



# OPEN POWER FOR A BRIGHTER FUTURE.

WE EMPOWER SUSTAINABLE PROGRESS.

2019 ANNUAL REPORT - ENEL GENERACIÓN CHILE

enel



Santiago Stock Exchange  
**ENELGXCH**

New York Stock Exchange  
**EOCCY \***

Enel Generación Chile S.A. was incorporated as Empresa Nacional de Electricidad S.A. in 1943. In 1994 the bylaws of the Company were amended to add "Endesa" as the Company's commercial name, in 2005, "Endesa Chile" was added as a commercial name, and in 2016, the Company's name and trademark was changed to "Enel Generación Chile." The Company is registered in Santiago's Register of Commerce on page 61 N° 62 and page 65 N°63, respectively, dated January 19, 1944. The main office is located at 76 Santa Rosa St., Santiago, Chile. As of December 31, 2017, the Company's subscribed and paid capital amounted to Ch\$ 552,777 million and was represented by 8,201,754,580 shares. Its shares trade on the Chilean stock exchanges and also trade on the Over-the-Counter (OTC) market in the United States of America\*. The corporate object of the Company is the production, transportation, and distribution of electricity and also provide consultancy services, invest in financial assets, develop projects and carry out operations in the energy field and other fields in which electricity is essential, and to participate in public works infrastructure concessions in civil or hydraulic areas. Enel Generación Chile is the leader of the Chilean electricity sector and one of the major electricity companies in the markets in which it operates. It's total assets amounted to Ch\$ 3,587,199 million as of December 31, 2019.

The Company's revenue reached Ch\$ 1,638,274 million, gross margin amounted to Ch\$ 280,919 million, and net income reached Ch\$ 196,343 million after taxes. By year-end 2019, the Company had a total 710 employees.

(\*) : The ADS's of Enel Generación Chile do not trade on the New York Stock Exchange (NYSE) since December 31, 2018. From that date on they only trade on the Over-The-Counter (OTC) market in the United States of America under the new ticker symbol EOCCY.



# ENEL GENERACIÓN CHILE ANNUAL REPORT 2019

**"Dear shareholders, our commitment  
is to continue contributing with the  
necessary energy for the country and its  
continuous growth and development"...**



# Letter from the Chairman

Dear shareholders,

I hereby present to you the Annual Report and Financial Statements of our Company for the year 2019. Here, you will find a description of our performance and the challenges we have faced throughout the year.

I would like to take a moment to express my appreciation for the valuable help of our collaborators, men and women who are a part of Enel Generación Chile and contribute to achieving our goals. I would also like to thank each and every one of our board members for their work, and for the trust they have placed in my work and my decisions.

During the last few years, we have focused our efforts on becoming a more efficient Company, open to change, flexible, and above all, more sustainable. We not only consider sustainability in terms of environmental management, but also in relation to the development of the communities in the areas neighboring our operations, and of course, in terms of economic management and administration of Enel Generación Chile.

All of this has been possible thanks to our Open Power culture, which allows us to be open to change and to new technological developments and innovations, to apply them to different processes within the Company and produce the energy that moves the world and this country, Chile.

## 2019 Results

During 2019, Enel Generación Chile generated 17,548 GWh, which represents a 1% increase when compared to total generation registered in 2018. A severe drought has affected the country over the last few years and was especially extreme during the fourth quarter of 2019. Our thermal dispatch climbed +965 GWh, while hydroelectric generation dropped 7% (-811 GWh).

The Company's EBITDA increased by Ch\$ 87,493 million, reaching a total of Ch\$669,743 million. Operating revenue was Ch\$ 1,638,374 million, which represents an 8% increase when compared to 2018. This was due to greater energy sales, a higher average sales price as a consequence of the higher exchange rate accounting for Ch\$ 20,695 million, and an increase in other operating income that totaled Ch\$ 104,755 million primarily due to a Ch\$ 121,118 million extraordinary income from the early termination of three electric supply contracts signed with Anglo American Sur in 2016.

Net profit attributable to Enel Generación Chile's shareholders totaled Ch\$ 196,343 million in 2019, 36% less than in 2018. This was primarily due to a Ch\$ 280,020 million impairment provision booked due to the closure of the Tarapacá and Bo-

camina I power plants. It should be noted, however, that if excluding the period's extraordinary effects (provision of impairment and anticipated termination of three contracts), the net profit attributable to Enel Generación Chile's shareholders remained stable when compared to 2018, totaling Ch\$ 308,582 million in 2019.

## 2019 Milestones

The role our Company plays in the Chile's energy transition is relevant because we are the country's largest generation company in terms of installed capacity. During 2019, our commitment was to advance towards the decarbonization of the energy matrix. To achieve this goal, on June 4th we signed an unprecedented agreement with the Ministry of Energy: The National Decarbonization Plan, which established a time frame for the retirement of all coal fired power plants in the country.

On December 31, 2019, we went one step further by anticipating the closure of Central Tarapaca's coal fired generation unit. This process was carried out following the guidelines for what has been called a just transition, which involves preventing social negative impacts on employees and the people we relate with from neighboring communities. In both cases, a shared and consensual road map was designed. On one hand, a plan was devised with the plant's workers to ensure they would be either integrated in other units within the Group or accompanied in other personal projects. On the other hand, in terms of neighboring communities, the

feasibility study of a small-scale fishing project was presented, fulfilling our commitment and creating opportunities for the community's future development.

I'd like to mention that throughout this effort to promote the renovation of the national energy matrix based on renewable energies, we signed three electric supply contracts with important mining companies that rely on 100% renewable energy sources making their operations friendlier with surrounding communities and the environment, and sustainable in the long-term.

In 2019 our financial management was once again ratified by recognized risk-rating agencies that acknowledged Enel Generación Chile as a solid and stable company in the energy industry, highlighting its commercial strategy, asset diversification and financial metrics.

To continue fostering an ethical and transparent culture within the Company by constantly improving internal processes, Enel Generación Chile alongside Enel Chile obtained the international standard ISO37001 certification that recognizes both firm's solid anti-bribery management system, the first companies in the electric sector in the country to obtain this certification.

As a milestone of 2019, worth mentioning is the appointment of a new chief executive officer, Michele Siciliano. He was appointed in replacement of Valter Moro whose resignation was accepted by the Board on October 1st. Valter Moro was the CEO of Enel Generación Chile for 5 years and has now accepted a global scale position within the Enel Group.

# Sustainability

Today, companies are not only evaluated for their economic performance, but for their environmental, social and governance (ESG) management. To this effect, Enel Generación Chile has been working towards the social development of power plant neighboring communities and consequently reaching the United Nation's Sustainable Development Goals. Specifically, the Company contributed directly towards Objective N°4 related to quality education; N°7 related to access to clean and affordable energy; and N°8 related to economic development and dignified work. During 2019, around 18,000 people were benefited by the activities carried out in achieving these objectives, including 138 projects executed throughout the country.

In terms of environmental performance, we are going beyond compliance with minimum requirements. Enel Generación Chile is carrying out iconic studies regarding water conservation, a resource that is shared by hydroelectric generation and agriculture. In the Maule Region, we began the second phase of a program that addresses the effects of climate change and increases the resilience of the agricultural sector in San Clemente and San Rafael, optimizing irrigation water management. Since 2015, the program has directly and indirectly benefitted over 700 farmers, aside from agricultural professionals and agronomy students from the San Clemente Agronomy School. On the other hand, in Quillota, we have been collaborating with the city on a project set to plant a total 100,000 trees in urban areas over a 5-year period.

Enel Generación Chile is convinced that scientific research is central to creating a roadmap with concrete actions to face climate change. Therefore, we collaborate with the Huinay Foundation, which investigates the impact of climate change on the ecosystem of Fiordo Comau, in the Chilean Patagonia. By working together, we hope to understand the conservation issues that affect this region and share the knowledge with institutions and with the scientific community.

Dear shareholders, we are committed to continue contributing with the energy the country needs for its growth and development. We will continue to constantly search for innovation and new opportunities to strengthen our leadership position in the electricity generation industry, enabling and promoting the necessary conditions for the country to move forward in its energy transition.

Thank you very much,



Giuseppe Conti  
Chairman of Enel Generación Chile S.A.



# Enel Generación Chile 2019

<b>CHAPTER</b>	<b>PAGE</b>
<b>01.</b> Letter from the Chairman	2
<b>02.</b> Open Power	8
<b>03.</b> Milestones in 2019	10
<b>04.</b> Main financial and operational data	13
<b>05.</b> Identification of the Company	17
<b>06.</b> Ownership and control	23
<b>07.</b> Management	29
<b>08.</b> People and organization	41
<b>09.</b> Stock market transactions	51
<b>10.</b> Investor relations	57
<b>11.</b> Dividends	61
<b>12.</b> Investment and financing policy	65
<b>13.</b> History of the Company	69
<b>14.</b> Business of the Company	73
<b>15.</b> Strategy, investments and financial activities	83
<b>16.</b> Industry regulation and electricity system operations	93
<b>17.</b> Risk factors	103
<b>18.</b> Ethics and transparency	123
<b>19.</b> Sustainability	129
<b>20.</b> Environment	137
<b>21.</b> Innovation culture in the Company	143
<b>22.</b> Ownership share table	147
<b>23.</b> Identification of subsidiaries and associate companies	151
<b>24.</b> Significant events	155
<b>25.</b> Statement of responsibility	161

# Enel Generación is Open Power

## Positioning

Open Power

## Purpose

Open power for  
a brighter future.  
We empower  
sustainable progress.

## Mission

- Open access to electricity for more people.
- Open the world of energy to new technology.
- Open up to new uses of energy.
- Open up to new ways of managing energy for people.
- Open up to new partnerships.

## **Vision**

Open power to tackle  
**some of the world's  
biggest challenges.**

## **Values**

- Trust
- Proactivity
- Responsibility
- Innovation

## **Principles of Conduct**

- Make decisions in daily activities and take responsibility for them.
- Share information, being willing to collaborate and open to the contribution of others.
- Follow through with commitments, pursuing activities with determination and passion.
- Change priorities rapidly if the situation evolves.
- Get results by aiming for excellence.
- Adopt and promote safe behavior and move pro-actively to improve conditions for health, safety and well-being.
- Work for the integration of all, recognizing and leveraging individual diversity (culture, gender, age, disabilities, personalities, etc.).
- Work focusing on satisfying customers and/or co-workers, acting effectively and rapidly.
- Propose new solutions and do not give up when faced with obstacles or failure.
- Recognize merit in co-workers and give feedback that can improve their contribution.

# 3. Milestones in 2019

## JANUARY

*Enel Generación Chile and Universidad de Concepción inform progress of largest reforestation project in the country.*

The CEO of Enel Generación Chile, Mr. Valter Moro, and the Vice Rector of Universidad de Concepción, Mr. Carlos Von Plessing, informed that the most important large-scale reforestation project with native species has reached 50% progress, 350 hectares with 11 hundred trees planted, including Oak, Rauli and Coigue trees. This initiative began in 2017 as part of a reforestation agreement signed by both organizations in 2016, which is additionally one of the commitments made when building the Ralco Power Plant. The agreement also involves a scientific research program and a training program for the communities located near the reforestation area. The training program includes seed collecting training as a means to offer the families in the area new tools to improve their quality of life, a relevant aspect of the Company's community relations and focus on sustainable operations.

## FEBRUARY

*Enel Generación Chile and Enel Chile are the first companies in Chile to certify their Antibribery management system.*

This is an important step for the Enel Group in the promotion and consolidation of a culture of transparency and ethics within its companies in Chile. Enel Generación Chile and Enel Chile obtained the ISO37001 international standard certification that recognizes their solid antibribery management system and strengthens the safety and transparency of their investments. Enel Generación Chile and Enel Chile are the first electric companies in Chile to receive this certification.

*Fitch Ratings confirmed its rating of Enel Generación Chile*

The risk rating agency Fitch Ratings maintained the "BBB+" international rating of Enel Generación Chile and improved the outlook from stable to positive, highlighting its solid business position, commercial strategy, asset diversification and financial metrics. On January 28, 2020, Fitch Ratings increased the foreign and local currency long-term international rating of Enel Generación Chile from "BBB+" to "A-" and the long-term local rating from "AA(cl)" to "AA+(cl)". The outlook of the ratings changed from "Stable" to "Positive".

## MARCH

*Enel Generación Chile ratifies its commitment to work with the Coronel community.*

The Company sent a letter to all local fishermen of Coronel with an update on the commitments of the 2014 agreement. The Company informed it has invested US\$ 400 million on the 4 pillars of the agreement: improvement of Bocamina's environmental performance; relocation of approximately 700 families through a private-public partnership; construction of green places; contributing Ch\$180 million annually to the Coronel Municipality; granting 2,039 local fishermen, represented by 19 unions, an annual bonus that to date amounts to over Ch\$ 14,000 million. The last payment was made in late March 2019. Ch\$ 230 million was also committed to be invested in funding heritage ventures and other initiatives for the life of the power plant. To date this initiative has competitively supported 180 venture.

*Enel Generación Chile signs agreement with Collahuasi mining company for 100% renewable energy*

In line with the commitment to be the main promoter of Chile's energy matrix transition from a traditional energy matrix to a renewable one, the Company signed an energy supply agreement with Collahuasi to provide the mining company with 1 TWh per year of 100% renewable energy to begin supply in April 1, 2020. This is the first 100% renewable energy supply contract in the mining industry and allows Collahuasi to have a completely renewable energy matrix.

*Enel Generación Chile launches the second phase of the urban tree planting project "Facing Climate Change, Quillota Breathes"*

The Company is developing this project through a partnership with the Municipality of Quillota, and DuocUC, to offset the effects of climate change. The goal of this public, academic, and private sector project is to plant one tree per Quillota resident equivalent to 100 thousand trees over the next 5 years and increase climate change awareness. The native tree species, such as the Ginkgo, Maitén, Belloto, Molle, Huingán and Quebracho were chosen based on the importance of water resources and carbon sequestration.

*Moody's confirmed Enel Generación Chile's rating*

The risk rating agency Moody's ratified the "Baa1" international rating of Enel Generación Chile and also maintained the stable outlook.

*2nd place in the "Good Practices for a More Sustainable Electric Future" Contest*

The Association of Generators of Chile that represents the generation companies that together produce more than 90% of the country's electricity, recognized Enel Generación Chile for its "Maule Basin Water Management Program, designed to improve the production conditions for farmers by optimizing the use of water using new irrigation technology. This project was developed with the Irrigation Technology and Agroclimatology Research Center of the Universidad de Talca and the San Clemente and San Rafael Municipalities and has installed 6 trial units that have allowed saving nearly 50% of water use.

## MAY

*Court of Appeals of Concepción ratified its decision to lift the order to close Bocamina's landfill of ashes*

The Mayor of Coronel, Mr. Boris Chamorro instructed the closure of the ash landfill on April 25. Enel Generación Chile filed a petition before the Court of Appeals of Concepción on April 26 against the Municipality for being an arbitrary act. The court of appeals responded on April 30 rejecting the closure of the landfill.

*Enel Generación Chile joins the celebration of the Cultural Heritage Day and opens Central Hidroeléctrica Los Molles to the public.*

Enel Generación Chile celebrated the Cultural Heritage Day for the first time and opened the power plant Los Molles to guided tours for the neighboring community to learn about the operations of one of the first and most important hydroelectric power plant in the country. The purpose of this activity was to appreciate the value of the history of electricity in Chile and more importantly, the contribution of Chilean workers to electricity generation in the country.

## JUNE

*National Decarbonization Agreement*

Enel Generación Chile participated in the National Decarbonization Agreement promoted by the Government and led by the Ministry of Energy. Enel Generación Chile committed to close three coal fired plants in Chile: Central Tarapacá, Bocamina 1 and Bocamina 2. The agreement states that Central Tarapacá must close by May 31, 2020, Bocamina 1 must close by December 31, 2023 and Bocamina 2 at the latest December 31, 2040.

## JULY

### *Enel Generación Chile and Anglo American sign a renewable energy contract*

A new step in promoting diversification and transitioning towards a 100% renewable electricity matrix. Enel Generación Chile signed a contract with Anglo American to provide electricity for all the company's mining operations with up to 3 TWh/year of 100% renewable energy fueled electricity, the largest 100% renewable energy contract of its type in Chile.

### *The CNE authorizes early retirement of Central Tarapacá*

Within the framework of the National Decarbonization Plan announced by the government in June, the CNE authorized GasAtacama Chile, subsidiary of Enel Generación Chile, to retire Central Tarapacá (158 MW) on December 31, 2019. This milestone was initially scheduled to take place in May 2020, but the Company formally requested to do it sooner.

### *Feller Rate confirmed rating of Enel Generación Chile*

The risk rating agency Feller Rate ratified the "AA" local rating of Enel Generación Chile, with a stable outlook.

### *Court of Appeals of Concepción declares the closure of Bocamina's ash landfill illegal*

The court upheld the petition filed by Enel Generación Chile on April 26 against the Mayor of Coronel, Mr. Boris Chamorro, for ordering the closure of the ash landfill. The Court also ruled that the judicial costs be paid by the Coronel Municipality.

## AUGUST

### *Enel Generación Chile provides Pehuenche Cooperative a space to process agricultural products*

The Company is continuously fostering community relations in the territories in which it operates. Within this context, Enel Generación Chile and Sercotec Araucanía inaugurated an agricultural product processing space for the Pehuenche Cooperative, We Kimun. This space, built by Enel Generación Chile and equipped by Sercotec Araucanía, will allow the Cooperative to offer value added products at double the sales price, initially in the Araucanía region, and the possibility to expand to other regions of the country in the future. The Pehuen Mapu community, Enel Generación Chile and Sercotec Araucanía worked together on this project that took three months to implement.

### *Enel Chile and subsidiaries, including Enel Generación Chile received the "Generación Empresarial - Diario Financiero" Award for their commitment to ethics and transparency*

The companies that belong to the Group in Chile were recognized by the foundation Fundación Generación Empresarial and the newspaper Diario Financiero with this award for systematically promoting corporate compliance ethics and best practices, both internally and externally. The companies received one of the three highest ratings among the 49 participants. The companies' formal tools and documents as well as their ethics and transparency culture were evaluated.

## SEPTEMBER

### *Enel Generación Chile announces New Chief Executive Officer*

The Board of Directors of Enel Generación Chile accepted the resignation presented by Valter Moro as Chief Executive Officer of the Company to come into effect on October 1, 2019. Mr. Michele Siciliano, the Company's Thermal Generation Officer, was appointed as the Company's new CEO as of October 1, 2019.

### *Copa Enel 2019 kicks off with Cobreloa- Colo Colo game*

The 19th version of Chile's most important Children's soccer tournament was played, for the first time, in the city of Calama, Antofagasta region. The Company has therefore added a fourth city and region (Antofagasta, Metropolitan, Maule, Bio-Bio) to the tournament in its constant effort to support Chilean sports. The event was celebrated with a friendly game played by legendary players of Cobreloa and Colo Colo and was hosted by Ivan Zamorano, famous former captain of Chile's soccer team and ambassador of Copa Enel since it was launched in 2001.

## OCTOBER

### *Standard & Poor's maintains Enel Generación Chile's international rating*

The risk rating agency Standard & Poor's ratified Enel Generación Chile's international "BBB+" rating with a stable outlook.

## NOVEMBER

### *Contract signed with mining company BHP Billiton*

Enel Generación Chile signed an agreement to begin supply in 2021 of 3 TWh/year of 100% renewable energy to BHP Billiton allowing this mining company to have an entirely green electricity supply matrix. This agreement is also proof of the efforts made by Enel Generación Chile to promote the country's transition from a traditional energy matrix to a renewable based matrix.

## DECEMBER

### *Retirement of Central Tarapacá*

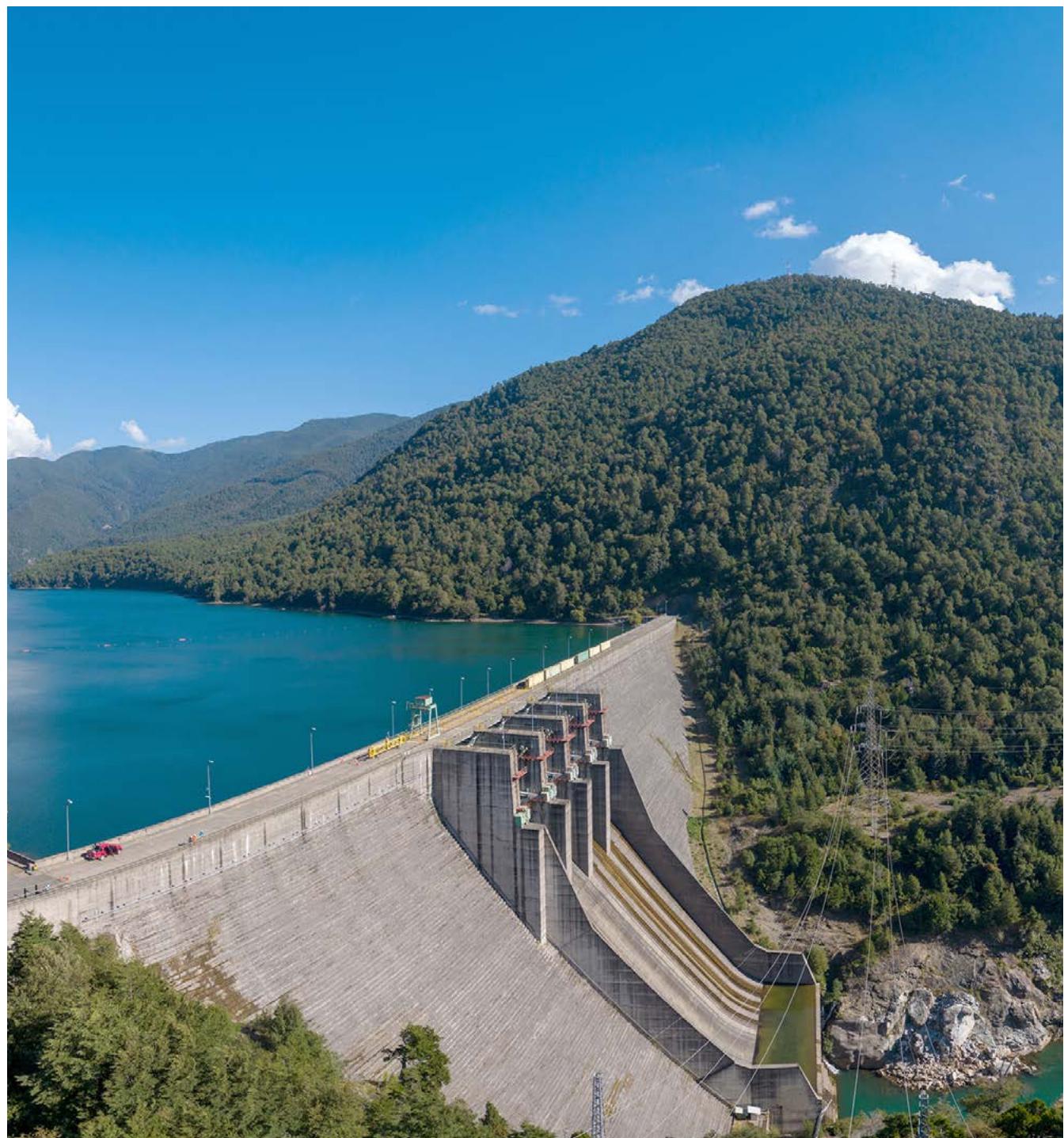
Enel Generación Chile requested the authority's permission to retire Central Tarapacá sooner than originally scheduled. This permission was granted so that, Central Tarapacá disconnected and shutdown operations on December 31, 2019, initially scheduled to take place in May 2020.



## **04. MAIN FINANCIAL AND OPERATIONAL DATA**

04. Main financial and operational data

# Main financial and operational data



	2015(1)(4)	2016	2017	2018	2019
<b>Total Assets</b>	<b>7,278,770</b>	<b>3,399,682</b>	<b>3,554,462</b>	<b>3,669,228</b>	<b>3,587,199</b>
<b>Total Liabilities</b>	<b>3,733,076</b>	<b>1,669,922</b>	<b>1,565,448</b>	<b>1,671,737</b>	<b>1,613,344</b>
Operating Revenue	2,846,926	1,659,727	1,634,937	1,521,054	1,638,374
<b>EBITDA</b>	<b>1,191,661</b>	<b>594,772</b>	<b>581,142</b>	<b>582,250</b>	<b>669,743</b>
Net Income (2)	392,868	472,558	418,454	309,029	196,343
Current Ratio	0.68	0.98	1.22	1.13	1.21
Debt Ratio (3)	1.05	0.96	0.79	0.84	0.82

- (1) Since 2009, the financial statements have been prepared according to the International Financial Reporting Standards (IFRS), also restating the Company's 2008 financial statements under the new accounting standards. Because of this change in accounting standards, jointly controlled companies in which Enel Generación Chile has a shareholding became consolidated in the same proportion as the equity held by Enel Generación Chile. Therefore, as of 2008, these companies are included according to their percentage share of capacity, generation, energy sales, and employees.
- (2) As of 2008, this corresponds to earnings attributable to the controlling shareholder
- (3) Total liabilities/(equity + minority interest).
- (4) Figures include discontinued activities due to the division of Enel Generación Chile (former Endesa Chile) approved by the Extraordinary Shareholders Meeting held December 18, 2015.

	As of December 31, of each year				
	2015	2016	2017	2018	2019
Number of employees	1,001	883	848	767	<b>710</b>
Number of Generation units	111	111	111	111	<b>110</b>
Installed capacity (MW)	6,351	6,351	6,351	6,274	<b>6,114</b>
Electricity generation (GWh)	18,294	17,564	17,073	17,373	<b>17,548</b>
Electricity Sales (GWh)	23,558	23,689	23,356	23,343	<b>22,232</b>



## **05. IDENTIFICATION OF THE COMPANY**

# Identification of the Company

Name	Enel Generación Chile S.A.
Address	Santiago, although able to establish branches or agencies in other parts of the country or abroad
Company Type	Publicly Traded Company
Tax ID	91,081,000-6
Address	76 Santa Rosa St., Santiago, Chile
Zip Code	833-0099 SANTIAGO
Telephone	(56) 22630 9000
P.O. Box	1392, Santiago
Securities Registration Number	N° 0114
External Auditors	KPMG Auditores Consultores Ltda.
Subscribed and paid-in capital (ThCh\$)	\$552,777,321
Website	<a href="http://www.enel.cl">www.enel.cl</a> , <a href="http://www.enelgeneracion.cl">www.enelgeneracion.cl</a>
Email	<a href="mailto:comunicacion.enelgeneracionchile@enel.com">comunicacion.enelgeneracionchile@enel.com</a>
Investor Relations Telephone	(56) 22353 4682
Ticker in Chilean stock exchanges	ENELGXCH
Ticker in the United States of America (*)	EOCCY
Custodial Bank ADS's	Banco Santander Chile
Depositary Bank ADS's	Citibank, N.A.
Domestic Risk Rating Agency	Feller Rate, Fitch Chile Clasificadora de Riesgo Limitada
International Risk Rating Agency	Fitch Ratings, Moody's y Standard & Poor's

(\*) The Board of Directors meeting of Enel Generación Chile held December 19, 2018, unanimously approved to request delisting from the New York Stock Exchange ("NYSE") of the United States of America. On December 28, 2018, the ADS traded on the NYSE for the last time. As of December 31, 2018, they only trade on the Over-The-Counter (OTC) market in the United States of America with the new ticker EOCCY.

# Documents of incorporation

Enel Generación Chile S.A. was incorporated as Empresa Nacional de Electricidad S.A. by public deed dated December 1, 1943 before the Santiago notary public, Luciano Hiriart Corvalán.

By Ministry of Finance Supreme Decree 97 dated January 3, 1944, the Company's existence and bylaws were approved. Bylaws state the Company's object to be the production, transportation, and distribution of electricity and, in particular, to carry out the country's Electrification Plan approved by CORFO's Council in its session 215 held March 24, 1943.

The abstract of the public deed and the decree mentioned above were published together in the Official Gazette on January 13, 1944 and registered in Santiago's Register of Commerce on page 61 N° 62 and page 65 N°63, respectively, dated January 17, 1944.

Its legal existence was declared by Supreme Decree of the Ministry of Finance 1,226, on February 23, 1945, published in the Official Gazette on March 6, 1945 and registered in the Santiago's Register of Commerce on pages 727 N° 532, on March 16, 1945.

The Company's bylaws have experienced numerous amendments. Noteworthy among them is that of 1980, which eliminated the objective to execute the country's Electrification Plan. This responsibility was reassigned by Law to the National Energy Commission (CNE in its Spanish acronym). The bylaw's amendment in 1982, which adjusted them to Law 18,046, standards of Decree Law 3,500 of 1980, allowing funds managed by the Pension Funds Administrators (AFP in its Spanish acronym) to be invested in securities issued by the Company, and the 1988 amendment, which expanded the Company's object to include consultancy services.

The amendment of 1992 expanded the Company's business object, allowing it to invest in financial assets, to develop projects and carry out operations in the energy field and other fields in which electricity is essential, and to participate in public works infrastructure concessions in civil or hydraulic areas, either directly or through subsidiaries or associate companies, both in Chile and abroad. The 1994 amendment increased its capital, so that, part of it could be placed in international markets through the ADS mechanism and adapted the bylaws to the new provisions introduced by Law 19,301 to Decree Law 3,500 of 1980, which allowed, among other adjustments, an increase in maximum share concentration to 26%. The 1995 amendment modified the company's arbitration system to allow the disputes among shareholders or between them and the Company or its managers to be settled, alternatively, through arbitration or ordinary courts of law. The 1999 amendment allowed an increase of the maximum percentage of share concentration to 65% of the capital with voting rights of the Company. The 2006 amendment added a new section title to the bylaws, the "Directors' Committee and Audit Committee", to give statutory consideration to a number of regulations related both to the Director's Committee, as referred to in Law 18,046, and to the Audit Committee, created by the Board of Directors, to comply with the provisions of the United States' Sarbanes-Oxley Act, to which the Company is subject, since it has ADSs and bonds registered in that market. The 2007 amendment modified permanent Article 5° and transitory Article 1° of the bylaws to reflect the Company's current capital and how it has been subscribed and paid. In 2008 the Company amended clause 3° and 4° of Article 44, adapting them to Article 75 of the Chilean Corporations Act to replace the Board of Directors' obligation to forward a copy of the Balance Sheet and Annual Report, no later than the date of the first publication of summons to an Ordinary Shareholders' Meeting, to each shareholder registered in the respective Shareholders' Register, as well as its obligation to forward them a copy of the financial statements whenever amended by the Shareholder's Meeting, within the following 15 days, with the obligation, in both cases, of making the referred documents available to such shareholders on the occasions indicated above. The 2010 amendment modified: (a) several articles of the bylaws in order to tailor some of them, to the Chilean Corporations Act and the Securities Market Law, which

were amended by Law 20,382 concerning the improvement of corporate governance, as well as others, to the rules and regulations of the Chilean Corporations Act; and (b) Chapter IV of the bylaws, "Directors' Committee and Audit Committee," in order to merge both committees, thereby reflecting the changes and independence requirements introduced into Article 50 bis of the Chilean Corporations Act, by the above-referred Law 20,382.

Later, the Extraordinary Shareholders' Meeting held on December 18, 2015, agreed to modify the Company within the framework of a corporate Reorganization of the Group. The Extraordinary Shareholders' Meeting approved dividing the Company and creating a new company, Endesa Américas S.A. Then, approved transferring all assets and liabilities of Endesa Chile outside Chile to this new company and maintain in Endesa Chile all assets and liabilities associated with the business in Chile. The aforementioned division was subject to complying with the condition precedent stating that the minutes of the Extraordinary Shareholders' Meeting in which the divisions of Enersis and Chilectra had been approved be duly registered as public deeds, and their corresponding extracts be duly and timely registered and published as determined by law. Also, as stated by Article 5 with regard to Article 148, both from the Rules and Regulations of the Chilean Corporations Act 18,046, the agreement stipulated that the Division must be effective as of the first calendar day of the month after the deed regarding Compliance with Conditions Precedent to the Division of Endesa Chile was issued. The deed was subscribed on January 29, 2016, before the Notary Public Víctor Olguín Peña, and was written to the side on the Company's registration document filed in Santiago's Register of Commerce.

The Extraordinary Shareholders Meeting held on October 4, 2016 modified the Company bylaws once again, changing the name of the Company to Enel Generación Chile S.A. The amendment was duly recorded and written to the side on the Company's registration document filed in Santiago's Register of Commerce. The Extraordinary Shareholders Meeting held on April 25, 2017 modified several articles of the Company bylaws to update its provisions.

A new amendment was approved by the Extraordinary Shareholders Meeting held December 20, 2017 that eliminated Articles 1bis, 5bis, 16 bis, 20 bis, 35 bis, 36 bis, 40 bis, 42 bis, 43 bis and 45 bis to eliminate all limitations and restrictions established in Title XII of D.L. 3500/1980. This bylaw amendment is subject to the success of the 2018 Public Tender Offer (PTO) by Enel Chile to purchase the shares of Enel Generación Chile S.A. as a suspensive condition.

Finally, the following amendments to the Company's bylaws were approved in the Ordinary Shareholders' Meeting held April 24, 2018: approve the amendment to article 4 of the bylaws eliminating the last paragraph "in Chile or abroad"; approve the amendment to article 7 of the bylaws reducing the number of directors from 9 to 5. This amendment to article 7 became effective on April 26, when the Ordinary Shareholders' Meeting of Enel Generación Chile took place. Article 24 of the bylaws was also repealed and became effective on April 26, when the Ordinary Shareholders' Meeting of Enel Generación Chile took place.

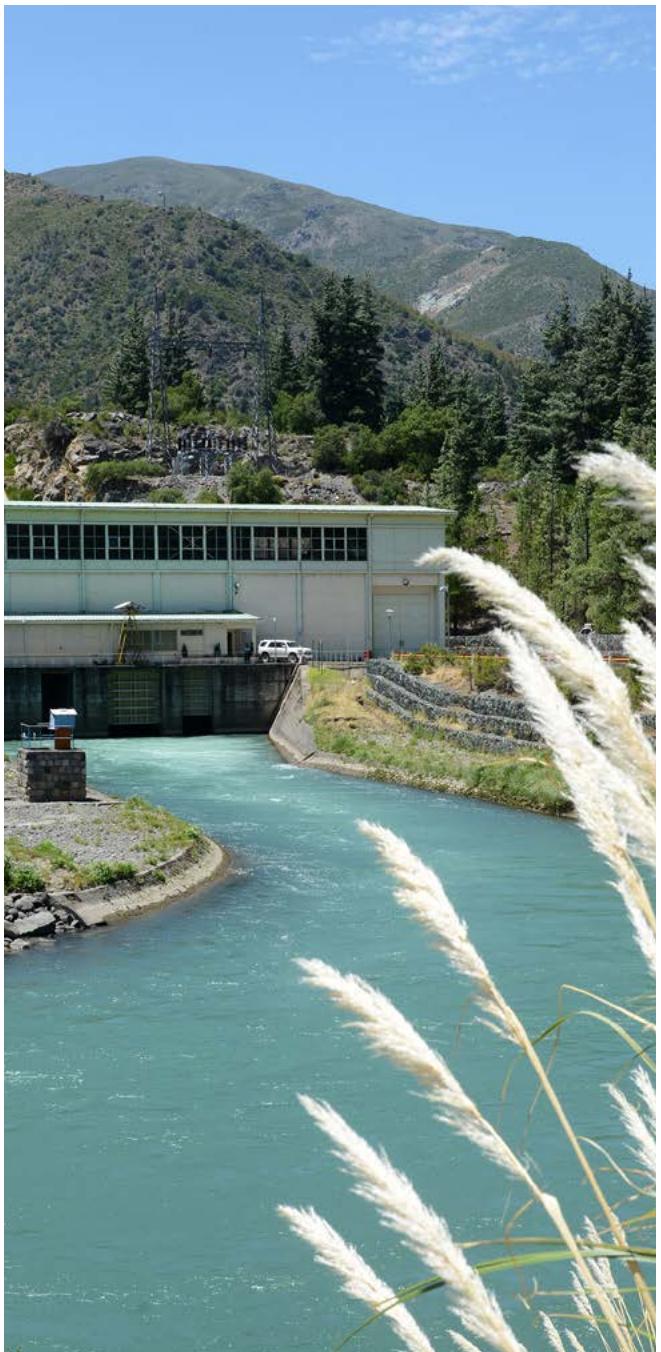
# Corporate purpose

The Company's main purpose is to exploit the production, transportation, distribution and supply of electricity, for which it may obtain, acquire, and make use of the respective concessions and rights.

