



# Total Tax Contribution Chile 2020

May 2021





**The taxes paid are a wealth redistribution mechanism that allows the economic and social development of the communities where we are present.**

In 2020, the Latin American region was severely affected by the COVID-19 pandemic, and Chile was no exception. In this context, taxes play an important role because they support the extraordinary measures taken by government authorities to limit the effects on the economic and social system.

As the largest private electricity company in the country, we are aware of our important role in contributing to the sustainable progress of Chile, which includes being facilitators of the decarbonization process of the electricity matrix through investments in renewable energy, creating job opportunities and, with respect for the environment, adequate growth in the long term, all linked to an adequate fiscal contribution. Furthermore, the taxes paid are a wealth redistribution mechanism that allows the economic and social development of the communities where we are present.

We understand fiscal transparency as a key factor that favors sustainable development. Therefore, adopting a clear and public tax strategy, a solid risk control, a management system, and tax compliance are key elements of our strategy.

Since 2018, Enel Chile has published its Total Tax Contribution report, providing information on all taxes paid to our stakeholders. This year's report highlights the importance that our company assigns to tax matters and its social role as a significant contribution to the communities.

We invite other companies in Chile to carry out this practice to improve transparency in the Chilean market, hoping that the country can continue to be an increasingly benchmark in ESG matters in the region.



**Giuseppe Turchiarelli**

**CFO, Enel Chile**

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# 1. Enel Chile Tax Strategy, Governance and Principles



# Tax Transparency approach\*

Enel Chile is an industrial group whose main activity involves energy generation, distribution and sales. The choice of countries where the Group operates is guided by business assessments.

## Tax strategy

Since 2017, the Enel Group has adopted a tax strategy, which was approved by the Board of Directors of Enel Chile in 2020, as a set of principles and guidelines inspired by values of transparency and legality, which is published on the website: [www.enel.cl](http://www.enel.cl). The Group's subsidiaries are required to adopt the tax strategy approved by the Parent Company, thereby assuming the responsibility of ensuring it is acknowledged and applied.

## Tax strategy objectives

Enel's Board of Directors sets out the tax strategy of the entire Group, with the aim of ensuring uniform tax management for all entities involved. The strategy is underpinned by the following approach:

- ✓ correct and timely determination and settlement of taxes due under the law and implementation of the respective obligations;
- ✓ correct management of the tax risk, which is the risk incurred for the violation of tax rules or abuse of the principles and purposes of the tax system.



\*The tax transparency approach contained herein was provided by Enel Group.

# Tax Transparency approach

## Tax strategy principles

The tax strategy principles are the guidelines for Group companies, underpinning their business operations when managing the fiscal variable. The principles also require suitable processes to be adopted to ensure their effectiveness and application.



### Values

In line with its sustainability strategy, the Group acts in accordance with the values of honesty and integrity in its tax management, being well aware that tax revenue is one of the main sources of contribution to economic and social development of the countries where it operates.



### Legality

The Group pursues behavior geared towards compliance with the applicable tax rules and is committed to interpreting them in a way that respects both the substance and form.



### Tone at the top

The Board of Directors has the role and responsibility of leading the dissemination of a corporate culture based on the values of honesty and integrity and the principle of legality.



### Transparency

The Group maintains collaborative and transparent relations with tax authorities, enabling them - among other things - to gain a full understanding of the facts underlying the application of tax rules.



### Shareholder value

The Group considers tax to be a business cost and, as such, believes that it must be managed in compliance with the principle of legality, with the aim of safeguarding the Group's assets and pursuing the primary interest of creating value for shareholders in the medium to long term.

# Tax Transparency approach

## Governance

Enel Group ensures that the tax strategy is acknowledged and applied within the Company through the governance bodies. Its interpretation is left to the Parent Company, through the Tax unit, which also manages its periodic updates.

## Compliance

The Group entities must respect the principle of legality, by swiftly applying the tax laws of the countries where the Group operates, to ensure that the wording, spirit and purpose of the applicable tax rule or system is respected. Moreover, Enel Group does not undertake behaviors or domestic or cross-border operations that result in purely artificial constructions, that do not reflect the economic reality and from which it is reasonable to expect undue tax advantages, where they conflict with the purpose or spirit of tax provisions or system in question and give rise to double deduction, deduction/non-inclusion or double non-taxation, including as a result of any divergence between the tax systems of different jurisdictions.



# Tax Transparency approach

## Intercompany transactions

All intercompany transactions follow a transfer pricing policy, which has been adopted by the Enel Group in line with the *arm's length principle*, an international standard established by the *Model Tax Convention* and referred to in the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (hereinafter also referred to as the "OECD Guidelines"). Intercompany relations are structured at market prices and conditions, ensuring value creation in the places where the Group conducts its business.

As such, the Group has put internal policies in place to support the methods set out in the OECD Guidelines, which provide for the application of the Comparable Uncontrolled Price - CUP method (which compares the price of goods and/or services transferred in a transaction concluded between associated companies with the price applied in transactions between independent third parties).



# Tax Transparency approach

## Low-tax jurisdictions

The Group does not invest in or through countries considered to be tax havens for the sole purpose of reducing its tax burden. Such investments may only be proposed if they are supported by sound economic/strategic reasons and have the aim of developing the activities included in the Group's corporate purpose.

If, in circumstantial situations (for example, in the event of third-party purchases of a group of companies), structures were found to have been created for the sole purpose of reducing the tax burden or in areas deemed to be tax havens, the Group – failing any viable economic/strategic reasons other than mere tax savings – will commit to removing such structures as quickly as possible.

## Tax incentives

Tax incentives are a key, development-oriented mechanism for economic policy, which countries use to stimulate growth and attract investment to support the national policy. The use of tax incentives generally results in a reduction of long-term tax liabilities. Some countries where the Enel Group operates offer various incentives. Enel Group only uses widely applicable tax incentives for all operators, respecting all specific regulations, where the incentives are in line with its industrial and operational objectives and are consistent with the economic substance of its investments.



# Tax governance, control and risk management

## Governance body

In Enel's organizational model, the Holding Company's Tax Affairs unit is tasked – among other things – with developing the Group's tax strategy, identifying, analyzing and managing the various optimization initiatives, monitoring the key tax issues and providing its support to the various Business Lines. Alongside the Holding Function, the Tax Affairs units of the various countries – acting in accordance with the values and principles of the tax strategy set out by the Holding Company – are responsible for managing compliance, tax planning and tax monitoring at local level.

## Organization

The Enel Group has adopted a set of rules, procedures and standards which are part of the Group's wider organization and control system and which are considered key points of reference that all parties, depending on their type of relationship with the Group, are required to observe<sup>1</sup>. The various policies and procedures applicable both at Group level and country level govern the activities, as well as their management procedures and Tax Affairs responsibilities including in relation to other corporate Functions. These documents are published on the company Intranet and are accessible to all Enel people; they form the general rules of conduct applicable within the Group when carrying out activities. Specifically in relation to taxation, in addition to the tax strategy there are specific organizational documents – both at global and local level – regarding the processes of tax compliance, tax planning, tax monitoring, transfer pricing and tax risk management.

<sup>1</sup>For example: Code of Ethics; Zero Tolerance of Corruption Plan; Enel Global Compliance Program (EGCP), corporate policies, models and procedures; the tax strategy; the Internal Control and Risk Management System; the proxy system; the sanctions system referred to in the applicable CCNL (national collective bargaining agreement); any other documentation relating to the current control systems; the relevant accounting standards; procedures and IT applications.

