prepaid income under GTA with Engie Gas Chile SpA (1)	265	265
Total	12,312	14,896

(1) As a result of the sale of Engie Gas Chile S.A., EECL S.A. received a prepayment for the gas transportation agreement (GTA).

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The carrying value of these obligations does not differ significantly from their fair value since they are paid on average within 60 days.

Other non-current non-financial current liabilities are shown below:

Other Non-Current Non-Financial Liabilities	12/31/2020 kUSD	12/31/2019 kUSD
Income from guarantees	57	0
Total	57	0

Other Non-Current Provisions	12/31/2020 kUSD	12/31/2019 kUSD
Gasoducto Nor Andino S.A. tax contingency (1)		
Starting balance	769	514
Movement	(279)	255
Subtotal	490	769
(1) See Note 41.5.c)		
General Inspection of Units		
General inspection of CTA	0	1,417
General inspection of CTH	0	1,197
Subtotal	0	2,614
GTA		
Starting balance	728	992
Movement	(265)	(264)
Subtotal	463	728
Dismantling Provision		
Starting balance	12,284	0
Movement	49,181	12,284
Subtotal	61,465	12,284
<b>Total</b>	62,418	16,395

<sup>(\*)</sup> The generating unit dismantling provisions have been adjusted.

# **NOTE 28 - NON-CURRENT PROVISIONS FOR EMPLOYEE BENEFITS**

The balance of employee benefit obligations was as follows:

Non-Current Provisions for Employee Benefits	12/31/2020 kUSD	12/31/2019 kUSD
Severance indemnities	69	62
Total	69	62
Changes in the benefits obligations were:		
Non-Current Provisions for Employee Benefits	12/31/2020 kUSD	12/31/2019 kUSD
Starting balance	62	128
Payments in the period	0	(57)
Actuarial severance indemnities (appraised at the closing rate)	7	(9)
Total	69	62

Expenses recognized in the Statement of Income

Non-Current Provisions for Employee Benefits	12/31/2020 kUSD		Line where recognized in the Statement of Income
The cost of interest on defined benefit obligations	12	12	Ordinary and administrative expenses
The cost of benefits under the defined plan	13	13	Ordinary and administrative expenses
Total	25	25	

Actuarial assumptions

Actuarial Assumptions Used	12/31/2020	12/31/2019
Nominal discount rate	1.63%	1.63%
Expected rate of salary increase	Change in CPI	Change in CPI
Turnover rate	1.36%	1.36%
Women's retirement age	60 years	60 years
Men's retirement age	65 years	65 years
Mortality table	RV-2009	RV-2009

# **NOTE 29 - EQUITY**

The Company's capital is represented by 1,053,309,776 issued, subscribed and paid-up shares in one single series of no par value, that are officially traded on Chilean stock exchanges.

The Company has not issued any shares or convertible instruments during the period, so the number of shares remained the same as of December 31, 2020.



Other Equity Reserves	12/31/2020 kUSD	12/31/2019 kUSD
Investment in subsidiaries, business combination (1)	327,043	327,043
Balance of investment to take over control of subsidiary (2)	23,912	0
Cash flow hedge net of taxes	(24,771)	(12,687)
Total	326,184	314,356

(1) Increase in the fair value of capital due to the acquisition of Electroandina S.A., Gasoducto Nor Andino SpA, Gasoducto Nor Andino Argentina S.A., Central Termoeléctrica Andina S.A. and Inversiones Hornitos S.A. on December 29, 2009.

(2) The differential between absorbing the minority interest and the valuation of the investment of 40% under the agreement with AMSA dated March 31st. reported as a material disclosure to the Financial Market Commission.

## 29.1 Política de Dividendos

EECL's dividend policy is flexible. At least the minimum mandatory dividend of 30% is distributed pursuant to law and the bylaws. If the business situation allows, taking into consideration the company's projects and development plans, or final dividends may be paid in excess of the mandatory minimum. Subject to the pertinent approvals, the company endeavors to pay two dividends and a final dividend in May of each year.

In relation to Circulars 1945 and 1983 of the Financial Market Commission, the Company's Board of Directors decided that distributable net profits will be the Fiscal Year Profit attributable to shareholders shown in the financial statements, without any adjustment.

Distributable earnings totaled kUSD 163,531 as of December 31, 2020 and kUSD 110,823 as of December 31, 2019.

At its meeting held May 29, 2019, the Company's Board approved the distribution of a dividend for kUSD 50,000 on account of profits for the 2019 fiscal year.

At its meeting held November 26, 2019, the Company's Board approved the distribution of a dividend for kUSD 40,000 on account of profits for the 2019 fiscal year.

On April 28, 2020, the Shareholders Meeting resolved not to distribute final dividends on account of 2019 fiscal year profits, but it did ratify the interim dividends paid during that fiscal year.

At its meeting held October 27, 2020, the Company's Board approved the distribution of an interim dividend for kUSD 66,602 on account of profits for the 2020 fiscal year.

Dividends	12/31/2020 kUSD
Dividends in 2020	(66,602)
Total Dividends	(66,602)
Dividends	12/31/2019 kUSD
Reversal of 30% legal provision for 2018	4,775
Dividends in 2018	(22,138)
Interim dividend in 2019	(50,000)
Interim dividend in 2019	(40,000)
Total Dividends	(107,363)

## 29.2 Capital Management

The corporate objective is to maintain an appropriate equilibrium so that there is sufficient capital to support operations and provide prudent leverage while optimizing the return for shareholders and maintaining a sound financial position.

Capital calls are made on the basis of the Company's financing needs, taking care to maintain an adequate level of liquidity and comply with the financial covenants set down in outstanding loan agreements.

## **NOTE 30 - NON-CONTROLLING INTERESTS**

The non-controlling interest of Inversiones Punta Rieles Ltda. in Inversiones Hornitos Ltda. is shown below as of December 31, 2020 and 2019:

TAX I.D.	Company Country Name of Origin		Percentage Non-Controlling Interest in Subsidiaries		Non-Controlling Interest in Equity		Earnings (Losses) Attributable to Non- Controlling Interests	
			<b>2020</b> %	2019 %	2020 kUSD	2019 kUSD	2020 kUSD	2019 kUSD
76.009.698-9	Inversiones Hornitos S.A.	Chile	0.00%	40.00%		64,350	0	7,894
Total					0	64,350	0	7,894

On March 31, 2020, EECL and its subsidiary Inversiones Hornitos S.A. signed the following contracts with their client Minera Centinela:

- 1.An amendment to the power purchase agreement dated September 7, 2009 between Inversiones Hornitos S.A. and Minera Esperanza, now Minera Centinela and a subsidiary of Antofagasta Minerals S.A., for a capacity of 150 MW. The purpose was to apply a price discount for the years 2020 and 2021 and set the expiration date as December 31, 2021;
- 2.An amendment to the power purchase agreement dated December 20, 2012 between Inversiones Hornitos S.A. and Minera El Tesoro, later absorbed by Minera Esperanza and now Minera Centinela, for a capacity of 36 MW. The purpose was to apply a price discount for the years 2020 and 2021 and set the expiration date as December 31, 2021;
- 3.A new power purchase agreement between EECL and Minera Centinela for an agreed capacity of 186 MW covering the period January 2022 to December 2033 at a price adjustable by the change in the CPI, differentiated for the periods 2022 to 2028 and 2029 to 2033; and

An amendment to the agreements on corporate governance and ownership of Inversiones Hornitos S.A., including (a) an agreement where Inversiones Hornitos S.A. will not distribute new dividends until the debt it owes EECL is extinguished so that the cash generated by Inversiones Hornitos can be allocated to payment of that debt; and (b) the transfer of the remaining 40% of the shares in Inversiones Hornitos S.A. to EECL (until now owned by Inversiones Punta de Rieles Limitada, a company related to Antofagasta Minerals S.A.) no later than December 2021. The global agreement means that EECL will gain full control of Inversiones Hornitos S.A. and consequently eliminate the minority interest in that subsidiary.