The Company also provides consulting services in all areas and fields related to engineering and company management; acquire, design, build, maintain and develop civil or hydraulic infrastructure works, related directly to public works concessions; exploit the goods that comprise its assets; invest, develop projects and carry out operations or activities in the energy sector, and other activities or products directly related to energy; invest, develop projects and carry out operations or activities in industrial projects and processes where electricity is essential, determinant and used intensively.

The Company may also invest in, acquire, manage and sell property, financial assets, instruments or securities, rights in companies and commercial documents in general, provided they are related to its purpose.

In complying with its purpose, the Company is entitled to operate directly or through its subsidiaries or associates.





## **06.** OWNERSHIP AND CONTROL

06. Ownership and control

# Ownership structure

As of December 31, 2019, the total share capital of the Company was 8,201,754,580 shares, subscribed and paid, and held by 13,705 shareholders.

Shareholder	Number of shares	Shareholding
Name		
Enel Chile S.A.	7,672,584,961	93.55%
Stockbrokers, insurance companies & mutual funds	199,416,848	2.43%
Foreign Investment Funds	48,071,387	0.59%
Citibank N.A. per SVS Letter 1,375 (ADS's) (*)	27,039,390	0.33%
Pension Funds	204,475	0.00%
Other 13,650 shareholders	254,437,519	3.10%
<b>TOTAL (13,705 shareholders)</b>	<b>8,201,754,580</b>	<b>100.00%</b>

(\*) SVS, Superintendence of Securities and Insurance, today the Financial Market Commission "CMF", in its Spanish acronym.

## Identification of the controlling shareholder

Enel Chile is the controlling shareholder of Enel Generación Chile, holding a 93.55% direct shareholding and does not have an agreement with other shareholders.

# Enel Chile Shareholders at December 31, 2019

## Shareholder

Name	Taxpayer ID	Number of Shares	% Shares
Enel SpA	59,243,980-8	42,832,058,392	61.93%
Citibank N.A. per S.V.S. letter 1,375 (ADS's)	59,135,290-3	2,714,732,273	3.92%
Banco Itaú Corpbanca on behalf of foreign investors	97,023,000-9	2,612,670,297	3.78%
Banco Santander on behalf of foreign investors	97,036,000-K	2,398,326,103	3.47%
Banco de Chile on behalf of non-residents	97,004,000-5	2,226,587,203	3.22%
AFP Habitat S.A. Pension Fund C	98,000,100-8	1,606,075,838	2.32%
AFP Provida S.A. Pension Fund C	76,265,736-8	1,435,599,052	2.08%
AFP Cuprum S.A. Pension Fund C	76,240,079-0	974,696,344	1.41%
AFP Capital S.A. Pension Fund C	98,000,000-1	876,068,794	1.27%
Banchile Corredores de Bolsa S.A.	96,571,220-8	713,463,345	1.03%
AFP Habitat S.A. Pension Fund B	98,000,100-8	549,131,351	0.79%
AFP Habitat S.A. Pension Fund A	98,000,100-8	534,474,273	0.77%
<b>Subtotal 12 shareholders</b>		<b>59,473,883,265</b>	<b>85.99%</b>
Other 6,181 shareholders		9,692,673,955	14.01%
<b>TOTAL 6,193 SHAREHOLDERS</b>		<b>69,166,557,220</b>	<b>100.00%</b>

## The Company's twelve largest shareholders

## Shareholder

Name	Taxpayer ID	Number of Shares	% Shares
Enel Chile S.A. (1)	76,536,353-5	7,672,584,961	93.55%
Larraín Vial Corredores De Bolsa S.A.	80,537,000-9	76,824,688	0.94%
Banchile Corredores de Bolsa S.A.	96,571,220-8	27,356,234	0.33%
Citibank N.A. per S.V.S. letter 1,375	59,135,290-3	27,039,390	0.33%
Banco de Chile on behalf of Citi N.A. Hong Kong Cli	97,004,000-5	12,331,949	0.15%
MBI Corredores de Bolsa S.A.	96,921,130-0	11,732,928	0.14%
Banco de Chile on behalf of Citi N.A. New York Clie	97,004,000-5	11,584,000	0.14%
EMF Retorno Absoluto FIP	76,048,255-2	10,178,975	0.12%
Santander Corredores de Bolsa Limitada	96,683,200-2	10,064,133	0.12%
Fondo de Inversión Privado MBI Renta Fija Plus	76,052,365-8	9,999,620	0.12%
Banco Santander on behalf of foreign investors	97,036,000-K	9,570,327	0.12%
Inversiones Orengo S.A.	90,170,000-1	9,286,405	0.11%
<b>Subtotal 12 shareholders</b>		<b>7,888,553,610</b>	
Others		313,200,970	3.82%
<b>Total</b>		<b>8,201,754,580</b>	<b>100.00%</b>

(1) Enel Chile S.A. is controlled by Enel SpA., holding 61.93% of ownership, excluding own shares issued.

# Most important changes in ownership share

The most important changes in the ownership of Enel Generación Chile between 2018 and 2019 are the following:

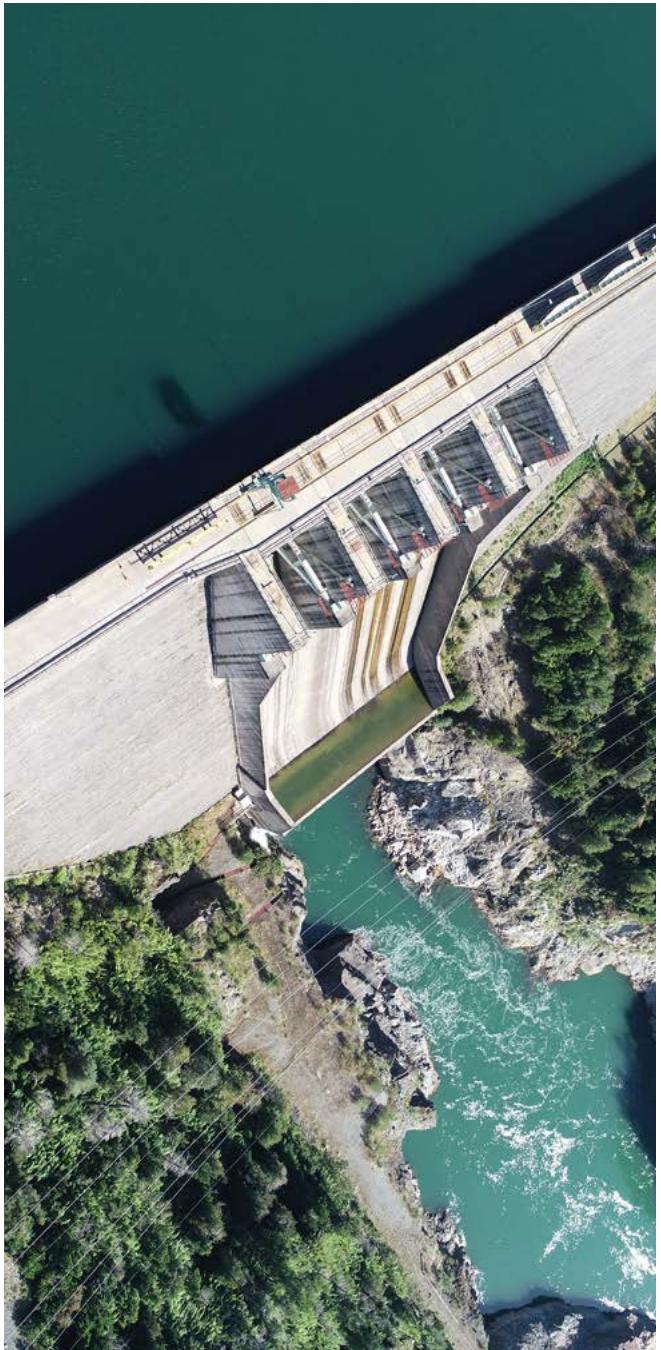
Name	Taxpayer ID	Number of Shares 12/31/2018	Number of Shares 12/31/2019	Variation
Larraín Vial S.A. Corredora de Bolsa	80,537,000-9	79,498,882	76,824,688	-0.0003
Citibank N.A. per C.M.F. letter 1,375	59,135,290-3	48,627,660	27,039,390	-0.0026
Banchile Corredores de Bolsa S.A.	96,571,220-8	24,387,098	27,356,234	0.0004
Banco Chile on behalf of foreign investors	97,004,000-5	20,494,229	6,661,595	-0.0017
Itaú Corpbanca Corredores de Bolsa S.A.	96,665,450-3	5,547,451	3,094,640	-0.0003
Banco Santander on behalf of foreign investors	97,036,000-K	3,630,696	9,570,327	0.0007
Larraín Vial Mutual Fund Enfoque	96,955,500-K	3,439,479	295,260	-0.0004
BTG Pactual Chile S.A. Corredores de Bolsa	84,177,300-4	3,021,759	7,458,364	0.0005
Chilean Electronic Stock Exchange	96,551,730-8	901,450	5,287,302	0.0005
Banco de Chile on behalf of Citi N.A. Hong Kong Cli	97,004,000-5	0	12,331,949	0.0015
Banco de Chile on behalf of Citi N.A. New York Clie	97,004,000-5	0	11,584,000	0.0014
BTG Pactual Chile Mutual Fund Acción	96,966,250-7	0	6,375,082	0.0008

# Stock transactions among related parties during 2019

There were no transactions of shares involving Directors or Senior Executives during 2019

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

The Company received no comments regarding the progress of corporate businesses between January 1 and December 31, 2019, from the majority shareholders or groups of shareholders accounting for 10% or more of the shares issued with voting rights, in accordance with the provisions of Article 74 of Law 18,046 and Article 136 of the Rules and Regulations to the Chilean Corporations Act, nor from the Directors' Committee, notwithstanding what is mentioned in the Committee's report that is included in this report.





## **07. MANAGEMENT**

# C

## CHAIRMAN

### **Giuseppe Conti**

Lawyer

Universidad degli Studi di Messina

Passport: YA3320684

Since 04.27.2016

# D

## DIRECTORS

### **Francesco Giorgianni**

Lawyer

Universidad de Roma La Sapienza

Tax ID.: 24,852,388-3

From 04.27.2016 to 04.26.2019

### **Julio Pellegrini Vial**

Lawyer

Universidad Católica de Chile

Master's in Law

University of Chicago, United States

Tax ID.: 12,241,361-6

Since 04.27.2016

### **María Soledad Arellano Schmidt**

Commercial Engineer major in Economics

Pontificia Universidad Católica de Chile

Master's in Economics

Pontificia Universidad Católica de Chile

Doctorate in Economics, MIT

Tax ID.: 10,745,775-5

Since 01.25.2019

### **Hernán Cheyre**

Commercial Engineer

Pontificia Universidad Católica de Chile

Master's in Economics

University of Chicago

Specialization in Finance and Economic

Development

Tax ID.: 6,375,408-0

From 04.24.2018 to 04.26.2019

### **Fabrizio Barderi**

Electronic Engineer

Università Di Pisa

Master's in Economics and Energy &

Environment Management

Scuola Superior Enrico Mattei

Passport: YA7104825

Since 08.28.2017

### **Luca Noviello**

Mechanical Engineer

Università degli Studi di Roma La Sapienza

Master's in Economics and Energy Resource

Management

LUISS Scuola di Management

AIEE Associazione Italiana Economisti dell'Energia

Passport: YA6877260

From 04.27.2016 to 04.26.2019

### **Cristiano Bussi**

Chemical Engineer

Universidad de Pisa, Italia

Passport: YA2326668

Since 11.29.2018

### **Antonio Scala**

Business Administration Rome-Italy

Passport: YA8230634

From 04.27.2018 to 04.26.2019

Until April 2019, Enel Generación Chile was managed by a Board of Directors comprised of 9 members. Since April 26, 2019, Enel Generación Chile is managed by a Board of Directors comprised of 5 members, appointed in the Shareholders Meeting for a three-year term and may be reelected. The Board of Directors is comprised of the following individuals:

Giuseppe Conti

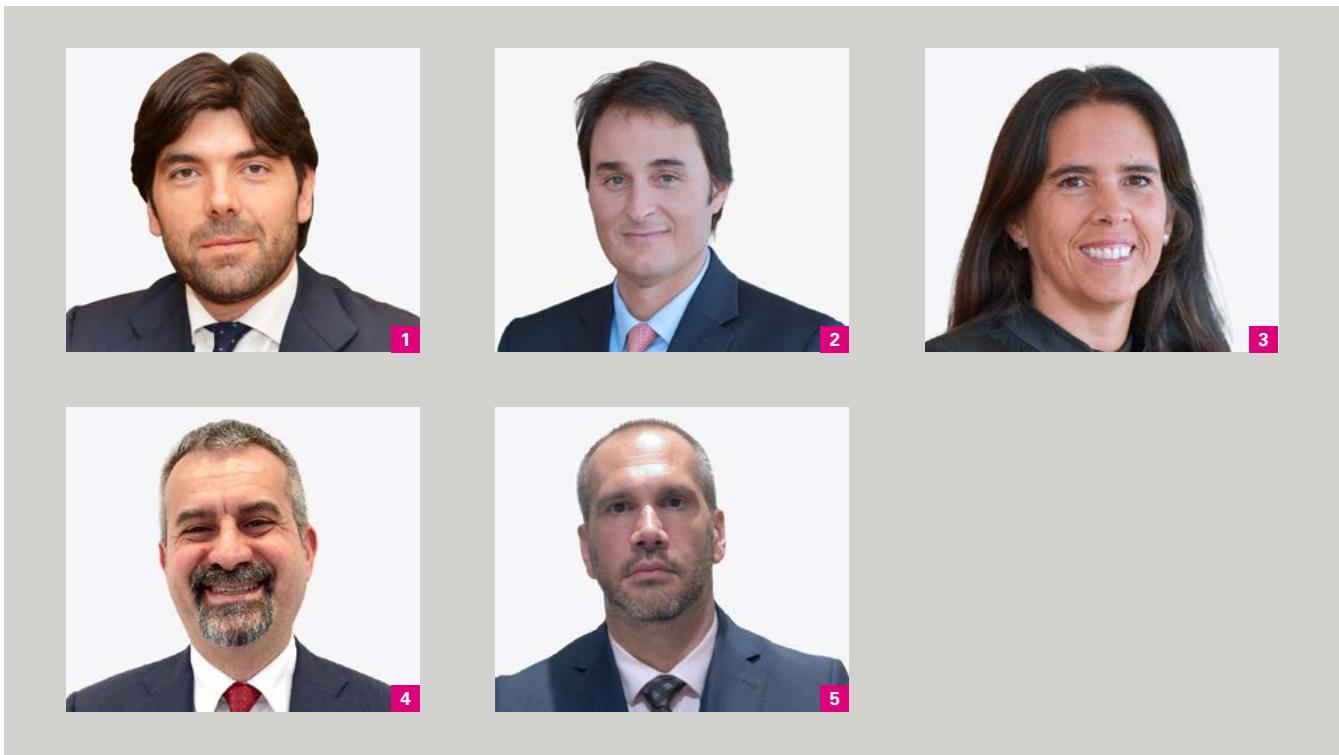
María Soledad Arellano Schmidt

Cristiano Bussi

Julio Pellegrini Vial

Fabrizio Barderi

# Board of Directors



## 1. CHAIRMAN

**Giuseppe Conti**  
Lawyer  
Universidad degli Studi di Messina  
Passport: YA3320684  
Since 04.27.2016

## DIRECTOR

**Francesco Giorgianni**  
Lawyer  
Universidad de Roma La Sapienza  
Tax ID.: 24,852,388-3  
From 04.27.2016 to 04.26.2019

## 2. DIRECTOR

**Julio Pellegrini Vial**  
Lawyer  
Universidad Católica de Chile  
Master's in Law  
University of Chicago, United States  
Tax ID.: 12,241,361-6  
Since 04.27.2016

## 3. DIRECTOR

**María Soledad Arellano Schmidt**  
Commercial Engineer major in Economics  
Pontificia Universidad Católica de Chile  
Master's in Economics  
Pontificia Universidad Católica de Chile  
Doctorate in Economics, MIT  
Tax ID.: 10,745,775-5  
Since 01.25.2019

## DIRECTOR

**Hernán Cheyre**  
Commercial Engineer  
Pontificia Universidad Católica de Chile  
Master's in Economics  
University of Chicago  
Specialization in Finance and Economic  
Development  
Tax ID.: 6,375,408-0  
From 04.24.2018 to 04.26.2019

## 4. DIRECTOR

**Fabrizio Barderi**  
Electronic Engineer  
Università Di Pisa  
Master's in Economics and Energy &  
Environment Management  
Scuola Superior Enrico Mattei  
Passport: YA7104825  
Since 08.28.2017

## DIRECTOR

**Luca Noviello**  
Mechanical Engineer  
Università degli Studi di Roma La Sapienza  
Master's in Economics and Energy Resource  
Management  
LUISS Scuola di Management  
AIEE Associazione Italiana Economisti  
dell'Energia  
Passport: YA6877260  
From 04.27.2016 to 04.26.2019

## 5. DIRECTOR

**Cristiano Bussi**  
Chemical Engineer  
Universidad de Pisa, Italia  
Passport: YA2326668  
Since 11.29.2018

## DIRECTOR

**Antonio Scala**  
Business Administration Rome-Italy  
Passport: YA8230634  
From 04.27.2018 to 04.26.2019

Until April 2019, Enel Generación Chile was managed by a Board of Directors comprised of 9 members. Since April 26, 2019, Enel Generación Chile is managed by a Board of Directors comprised of 5 members, appointed in the Shareholders Meeting for a three-year term and may be reelected. The Board of Directors is comprised of the following individuals:

Giuseppe Conti, María Soledad Arellano Schmidt, Cristiano Bussi, Julio Pellegrini Vial and Fabrizio Barderi

In the event of death, resignation, bankruptcy, incompatibilities or limitations or other impossibility preventing directors from performing their duties or force them to cease them, the Board must be totally renewed at the next ordinary shareholders' meeting, and the Board may appoint a substitute in the interim.

Over the last two years the following individuals were also Directors of Enel Generación Chile:

**Francesco Giorgianni**  
Lawyer  
Universidad de Roma La Sapienza  
Tax ID.: 24,852,388-3  
From 04.27.2016 to 04.26.2019

**Hernán Cheyre**  
Commercial Engineer  
Pontificia Universidad Católica de Chile  
Master's in Economics  
University of Chicago  
Specialization in Finance and Economic Development  
Tax ID.: 6,375,408-0  
From 04.24.2018 to 04.26.2019

**Luca Noviello**  
Mechanical Engineer  
Università degli Studi di Roma La Sapienza  
Master's in Economics and Energy Resource Management  
LUISS Scuola di Management  
AIEE Associazione Italiana Economisti dell'Energia  
Passport: YA6877260  
From 04.27.2016 to 04.26.2019

**Antonio Scala**  
Business Administration Rome-Italy  
Passport: YA8230634  
From 04.27.2018 to 04.26.2019

## Board of Directors and Directors' Committee compensation

According to Article 50 bis of the Chilean Corporations Act, the Ordinary Shareholders' Meeting must establish the compensation of the Board of Directors and the Director's Committee.

The total compensation expense during 2019 amounted to Ch\$ 204 million, and it is detailed in the following table. The Board of Directors did not make additional expenses on consulting services. The Company does not have an incentive plan for its Board of Directors.

## Directors' compensation received in 2019 (thousands of pesos)

The total compensation expense during 2019 amounted to Ch\$ 204 million, and it is detailed in the following table.

Board Member Name	Position	Fixed Compensation	Ordinary and Extraordinary Sessions	Committee's Fixed Compensation	Directors Committee	Total 2019 (thCh\$)
Giuseppe Conti (1)	Chairman	-	-	-	-	-
Francesco Giorgianni (1)	Director	-	-	-	-	-
Luca Noviello (1)	Director	-	-	-	-	-
Hernán Cheyre	Director	18,532	\$ 8,880	\$ 7,110		\$ 34,522
Julio Pellegrini Vial	Director	\$ 52,141	\$ 26,511	\$ 4,795	\$ 2,315	\$ 85,763
María Soledad Arellano	Director	52,141	\$ 26,511	\$ 3,197	\$ 1,543	\$ 83,393
<b>Total</b>		<b>\$ 122,814</b>	<b>\$ 61,903</b>	<b>15,103</b>	<b>\$ 3,859</b>	<b>\$ 203,678</b>

(1) Giuseppe Conti, Francesco Giorgianni, Luca Noviello, Cristiano Bussi and Antonio Scala waived their fees and allowances as Directors of the Company.

# Directors' Compensation received in 2018 (thousands of pesos)

The total compensation expense during 2018 amounted to Ch\$ 343 million and is detailed in the following table.

Board Member Name	Position	Fixed Compensation	Ordinary and Extraordinary Sessions	Committee's Fixed Compensation	Directors Committee	Total 2018 (miles pesos)
Giuseppe Conti (1)	Presidente	-	-	-	-	-
Francesco Giorgianni (1)	Director	-	-	-	-	-
Francesco Buresti (1)	Director	-	-	-	-	-
Mauro Di Carlo (1)	Director	-	-	-	-	-
Umberto Magrini (1)	Director	-	-	-	-	-
Luca Noviello (1)	Director	-	-	-	-	-
Enrique Cibié Bluth	Director	\$ 14,043	\$ 9,038	\$ 4,681	\$ 2,259	\$ 30,021
Hernán Cheyre	Director	\$42,724	\$25,189	\$14,241	\$8,396	\$90,550
Jorge Atton Palma	Director	\$ 47,181	\$ 29,600	\$ 15,727	\$ 9,113	\$ 101,621
Julio Pellegrini Vial	Director	\$ 56,767	\$ 34,228	\$ 18,922	\$ 10,656	\$ 120,573
<b>Total</b>		<b>\$ 160,715</b>	<b>\$ 98,065</b>	<b>\$ 53,571</b>	<b>\$ 30,424</b>	<b>\$ 342,765</b>

(1) Giuseppe Conti, Francesco Giorgianni, Francesco Buresti, Mauro Di Carlo, Umberto Magrini, Luca Noviello, Cristiano Bussi and Antonio Scala waived their fees and allowances as Directors of the Company.

## Incentive plans

The Company has no incentive plans for the members of the Board of Directors.

## Consulting expenses

The Board of Directors did not spend on consulting services in 2019.

## Diversity in the Board of Directors

### Number of people by gender

	Enel Generación Chile
Female	1
Male	4
<b>Total</b>	<b>5</b>

## Number of people by nationality

Enel Generación Chile	
Italian	3
Chilean	2
Total	5

## Número de personas por rango de edad

Enel Generación Chile	
Between 41 and 50 years	5
Between 51 and 60 years	0
Between 61 and 70 years	0
Total	5

## Number of people by years of service

Enel Generación Chile	
Less than 3 years	3
Between 3 and 6 years	2
Total	5

# Enel Generación Chile Ownership

As of December 31, 2019, according to the shareholder's register, none of the Directors in office had an ownership share of the Company.

## Directors' Committee

At the Extraordinary Board Meeting of Enel Generación Chile held on April 24, 2018, Julio Pellegrini Vial, Jorge Atton Palma and Hernán Cheyre Valenzuela were elected members of the Directors' Committee. Mr. Hernán Cheyre Valenzuela was elected financial expert, as determined by the Sarbanes-Oxley Act of the United States of America.

On November 21, 2018, Mr. Jorge Atton Palma resigned to the Board and Directors' Committee. On January 25, 2019 the Board of Directors elected María Soledad Arellano Schmidt in his replacement.

Conforming with the Chilean Corporations Act, all members of the Directors' Committee are independent Board members.

The Directors' committee ceased operations as of the date of the shareholders' meeting held in April, 2019, in accordance to the Company bylaws, amended in April 2018.

# Directors' Committee Annual Report

In accordance with Article 50 bis of the Chilean Corporations Act, amended by Law 20,382 published in the Official Gazette on October 20, 2009, the following Report discloses the activities carried out by the Directors' Committee of Enel Generación Chile S.A. and their expenses for the year 2019, through March 28, 2019.

Formation of the Committee. At the Ordinary Board of Directors' meeting of Enel Generación Chile S.A held on April 24, 2018, Jorge Atton Palma, Hernán Cheyre Valenzuela, and Julio

Pellegrini Vial were appointed as members of the Directors' Committee of the Company. Jorge Atton Palma was elected Chairman of the Committee and Hernán Cheyre Valenzuela was elected financial expert under the Sarbanes-Oxley Act of the United States of America. On November 21, 2018, Mr. Jorge Atton Palma resigned as director and Chairman of the Company's Directors' Committee. In the Directors' Committee meeting held November 29, 2018, Mr. Hernán Cheyre Valenzuela was appointed to replace Mr. Jorge Atton Palma as Chairman. On January 25, 2019, the Board of Directors appointed María Soledad Arellano Schmidt as independent member of the Directors' Committee of Enel Generación Chile S.A.

The members of the Directors' Committee are all independent Board members, as defined by the Chilean Corporations Act.

The Directors' Committee met on 3 occasions during 2019. They were all ordinary sessions. The Company's operations and contracts with related companies were reviewed and members pronounced on those matters referred to in Article 50 bis of the Chilean Corporations Law and decisions were reported to the Company's Board of Directors. In accordance to the amendment to the Company bylaws introduced in April 2018, the Directors' committee dissolved as of the date of the Shareholders' Meeting held in April 2019.

In February 2019, the Directors' Committee analyzed the Company's annual financial statements and the reports of the external auditors. Also, KPMG Auditores Consultores Limitada presented the Annual Audit Plan and the report regarding the Company's internal controls to the Directors' Committee, as stipulated in Section 404 of the Sarbanes-Oxley Act.

In 2019, specifically until March 28, 2019, the Directors' Committee analyzed and informed the Board that the following related party transactions (OPR in its Spanish acronym) had been performed under the prevailing market terms and conditions:

1. Commodity hedge derivatives
2. Coal supply contract with GasAtacama Chile S.A.
3. Donation to San Ignacio de Huinay Foundation
4. Engineering and construction services contracts with Emgesa S.A. ESP
5. Amendment to regulated customer electricity and capacity supply contract to include transmission charge ("CET")
6. Extension of term and price of the engineering services contract with Enel Generación Perú.

Regarding all contracts and operations mentioned, the prevailing market conditions were verified through bids, requests for comparable offers or otherwise by observing the relevant market conditions.

# Directors' Committee Expenses

The Ordinary Shareholders Meeting of Enel Generación Chile held on April 24, 2018, agreed to pay each member of the Directors' Committee an unconditional monthly compensation of UF 58 and an additional UF 28 per session attended, fixing 15 as the limit to the number of remunerated sessions a year, either ordinary or extraordinary; and an annual of 6,000 Unidades de Fomento (UF in its Spanish acronym) Chilean inflation-indexed, Chilean peso-denominated operations expense budget for the committee and its advisors for 2019.

The Directors' Committee did not spend on consulting services in 2019.

# C

CHAIRMAN  
**Giuseppe Conti**

Lawyer  
Universidad degli Studi di Messina  
Passport: YA3320684

# CEO

CHEF EXECUTIVE OFFICER  
**Michele Siciliano**  
Mechanical Engineer  
Universidad de Calabria  
Tax ID: 25,467,930-5  
Since 10.01.2019

# M

MANAGEMENT

#### PEOPLE AND ORGANIZATION OFFICER

**María Paulina Guglielmi Esposito**

Organizational Psychologist  
Universidad Central  
Tax ID: 13,441,572-K  
Since 12.01.2019

#### GENERAL COUNSEL

**Ignacio Quiñones Sotomayor**

Lawyer  
Universidad Diego Portales  
Tax ID: 7,776,718-5  
Since 11.01.2013

#### CHIEF FINANCIAL OFFICER

**Raúl Arteaga Errázuriz**  
Civil Engineer  
Universidad de Chile  
Tax ID: 7,012,475-0  
Since 05.01.2016

#### HYDRAULIC ENGINEERING AND CONSTRUCTION OFFICER

**Bernardo Canales Fuenzalida**

Mechanical Engineer  
Universidad de Chile  
Diploma in Economics  
Pontificia Universidad Católica de Chile  
Tax ID: 11,565,097-1  
Since 02.26.2015

#### BUSINESS DEVELOPMENT AND REGULATION OFFICER

**Michele Siciliano**  
(Acting officer)

#### TRADING AND COMMERCIALIZATION OFFICER

**Humberto Espejo Paluz**

Civil Engineer  
Pontificia Universidad Católica de Chile  
Master's in Engineering Sciences  
Pontificia Universidad Católica de Chile  
Tax ID: 11,629,179-7  
Since 02.26.2015

#### THERMAL ENGINEERING AND CONSTRUCTION OFFICER

**Claudio Órdenes Tirado**  
Mechanical Engineer  
Universidad de Santiago de Chile  
Diploma in Business Management  
Universidad de Chile  
Tax ID: 10,939,381-9  
Since 12.15.2016

#### PLANNING AND CONTROL OFFICER

**Viviana Meneses Robledo**

Civil Engineer  
Universidad Arturo Prat  
MBA - Universidad de Barcelona Business School  
Tax ID: 14,106,334-0  
Since 07.01.2019

#### HYDROELECTRIC GENERATION CHILE OFFICER

**Carlos Peña Garay**  
Electrical Engineer  
Universidad Federico Santa María - Chile  
Graduate studies in Business Administration -  
Universidad Federico Santa María  
Tax ID: 7,700,353-3  
Since 12.01.2019

# Key executives



## 1. CHIEF EXECUTIVE OFFICER

Michele Siciliano  
Mechanical Engineer  
Universidad de Calabria  
Tax ID: 25,467,930-5  
Since 10.01.2019

## 2. PEOPLE AND ORGANIZATION OFFICER

Maria Paulina Guglielmi Esposito  
Organizational Psychologist  
Universidad Central  
Tax ID: 13,441,572-K  
Since 12.01.2019

## 3. GENERAL COUNSEL

Ignacio Quiñones Sotomayor  
Lawyer  
Universidad Diego Portales  
Tax ID: 7,776,718-5  
Since 11.01.2013

## 4. CHIEF FINANCIAL OFFICER

Raúl Arteaga Errázuriz  
Civil Engineer  
Universidad de Chile  
Tax ID: 7,012,475-0  
Since 05.01.2016

## 5. HYDRAULIC ENGINEERING AND CONSTRUCTION OFFICER

Bernardo Canales Fuenzalida  
Mechanical Engineer  
Universidad de Chile  
Diploma in Economics  
Pontificia Universidad Católica de Chile  
Tax ID: 11,565,097-1  
Since 02.26.2015

## 6. BUSINESS DEVELOPMENT AND REGULATION OFFICER

Michele Siciliano  
(Acting officer)

## 7. TRADING AND COMMERCIALIZATION OFFICER

Humberto Espejo Paluz  
Civil Engineer  
Pontificia Universidad Católica de Chile  
Master's in Engineering Sciences  
Pontificia Universidad Católica de Chile  
Tax ID: 11,629,179-7  
Since 02.26.2015

## 8. THERMAL ENGINEERING AND CONSTRUCTION OFFICER

Claudio Órdenes Tirado  
Mechanical Engineer  
Universidad de Santiago de Chile  
Diploma in Business Management  
Universidad de Chile  
Tax ID: 10,939,381-9  
Since 12.15.2016

## 9. PLANNING AND CONTROL OFFICER

Viviana Meneses Robledo  
Civil Engineer  
Universidad Arturo Prat  
MBA - Universidad de Barcelona Business School  
Tax ID: 14,106,334-0  
Since 07.01.2019

## 10. HYDROELECTRIC GENERATION CHILE OFFICER

Carlos Peña Garay  
Electrical Engineer  
Universidad Federico Santa María - Chile  
Graduate studies in Business Administration - Universidad Federico Santa María  
Tax ID: 7,700,353-3  
Since 12.01.2019

# **Key executives' and managers' compensation**

During 2019, the compensation and benefits received by the Chief Executive Officer and key executives of the Company amounted to Ch\$ 1,953 million in fixed compensation and Ch\$ 502 million in benefits.

During 2018, the compensation and benefits received by the Chief Executive Officer and key executives of the Company amounted to Ch\$ 2,614 million in fixed compensation and Ch\$ 476 million in benefits.

This amount included managers and key executives in their positions at the end of each year and those who left the Company during the respective year.

# **Benefits for key executives and managers**

The Company offers complementary health insurance and catastrophic insurance coverage for key executives and their accredited dependents. The Company also has life insurance coverage for each key executive. These benefits are granted according to the managerial level of each employee at the time executed.

In 2019, the amount spent on these benefits was Ch\$ 24.5 million, which is included in the compensation received by key executives.

# **Incentive plans for managers and senior executives**

Enel Generación Chile has an annual bonus plan for its executives based on achieving objectives and the level of individual contribution to the Company's results. It defines a bonus range for each management or hierarchical level. Executive bonuses are expressed as a specific number of monthly gross salaries.

# **Severance payments to managers and key executives**

The Company made no severance payments to senior executives in 2019.

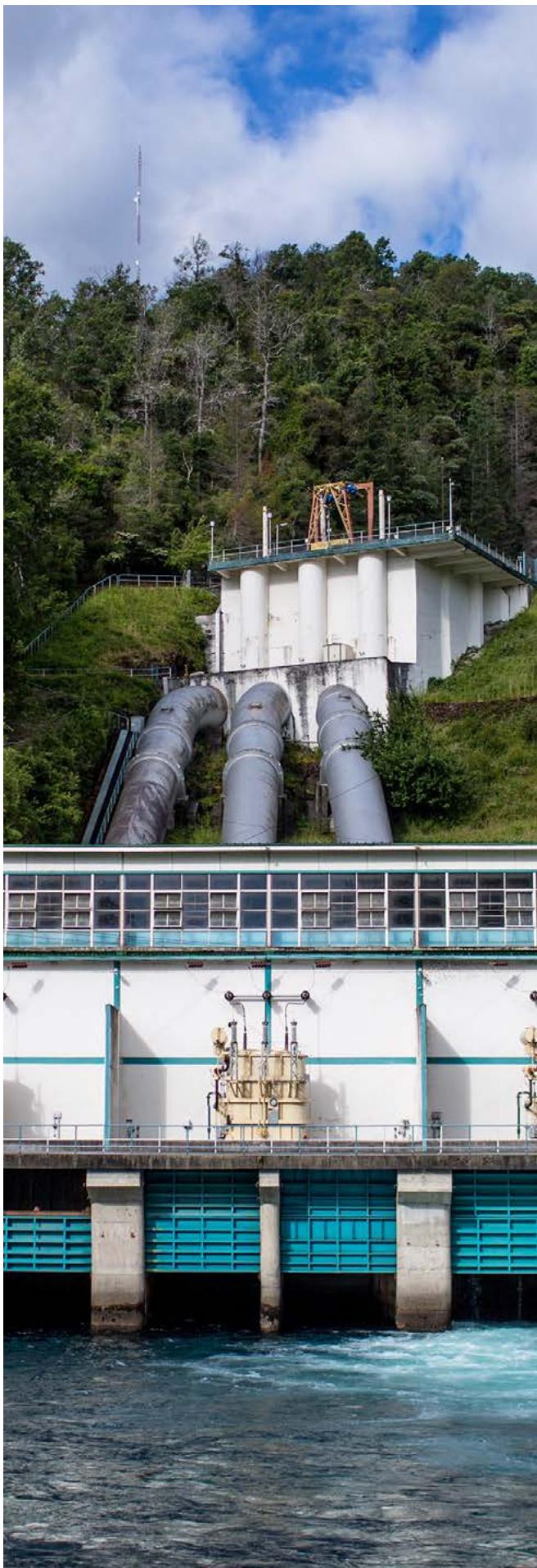
# Shareholdings in Enel Generación Chile

Based on the shareholder's register, as of December 31, 2019, none of the Company's executives owned shares of the Company. The chief executive officer and key executives must inform on the value of their ownership share of the Company and the transactions of our securities they enter into, as required by the Securities Market Law and the Company's Manual for the Management of Information of Interest to the Market.