The Tax units must be the appropriate size and equipped with the necessary skills to perform the role of a decision-making analysis center within the governance and business processes, in addition to the role of overseeing performance. For this purpose, specific and ongoing training initiatives on tax issues at both country and global level are set up, with recurring meetings between all of the Group's Tax Managers in order to ensure the appropriate alignment.



# Tax governance, control and risk management

## Tax risks

The Group has a Tax Control Framework (TCF) whose main aim is to provide the Tax units with a single and consistent set of guidance for adopting a correct and effective approach to tax risk management within the Group. The framework sets out guidelines and methodological rules so as to consistently assess, monitor and manage the relevant tax risk for the Group companies, in accordance with the principles and guidelines set out by the tax strategy and Tax Risk Policy, and in the awareness that the Group companies operating in different jurisdictions must adopt the TCF with respect for the specific corporate context and domestic regulations of each individual country in question. In this regard, the Group has adopted a Tax Risk Policy whose main objective is to provide unambiguous and consistent guidance to the tax units when implementing the TCF at local level.

In this regard, the Group has adopted a Tax Risk Policy whose main objective is to provide unambiguous and consistent guidance to the tax units when implementing the TCF at local level.

In accordance with the established principles and guidelines, Enel Group aims to proactively manage the tax risk and believes that adopting a TCF can ensure the timely detection, correct measurement and control of the risk tax.

The task of the TCF is to identify the sources of tax risk for the purpose of compliance interpreting tax regulations, while mapping out the respective processes and activities in order to form a network of risk detectors, to be associated with the resulting control measures. In particular, as the set of detectors and control measures identify sources of risk, the TCF can perform a broad spectrum of control. As such, any materialization of the tax risk can be intercepted and managed by each Tax unit in question.

The effectiveness and ongoing updates of the TCF are ensured through periodic monitoring of the risk mapping, regular internal audit processes, as well as through the tax authority systems set out under cooperative compliance regimes (where implemented).

The results from the monitoring of tax risks are periodically brought to the attention of the competent Functions and corporate bodies, including to establish the most appropriate way to mitigate such risks. With regard to significant uncertain tax positions, reference should be made to the information and comments provided in the Integrated Annual Report 2020.

## Mechanism for stakeholder reports

For the Enel Group, tax compliance is considered a key aspect of the Company's ethical and responsible management. As such, the violations that can be reported through the Company's internal channels also include those relating to tax. The Group's Code of Ethics is the framework of "ethical management" in which Enel operates, also tying in fully with the tax strategy. There are appropriate provisions on Code of Ethics violations to ensure its effective implementation, and these requirements must also be considered to cover the provisions of the tax strategy

# Transparent relationship with stakeholders

Enel Group ensures transparency and integrity in its relations with tax authorities, in the event of audits on both the Group companies and third parties. To consolidate this transparency with tax authorities, Enel Group promotes engagement in Cooperative Compliance schemes for companies that integrate the requirements of their respective domestic regulations in order to reinforce their relations. It also complies with the transfer pricing documentation provisions in accordance with OECD Guidelines, taking the “three-tiered approach” which is divided into: Master File, Local File and Country-by-Country Report. Moreover, to avoid double taxation, the Group promotes mutual agreement procedures for the settlement of international disputes (Mutual Agreement Procedure – MAP), which have the direct involvement of tax authorities from the contracting countries. Lastly, Enel consistently acts with a transparent and collaborative approach with all institutions and associations to support the development of effective tax systems in the various countries where it operates.

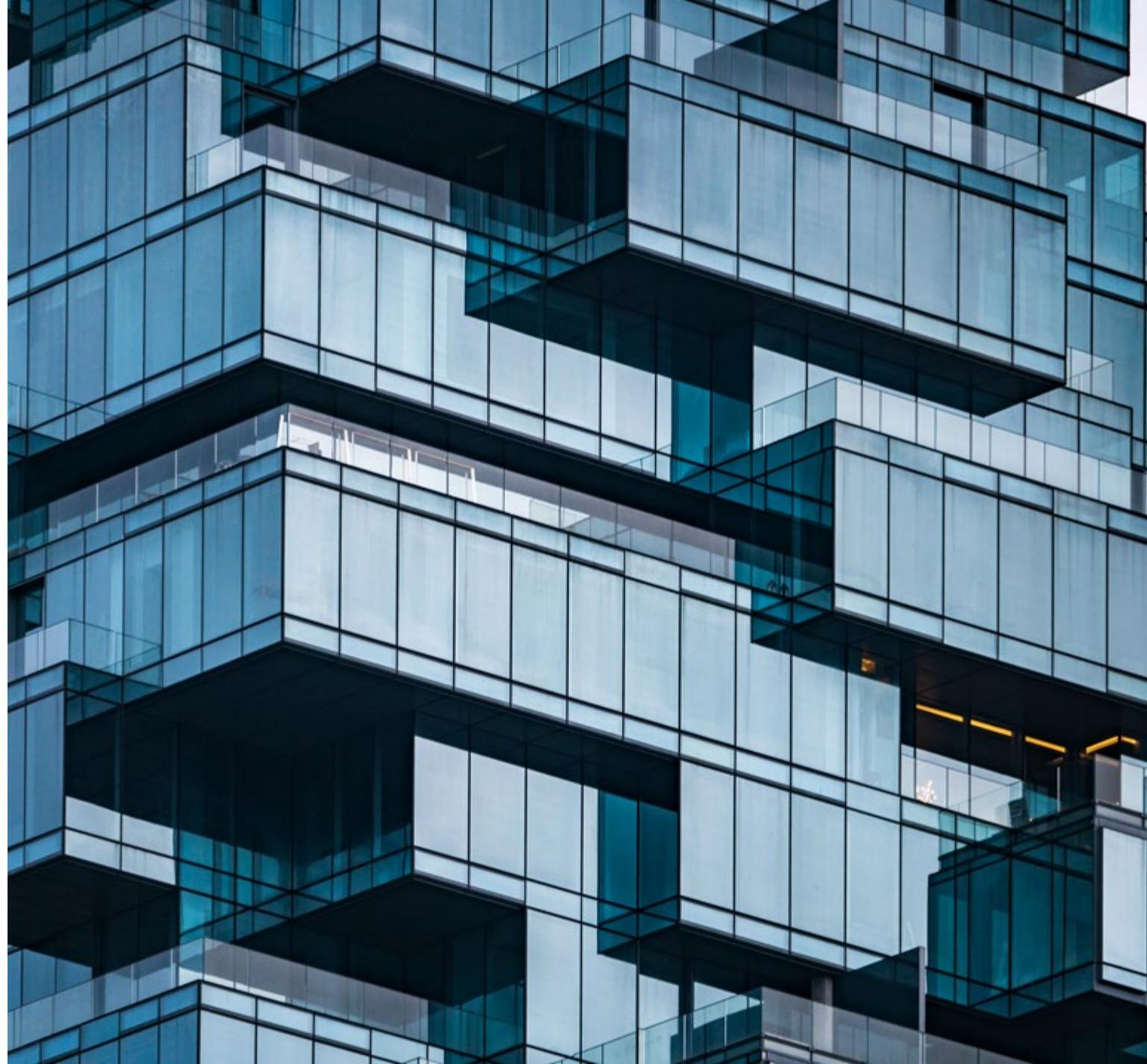
In 2019, Enel joined the European Business Tax Forum (EBTF), an association that aims to facilitate the public debate on taxation by providing a balanced and comprehensive perspective of the taxes paid by companies. This aim is pursued, in particular, by providing information and tax data to the various stakeholders. The Forum has published two studies relating to the EU/EFTA Total Tax Contribution for the years 2018 and 2019, which are available on the association’s website ([ebtforum.org](http://ebtforum.org)) and which report the aggregate data for the various types of taxes paid by the largest European multinational companies by turnover and/or by stock market capitalization, as well as, for the year 2019, a dedicated section with Country-by-Country Reporting.