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## **NOTE 31 - REVENUES**

## Revenues

Definition (See Note 3.13)

	2020 kUSD	2019 kUSD
Power sales	1,165,161	1,241,518
Gas sale and transportation	37,851	16,934
Fuel sales	646	9,057
Toll sales (1)	98,098	95,891
Lease of facilities	901	337
Port services (2)	8,974	9,119
Other sales - income	40,027	81,580
Total	1,351,658	1,454,436

<sup>(1)</sup> Income to which the owner of power lines and substations is entitled according to Article 114 of the General Electricity Law (Statutory Decree 4/Law 20,108).

## **Revenue from Main Customers**

Main Customers	20	20	20	19
Mail Costollers	kUSD	%	kUSD	%
CODELCO Group	276,130	20.43%	246,188	16.93%
EMEL regulated customers	153,420	11.35%	150,229	10.33%
Regulated customers (Central-South Segment of National Grid)	398,911	29.51%	434,720	29.89%
AMSA Group (1)	216,040	15.98%	246,048	16.92%
El Abra	64,597	4.78%	68,278	4.69%
GLENCORE Group	74,361	5.50%	74,795	5.14%
Other customers	168,199	12.45%	234,178	16.10%
Total Sales	1,351,658	100.00%	1,454,436	100.00%

(1) The numbers for the AMSA Group include commercial transactions with the companies operated by this Group: Minera Zaldívar SpA, Minera Michilla SpA, Minera Centinela and Minera Antucoya. The 2020 figures include the sale of energy, capacity and other services to these companies and the impacts of the transaction reported as a Material Disclosure on March 31, 2020. Among other matters, this transaction involved the renegotiation of power purchase agreements between Inversiones Hornitos SpA, a subsidiary, and Minera Centinela and an amendment to the bylaws of Inversiones Hornitos, as well as transactions whereby EECL came to control 100% of this subsidiary according to IFRS accounting standards. The renegotiated power purchase agreement contains a rate discount in the agreed commercial terms, but the discount is higher the first year

According to applicable accounting standards (IFRS), EECL took over 100% control of Inversiones Hornitos upon signature of the agreement reported in the Material Disclosure. In that agreement, the discount during 2020 and part of 2021 will be allocated toward payment of the additional interest acquired (40%). Thereafter, the rate discount under the power purchase agreement will be recognized entirely in fiscal year income. Ultimately, the impact on fiscal year income of the rate discount applicable in the first year of the agreement will be neutral because it is offset by the financial income from the acquisition of 40% of Inversiones Hornitos. Therefore, until the 40% share in Inversiones Hornitos that AMSA held through its subsidiary, Minera Centinela, is fully accounted for, the discount will have no material impact on fiscal year income but rather will be used to make the monthly payment for that equity interest.

## Revenue

Total Sales	1,353,658	1,454,436
Other income	188,497	212,918
Power sales	1,165,161	1,241,518
	2020 kUSD	2019 kUSD

## **NOTE 32 - COST OF SALES**

## Costs of sales

Costs of Sale	2020 kUSD	2019 kUSD
Fuel, lubricants and other materials	273,241	289,994
Energy and capacity	324,814	393,281
Wages and salaries	27,572	26,745
Annual benefits	5,857	6,918
Other employee benefits	10,726	12,512
Post-employment obligations	11	11
Fuel cost of sale	47,210	23,936
Gas transportation	713	2,877
Wharfage	10,188	11,048
Maintenance and repairs	10,214	7,677
Outsourcing	26,705	22,260
Consulting and fees	1,347	1,406
Gas pipeline operation and maintenance	3,729	3,882
Tolls	87,859	60,477
Depreciation of property, plant and equipment	155,257	134,449
Amortization of right-of-use assets	2,069	0
Depreciation of spare parts	1,938	-2,024
Amortization of intangibles	17,203	17,204
Property taxes and business licenses	4,531	3,458
Insurance	13,560	10,080
Other disbursements	18,928	15,954
Total	1,043,672	1,042,145

<sup>(2)</sup> Services provided to the ship while it is docked at our pier during unloading, comprised of mooring/unmooring, wharfage, pier use and security, and a security fee. The latter two items are very linked to the ISPS Code.

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# **NOTE 33 - OTHER OPERATING INCOME AND EXPENSES**

# Other Operating Income and Expenses

Other Operating Income and Expenses	2020 kUSD	2019 kUSD
Leases	322	354
Sale of water	2,096	2,326
Recovery of uncollectibles	2,038	412
Uncollectible receivables	(5,114)	(493)
Sale of property, plant and equipment	1	60
Sale of spare parts	2	1
Final recovery of Mejillones Unit 7 loss	1,971	0
Final recovery of Mejillones Unit 1 loss	0	313
Final recovery of Tocopilla Unit 16 loss	1,293	0
Partial recovery of Tocopilla Unit 16 loss	0	2,068
Income from public office	0	1,000
Other income	771	249
Total	3,380	6,290

# **NOTE 34 - ADMINISTRATIVE EXPENSES**

# Administrative Expenses

Administrative Expenses	2020 kUSD	2019 kUSD
Wages and salaries	13,959	13,549
Annual benefits	3,034	2,354
Other employee benefits	5,574	4,148
Post-employment obligations	14	14
Outsourcing and consulting	9,039	9,407
Fees	6	12
Depreciation of property, plant and equipment	3,026	5,564
Amortization of right-of-use assets	1,407	0
Property taxes and business licenses	80	463
Insurance	17	16
Other	903	8,286
Total	37,059	43,813

# **NOTE 35 - PERSONNEL EXPENSES**

# **Employee Expenses**

Employee Expenses	2020 kUSD	2019 kUSD
Wages and salaries	41,531	40,294
Annual benefits	8,891	9,272
Other employee benefits	16,300	16,660
Post-employment obligations	25	25
Total	66,747	66,251

# **NOTE 36 - OTHER EXPENSES (INCOME)**

# Other Expenses (Income)

Other Expenses (Income)	2020 kUSD	2019 kUSD
Derecognition due to sale of property, plant and equipment	160	262
Cost of sale of spare parts	264	223
Economic impairment (see Notes 11 and 17)	10,329	182,932
Expenses of public office	0	1,654
Expenses of special position	0	15
Total	10,753	185,086

# **NOTE 37 - FINANCIAL INCOME**

# Financial Income

Financial Income	2020 kUSD	2019 kUSD
Financial interest	2,545	5,166
Total	2,545	5,166

# **NOTE 38 - FINANCIAL EXPENSES**

# **Financial Expenses**

Total	59,476	37,837
Lease financial interest	6,064	6,052
Financial interest	53,412	31,785
Financial Expenses	2020 kUSD	2019 kUSD

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# **NOTE 39 - EXCHANGE DIFFERENTIALS**

Assets and liabilities that gave rise to exchange differentials and the profit or loss on indexation units were as follows as of December 31, 2020 and 2019:

Assets Cash and Cash Equivalents Cash and Cash Equivalents EUR	16 958 ine Peso 149 (2,366	2,149
Cash and Cash Equivalents EUR	958 ine Peso 149	2,149
	ine Peso 149	
		(148)
Cash and Cash Equivalents Argent	(2,366	( /
Trade receivables and other accounts receivable, current CLP		(6,748)
Trade receivables and other accounts receivable, current EUR	27	4
Current tax assets Argent	ine Peso (423	(665)
Intercompany receivables, current UF	(	65
Intercompany receivables, current CLP	124	(599)
Other non-financial assets CLP	1,959	(967)
Other non-financial assets EUR	49	(10)
Other non-financial assets Pound	2	(1)
Other non-financial assets Argent	ine Peso (	7
Other financial assets, current CLP	(	(9)
Other current assets Argent	ine Peso (39	(35)
Total Assets	456	(10,629)
n to Latitata		
Liabilities (LD)	/F F0F	
Lease liabilities, current CLP	(5,505	
Trade payables and other accounts payable, current CLP	(334	
Trade payables and other accounts payable, current EUR	(578	
Trade payables and other accounts payable, current GBP	(37	
Trade payables and other accounts payable, current  YEN	(98	
Trade payables and other accounts payable, current UF	(214	
Trade payables and other accounts payable, current  Swiss F		,
Current tax liabilities CLP		
	ine Peso 39	
Intercompany payables, current CLP	(	, ,
Intercompany payables, non-current CLP	(44)	` '
Other non-financial liabilities CLP	(40	
	ine Peso (265	
Employee benefit provisions CLP	(915	
	ine Peso 216	
Total Liabilities	(7,725	7,605
Total Exchange Differentials	(7,269	(3,024)

# **NOTE 40 - EARNINGS PER SHARE**

Disclosures on Basic Earnings per Share	12/31/2020 kUSD	12/31/2019 kUSD
Earnings (loss) attributable to holders of equity instruments of the Controller	163,531	110,823
Basic earnings available to common shareholders	163,531	110,823
Basic weighted average number of shares	1,053,309,776	1,053,309,776
Basic Earnings per Share	USD 0.155	USD 0.105

# Shareholders in the Company

Majority Shareholders as of September 30, 2020	Number of Shares	Percentage Interest
ENGIE Latam S.A.	631,924,219	59.99%
Banco Santander for account of foreign investors	35,480,295	3.37%
Banco de Chile for accuont of State Street	31,315,100	2.97%
AFP Capital S.A. A Fund	18,367,789	1.74%
AFP Provida S.A. C Fund	18,277,635	1.74%
AFP Provida S.A. B Fund	16,154,591	1.53%
AFP Capital S.A. B Fund	15,899,652	1.51%
AFP Provida S.A. A Fund	15,232,414	1.45%
AFP Habitat S.A. A Fund	15,014,763	1.43%
Moneda S.A. AFI for Pioneer Investment Fund	14,744,000	1.40%
Larrain Vial S.A. Corredora de Bolsa	13,065,953	1.24%
BCI Corredores de Bolsa S.A:	15,582,335	1.48%
Other shareholders	212,251,030	20.15%
Total	1,053,309,776	100.00%

# NOTE 41 - GUARANTEES PROVIDED TO THIRD PARTIES, OTHER CONTINGENT ASSETS AND LIABILITIES AND OTHER ITEMS

# 41.1 Direct guarantees

		Balance Pending Payment on the Financial Statement Closing Date			
Name of Recipient	Type of Collateral	12/31/2020 kUSD	12/31/2019 kUSD		
Regional Office of the Ministry of Public Property	Bond	22,621	11,576		
Compañía Siderúrgica Huachipato S.A.	Bond	8,587	0		
Ministry of Energy	Bond	8,986	6,702		
Trina Solar Chile SpA	Bond	0	15,052		
National Electric Coordinator	Bond	2,413	8,698		
Director General of the Maritime Territory and Merchant Marine	Insurance Policy	1,984	1,214		



Balance F	Pending Pay	yment	on	the
Financial	Statement	Closii	ng D	ate

		Financial Statement Closing Date			
Name of Recipient	Type of Collateral	12/31/2020 kUSD	12/31/2019 kUSD		
Antofagasta Region Roadworks Office	Bond	764	244		
Planta Solar San Pedro III SpA	Bond	564	564		
Enaex S.A.	Bond	408	759		
Dr. Ernesto Torres Galdames Hospital	Bond	72	72		
Interchile S.A.	Bond	68	63		
Dr. Juan Noé Crevanni Hospital	Bond	60	60		
San Pablo Hospital	Bond	54	54		
Aguas Nuevas S.A.	Bond	4	0		
San José del Carmen Hospital	Bond	66	66		
Sociedad Austral de Transmisión Troncal S.A.	Bond	0	116		
Huasco Provincial Hospital	Bond	30	30		
Dr. Marcos Macuada Hospital	Bond	12	12		
Dr. Hector Reyno Gutierrez Family Health Service	Bond	6	6		
Fundación Nuevos Tiempos	Bond	7	0		
Compañía Minera Doña Inés de Collahuasi SCM	Bond	0	5,000		
Sierra Gorda	Bond	0	1,500		
Municipality of Mejillones	Bond	0	681		
Municipalityo f Las Condes	Bond	14	0		
Compañía de Petróleos de Chile S.A.	Bond	0	189		
Aguas de Antofagasta S.A.	Bond	0	60		
Total		46,720	52,718		

No assets have been given in guarantee.

# 41.2 Indirect guarantees

At the close of the financial statements, the Company had provided indirect guarantees for its subsidiary, Transmisora Eléctrica del Norte S.A. (TEN).

Name of Reginient	There are Calledonal	Balance Pending Payment on the Financial Statement Closing Date			
Name of Recipient	Type of Collateral	12/31/2020 kUSD	12/31/2019 kUSD		
Banco de Crédito e Inversiones	Corporate guarantee	6,000	6,000		
MUFG Union Bank, N.A.	Corporate guarantee	10,000	10,000		
Alstom Grid Chile S.A.	Corporate guarantee	305,381	286,812		
Ing. y Contruc.Sigdo Koppers S.A.	Corporate guarantee	326,984	313,438		
Total		648,365	616,250		

# 41.3 Guarantees received from third parties

Name		12/31/2020 kUSD	12/31/2019 kUSD
In favor of ENGIE ENERGIA CHILE S.A.			
SK Engineering & Const.Co. Ltd.	Contract performance guarantee	76,170	76,170
Siemens Gesa Renewable Energy S.A.	Contract performance guarantee	21,375	21,375
Global Energy Services Photovoltaic Project	Contract performance guarantee	10,936	10,936
Tozzi Latam SpA	Contract performance guarantee	4,676	0
Copec	Contract performance guarantee	1,636	1,512
Sergio Cortes Alucema e Hijo Ltda.	Contract performance guarantee	1,500	1,500
ABB Power Grid Chile S.A.	Contract performance guarantee	904	775
Mantenimiento Técnico Industrial Ltda.	Contract performance guarantee	309	293
Siemens S.A.	Contract performance guarantee	237	256
Soc.Mantención y Reparación S.A.	Contract performance guarantee	144	295
Padilla y Benavides Ltda.	Contract performance guarantee	0	467
Soc. OGM Mecánica Integral S.A.	Contract performance guarantee	0	1182
Ing y Construc. Sigdo Koppers S.A.	Contract performance guarantee	0	799
Grid Solutions Chile S.A.	Contract performance guarantee	0	1,451
Trina	Contract performance guarantee	0	3,343
Miscellaneous	General performance guarantee	3,789	5,586
Subtotal		121,676	125,940
In favor of Electroandina S.A.			
Soc.Maritima y Com. Somarco Ltda.	Contract performance guarantee	190	190
Copec	Contract performance guarantee	400	400
Miscellaneous	General contract compliance	132	104
Subtotal		722	694
In favor of Central Termoeléctrica Andi	na S.A.		
Emp. Constructora Belfi S.A.	Contract performance guarantee	0	5,366
IMA industrial Ltda.	Contract performance guarantee	99	104
Servicios Industriales Ltda.	Contract performance guarantee	125	125
Copec	Contract performance guarantee	164	151
Soc.Maritima y Com. Somarco Ltda.	Contract performance guarantee	300	323
Miscellaneous	General contract compliance	234	277
Subtotal		922	6,346