## Management of main subsidiaries

### Pehuenche

Carlo Carvallo Artigas  
Chief Executive Officer  
Civil Engineer  
Universidad de Chile





## **08.** PEOPLE AND ORGANIZATION

08. People and organization

# Workforce

The following table includes total active employees of Enel Generación Chile and its subsidiaries as of December 31, 2019:

Company	Managers and Key Executives	Professionals and Technicians	Other Employees	Total
Enel Generación Chile S.A.	9	610	66	685
Empresa Eléctrica Pehuenche S.A.	2	0	0	2
Gasoducto Atacama Argentina S.A.	0	6	17	23
<b>Total</b>	<b>11</b>	<b>616</b>	<b>83</b>	<b>710</b>

## Diversity in the Company's Main Executive Team

Diversity of the Chief Executive Office and other departments that report to the CEO or Board of Directors.

### Number of people by gender

Female	2
Male	7
<b>Total</b>	<b>9</b>

### Number of people by nationality

Chilean	8
Italian	1
<b>Total</b>	<b>9</b>

### Number of people by age group

Less than 30	0
Between 30 and 40	1
Between 41 and 50	4
Between 51 and 60	4
Between 61 and 70	0
Over 70	0
<b>Total</b>	<b>9</b>

### Number of people by years of service

Less than 3 years	0
Between 3 and 6 years	1
More than 6 and less than 9 years	2
Between 9 and 12 years	0
More than 12 years	6
<b>Total</b>	<b>9</b>

# Diversity in Enel Generación Chile

Number of people by gender:	Enel Generación Chile	Gasoducto Atacama Argentina	Pehuenche	Total
Female	85	2	0	87
Male	600	21	2	623
<b>Total</b>	<b>685</b>	<b>23</b>	<b>2</b>	<b>710</b>

Number of people by nationality:	Enel Generación Chile	Gasoducto Atacama Argentina	Pehuenche	Total
Chilean	671		2	673
Spanish	4			4
Argentine	2	23		25
Colombian	4			4
French	1			1
Mexican	1			1
Italian	1			1
Venezuelan	1			1
<b>Total general</b>	<b>685</b>	<b>23</b>	<b>2</b>	<b>710</b>

Number of people by age group	Enel Generación Chile	Gasoducto Atacama Argentina	Pehuenche	Total
Less than 30	24			24
Between 30 and 40	212	5		217
Between 41 and 50	251	9		260
Between 51 and 60	148	9	1	158
Between 61 and 70	47		1	48
Between 71 and 80	3			3
<b>Total</b>	<b>685</b>	<b>23</b>	<b>2</b>	<b>710</b>

Number of people by years of service	Enel Generación Chile	Gasoducto Atacama Argentina	Pehuenche	Total
Less than 3 years	66	1		67
Between 3 and 6 years	70	1		71
More than 6 and less than 9 years	107	3		110
Between 9 and 12 years	117	3		120
More than 12 years	325	15	2	342
<b>Total</b>	<b>685</b>	<b>23</b>	<b>2</b>	<b>710</b>

# Average fixed salary of women compared to men within the same professional category

Contents:

Senior Management	49%
Middle Management – Level 1	68%
Middle Management – Level 2	69%
Middle Management – Level 3	92%
Professionals – Level 1	99%
Professionals – Level 2	99%
Administrative Staff	92%
Average	92%

# People and organizational activities

## Labor relations

During July 2019, the collective bargaining process with the Regional Union of Enel Generación Chile was finalized. The process was carried out through the established framework and legal dates and culminated with the celebration of a collective contract with a duration of 3 years.

During 2019, the Company continued with its program of periodical meetings with all four of the Company's unions, strengthening continuous dialogue with employee representatives and a positive work environment.

## Occupational health and safety

For Enel Generación Chile, safeguarding the Health and Safety of its workers are fundamental elements that respond to the Organization's concern for keeping people healthy and fit for the activities they perform, as well as avoiding and controlling incidents and/or illnesses arising in the workplace.

Given the above, the following preventive and informative health programs and initiatives stand out:

## Health dissemination and promotion

A set of activities such as postcards, posters, mailings, graphics, contests, among others, which aim to train, educate and improve workers' quality of life and health.

- > **March:** Anti-stress campaign: practical recommendations for dealing with stressful situations in the workplace.
- > **April:** Immunization Campaign: Massive invitation for vaccination against Influenza
- > **May:** Anti-tobacco Campaign: Tips to prevent and avoid its consumption
- > **June:** Colon Cancer and Gastric Cancer Campaign: Recommendations for the timely detection and prevention of these diseases through a preventive health exam.
- > **July:** Viral and Respiratory Disease Prevention Campaign: practical recommendations to prevent possible infections.
- > **August:** Heart Care Campaign: Set of recommendations that aim to promote self-care.
- > **September:** Cervical and Prostate Cancer Campaign: Tips for its detection by taking a preventive health exam.
- > **October:** Breast Cancer Prevention Campaign: Invitation to participate in the prevention of this disease through early detection/self-examination.
- > **November:** Healthy Eating Campaign: Tips for a better diet and lifestyle.
- > **December:** Skin Cancer Campaign: Tips for skin care against ultraviolet radiation and other agents.

## Immunization program

Immunization of Enel Generación Chile's employees is a preventive measure that focuses on preventing recurrent contagious illnesses. The Company provides seasonal Influenza vaccines to all its employees, in addition to having the Traveler's Medicine program operational throughout the year (access to preventive vaccines for employees who must work in other countries).

- > **Seasonal Influenza vaccine:** Performed during the first quarter of the year, intended to prevent outbreaks that begin in early June.

## Preventive medical exams program

The objective is to perform periodic medical evaluations for the early detection of potential illnesses. This initiative focuses on all Company workers and is carried out following a protocol defined according to gender and age.

## Cardiovascular risk program

It is a program that seeks to change habits and behavior through nutritional and targeted physical condition evaluations to improve medical parameters. This program is for all workers who, according to preventive examinations, display two or more cardiovascular risk factors.

## Human resource management

### Workplace environment management

The management of workplace climate and workplace commitment are fundamental pillars of Enel Generación Chile's strategy. The Workplace Climate and Safety Survey is carried out every two years. Its latest version, performed in 2019, had a 93% participation rate among employees in Chile.

Workplace climate is a priority due to its close relationship with the people that make up the Company's human resource. Therefore, the Company continues to work on countless initiatives related to leadership, communication, meritocracy and development, conflict resolution measures and best workplace practices to maintain workers' motivation, satisfaction, and commitment.

During 2019, 82 initiatives were implemented in the various departments within Enel Group's companies in Chile. The formation of climate committees stands out as an action that aims to improve workplace climate by working with cross-sectional teams.

Enel Generación Chile has a program that seeks to promote and reinforce the important role of leaders in creating organizational environments that foster workers' satisfaction and development. The "Leader to Coach" program was designed to encourage leadership and managers' role in the "Open Power" culture from an active and strategic standpoint, focusing on team mobilization and the ability to contribute to the learning process of others. It is a comprehensive coaching program that defines an individual itinerary for each manager including a 360° evaluation, skill training workshops, and manuals of best practices in human resource management.

Enel Generación Chile has implemented communication initiatives titled "People & Organization" to guarantee ongoing communication with workers on various human resource management issues. Activities include updating and adding value to the website, manuals of best practices, and monthly bulletins for managers and workers, among others.

During 2019, in terms of meritocracy and reward, a new version of the recognition program was launched, named Enel's Protagonists, which seeks to encourage a culture of recognition within the Company, and create formal instances through which, on one hand, peers recognize peers, and on the other, the Organization identifies initiatives that have proven valuable to the Company. The Company has also continued to celebrate ceremonies, attended by the entire Company, to acknowledge outstanding employees, career paths, among other initiatives.

In Enel Generación Chile, feedback between managers and employees helps create closer bonds, increase transparency, align expectations, and support workers' professional development. Open Feedback promotes a culture of continuous feedback throughout the Company year-round, steering workers' development as well as the formation of high performing teams.

The Company has provided training to strengthen work flexibility practices, such as remote work and deferred income options, as well as numerous collaborative work and camaraderie activities whose main focus is to develop relational and collaborative competencies in work teams to strengthen trust and alignment in the achievement of common goals.

## Diversity and inclusion

For Enel Generación Chile, having diverse work teams and cultivating an inclusive work environment is essential in fostering a culture of innovation, which allows opening to different points of view that enrich the workplace environment and add ongoing value.

As part of the Diversity and Inclusion Policy, the Company has developed several initiatives addressing gender, age, nationality, disability, and cross-sectional practices. This policy promotes the principles of non-discrimination, equal opportunities, inclusion, and work-life balance as fundamental values.

The policy has established three main principles:

1. Reject all forms of arbitrary discrimination and ensure and promote diversity, inclusion, and equal opportunities.
2. Promote and maintain an environment of respect for people's dignity, honor, and identity.
3. Ensure the highest confidentiality standards regarding any information the Company has access to about a worker's private life.

In terms of gender, the Company seeks to create a balance in the initial phase of recruitment and selection processes and generate relationships with universities and professional institutes that promote the participation and inclusion of women, especially in technical areas. Additionally, the Parental Program (men and women) is geared towards balancing parental needs with career development, and includes interviews during prenatal and postnatal periods, nutritional support, and physical activities for pregnant women. Other initiatives include talks by parenting experts on subjects, such as, bullying and cyberbullying, the effects of electronic device use, and alcohol and drug prevention, among others.

In terms of age, and given the Company's ongoing digital transformation process, the On-Boarding platform allows every new Enel Generación Chile employee to anticipate his or her contact and knowledge of the Company, facilitating the adaptation of new employees to the work and culture of the

Company. This personal and professional support to new employees allows them to better understand their daily work dynamics. This platform also allows transferring knowledge from senior employees to younger employees.

Regarding nationality, expatriates are assigned a tutor to assist and support them in recognizing, respecting, and managing cultural differences among different nationalities throughout their time abroad contributing to their integration. This year, the Company began the commemoration and celebration of the national holidays of foreign employees residing in Chile with a greeting and a special luncheon in the cafeteria.

In order to recognize, respect, and manage the different skill-sets of employees, Enel Generación Chile handles matters related to the needs of employees with disabilities by aiding them in obtaining the disability credentials established by law. Additionally, the Company continues to perform structural adjustments to its facilities (cafeteria, restrooms, ramps, special parking space, auditorium entrance ways, elevators with braille, among others) for employees with disabilities.

In terms of management's cross-cutting approach, the Company offers courses and workshops to raise awareness on behavior and values related to diversity, inclusion and work flexibility. Within this context, the Company celebrated the D&I week, where 4 interesting talks on "Inclusion of Persons with Disabilities", "Gender Equality", "Sexual Harassment" and "Workplace Harassment" took place.

Enel Generación Chile also participates in a partnership with Sofifa's Inclusive Company Network, ReIN (in its Spanish acronym), where more than 30 companies share their best practices on a monthly basis. For the second consecutive year, the Enel Group participated in the Telethon campaign, which although postponed until April 2020, received the support of a group of volunteers.

## Work-life balance measures and flexibility

Regarding work-life balance and flexibility, in 2019, the remote working program "Smart Working" has grown to become one of the Company's most appreciated programs. It provides employees with greater flexibility when it comes to the execution of their work. Today, there are 112 Enel Generación Chile workers in the program, who may choose one day of the week (from Tuesday to Thursday) to work from home, or from wherever they please, inasmuch as they comply with the safety and health measures established by current legislation. This initiative contributes to the balance between work and family life of employees, improving their quality of life.

Sports and Culture Extension Program: traditional sports program that takes place within the Company's facilities, offering workshops and the practice of several sports including soccer, basketball, volleyball, among others. Other extension activities designed for employees and their families include artistic workshops, expositions, family excursions, among others.

A variety of activities, both recreational and educational, are carried out for employees' children. These include recreational summer and winter camps for children between 4 and 15 years of age that are offered in January and during the winter holidays. In addition, several events that foster work-life balance are offered throughout the year, such as "Come to my birthday party", held in the corporate stadium for kids up to age 12, and "First day of Class", where Parents are allowed to join their kids during their first day of school, and arrive later to work. Also, the "Career Path Award" is an annual corporate celebration that acknowledges workers who have been with the Company for 20 years or more.

# Recruitment and selection

## Recruitment and selection

The Company's main objective is to hire the best professionals that have the competences needed to face the cultural changes related to the Company's ongoing digital transformation and also Open Power competences.

During 2019, there were 35 job openings in Enel Generación Chile, of which 60% were filled with candidates from within the Company. Of all external workers hired in 2019 (40% of all available positions in Enel Generación Chile), 14% were women.

## Internship and young talent attraction program

This is a new recruitment method utilized to hire future young professionals from the best universities in the country. Future young professionals from the best universities in the country are offered the opportunity to be hired as interns to consolidate their academic knowledge in Enel Generación Chile's business environment, which creates professionals that are familiar with the reality and the challenges the Group faces. This constitutes an important and significant source of recruitment.

This internship program is carried out permanently throughout the year. In 2019, 76 students were hired as interns, of which 36% were women.

# Educational action

## Training

Enel Generación Chile's 2019 training program was developed to address training needs in three fundamental areas: Firstly, technical training for operations and maintenance; secondly, specialized technical training; and thirdly, behavioral skills. The training and development department, along with business partners, workers, and managers, jointly identify the knowledge gaps and skills that are in line with the Company's strategic plan and are necessary to improve workplace productivity.

In terms of technical training for operations and maintenance, two important programs worth highlighting are the maintenance-operator program and the control room operator program, which both involve a diagnosis, training, and learning assessment process. This provides participants with the knowledge and skills needed to handle different tasks and functions and improve performance.

The Company's training program also addresses the development and update of technical know-how through three internal specialization programs designed in collaboration with two domestic universities. The Electric Markets diploma and the Digital Transformation diploma programs, both taught by Universidad de Chile, in addition to the Photovoltaic Electricity Production diploma program, taught by Universidad Técnica Santa María.

Finally, the training program addresses the development of a diverse set of behavioral skills, where the "Enel Manager" leadership program is noteworthy. Its goal is to develop the leader-coach skills that Company managers need to guide their work teams through the new growth challenges and strategic consolidation the Company is boosting today.





## **09.** STOCK MARKET TRANSACTIONS

# Stock market transactions

During 2019, a total 177.6 million shares were traded on the Santiago Stock Exchange, amounting to Ch\$ 72,572.2 million. A total 21.8 million shares were traded on the Chilean Electronic Exchange, amounting to Ch\$ 9,214.5 million.

The closing price of Enel Generación Chile stock at year-end December 2019 was Ch\$ 373.86 in the Santiago Stock Exchange and \$370.00 in the Chilean Electronic Exchange.

## Santiago Stock Exchange

Quarter	Units	Amount (Ch\$)	Average Price (Ch\$)
1st Quarter	227,122,116	101,996,635,322	449.08
2nd Quarter	229,476,830	118,524,338,412	516.50
3rd Quarter	362,760,636	188,152,030,634	518.67
4th Quarter	410,970,054	226,371,938,063	550.82
<b>Total 2017</b>	<b>1,230,329,636</b>	<b>635,044,942,431</b>	<b>516.16</b>
1st Quarter	2,918,826,989	1,709,295,504,329	585.61
2nd Quarter	201,785,093	95,940,343,427	475.46
3rd Quarter	54,619,604	24,302,072,876	444.93
4th Quarter	53,408,717	22,668,355,737	424.43
<b>Total 2018</b>	<b>3,228,640,403</b>	<b>1,852,206,276,369</b>	<b>573.68</b>
1st Quarter	62,170,978	27,436,504,988	441.31
2nd Quarter	30,516,973	13,011,268,335	426.36
3rd Quarter	28,079,067	11,677,560,406	415.88
4th Quarter	56,789,163	20,447,154,701	360.05
<b>Total 2019</b>	<b>177,556,181</b>	<b>72,572,488,430</b>	<b>408.73</b>

# Chilean Electronic Exchange

Quarter	Units	Amount (Ch\$)	Average Price (Ch\$)
1st Quarter	25,019,830	11,233,676,209	448.99
2nd Quarter	25,541,874	13,306,544,212	520.97
3rd Quarter	31,744,681	16,293,585,974	513.27
4th Quarter	24,498,818	13,597,617,107	555.03
<b>Total 2017</b>	<b>106,805,203</b>	<b>54,431,423,502</b>	<b>509.63</b>
1st Quarter	11,639,975	6,552,412,877	562.92
2nd Quarter	21,911,958	10,570,340,942	482.40
3rd Quarter	9,125,013	4,045,044,376	443.29
4th Quarter	3,537,368	1,532,419,260	433.21
<b>Total 2018</b>	<b>46,214,314</b>	<b>22,700,217,455</b>	<b>491.19</b>
1st Quarter	10,970,277	4,794,799,342	437.07
2nd Quarter	6,978,885	2,946,325,749	422.18
3rd Quarter	881,888	362,152,826	410.66
4th Quarter	2,956,258	1,111,228,412	375.89
<b>Total 2019</b>	<b>21,787,308</b>	<b>9,214,506,329</b>	<b>422.93</b>

## Over-The-Counter (OTC)

On December 28, 2018, Enel Generación ADS's stopped trading on the New York Stock Exchange. From that moment, they started trading in the OTC market of the United States. Given the characteristics of the OTC market, it is not possible to accurately determine traded units, and therefore traded amounts.

Approximately 2.1 million ADS's were traded on the OTC market of the United States for a total US\$ 37.7 million. One ADS currently represents 30 Enel Generación Chile shares. The closing price of the ADS on December 31, 2019, was US\$ 13.6.

Quarter	Units (ADS)	Amount (US\$)	Average ADS Price (US\$)
1st Quarter (*)	5,309,486	109,001,802	20.46
2nd Quarter (*)	7,091,597	165,322,772	23.29
3rd Quarter (*)	8,488,248	203,926,358	24.06
4th Quarter (*)	9,830,474	254,031,809	26.12
<b>Total 2017</b>	<b>30,719,805</b>	<b>732,282,741</b>	<b>23.84</b>
1st Quarter (*)	10,033,464	275,949,283	27.92
2nd Quarter (*)	4,827,666	112,582,798	22.67
3rd Quarter (*)	2,040,061	40,383,714	20.15
4th Quarter (*)	1,200,721	22,179,690	18.77
<b>Total 2018</b>	<b>18,101,912</b>	<b>451,095,485</b>	<b>24.92</b>
1st Quarter	1,169,066	22,724,988	19.58
2nd Quarter	355,000	6,434,623	18.43
3rd Quarter	197,039	3,359,147	17.36
4th Quarter	349,161	5,169,261	14.12
<b>Total 2019</b>	<b>2,070,266</b>	<b>31,253,396</b>	<b>15.10</b>

(\*) Transactions on the New York Stock Exchange. The ADS was last traded on December 28, 2018 on the NYSE due to the voluntary delisting submitted by the Company. After that date, the ADS are traded in the OTC market.

# Market information

# Santiago Stock Exchange

During 2019, the Chilean economy was influenced by internal and external factors that affected the country's performance. The increase in trade tensions between China and the United States deepened fears in investors worldwide, who sought refuge in assets with lower volatility, migrating from emerging economies to economies with lower levels of risk. In general terms, during the first months of 2019, the world economy was weakened due to decreased dynamism in trade. However, during the last quarter, indications of a trade truce between China and the United States led to a gradual upswing in investor optimism.

In Chile, during the month of October, the greatest social and political crisis since the country's return to democracy in 1990 was unleashed. The consequences of this social uprising included a sharp drop in the national stock market, as well as a significant devaluation of the Chilean peso, reaching all-time highs in terms of the dollar. These consequences translated into an 8.5% drop in the SPCLXIPSA, closing at 4,669.9 points in December 2019 and becoming the first year since 1990 that the Santiago Stock Exchange registered two consecutive years of negative variation.

The price of Enel Generación Chile's shares, on the other hand, decreased 10.5% for the year 2019, explained in part by the market situation described above and the hydrologic situation that has affected the country for the last decade. Cumulatively, the price variation of Enel Generación Chile shares between 2018 and 2019 decreased 32.9%, while the SPCLXIPSA (formerly known as IPSA), comparatively, took a 16.1% fall.

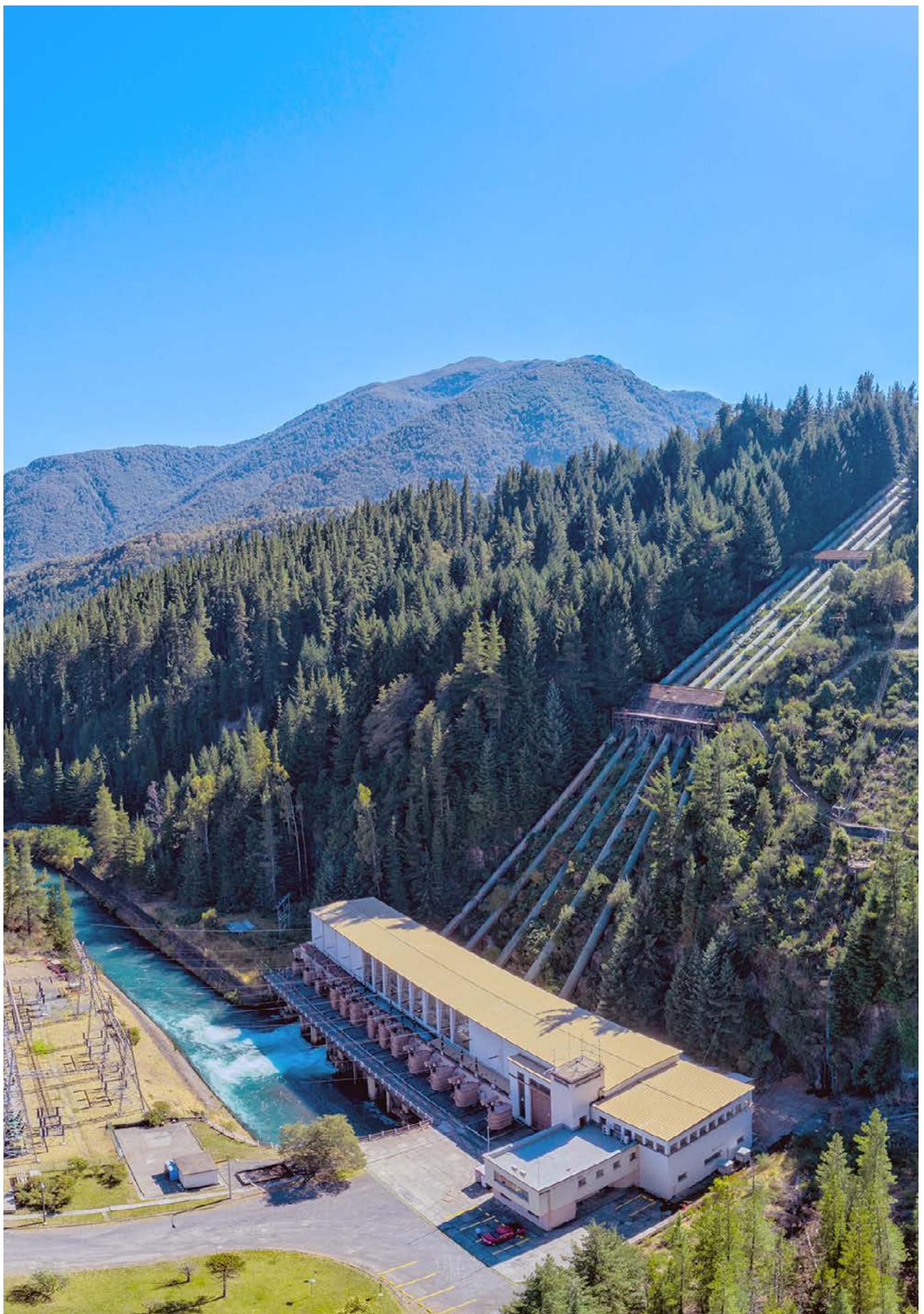
The following table shows the changes in the price of the share of Enel Generación Chile and the Selective Stock Price Index (SPCLXIPSA, ex IPSA) on the local stock market over the past two years:

Variation	2018	2019	Cumulative 2018 - 2019
ENELGXCH	-25.0%	-10.5%	-32.9%
IPSA	-8.3%	-8.5%	-16.1%

# Over-The-Counter (OTC)

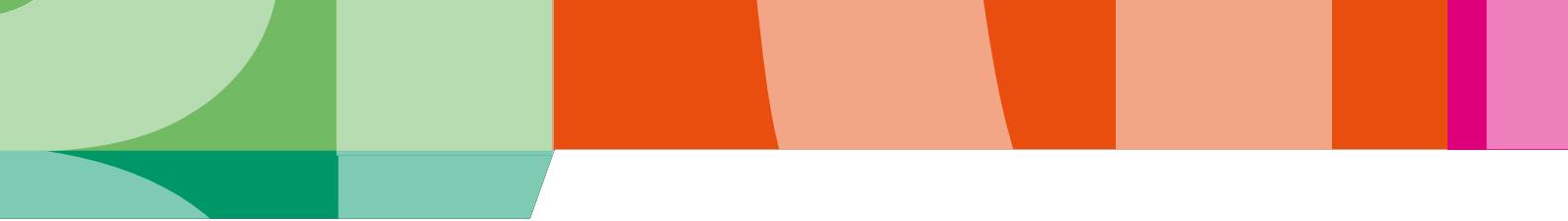
The following table shows the behavior of Enel Chile's ADS listed on the OTC market, compared to the Dow Jones Industrial Index and the Dow Jones Utilities Index over the past two years:

Variation	2018	2019	Cumulative 2018 - 2019
EOCCY(*)	36.8%	-20.0%	-49.5%
Dow Jones Industrial	-5.6%	22.3%	15.5%
Dow Jones Utilities	-1.4%	23.3%	21.5%





## **10.** INVESTOR RELATIONS



# Investor relations



Enel Generación Chile's Investor Relations department is responsible for providing transparent, timely, and quality information to the market regarding the Company's main financial, strategic, and operational issues.

The main channels of communication with the market include our website, the Investor Relations app, conference calls, e-mails, face-to-face meetings, and local and international conferences.

Available documentation for investors includes quarterly results presentations, annual reports, annual sustainability reports, 20-F reports, quarterly Management's Financial Statement Analysis and Tables, and corporate presentations.

Additionally, and since 2016, the Company, through its Holding company Enel Chile, presents its 3-year Strategic Plan, which presents the Company's main strategic guidelines and financial and business projections, on an annual basis.

In terms of meetings, Enel Generación Chile, along with its Holding company Enel Chile, held more than 150 meetings with investors and participated in 7 conferences and 6 roadshows, both local and international, in 2019.

Our Investor Relations department is available to answer any questions concerning the Company, whether in Spanish, English, French, or Portuguese, by e-mail at [ir.enelchile@enel.com](mailto:ir.enelchile@enel.com).





## **11.** DIVIDENDS

# **2019 dividend distributions**

During the 2019, and in line with the 2019 Dividend Policy set forth in the Ordinary Shareholders' Meeting held on April 26, 2019, the Board of Directors agreed to distribute an interim dividend equal to 15% of the Company's net income, as presented in the Company's Financial Statements as of September 30, 2019, which was paid in January 2020.

Concerning the definitive dividend distribution for 2019, the Board of Directors in its 2019 Dividend Policy proposed to distribute a definitive dividend equivalent to 65% of 2019 net income to be decided by the Ordinary Shareholders' Meeting to be held during the first four months of 2020. However, on February 24, 2020, the Board of Directors reevaluated its definitive dividend proposal reducing it from 65% to 60% of 2019 net income, which will be decided by the Ordinary Shareholders' Meeting to be held during the first four months of 2020.

# **2020 dividend policy**

## **Generalities**

In compliance with the provisions of General Norm 30 of the Financial Markets Commission, the Board of Directors' dividend policy is presented below.

## **Dividend policy**

The Board of Directors unanimously agreed to propose to the Ordinary Shareholders' Meeting the Dividend Policy it expects to fulfill for the 2020 period, which includes distributing an interim dividend of up to 15% of net income, as presented in the Financial Statements as of September 30, 2020, to be paid in January 2021. The definitive dividend to be distributed will be defined by the Ordinary Shareholders' Meeting to be held during the first four months of 2021.

The Board of Directors will propose to the Ordinary Shareholders' Meeting, to be held during the first four months of 2021, to distribute a definitive dividend equal to 60% of 2020 net income. Compliance with the dividend program described above is subject to the actual net income of the Company for that specific year, and also subject to the Company's periodic income projections or the existence of certain conditions, as applicable.

# Dividend payment 2019 distributable net income

The dividend payment methods offered by Enel Generación Chile, for interim and definitive dividends alike, seek to avoid wrongful claims. They are the following:

1. Deposit in a bank checking account, whose account-holder is the shareholder;
2. Deposit in a bank savings account, whose account-holder is the shareholder;
3. Mailing of a check or cashier's check via certified mail to the address of the shareholder's residence recorded in the Shareholder Register;
4. The collection of a check, or cashier's check from the offices of DCV Registros S.A., registrar of Enel Generación Chile's shares, or from the bank and branches defined for this purpose and informed in the dividend payment notice published.

For this purpose, bank checking, or savings accounts may be located anywhere in the country.

It should be emphasized that the payment method chosen by each shareholder will be used by the centralized securities' depository, DCV Registros S.A., for all dividend payments, unless the shareholder communicates, in writing, his or her intention to change it and record a new option.

Shareholders who have not registered a payment method will be paid by method 4 indicated above.

If checks or cashier's checks are returned by the post office to DCV Registros S.A., they will remain in custody until collected or requested by the shareholder.

In the case of deposits in bank checking accounts, Enel Generación Chile may request, for security reasons, that they be verified by the respective bank. If there is an objection to the account indicated by a shareholder, whether in the prior verification process or for any other reason, the dividend will be paid according to method 4 indicated above.

Moreover, the Company has adopted and will continue to adopt all the necessary security measures required by the dividend payment process to safeguard the interests of the shareholders and Enel Generación Chile.

Ch\$ million	2019
Net Income attributable to the parent company	\$ 196,343
Distributable Net Income	\$ 196,343

## Dividends distributed

Dividend No	Type of Dividend	Closing date (M/D/Y)	Payment date (M/D/Y)	Ch\$ per share	Fiscal year	Annual Dividend	% of Net Income
49	Interim	1/20/2011	1/26/2011	6.42895	2010		
50	Definitive	5/5/2011	5/11/2011	26.09798	2010	32.5269	50%
51	Interim	1/13/2012	1/19/2012	5.08439	2011		
52	Definitive	5/11/2012	5/17/2012	22.15820	2011	27.2426	50%
53	Interim	1/18/2013	1/24/2013	3.04265	2012		
54	Definitive	5/3/2013	5/9/2013	11.24302	2012	14.28567	50%
55	Interim	1/25/2014	1/31/2014	3.87772	2013		
56	Definitive	5/9/2014	5/15/2014	17.69856	2013	21.57628	50%
57	Interim	1/24/2015	1/30/2015	3.44046	2014		
58	Definitive	5/18/2015	5/25/2015	16.95495	2014	20.39541	50%
59	Interim	1/23/2016	1/29/2016	3.55641	2015		
60	Definitive	5/17/2016	5/24/2016	11.02239	2015	14.5788	50%
61	Interim	1/21/2017	1/27/2017	7.24787	2016		
62	Definitive	5/20/2017	5/26/2017	21.56050	2016	28.80837	50%
63	Interim	1/20/2018	4/26/2018	4.93614	2017		
64	Definitive	5/11/2018	8/18/2018	23.12488	2017	28.06102	55%
65	Interim	1/5/2019	1/11/2019	11.19557	2018		
66	Definitive	5/11/2019	5/17/2019	11.41150	2018	22.60707	60%
67	Interim	1/18/2020	1/24/2020	2.358435	2019		



## **12. INVESTMENT AND FINANCING POLICY**

12. Investment and financing policy

# 2019 Investment policy

During 2019, the Company invested, directly and through its subsidiaries and associates, in projects conforming to its bylaws. The following list identifies the investment areas and the maximum investment limit in each area.

## 1. Electricity generation and transmission

The maximum investment limit is the amount needed by Enel Generación Chile to meet its main object (the production, transportation, and supply of electricity) that does not exceed 50% of the Company's net equity defined as the respective amount in the consolidated balance sheet as of December 31, 2018.

## 2. Capital contributions to subsidiary and associate companies

Contributions will be made to subsidiaries and associates, so that, they can complete their projects and carry out the investments and activities needed to meet their respective corporate objects.

The maximum global investment limit in all local subsidiaries and associates for 2019 will be the amount equivalent to 50% of Enel Generación Chile's total equity defined as the respective amount in the consolidated balance sheet as of December 31, 2018.

## 3. Other investments

The Company may invest in financial assets, certificates, rights, securities, real estate, contributions to companies and the creation of subsidiaries and associate companies, as established in its bylaws, to undertake projects and operations or activities in industrial processes related to energy sources, and those in which electricity is essential, decisive and intensively used.

The total global maximum investment amount in all subsidiaries and associates is not to exceed 50% of Enel Generación Chile's total equity defined as the respective amount in the consolidated balance sheet as of December 31, 2018.

## 4. Investment in financial instruments

Enel Generación Chile may invest in financial instruments according to the portfolio selection and diversification criteria set by the Company's management to optimize the return on its cash surpluses.

As determined by this policy, which has been approved by the Shareholders' Meeting, the Board of Directors must decide the specific investments the Company is to carry out, define the amount and financing strategy in each case, and adopt the necessary mechanisms to control these investments.

# 2019 Financing policy

The Company's financing policy defines the level of indebtedness as Total Consolidated Liabilities (measured as Other current financial liabilities plus Other non-current financial liabilities) to not exceed 2.2 times the Company's Total Equity according to figures in the consolidated balance sheet at December 31, 2018.

Funds will be raised from the following sources, among others:

- > Own resources.
- > Supplier credits.
- > Bank and financial institution loans.
- > Placement of securities on local and international markets.
- > Revenue from the sale of assets and services provided by Enel Generación Chile.
- > Intercompany loans.