## EUROPEAN BUSINESS TAX FORUM

"European business engaging in the public tax debate"

## 2. Background and purpose of this report.



# Background and purpose of this report

## Purpose and Scope

The PwC global network through different studies is interested in creating, maintaining, and strengthening links between companies and governments, as well as between companies and society. While the actions of companies, regardless of the industry sector to which they belong, are increasingly exposed to public scrutiny, it is essential to facilitate the dialogue between different participants, promote strong values and principles, and innovate through the exchange of analysis and ideas.

The aim of this report is to obtain and analyze the Total Tax Contribution data of Enel for 2019 and 2020.

The data for 2020, as well as the contribution profiles and indicator analysis have been compared with the equivalent data for 2019, analyzing the resulting trend.

The contribution made by Enel Chile's activities to the Chilean budget, and the way in which Enel tax contribution is, is currently a matter of socio-economic debate.

In this context, and as shown in the current tax strategy of Enel, which is made public and shared on the Company's official website, complying with the tax legislation in force at any given time is part of the principles that inspire Enel's corporate responsibility, which is of the utmost importance to the Company.

Enel decides to voluntarily disclose this Total Tax Contribution report, to reflect the importance given by the Group gives to tax matters and its level of commitment with the main stakeholders. The information offered in this report makes it possible to identify measure and show the asset that represent Enel Chile's tax contribution and have a significant impact on its reputational value.



Explaining clearly the significance of Enel's tax contribution is a priority for the company for transparency and corporate social responsibility.”

# Background and purpose of this report

In this regard, this report aims to provide a broader scope towards the concept of Corporate Social Responsibility, promoting the social function derived from Enel Chile's tax contribution.

The method used to present the tax information provided in this report is intended to provide greater versatility and integrity to such tax information so that it can be presented in accordance with the parameters required by the different stakeholders.

The data compiled by PwC - TLS includes information received from Enel Chile, obtained from its own IT system and its internal working procedures. Our work has consisted of the analysis of the information supplied by Enel and verification of the consistency of the trends and figures reflected. Their origin has been neither verified nor audited.

Following the above, this report is based on the tax contribution numbers provided on April. Our research work ended on April 30, 2021, therefore, significant events may have occurred after this date that would not be covered in this report.

## Methodology.

The Total Tax Contribution (hereinafter “TTC”) methodology measures the total impact that represent the payment of taxes by a company. The methodology is simple, without using any tax technicality and therefore easy to understand for those with a limited knowledge of taxes.

TTC is a universal framework that seeks to provide an accurate and immediate summary of the taxes paid by the company in the jurisdictions in which it operates. It is implemented through the development of reports that contain benchmarks and indicators that explain the significant tax contributions of the company.

The Framework is built around two essential criteria: the definition of a tax and the distinction between taxes that are a company's cost (taxes borne) and taxes that the company collects on behalf of the government (taxes collected). The methodology may also include “other payments” made to the government.

The key points to be bear in mind in relation to this methodology are the following:



# Background and purpose of this report

## 1. Distinguishes between taxes that are a cost for Enel Chile and the taxes it collects

**Borne taxes** are those that Enel Chile has paid to the Chilean Authorities of the different States in which it operates. These are taxes that represent an actual cost for the Company, e.g. income taxes, social contributions, property taxes, etc.

**Collected taxes** are those that have been paid in because of Enel Chile's economic activity but which, apart from the related management expenses, imply no cost for the Company. In this scenario the Company withholds on behalf of the government, e.g. employment taxes.

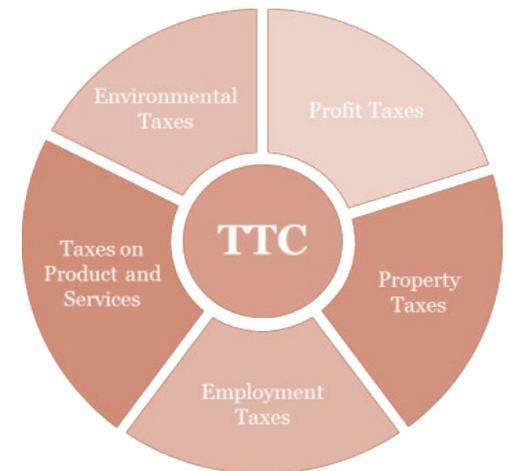
Nevertheless, these amounts are paid into the public coffers as a result of the economic activity carried out by Enel Chile.

Some taxes appear both as collected and borne taxes, either by their nature (e.g. non-recoverable VAT is considered a borne tax and net VAT, which contains taxes incurred on products/services offered by Enel Chile, is considered a collected tax) or by their incidence (e.g. stamp tax paid by the Company is a borne tax, while stamp tax withheld from the Company's customers is a collected tax).

In this regard, the TTC methodology is consistent with the approach adopted by the OECD, which highlights the relevance of the role played by business groups in the taxation system, both as contributors of taxes which imply a cost ("Legal Tax Liability"), and as "withholders" of taxes on behalf of others ("Legal Remittance Responsibility"), as stated in working paper no. 32. "Legal tax liability, remittance responsibility and tax incidence"[3].

## 2. As taxes are given different names across countries, taxes borne and taxes collected have been grouped into 5 main categories:

The TTC has been used by companies in different countries. As taxes are given different names across countries, we identified five broad categories under which taxes borne and collected can be categorized ("the five Ps'):



Fuente: PwC

# Background and purpose of this report

- (i) **Profit taxes:** this includes taxes borne on the income obtained by companies, such as corporate income tax, the tax on economic activities and taxes collected in the form of withholdings on payments made to third parties.
- (ii) **Property taxes:** these are taxes on the ownership, sale, transfer or tenancy of real estate. These may include taxes borne (e.g. taxes on ownership and occupation of the real estate) and taxes collected (e.g. rental of business premises collected by the landlord and paid to the government).
- (iii) **Employment taxes:** these generally includes taxes on employment (including taxes on income and social security payments), taxes levied on the employer are considered borne taxes (e.g. social security contributions, health insurance/ pension/ disability contributions, payroll tax), and taxes levied on employees are considered collected taxes (e.g. taxes on income or social security contributions levied on employees, usually withheld by the employer).
- (iv) **Taxes on products and services:** these considers indirect taxes on the production and consumption of goods and services, including VAT, customs duties, etc. It includes taxes and duties that are collected by companies in relation to the consumption of their own products and services, even though they may be paid to the seller or to the service provider, rather than directly to the government.

This section includes borne taxes, (e.g. consumption tax, turnover tax, customs taxes, non-recoverable VAT, etc.) and collected taxes (VAT, GST, etc.)

**(v) Environmental taxes:** Taxes levied on the supply, use or consumption of products and services which are considered to have an environmental impact. Taxes borne (e.g. tax on electricity production, tax on nuclear fuel production, tax on coal, etc.) and collected taxes (tax on electricity, tax on hydrocarbon, etc.).

In this regard, when classifying taxes as environmental, the agreed definition in the harmonized statistical framework developed in 1997 jointly by Eurostat, the European Commission, the OECD, and the International Energy Agency (IEA) has been used. According to this definition, environmental taxes "*are those whose base is a physical unit (or a proxy of a physical unit) of a material that has a proven, specific, negative impact on the environment. All taxes on energy and transport are included and all value-added-type taxes are excluded*".