Name		12/31/2020 kUSD	12/31/2019 kUSD
In favor of Inversiones Hornitos S.A.			
Minera Centinela	Contract performance guarantee	200,000	200,000
Copec	Contract performance guarantee	164	151
Soc.Mantención y Reparación S.A.	Contract performance guarantee	21	20
Soc.Maritima y Com. Somarco Ltda.	Contract performance guarantee	0	23
ABB S.A.	Contract performance guarantee	66	66
Servicios Industriales Ltda.	Contract performance guarantee	125	125
Miscellaneous	Contract performance guarantee	110	152
Subtotal		200,486	200,537
In favor of Edelnor Transmisión S.A.			
Abengoa Chile S.A.	Contract performance guarantee	2,182	1,017
Nanjing Daji Steel Tower Manufacturing Co. Ltd.	Contract performance guarantee	0	260
ABB Power Grids Chile S.A.	Contract performance guarantee	140	140
Grid Solutions Chile S.A.	Contract performance guarantee	0	9
Pozo Almonte Solar 3 S.A.	Contract performance guarantee	55	51
Pozo Almonte Solar 2 S.A.	Contract performance guarantee	49	45
Arteche North America SA de CV	Contract performance guarantee	48	48
Siemens S.A.	Contract performance guarantee	0	39
Subtotal		2,474	1,609
In favor of Gasoducto Nor Andino SpA			
Compañía de Leasing Tattersall S.A.	Contract performance guarantee	41	38
Miscellaneous	Contract performance guarantee	1	1
Subtotal		42	39
In favor of Eolica Monte Redondo SpA			
Asesoria Forestal Integral Ltda.	Contract performance guarantee	23	0
Compañía de Leasing Tattersall S.A.	Contract performance guarantee	41	0
Securitas S.A.	Contract performance guarantee	26	0
Soc. de Servicios de Seguridad Villab- lanca Ltda.	Contract performance guarantee	25	0
Transportes Jose Carrasco Retamal E.I.R.L.	Contract performance guarantee	27	0
Miscellaneous	Contract performance guarantee	17	0
Subtotal		159	0
Total		326,481	335,165

## **41.4 Restrictions**

As of December 31, 2020, the Company owed a short-term loan for USD 50 million to Banco Estado. This loan is accruing interest at a fixed rate, expires May 14, 2021, and is documented by a simple promissory note recording the obligation to make payment on the agreed date. There are no financial or operating restrictions and prepayment is possible at no cost to the company.

As of December 31, 2020, EECL had two bonds outstanding; one for US\$500,000,000,000, issued in January 2020, and another for US\$350,000,000 issued in October 2014, both under Rule 144-A and Regulation S. The purpose of the bond issue in January 2020 was to fund (i) the early redemption of the US\$400M 144-A bond issued in December 2010 that was originally set to expire on January 15, 2020; (ii) the cost of the premium paid to the bondholders because of the early redemption; and (iii) general purposes of the company. There are no financial covenants in the bond issues, but there are restrictions on the Company and its subsidiaries granting collateral and security, excluding the following types of guarantees permitted under the indenture agreements: (i) Guarantees on (a) assets built or acquired after the date of the bond issue or (b) shares. ownership interests or debt securities backed by assets related to the Company's main business, provided such pledges or guarantees are established simultaneously or in no more than 360 days after the acquisition of the assets or the completion of the construction of the relevant project or asset: (ii) collateral or security on assets of any entity that is being acquired by the Company that exist at the time of such acquisition: (iii) guarantees securing obligations owed by any subsidiary to the Company or to another Company subsidiary; (iv) any type of collateral or security existing on the date of the bond issue; and (v) any extension, renewal or total or partial replacement of the above guarantees, provided the amount of the debt secured by such guarantees is less than or equal to the value of the guarantees at the time of the extension, renewal or replacement. The indenture agreement also restricts leaseback transactions.

Rule 144-A allows securities issued by foreign issuers to be placed in the United States of America without having to register the issue with the Securities and Exchange Commission (SEC), provided the purchasers are qualified investors. Regulation S allows those securities to be placed simultaneously or to later be resold outside of the United States.

On December 23, 2020, EECL signed a loan agreement for USD 125,000,000 with IDB Invest, comprised of a senior loan from IDB Invest and the China Fund for co-financing in Latin America and the Caribbean, limited to USD 110.000.000, and a loan for USD 15.000.000 from the Clean Technology Fund (CTF). No drawdown had been made on these loans as of the financial statement closing date. However, the lenders have committed to making these loans provided the Company complies with certain restrictions usual to this type of financing. Those restrictions include the grant of guarantees by the company or its subsidiaries, except for the following types allowed under the indenture agreement: (i) guarantees on (a) assets built or acquired after the date of signature of the loan agreement; (b) shares or equity or debt securities backed by assets related to the company's main business, provided such pledges or collateral are established at the same time as, or no later than 360 days after, the acquisition of the assets or completion of the construction of the relevant asset or project; (ii) security or collateral on the assets of any entity being acquired by the company or existing at the time it was acquired by the company: (iii) collateral securing the obligations of any subsidiary owed to the company or to another company subsidiary; (iv) any type of security or collateral existing on the date of signature of the loan agreement: and (v) any extension, renewal or replacement of the above guarantees in whole or in part, provided the amount of the debt secured thereby is less than or equal to the value of the guarantees at the time of the extension, renewal or replacement. The loan agreement also places restrictions on leasebacks and limitations on an effective change in control of the company.



## **41.5 Other Contingencies**

- a) Various easements are currently being processed with the authorities, which have not yet been granted, for the Chapiquiña-Putre, Capricornio-Alto Norte, Capricornio-Antofagasta and El Negro-Soquimich transmission lines; and for the tap-off at the El Negro Substation.
- b) Damage Indemnity Claim against GasAtacama Chile S.A. EECL and its subsidiaries Central Termoelectrica Andina S.A., Inversiones Hornitos S.A. and Electroandina S.A. filed a claim against GasAtacama Chile S.A. before the 22nd Civil Court of Santiago seeking an indemnity for the damages caused to the plaintiffs by GasAtacama because it provided incorrect information to the Economic Load Dispatch Center from January 2011 to October 2015 that raised the costs of the members of the electric system. On May 15, 2018, the 24th Civil Court of Santiago ordered that this case be joined to the claim filed by AES Gener. On April 18, 2019, a reconciliation hearing was held, but no reconciliation was reached. At the defendant's request, the Court ordered the plaintiffs to act through a common legal counsel or lawyer. EECL filed a subsidiary motion for reconsideration that the Court sustained. After the argument period ended, an order was issued in February 2020 to present evidence. The parties filed a motion for reconsideration of that order and, alternatively, an appeal. The motion for reconsideration was partially sustained and the appeal was deemed filed. The docket was sent to the Santiago Court of Appeals on June 22, 2020 to decide on the appeal against the order on evidence to be presented.