## Other topics:

As established by Article 120 of Decree Law 3,500, the sale or constitution of liens on goods or rights declared in these policies as essential for the Company's business, must be approved by an Extraordinary Shareholder Meeting. Consequently, and in compliance with article 119 of the same Law, the following assets are declared as essential for the Company's operations:

The majority shareholding owned by Enel Generación Chile of Empresa Eléctrica Pehuenche S.A., that allow having control of Pehuenche. During 2019, Enel Chile S.A. transferred its 2.63% shareholding of GasAtacama Chile S.A. to Enel Generación Chile S.A. Consequently, GasAtacama Chile S.A. became wholly owned and merged into Enel Generación Chile S.A.

Regarding management's' authority to agree with creditors on Enel Generación Chile dividend payment restrictions, they may only agree to such restrictions if they have been previously approved by the Shareholders Meeting (ordinary or extraordinary).



## **13.** HISTORY OF THE COMPANY

13. History of the Company

# History of the Company

Enel Generación Chile S.A. was created on December 1, 1943 as Empresa Nacional de Electricidad S.A., a limited liability corporation, and subsidiary of Corporación de Fomento de la Producción (CORFO in its Spanish acronym, a state production development agency) to carry out Chile's Electrification Plan, which included the generation, transportation and distribution of electricity.

Enel Generación Chile S.A. was owned by the Chilean state for 44 years, acquiring a predominant role in the sector and becoming one of the most important Chilean companies and the foundation of the country's electricity development. Large investments were made and the Company built important engineering and electrification infrastructure.

The privatization process began in 1987 through a series of public offerings and was completed in 1989. The offerings attracted investors such as pension funds, Company employees, institutional investors and thousands of small investors.

On July 27, 1994, the New York Stock Exchange (NYSE) began trading Enel Generación Chile shares, as Endesa Chile at the time, in the form of ADSs with the EOC ticker symbol.

In May 1999, Enersis S.A. (currently Enel Chile), through a public tender offer (PTO), became the Company's controlling shareholder, with 60% of the shares of Endesa Chile (Enel Generación Chile today).

On April 28, 2015, the Board of Directors of Enel Generación Chile S.A. approved beginning the analysis of a possible corporate reorganization to divide the existing Endesa Chile by separating the businesses within Chile from the business outside Chile and merging the latter into a sole company.

On December 18, 2015, the Company's Extraordinary Shareholders' Meeting approved the first phase of the corporate reorganization plan, which separated the business in Chile from the rest of Latin America.

On March 1, 2016, having complied with the suspensive conditions, the division of Empresa Nacional de Electricidad S.A. and the incorporation of Endesa Americas S.A. took place.

In September 2016, Enel Generación Chile signed a sales contract to sell its entire 20% stake in GNL Quintero to Enagas Chile.

In October 2016, the Company's Extraordinary Shareholders' Meeting approved modifying the bylaws which changed the name of the Company to Enel Generación Chile S.A. replacing the brand Endesa Chile and the name Empresa Nacional de Electricidad.

In December 2016, Enel Generación Chile signed a sales contract to sell its 42.5% share of Electrogas to Aero Chile, wholly owned by Redes Energeticas Nacionais, S.G.P.S., S.A. (REN), once all conditions for this type of transaction were satisfied. The sale took place in February 2017 for US\$180 million within the context of the sale of non-strategic assets of the Group.

In August 2017, the possibility of a corporate reorganization of Enel Chile in which Enel Green Power Latinamerica S.A. would be absorbed by Enel Chile S.A. and a Public Tender Offer (PTO) for 100 % of the shares of Enel Generación Chile was discussed. In December 2017, the respective Extraordinary Shareholders' Meetings approved the terms of the reorganization, which became effective on April 2, 2018.

Towards the end of 2017, the Board of Directors of Enel Generación Chile S.A. decided to return the water rights of the HydroAysén project. This decision was consistent with the view that only projects that are technically viable, economically profitable and above all, accepted by the community, should be developed.

On December 19, 2018 the Board of Directors of Enel Generación Chile S.A. unanimously approved to request delisting from the New York Stock Exchange (NYSE) of the



United States of America. It was requesting by submitting Form 25 to the Securities and Exchange Commission (SEC) of the United States of America on December 31, 2018 and became effective 10 days later. The ADS's of the Company continue trading in the United States of America on the Over-the-Counter market.

In line with the Group's strategic plan and sustainability strategy, in June 2019, Enel Generación Chile, signed a decarbonization agreement with the Ministry of Energy to progressively retire the coal power plants Tarapacá, located in the Coquimbo county and Bocamina 1 and Bocamina 2, located in the Coronel county with 158 MW, 128MW and 350 MW installed capacity, respectively. The agreement established that Central Tarapacá was to retire by May 31, 2020, and Bocamina 1 by December 31, 2023. Enel Generación Chile is expected to retire Bocamina 2 by December 31, 2040.

As part of the Enel Chile Group's goal to simplify its corporate structure, in September 2019, Enel Chile concluded the sale

of its 2.63% shareholding in GasAtacama to Enel Generación Chile, increasing Enel Generación Chile's ownership to 100% and consequently merging GasAtacama into Enel Generación Chile. The merger of GasAtacama concluded in October 2019.

On December 31, 2019, Enel Chile disconnected and shutdown Central Tarapacá. The Company formally requested the authority's permission to anticipate the retirement of this power plant that was originally scheduled to take place in May 2020. This made Central Tarapacá the first operational coal fired power plant to disconnect from the National Electricity System as part of the decarbonization agreement signed with the government.

Enel Generación Chile S.A. is part of the Enel Group, a global energy company and one of the main integrated operators in the electric and natural gas sectors worldwide. Enel operates in 33 countries and 5 continents, generates electricity through 89 GW of installed capacity to supply over 73 million consumers.



## **14. BUSINESS OF THE COMPANY**

# Description of the Company's business

The main activities of Enel Generación Chile S.A., its subsidiaries, and jointly controlled companies are related to the generation and commercialization of electricity, and consultancy and engineering services in all areas. Enel Generación Chile and its subsidiaries operate 110 generation units throughout Chile with a total 6,114 MW of installed capacity.

Enel Generación Chile is the leading electricity generation company in Chile and one of the largest companies in the country. It operates of 6,114 MW gross generation capacity, which represents 25% of the local market. Hydroelectricity represents 57% of the installed capacity of Enel Generación Chile, its subsidiaries and jointly controlled companies in Chile; thermal capacity represents 42% and wind power represents the remaining 1%.

## Electricity generation

The Company's total gross installed capacity reached 6,114 MW as of December 2019. Consolidated net electricity generation amounted to 17,548 GWh and energy sales reached 22,232 GWh in 2019.

The electricity industry is divided into two business segments intrinsic to its means of production, hydroelectric and thermoelectric generation. Thermoelectric generation requires fossil fuels and hydroelectric generation requires water from rivers and reservoirs to operate, which consequently lead to different variable production costs.

Hydroelectric, solar, wind and geothermal power plants represent 58% of our total generation capacity, and thermal power represent the remaining 42%.

Therefore, the commercial policy that the generation company establishes is relevant to manage the business correctly.

## Operations

Enel Generación Chile and subsidiaries operate 102 generation units throughout Chile's former Central Interconnected System (SIC in its Spanish acronym) and 8 generation units throughout the former Northern Interconnected System (SING in its Spanish acronym). In November 2017, both former electricity systems were integrated forming one system named the National Electricity System (SEN in its Spanish acronym), which includes all generation facilities, transmission lines, substations and distribution lines from Arica to Chiloé.

# Enel Generación Chile power plants

Gross installed capacity (MW) (1)

Power plant	Company	Technology	2018	2019 (2)
Los Molles	Enel Generación Chile	Hydroelectric	18	18
Rapel	Enel Generación Chile	Hydroelectric	376	376
Sauzal	Enel Generación Chile	Hydroelectric	77	77
Sauzalito	Enel Generación Chile	Hydroelectric	12	12
Cipreses	Enel Generación Chile	Hydroelectric	106	106
Isla	Enel Generación Chile	Hydroelectric	70	70
Abanico	Enel Generación Chile	Hydroelectric	136	136
El Toro	Enel Generación Chile	Hydroelectric	449	449
Antuco	Enel Generación Chile	Hydroelectric	319	319
Ralco	Enel Generación Chile	Hydroelectric	689	689
Palmucho	Enel Generación Chile	Hydroelectric	34	34
Taltal	Enel Generación Chile	Fuel/Natural Gas	240	240
Diego de Almagro	Enel Generación Chile	Fuel/Natural Gas	24	24
Huasco TG	Enel Generación Chile	Fuel/Natural Gas	64	64
Bocamina	Enel Generación Chile	Coal	478	476
San Isidro	Enel Generación Chile	Fuel/Natural Gas	379	379
San Isidro 2	Enel Generación Chile	Fuel/Natural Gas	388	388
Quintero	Enel Generación Chile	Fuel/Natural Gas	257	257
Ojos de Agua	Enel Generación Chile	Hydroelectric	9	9
Pehuenche	Pehuenche	Hydroelectric	568	568
Curillínque	Pehuenche	Hydroelectric	89	89
Loma Alta	Pehuenche	Hydroelectric	40	40
Pangue	Enel Generación Chile	Hydroelectric	466	466
Canela	Enel Generación Chile	Wind	18	18
Canela II	Enel Generación Chile	Wind	60	60
Tarapacá TG	Enel Generación Chile	Fuel/Natural Gas	20	20
Tarapacá carbón(3)	Enel Generación Chile	Coal	158	0
Atacama	Enel Generación Chile	Diesel /Natural Gas	732	732
<b>Total</b>			<b>6,274</b>	<b>6,114</b>

- (1) These figures result from the maximum capacities determined by Enel Generación Chile's Operational Norm 38 "Regulation for defining maximum capacity in the hydroelectric and thermal plants of Enel Generación Chile" as of December 31 each year. They are the maximum design capacity of the generating units, corroborated with contractual satisfaction guaranteed tests made by the manufacturer of the generating equipment, in most cases. In some cases, the figures of maximum capacity may differ from the capacity declared to the regulatory authority and customers in each country due to criteria defined by these entities and compliance to the corresponding contractual frameworks.
- (2) There have been changes in installed capacity when compared to 2018. The new installed capacity figures resulted from the maximum capacity test performed as determined by Technical Regulation of the National Electricity System operator.
- (3) On December 31, 2019, Central Tarapacá shutdown and disconnected from the electricity system as part of the national decarbonization plan agreement signed in June 2019.

In 2019, electricity sales of Enel Generación Chile and its subsidiaries reached 22,232 GWh, which represents a 31% share of total sales on the National Electricity System (SEN), including sales to regulated and unregulated customers and net sales on the spot market.

# Enel Generación Chile and subsidiaries installed capacity, generation and energy sales

Installed Capacity (MW) (1)(3)	2018	2019
Enel Generación Chile	3,347	3,189
Pehuenche S.A.	697	697
<b>Total</b>	<b>6,274</b>	<b>6,114</b>

Generation (2)	2018	2019
Enel Generación Chile	14,578	15,428
Pehuenche S.A.	2,794	2,120
<b>Total</b>	<b>17,373</b>	<b>17,547</b>

Sales (3)	2018	2019
<b>Sales to final customers</b>		
Enel Generación Chile	22,281	21,618
Pehuenche S.A.	311	335
Spot market sales	752	279
<b>Total</b>	<b>23,343</b>	<b>22,232</b>

Energy Purchases	2018	2019
Purchases from other generators	2,942	2,893
Spot market purchases	3,028	1,791
<b>Total</b>	<b>5,970</b>	<b>4,684</b>

(1) These figures result from the maximum capacities determined by Enel Generación Chile's Operational Norm 38 "Regulation for defining maximum capacity in the hydroelectric and thermal plants of Enel Generación Chile", as of December 31 each year. They are the maximum design capacity of the generating units, corroborated with contractual satisfaction guarantee tests performed by the manufacturer of the generating equipment, in most cases. In some cases, the figures of maximum capacity may differ from the capacity declared to the regulatory authority and customers in each country, due to criteria defined by these entities and compliance to the corresponding contractual frameworks.

(2) Refers to total generation after deducting own consumption and transmission losses.

(3) For comparative purposes, the figures of the subsidiary GasAtacama have been added to the figures of Enel Generación Chile, considering the latter absorbed GasAtacama.

# Operational and commercial scenario

## General view on operational and commercial scenario

The start-up of the new Pan de Azúcar - Polpaico line (2 x 500 kV) in late May 2019 completed the 500-kV integration of the National Electricity System, making the transmission of wind and photovoltaic renewable energy to the major consumption areas a reality. The integration of the SEN also allows supplementing these intermittent renewable energy sources located in northern Chile with the more flexible reservoir electricity generation sources located in southern Chile and additionally making the decarbonization process of Chile's energy matrix possible.

The contribution of renewable and thermoelectric energy located in northern Chile allowed facing the extreme drought conditions of 2019 in a better manner, particularly in the territory north of the Maule region where precipitation was similar to the level in 1998/1999, which is among the driest years ever recorded and caused extensive electricity rationing.

Natural gas imports from Argentina resumed in 2019 as a consequence of new oil fields being exploited with Shale Gas technology in Argentina. Natural Gas imports had been interrupted for almost a decade and replaced by liquified natural gas, LNG. This new natural gas arrived in Chile at competitive prices, similar to the price of coal.

The beginning of the decarbonization process of the energy matrix in Chile represents another 2019 milestone. The process began in June when Engie withdrew its U12 and U13 generation units located in Tocopilla, with a total 170 MW capacity. We shut down and disconnected the Tarapacá 158 MW turbo steam unit located south of Iquique in December, originally scheduled to take place in May 2020. The retirement of Central Tarapacá has significant social and environmental benefits that are well-known, but it is important to highlight that it does not have an adverse impact on the Company's commercial margin because the electricity not supplied by Central Tarapacá is efficiently compensated by the renewable energy electricity generation capacity added in northern Chile and boosted by the integration of the SEN. Additionally, Enel Generación Chile has important renewable energy purchase contracts with Enel Green Power Chile (EGP Chile), and Enel Green Power Chile built and owns these NCRE power plants, and both companies are subsidiaries of Enel Chile. It is also worth mentioning that the Company owns the main reservoirs in southern Chile, which as noted earlier, supplement the intermittent electricity supply of the NCRE power plants located in northern Chile.

Although there were no regulated customer electricity supply tenders in 2019 (postponed to 2020), Enel Generación played a major role in the two previous bids (2016 and 2017) being awarded nearly 8,300 GWh/year. In 2019, the Company was successful in signing medium term and long terms contracts with unregulated customers to supply roughly 8,500 GWh/year, 85% to copper mining companies. Committing a significant amount of energy to unregulated customers under favorable terms, despite being the main regulated customer supplier in the country, increases and diversifies the Company's customer portfolio and is therefore a highlight among the Company's commercial activities in 2019.

The publication of Law 21185, "Temporary Regulated Customer Rate Stabilization Mechanism" on November 2, 2019, is also worth mentioning. This Law, when compared to other alternative ones presented, may be viewed as an adequate solution to ease the demands raised during the social uprising related to the disapproval of the scheduled electricity rate increases. This Law temporarily freezes the regulated rate of current supply contracts, and establishes a maximum rate named PEC (equal to the rate in 2018 Decree 20 T). This restriction is imposed until 2021, when the contracts resulting from the latest bids at prices below the PEC become effective. It is important to note that this Law provides a compensation mechanism by means of which the lower regulated rates of the 2021-2026 period would be adjusted according to the PEC price, and recorded in a credit/debit account, so as to gradually compensate the cash flow resulting from the indexation clauses of current contracts (2019-2021) that were frozen. Although this Law has a negative economic effect on the Company, the compensation mechanism significantly reduces the impact within the specified time frame. The negative economic impact is also lessened by the greater level of diversification resulting from the unregulated customer contracts signed in 2019 mentioned earlier.

Electricity demand remained stable increasing 0.7% when compared to 2018, partially due to the lower level of demand during October and November, which were the most critical months of the social uprising. The annual electricity consumption of regulated customers in 2019 declined 5.85% while unregulated customers increased electricity consumption 5.83% when compared to 2018. This behavior is explained by the relevant number of previously regulated customers that chose to change to the unregulated customer category and enter into electricity supply contracts directly, as permitted by the industry's regulation. Enel Generación Chile has taken the lead in signing contracts with this customer segment that chose to become unregulated.

# Main events that affected operational and commercial performance

The Company reached high standards of commercial and operational performance in 2019, as in previous years, and maintained its solid leadership position in the Chilean electricity industry. The factors worth highlighting that substantiate this position are:

- i) Significant and technologically diversified, sustainable generation capacity mainly comprised of efficient hydroelectric and thermal plants, which allow the Company to be very competitive and generate at low average operating costs.
- ii) Production processes, maintenance and modernization policies that fully comply with technical and environmental standards established by the applicable regulation allowing the Company's generation facilities to operate in line with its principles to reach high availability and reliability levels.
- iii) The commercial policy is consistent with the production characteristics of the Company's power plants and is permanently adjusted to the increasingly competitive and changing market conditions. The goal of such policy has been to combine achieving an attractive return along with a low exposure to production and market risk.
- iv) Innovation is a priority for Enel and therefore it is constantly adapting to new market challenges. For example, the re-organization of its generation business model previously mentioned (subsidiaries EGP Chile and Enel Generación Chile) allows sustaining future growth and competitiveness in the industry.

Regarding production and market risk management, the following are the most relevant factors we take into consideration:

- i) Hydrologic variability, a risk that is covered by permanently analyzing and designing sales contracts that commit to an optimum level of energy sales.
- ii) Commodity variability risk, mainly the price of fuels that directly affect Enel's thermal production costs and the sales price indexation clause of some of our supply contracts.
- iii) Currency variability risk, mainly the price of the United States dollar that has an impact on the Company's revenue.

Commodity (mainly coal, natural gas and oil) and currency (US dollar) variability risks have been managed in coordination with the parent company in Italy using hedging instruments, which had a positive impact on the Company's margin in 2019.

## Hydrologic conditions

Hydroelectricity represents a significant portion of Enel Generación Chile's generation mix and has a significant direct impact on the Company's margin. Therefore, a detailed discussion on the hydrologic condition is relevant to the Company. In 2019, the hydrologic condition was dry, similar to previous years, and rainfall was uneven throughout the territory. Hydrology north of the Maule Region was similar to the extreme drought conditions of 1998/1999, the driest year ever recorded. Rainfall south of the Maule Region was similar to 2018, described as semi-dry, allowing to partially mitigate the effect of the hydrological condition on the system's electricity generation. Overall, the exceedance probability relevant to Enel Generación Chile was 83%, in other words, dry.

# Generation and electricity supply costs

Electricity generation in the SEN in 2019 reached 77.3 TWh, which represents a 0.9% growth rate when compared to 2018. Hydroelectricity represented 27% of total generation (20.8 TWh), thermal electricity accounted for 56% (43.2 TWh), primarily coal 37%, followed by natural gas, 18%. A total 17% of total electricity generation came from non-conventional renewable sources (13.1 TWh); solar represented 8%, wind 6%, biomass 2% and geothermal 0.3%.

Enel Generación Chile's own power plants generated 23% of the SEN's total electricity generation amounting to 17.5 TWh, excluding the generation of the Nueva Renca power plant related to the maquila agreement, which is slightly higher than the 17.4 TWh produced in 2018. The Company's Hydroelectric generation was roughly 10.2 TWh, representing 51% of the SEN and nearly 7% less than the 11.4 TWh generated in 2018. Enel Generación Chile's thermal generation increased 15% from 6.3 TWh in 2018 to 7.2 TWh in 2019, mainly due to greater gas and coal fueled generation. The Company's NCNE generation (wind) reached 152 GWh in 2019 greater than the 131 GWh for 2018.

The average price of fuel in 2019 decreased when compared to 2018. Coal was once again the predominant fuel used to generate electricity in the SEN in 2019. According to authority statistics, the average price of coal decreased 21.6% from an annual average 131 US\$/ton in 2018 to roughly 102 US\$/ton in 2019. Regarding the price of natural gas, although the purchase prices of Enel Generación Chile are confidential, according to market information provided by the electricity authority, the Henry Hub dropped 19.5% on average in 2019 from 3.13 US\$/MMBTU in 2018 to 2.52 US\$/MMBTU in 2019. Liquid fuel represented a very low share of the SEN's generation in 2019. The average Brent oil price dropped 9%.

However, the drought that affected the SEN, the lower price of fuel, the gas imports from Argentina, and the greater supply of non-conventional renewable energy, boosted by the interconnection of the entire former SIC and SING electricity systems, allowed reducing the average annual marginal electricity costs. The average price at the 220 kV Quillota node dropped from 63.6 US\$/MMBTU in 2018 to 52.0 US\$/MMBTU in 2019 (-18%). At the Crucero node, which represents the former SING electricity system, the price fell from 53.0 US\$/MMBTU to 45.4 US\$/MMBTU (-14%).

## The relevance of liquefied natural gas (LNG)

Enel Generación Chile entered the LNG market in 2009 when the GNL Quintero Regasification Terminal began operations. The regasification terminal was a project of national interest that required a significant public and private effort to ensure the country a supply of natural gas since the Argentine supply had been interrupted.

Enel Generación Chile, Metrogas, and Enap, jointly promoted the development of the GNL Quintero Terminal. This facility has played a crucial role in the supply of energy to the central region of Chile for both residential and industrial customers and also for the electricity system as a whole.

During 2019, Enel Generación Chile consumed 441 MMm<sup>3</sup> of LNG to satisfy its commercialization and electricity generation requirements, 40% less than the amount needed in 2018, because of the abundance of Argentine natural gas at competitive prices.

The reactivation of the Argentina natural gas (NG) supply during the last quarter of 2018, a significant milestone after being interrupted for 11 years, enabled Enel Generación Chile to sign new interruptible NG supply contracts with important Argentine natural gas producers. The price of Argentine wellhead NG reached nearly 3 US\$/MMBtu, affected by the competitiveness of the Chilean electricity market. Enel Generación Chile imported 667 MMm<sup>3</sup> of NG during 2019, which represents 60% of Chile's total gas consumption (to produce electricity and supply customers), and 23% of the total amount of natural gas supplied to generators in the National Electricity System.

In 2019, the rental agreements of the thermal power plant Nueva Renca with Generadora Metropolitana allowed Nueva Renca to provide the SEN with electricity fueled with Argentine natural gas and was recorded as electricity generated by Enel Generación Chile.

In terms of gas commercialization, Enel Generación Chile continued to perform international trading transactions outside Latin America to relevant international markets. The Company sold three LNG shipments to Enel Global Trading to be delivered to the United Kingdom and Brazil. The Company was also very active in negotiating more flexible conditions with the long-term LNG supplier so as to incorporate Argentine NG operations.

In 2019, the Company once again signed a terminal use agreement, TUA, with GNL Mejillones. This agreement allowed our Company to unload LNG shipments and therefore enabled renewing natural gas sales contracts with mining and industrial customers located in northern Chile making Enel Generación Chile the main industrial gas trader in northern Chile. It also made natural gas available for the generation units of Enel Generación Chile (Taltal and GasAtacama) connected to the northern gas pipeline.

Regarding the commercialization of LNG in trucks, our operations increased to 60 MMm<sup>3</sup> in 2019. The Company signed agreements to deliver NG to cities, such as Temuco, which allowed Enel Generación Chile to maintain its relevant position in this market.

Within this context, Enel Generación Chile has continued consolidating its position as a relevant player in the gas market in Chile, innovating and expanding its activities in the commercialization of gas and LNG in the local and international market.

## In the commercial front

The commercial actions carried out by Enel Generación Chile in 2019 were consistent with its commercial policy, which focuses on accomplishing the following goals: maintain industry leadership, adequately manage risk and return under the existing supply and competitive market conditions, implement plans to strengthen customer loyalty, add new customers, increase energy sales, and increase commercial management efficiency within the Company.

The main commercial actions carried out in 2019 are described below.

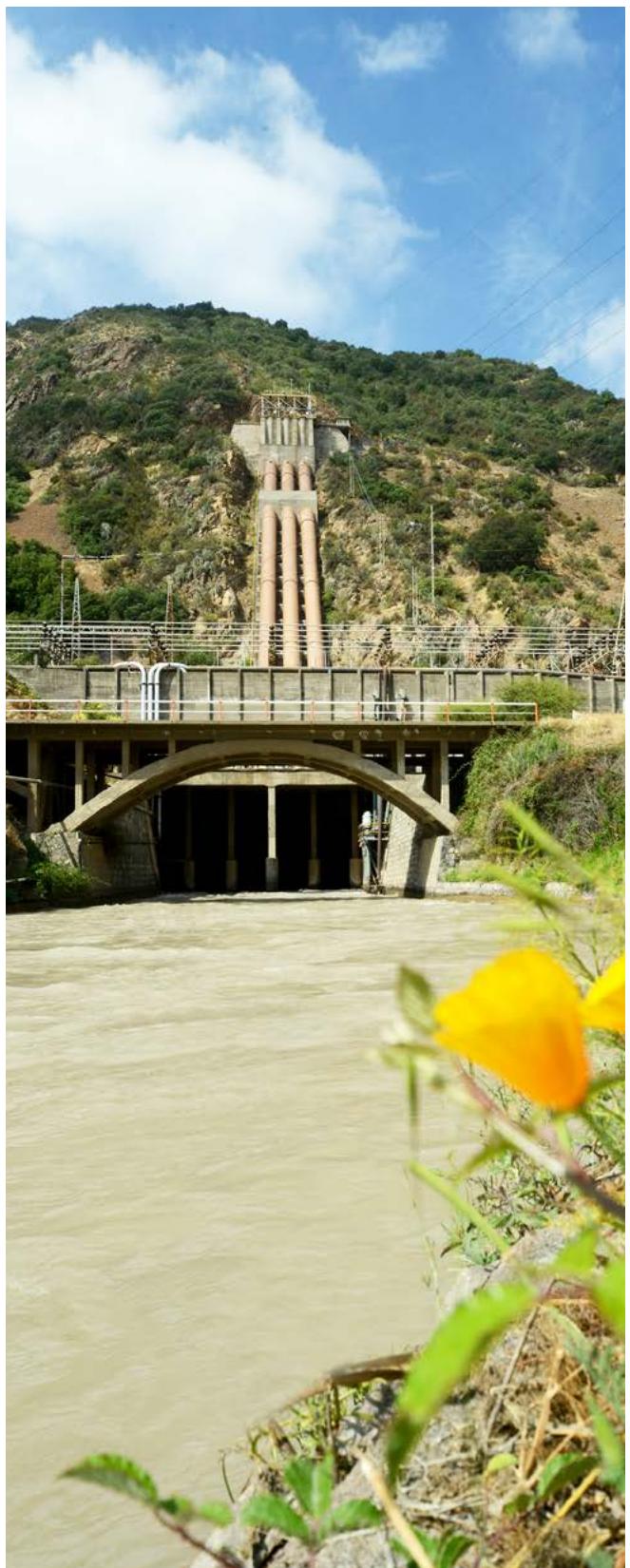
In terms of contract management, new electricity supply contracts were signed with customers for over 8,500 GWh/year, which improved the Company's contract profile making 2019 an exceptional year.

Regarding large customers, agreements were signed with important unregulated customers in the mining industry to supply nearly 7,200 GWh/year for 7 and up to 15-year terms.

Also, worth mentioning is the positive impact in 2019 of a regulatory change in Chile that allows small customers to choose to be either regulated or unregulated. A large number of small customers decided to change to the unregulated category and sign new supply contracts directly with Enel Generación Chile.

The Company also had access to the smaller customer market indirectly through contracts signed with distribution companies to supply electricity to their unregulated customers, amounting to 700 GWh/year with 5 to 15-year terms. Back up electricity supply contracts have been signed by Enel Generación Chile with other generation companies to provide electricity to their unregulated customers, which represented 500 GWh/year with 4 to 15-year terms beginning in January 2019.

Among the achievements of 2019, the three contracts signed with Anglo American Sur are worth highlighting. Enel Generación Chile was awarded 3,000 GWh/year of electricity to begin supply in January 2021 for a 10-year period. In November 2019, the Company also signed two electricity supply contracts with BHP Billiton for 3,000 GWh/year for 15 years beginning in the second semester of 2021.





## **15. STRATEGY, INVESTMENTS AND FINANCIAL ACTIVITIES**

15. Strategy, investments and financial activities

# Relevant investments related to the strategic plan of the Company

Enel Generación Chile S.A. coordinates the global financing strategy of its subsidiaries, including the terms and conditions of disbursements and credits among its subsidiaries, to optimize the management of debt and liquidity, through a Centralized Cash Management contract with Enel Chile. The operating subsidiaries generally develop their capital expenditure plans independently, prioritizing the use of internally generated funds, or alternatively through related company loans at prevailing market prices. Although the form of financing these investments has been considered part of the Company's budgeting process, no financing structure has been committed. The investments depend on the prevailing market conditions at the time the cash flows are needed.

The investment plan of Enel Generación Chile is sufficiently flexible to adapt to changing circumstances, prioritizing each project differently based on profitability and strategic objectives. Current investment priorities include developing environmentally and socially responsible projects to ensure reliable levels of supply.

From 2020 to 2022, Ch\$ 225 billion are expected to be disbursed in subsidiaries on a consolidated basis on investments currently underway, maintenance of existing installed capacity, and studies required for the development of other possible generation projects.

The following table shows the expected capital expenditure for the 2020 – 2022 period and the amount incurred by subsidiaries over the past three years:

Capital Expenditure (1) (millions of Ch\$)	2020-2022	2019	2018	2017
Chile	225,196	192,933	222,327	206,776
<b>Total</b>	<b>225,196</b>	<b>192,933</b>	<b>222,327</b>	<b>206,776</b>

(1) The figures of capital expenditure represent payments effectively made each year, net of capitalized expenses, except for future projections.

# **Relevant investments in 2019, 2018 and 2017**

Capital investments over the past three years have been primarily related to:

1. Los Cóndores, 150 MW project.
2. Maintenance of existing installed capacity.

These capital investments were financed with funds generated by the Company.

# **Enel Generación Chile projects under construction and optimization**

## **Los Cóndores project**

Los Cóndores hydroelectric power plant is located on the Maule river basin in the San Clemente county of the Maule region. It is a pass-through hydroelectric power plant with an installed capacity of approximately 150 MW, equipped with 2 vertical axle Pelton units that will utilize water from the Laguna del Maule reservoir. The plant will connect to the National Electricity Network through an 87 km transmission line to the Ancoa substation.

The project received favorable environmental qualification resolutions for the power plant and the transmission line in 2011 and 2012, respectively. The hydraulic works construction plans were also approved.

By the end of 2019, the current construction program of the project had reached 82% physical progress, having completed the downstream tunnel and the installation of electromechanical equipment in the cavern. The construction of the pressure spike, balance chimney and the upstream tunnel will follow. The transmission line, on the other hand, had reached 93% physical progress by the end of 2019. The total investment accrued as of December 31, 2019, was Ch\$ 510.66 billion.

## Central Sauzal smart repowering project

The Sauzal plant Smart Repowering Project considers the modernization and repowering of specific systems and equipment in the Sauzal hydroelectric power plant. The Sauzal plant is located in the Libertador Bernardo O'Higgins region of Chile. It has been operational since 1948 and is equipped with three generation units with vertical axis Francis type turbines. The Smart Repowering project considers replacing two existing turbines to increase generation by an additional 13.7 GWh/ year.

The general contract was signed with VOITH HYDRO, and covers the detail engineering, manufacturing, assembling, and launching of new equipment for both turbines. During 2019, works related to the first generating unit were carried out, while the works of the second generating unit will take place in 2020. The overall progress of the VOITH contract, as of December 2019, was 87.8%, with an accumulated investment of Ch\$ 3,850 million.

## Central Antuco smart repowering project

The Antuco plant Smart Repowering Project considers the modernization and repowering of certain systems and equipment in the Antuco hydroelectric power plant. The plant is located in the Biobío region. It has been operational since 1981 and is equipped with two generation units with vertical axis Francis type turbines. The Smart Repowering project considers replacing Turbine N°1 to increase generation by an additional 204 GWh/year.

The general contract was signed with ANDRITZ, and covers the detail engineering, manufacturing, assembling, and launching of new equipment in Unit N°1. The overall progress of the ANDRITZ contract, as of December 2019, was 53%, with an accumulated investment of Ch\$ 2,400 million.

## Closure of Bocamina Ash Landfill areas 1, 2 and Wing

The Bocamina thermoelectric plant utilizes an authorized landfill to dispose of combustion residue (bottom ash and fly ash) from its electric generation process.

The landfill was evaluated through the Environmental Impact Assessment System (SEIA, in its Spanish acronym) by means of the Environmental Impact Declaration (DIA, in its Spanish acronym) "Bocamina Thermoelectric Power Plant Landfill Expansion" and duly qualified as environmentally favorable, as dictated in the Exempt Resolution (RCA, in its Spanish acronym) 017/2010 published by the Regional Environmental Com-

mission (COREMA, in its Spanish acronym) of Chile's Biobio region. This RCA details the procedure for the facility's closure and decommission, which mainly consists of establishing the necessary conditions for vegetation repopulation and landscape recovery.

Enel initiated the closure of areas 1,2 and wing of the landfill and intends to improve the standards set by the RCA.

The works involve the following:

- Incorporate a waterproofing package, with geosynthetic material, for the final closure of the landfill. Not mandated by the RCA.
- Increase excavation material coverage to 1 meter. RCA demands 50 centimeters.
- Maintain the final 20 centimeters of vegetation coverage as established in the RCA.
- Implement a vegetation plan with higher standards than those set in the RCA. To do so, different irrigation systems are being tested on native species in a Pilot Plan that spans over half a hectare of the landfill's site.
- Extend the closure to include the wing area of the landfill with the aforementioned standards, which is not considered in the RCA.
- Incorporate an underground water monitoring system, not included in the RCA.

In summary, waterproofing materials, which include a conductive geomembrane; the greater thickness of fillers and substrates; the selection of native species; high specimen / hectare density, and a planting design according to referential ecosystems in the area created with direct support from the Universidad de Concepción, make this a unique project within the industry.

The project's progress in 2019 involved the following:

- On January 21, the Health SEREMI granted the project's Sanitary Permit.
- On February 15, the SEA granted the Environmental Permit through resolution 022/2019.
- On July 2, the coverage contract for areas 1,2 and wing was approved.
- On July 19, the Revegetation Pilot Plan was completed.
- As of December 31, 2019, the project's overall progress was 60%.

# Projects under evaluation

Enel Generación Chile continuously analyzes different growth opportunities in response to market needs. The Company reformulates its project portfolio so as to have alternatives when deciding on investments. For a project to be considered as an alternative investment in the portfolio, it must be sustainable not only from a technical and economic standpoint but also from an environmental and social perspective.

Regarding thermoelectric generation and electricity storage systems, we work on modernizing existing assets and increasing productivity. The commercial feasibility and the Company's ability to materialize each project determines the expected start up date of each project, which is continuously being reviewed.

# **Quintero combined cycle closing Project**

The project is located in the Valparaíso region of Chile and consists of an energy efficiency project that uses the heat of gas generated by existing turbines (257 MW) to produce steam, by installing a steam turbine and a generator to convert the existing open circuit into a combined cycle gas power plant. The project considers the installation of an additional boiler and a 130 MW steam turbine. In August 2018, the project was postponed indefinitely, and all environmental impact studies were suspended.

The final investment decision regarding this project will depend, among other things, on the socio-environmental conditions in the area and the commercial opportunities foreseen for the coming years, such as the prices of future tenders to supply the electricity required by the regulated market and/or existing or new unregulated customers.