# Background and purpose of this report

## 3. It includes all tax payments made to Public Administrations

When considering the numbers reflected in this report, it should be noted that they include tax payments made to public administrations, which, given their nature qualify as taxes, although for historic or circumstantial reasons, they are not considered as such.

## 4. It can be tailored to the specific circumstances of the organization

The set of payments made to the public administrations that have been considered in this study, has been listed in the annex for illustrative purposes.

## 5. There are certain features with respect to Value Added Tax and equivalent taxes

**Value-Added Tax (and equivalent taxes)** is characterized as a tax on products and services collected, whose amount includes the result of the net payments made by Enel Chile to tax authorities in each of the jurisdictions in which it operates, during the corresponding period.

Thus, considering the mechanics of VAT, the figure indicated in this report includes the positive amount paid to the corresponding body, subtracting the VAT received.

On the other hand, amounts of VAT that are not recoverable (e.g. VAT paid to suppliers that cannot be deducted from the VAT paid by customers), will be considered as borne taxes on products and services, provided that they represent a cost for the Company.

## 6. Main assumptions made during the preparation of this report

**(i) Scope:** this report accounts the 100% of the tax contribution made by companies whose accounts are consolidated with their parent company under the full consolidation method, provided that it has been possible to obtain the necessary information.

In particular, this report considers the tax contribution made by Enel entities in 2019 and 2019.

**(ii) Currency:** This report considers the Chilean peso as the reporting currency.

**(iii) Certain financial indicators:**

**1) Revenues:** Corresponds to the sum of revenues of each entity within the scope.

**2) Wages and Salaries:** Is the sum of the wages and salaries of each entity within the scope (excluding social security contributions, incentives or benefits),

# Background and purpose of this report

**3) Earning before taxes:** This report considers earnings before taxes data which is indicated as "EBT" in the local report.

The amount of earnings before taxes excludes inter-company dividends distributed to regional entities in order to avoid doubling the income of various entities. Such calculation allows to reflect objectively the amount of earnings before taxes at the country level, to calculate the correct ETR (Effective Tax rate), since dividends usually have special tax treatments compared to other types of income (also called "participation exemption regime")

**4) Number of employees:** The number of employees is provided by the Human Resources Department at the central level and should be calculated as "Average number of employees". The number of employees indicated in the TTC Report must be aligned with the Country-by-Country Report - CbCR.

## **5) Total Distributed Value**

The Total Distributed Value consist of the following:

**5,1) Net Interest:** is calculated as the net value between interest expenses and interest income, according to the information published in Enel Chile's annual accounts. This amount represents the value distributed to the entity's creditors included in the scope of the TTC.

**5,2) Earnings after taxes:** Correspond to the company's net earnings (this amount excludes dividends).

**5.3) Wages and Salaries:** calculated as mentioned in the previous section.

**5.4) Taxes borne and collected:** calculates as in the TTC report.

**6) Changes in methodology:** For 2020, new methodologies have been taken into account for the purpose of this report. Those changes are the following:

**6.1)** The definition of taxes does not include interest payments, fines or penalties.

**6,2)** Intercompany withholding taxes will not be reported as taxes collected. Instead, the withholding entity will recognize the amount withheld as taxes borne.

**6.3)** If income taxes show a negative balance (credit balance), this balance will be recognized as a negative amount, instead of recognizing it as zero (0).

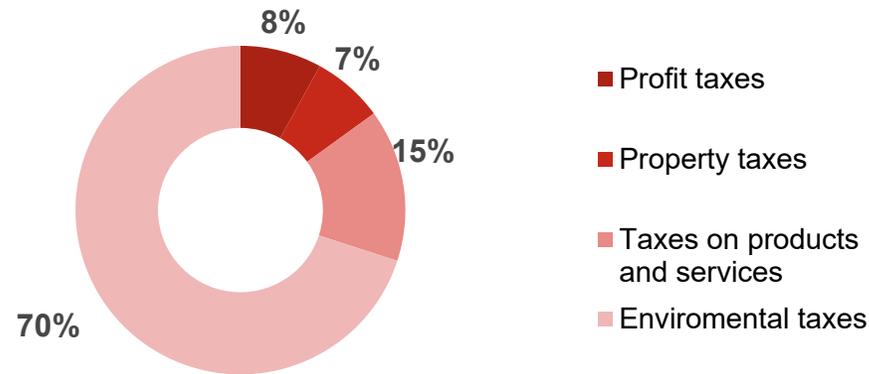
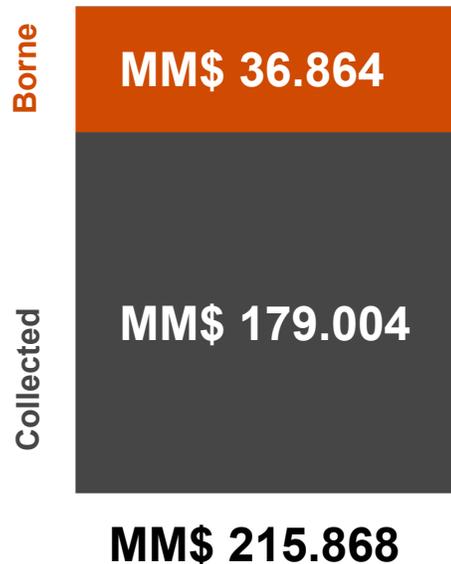
### 3. Executive Summary.



# Executive Summary

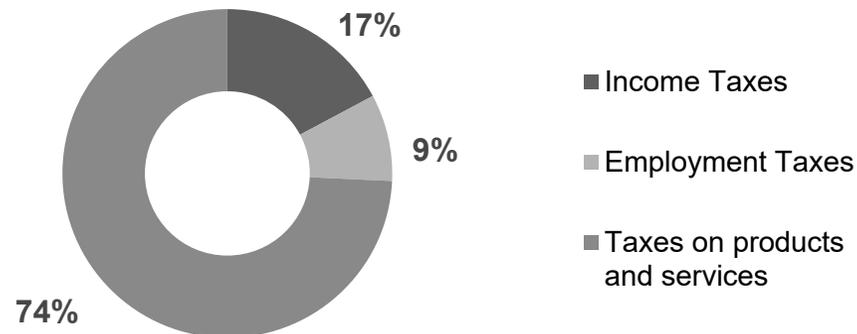
## Total Tax Contribution

Enel Chile's tax contribution amounted to **215,868 million** pesos in 2020, of which 17% corresponded to taxes borne and 83% to taxes collected.



### Taxes Borne 2020

Taxes borne by Enel Chile in 2020 amounted to 36.684 million pesos, of which environmental taxes are the most important, accounting for 70% of the taxes borne.