The claims are for the peso equivalent to US\$120,370,000 (EECL), US\$13,640,000 (Central Termoelectrica Andina S.A.), US\$18,910,000 (Inversiones Hornitos S.A.) and US\$7,360,000 (Electroandina S.A.). The plaintiffs reserved the right to argue the type and amount of the loss of profit during the enforcement of the ruling or in a separate lawsuit.

- c) Other Contingencies of Gasoducto Nor Andino Argentina S.A.
- 1) Income tax contingency

As of the year ending December 31, 2002, the Company accounted for and paid income taxes considering that the price-level restatement standards in the Income Tax Law were applicable. On June 18, 2003, it filed an action seeking a declaration of constitutional right by the courts declaring that the inflation-adjustment regime in the Income Tax Law was in effect or otherwise, that any rule preventing such an adjustment was unconstitutional. On October 27, 2008, the first-instance court dismissed the claim, which was appealed by the Company on November 18, 2008 before the Federal Administrative Appellate Court, which admitted the appeal for hearing on August 11, 2009, revoked the first-instance decision and ordered costs to be paid. The Federal Administrative Appellate Court thus validated the application of the inflation adjustment for the 2002 fiscal year.

The decision is not yet firm because the National Tax Authority filed an ordinary appeal before the National Supreme Court.

On October 27, 2006, the Federal Revenue Administration (AFIP)-General Tax Bureau (DGI) issued Resolution 99/2006 that contested the income tax declaration for the 2002 fiscal year filed by the Company, and as a result, officially calculated an income tax adjustment of US\$3,728,682, billed interest of US\$3,180,565 through that date, and applied a default fine of US\$1,864,341. On November 23, 2006, the Company filed an appeal before the Federal Tax Court. The case is currently in the evidence stage.

As is well known, inflation adjustment is an issue that has led to a number of court cases, and there have been various favorable rulings on solid grounds in different trial courts and federal courts.

In this context, on July 3, 2009, the National Supreme Court of Justice decided a case on inflation adjustment in the 2002 fiscal year (the Candy case) in favor of the taxpayer.

The court held the following in that decision:

- It ratified that the prohibition to adjust for inflation is constitutionally valid unless it results in confiscation.
- It considered that confiscation existed in the specific case, and it therefore allowed the taxpayer to adjust for inflation in the 2002 fiscal year.

- It considered that the income tax was equivalent to confiscation because the difference between the tax calculated, both with and without the inflation adjustment, was so disproportional that it could be reasonably concluded that the net profit calculated according to governing law, without any adjustment, did not adequately represent the income to be taxed by the income tax law.
- In this specific case, it considered that the actual aliquot of the tax, which accounted for 62% of the adjusted taxable income or 55% of adjusted book profits, used up a substantial portion of income that went beyond a reasonable tax limit and caused an alleged confiscation.
- It expressly clarified that it took into consideration that the 2002 fiscal year was marked by one of the most serious economic, social and political crises in modern history, which was seen in the wholesale price index variation of 117.96% and the consumer price index variation of 40.90%. Also notable were the economic changes, the ban on currency conversion and the variation in the buying power of the currency.

The Company and its legal counsel consider that what was decided by the Supreme Court of Justice in the Candy case applies to the cases of Gasoducto Nor Andino Argentina S.A. since the effective tax aliquots calculated without any inflation adjustment of either adjusted taxable income or book profits generated figures that amply exceeded the 55% and 62% that the Supreme Court considered equivalent to confiscation (as inferred from the expert accounting opinion provided in the declarative action and the opinions of the experts presented by each party in the case before the National Tax Court). This was also the decision by the Federal Administrative Appellate Court when it applied the doctrine set down in the Candy case in the decision rendered August 11, 2009 in the declarative action filed by Gasoducto Nor Andino Argentina S.A. The Argentine Supreme Court finally ruled in favor of Gasoducto Nor Andino Argentina S.A. in November 2012.

In October 2006, while the declarative action was in process, the AFIP rendered an official decision contesting the 2002 fiscal year income tax filing by Gasoducto Nor Andino Argentina S.A. The objection was based solely on the fact that the inflation adjustment was not in effect. The decision was appealed to the National Tax Court ("TFN") and a suspension requested. Two new expert accounting opinions were presented, one by an expert proposed by AFIP and another proposed by the Company. The Company's expert said that if no inflation adjustment would have been applied, the 2002 fiscal year income tax would have been 142.59% of the adjusted taxable profits for that fiscal year and 460.15% of the adjusted book profit. The AFIP's expert said that those same percentages were 85.68% and 93.64%, respectively. The decision rendered by the Supreme Court (in November 2012) was also informed opportunely to the TFN in the aforesaid declarative action.

In November 2013, the TFN rendered a decision granting the Company's appeal and revoking the official decision. The Court held that both the Supreme Court's ruling rendered in the declarative action and the expert accounting opinion presented in the case–including if the percentages cited by AFIP's expert were used–clearly showed that an event of confiscation would have occurred if the inflation adjustment had not been applied.

The AFIP appealed to the Federal Administrative Appellate Court. Room V of that court decided to void the TFN's ruling (notified February 1, 2016) in the understanding that it was not a res judicata (meaning that the decision rendered in the declarative action did not end this lawsuit) and that the Tax Court had to decide on the way in which the Company made the inflation adjustment and the measure of its actual impact on the resulting tax.

Consequently, without deciding on the substance of the matter, it ordered that the case file be returned to the TFN for a new ruling. In view of the Room V Court's decision, Gasoducto Nor Andino Argentina S.A. filed an Extraordinary Federal Appeal with the Supreme Court based on the following grounds:

- 1. The favorable decision by the Supreme Court in the declarative action.
- 2. The expert opinions provided in both cases.

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- 3. The fact that the expert proof consisted of requesting that experts themselves calculate the tax, including an inflation adjustment (meaning that the company's tax filing not be used).
- 4. The official decision by the tax authority.
- 5. Procedural matters relating to preclusion (meaning the moment when the tax authority made certain arguments and questioned the inflation adjustment used).
- 6. The fact that TFN's decision adequately took the expert opinions into account.

For these reasons, the company believes that there is a high probability that the Supreme Court will revoke the Room V Court's decision, leave the TFN ruling binding, and thereby definitively resolve the issue. Should the Supreme Court dismiss the appeal, the case file will be returned to the TFN for a new ruling and the Company would return to the actual state of things in this case.

The Company has considered it prudent to establish a total provision of USD 490,152.44 as of December 31, 2020 and of USD 769,332.87 as of December 31, 2019.

## **NOTE 42 - NUMBER OF EMPLOYEES**

As of December 31, 2020 and 2019, the Company had the following number of employees under a continuing employment contract:

Number of Employees by Profession and Area	Engineers	Technicians	Other Professionals	Total 2020	Total 2019
Generation	174	367	2	543	538
Transmission	37	60	1	98	99
Administration and Support	136	69	0	205	201
Total	347	496	3	846	838

## **NOTE 43 - PENALTIES**

Neither the Company nor its executives were penalized by the Financial Market Commission in the 2020 or 2019 fiscal years.

## **NOTE 44 - THE ENVIRONMENT**

The Company and its subsidiaries have an extensive environmental monitoring program that includes air emissions, air quality and discharges into water, marine monitoring and other controls that ensure a total control of their operations in compliance with governing laws and strict internal regulations adopted to attain objectives in harmony with the environment.