# **Central Taltal battery energy storage system**

Enel Generación Chile is analyzing the installation of a Battery Energy Storage System (BESS) in its Taltal thermal power plant in order to provide the ancillary services the SEN may require in the coming years.

The project would have an installed capacity of 12 MW and 12 MWh of energy storage capacity connected to the 15-kV bar of one of the existing 120 MW turbines in the Taltal plant. In May 2018, the SEA of the Antofagasta region waived the Company's obligation to submit this project to environmental evaluation prior to its construction.

Any decision related to the construction of the project will depend primarily on the commercial opportunities foreseen for the coming years, and, particularly, on the evolution of the regulatory framework regarding the provision and remuneration of complementary services, as well as the annual estimate the operator must make on the required volume of such services.

# **Taltal optimization project**

The project is located in the Antofagasta region in northern Chile and consists of an energy efficiency project that uses the heat of the gas generated by existing turbines (240 MW) to produce steam. This is done by installing a steam turbine and a generator, which will allow converting the existing Taltal open cycle plant into a combined-cycle gas power plant, increasing 120 MW in capacity.

The environmental permit, requested through the Environmental Impact Declaration, was submitted to the authorities in December 2013 and was approved in January 2017.

Any decision related to the construction of this project will depend, among other things, on the business opportunities envisioned for the coming years, such as the prices of future tenders to supply the electricity needs of the regulated market and/or existing or new unregulated customers.

## Central Tarapacá battery energy storage system

Enel Generación Chile is analyzing the installation of a Battery Energy Storage System (BESS) in its Tarapacá thermal power plant in order to provide the ancillary services the SEN may require in coming years.

The project involves the installation of a BESS with about 14 MW of installed capacity and 14 MWh of energy storage capacity, connected to the 11.5 kV bar of the existing 23 MW turbine installed in the Tarapacá plant.

In December 2017, the SEA of the Tarapacá region issued a resolution waiving the Company's obligation to submit the project to environmental assessment prior to construction.

Any decision related to the construction of this project will depend, among other things, on the business opportunities that may arise in the coming years, and, particularly, the evolution of the regulatory framework for the provision and remuneration of complementary services, as well as the estimate the operator must make on the required volume of such services.

## Land reserved for future projects

As of December 2019, Enel Generación Chile, held approximately 318.3 hectares in real estate or land to develop future natural gas and hydroelectric projects. These assets are located in the Antofagasta region (30.8 hectares), the Valparaíso region (245.5 hectares) and the Los Lagos region (42 hectares).

## Financial position

## Liquidity

At year-end 2019, Enel Generación Chile S.A. and its subsidiaries had available cash amounting to US\$ 18 million.

## Indebtedness

The consolidated financial debt of Enel Generación Chile S.A. reached US\$ 1,159 million. This debt is mainly international and local bonds with, on average, 8 years to maturity.

The net consolidated debt amounted to US\$ 1,141 million as of December 2019, and therefore the debt ratio was 1.2 times.

## Interest rate

The objective of Enel Generación Chile S.A. interest rate hedging policy is to maintain a balanced debt structure, which allows minimizing the financial cost and also the volatility of the income statement. Hedging operations are conducted based on market conditions and depending on the Company's projections and debt structure objectives.

At year-end 2019, the ratio of consolidated fixed debt to total financial debt was 94%.

## Hedging policy

### Exchange rate

The Enel Generación Chile Group manages the financial risk in its balance sheet, income statement and cash flow by reducing its exposure to exchange rate variations. Enel Generación Chile's exchange rate hedging policy is based on cash flows, and its goal is to maintain a balance between cash flows indexed to foreign currencies (US\$) and the level of assets and liabilities in said currency. The objective is to minimize the exposure of cash flows and financial statements to variations in the exchange rate.

At year-end 2019, 94% of consolidated financial debt was in US\$ dollars or converted to US\$ dollars through derivatives.

## Risk rating

Enel Generación Chile's current ratings are based on the diversified asset portfolio, primarily renewables, the strength of financial ratios, adequate maturity schedules and ample liquidity.

On June 25, 2019, Moody's confirmed Enel Generación Chile S.A. Baa1 rating and maintained the stable outlook.

On July 3, 2019, Feller Rate confirmed the AA corporate rating of Enel Generación Chile S.A. with a positive outlook.

Subsequently, on October 29, 2019, Standard & Poor's confirmed the BBB+ international rating for Enel Generación Chile S.A., with a stable outlook.

Finally, on January 28, 2020, Fitch Rating improved the local and international long term rating of Enel Generación Chile S.A. to A- from BBB+ and also improved the long term domestic scale rating to AA+(cl) from AA(cl). Both outlooks improved from stable to positive.

# Insurance

## Operational

All Enel Generación Chile S.A. subsidiaries are covered by a Worldwide Risk Coverage Program determined by parent company Enel, which covers material damages, terrorism, business interruption and civil liability. The insurance renewal process was carried out through an international tender, to which the world's leading insurance companies were invited. Contracts were renewed on November 1, 2019 and expire on October 31, 2020.

The subsidiaries of Enel Generación Chile also have maritime, air, and land transportation insurance policies to cover relocation of machinery, equipment, and supplies, and life and personal accident insurance policies for traveling personnel as stipulated by current law.

## Construction works insurance

The projects of Enel Generación Chile have building insurance policies for all its construction works. These insurance policies are contracted through a private bidding process to which the main insurance companies are invited.

The insurance program established for all projects covers all risks, construction and assembly, transportation, civil liability, with limits and deductibles in line with the Company's risk policy.

# Trademark

Enel S.p.A sent a letter to the Board of Directors of Enel Generación Chile S.A, dated August 2, 2016, informing that Enel Generación Chile was authorized to use the brand "Enel" free of charge and allowed the Company to include it in its name, logo and otherwise. The trademark "Enel Generación Chile" is duly registered.

The Company also has the "Endesa" and "Endesa Chile" trademark in services, products, and commercial and industrial establishments.

# Main customers, suppliers and competitors

CUSTOMERS (GWh)	Enel Distribución: 5,000 Grupo CGE : 4,800 SAESA: 1,500 CHILQUINTA: 1,300
SUPPLIERS	GNL Chile Transelec Total Austral CMC Coal Marketing Company LTDA.
COMPETITORS (market share) <sup>1</sup>	AES Gener: 16.6% Colbún: 15.1% Engie : 5.5% Otros: 34.6%

1: Percentage of SEN's electricity generation





## **16. INDUSTRY REGULATION AND ELECTRICITY SYSTEM OPERATIONS**

16. Industry regulation and electricity system operations

# General features

## a) Regulatory framework:

Chile's electricity sector is regulated by the Chilean electricity law Ley General de Servicios Eléctricos 20,018, contained in the Ministry of Mining DFL 1 issued in 1982. Its restated text was established by Ministry of Economy DFL 4, issued in 2006 (the "Electricity Law") and its respective regulations contained in D.S. 327 issued in 1998.

The main authority in the energy industry is the Ministry of Energy that is the government body responsible for proposing and delivering comprehensive public policies as a coordinate effort. It exists since February 1, 2010 as an autonomous entity after being part of the Ministry of Mining for many years.

The Ministry of Energy oversees the body that regulates the electricity industry (National Energy Commission, "CNE" in its Spanish acronym) and the supervising body (Superintendence of Electricity and Fuel, Chilean "SEC" in its Spanish acronym). Other entities that report to this Ministry are the Chilean Nuclear Energy Commission ("CChEN" in its Spanish acronym), the Chilean Sustainable Energy Agency.

The CNE is the entity in charge of proposing the regulated tariffs, approving the annual transmission expansion plans, and elaborating the indicative plan for the construction of new electricity generation facilities. The SEC inspects and oversees compliance with the law, rules regulations and technical norms applicable to electricity generation, transmission and distribution, liquid fuels and gas.

Additionally, the law provides for a Panel of Experts, comprised of professional experts, whose main responsibility is to act as a court, issuing enforceable resolutions in disputes

related to subjects referred to by the Electricity Law and other electricity related laws.

According to the Law, the operation and coordination of the Chilean electricity system is to be carried out by a National Electricity Coordinator ("CEN" in its Spanish acronym). It is an independent entity in charge of coordinating the operation of the electricity system with the following objectives: i) maintain service security; ii) guarantee the efficient operation of the facilities connected to the system; and iii) guarantee open access to all transmission networks. The main activities of this entity include the coordination of electricity market operations, authorization of connections, supplementary services management, implementation of information systems available to the public, and monitor competition and payments, among others.

The Chilean electricity sector is physically divided into three main networks, the National Electricity Network ("SEN" in its Spanish acronym) and two smaller isolated networks; Aysén and Magallanes. The SEN is the outcome of the integration of the Central Interconnected System ("SIC" in its Spanish acronym) and the Norte Grande Interconnected System ("SING" in its Spanish acronym) that took place in November 2017. Until then the SIC was the main grid and extended 2,400 km from Taltal in the north to Quellón on the island of Chiloé to the south. The SING covered the northern part of the country, from Arica to Coloso, and extended 700 km.

The electricity industry in Chile is divided into three main segments or businesses: generation, transmission, and distribution. Operations of the related facilities must be interconnected and in coordination to supply electricity at the minimum cost within the certain safety and quality standards required by electricity industry regulation.

Given the structural characteristics of the transmission and distribution segments, they are considered natural monopolies and are therefore subject to special industry regulation, the network is open access, and tariffs are regulated.

The Chilean electricity market trades two products (energy and capacity), and additionally several related services. The National Electricity Coordinator performs the calculation of market balances, determines the transfers among generation companies and calculates the hourly marginal cost, which is the price at which energy transfers are carried out. The CNE determines the price of generation capacity.

Customers are classified according to their demand as regulated or unregulated. Regulated customers are those whose connected capacity is below 5,000 kW. Customers with connected capacity between 500 kW and 5,000 kW may choose to be regulated or unregulated, subject to the respective price regime.

## Limits to integration and concentration

In Chile, antitrust legislation along with specific regulation applicable to the electricity industry define criteria to avoid certain levels of market concentration and abusive practices.

Companies can participate in the different industry segments (generation, distribution and commercialization) in so far, an adequate level of corporate and accounting separation exists. The transmission segment is where most restrictions are imposed, mainly due to the nature of the activity and the need to guarantee adequate access to all players. The Electricity Law defines limits to the market share that generation companies and distribution companies may have of the National Transmission segment and prohibits National Transmission companies from participating in the generation and distribution segments.

### a.1 Generation segment

The operations of generation companies are conditioned by the operations plan of the System Coordinator, although they may freely decide whether to sell their energy to either regulated or unregulated customers. Any surplus or deficit between sales and production is sold to or bought from other generators at the spot market price.

A generation company may have the following types of customers:

- **Unregulated customers** are customers whose connected capacity is greater than 5,000 kW, mainly industrial and mining companies and customers whose connected capacity ranges between 500 and 5,000 kW and choose to be unregulated for a minimum of 4 years in either regime. These customers may freely negotiate their electricity supply prices with generators or distributors.

- **Distribution companies** that supply regulated and unregulated customers. Distribution companies supply their regulated customers through public tenders regulated by the CNE and supply their unregulated customers through bilateral contracts.
- **Other Generation companies.** The relationship between generation companies may be formalized through bilateral contracts or on the Spot or short-term market: The latter refers to the transactions of energy and capacity between generation companies resulting from the efficient operation of the market by the National Electricity Coordinator. The surplus (deficit) of production after supplying customer commitments are transferred by selling (buying) to (from) other generators connected to the system. Electricity transfers are priced at the marginal cost of the system. Capacity transfers are carried out at the corresponding node price, as set every semester by the authority.

In Chile, capacity payments to each generator depend on the calculation, based on current rules, performed annually by the National Electricity Coordinator that determines the firm capacity of each power plant. Firm capacity mainly depends on availability of the facilities and of the source of generation.

## Non-conventional renewable energies

Law 20,257 enacted in April 2008 creates incentives to use Non-Conventional Renewable Energies (NCRE). This rule determined that by 2014, at least 5% of energy commercialized by generators must come from renewable sources and must progressively increase 0.5% every year from 2015 until 2024 to reach 10%. This law was modified in 2013 by Law 20,698, entitled the 20/25 law, establishing that by 2025, 20% of the electricity matrix must be covered by NCRE sources. For contracts in force up to July 2013, the withdrawals established by the previous law were to be respected.

### a.2 Transmission segment

Transmission systems are comprised of lines and substations that form an electric system that are not distribution installations. They are divided into five segments: National Transmission, Development Pole Transmission, Zonal Transmission, Dedicated Transmission and International Interconnection Systems.

Transmission installations are open access to any user that requests it, without discrimination. The compensation for existing transmission installations, either National or Zonal, is determined by a tariff setting process performed every four years. This process determines the Annual Transmission Value comprised of efficient operations and management costs and an investment value annuity, determined by a discount rate (minimum 7% after tax) set by the authority every four years based on a study and the useful life of assets.

The development of the National and Zonal Transmission systems is determined by a regulated and centralized process carried out by the National Electricity Coordinator, which presents an expansion plan every year that must be published by the CNE for interested parties to present their proposals. Participating parties may present their observation to the expansion plan before it is finally approved by the CNE.

The expansion of both systems is granted through an open tender process that discriminates new installations from expansions of existing installations. The tenders carried out for new installations grant the winner ownership of the installation to be built. The expansion of existing installations, on the other hand, belongs to the owner of the original installation, who must tender the construction of the required expansion. The National Electricity Coordinator is in charge of managing both new and existing installations.

The remuneration of new facilities is determined by the outcome of the bid and represents the income for the first 20 years of operations. The remuneration of new facilities is determined by the investment amount resulting from the bid and the applicable operation and maintenance costs. In both cases, from year 21 on, the remuneration of such transmission facilities is determined as existing assets.

The regulation currently in force determines that transmission remuneration is the sum of tariff revenue and the usage charge revenue, for use of the transmission system. This usage charge is defined (Ch\$/kWh) every six months by the CNE.

### a.3 Distribution segment

The distribution segment is defined as all electricity facilities employed in supplying electricity to end customers at a voltage of up to 23kV.

Distribution companies operate under the framework of a public service concession. They have the obligation to serve all customers and provide electricity at regulated prices to regulated customers (customers with under 5,000 kW connected capacity, except customers that fall within the 500-5,000 kW category and chose the unregulated tariff). Unregulated customers may negotiate their electricity supply with any generation or distribution company but must pay a regulated toll for using the distribution network.

Regarding electricity supply to regulated customers, the law determines that distribution companies must permanently have electricity available to supply its customers and it must obtain such electricity through open, non-discriminatory and transparent public tenders. These tenders are designed by the CNE and are carried out at least five years in advance to award 20-year term contracts. If demand changes unexpectedly, the authority has the power to call a short-term tender. There is also a regulated procedure to remunerate noncontracted electricity sales.

The processes for setting distribution tariffs are carried out every four years based on a cost analysis to determine the Distribution Value Added ("VAD" in its Spanish acronym). The VAD calculation is based on an efficient model company scheme and a typical area concept.

On December 21, 2019, the Ministry of Energy issued Law 21,194 (Short Law) that reduces Distribution Companies' Rate of Return and improves the electricity distribution tariff setting process. Consequently, the 2020-2024 distribution tariff setting process considers the changes established by this Law.

To determine the VAD, the CNE classifies the companies with similar distribution costs into groups named "typical areas". For each typical area, the CNE hires independent consultants to carry out a study to determine the costs of an efficient model company, considering fixed costs, average energy and capacity losses, and standard investment, maintenance, and operations costs related to electricity distribution, whiching certain restrictions that distribution companies face in reality. The annual investment costs are calculated based on the Net Replacement Cost ("VNR" in its Spanish acronym) of facilities adjusted to demand, expected life and a discount rate calculated by the CNE every four years that may not be less than 6% nor greater than 8% a year after tax.

The CNE then determines the resulting tariffs and verifies that the after-tax economic rate of return is not more than 2 percentage points higher or 3 percentage points lower than the rate calculated by the CNE.

Additionally, every four years, when the VAD is being calculated, the Antitrust Court reviews the supplementary services considered to be related to the supply of electricity and subject to price regulation.

The Chilean distribution tariff model is a consolidated model that has carried out nine price-settings processes since the enactment of the Electricity Law in 1982.

## b) 2019 Regulatory issues

### Laws enacted in 2019

The Ministry of Energy published Law 21,185 (hereafter the "Tariff Stabilization Law") in the Official Gazette on November 2, 2019. This Law creates a Temporary Regulated Customer Tariff Stabilization Mechanism that states that the price to charge regulated customers for electricity from July 1, 2019 through December 31, 2020 is to be equal to the prices in force during the first semester of 2019 (Decree 20T/2018). This stabilized price was named the "Stabilized Regulated Customer Price" PEC (in its Spanish acronym). From January 1, 2021 until the stabilization mechanism is suspended, the prices will be those defined in the tariff setting processes carried out every six months as established in Article 158 of the Electricity Law, but not to exceed the PEC adjusted by inflation according to the Consumer Price Index as of January 1, 2021, using the same date as base. The billing differences until 2023 are to be recorded as an accounts receivable in favor of generation companies, limited to a maximum US\$ 1,350 million. The balance of these accounts is to be recovered by December 31, 2027.

On December 21, 2019, the Ministry of Energy issued Law 21,194, effective as of that date, that reduces Distribution Companies' Rate of Return and improves the electricity distribution tariff setting process. This Law eliminates the methodology that involved weighing the results of the VAD study performed by the CNE and the VAD study performed by distribution companies with a ratio of 2:3 and 1:3, respectively, and replaces it by using only the CNE's study. The discount rate in the calculation of the annual investment cost

was also modified. The previous 10% real annual pre-tax discount rate was replaced by an annual after-tax discount rate to be calculated by the CNE every four years that may not be less than 6% nor greater than 8%. This new methodology is to be applied in the following tariff setting process to begin November 4, 2020. Also, as of January 2021 electricity distribution companies may participate exclusively in the electricity distribution business.

### CNE 2019 Regulatory Plan

Pursuant to Exempt Resolution 790 dated December 10, 2018, and according to Article 72-19 of the *Ley General de Servicios Eléctricos*, the CNE published its 2019 Regulatory Work Plan. The document defines the general guidelines and the program priorities of the CNE's Regulatory Work Plan 2019 and the pending regulatory procedures of the 2018 Plan, the preparation of which will continue being performed during 2019.

### Regulations published in 2019

**Regulation of Supplementary Services.** On March 27, 2019, the Ministry of Energy approved Decree 113/2017, to become effective January 1, 2020, which is the Supplementary Services Regulation referred to in article 72-7 of the *Ley General de Servicios Eléctricos*.

### 2017 Transmission Expansion Plan

On November 8, 2018, the Chilean Ministry of Energy published Exempt Decree 293/2018 establishing the specific Expansion Works of the National and Zonal Transmission Systems to begin the tender process within the following twelve months, in accordance with the stages of the process established by Law. On August 13, 2019, the Ministry of Energy published Exempt Decree 202/2019 which modifies the prior decree regarding the Expansion Works.

On January 9, 2019, the Ministry of Energy published Exempt Decree 4/2019 establishing the specific New Works of the National and Zonal Transmission Systems that must begin their tender process within the following twelve months.

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## 2018 Transmission Expansion Plan

The CNE issued the Final Technical Report through Exempt Resolution 14 on January 11, 2019, in accordance to the stages of the Transmission Expansion Plan. Subsequently, interest parties filed their discrepancies before a Panel of Experts in a public hearing. As a result, the CNE issued the Definitive Technical Report by means of Exempt Resolution 334 dated May 29, 2019.

On September 24, 2019, the Ministry of Energy published Exempt Decree 231/2019 that identifies the specific new works of the National and Zonal Transmission Systems to begin their tender process or study of the allocated capacity, as necessary, during the following twelve months, in accordance with the stages of the process by law.

On August 10, 2019, the Ministry of Energy published Exempt Decree 198/2019 establishing the specific expansion works of the 2018 Expansion Plan regarding the National and Zonal Transmission Systems to begin their tender process during the following twelve months.

## 2019 Transmission Expansion Plan

According to article 91 of Law 20,936/2016, which establishes the Transmission Planning Procedure, the CEN is responsible for sending the CNE the expansion plan proposal of the different sections of the transmission system. This proposal was presented on January 22, 2019.

The CNE summoned all interested parties to submit proposals for Transmission Expansion projects by April 22, 2019, in accordance with the provisions of article 91 of the Electricity Law.

On December 23, 2019, the CNE issued Exempt Resolution 801 updating the Citizen Participation Registry of the respective Annual Transmission Planning Process, in accordance with the provisions of article 90 of the Ley General de Servicios Eléctricos and included a consolidated list of participants and interested parties.

## c) Tariff reviews and supply processes

### c.1 Electricity distribution tariff setting process

The tariff setting process for the 2016-2020 period concluded with the publication of Decree 11T in the Official Gazette on August 4, 2017, that set the distribution tariff formulas to be effective, retroactively, as of November 4, 2016.

On June 27, 2018, the Ministry of Energy published the Decree 2T/2018, which sets the capacity adjustment factor of the tariff formulas applicable to supplies subject to regulated prices for the four-year period from November 2016 through November 2020.

On September 28, 2018, the Ministry of Energy Decree 5T/2018, which replaces Decree 11T, 2016, came into effect, updating electricity distribution tariffs until the following tariff setting process.

On July 26, 2019, through Resolution 15699/2019, the Superintendence of Electricity and Fuel implemented an action plan to make the adjustment indicated in CNE Resolution 490/2019, with respect to Decree 5T/2018 effective, retroactively, as of September 28, 2018.

The tariffs applicable to end customers in 2019 were determined based on the following decrees and resolutions:

- i) Decree 11T/2016 published in the Official Gazette on August 24, 2017, which set the tariff formulas applicable to the supply of electricity subject to regulated prices to be in force, retroactively, as of November 4, 2016.
- ii) Decree 2T/2018 published in the Official Gazette on June 27, 2018, which sets the capacity adjustment factor of the tariff formulas applicable to the electricity supply subject to regulated prices for the four-year period from November 2016 to November 2020.

- iii) Decree 5T/2018, published in the Official Gazette on September 28, 2018, which sets the tariff formulas applicable to the electricity supply subject to regulated prices listed in Ministry of Energy Decree 11T/2016, effective as of its publication date.
- iv) SEC Resolution 15699/2019, which provides an action plan to make the adjustment indicated in CNE Resolution 490/2019, with respect to Decree 5T/2018 effective, retroactively, from September 28, 2018 to November 3, 2020.
- v) Decree 6T/2017, published by the Ministry of Energy in the Official Gazette on October 5, 2018, which sets the Annual Value per Tranche of the Zonal and Dedicated Transmission Facilities for regulated customers, tariffs and indexing formulas for the two-year period 2018-2019, to be in force from January 1, 2018 to December 31, 2019.
- vi) Tariff Decrees:

## Average Node Prices:

On September 28, 2018, the Ministry of Energy published Decree 7T/2018 in the Official Gazette, which sets the regulated prices for electricity and sets the adjustments and surcharges resulting from the application of the Residential Tariff Equality Mechanism to be in force, retroactively, as of July 1, 2018.

On May 6, 2019, the Ministry of Energy published Decree 20T/2018 in the Official Gazette, which sets the regulated prices for electricity and sets the adjustments and surcharges resulting from the application of the Residential Tariff Equality Mechanism to be in force, retroactively, as of January 1, 2019.

On October 5, 2019, the Ministry of Energy published Decree 7T/2019 in the Official Gazette, which sets the regulated prices for electricity and sets the adjustments and surcharges resulting from the application of the Residential Tariff Equality Mechanism, as of July 1, 2019. On November 2, 2019, the Ministry of Energy published Law 21,185 that creates a transitional mechanism to stabilize the price of electricity for regulated customers. Article 5 of this Law repeals Decree 7T/2019 and extends the enforcement of Decree 20T/2018 until the publication of the average regulated node price decree to come after the Law becomes effective.

## Short-Term Node Prices:

On June 28, 2018, the Ministry of Energy published Decree 1T/2018, which set the node prices of electricity to be in force, retroactively, as of April 1, 2018.

On February 8, 2019, the Ministry of Energy published Decree 12T/2018, which sets the regulated prices of electricity to be in force, retroactively, as of October 1, 2018.

On June 5, 2019, the Ministry of Energy published Decree 1T/2019, which sets the regulated prices of electricity to be in force, retroactively, as of April 1, 2019.

On October 23, 2019, the Ministry of Energy published the Decree 9T/2019, which sets the regulated prices of electricity to be in force, retroactively, as of October 1, 2019.

## c.2 Tariff setting process of electricity distribution supplementary services

On July 24, 2018, the Ministry of Energy published Decree 13T/2018 in the Official Gazette, which sets the prices of Non-Electricity Supply Services, supplementary to electricity distribution. Such prices are applicable since the Decree was published and are currently in force.

## c.3 Tariff setting process of zonal transmission

On October 5, 2018, the Ministry of Energy published Decree 6T, which sets the annual value per tranche of the zonal and dedicated transmission system, tariffs and indexation formulas for regulated customers for the 2018-2019 period.

## c.4 Transmission tariff setting process 2020-2023

Within the framework of the Electricity Transmission Tariff Setting Process for 2020-2023, the Transmission System Facilities Qualification process, the Transmission Facilities Useful Life Setting process, and the Technical and Administrative Terms required to carry out the Valuation of Transmission System Facilities are currently in progress.

In this context, for the purposes of the Qualification Process of Transmission System Facilities for the period 2020-2023, in late 2017 the CNE issued the preliminary technical report defining which transmission facilities correspond to each transmission segment (National, Zonal and Dedicated). In compliance with the stages established by regulations, on April 9, 2019, the CNE through Exempt Resolution 244, issued the Definitive Technical Report.

Also, on June 5, 2018, by means of Exempt Resolution 412, the CNE approved the Definitive Technical Report specifying the Useful Life of Transmission Facilities.

Finally, in late 2017, the CNE published the Technical and Administrative Preliminary Terms for the Valuation of Transmission Facilities, which in general terms, identifies two studies to be commissioned: one for National facilities and another for Zonal and Dedicated facilities. The document regulates the contracting process of the tariff study and defines the rules to carry out the tariff study of the entire transmission system.

On April 26, 2019, and in compliance with the stages established by the Law, the CNE, through Exempt Resolution 272, approved the Definitive Technical and Administrative Terms for conducting the Valuation Studies of the Transmission Systems. On December 11, 2019, the CNE issued Exempt Resolution 766 that revises the previous resolution.

On April 26, 2019, through Exempt Resolution 271 and in compliance with the stages established by the Law, the CNE also formed a committee to award and supervise the valuation studies of the Transmission facilities. Additionally, through Exempt Resolution 678 dated October 24, 2019, the CNE approved the contract for the National Transmission Study.

## c.5 Electricity tenders

Three tenders have been carried out under the new law for electricity tenders: Supply Tender 2015/01, Supply Tender 2015/02 and Supply Tender 2017/01. In addition, the CNE began the fourth process named Supply Tender 2019/01.

Supply Tender 2015/02 was launched in June 2015 and finalized in October 2015. The outcome of the process resulted in 3 energy blocks awarded for a total of 1.2 TWh/year (100%) at a weighted average price of 79.3 US\$/MWh.

Supply Tender 2015/01 was launched in May 2015 and finalized in July 2016. The outcome of the process resulted in 5 energy blocks awarded for a total 12.4 TWh/year (100%) to 84 companies, including newcomers, at a weighted average price of 47.6 US\$/MWh.

Enel Generación Chile was awarded the largest amount of this bid, 5.9 TWh/year that represents 47.6% of total energy awarded.

Supply Tender 2017/01 was launched in January 2017 and finalized in November 2017. A total 2,200 GWh/year were awarded (100%) to 5 companies at a weighted average price of 32.5 US\$/MWh.

Enel Generación Chile was also awarded the largest amount, with 1.2 TWh/year that represents 54% of the total energy awarded.

During 2019, Supply Tender 2019/01 was launched for a total amount of 5.8 TWh/year to be supplied from 2026 to 2040. The closing date for submission of bids is May 27, 2020, as announced by the CNE.





## **17.** RISK FACTORS

# Risk management policy

Enel Generación Chile follows the guidelines of the Internal Control Management System (SCGR in its Spanish acronym) defined by the Holding company (Enel SpA), which establishes a set of risk management guidelines through standards, procedures, systems, etc. to be applied at all Company levels in their risk identification, analysis, evaluation, treatment and communication processes, which the Company is constantly performing. These are approved by the Board of Directors of Enel SpA, which houses a Controls and Risk Committee that supports its evaluations and decisions regarding internal controls and risk management systems, as well as those related to the approval of periodic financial statements.

To comply with these guidelines, each company has a specific Risk Management policy, which is reviewed and approved at the beginning of each year by the respective Board of Directors, identifying and applying local requirements regarding risk.

The Enel Group's risk management system considers three defense mechanisms to manage risk effectively and efficiently. The implementation of internal controls is the first defense mechanism in risk management, which involves developing various internal control processes to guarantee optimal risk management. The supervision of the business unit's compliance with internal controls is the second defense mechanism, and the evaluation of compliance by an independent party is the third defense mechanism. Each "mechanism" plays a different role within the organization's broader governance structure. Those responsible for each defense mechanism must report and keep senior management and the Board of Directors updated on the company's risk management performance. Senior management must be informed on the first and second defense mechanisms, while

the Board of Directors must be informed on the second and third defense mechanisms.

The Risk Management department has ISO 31000:2018 (G31000) International Certification and manages the Companies' risk according to the current guidelines of this international norm. The main objective is to preemptively identify risks (endogenous and exogenous) and analyze, evaluate, and quantify their probability of occurrence and impact, known as the risk valuation phase. In the risk treatment phase, the Risk Management department defines mitigation plans along with the different departments and the Risk Owners, as the responsible parties of the various risks. The risk treatment phase considers all necessary actions that are consistent with the Company's policies and internal procedures, and that strictly follow international norms (ISO and OSHAS), and governmental regulations, which require risk management to be carried out in a transparent and sustainable manner to guarantee best governance practices and ensure business continuity.

On a monthly basis, the Risk Management department informs of the Company's risk management to the Board of Directors using a Risk Landscape that clearly identifies its risks in their respective taxonomies, complying with the schedule defined by the Board every year. The schedule considers a quarterly presentation and analysis of all risks identified in the Risk Landscape, in accordance to Risk Policies, ISO31000:2018, internal procedures, and external norms, such as General Norm 30, which governs annual reports of Chilean companies, and the Financial Markets Commission General Norm 385 to ensure business continuity and guarantee best governance practices. In addition to this process, the Risk Management department must continuously monitor and inform senior management about the main political, economic, social, and climate risks worldwide that may either positively or negatively affect the Company's ability to achieve its goals.

The objective of internal controls management is to guarantee that business activities allow mitigating risks related to the observation and strict application of all current procedures and norms included in the COSO (Committee of Sponsoring Organizations of the Treadway Commission) methodology. The Risk Management department complies with all the periodic monitoring requirements of the Sarbanes-Oxley Act,

including the certification of these controls by the External Auditors every six months and establish actions, along with the Process Owners and Control Owners, to mitigate control deficiencies pointed out by Independent External Auditors, and continuously improve processes, as well as monitor the implementation of such actions and notify the Board on the status of such actions.

Governing bodies and senior management are the parties best served by the defense “mechanisms” and are in the best position to help guarantee that the Three Mechanism defense model is applied to all control and risk management processes in the Company.

The Enel Group’s risk management system is subject to periodical tests and audits, accounting for the performance of corporate operations, best practices and internal and international guidelines, such as ISO 31000:2018 (G31000) and COSO (Committee of Sponsoring Organizations of the Treadway Commission), etc.

The Company has a Crisis Committee whose purpose is to guarantee clarity, speed, and efficiency in decision-making and internal and external communications on matters that may compromise people’s safety, the continuity of the public service and the business, the environment, asset protection, and the Company’s image and reputation, as well as minimize the impact on stakeholders and guarantee that normal operations will be rapidly restored.

The Company seeks protection from all risks that may affect its ability to accomplish its objectives, which, among others, are detailed below:

**Financial:** covers market risk (related to changes in the macroeconomic environment caused by changes in interest rates, exchange rates, and inflation expectations) and credit risk (the possibility that counterparties do not fulfill their commitments).

**Regulatory:** risks arising from changes promoted by regulatory bodies.

**Business (Market / Commodities):** covers risks related to the uncertainty of certain key variables inherent to the business, such as the characteristics of demand and the industry.

**Operational:** risks arising from inadequate internal processes or external events.

**Strategic:** risks related to innovation, investment plans, new customers, new players, cybersecurity, employee retention, and business continuity.

**Sustainability:** environmental, social, and implicit business governance risks, including:

**Environmental Risk:** originated by the impact of Company operations on the environment, including biodiversity and resource exploitation, as well as climate change related risk.

**Social Risk:** social conflicts or community-driven demands whose intensity may jeopardize the continuity of operations, and risk related to own employees or third-party employees.

**Governance Risk:** risks that could arise from illicit behavior, such as corruption or lobbying activities by Company personnel or contractors and anticompetitive practices.

**Image/Reputation:** risks concerning a deterioration in the Company’s image.

**Legal:** risks related to civil, strategic, consumption, and environmental lawsuits, as well as contract terminations, labor and fiscal lawsuits.

**Cybersecurity:** risk related to information security and cyberattacks.

**Risk emerging from personal information protection:** risk arising from not complying with privacy and data protection laws, or contract breaches regarding delivered products or services.

**Risk arising from Digitalization, IT system efficacy and system continuity:** risk derived from system failures or weaknesses, including cyberattacks.

According to ISO 31000:2018, risk taxonomy and management involves the entire risk evaluation process (identification, analysis, and valuation), clearly identifying the risks under evaluation and respective probabilities and impacts, quantified before and after the implementation of mitigation measures. Once the risk evaluation process is finalized, each department is responsible, along with the risk management department, of treating such risks to reduce the level of risk, probability of occurrence and impact through preemptive management, which is presented to the Board of Directors and Senior management on a monthly basis.

Risk groups and treatment are presented below:

**Financial:** The Company follows Enel Group's global Financial Risk Management Policy, which establishes parameters to protect the Group from potential loss from financial operations, as well as failure in recording, monitoring and evaluation processes. The Sarbanes-Oxley Act guides internal controls and the financial information preparation and communication process. Internal controls are monitored and evaluated twice a year through the Governance Risk and Compliance (GRC) corporate system. The Company relies on the South American risk control department to calculate the credit score of its counterparties in all South American countries (Brazil, Argentina, Peru, and Colombia) before entering into contracts, utilizing criteria that classifies the counterparty's risk level to limit the Company's exposure to each counterparty (collateral is defined case by case depending on the counterparty's liquidity level). Also, this type of exposure is measured on a daily basis through real and projected daily cash flows and allows planning for an adequate allocation of available resources. The Company also utilizes derivatives with the sole purpose of protecting its financial positions exposed to exchange rate and interest rate variations.

**Regulatory:** To manage these risks, the Company monitors the parameters that influence electricity tariffs in different scenarios, including projected hydrological conditions.

**Business (Market/Commodities):** Energy price fluctuation risk is managed by teams that specialize on energy markets, responsible for evaluating the evolution of demand and the hydrological scenario over a five-year horizon using statistical models. Based on such information, they define the Company's participation in electricity tenders. Long-term contracts include regulatory compliance assurance, minimizing penalties.

**Operational:** The most relevant risks related to operations are energy supply quality and energy losses. These risks are managed through formal commercial and operational standards and procedures. The Company has several operating systems that are also used to prevent these risks and to guarantee availability and transmission and distribution network efficiency passing through our substations to avoid regulatory sanctions due to failure in complying with limits imposed on quality and losses.