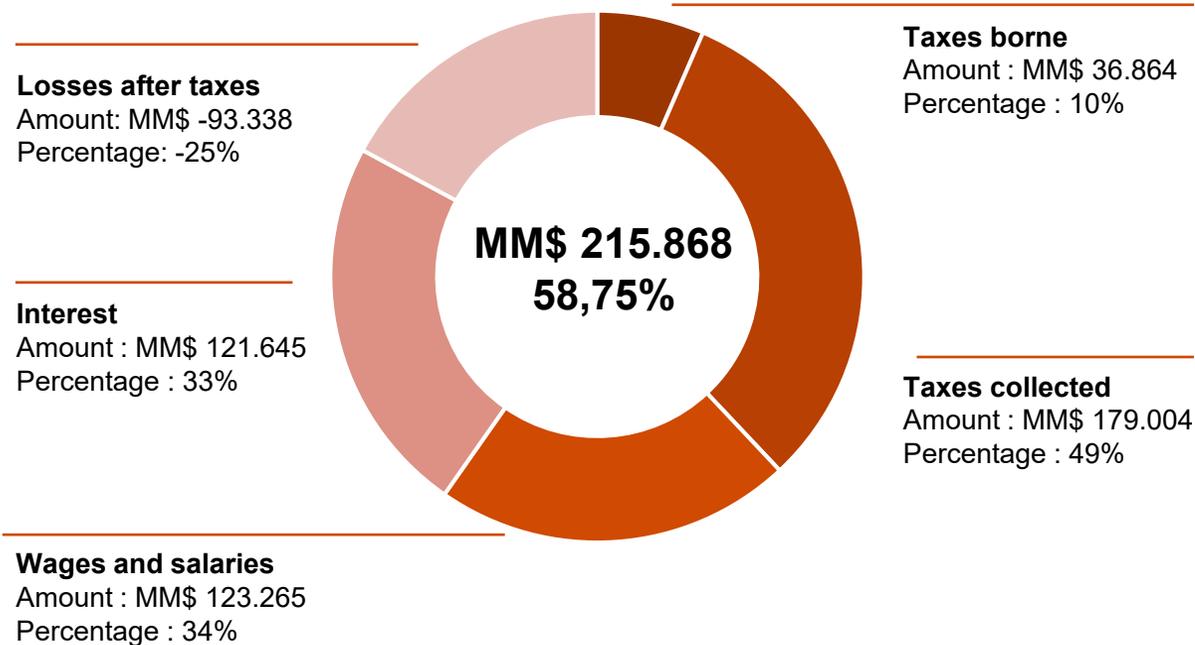


### Taxes Collected 2020

Taxes collected by Enel Chile in 2020, amounted to 179.004 million pesos, highlighting taxes on products and services, mainly VAT, which accounted for 74% of the collected taxes.

# Executive Summary

## Distributed Tax Value 2020 [1]



During 2020, the Total Tax Contribution Ratio was negative due to the accounting loss recorded on this year, mainly generated by the early closure of Bocamina 2 coal-fired power plant. Nonetheless, input taxes amounted to a total 36,864 million pesos.

Without considering the loss from the closure of the coal-fired power plant in the result, the earnings before taxes borne would have amounted to 583,373 million pesos, and consequently the Total Tax Contribution Ratio would have been 6.32%.

58,75% of the value generated by Enel Chile, was paid to Chilean Treasury through taxes borne and collected. Thus, out of every 100 pesos of value generated by the Group in 2020, 58,7 pesos were allocated to the payment of taxes.

If we do not include the loss after taxes, Enel would pay 46.84% to the Chilean Treasury through taxes borne and collected.

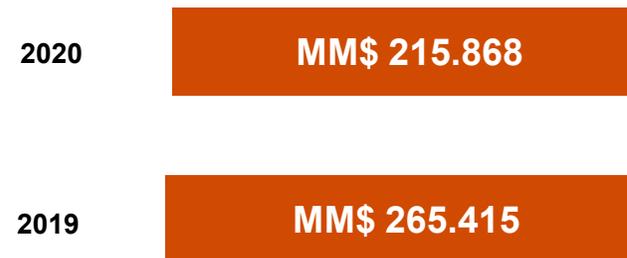
# Executive Summary

## Tax Contribution of Enel with respect to turnover in 2020 [2]



In relation to the size of its business, for every 100 pesos of the Company's turnover, 8.34 pesos are allocated to the payment of taxes, of which 1.42 pesos are taxes borne and 6.92 pesos are taxes collected.

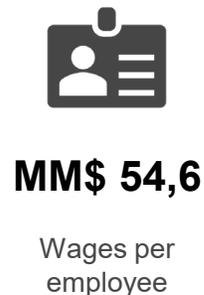
## Trend in TTC 2020-2019



Enel Chile's Tax Contribution in Chile has decreased by 19% in relation to 2019.

This trend is due to a 67% decrease in taxes borne compared to the previous year, which is mainly due to the decrease in income tax paid in 2020. This effect is slightly offset by an 18% increase in taxes collected, mainly due to the increase in withholding taxes levied on foreign suppliers and the tax on products and services.

## Wages and taxes per employee in 2020 vs 2019



In 2020, the annual salaries per employee and annual taxes per employee amounted to 5,46 million pesos and 6.8 million pesos respectively.

Compared to 2019, the annual salary per employee has increased by 3,2%.

## 4. TTC of Enel Chile in 2020



# TTC of Enel Chile in 2020

Financial Data	2020 MM\$
Revenues	2.587.728
Wages and Salaries	123.265
Number of employees	2.259
Interest	121.645
Earnings before taxes	-170.012
Earnings before taxes borne	-136.058
Income tax	76.674
Earnings after taxes	-93.338
Total taxes borne	36.864
Total taxes collected	179.004
<b>Total Tax Contribution</b>	<b>215.868</b>

Taxes borne	2020 MM\$
Profit taxes	2.909
Property taxes	2.523
Employment taxes	-
Taxes on products and services	5.555
Environmental taxes	25.877
<b>TOTAL</b>	<b>36.864</b>

Taxes collected	2020 MM\$
Profit taxes	30.777
Property taxes	-
Employment taxes	15.299
Taxes on products and services	132.928
Environmental taxes	-
<b>TOTAL</b>	<b>179.004</b>

List of taxes	Category	Taxes borne or collected	2020 MM\$
Corporate income taxes	Profit taxes	Borne	2.909
Withholdings on payments to non-residents	Profit taxes	Collected	30.777
Tax on real property	Property taxes	Borne	2.523
Withholdings on earned income	Employment taxes	Collected	15.168
Employee social security contribution	Employment taxes	Collected	131
Non-recoverable VAT	Taxes on products and services	Borne	720
Custom duties	Taxes on products and services	Borne	959
Stamp tax	Taxes on products and services	Borne	3.876
VAT (Net position)	Taxes on products and services	Collected	132.669
Withholding taxes on fees	Taxes on products and services	Collected	258
Taxes on polluting emissions	Environmental taxes	Borne	23.801
Taxes on hydrocarbons	Environmental taxes	Borne	2.076
<b>TOTAL</b>			<b>215.868</b>

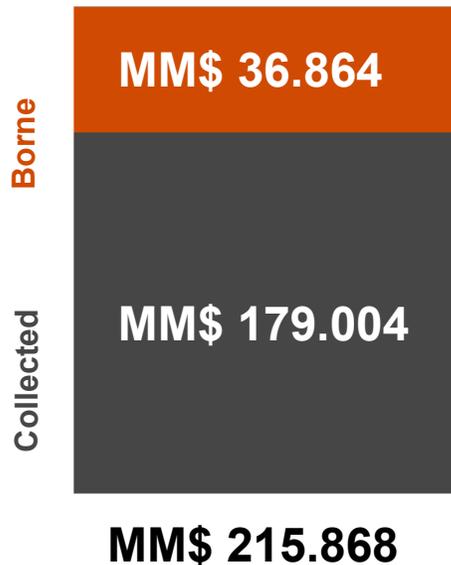
Other payments made to the public administration	2020
Mining and maritime concessions	522
Non-water use patents	1.299
Commercial Licenses	3.222

CTT indicators	Percentage
	<b>2020</b>
CTT in relation to turnover	8,34%
Taxes borne in relation to turnover	1,42%
Taxes collected in relation to turnover	6,92%
Distributed value to society	58,75%
	<b>MM\$</b>
Wages and salaries per employee	54,6
Taxes paid per employee	6,7