In June 2006, the EECL Group received certification under ISO 9001, ISO 14001 and OHSAS 18001 from AENOR, a certification agency. Since then the management system has been audited annually by AENOR to confirm that the system is working and is in compliance with the certified standard models. EECL has also verified that it has incorporated all the recent changes in the standards, such as the definitions of life cycle. AENOR conducted the annual audit of the Management System in October 2019. Some minor nonconformities were found and a corrective action plan was presented. The corrective action plan was accepted by the certification agency, which extended the environmental certification for one more year.

The Company participates in several research and development initiatives in UCRE projects, some of which are undergoing an environmental assessment, some of which have received environmental approval or are under construction. In September 2019, the environmental authority was informed that the construction of the Calama Wind Farm and Capricornio Solar Power Plant had begun. It was disclosed in June 2020 that construction of the Tamaya Solar Power Plant Project had begun.

In consideration of new investment projects and in compliance with governing laws, the Company conducts its environmental assessments through Environmental Impact Statements or Environmental Impact Studies prepared by highly experienced consultants.

All generating units have complied with the emissions standard for thermoelectric power plants that regulates emissions of particulate matter, nitrogen oxide and sulfur dioxide since all the units have installed emission abatement systems that are regularly inspected and maintained. Those systems are:

- Sleeve filters/electrostatic precipitators for the control of particulate matter emissions:
- Desulfurizers for the control of sulfur dioxide emissions that use hydrated lime and/or sodium bicarbonate in the units that have pulverized coal-fired furnaces and that use limestone in the units with fluidized bed furnaces;
- Low NOx burners, installed in the existing units, and a catalytic system to inject ammonia in the new IEM unit, to control nitrogen oxide emissions.

All generating units are CEMS-certified by the Environmental Commission (abbreviated as SMA in Spanish). These systems include a quality assurance program under which daily, quarterly and annual verifications are performed. The annual tests are performed by certified laboratories and the results will validate the CEMS for another year. The new CTM7 (IEM) unit received CEMS certification in May 2019. The annual validations of the CEMS that had to be postponed were conducted in May 2020, and the reports are pending at this time. Moreover, because of the COVID-19 state of exception, weekly reports are being made to the SMA on the operating status of all projects that have been environmentally assessed, and particularly on the measures adopted to ensure environmental compliance.

All of the generating units have received SMA approval of the emissions calculation methods for the payment of green taxes (Law 20,780), which are direct measurement (through CEMS) or indirect measurement (estimates) when there are no CEMS certified by the SMA. The emissions reported for 2019 have already been informed to the SMA. A payment for CLP\$17,708,584,095 was made. The emissions reports for the 4th quarter of 2020 are in the process of completion.

EECL informed the electricity authority that Units 12 and 13 will be retired, and their disconnection was authorized for April 2019 provided the Polpaico-Cardones line was completed. The derecognition of these units actually took place on June 7, 2019. The CEN has been given notice that the Tocopilla turbogas units (back-up units), which are used discontinuously, will not be operated more than 10% of the hours in the year (limited to 876 hours) so that they can be released from compliance with the NOx emission limit. However, hourly emissions are being estimated by alternative methods and reported to the environmental authorities. The SMA determined that all generating units in the Mejillones and Tocopilla Thermoelectric Complexes were in compliance with the emission standard for 2019.

During 2020, the environmental authority conducted 11 on-site audits (6 by the SMA and 5 by the Health SEREMI) and 20 "Reporting Audits." The SMA made only minor observations as a result of the audits, but 2 health inquests were begun as deviations were found in the operating control of waste (Tocopilla Plant – September 2020) and the handling of chemical waste (Mejillones Plant – December 2020). All deviations have been or are in the process of being corrected. Defensive arguments were presented in both inquests.

A social and environmental incident occurred, a diesel fuel spill, on May 25, 2019, that surpassed the secondary containment system and flooded internal and external streets of the thermal power plant but did not reach the coast or the ocean. The incident was controlled, the oil was cleaned up and all resulting waste was disposed of at certified locations. This incident is now under investigation by the authorities (SMA, Electricity and Fuels Commission (SEC) and the Environmental Crime Investigation Unit (BIDEMA) of the National Major Crimes Department (PDI)). 4 environmental events were reported to the SMA in 2019, which the environmental authority either audited or requested additional information. No environmental incidents were reported at any of the operations in 2020.

On February 25, 2020, Eolica Monte Redondo SpA was served an environmental damage claim before the Third Environmental Court. The case number is D-33-2017 and it is entitled Jaime Antonio Llanos Agurto et al. v. Eolica Monte Redondo.

The claim is against the algae bloom occurring in the summer months in the Laja River reservoir due to the decreased flow, the increase in temperature and the nutrient content in the water column. The company has conducted environmental monitoring to gain an understanding of the problem. The community has participated in the monitoring and new measures to prevent and mitigate the algae bloom are being investigated. Some of these measures have been tried on a pilot scale and new preventive measures will continue to be evaluated. The results of the monitoring and control measures are reported annually to the environmental authorities.



#### **NOTE 45 - SUMMARY FINANCIAL INFORMATION ON SUBSIDIARIES**

Summary financial information is provided below as of December 31, 2020 according to International Financial Reporting Standards:

Tax I.D.	Name of Company	Interest	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non- Current Liabilities	Total Liabilities	Revenue	Net Profit (Loss)
		%	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
96.731.500-1	Electroandina S.A.	100.00%	32,596	29,882	62,478	7,099	0	7,099	13,629	3,331
78.974.730-K	Gasoducto Nor Andino SpA	100.00%	74,976	84,698	159,674	37,942	22,415	60,357	46,945	28,823
Foreign	Gasoducto Nor Andino Argentina S.A.	100.00%	13,099	48,907	62,006	2,375	11,491	13,866	1,255	(7,122)
76.708.710-1	Central Termoeléctrica Andina S.A.	100.00%	76,065	660,756	736,821	46,934	360,043	406,977	152,183	17,592
76.046.791-K	Edelnor Transmisión S.A.	100.00%	12,922	29,669	42,591	24,622	12,209	36,831	14,231	2,391
76.009.698-9	Inversiones Hornitos SpA	100.00%	33,236	312,299	345,535	24,925	165,646	190,571	113,508	(15,317)
76.247.976-1	Solar Los Loros SpA	100.00%	7,158	35,420	42,578	535	5,315	5,850	3,868	2,519
76.379.265-K	Parque Eólico Los Trigales SpA	100.00%	2	0	2	54	0	54	0	(7)
76.247.968-0	Solairedirect Generación VI SpA	100.00%	0	164	164	165	0	165	0	(7)
76.267.537-4	Solairedirect Generación IX SpA	100.00%	0	164	164	165	0	165	0	(7)
76.412.401-4	PV Coya SpA	100.00%	3	1,971	1,974	86	0	86	0	(10)
76.019.239-2	Eolica Monte Redondo SpA	100.00%	9,454	99,377	108,831	2,266	36,557	38,823	14,183	14,754

The financial information on the companies included in the consolidation was as follows as of December 31, 2019:

Tax I.D.	Name of Company	Interest	Current Assets	Non-Current Assets	Total Assets	Current Liabilities	Non- Current Liabilities	Total Liabilities	Revenue	Net Profit (Loss)
	_	%	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD	kUSD
96.731.500-1	Electroandina S.A.	100.00%	23,873	32,927	56,800	4,751	0	4,751	14,097	1,219
78.974.730-K	Gasoducto Nor Andino SpA	100.00%	33,923	91,460	125,383	25,088	24,828	49,916	42,507	12,336
Foreign	Gasoducto Nor Andino Argentina S.A.	100.00%	16,213	54,440	70,653	2,044	13,347	15,391	12,934	1,514
76.708.710-1	Central Termoeléctrica Andina S.A.	100.00%	79,156	672,159	751,315	41,950	397,112	439,062	146,451	17,520
76.046.791-K	Edelnor Transmisión S.A.	100.00%	10,884	4,719	15,603	12,021	0	12,021	12,051	1,679
76.009.698-9	Inversiones Hornitos S.A.	60.00%	54,615	317,450	372,065	43,134	168,056	211,190	152,396	19,734
76.247.976-1	Solar Los Loros SpA	100.00%	4,935	31,292	36,227	933	1,084	2,017	3,361	(930)
76.379.265-K	Parque Eólico Los Trigales SpA	100.00%	2	1	3	47	0	47	0	3
76.274.746-4	Solairedirect Transmisión SpA	100.00%	0	1	1	8	0	8	0	(1)
76.243.585-3	SD Minera SpA	100.00%	0	299	299	30	0	30	0	1
76.247.968-0	Solairedirect Generación VI SpA	100.00%	0	165	165	156	0	156	0	11
76.267.537-4	Solairedirect Generación IX SpA	100.00%	0	165	165	158	0	158	0	10
76.534.501-4	Solairedirect Generación XI SpA	100.00%	0	153	153	148	0	148	0	10
76.534.502-2	Solairedirect Generación XV SpA	100.00%	0	127	127	124	0	124	0	8

## **NOTE 46 - SUBSEQUENT EVENTS**

#### Material Disclosure on January 21, 2021

Engie Energia Chile S.A. ("EECL") and Eolica Monte Redondo SpA ("EMR"), a subsidiary of EECL, reached an agreement on January 21, 2021 with Goldman Sachs & Co. LLC and Goldman Sachs Lending Partners LLC ("GS") on the terms and conditions of a loan transaction within the framework of Law 21,185 that created a method for electricity price stabilization for price-regulated customers, and of Exempt Resolution 72 of the National Energy Commission (together, the "Price Stabilization Regulations"), specifically for accounts receivable from diverse power distribution companies (the "Distributors") owed now or in the future to the Company and EMR because of this price stabilization introduced by the aforesaid law.

Under the agreement with GS and according to the Average Node Price decrees and the payment balance tables in them, EECL and EMR may gradually sell the Distributors' accounts receivable they hold now or in the future subject to the Price Stabilization Regulations to Chile Electricity PEC SpA (the "Buyer"), limited to a committed amount of US\$162 million, provided the agreed conditions are met.

Moreover, EECL, EMR and the Inter-American Investment Corporation ("IDB Invest") are currently negotiating an agreement whereby IDB Invest will participate in the loan to the Buyer to acquire part of the accounts receivable the Buyer has promised to purchase and the additional receivables purchase transactions that may be agreed by the Company and the Buyer, subject to the stipulated conditions.

EECL believes that the combined Distributors' receivables under the Price Stabilization Regulations may reach a total of US\$266 million from now to the date when the limit is reached for uncollected balances according to said Regulations, which may not occur after July 2023.

The above sale of accounts receivable is intended to obtain financing for the Company and preserve its liquidity, which is particularly important in the actual setting for investment in renewable energy assets in which the Company is engaged.

Pursuant to Circular 988 of the National Energy Commission, please be advised that these accounts receivables will be sold at discount on market rates, which will result in a financial cost that will be recognized in the company's income statements. It is not possible to quantify at this time the impacts that this Material Disclosure will have on the Company's income.

No other material events have occurred between January 1, 2021, and the date of issuance of the consolidated financial statements that might affect their presentation.



# APPENDIX 1 - COMPANIES IN THE ENGIE ENERGIA CHILE S.A. GROUP

a) The following companies are included in the consolidated financial statements:

TAX I.D.	Name of Company	Country	Functional _	Percentage Interest in 2020			Percent	age Interest	in 2019
IAX I.D.	Name of Company	of Origin	Currency	Direct	Indirect	Total	Direct	Indirect	Total
76.046.791-K	Edelnor Transmisión S.A.	Chile	U.S. Dollar	99.9000	0.1000	100.0000	99.9000	0.1000	100.0000
96.731.500-1	Electroandina S.A.	Chile	U.S. Dollar	99.9999	0.0001	100.0000	99.9999	0.0001	100.0000
76.708.710-1	Central Termoeléctrica Andina S.A.	Chile	U.S. Dollar	99.9999	0.0001	100.0000	99.9999	0.0001	100.0000
78.974.730-K	Gasoducto Nor Andino SpA	Chile	U.S. Dollar	100.0000	0.0000	100.0000	100.0000	0.0000	100.0000
76.009.698-9	Inversiones Hornitos SpA	Chile	U.S. Dollar	100.0000	0.0000	100.0000	60.0000	0.0000	60.0000
Foreign	Gasoducto Nor Andino Argentina S.A.	Argentina	U.S. Dollar	78.9146	21.0854	100.0000	78.9146	21.0854	100.0000
76.379.265-K	Parque Eolico Los Trigales SpA	Chile	U.S. Dollar	100.0000	0.0000	100.0000	100.0000	0.0000	100.0000
76.247.976-1	Solar Los Loros SpA	Chile	U.S. Dollar	100.0000	0.0000	100.0000	100.0000	0.0000	100.0000
76.247.968-0	Solairedirect Generación VI SpA	Chile	U.S. Dollar	100.0000	0.0000	100.0000	100.0000	0.0000	100.0000
76.267.537-4	Solairedirect Generación IX SpA	Chile	U.S. Dollar	100.0000	0.0000	100.0000	100.0000	0.0000	100.0000
76.412.401-4	PV Coya SpA	Chile	U.S. Dollar	100.0000	0.0000	100.0000	0.0000	0.0000	0.0000
76.019.239-2	Eolica Monte Redondo SpA	Chile	U.S. Dollar	100.0000	0.0000	100.0000	0.0000	0.0000	0.0000

See Note 2.4 Subsidiaries.

b) Companies accounted for using the equity method:

Type of			Country Functional Currency	Percentage Ir	nterest as of	
Relationship	TAX I.D.	Name of Company	of Origin	Currency	12/31/2020 Direct	12/31/2019 Direct
Joint control	76.787.690-4	Transmisora Eléctrica del Norte S.A.	Chile	U.S. dollar	50.000	50.000

See Note 2.5 Investments accounted for using the Equity Method

# APPENDIX 2 - ITEMIZATION OF ASSETS AND LIABILITIES IN A FOREIGN CURRENCY

Assets denominated in a foreign currency were as follows

Assets	Currency	12/31/2020 kUSD	12/31/2019 kUSD
Current Assets			
Cash and cash equivalents	USD	217,926	218,235
Cash and cash equivalents	Non-adjustable CLP\$	17,250	20,831
Cash and cash equivalents	Euro	52	1
Cash and cash equivalents	Argentine peso	22	16
Other current financial assets	USD	54	471
Current tax assets	USD	29,927	12,679
Current tax assets	Non-adjustable CLP\$	7	0
Current inventories	Non-adjustable CLP\$	2,730	3,105
Current inventories	USD	73,950	113,099
Intercompany receivables	Non-adjustable CLP\$	16	117
Intercompany receivables	UF	52	41
Intercompany receivables	USD	742	11,841
Intercompany receivables	Argentine peso	2	0
Other non-financial assets	Non-adjustable CLP\$	7,055	1,575
Other non-financial assets	USD	7,345	5,444
Other non-financial assets	Argentine peso	63	889
Other non-financial assets	Euro	397	249
Other non-financial assets	Other currencies	34	24
Trade receivables and other accounts receivable, current	USD	96,595	88,265
Trade receivables and other accounts receivable, current	Non-adjustable CLP\$	10,630	8,255
Trade receivables and other accounts receivable, current	Argentine peso	17	118