**Strategic:** Represents the risks affecting an organization's business strategy or strategic objectives. These risks are managed by Enel Generación Chile's Risk Control department using the "Risk Matrix," which includes risks related to strategy, scenarios, operations, legal, government, regulation, cybersecurity, sustainability, and reputation.

**Sustainability:** The Enel Group and Enel Generación Chile have committed to make specific contributions to six of the 17 Sustainable Development Goals (SDGs): quality education (SDG 4), affordable and clean energy (SDG 7), decent work and economic growth (SDG 8), industry, innovation, and infrastructure (SDG 9), sustainable cities and communities (SDG 11), and climate action (SDG 13). This commitment responded to the Company's sustainable business model, and therefore, are part of Enel Generación Chile's strategic plan. Not fulfilling these commitments represents a risk.

The Company also contributes to achieving other sustainable development goals.

Within the sustainability category, risks related to climate change are especially relevant not only due to their environmental impacts, but social and economic impacts as well. Two types are distinguishable:

- Physical risk related to climate change: risks related to the appearance of extreme climate conditions, or gradual but structural changes in climate conditions. Extreme weather events may expose Enel to prolonged asset and infrastructure unavailability, recovery costs, customer dissatisfaction, etc. Recurrent changes that impact the resources required to generate electricity or those that affect demand, such as droughts and increased temperature.

Geographical and technological diversity used in the generation process and proper predictive measurements of climate phenomena allow managing and mitigating changes caused by climate patterns.

Also, large investments have been made in making distribution networks resilient to inclement weather. All Group departments have ISO 14001 certification, and through the internationally known Environmental Monitoring Systems (EMS), monitor potential sources of risk to detect any critical condition promptly.

- Risk related to the transition to a Low carbon economy may involve risk related to regulation, political, legal, technological and market changes, with short-, medium-, and long-term effects. Enel Generación Chile's competitive advantage in risk management is belonging to a Group that operates in a more mature market, allowing to share best practices in regulation, technology, market, etc.

In terms of managing social risks, it is important to highlight:

- Social conflicts in countries where their intensity could jeopardize the continuity of operations. To face these potential impacts, Enel has created contingency management plans and processes. The Company is aware of the strategic role of energy in the country, and therefore prioritizes the continuity of electricity generation, supply of electricity to customers, and employee and contractor personnel safety.
- Conflicts originating in communities nearby generation plants. Enel is continuously communicating with local communities through specialized regional teams. The

Company aims to create conditions that allow for long-term socioeconomic development by making social investments in their operating areas and co-designing common growth perspectives with communities.

- Work-related accidents affecting employees and contractors. Enel mitigates these risks by promoting a safety culture including highlighting policy definitions and integrating safety into processes and training, among others.
- Risk related to attracting and retaining employees throughout the energy transition period. To face these challenges, Enel relies on diversity, management, and talent promotion policies. The Company carries out different initiatives that aim to harmonize work life and personal life and promote employee education and growth through scholarships and courses.

Regarding governance risk, it is important to highlight:

- Enel relies on its Internal Control and Risk Management System based on norms and business procedures to manage risk arising from employees or contractors' illicit behavior, including corruption, lobbying activity, and anti-competitive practices, among others.
- Human Rights violations are properly raised and addressed with action plans to solve breaches.

**Image and Reputation:** Risk of negatively impacting the Company's public image and damaging its trust relationship with shareholders.

**Legal:** Risk related to potential losses due to fines, penalties, or compensation as a result of supervision and control authorities, as well as losses stemming from unfavorable judicial or administrative (civil, strategic, consumption, contract termination, labor and fiscal) proceedings.

**Cybersecurity:** Digitalization is a fundamental aspect of growth and development in the Enel Group, which also increasingly exposes the Company to cyberspace risk and threats. As this is a transversal risk with similar forms and impacts throughout the world, the Company has a specialized

department named Computer Emergency Response Team (CERT) that monitors and supports all Group companies, and is unique, centralized, and highly prepared. The CERT is part of the Cybersecurity department, composed of the Technical Office, which continuously (24x7x365) monitors and protects facilities from a wide array of attacks to which the Company is exposed, and the Software Operation Center (SOC), which analyzes and studies the different problems that affect systems in its search to continuously improve the Company's protection on all fronts. The CERT is headquartered in Italy and Spain and relies on a local manager and an office in every South American country responsible for informing potential local risks and taking all measures necessary to guarantee operational continuity.

Additionally, the risk matrix includes transversal risk related to:

- **Personal data protection:** Gathering and dealing with personal data is one of the most important challenges of the market digitalization and globalization era. Enel Generación Chile faced this challenge by accelerating its digital transformation process as the number of customers increases. This implies a natural exposure to risk related to managing personal data and broader data privacy legislation. Mishandling data may cause losses and economic, financial, and reputational damage to the Group and to individuals. To manage and mitigate this risk, Enel has adopted a framework to guarantee personal data protection of all people with whom it interacts. To do so, Enel Generación Chile complies with current legislation in Chile, mainly Law 19,628 on Private Life Protection, and is gradually implementing the European General Data Protection Regulation (GDPR). Even though GDPR is not a legal requirement in Chile, the Enel Group intends to elevate its protection standards to the requirements of the GDPR. Therefore, it is currently in the process of appointing a Data Protection Officer (DPO) who will be responsible for making data protection a key element in the business activity of all departments.
- **Digitalization, IT efficacy and service continuity:** Enel is currently undertaking a digital transformation process

of the entire management value chain, developing new business models and digitalizing its processes. Therefore, the Company is increasingly exposed to risk related to the operation of information technology (IT) systems, which may cause interruptions or data loss. To mitigate this risk, the Global Digital Solutions (GDS) unit has established an internal control system that has set controls throughout the value chain. Enel is also promoting a digital culture throughout its companies to successfully drive the digital transformation process and mitigate associated risk.

The organizational risk management structure in the Enel Group relies on a global risk management committee that has the following duties: approve the risk policy proposed by the Holding's Risk Controller, approve proposed exposure limits; authorize limit breaches; define risk strategies by identifying action plans and instruments to mitigate risk, and supervise overall risk management and control.

Within each Group company, the risk management process is decentralized. The manager responsible for the operational process where a specific risk exists is also responsible for such risk's treatment, mitigation, and control measures.

To monitor compliance with internal policies, including those related to risk, the Company relies on its Internal Audit department, responsible of periodically auditing and verifying that established controls and policies are fully functional.

In complying with the global commitments regarding sustainability (ESG, Dow Jones Sustainability Index, SDG), the Risk Management department, along with the Sustainability department, developed a methodology to identify the risks that affect the Company's compliance with these commitments, directly involving all responsible units, raising awareness on the importance of sustainability to the Company and the world in general, called the sustainable risk matrix.

The Enel Group enforces an Ethics Code that contains all the ethical commitments and responsibilities to be followed while executing business activities and corporate operations by all employees of the Company, including Senior management, employees, or partners related in some way to the Company.

# Interest rate risk

Interest rate fluctuations modify the fair value of assets and liabilities that accrue interest at fixed rates, as well as future flows of assets and liabilities based on a variable interest rate.

The objective of interest rate risk management is to achieve a debt structure balance that allows minimizing the cost of debt and maintaining low income statement volatility.

Depending on Enel Generación Chile's estimates and debt structure objectives, hedging operations are performed by purchasing derivatives that mitigate these risks.

The comparative financial debt structure of the Enel Generación Chile regarding fixed and hedged interest rate to total debt, net of derivatives, is the following:

Gross Position	2019	2018
Fixed Interest Rate	94%	93%

# Exchange rate risk

Exchange rate risks are primarily related to the following transactions:

- Debt incurred by Enel Generación Chile companies in currencies different from their respective operational cash flow currency.
- Payments in currencies different from their respective operational cash flow currency, such as payments of project-related materials and corporate insurance policies, among others.
- Revenues in Enel Generación Chile companies that are directly linked to currencies different from their respective operational cash flow currency.

To mitigate exchange rate risk, the Company maintains a balance between flows indexed in US dollars or local currencies, should there be any, and the level of assets and liabilities in such currencies. The objective is to minimize cash flow exposure to exchange rate fluctuations.

The instruments currently used are currency swaps and exchange rate forwards.

# Commodities risk Liquidity risk

The Enel Generación Chile Group is exposed to certain commodity price fluctuations, primarily through:

- Fuel purchases in the electricity generation process.
- Energy trading operations in the local market.

To reduce risk in situations of extreme drought, the Group has designed a commercial policy, defining levels of sale commitments, in accordance to its power plants' generation capacity during a dry year, including risk-mitigation clauses in some contracts with non-regulated customers. Sales to regulated customers that are subject to long-term tender processes include indexation clauses that reduce commodity price exposure.

Considering the operating conditions faced by the electricity generation market in Chile, such as, droughts and commodity price volatility in international markets, the Company is constantly evaluating the convenience of using hedging instruments to mitigate the impact of price fluctuations on profits.

As of December 31, 2019, there were swap operations outstanding for 1,412 kTon of API2 to be settled in 2020, 1,059 kBbl of Brent oil to be settled in 2020, and 4.79 TBtu HH to be settled in 2020.

As of December 31, 2018, there were swap operations outstanding for 432 kTon of API2 to be settled in 2019, 994 kBbl of Brent oil to be settled in 2019, and 0.2 TBtu HH to be settled in 2019 (figures are net position hedged).

These hedges may be modified, or include other commodities, according to constantly updated operational conditions.

The Group's liquidity policy consists in obtaining sufficient committed long-term credit facilities and short-term financial investments to finance projected needs for a certain period of time, which is calculated as a function of the overall situation and expectations regarding debt and capital markets.

These projected needs referred to above include net financial debt maturities, in other words, after financial derivatives. For further detail regarding characteristics and conditions of financial debt and financial derivatives, see Note 19.

As of December 31, 2019, the liquidity of the Enel Generación Chile Group amounted to Ch\$ 13,488 million in cash and cash equivalents. As of December 31, 2018, the liquidity of the Enel Generación Chile Group amounted to Ch\$ 151,990 million in cash and cash equivalents, and Ch\$ 138,954 million in unconditional committed long-term credit lines.

# Credit risk

Enel Generación Chile conducts a detailed credit risk follow-up.

# Trade accounts receivables

Credit risk associated to accounts receivables stemming from commercial activity has historically been limited, mainly due to short-term payment deadlines that prevent clients from accumulating significant individual amounts.

Supply disruption is a possibility in the event of non-payment in some unregulated customer contracts, and payment defaults are included in contracts as a cause for contract termination. For this purpose, and although the risk is limited, credit risk and maximum amounts exposed to payment risk are constantly measured and monitored.

# Financial assets

Investments of cash surpluses are made in first class domestic and foreign financial institutions, within the limits established for each entity.

Banks considered for investments have investment grade qualification, considering the three major international rating agencies (Moody's, S&P and Fitch).

Investments may be backed by Chilean Treasury bonds and securities issued by first-class banks, prioritizing the latter as they offer better returns (always within existing investment policy guidelines).

# Risk measurement

Enel Generación Chile measures the Value at Risk of its debt and financial derivatives to monitor the risk taken by the Company, thus limiting income statement volatility.

The positions included in the portfolio used to calculate the present Value at Risk include:

- Financial debt.
- Debt-hedging derivatives.

The calculated Value at Risk represents the potential loss of value of the portfolio described above in one quarter, with 95% confidence. To this effect, the Company studied the volatility of variables at risk that affect the value of the portfolio, with respect to the Chilean peso, which includes:

- US dollar Libor Rate
- Exchange rates of currencies included in the calculations.

The calculation of Value at Risk is based on the extrapolation of future market value scenarios (one quarter out) of the variables at risk in scenarios based on real observations for the same period (quarter), for five years.

The Value at Risk for the next quarter, with 95% confidence, is calculated as the percentile of the most adverse 5% of possible quarterly changes.

Based on the hypotheses above, the Value at Risk for the positions described above, one quarter out, is Ch\$ 73,011 million.

This amount represents the potential increase in the debt and derivatives portfolio, and therefore, this value at risk is intrinsically linked to the value of the portfolio at the end of each quarter, among other factors.

# Other risk factors

**Economic fluctuations in Chile, as well as certain economic measures by government authorities, could affect the results of operations and financial condition of the Company, as well as the value of its securities.**

All operations of Enel Generación Chile are situated in Chile. Therefore, its revenues could be affected by the performance of the Chilean economy. In addition, Chile is also vulnerable to external shocks, including financial and political events, which could cause significant economic difficulties and affect growth. If Chile's economy goes into a recession, or the growth rate is lower than expected, electricity demand will possibly decline, and some customers may face difficulties in paying their electricity bill, possibly increasing the Company's uncollectible accounts. Either one of these situations could adversely affect results of operations and the financial condition of the Company. Financial and political events in other parts of the world can adversely affect the business. Since 2018, the United States and China have been involved in a trade war that has resulted in protectionist measures. Instability in the Middle East, or in any other major oil-producing region, could also result in higher fuel prices worldwide, increasing the operating cost for our thermal generation plants, unfavorably affecting the Company's operational results and financial condition.

An international financial crisis and its disruptive effects on the financial industry could also negatively affect the Company's ability to obtain new financings under the same historical terms and conditions it has secured in the past. Political and financial events, or other crises, could also diminish the Company's ability to access Chilean and international capital markets, or increase available interest rates. Reduced liquidid-

ty, in turn, could adversely affect capital expenditures, investments, and long-term acquisitions, growth projections and dividend payout policy. Insufficient cash flows could result in the inability to meet debt covenant restrictions, increasing subsequent financings.

**The Chilean government exerts its influence over several aspects of the private sector, which may result in changes in the economy or other policies.**

Future negative developments in Chile, including political and financial events or other crises, changes to policies regarding foreign exchange controls, and tariff regulations may impair the Company's ability to execute its strategic plan, and could affect its operational results and financial condition. Inflation, devaluation, social instability, and other political, economic, or diplomatic events could also reduce profitability. Chilean financial and securities markets are influenced by economic and market conditions in other countries and may be affected by international events, which could unfavorably affect the value of the Company's securities.

**The Company is exposed to economic and political volatility, as well as civil unrest in Chile.**

Changes in social, political, regulatory, or economic conditions, or in laws and policies that govern foreign trade, manufacturing, or development and investment in Chile, in addition to other crises and political uncertainty, could negatively affect the country's growth. In October and November 2019, Chile began to experience social turmoil in Santiago and other major cities across the country, triggered by a public transportation fare increase, and transformed into episodes of violence and destruction of property, interrupting commercial activity throughout Chile. As a result, on October 19, the government decided to declare a state of emergency. Additionally, it launched various political, social, and economic reforms, including a guaranteed minimum wage, increase in pensions, stabilization of electricity costs, a higher tax bracket for high-income earners, a new health insurance program, pay cuts for the members of the Chilean Congress and certain civil employees, as well as the beginning of a process to create a new Constitution.

In response to the massive demonstrations and riots occurred during October and November of 2019, the government approved calling for a national referendum in April 2020 to decide whether to create a new Chilean Constitution, and if so, whether a popularly elected assembly or a combination of current legislators and a popularly elected assembly would draft the new Constitution. The existing Constitution has been in place since 1980 and a new one could modify a wide range of laws and rights, including rights to exploit natural resources, water rights or property rights, which could affect the Chilean economy and its general business outlook, as well as the Company's operational results and financial condition.

These reforms may not be enough to reduce the protests, which could increase or worsen. The continuity of massive protests and civil unrest, and the government's response to these actions, could have an adverse effect on the economic conditions of Chile and the Company's business, operational results, and financial condition.

**The Company's business depends heavily on hydrology and is affected by droughts, flooding, ocean currents and other inclement meteorological conditions.**

Approximately 57% of the Company's consolidated installed capacity in 2019 was hydroelectric. Accordingly, arid hydrological conditions could negatively affect the business, operational results, and financial condition. Results have been adversely affected when hydrological conditions in Chile have been below their historical average.

Enel Generación Chile has entered into certain agreements with the Government of Chile and local irrigators regarding the use of water for hydroelectric generation purposes during periods of low water levels. However, if droughts persist, the Company may face increased pressure from the Chilean government, or third parties, to further restrict water use.

Company operating expenses also increase during drought periods when thermal power plants, which have higher operating costs relative to hydroelectric power plants, are used more frequently. Also, and depending on its commercial

commitments, the Company may have to buy electricity at higher spot prices to comply with contractual supply obligations. The cost of these electricity purchases may exceed the contractual electricity sale prices, potentially increasing losses in those contracts.

Droughts also affect the operation of thermal power plants, including facilities that use coal, diesel, or natural gas, in the following ways:

- Thermal power plants require water for cooling, and droughts in extreme conditions may reduce the availability of water and therefore increase its transportation costs. As a result, water had to be purchased for the San Isidro power plant from areas that are also experiencing water shortages. These water purchases may increase operating costs and may require negotiations with local communities.
- Thermal power plants that utilize natural gas generate emissions such as sulfur dioxide ( $\text{SO}_2$ ), nitrogen monoxide (NO), and carbon dioxide ( $\text{CO}_2$ ). When operating on diesel, they release NO,  $\text{SO}_2$ , and particulate matter emissions into the atmosphere. Coal-fired plants generate  $\text{SO}_2$  and NO emissions. Therefore, greater use of thermal power plants during droughts aggravates the risk of producing higher emission levels, which decreases operating income due to the payment of emissions taxes.

A full recovery from the drought that is affecting the regions where most of the Company's hydroelectric power plants are located could take a long time, and new drought periods in the future cannot be discarded. Prolonged droughts may aggravate the risks described above and may have a further negative effect upon the business, operational results, and financial condition.

**The Company is subject to financial risks from modifications in regulation and legislation related to climate change, aimed at limiting greenhouse gas (GHG) emissions.**

Future changes in legislation and regulation related to climate change that restrict or regulate GHG emissions could result in increased operating costs and could have a material adverse effect on the Company's business, operational results, and financial condition. The adoption and implementation of any international treaty, or any legislation or regulation that imposes new or additional reporting obligations, or limits emissions of GHGs in the Company's facilities, may require incurring in additional costs to comply with such requirements, and possibly require reducing or limiting GHG emissions in these facilities. These higher compliance standards may involve additional costs to operate and maintain equipment and facilities, install emission controls, or pay taxes and fees related to greenhouse gas emissions, which could have a material adverse effect on the business, operational results, and financial condition.

**Governmental regulations may affect the business, cause delays, impede the development of new projects, or increase the costs of operations and capital expenditures.**

The Company is subject to extensive regulation regarding tariffs and other aspects of the business that may adversely affect profitability. For instance, Government authorities may impose rationing policies during droughts or prolonged failures in power facilities, which may adversely affect the business, operational results, and financial condition.

Some aspects of the Chilean electricity law have been subject to significant regulatory changes, and such changes may have an impact on the Company's operations and profitability. For instance, in the context of the social crisis that began in October 2019, the government established a transitional mechanism to stabilize electricity prices for regulated customers. Such mechanism eliminates the 9.2% price increase implemented in July 2019 and defers the price increase for the sale of electricity under contracts between generation and distribution companies that start before 2021. A price stabilization fund will be implemented by the CNE and will be financed by companies in the generation industry, which includes Enel Generación Chile, expected to enable generation companies

to recover from the consequences of lost revenues beginning December 31, 2019. The Company expects a financial loss due to revenue deferral because generation companies must bear the financial cost of the fund. Other Chilean electricity sector regulations may also affect the ability of generation companies to collect enough revenue to cover their operating costs, affecting the Company's future profitability. The National Congress of Chile is currently discussing a reform in electricity distribution tariffs, which, if approved, could reduce future profitability. It is possible that recently prevailing social and political pressure may influence regulators in deferring favorable tariff adjustments scheduled for 2020, which would otherwise accrue.

The operations of subsidiaries are also subject to environmental regulations that, among other things, requires performing environmental impact studies on future projects in order to obtain construction and operating permits from local and national regulators. Governmental authorities may withhold or delay the approval of these permits until the completion of environmental impact studies.

Environmental regulations for existing and future generation plants have become stricter and have required increased capital expenditures. Any delay in complying with required emission standards may constitute a violation of environmental regulations. Failure to certify the original implementation and ongoing emission standard requirements of such monitoring systems may result in significant penalties and sanctions or legal claims for damages. Expectations suggest that more restrictive emission limits will be established in the future. The Company is also subject to an annual green tax based on pollutant emissions from the previous year, which may increase in the future and discourage thermal electricity generation.

Legislators and administrative authorities often receive proposals suggesting changes to the regulatory framework, and some of these changes could have a material adverse effect on the Company's business, operational results, and financial condition.

**The Company's business faces risks from the promotion of decarbonization efforts domestically and globally.**

In June 2019, the Chilean government announced its plan to phase out coal from its energy matrix entirely by 2040 and achieve carbon neutrality by 2050. Under this plan, and along with GasAtacama Chile S.A. ("GasAtacama", now merged into Enel Generación Chile) Enel Generación Chile signed an agreement with the Chilean Ministry of Energy. The protocol defines the process for the progressive closure of coal-fired power plants Tarapacá (158 MW), Bocamina I (128 MW), and Bocamina II (350 MW). Under this agreement, the Company is irrevocably obligated to close Tarapacá, Bocamina I, and Bocamina II coal power plants. The Tarapacá plant was closed in December 2019. The deadlines for closing Bocamina I and II are December 31, 2023, and December 31, 2040, respectively.

Although the Chilean government's plan to achieve decarbonization may overlap with the Company's sustainability strategy, the actual implementation of government targets may exert considerable pressure on the Company and its ability to satisfy contractual obligations with other cleaner sources. In turn, this may increase expenses, decrease profitability, and limit the ability to fully satisfy electricity demand.

**Regulatory authorities may impose fines on subsidiaries due to operational failures or breaches or regulation.**

Our electricity business may be subject to regulatory fines for any breach of current regulations, including failure to supply electricity. Generation subsidiaries are supervised by local regulatory entities and may be subject to fines in cases where the regulator believes that the Company is responsible for the operational failures that affect the normal supply of electricity to the system, for example when agents do not properly coordinate with the system operator. Regulations establish compensation tariffs when energy is interrupted for more than the standard permitted time due to events or failures that affect transmission facilities.

**The Company partly depends on payments received from subsidiaries and affiliate companies to meet its payment obligations.**

To pay its obligations, the Company may rely on cash from dividends from the affiliate company Pehuenche. Pehuenche's ability to pay dividends, interest, loans, and other distributions is subject to legal constraints, such as dividend restrictions, fiduciary duties, and contractual limitations, which authorities could impose.

**Contractual Constraints:** Distribution restrictions included in certain credit agreements with Pehuenche may prevent dividends and other distributions to shareholders if certain specified financial ratios are not met. Company credit agreements generally prohibit any type of distribution in case of ongoing default.

**Operating Results:** Pehuenche's ability to pay dividends, make loan payments or other distributions is limited by their operational results. To the extent that cash requirements exceed cash availability, the Company will not be able to rely on cash distributions from Pehuenche.

**Litigation proceedings.**

Enel Generación Chile is currently involved in various litigation proceedings that could result in unfavorable outcomes or pecuniary fines. It will continue to be subject to future litigation proceedings, which could cause material adverse consequences to the business. The financial condition or operational results could be unfavorably affected if the defense of lawsuits or proceedings is unsuccessful. For further information on litigation proceedings, please refer to Note 35.3 of the Consolidated Financial Statements.

**Power plant projects may encounter significant delays, stoppages, cost overruns, damaged reputation caused by opposition from interest groups, and potentially deteriorate stakeholders' image of the Company.**

Construction projects may face delays in obtaining regulatory

approvals or may face shortages and increases in the price of equipment, materials, or labor. They may be subject to construction delays, strikes, accidents, and human error. Any of these events could negatively affect the Company's results and financial condition.

Market conditions may change significantly between the approval and completion of a project, which in some cases may decrease a project's profitability or feasibility. This has been the case with several past projects, which were initially planned under different market conditions when energy prices were higher and there was less competition. Deviations in market conditions, such as time and expenditure estimates, may cause cost overruns and significant delays in project completion that may adversely affect the Company's business, operational results, and financial condition.

The Company could develop projects in locations that could sometimes be challenging due to their topographic geography, or in some cases on mountainsides with poor accessibility. These factors may cause cost overruns and delays. Other challenges could arise from construction at high altitudes, such as health problems, which may affect schedules and investments. Given the location of certain projects, archaeological risks could also exist.

Operating thermal power plants, especially those that are coal-fired, may affect the Company's relationship with its stakeholders due to greenhouse gas emissions that could unfavorably affect the environment and nearby residents. Furthermore, external stakeholders could influence a community's interests or perception of the Company. If we cannot address all relevant stakeholders properly, the Company may face opposition, which could negatively affect its reputation, stall operations, or lead to litigation threats or actions. Enel Chile's reputation is the foundation of relationships with stakeholders. If the Company cannot handle sensitive issues effectively, its business, operational results and financial condition could be adversely affected.

Damage to the Company's reputation may exert considerable pressure on regulators, creditors, and other parties of interest, which could possibly lead to the abandonment of projects and operations. This could cause the share price to drop and hinder the Company's ability to attract and retain valuable employees. Any of these outcomes could result in a deteriorated image towards stakeholders.

**Political events or financial or other crises in any region worldwide can have a significant impact on Chile, and consequently may adversely affect operations and liquidity.**

Chile is vulnerable to external shocks, including financial and political events that could cause significant economic difficulties and affect growth. If Chile experiences lower than expected economic growth or a recession, it is likely that consumer demand for electricity will decrease and some customers may have difficulties paying their electric bills, possibly increasing uncollectible accounts. Any of these situations could adversely affect the Company's operational results and financial condition.

Financial and political events in other parts of the world could also negatively affect the business. For instance, since 2018, the United States and China have been immersed in a trade war involving protectionist measures that has increased the volatility of financial markets worldwide due to the uncertainty of political decisions. Instability in the Middle East, or in any other major oil-producing region, could also result in higher fuel prices worldwide, increasing the operating cost for our thermal generation plants, adversely affecting the Company's results of operations and financial condition.

The federal government of the United States has experienced shutdowns in recent years. The 2018 – 2019 U.S. government shutdown, the longest in U.S. history, lasted 35 days and affected most federal agencies, including the Securities and Exchange Commission (SEC). Even temporary shutdowns or

threats to shut down the U.S. government could have a material adverse effect on the timing, execution, and increased expenses associated to the Company's main transactions and reorganizations within the SEC's jurisdiction.

An international financial crisis and its disruptive effects on the financial industry could negatively affect the Company's ability to obtain new financings under the same terms and conditions it has secured in the past. An international public health crisis, such as the one brought by the COVID-19 virus, which became a global issue in December 2019, could seriously affect the Company and its business partners as well. These effects could cause an increase in the price of goods, as well as recessions that would affect demand for electricity.

Political and financial events, or other crises, could also diminish the Company's ability to access Chilean and international capital markets, or increase available interest rates. Reduced liquidity, in turn, could adversely affect capital expenditures, investments, and long-term acquisitions, growth projections and dividend payout policy.

Changes in social, political, regulatory, or economic conditions, or in laws and policies that govern foreign trade, manufacturing, or development and investment in Chile and other countries in Latin America could also adversely affect the Company's business, operational results and financial condition. For example, in addition to the social unrest and riots in Chile, massive protests were also held against the governments of Colombia, Bolivia, and Ecuador, as well as an economic crisis in Argentina and a constitutional crisis in Peru. Protests, riots, and other political crises could continue or even escalate, which could adversely impact the economies of those countries and affect the Company's business, operational results, financial condition, and value of our securities.

**The Company's business and profitability could be unfavorably affected if water rights are denied or if water concessions are granted with limited duration.**

Enel Generación Chile owns water rights granted by the Chilean Water Authority (DGA in its Spanish acronym) for the supply of water from rivers and lakes near production facilities. Under existing law, these rights are (i) for an unlimited duration period, (ii) absolute and unconditional property rights, and (iii) not subject to further challenge. Chilean generation companies must pay an annual fee for unused water rights. New hydroelectric facilities are required to obtain water rights, whose conditions may affect the design, timing, or profitability of a project.

Also, since 2014, the National Congress of Chile has been analyzing proposed amendments to the Water Code to prioritize the use of water by defining its access as a human right that must be guaranteed by the State.

The amendment would give precedence to water use for human consumption, domestic subsistence, and hygiene, in both granting and limiting the exercise of exploitation rights. Restrictions enacted to preserve environmental flows would also reduce water availability for electricity generation purposes.

Any limitation to Company water rights, to the granting of additional water rights, or to the duration of water concessions could have a material adverse effect on hydroelectric development projects and profitability. To the date of this report, there have been no resolutions, and therefore, the uncertainty persists.

**Foreign exchange risks may unfavorably affect the Company's results and the U.S. dollar value of dividends payable to ADS holders.**

The Chilean peso has been subject to devaluations and appreciations against the U.S. dollar and may be subject to significant fluctuations in the future. For example, the Chilean peso depreciated 7.2% against the U.S. dollar in 2019 and reached Ch\$ 828.25 on November 28, 2019. The Chilean peso continues to devalue against the U.S. dollar, reaching a peak

observed exchange rate value of Ch\$ 841.06 per U.S. dollar on March 9, 2020. Enel Generación Chile pays dividends in Chilean pesos. Historically, a significant portion of the Company's consolidated debt has been in U.S. dollars. Even though a substantial portion of its operating cash flows is linked to the U.S. dollar, the Company is generally, and will continue to be, exposed to fluctuations in the Chilean peso against the U.S. dollar because of time lags and other limitations to adjust electricity rates to the U.S. dollar, in addition to potential difficulties in financing debt in the same currency as operational cash flows. Due to this exposure, the value of the cash that Company subsidiaries generate can substantially decrease as the Chilean peso devaluates against the U.S. dollar. Future volatility in the exchange rate of the currency in which the Company and its subsidiaries receive revenues or incur expenditures may adversely affect the business, operational results, and financial condition.

**Long-term electricity sales contracts are subject to fluctuations in the market prices of certain commodities, energy, and other factors.**

The Company's electricity generation business is exposed to fluctuations in the market price of certain commodities due to its long-term energy sales contracts. As a selling party, the Company has important commitments stemming from long-term electricity sales contracts. The price of these contracts is indexed to the price of commodities, exchange rates, inflation, and the market price of electricity. Adverse changes to these indices would reduce the rates the Company charges under these contracts, which could adversely affect the business, operational results, and financial condition.

**The Company's controlling shareholder may exert considerable influence and have a different strategic view on the Company's development than minority shareholders.**

Enel SpA, the controlling shareholder, holds a 57.9% indirect ownership share of the Company, to the date of this report, through a 61.9% ownership share of Enel Chile, and has announced its intention to acquire an additional 3% of Enel Chile by the end of 2020. If successful, its indirect shareholding in Enel Generación Chile would reach 60.7%. Under Chilean corporate law, Enel SpA has the power to determine the outcome of substantially all material matters

that require a simple majority of shareholders' votes, such as the election of the majority of the seats on the Board of Directors and the adoption of the Company's dividend policy, subject to some contractual and legal restrictions. Enel also exercises significant influence over the Company's business strategy and operations. Enel's interests could, in some cases, differ from those of minority shareholders. Any present or future conflict of interest affecting Enel could be resolved in a manner that strays from the interests of the Company and its minority shareholders.

**The electricity business is subject to risks arising from natural disasters, catastrophic accidents, and acts of terrorism, which could unfavorably affect the Company's operations, earnings, and cash flow.**

Enel Generación Chile's primary facilities are power plants in Chile. They are exposed to damage from natural disasters, such as earthquakes, floods, fires, and other catastrophic disasters, caused by nature or human action, such as vandalism, riots, and terrorism. A catastrophic event could cause service interruptions, significant reductions in revenue due to lower demand or additional costs arising from uninsured business interruptions. There may be time lags between an accident or catastrophic event and the final reimbursement from insurance policies, which typically carry a deductible and are subject to per event policy maximum amounts.

In mid-October 2019, widespread demonstrations and protests erupted in Santiago and quickly spread throughout the rest of the country. Since then, these events have become commonplace, and have been at times accompanied by looting, arson, and severe vandalism. Violent clashes between protesters and the police and armed forces have resulted in loss of human life and severe injuries. The accumulated damage to private and public property could amount to billions of dollars. Damage to Chile's economy, growth perspectives, risk perception, and immediate repercussions in unemployment and productivity has also been significant. The Company's headquarters suffered a severe arson attack on October 18, 2019, resulting in the relocation of management and employees for a prolonged period of time. An electricity substation belonging to an unrelated company in the northern area of the city of Copiapó was set on fire on November 28, 2019. Chilean public authorities have demonstrated their

concern for strategic electricity infrastructure, including power plants, transmission lines, and distribution substations. It is impossible to determine when the violence will end, or the final impact on the Company's businesses; however, this social crisis could have a material long term adverse effect on the Company.

Any natural or human disruption to the Company's electricity assets in Chile could lead to significant adverse effects on its operational results and financial condition.

**The Company is subject to financing risks, such as those associated with funding new projects and capital expenditures, and risks related to refinancing maturing debt.**

As of December 31, 2019, the Company's consolidated interest-accruing debt totaled Ch\$ 858 billion, mainly SEC-registered bonds issued in the U.S. under the laws of the State of New York for US\$ 717.5 million. Debt associated to local bonds amounts to US\$ 410 million.

Some debt agreements are subject to (1) compliance with financial ratios, (2) affirmative and negative covenants, (3) events of default (4) mandatory prepayments for contractual breaches, (5) changes of control due to mergers and divestitures, and (6) bankruptcy and insolvency proceeding covenants, among others.

A significant portion of the Company's financial indebtedness is subject to cross-default provisions, which have varying definitions, criteria, and materiality and applicability thresholds regarding subsidiaries, which may result in a cross-default. Debt may also become immediately due and payable in cases involving bankruptcy or insolvency proceedings of any subsidiary. Similarly, some of the Company's debtholders may decide to accelerate debt in case of cross-default events with any significant subsidiary, among other potential covenant defaults.

The Company may be unable to refinance its debt or obtain such refinancing on acceptable terms. In the absence of such refinancing, the Company could be forced to liquidate assets at unfavorable prices to pay debt obligations. Even more so, it may be impossible to sell assets fast enough or for enough money to make these payments.

The Company may also be unable to raise the necessary funds required to finish projects under development or construction. Market conditions or unforeseen project costs prevailing at the time when funds are needed could compromise the Company's ability to finance these projects and expenditures.

Inability to finance new projects or capital expenditures, re-finance existing debt, or comply with covenants could adversely affect the Company's operational results and financial condition.

**The Company depends on third party electricity transmission facilities. If these facilities do not provide an adequate transmission service, it may be impossible to deliver energy to final customers.**

The Company depends on transmission facilities owned and operated by unrelated companies to deliver electricity sold. This dependence exposes it to several risks. If transmission is disrupted, or if transmission capacity is inadequate, the Company may be unable to sell and deliver electricity. If a region's power transmission infrastructure is inadequate, recovery of costs of goods sold and profits may be insufficient. If restrictive transmission price regulations are imposed, the transmission companies the Company relies on may not have enough incentives to invest in expanding infrastructure, which could unfavorably affect the Company's operational results and financial condition. The construction of new transmission lines may take longer than in the past, mainly due to new social and environmental requirements that create uncertainties as to the probability of completing projects. Additionally, the Company's thermal power plants are connected to natural gas pipelines and are subject to interruptions should the pipelines be damaged. Stoppages could force purchasing energy at the spot market price, which could be higher than the contracted fixed sale price to customers. This scenario could adversely affect the business, operational results, and financial condition.