# TTC of Enel Chile in 2020

## Analysis of taxes borne

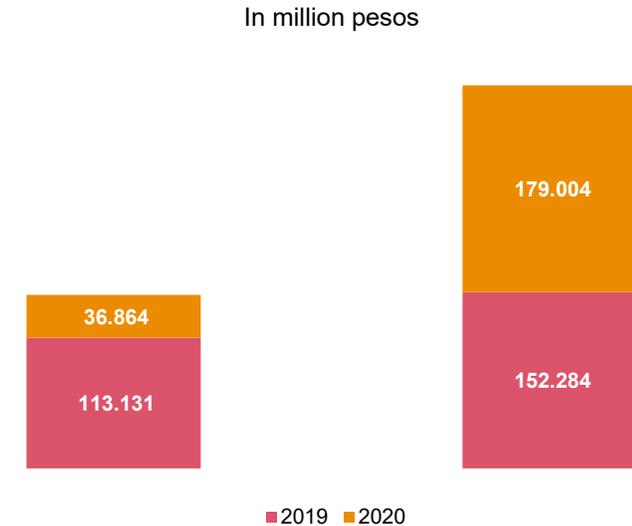
### Analysis on the Total Tax Contribution 2020



The Total Tax Contribution of Enel in Chile amounted to 215.868 million pesos during 2020.

In this regard, 17% correspond to borne taxes that represent a cost for the Group, and the remaining 83% relates to taxes collected by the Group, for the performance of its economic activity.

### Trend of the Total Tax Contribution



The decrease experienced by Enel Chile in its tax contribution in 2020 is mainly due to the trend of taxes borne in the period 2019-2020, which decreases by 67%, and as explained in the following chapter of this section, is mainly due to a decrease in the profit taxes.

Taxes collected increased by 18% in 2020, due to the increase in income and environmental taxes.

# TTC of Enel Chile in 2020

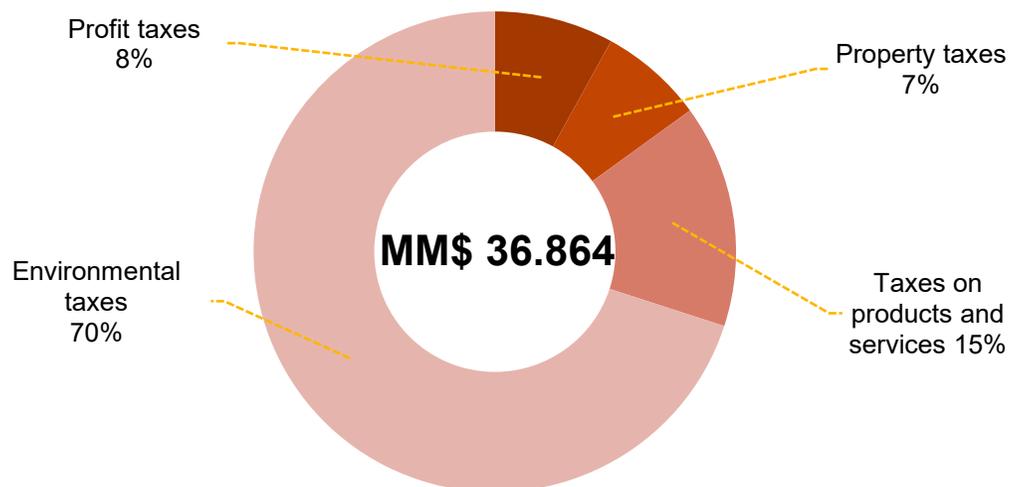
## Analysis of borne taxes

### Profile of taxes borne

The taxes borne by Enel Chile during 2020 amounted to 36.864 million pesos.

The environmental taxes borne by Enel Chile amounted to 25.877 million pesos representing a 70% of the total of taxes borne.

### Categories of taxes borne by Enel Chile in 2020



**Profit taxes** amounted **2.909 million pesos**, which represents about **8% of the total taxes borne**.



**Property taxes**, which include tax on real property and surtax, represent **7% of the taxes borne** by the Group and amount to **2.523 million pesos**.



The **taxes on products and services represent 15%** of the total taxes borne by Enel Chile. It includes stamp tax, non-recoverable VAT and custom duties, which amounted to **3.876 million pesos**, **720 million pesos** and **959 million pesos** respectively.



**Environmental taxes** represented **70%** of the total taxes borne by Enel Chile, amounting to **25.877 million pesos**, of which 92% corresponds to taxes on polluting emissions and the remaining 8% to the tax on hydrocarbons.

# TTC of Enel Chile in 2020

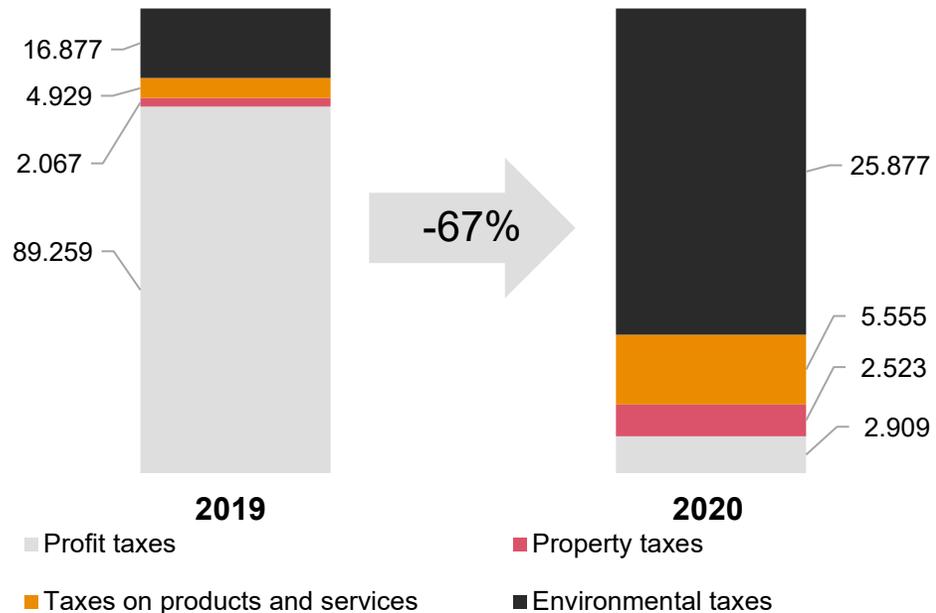
## Profile of taxes borne

### Trend of taxes borne

The taxes borne show a downward trend in the last year, decreasing by approximately 76.268 million pesos, which represents a decrease in relative terms of 67% in 2020 compared to 2019,

### Development of taxes borne by Enel Chile in 2020

In million pesos



More precisely, the main factors that have led to the decrease in the contribution in absolute terms match the decrease in the profit taxes, which has decreased by 97% compared to 2019,



This decrease is a consequence of the fact that in 2020 Enel Chile received higher tax refunds from previous years. Additionally, lower income tax prepayments were made due to: i) advance payments were suspended as part of the measures implemented by the government for economic reactivation, ii) lower income during 2020.



Environmental taxes suffered an increase of 53% in 2020, corresponding to 2019 emissions. This is due to the fact that the Tarapacá coal-fired power plant operated partially during 2018, due to a failure in the steam turbine. This malfunction was solved at the beginning of 2019, generating higher pollutant emissions during this year.