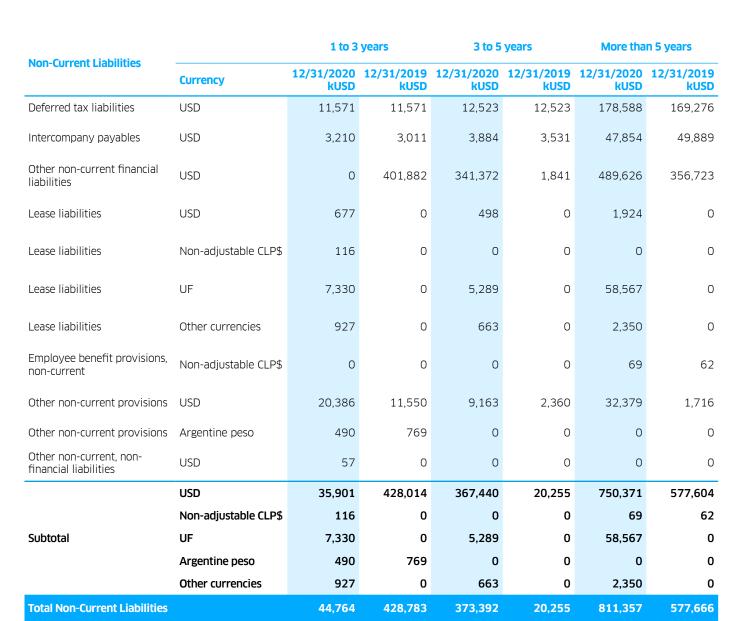


Liabilities denominated in a foreign currency broke down as follows:

Assets	Currency	12/31/2020 kUSD	12/31/2019 kUSD
Non-Current Assets			
Trade receivables and other accounts receivable, non-current	USD	139,868	73,499
Trade receivables and other accounts receivable, non-current	UF	20	20
Intercompany receivables, non-current	USD	21,726	27,722
Other non-current non-financial assets	Non-adjustable CLP\$	1	1
Other non-current non-financial assets	USD	15,900	5,706
Other non-current non-financial assets	UF	166	0
Deferred tax assets	USD	21,547	18,112
Investments accounted for using the equity method	USD	81,608	89,697
Intangible assets other than goodwill	USD	204,825	221,288
Goodwill	USD	25,099	25,099
Property, plant and equipment	USD	2,668,897	2,537,109
Right-of-use assets	USD	76,457	24,282
Subtotal	USD	3,682,632	3,472,548
	Non-adjustable CLP\$	37,682	33,884
	Euro	449	250
	UF	72	61
	Argentine peso	104	1,023
	Other currencies	34	24
Total Assets		3,720,973	3,507,790

Current Liabilities		Out to 90 days		From 90 days to 1 year	
Current Liabilities currently in Operation	Currency	12/31/2020 kUSD	12/31/2019 kUSD	12/31/2020 kUSD	12/31/2019 kUSD
Intercompany payables	Non-adjustable CLP\$	32	2,227	0	0
Intercompany payables	USD	7,569	8,215	1,042	1,109
Intercompany payables	Argentine peso	0	0	0	0
Intercompany payables	UF	907	861	0	0
Intercompany payables	Euro	182	223	0	0
Current tax liabilities	Argentine peso	-293	1,330	0	0
Current tax liabilities	USD	0	0	10,454	22,102
Other non-financial liabilities	Non-adjustable CLP\$	12,022	12,994	0	0
Other non-financial liabilities	Argentine peso	7	0	0	0
Other non-financial liabilities	USD	265	1,902	0	0
Trade payables and other accounts payable	Euro	7,676	8,324	0	0
Trade payables and other accounts payable	Non-adjustable CLP\$	24,269	51,170	0	0
Trade payables and other accounts payable	Other currencies	1,369	1,618	0	0
Trade payables and other accounts payable	Argentine peso	116	193	0	0
Trade payables and other accounts payable	USD	165,707	124,426	0	0
Trade payables and other accounts payable	UF	6,145	2,836	0	0
Trade payables and other accounts payable	Yen	1,859	1,859	0	0
Employee benefit provision, current	Non-adjustable CLP\$	15,524	12,348	0	0
Other financial liabilities	USD	13,784	18,354	50,496	85,394
Current lease liabilities	USD	84	0	158	0
Current lease liabilities	Non-adjustable CLP\$	146	0	443	0
Current lease liabilities	UF	1,134	0	2,011	0
Current lease liabilities	Other currencies	204	0	147	0
	USD	187,409	152,897	62,150	108,605
	Non-adjustable CLP\$	51,993	78,739	443	0
	Euro	7,858	8,547	0	0
Subtotal	UF	8,186	3,697	2,011	0
	Yen	1,859	1,859	0	0
	Argentine peso	-170	1,523	0	0
	Other currencies	1,573	1,618	147	0
Total Current Liabilities		258,708	248,880	64,751	108,605







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# **Report of the Independent Auditor**

To Shareholders and Directors Engie Energía Chile S.A.

We have audited the accompanying interim statements of financial position of Engie Energía Chile S.A., which comprise the interim statements of financial position as of June 30, 2021, and the interim comprehensive income statements for the six and three month period ended June 30, 2021; interim statements of changes in equity and interim statement of cash flows for the six month period then ended and the related notes to the interim financial statements.

# Management's Responsibility for the Interim Financial Information

The Management is responsible for the preparation and fair presentation of the interim financial information in conformity with IAS 34 "Interim Financial Reporting", part of International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB); this includes the design, implementation and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of interim financial information in conformity with the applicable framework for preparing and presenting interim financial reports.

## **Auditor's Responsibility**

Our responsibility is to conduct our review in accordance with generally accepted auditing standards in Chile applicable to reviews of interim financial information. A review of interim financial information consists primarily of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Chile, the objective of which is to express an opinion regarding the financial information. Accordingly, we express no such opinion.

## Conclusion

Based on our review, we are not aware of any significant modifications that should be made to the interim financial information mentioned in the first paragraph, for them to be in accordance with IAS 34 "Interim Financial Reporting", part of International Financial Reporting Standards.

# **ENGIE**

# Other matters

# Statement of financial position as of December 31, 2020

On January 26, 2021 we issued an unmodified audit opinion on the financial statements as of December 31, 2020, of Engie Energía Chile S.A., which include the statements of financial position as of December 31, 2020, included in these interim financial statements, in addition to the corresponding notes to the interim financial statements.

Marek Borowski EY Audit SpA

Santiago, Chile July 27, 2021

# Statement of liability

The undersigned, as directors and general manager of ENGIE Energía Chile S.A., declare under oath the veracity of all the information contained in this corresponding Annual Report to financial year 2020.

Frank Jean Alain Demaille

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# **Coordination of this Report:**

Sustainability Division, ENGIE Energia Chile Finance Division, ENGIE Energia Chile

# **Editing, Assistance with GRI Guidelines, and Design:**

Plus Comunica (www.pluscomunica.cl)