**The business could face adverse consequences if the Company is unable to reach satisfactory collective bargaining agreements with unionized employees.**

A large percentage of employees are members of unions and have collective bargaining agreements that must be renewed regularly. The business, financial condition, and operational

results could be adversely affected by a failure to reach a collective bargaining agreement with any labor union, or by any agreement with a labor union that contains conditions deemed unfavorable by the Company. Chilean law provides legal mechanisms for judicial authorities to impose a collective bargaining agreement if parties are unable to come to an agreement, which could increase costs past their budget.

The Company employs many highly specialized employees, and certain actions, such as strikes, walkouts, or work stoppages by these employees could adversely impact the business, operational results, and financial condition, as well as Company reputation.

The Chilean legislative branch is currently analyzing proposed bills that could increase Company's cost per employee, such as a workweek reduction from 45 hours to 40 hours, and a 4% increase in employer contributions to pension funds. If enacted, these measures could lead to reduced productivity and higher expenses.

**The relative illiquidity of the Company's ADS and common stock could negatively impact the share price, its ability to maintain a favorable fiscal position and the Company's status as a registrant in the United States Securities and Exchange Commission.**

After concluding the 2018 reorganization process, only 6.4% of the Company' shares are owned by minority shareholders. As of year-end 2019, ADSs represent only 0.3% of issued shares. Consequently, common stock and ADSs represent a minor percentage, and therefore traded volumes have been low and sporadic. Common stock and ADSs are subject to greater price volatility and reduced liquidity. Low liquidity could increase the difficulty of selling shares in larger quantities, negatively affecting their price.

The low participation rate of ADS could influence the Company to delist from the SEC in the future, if the necessary requirements are met. Delisting may lead to discontinue the 20-F annual report and Form 6-K reports filings, which could lead to less information shared with ADS holders.

Towards the end of 2018, Enel Generación Chile voluntarily requested delisting Company ADSs from the NYSE. ADS are now traded in the over the counter market (OTC Pink). ADS transactions in the OTC Pink may limit ADS liquidity and price more than if they were listed and exchanged on a national stock exchange. Transactions on the OTC Pink market may be scarce, volatile, and could be characterized by large price variations due to factors that have little to do with Company operations and projections. Some investors may perceive that Company ADS's are less attractive because they are exchanged on the OTC Pink market. The Company could not be covered by analysts that cover companies trading on local stock exchanges. Also, institutional investors, or other investors, could have guidelines that prohibit investing on stock that is exchanged on OTC markets. These factors could have adverse effects on transactions, liquidity, and ADS price, and ADS holders could face difficulties selling these securities.

After the 2018 reorganization, the main exchange for Company common stock has been the Santiago Stock Exchange. However, Company securities may no longer comply with the listing criteria in Chilean stock exchanges and could be delisted. The Company's securities could also lose presence in domestic stock exchanges, which could result in a loss of fiscal exemptions associated to capital gains for certain stockholders under Chilean law.

All these factors related to the low liquidity of securities, as well as a smaller shareholder base, could negatively affect the price of Company securities.

**Lawsuits brought against the Company outside of Chile, or complaints based on foreign legal concepts may have unintended outcomes.**

All Enel Generación Chile investments are located outside the United States. All its directors and officers reside outside the United States, and most of its assets are also located outside the United States. If any investor were to submit a lawsuit against Company directors, officers, or experts, it may be difficult for them to notify of such legal processes in the United States, or enforce sentences obtained in U.S. courts based

on civil liability provisions of U.S. federal securities laws in Chilean or U.S. courts. There is also doubt as to whether legal action could be brought successfully in Chile based solely on the civil liability provisions of U.S. federal securities laws.

**Any interruption or failure in the Company's' information systems and communications systems, and any external cyberattack or cybersecurity breach of these systems could have an adverse effect on operations and results.**

The Company operates in an industry that requires the continued use of sophisticated information technology, control, and communications systems (IT systems) and network infrastructure. IT systems are used to create, collect, use, disclose, store, dispose, and process confidential information on the Company, customers, employees, contractors, and shareholders. In this business, IT systems are critical to controlling and monitoring power plants' operations, maintaining generation and network performance, generating invoices to bill customers, achieving operational efficiencies, and meeting service quality standards. Operating generation units is not only dependent on the physical interconnection of these facilities with the electrical network infrastructure, but also on communications among the various parties connected to the network. The resilience of IT systems in managing information and communication among those parties has increased significantly since the development of smart meters and intelligent grids in Chile.

The Company's generation plants, IT systems, and other types of infrastructure, as well as the information processed by IT systems, could be affected by cybersecurity incidents, including those caused by human error. This industry has begun to see an increased volume and sophistication of cybersecurity issues from international activist organizations, nation states, and individuals, and are among the emerging risks identified in the Company's planning process. Cybersecurity incidents could affect the Company's business, limit its generation capacity, delay the development and construction of new projects or capital improvement projects in existing facilities, disrupt customer operations, or expose it to liabilities.

The Company's' business requires the collection and retention of personal information on customers, employees, and shareholders, who expect that it can adequately protect the privacy of such information. Cybersecurity breaches may expose the Company to a risk of misuse of confidential information. Theft, loss, or fraudulent use of personal information may lead to potentially large costs in notifying and protecting affected persons, and could cause the Company to become a target for litigation, losses, liabilities, fines, or penalties, which could negatively affect the Company's operational results and its reputation with its customers, shareholders, and authorities, among others. The Company may also be required to incur significant costs associated to governmental actions in response to such invasion or to strengthen IT systems and electronic controls.

The cybersecurity threat is dynamic and evolving, and is increasing its sophistication, magnitude, and frequency. The Company may not be able to implement adequate preventive measures or accurately assess the likelihood of a cybersecurity incident. The Company is unable to quantify the potential impact of cybersecurity incidents on its business and reputation. These potential incidents and the corresponding regulatory action could result in a significant decrease in revenues and high additional costs, including penalties, third party claims, repair costs, increased insurance expense, litigation costs, notification and remediation costs, security costs, and compliance costs.



## **18.** ETHICS AND TRANSPARENCY

# Ethics and transparency

## Internal control system

The internal control and risk management system "SCIGR" (in its Spanish acronym) consists of a set of rules, procedures and organizational structure to identify, measure, manage, and monitor the Company's main corporate risks. Particularly, these systems utilize recommendations contained in the Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

This system also guarantees the traceability of risk identification, evaluation, management and monitoring measures, and considers three different types of activities:

- First level of control: All control activities that the Company's operational units carry out to ensure that operations are executed properly.
- Second level of control: Assigned to specific corporate functions that aim to manage and monitor certain types of risk.
- Third level of control: Internal audit activities that aim to verify the structure and the functionality of the SCIGR, including monitoring first and second level control activities.

## Internal Audit

The Internal Audit department is responsible for ensuring the efficiency and efficacy of the internal control and risk management system in an objective and independent manner. Given the nature of the Internal Audit department, it reports to the Board of Directors directly at least once every quarter. This includes any serious deficiency or possible irregular situation detected that must be reported to the authorities or other competent entities, as well as events that may affect the Company's judicial standing.

This department carries out periodical audit procedures to evaluate the performance of the Company's operations from a risk perspective, identifying areas of improvement and facilitating, along with process owners, action plans to strengthen the Internal Control System to minimize irregular or fraudulent events that may affect the Company. The outcome of each audit and the follow up on the implementation of action plans are reported regularly to the Board, which directly supervises the execution of improvement plans.

Each audit includes control activities included in the Criminal Risk Prevention Model (MPRP in its Spanish acronym), which contains the requirements of the Crime Prevention Model of Law 20,393 that governs Enel Generación Chile as a company based in Chile, promoting international best practices to prevent and detect potential risks of illegal behavior, fraud, and any other action that may be in conflict with Enel Group's ethical principles.

In 2019, the Audit and Compliance Manager attended the Board of Directors' Meetings held in January, February, March, July, August, and September, to report all previously described issues, as well as the management of the ethics channel.

# Ethical conduct and the Criminal Risk Prevention Model

Enel Generación Chile is fully committed to complying with its ethical standards and conduct and with the current regulation of each sector in which it operates, regarding both internal and external relationships with other stakeholders. Transparency and ethical behavior are values that build trust and responsibility with all stakeholders.

The Company and its subsidiaries rely on an Ethics Code, approved by the Board of Directors, to guide the behavior of directors, executives, employees, and contractors. The Code describes the ethical principles, guidelines, commitments and responsibilities to be followed in managing the business and performing entrepreneurial activities.

The Ethics Code and other documents that provide the framework for Enel Generación Chile's ethical culture are handed to employees, directors, suppliers, and contractors, and are also posted on the website, offering easy access to all its stakeholders.

The Company strictly abides to Chile's Corporations Law, which establishes independence criteria to avoid conflicts of interest. Also, the Board of Directors voluntarily adopted General Norm 385. The Internal Audit department directly informs the Board on the compliance with NCG 385.

Enel Generación Chile utilizes a Criminal Risk Prevention Model (MPRP in its Spanish acronym) against corruption, built upon the Ethics Code and the Zero Corruption Tolerance Plan. Its objective is to control and prevent criminal activity within the organization, comply with norms, and provide transparency in the activities of all companies in which Enel Generación Chile holds a majority stake, controls the administration, or is responsible for its management. This model covers all requirements included in the Crime Prevention Model of Law 20,393 and its amendments.

The Board of Directors is responsible for supervising compliance with ethical norms and criminal risk prevention measures in the Company, and delegates its follow-up and management to the Internal Audit department. The Board approves all documents involved in the compliance system, including the Criminal Risk Prevention Model, and relies on the Head of Crime Prevention for its implementation.

The Head of Crime Prevention has the autonomy, empowerment, and resources required to properly execute the department's functions. The Board regularly evaluates and monitors the implementation and improvement of the Company's procedures by meeting with the Head of Crime Prevention whom reports on the subject.

Enel Generación Chile and its subsidiaries obtained external certification for its Criminal Risk Prevention Model, which was awarded most recently in 2019. The external certifier accredited and objectively evaluated the prevention system adopted and implemented by the Company, to the standards stipulated in Law 20,393. The certification lasts two years (2019 - 2020), a period in which the Company and its subsidiaries are subject to constant evaluations.

In 2019, the Board of Directors approved the Criminal Risk Prevention Model update, which considered the amendments to Law 20,393 issued in late 2018 and early 2019, adding the liability of legal persons in corruption, disloyal administration, incompatible negotiations, improper appropriation, illegal fishing, water contamination, activities with products in closed extraction season, and fishing activities without proper legal accreditation. These crimes are added to asset laundering, financing terrorism, receiving stolen goods, and bribery, which is considered an extraterritorial crime.

In addition, the Head of Crime Prevention, with the support of experts, coordinated the update of risks and specific controls of the Criminal Risk Prevention Model involving all areas and processes of the Company.

All Enel Generación Chile subsidiaries also maintain a compliance program aligned with their respective business practices. In companies that are not directly controlled by Enel Generación Chile, joint ventures, related companies or suppliers and contractors, the Company promotes the implementation of independent ethics and conduct codes, aligned with local legislation and Enel Generación Chile standards.

In 2019, Enel Chile and its subsidiaries, including Enel Generación Chile, were acknowledged by the Foundation Fundación Generación Empresarial and the journal Diario Financiero with the "Entrepreneurial Generation - Diario Financiero" award, for its commitment to systemically promoting ethical behavior and best practices in corporate compliance, both internally and externally, obtaining one of the top 3 grades among the 49 participating companies.

Enel Generación Chile also kept its communications plan operational in 2019, which focuses on disclosing the main aspects of the compliance program and also strengthening the corporate culture among employees and suppliers. These plans consider internal and external activities, including new employee induction programs, where they receive specific training on the compliance system.

Additionally, 17 training programs were held for 173 individuals, and 146 communication activities were carried out focusing on corruption prevention, unethical behavior, ethical channel use, ISO37001 Anti-Bribery Management System, and on the Company's compliance system in general.

## ISO 37001 Anti-Bribery Management System

Under the tenth principle of the Global Pact, the Company commits to fight corruption in all its forms, including extortion and bribery. Enel Generación Chile ISO 37001 Anti-Bribery Management System, in addition to other voluntary responsibilities, contribute to this commitment.

The ISO 37001 standard specifies a series of measures and best practices to aid organizations in preventing, detecting, and confronting bribery. In Enel Generación Chile, this system is focused on identifying risks and designing, executing, and improving behavioral controls and standards in operations deemed risky, such as negotiations and contract executions with third parties, public and private tender participation, financial resource management, gifts and hospitalities management, employee selection processes, management incentive mechanisms, among others.

The Anti-Bribery Management System is part of Enel Generación Chile's compliance program. The Board of Directors is its maximum authority, and together with the Company's Senior Management, promote bribery prevention in the Company's activities and operations.

The ISO 37001 certification strengthens trust between stakeholders and Enel Generación Chile. In 2018, Enel Generación Chile became the first company in the Chilean electricity sector, along with its parent company Enel Chile and its subsidiaries, to receive this certification. The companies maintained ISO 37001: 2016 international certification in 2019.

## Complaints Channel Management

The Complaints Channel is managed by the Internal Audit department but operated externally. It allows the Company to receive anonymous reports of any irregular conduct contrary to the principles of the Criminal Risk Prevention Model or the Ethics Code, as well as other complaints related to issues such as accounting, control, internal audit, or crimes such as asset laundering, financing terrorism, fraud, corruption, improper appropriation, incompatible negotiation, environmental crimes, among others.

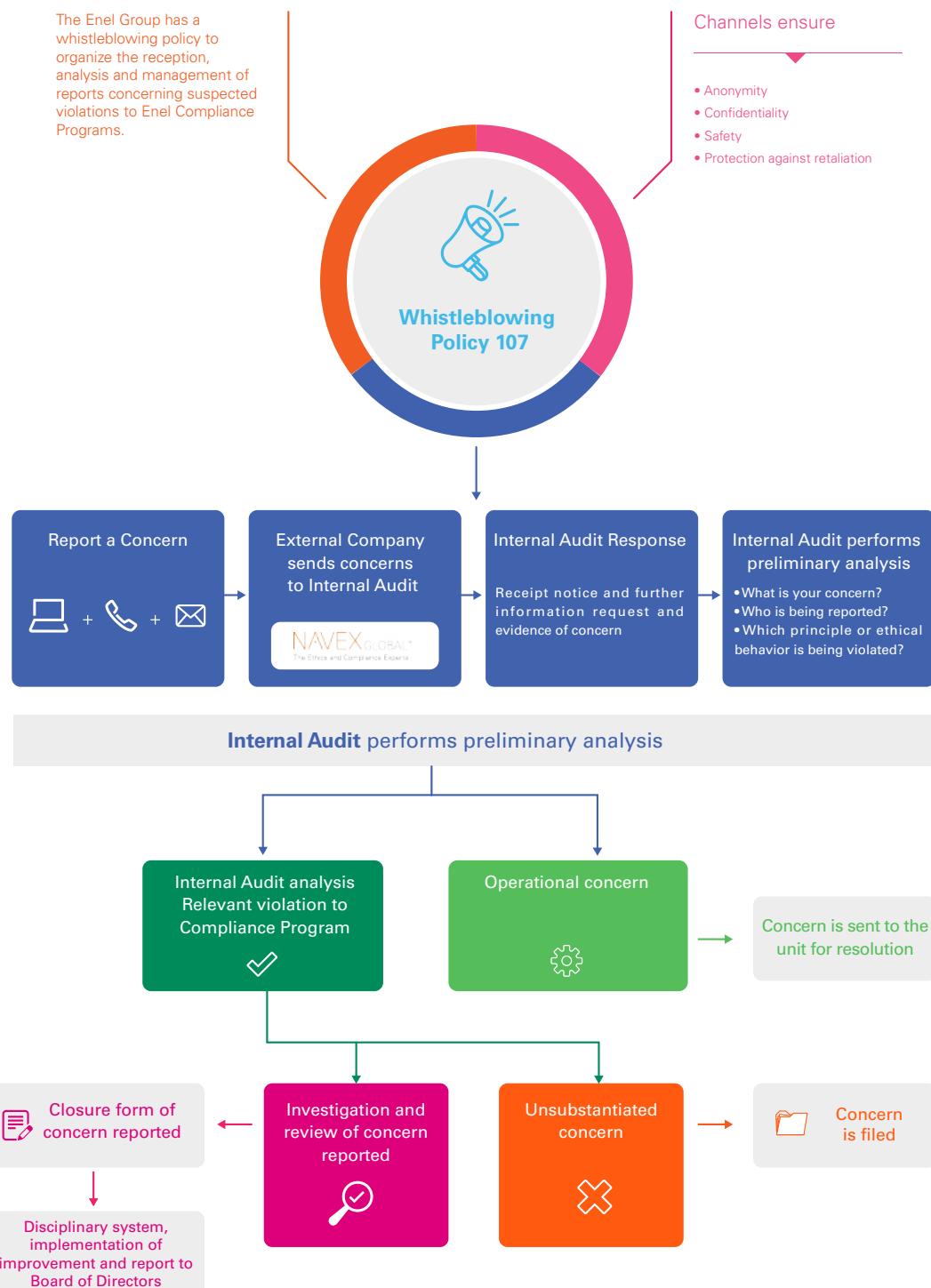
This channel is governed by the Whistleblowing Global Policy 107, which guarantees anonymity, whistleblower protection against retaliation, and protection against complaints in bad faith.

The Complaints Channel is available for employees, contractors, suppliers, clients, communities, and other stakeholders, and is reachable by telephone, in person, and digitally through the intranet and the Company website. The whistleblower may use the channel to deliver more information related to the reported situation, as well as to receive feedback and questions from the team investigating the case.

During 2019, part of the Company's training and communications plans focused on promoting the use of the Ethical Channel through publications and training. Employees were taught how to use it and were shown its usefulness. It was also promoted during events with suppliers using promotional items and talks.

The Ethical Channel received 6 complaints in 2019 related to the Company's Ethics Code. Of these reports, 1 was a non-significant violation of the Company's Ethics Code, regarding conflicts of interest, and were all managed accordingly.

Where to report concern?	
Corporate website	
www.enel.cl	Right menu/ Ethical Channel
Internet	
Directly to Ethical Channel	<a href="https://secure.ethicspoint.eu/domain/media/es/gui/102504/index.html">https://secure.ethicspoint.eu/domain/media/es/gui/102504/index.html</a>
Presencial o escrito	
Enel Generación Chile	Internal Audit Department, Santiago, 76 Santa Rosa Ave, 9th Floor





## **19. SUSTAINABILITY**

# Sustainability

Demographic variables, new social demands, the climate crisis and the technological revolution present global challenges that drive companies to rethink their business strategies and also respond to social demands that ask for concrete actions that integrate all environmental, social and economic sustainability variables (ASG). This new scenario presents multiple challenges and brings new opportunities that require innovation for companies to develop their business in a long-term sustainable manner.

International organizations have alerted the world about the risks related to global warming, which has significant economic, social, and environmental impacts. Along with other demographics, this has led to an energy transition. Within this context, Enel Generación Chile has focused its investments on optimizing thermal power plants, aiming towards the decarbonization of its energy matrix by progressively closing coal-fired power plants.

## Sustainable business strategy

For Enel Generación Chile, sustainability means long term value creation for all stakeholders, which is developed by using a model that integrates economic, environmental, social, and governance goals into the Company's business plan. This model is aligned with the Sustainable Development Goals (SDG) that guide the Company's management.

## Business sustainability

### Growth through low carbon technologies and services

In line with the Energy Roadmap 2018-2022 promoted by the Chilean Government, Enel Generación Chile has committed to decarbonize its energy matrix by progressively retiring its coal-fired power plants. As agreed with the Chilean Government under the decarbonization plan in June 2019, the 158 MW Tarapaca power plant closed by year-end 2019. The Company has also agreed to retire the 128 MW, Bocamina I power plant no later than December 2023, and Bocamina 2, 350 MW plant, no later than December 2040.

Currently, 57% of Enel Generación Chile's installed capacity comes from renewable energy sources, primarily hydrological sources. Over the past few years, global warming has severely affected Chile, and has intensified the drought that has adversely affected hydroelectric generation. This has had a negative impact on the level of CO<sub>2</sub> emissions per KWh generated in 2019. Consequently, the Company has focused on ensuring energy supply by improving efficiency of thermal plants, which has enabled optimizing the use of resources and also add flexibility to the energy matrix by adding renewable sources to the national energy system.

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<sup>1</sup> The Energy Road Map 2018-2020 involves 10 mega commitments aiming towards modernization and decarbonization of the Chilean energy matrix. It includes the commitment to begin a decarbonization process by setting a retirement and reconversion schedule of coal fueled power plants.

## Low carbon technology indicators

ODS	Indicator	Results		
		2019	2018	2017
13	% renewable installed capacity	58	63	64

## Operational improvement for service quality

Enel Generación Chile continuously invests in incorporating the latest developments in terms of innovation, digitalization, robotization, automatization, and predictive maintenance to its generation facilities to become a data driven company. This has increased the Company's efficiency in the use of resources and has improved asset management and maintained an excellent performance level. Within this context, the Company is constantly searching for new innovative, technological solutions available in local and international innovation ecosystems. Consequently, in 2019, both Enel Generación Chile and Enel's Innovation Hub in Chile called all local start-ups, which could potentially contribute to solve the technological challenges Enel Generación Chile might face in the future, to participate in an innovation event (Bootcamp).

## Value chain

One of the pillars for a sustainability business is a sustainable supply chain network. Therefore, we share with our suppliers the common purpose of creating long term value and constantly reduce risks associated to social and environmental breaches and workplace safety, all the while rewarding best practices.

## Supply chain sustainability indicator

ODS	Indicator	Results		
		2019	2018	2017
12	Suppliers evaluation on health and safety	100%	100%	47%
12	Suppliers evaluation on environmental performance	100%	100%	47%
12	Suppliers evaluation on human rights	100%	100%	47%

## Social sustainability

### Involving our people

In times of energy transition and business model transformation, employees have a fundamental role when facing challenges in innovation and technology. Therefore, skills training, overcoming barriers to become a more inclusive company, and delivering the proper tools to take on a role in the energy market are essential pillars in creating long-term value.

## Indicators to measure Sustainable Development of the Workplace Environment

ODS	Indicator	Results		
		2019	2018	2017
5, 10	Gender diversity (% of women)	12	11	13
8	Workplace environment survey (employee participation)	96	Not measured	86
10	Exemplary employee for co-workers with disabilities	1	1	Not measured
8	Labor flexibility – Smart Working (Number of employees)	112	80	107

2 Smart Working is a program that grants employees of Enel Chile and its subsidiaries the possibility to select one day a week, between Tuesday and Thursday, to work remotely from home or any physical space that allows good internet connectivity and complies with the safety norms.

3 The social contingency in the last semester of 2019 prevented several training programs from being carried out.

# Involving local communities

## Social contingency

A significant social uprising began in Chile during October of 2019. Enel Generación Chile was able to operate its power plants without major inconveniences thanks to timely planning and the Company's successful community relations strategy. The Company relies on permanent field teams that are responsible for the implementation of this community relations strategy throughout the regions in which the Company has operations. This strategy focuses on inclusive and participative initiatives that seek to reduce the multidimensional poverty gap by offering clean and affordable energy projects, economic development and access to quality education. This shared goal with communities, has allowed us to sustain local development plans throughout the year, and particularly during the last quarter of 2019, when the social uprising became more intense nationwide.

## Fostering sustainable development in local communities

The energy transition currently taking place must consider the social changes needed to move towards an ecological lifestyle in addition to the technologies and innovation required for the development of communities, neighborhoods and cities. Being part of this transformation is a necessity today and a priority when it comes to facing climate change. However, there are still barriers in terms of equal access to a sustainable development model. These barriers become evident in the Multidimensional Poverty Measurements obtained from the CASEN 2017 survey and from the most relevant studies performed by various organizations regarding environmental conditions in Chile.

Enel Generación Chile is present in 8 regions of the country where it performs permanent community relations activities with over 150 communities. This presence and closeness have given us an important role in extending the sustainable development model to 36,000 individuals this year, reaching nearly 900,000 people since 2015, and directly contributing to reduce the multidimensional energy poverty gaps.

During 2019, the sustainability and community relations team has focused its efforts on reducing social gaps within the communities in which the Company has operations and at the same time protect the environment and natural resources. Enel Generación Chile initiatives related to education, promotion of local startups that preserve local identity, improvement of living conditions and simultaneously empower women and the indigenous community in their area of influence.

These fields of work are priorities for our stakeholders and also contribute to 17 sustainable development goals (SDG).

Regarding education, the Company provided grants for over 500 students contributing to SDG 4 and supported training programs for over 80 small and medium sized companies (PYMES in its Spanish acronym), creating more than 200 jobs, contributing to SDG 8.

In terms of infrastructure, basic services and public space improvements, over 2,600 people in the communities in which the Company has operations have been given access to drinking water, sports facilities, home improvement construction and efficient lighting.

The Company additionally carried out a series of initiatives centered on climate action and care for natural resources, such as, farm irrigation optimization projects, planting trees in urban areas and reforestation.

Enel Generación Chile believes climate action to be everyone's responsibility. Therefore, the Company is working on training people as community environment monitors to increase knowledge on potential environmental impacts and criteria to support the interpretation of measurements. In 2019, 14 environmental monitors in the city of Quintero were trained in addition to the 13 trained previously in the city of Taltal.

## Measurement indicators for initiatives focused on local development

ODS	Indicator	Results		
		2019	2018	2017
8	Economic development and dignified work (cumulative beneficiaries since 2015)	264,132	255,532	227,232
7	Access to clean and affordable energy (cumulative beneficiaries since 2015)	17,230	13,930	8,130
4	Inclusive, fair, and quality education (cumulative beneficiaries since 2015)	33,049	27,049	22,349

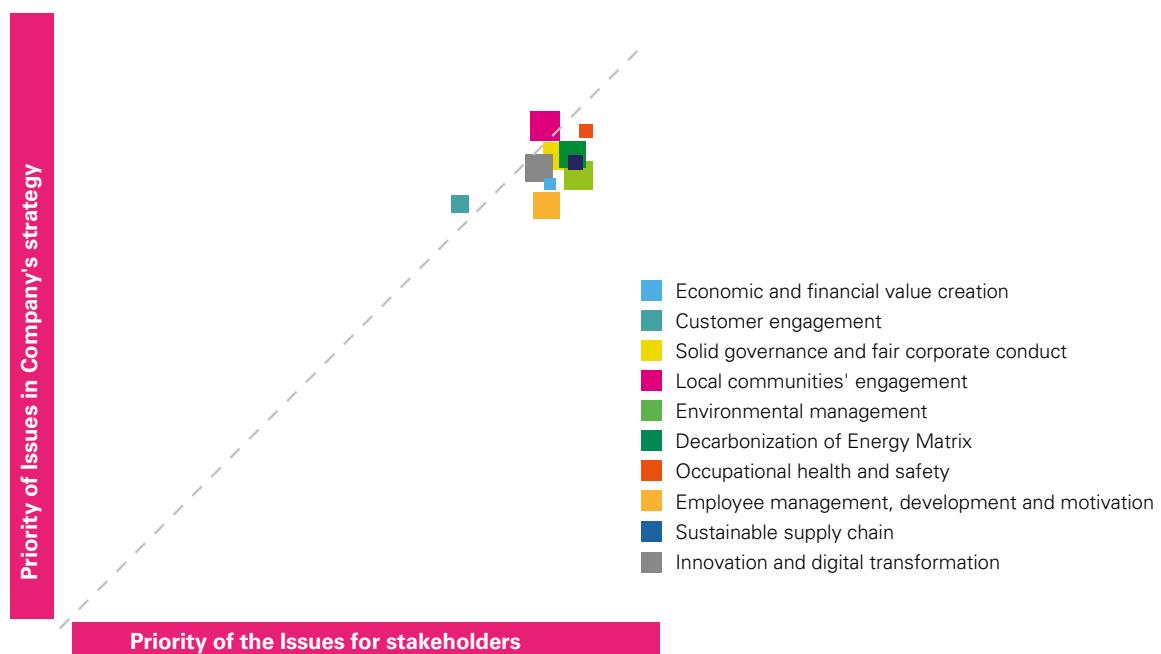
## ESG analysis methodology

### Materiality analysis and stakeholder prioritization

Enel Generación Chile applies the methodology adopted by the Enel Group, which fulfills GRI (Global Reporting Initiative) international standards. The main approach of this method is to place stakeholders as a focal point when defining the Company's strategic issues. Hence, the entire Company participates directly in the identification and prioritization process. As a result, the relevant stakeholders identified are consulted regarding their priorities and expectations from the Company. This same procedure is carried out within the Company to determine strategic priorities.

This is how we define the company's materiality, which governs the strategic plan we disclose in various public reports.

### Enel Generación Chile's Materiality Matrix<sup>4</sup>



<sup>4</sup> The final materiality matrix indicates the issues that are a priority for our stakeholders, and simultaneously strategic for the Company. The information provided is used to create the sustainability plan, which is updated annually.

## ESG risk analysis

ESG (Environment, Society and Governance) risks are an integral part of the risk management policy, as is stated in the Risk Factors section, and are identified considering the following references:

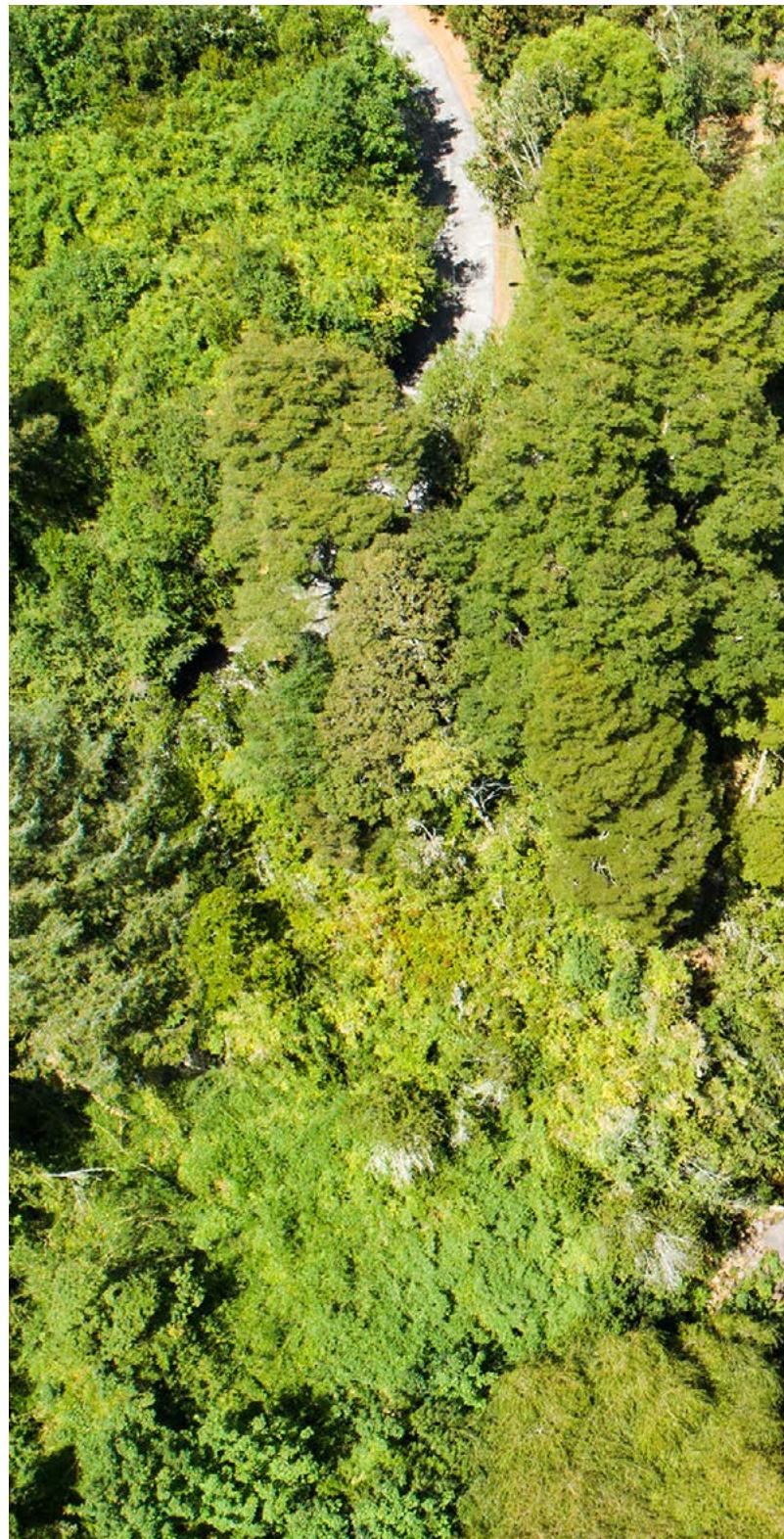
- Relevant issues in Materiality, identified in the 2020 Global Risk Report of the World Economic Forum (WEF).
- Risk assessments carried out as part of the due diligence process on human rights and integrated management systems (environmental, quality and safety) among others.
- The analysis of some of the world's most highly acclaimed sustainability rating agencies, which use specific risk assessment systems to rate companies' ESG performance.

## Due Diligence on Human Rights

The Enel Group is committed to the principles that safeguard and promote the protection of human rights, evidenced by the policy approved by the Board of Directors in 2013.

Since 2016, Enel Generación Chile, aligned with the UN's guidelines, carries out a fundamental human rights due diligence process going through the entire value chain to identify possible risks within its operations and establish corrective measures to address any possible gaps.

Potential infringements that arise from this due diligence are included in the Company's risk matrix, monitored and managed opportunely.







## **20. ENVIRONMENT**

# Environment

Environmental protection is one of the pillars of the Enel Group strategy. Hence, its companies have directed their efforts towards continuous improvement by permanently seeking to enhance the efficiency of processes and products by integrating cutting-edge technology.

The purpose is not just to comply with norms and reduce environmental externalities, but also to take responsibility for the environment surrounding its power plants.

Therefore, the management of environmental aspects of hydroelectric power plants, Canela Wind Farm, and other renewable energy facilities is centralized by the Health, Safety, Environment & Quality (HSEQ) department in every business unit in the country.

Within this context, the Environmental department oversees the implementation of environmental policy, strategic goals and environmental procedures in all power plants, according to the standards defined by HSEQ Global, ensuring their compliance in terms of environmental management.

Enel's policy and internal process implementation does not just focus on reducing environmental risks, they also seek to consolidate the Company's leadership position in the energy market.

Environmental protection and sustainable economic growth are both strategic factors considered during the planification, implementation and development of Enel's activities.

The environmental policies updated during 2019 are the following:

- Quality, Safety and Renewable Environment Policy, March 2019
- Policy 292, 2nd Version, "Impact and Environmental Risks Evaluation Methodology", June 25, 2019
- Policy 101 HSEQ Walk, 2nd Version, expanded their scope of action towards environmental issues, June 13, 2019.

Seeking to safeguard and optimize environmental management, several actions were taken during 2019, of which we highlight the following.

## Environmental management

- Coordination and leadership of responsiveness under events or incidents of environmental nature.
- Review of environmental matrices, contractor inductions, and field inspections, to determine contractor's compliance with environmental standards, commitments, and legal requirements.
- Participation in elaborating the Base Line to calculate our Carbon Footprint, project promoted by the Company and led by Sustainability.
- Logistics support for strategic environmental studies led at a central level.

## Waste management

Regarding the actions taken to reduce waste during 2019, we highlight the following::

- Installment of recycling stations in the corporate offices in Santiago, and in the Pangue and Laja reservoir power plants.
- Waste recovery through oil recycling that began in the Maule and Laja Reservoir power plants.