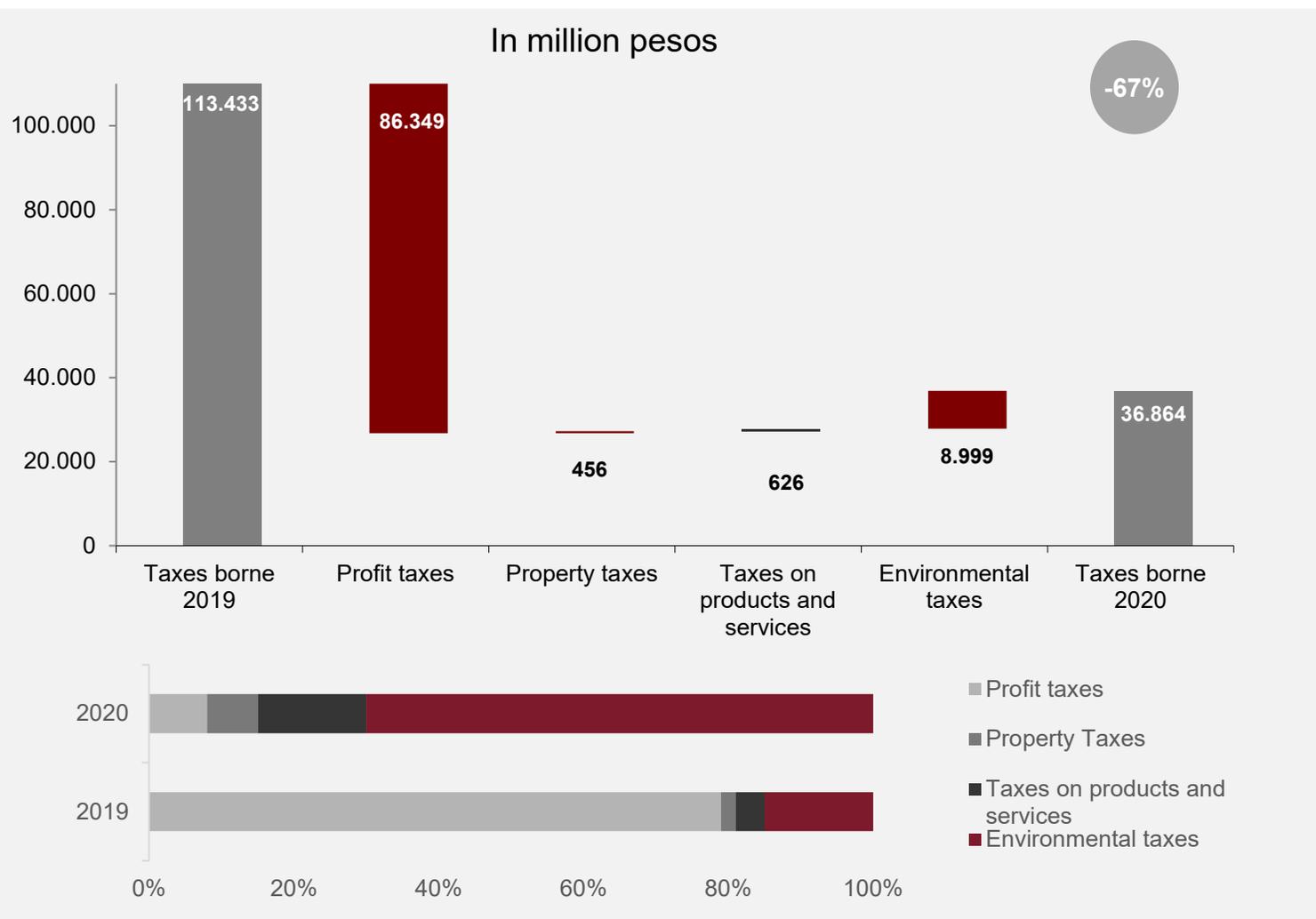


In addition to the above, in a lesser measure, property taxes also increased by 22%, mainly due to the new surtax in force since 2020, created to increase the collection of taxes from higher income sectors, which is calculated on the sum of the taxable appraisals of real estate, which together exceed 670 annual tax units (approx. USD 579.025).

Likewise, taxes on products and services suffered a 13% increase compared to 2019, mainly due to a 71% increase in stamp duty due to higher loans to finance mostly new renewable energy projects of the Group.

# TTC of Enel Chile in 2020

## Profile of taxes borne



With respect to the changes in the profile of taxes borne, it is worth noting the decrease in profit taxes, with respect to 2019.

This decrease is mainly a result of higher tax refunds received in 2020 from prior years.

Likewise, this decrease is slightly offset by the increase in environmental taxes.

# TTC of Enel Chile in 2020

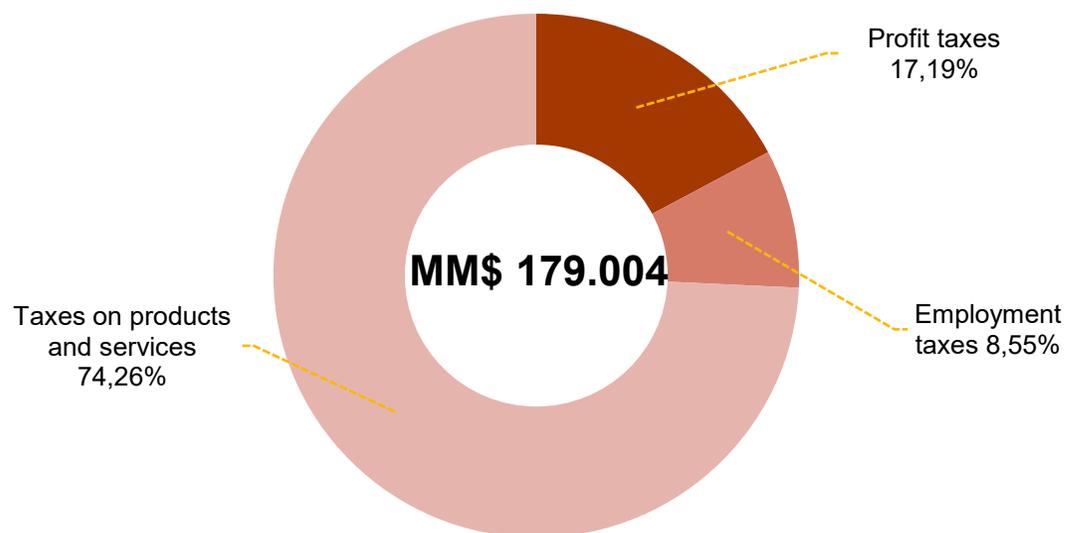
## Analysis of taxes collected

### Profile of taxes collected

The taxes collected by Enel Chile during 2020 amounted to 179.004 million pesos.

Taxes on products and services showed an upward trend in the last year of 120.550 million pesos, which represents 70% of total taxes collected.

### Categories of taxes collected by Enel Chile in 2020



**Taxes on products and services represent 69%** of total taxes collected, amounting to 132.928 million pesos. 99,8% of these taxes correspond to VAT collected and paid by Enel Chile and 0.2% correspond to Withholding taxes on fees.



**Profit taxes**, which during 2020 accounted for 17.19% of the total taxes collected, amounted to **30.777 million pesos**, which corresponds entirely to withholdings to non-residents.



Employment taxes, amounting to **15.299 million pesos** and representing **8.55% of the total taxes collected**, are mainly composed of withholdings on earned income (99%) and employee social security contributions (1%).