# Continuous improvement

Aiming towards the continuous improvement of processes, during 2019, teams from the Operations and Environmental divisions worked together to identify opportunities for improvement in all power plants. This led to the identification of equipment with oil content, which in turn helps detect possible risks regarding leakages or spillages, allowing to take the necessary actions to prevent such incidents. These efforts are carried out as part of a project promoted by HSEQ Global after implementing trial versions in Italy and Spain.

# Environmental awareness

Within the context of environmental protection, during 2019 an environmental awareness program was carried out in the corporate office and in power plants, highlighting the following activities:

- Commemoration of the International Water Day by broadcasting a video for all Company workers, regarding the importance of water for life and as a resource for our Company.
- Environmental Workshop for people who work in the corporate office regarding Environmental Regulations (Environmental Impact Study (EIA in its Spanish acronym), Environmental Impact Declaration (DIA in its Spanish acronym) - Environmental Sanctions and Environmental Criminal Liability) and held a discussion about the environmental development of our projects.
- Lecture on "Volcanic Behavior and Risk" by professionals from Universidad de Concepción performed at the Laja Power Plants.
- Participation in the 2019 Trawu Forestry Fair, where we presented our reforestation experiences developed as part of the Reforestation Agreement signed with Universidad de Concepción.

- Biodiversity Workshop to inform employees on the various environmental monitoring mechanisms and projects that are executed by the Company.
- The National Environment Day was celebrated with several activities in Santiago and at power plants, including Environmental Walks, Cleaning roads that access our facilities, and training on Producer Recycling Responsibility Law (REP in its Spanish acronym) and Recycling.
- Stop Work Policy diffusion and training at hydroelectric power plants.
- Photographic exhibition at the Corporate Building to acknowledge the beauty and importance of the nature, flora and fauna surrounding our power plants.
- Recycling Electronics Campaign by installing pick-up stations in the corporate building and in the Central and North Business Units power plants (Rapel, Sauzal, Campamento Pehuenche, and Los Cóndores Project). A total 1,787 electronic devices were recycled, disposed in Degraf.

# Compliance with Environmental Commitment Resolutions (RCA)

To comply with the RCA in 2019, the following actions are highlighted in relation to the Ralco Hydroelectric power plant:

- Reforestation Agreement with Universidad de Concepción: 515,5 hectares were reforested during the period.
- Improvement of the Drinking Water System: projects to improve the drinking water system for the Ayin Mapu and El Barco indigenous communities are being developed. These communities were relocated as a consequence of the construction of the Ralco Power Plant. The project reached 100% progress during the period.

- Housing Program: 34 homes are currently being built for families of the indigenous community El Barco, relocated due to the construction of the Ralco Power Plant. Progress reached 80% during the period.
- Bridge repairs: Seven bridges were repaired in inner roads of the Ayin Mapu indigenous community during the period, guaranteeing the connectivity of 41 families that were relocated due to the construction of the Ralco Power Plant.

# Compliance with the thermo-electric power plant emissions standard

During 2019, the Environmental Superintendence (SMA in its Spanish acronym) published reports verifying compliance with the established limits according to the decree, based on the emissions figures in the quarterly reports that each power plant uploaded to the "Thermoelectric Power Plant" website of the SMA. In turn, this organism verified that the emissions from all the company's electricity generation units (UGE in its Spanish acronym) complied with the established limit.

Additionally, the Continuous Emissions Monitoring System (CEMS in its Spanish acronym) of both units of the Quintero Thermal Power Plant were connected directly to the SMA to comply with the Atmospheric Decontamination and Prevention Plan of the Concón, Quintero, and Puchuncavi counties that was published in Chile's Official Journal on March 30, 2019, by means of Decree 105/19 of the Ministry of Environment.

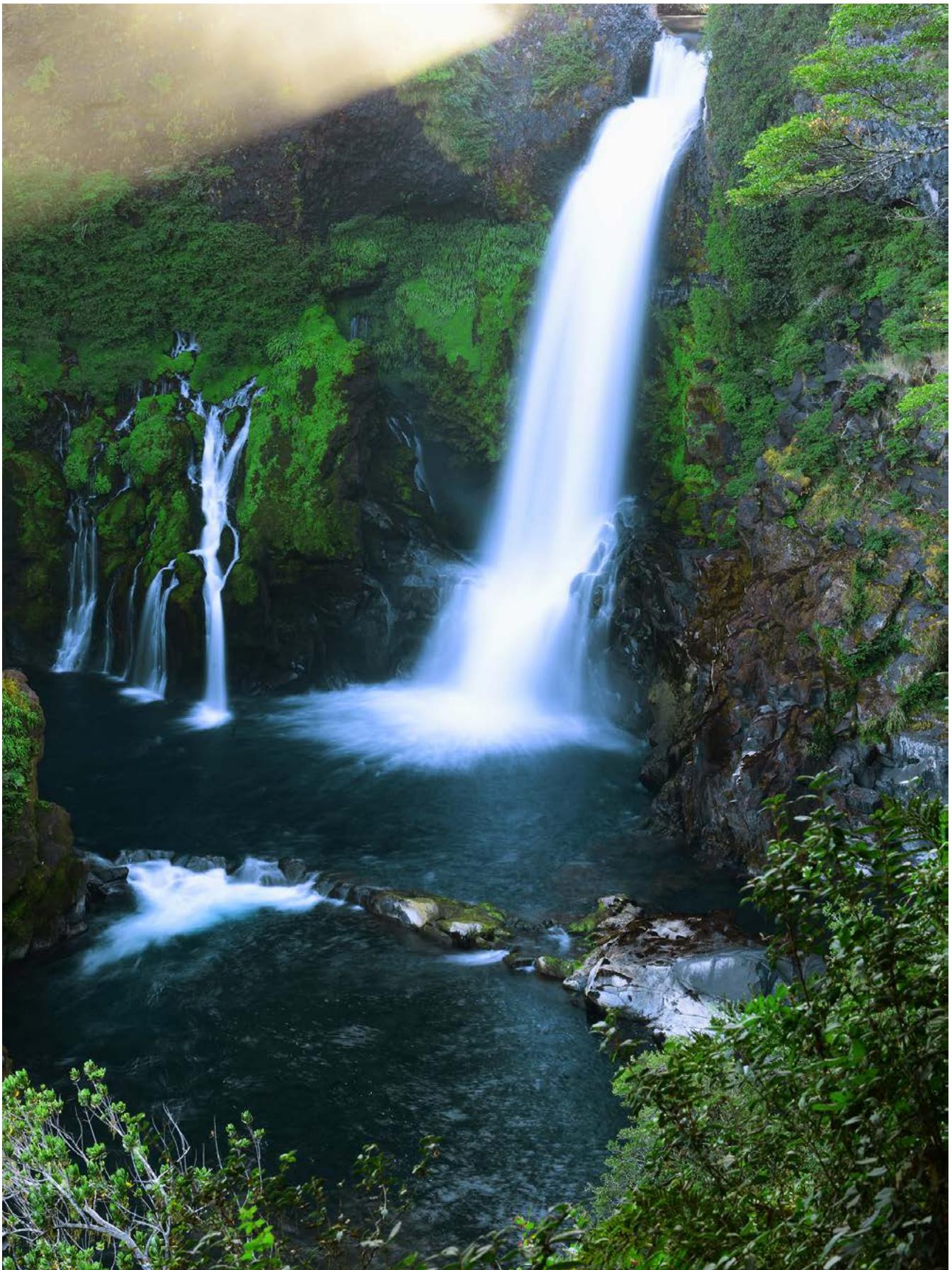
## Green Taxes

In April 2019, the thermoelectric power plants reported their emissions according to the emissions quantification method presented and authorized by the SMA to determine green tax payments. The total tax payment amounted to US\$23,647,493.85, which includes the atmospheric emissions from the Enel Generación Chile thermoelectric park and its GasAtacama S.A. subsidiary, acquired in October 2019.

## New projects

On July 15, 2019, the Environmental Evaluation Service (SEA in its Spanish acronym) of the Copiapó Region issued Exempt Resolution 85, indicating that the project "Bess Energy Storage System in the Huasco Thermoelectric Power Plant" is not required to comply with the SEA to be executed.

On August 27, 2019, the SEA of the Antofagasta Region issued Exempt Resolution 223, indicating that the project "Bess Energy Storage System in the Atacama Thermoelectric Power Plant" is not required to comply with the SEA to be executed.





## **21.** INNOVATION CULTURE IN THE COMPANY

21. Innovation culture in the Company

# Innovation culture in the Company

For Enel Generación Chile, innovation is a differentiating factor that provides a competitive advantage in the electricity generation market. Therefore, the Company aspires to maintain and improve its leadership position in this area, working in a systematic, organized, and cross-disciplinary way, in alignment with the Company's strategic plan.

During 2019, the Company continued to promote an innovation culture, climate, and practice, working towards materializing this culture through the development of projects that add value to the organization. To achieve this goal, the internal climate of the Company must foster innovation and materialize such innovation as greater competitiveness and efficient processes. The following activities were carried out during 2019 to strengthen the innovation culture and promote employees' creativity.

## Capturing ideas

In order to capture ideas, we have a systematized process in place year-round. The method is based on the collaborative participation of the entire workforce of all Group companies, allowing us to capture everybody's ideas to innovate and improve in different areas.

To encourage the participation of all collaborators, the initiative was presented in every company in the country, inviting workers to submit their ideas in the categories "Innovation" and "Continuous Improvement". They were categorized as follows:

- Best Practices: Performance Improvement, Environment, and Health & Safety
- Innovative Ideas: Performance Improvement, Environment, and Health & Safety

The winners and their ideas are the following:

### Best Practices category:

- Luis Durand, winner of the "Environment" category with the proposal "Catalyzed CO<sub>2</sub> as a controlled pH agent in cooling towers".
- Cristián Valenzuela, winner of the "Performance Improvement" category with the proposal "Database to compare flowmeters".

### Innovation category:

- José Sanchez, winner of the "Performance Improvement" category with the innovative idea "Combustion System Optimization".
- Rafael Gajardo, winner of the "Health & Safety" category with the innovative idea "Condenser Continuous cleaning".

Winning ideas later participated in the worldwide competition.

## Open Innovation - Boot Camp

During 2019, in collaboration with the Chilean Innovation Hub, we encouraged several local startups and senior innovation managers to participate in Boot Camp, which sets forth our open innovation philosophy, an important pillar of our innovation policy. This philosophy is based on Professor Henry Chesbrough's ideas (UCLA, Berkeley), and is one of the current global mega-trends in terms of innovation because it captures the creativity of people within the organization. It cultivates creativity through the implementation of events such as Boot Camps and Workshops to apply methodologies and systematize challenges.

# Innovation projects

Innovation projects developed in Chile for hydroelectric and thermal generation power plants were selected based on criteria that aim to improve processes, increase safety and environmental standards, and optimize electricity generation operations. The main innovation projects developed during 2019 are presented below.

## Virtual Visit

Virtual Visit is a videoconference system able to retransmit in situ, which was developed to reduce the time required to select suppliers. A Virtual Visit is similar to a videoconference, allowing to re-transmit a video of the workplace and include explanations of employees.

A coordinator facilitates the visit and communicates it online to the Supply Department, plant personnel, and suppliers.

This innovative idea was created in 2018 and tested throughout 2019, presenting many benefits in terms of saving time, costs, and reducing CO<sub>2</sub> emissions due to less transportation and travel. It was developed by the Chilean start-up Erikusa Robotics and received awards in the 2019 Enel Days and was also recognized by Procurement Global as one of the best initiatives. This innovative telepresence technique was submitted to intense testing in 2019 to expand its use to more than six countries. The formal escalation process in Europe began with over 30 visits held in Enel España during the second semester of the year.

## Digital Twins

Digital Twins, 4d Risk Map is an initiative based on the Serious Games and Virtual Reality concept that reduce the time and

risks associated to worker's induction processes and simulates real work conditions in a safe environment. It was developed by the startup Otec that has modelled over 40,000 square meters using drones. This advanced technology was highlighted at the Enel Days in Rome. It replicates operational environments using Virtual Reality, capable of representing reality in 3D, allowing to interact with third parties in real time via Avatars, and with objects and variables in real time by connecting to the databases of our control systems.

## Submarine Robotics

This is a project based on Open Hardware that unfolded during 2019, and provided significant benefits in terms of reducing risks, costs, and time. It allowed us to switch from preventive submarine filter maintenance to predictive maintenance. Its open platform has enabled it to become the hardware base of a project to be carried out jointly by Spain and Chile to improve Artificial Intelligence and Machine Learning capabilities. This project will be carried out in 2020 to improve its operational and adaptational capabilities for its potential global application.

## Autonomous boats for bathymetry

Tests were performed in different locations to evaluate its autonomy, operation, information quality and process. They were tested on two ships (different chassis), Maule Pehuenche intake; Sauzal reservoir; Rapel Dam; Currillique discharge channel; Polcura intake and Sauzal desander channel.

## Drones

The development of a solution for photovoltaic inspections providing automated data and reports. Autonomous drones (do not need to be operated by a person) were installed in 40 MW Chañares Solar Plant, located in northern Chile.

Drone operations training was carried out in collaboration with O&M to certify operators through the civil aviation authority in Chile, DGA. Eight pilots were certified.



## **22.** OWNERSHIP SHARE TABLE

# Direct and indirect economic interests

Subsidiaries	Economic Interest	
	2018	2019
<b>Chile</b>		
Empresa Eléctrica Pehuenche S.A. (Pehuenche S.A.)	92.65%	92.65%
GasAtacama Chile S.A. (1)	97.37%	-
Gasoducto Atacama Argentina S.A. (1)	97.37%	100.00%

(1) The merger of GasAtacama with and into Enel Generación Chile became effective in October 2019.

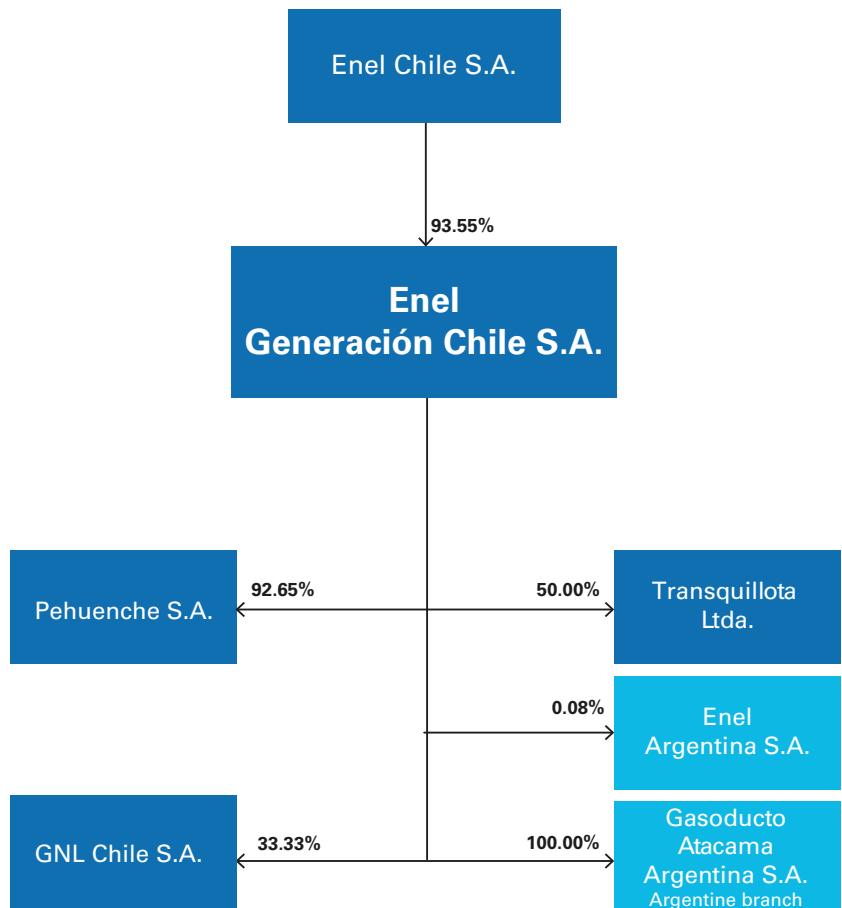
Associates and jointly controlled (1)	Economic Interest	
	2018	2019
<b>Chile</b>		
GNL Chile S.A.	33.33%	33.33%
Aysén Energía S.A. En Liquidación	51.00%	51.00%
Aysén Transmisión S.A. En Liquidación	51.00%	-
Centrales Hidroeléctricas de Aysén S.A. (HidroAysén) (2)	51.00%	-
Transmisora Eléctrica de Quillota Ltda.	50.00%	50.00%

- (1) Jointly controlled companies are those in which the parent company controls the majority of the voting rights, or, should this not be the case, where it has the capacity to govern their financial and operating policies by virtue of an agreement with other shareholders or jointly with them. The jointly controlled companies are consolidated by the proportional integration method, i.e. in the same proportion as Enel Generación Chile participates in their equity.
- (2) The minute of the ESM held on December 7, 2017, of Centrales Hidroeléctricas de Aysén S.A. in which the shares with voting rights unanimously agreed on the early dissolution of the company as of the date in which the minute of the ESM becomes a public deed, which occurred on August 14, 2018, by Mr. German Rousseau Del Rio, a notary public in Santiago.

Financial Cost Investment	ThCh\$	Investment as a % of Parents Assets
Empresa Eléctrica Pehuenche S.A.	139,415,842	3.96%
GNL Chile S.A.	527,490	0.01%
Enel Argentina S.A.	1,242,009	0.04%
Transmisora Eléctrica De Quillota Ltda	2,073,067	0.06%

(1) In October 2019, Enel Generación Chile completed the absorption of GasAtacama.

# Enel Generación Chile organization structure





## **23. IDENTIFICATION OF SUBSIDIARIES AND ASSOCIATE COMPANIES**

23. Identification of subsidiaries and associate companies

## GASATACAMA CHILE\*

**Name**  
GasAtacama Chile S.A.

**Type of company**  
Privately held corporation.

**Taxpayer ID**  
78,932,860-9

**Address**  
76 Santa Rosa, Santiago, Chile

### Corporate Purpose

The company has the following purposes:  
a) Develop the generation, transmission, purchase, distribution and commercialization of electricity or energy of any other source; b) purchase, extract, operate, process, distribute, commercialize and sell solid, liquid and gaseous fuels; c) sell and provide engineering services; d) acquire, purchase, transfer, lease, charge and develop, in any form, the concessions referred to in the General Law on Electricity Services, maritime concessions and water usage rights of any nature; e) transport natural gas, through its own means or jointly with third parties within the territory of Chile or abroad, including the construction, siting and operation of gas pipelines and other activities directly or indirectly related to such operations; f) the capture, extraction, treatment, desalination, transportation, distribution, commercialization, delivery and supply of seawater, in all its forms, including natural, drinkable, desalinated or with any other treatment, either personally or through a third party; g) invest in all types of assets, tangible or intangible, movable or fixed; h) organize and incorporate all kinds of companies whose objectives are related or linked to the energy industry in any form or that use electricity as their main input, or that relate to any of the aforementioned activities. To achieve its purpose, the company may carry out all acts and enter into all contracts contributing to its business activities, including the purchase, sale, acquisition or disposal, on any account, of all kinds of assets, tangible or intangible, movable or fixed, and may enter existing companies or join in their formation, whatever their kind.

### Business Activities

Electricity generation and gas transportation.

**Subscribed and paid capital (ThCh\$)**  
589,318,016

**Directors**  
Raúl Arteaga Errazuriz (Chairman)  
Chairman  
Carlo Carvallo Artigas  
Pablo Arnas Poggi  
Humberto Espejo Paluz

### Senior Executives

Valter Moro  
Chief Executive Officer

### Commercial Relationships with Enel Generación Chile

The company currently has two natural gas transportation contracts for its Taltal power plant located in the second region of Chile.

\* The Company was dissolved on October 1, 2019 and absorbed by Enel Generación Chile. Enel Generación purchased the entire shareholding held by Enel Chile S.A. in GasAtacama Chile through a purchase agreement executed as a public deed by notary public Ivan Torrealba Acevedo dated September 16, 2019.

## GASODUCTO ATACAMA ARGENTINA\*

**Name**  
Gasoducto Atacama Argentina S.A.

**Type of company**  
Privately held corporation

**Taxpayer ID**  
78,952,420-3

**Address**  
76 Santa Rosa, Santiago, Chile

**Corporate Purpose**  
The transportation of natural gas, either personally, through or jointly with a third party, within the Chilean territory or abroad, including the construction, siting and operation of gas pipelines and other operations directly or indirectly related to this objective. The company has incorporated an agency in Argentina named "Gasoducto Cuenca Noroeste Limitada Sucursal Argentina", whose purpose is the construction of a gas pipeline between the locality of Cornejo, province of Salta and the Argentina-Chile border in the vicinity of Paso de Jama, in Chile's second region.

**Business Activities**  
Gas transportation.

**Subscribed and paid capital (ThCh\$)**  
126,309,044

**Directors**  
Raúl Arteaga Errázuriz  
Pablo Arnés Poggi  
Alex Díaz Sanzana

### Senior Executives

Valter Moro  
Chief Executive Officer  
Commercial Relationships with Enel Generación Chile  
The company has no business relationships with Enel Generación Chile.

\* The Company was dissolved, effective September 1, 2019, executed as a public deed by notary public Ivan Torrealba Acevedo dated September 5, 2019. It was absorbed by GasAtacama Chile. Enel Generación Chile transferred its entire shareholding in Gasoducto Atacama Argentina to GasAtacama Chile becoming Gasoducto Atacama Argentina wholly owned and absorbed by GasAtacama Chile and later dissolved.

GNL CHILE	PEHUENCHE	TRANSQUILLOTA
<b>Name</b> GNL Chile S.A.	<b>Name</b> Empresa Eléctrica Pehuenche S.A.	<b>Name</b> Transmisora Eléctrica de Quillota Ltda.
<b>Type of company</b> Privately held corporation	<b>Type of company</b> Publicly held corporation registered in the Securities Register of the SVS (currently Financial Market Commission, "CMF") under number 293.	<b>Type of company</b> Limited liability Company.
<b>Taxpayer ID</b> 76,418,940-K	<b>Taxpayer ID</b> 96,504,980-0	<b>Taxpayer ID</b> 77,017,930-0
<b>Address</b> 532 Rosario Norte, office 1303, Las Condes, Santiago.	<b>Address</b> 76 Santa Rosa, Santiago, Chile.	<b>Address</b> Route 60, km 25, Lo Venecia, Quillota, V Region of Valparaíso, Chile.
<b>Telephone</b> (562) 2892 8000		
<b>Subscribed and paid capital (ThCh\$)</b> 2,147,839		
<b>Corporate Purpose</b> The Company's purpose is to a) hire the liquified natural gas ("LNG") regasification services of GNL Quintero S.A., and utilize all its storage, processing, regasification, and delivery capacity of natural gas and LNG available at its regasification terminal, including its expansions, if any, and any other matter stipulated in the contracts the company might sign for the use of the regasification terminal; b) import LNG from suppliers, complying with LNG sales contracts; c) sell and deliver natural gas and LNG, complying with the natural gas and LNG sales contracts signed by the company with its customers; d) manage and coordinate the schedules and nominations of LNG cargoes, as well as the delivery of natural gas and LNG among various customers; and e) fulfill all its obligations and demand the enforcement of all its rights under the previously identified contracts, coordinate all operations under these contracts and, in general, carry out any type of act or enter into any contract that might be necessary, useful or convenient in order to accomplish its purpose.	<b>Business Activities</b> Electricity generation	<b>Corporate Purpose</b> Transportation, distribution, and supply of electricity, either directly or through a third party.
<b>Business Activities</b> Importing and commercializing natural gas.	<b>Subscribed and paid capital (ThCh\$)</b> 175,774,920	<b>Business Activities</b> Electricity transmission
<b>Directors</b> Juan Oliva Vásquez Yasna Ross Romero Luis Arancibia Yametti	<b>Board of Directors</b> Raul Arteaga Errazuriz Ignacio Quiñones Sotomayor Viviana Meneses Robledo Fernando Vallejos Reyes Luis Carlos Bolvarán Capetillo	<b>Representatives</b> Pedro de la Sotta Sánchez (Enel) Joint Manager (commercialization Chile)
<b>Senior Executives</b> Mario Camacho Acha Chief Executive Officer	<b>Senior Executives</b> Carlo Carvallo Artigas Chief Executive Officer	<b>Sergio Ávila Arancibia (Enel)</b> Joint Manager (Technical Support Chile)
<b>Commercial Relationships with Enel Generación Chile</b> The company provides Enel Generación Chile the services described in its corporate purpose.	<b>Commercial Relationships with Enel Generación Chile</b> Pehuenche has a contract with Enel Generación Chile for the operation and maintenance of its power plants, and commercial and financial management of the business. Furthermore, the company has a contract to sell energy and power to Enel Generación Chile.	<b>Commercial Relationships with Enel Generación Chile</b> The company has contracts with Enel Generación Chile and San Isidro covering the use of transmissions systems, which allows them to transmit energy to National Electricity System.



## **24. SIGNIFICANT EVENTS**

24. Significant events

# Consolidated Significant Events as of December 31, 2019

## Enel Generación Chile S.A.

- On April 24, 2019, regarding the power and electricity purchase and sale contracts informed through a significant event issued on May 5, 2016, Anglo American Sur S.A. ("AngloAmerican") and Enel Generación Chile S.A. ("Enel Generación") have signed an Agreement called "Payment of Compensation for Exit Clause, Settlement and Transaction for Contracts for the Purchase and Sale of Power and Electricity for Los Bronces, El Soldado and Chagres" (hereafter the "Agreement") by virtue of which it has been agreed to anticipate the termination date of the contracts to February 20, 2020, and the payment to Enel Generación of the respective exit compensation, in accordance with both provisions of the contracts and the aforementioned Agreement.

As of this date, it is impossible to quantify the financial effects of the early termination of the contracts on the results of Enel Generación. The financial effects will depend on factors that affect the behavior of the electricity market, such as the price of fuels, the hydrological conditions, growth of demand and international inflation rates, among others, that as of this date are impossible to determine.

- On April 26, 2019, the Ordinary Shareholders Meeting agreed to distribute a definitive dividend equal to 60%

(sixty percent) of the Net Income as of December 31, 2018, equivalent to Ch\$ 11.4115037985 per share, to be paid on May 17, 2019.

The shareholders who are registered by May 11, 2019 in the Shareholders' Registry will be entitled to receive this dividend.

- On April 26, 2019, the Extraordinary Shareholders' Meeting of Enel Generación S.A. ("Enel Generación" or the "Company") was held, and the shareholders of Enel Generación decided to approve the changes to the by-laws of Enel Generación in order to delete the articles referring to the Directors' Committee, articles 22, 23, 25, 26, 27, 28 and 29. It also approved restating the text of the bylaws of Enel Generación to include these changes.
- At the Ordinary Shareholders' Meeting of Enel Generación S.A., held on April 26, 2019, the following individuals were elected to the new Board of Directors of the Company for a three-year period:
  - Giuseppe Conti
  - Fabrizio Barderi
  - Cristiano Bussi
  - María Soledad Arellano Schmidt
  - Julio Pellegrini Vial.
- At the Ordinary Board of Directors meeting of Enel Generación S.A., held on April 26, 2019, after the Ordinary Shareholders' Meeting, Mr. Giuseppe Conti was elected as Chairman of the Board of Directors, and Mr.

Ignacio Quiñones Sotomayor was elected Secretary to the Board of Directors.

- On June 4, 2019, Enel Generación Chile S.A. ("Enel Generación" or the "Company") and GasAtacama Chile S.A. ("GasAtacama") signed an agreement, in line with its sustainability strategy and strategic plan, with the Ministry of Energy that defined the procedure regarding the progressive retirement of the coal-fired plants Tarapacá, Bocamina 1 and Bocamina 2, the first located in the Iquique district and the second and third in the Coronel district, with a gross installed capacity of 158 MW, 128 MW, and 350 MW, respectively (hereafter, "Tarapacá", "Bocamina 1", "Bocamina 2" respectively), hereafter the "Agreement".

The agreement is subject to the condition precedent that the Power Transfer Regulation between generation companies enters into full effect, establishing, among others, the essential conditions that ensure a non-discriminatory treatment between the different generators, and define the Strategic Reserve State ("ERE" in its Spanish acronym). In accordance with the Agreement, GasAtacama and Enel Generación would be formally and irrevocably required to disconnect Tarapacá and Bocamina 1 from the National Electricity System by no later than May 31, 2020, and December 23, 2023, respectively. Regarding Bocamina 2, the goal of Enel Generación is its early retirement by December 31, 2040. All the above mentioned is subject to authorizations, as established in the Ley General de Servicios Eléctricos.

Therefore, Enel Generación and GasAtacama will record an impairment loss related to the Bocamina 1 and Tarapacá plants, which will affect net profit for 2019 in approximately US\$ 290 million.

Regarding Bocamina 2, the financial effects will depend on the factors that affect the behavior of the energy sector, such as the price of fuels, hydrological conditions, growth of electricity demand, and international inflation rates, among others. To this date, they are impossible to determine.

Given the importance the Agreement represents, the Company will take all necessary measures so that the impairment does not impact the dividends announced for 2019 which would have resulted if the impairment had not been applied.

- On August 29, 2019, the Board of Directors of Enel Generación Chile S.A. (the "Company") agreed on the related party transaction consisting in buying and acquiring the 2.63% ownership stake of GasAtacama Chile S.A. held by Enel Chile S.A. As a result, Enel Generación Chile S.A. became the owner of 100% of the shares in GasAtacama Chile S.A., absorbing it through a merger.

The purpose of the operation is to reorganize and simplify the corporate structure of entities that comprise the GasAtacama Group and all Company subsidiaries, which would generate corporate and operational efficiencies for the Company. The proposed merger does not have a significant economic-financial effect on the results and financial situation of the Company, considering the shareholding that the Company has in the aforementioned subsidiary, but will have a positive effect in operational and corporate terms by simplifying the current organizational structure.

- Related to CMF Official Letter 27748, dated September 3, 2019, I hereby inform you that the amount involved in the acquisition of 2.63% of the shares of GasAtacama Chile S.A., in Chilean pesos according to the value of the UF (Unidad de Fomento) at the closing date, is US\$ 20,197,404 using the Observed Dollar price on August 29, 2019, equivalent to US\$ 1,886.55 per share. The estimated deadline to carry out the mentioned acquisition will be towards the middle of this month. The merger would take place on October 1, 2019. Subsequent to this date, the procedures to publish the extract and the cancellation of the absorbed company in the Registry of Commerce of Santiago would be formalized.
- On September 26, 2019, the Board of Directors acknowledged the resignation of Mr. Valter Moro to the

position of Chief Executive Officer of Enel Generación, to be effective on October 1, 2019. In his place, the Board unanimously appointed Mr. Michele Siciliano, the Company's current Thermal Generation Chile Manager, as the new Chief Executive Officer of Enel Generación Chile S.A., as of October 1, 2019.

- In its session held on November 26, 2019, the Board of Directors of Enel Generación Chile S.A. approved the Strategic Plan for the 2020 – 2022 period.

The macro elements included in this Strategic Plan for the 2020 – 2022 three-year period have an estimated accumulated EBITDA of approximately US\$ 3.1 billion, and an accumulated CAPEX of approximately US\$ 358 million.

Considering that the contents of the Strategic Plan is based on projections of hypotheses that may or may not be verified in the future, their effects are not determinable at this date.

- In its session held on November 26, 2019, the Board of Directors of Enel Generación Chile S.A. agreed to distribute an interim dividend for an amount equivalent to 15% (fifteen percent) of Net Income as of September 30, 2019, equivalent to Ch\$ 2.3584352417 per share, to be paid on January 24, 2020.

The shareholders that are registered in the Shareholders' Registry as of January 18, 2020, will be entitled to receive this dividend.

The expected payment date is January 24, 2020.

## Pehuenche

### Final Dividend

The Ordinary Shareholders' Meeting of the Company held on April 25, 2019, approved the distribution of the balance of the definitive dividend amounting to Ch\$ 56.94279 per share attributable to the fiscal period ended December 31, 2018. This dividend will be paid on May 8, 2019 to the company's shareholders registered in the Shareholder Register up to midnight 5 days before the dividend payment date.

The notice was published on April 30, 2019, in the *El Mercurio de Santiago* newspaper.

### First Interim Dividend

The Board of Directors' Meeting held on September 25, agreed to distribute a first interim dividend for year 2019 amounting to Ch\$ 51.21 per share. This dividend will be paid on October 29, 2019 to the shareholders registered in the Shareholders' Registry by midnight 5 working days before the payment date.

The notice was published on October 11, 2019 in the *El Mercurio de Santiago* newspaper.

### Second Interim Dividend

The Board of Directors' Meeting held on December 20, agreed to distribute a second interim dividend for 2019 amounting to Ch\$35.58 per share. This dividend will be paid on January 22, 2020 to the shareholders registered in the Shareholders' Register by midnight 5 working days before the payment date.

The notice was published on January 6, 2020, in the *El Mercurio de Santiago* newspaper.





## **25. STATEMENT OF RESPONSIBILITY**

25. Statement of responsibility



# Statement of responsibility

The Directors of Enel Generación Chile S.A. and its Chief Executive Officer, signatories to this declaration, are responsible under oath for the veracity of all the information provided in this Annual Report, in accordance with General Rule N° 30 issued by the Financial Market Commission.

CHAIRMAN  
Giuseppe Conti  
Passport: YA3320684

DIRECTOR  
Fabrizio Barderi  
Passport: YA7104825

DIRECTOR  
Cristiano Bussi  
Passport: YA2326668

DIRECTOR  
María Soledad Arellano  
Taxpayer ID: 10,745,775-5

DIRECTOR  
Julio Pellegrini  
Taxpayer ID: 12,241,361-6

CHIEF EXECUTIVE OFFICER  
Michele Siciliano  
Taxpayer ID: 25,467,930-5



## **Management and key executives**

### **CHIEF EXECUTIVE OFFICER**

Michele Siciliano  
Phone (56) 22630 9141

### **PEOPLE AND ORGANIZATION OFFICER**

Maria Paulina Guglielmi Esposito  
Phone (56) 22630 9000

### **GENERAL COUNSEL**

Ignacio Quiñones Sotomayor  
Phone (56) 22630 9157

### **CHIEF FINANCIAL OFFICER**

Raúl Arteaga Errázuriz  
Phone (56) 22353 4682

### **HYDRAULIC ENGINEERING AND CONSTRUCTION OFFICER**

Bernardo Canales Fuenzalida  
Phone (56) 2 2630 9000

### **BUSINESS DEVELOPMENT AND REGULATION OFFICER**

Michele Siciliano (Interino)  
Phone (56) 22630 9141

### **TRADING AND COMMERCIALIZATION OFFICER**

Humberto Espejo Paluz  
Phone (56) 22630 9261

### **THERMAL ENGINEERING AND CONSTRUCTION OFFICER**

Claudio Órdenes Tirado  
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### **HYDROELECTRIC GENERATION CHILE OFFICER**

Carlos Peña Garay  
Phone (56) 22630 9000

### **PLANNING AND CONTROL OFFICER**

Viviana Meneses Robledo  
Phone (56) 22630 9000

## **Investor Relations**

### **INVESTOR RELATIONS MANAGER**

Isabela Klemes  
Phone (56) 22630 9606

### **CITIBANK NY**

Teresa Loureiro-Stein  
Phone (1-212) 816 6814



[enel.cl-enelgeneracion.cl](http://enel.cl-enelgeneracion.cl)