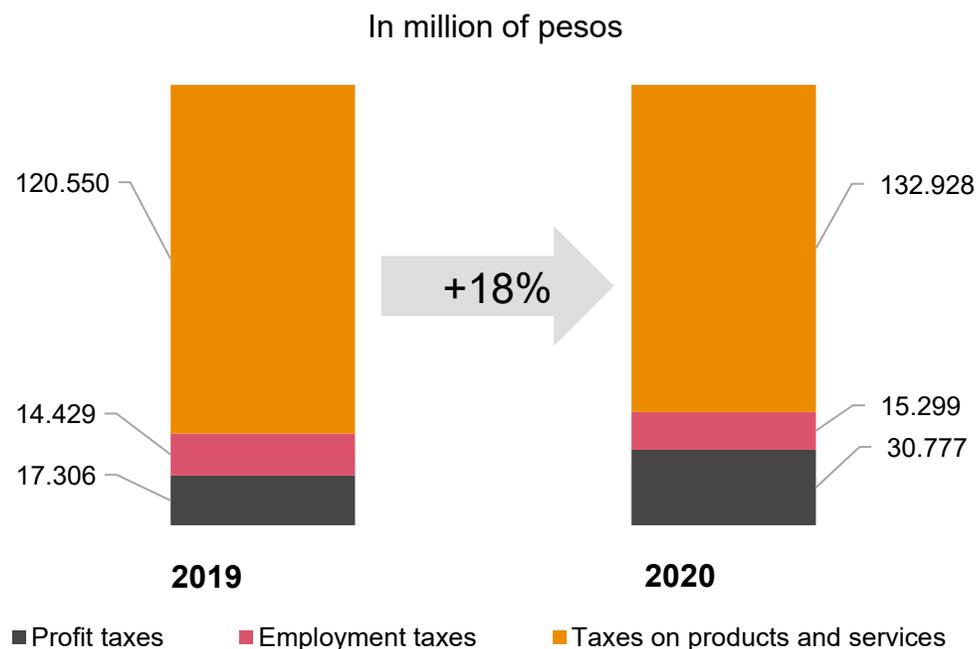
# TTC of Enel Chile in 2020

## Analysis of taxes collected

### Trend of taxes collected

Taxes collected during 2020 experienced an increase in absolute terms of approximately 26.721 million pesos, which represents a considerable increase of 18% compared to 2019, as a result of higher energy sales and an increase in the exchange rate.

### Development of taxes collected by Enel Chile in 2020



One of the factors that led to the increase in the contribution in absolute terms, is the increase in taxes on products and services that suffered a 10% increase compared to 2019, due to the decrease in VAT credit for i) imports, mainly due to fewer coal purchases abroad, ii) lower payments of electricity transmission tolls and iii) lower domestic purchases during 2020.



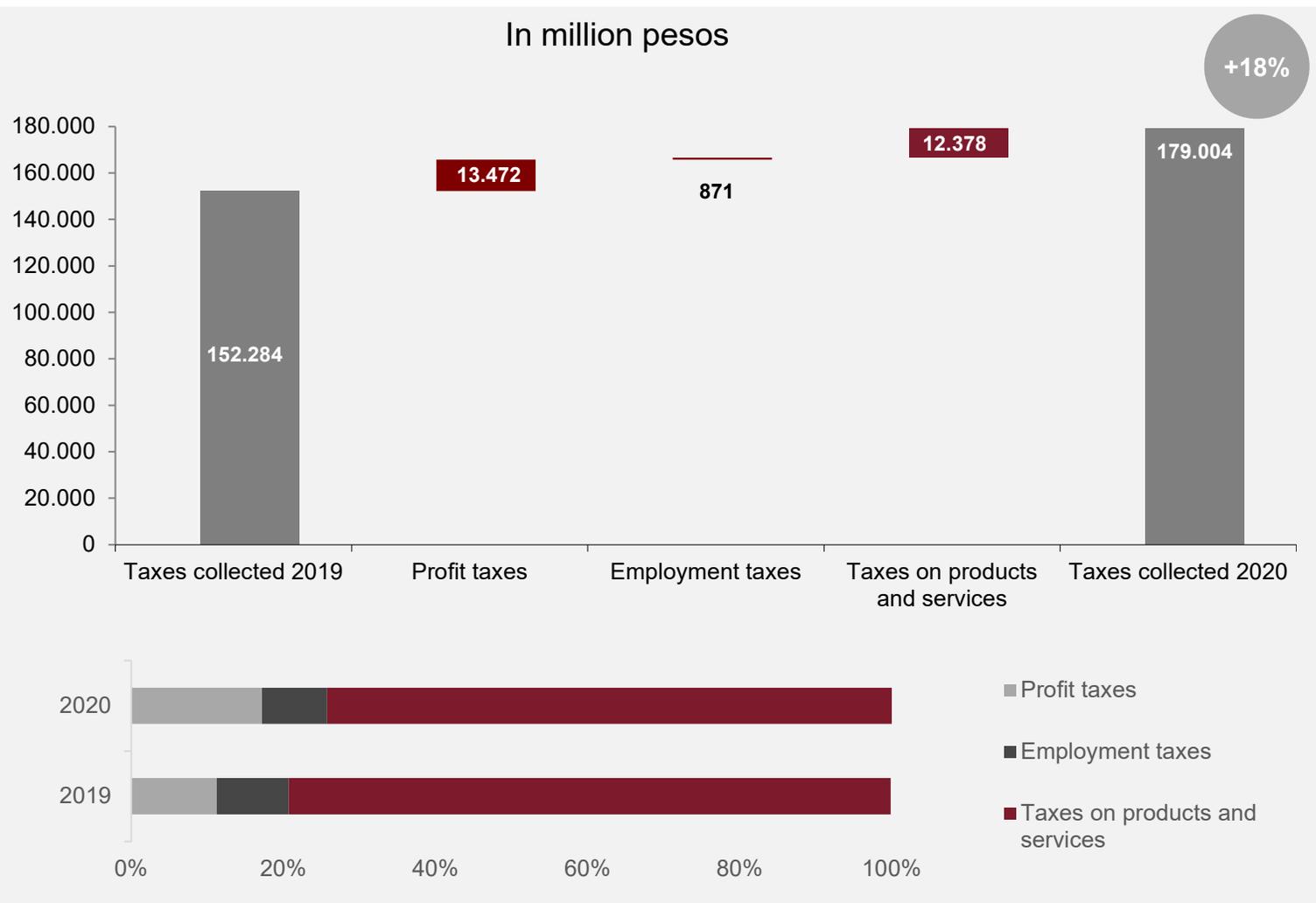
On the other hand, there was also an increase of 78% with respect to 2019, related to withholdings on account of the provisional income tax, on remittances to persons without residence or domicile in Chile, this as a consequence of the tax reform approved at the beginning of 2020.



Employment taxes increased by 6% compared to the previous year and this is directly related to higher bonus payments to employees.

# TTC of Enel Chile in 2020

## Analysis of taxes collected



Regarding the changes in the profile of taxes collected, it should be noted that taxes on products and services maintain their leading role, increasing their weight compared to 2019.

One of the factors that led to the increase in the contribution in absolute terms, is the increase in taxes on products and services that suffered a 10% increase compared to 2019, due to the decrease in VAT credit during 2020, due to the decrease in imports, lower energy transmission toll payments and domestic purchases.

# TTC of Enel Chile in 2020

## TTC indicators

### Total tax contribution rate

The total tax contribution rate (TTCR) is calculated as **total taxes borne / earnings before taxes borne** [3].

This is the indicator used in the Payment of Taxes study published annually by the World Bank and PwC to measure the competitiveness of the tax systems of 189 countries.

The "Paying Taxes" methodology is based on a company case study to facilitate a homogeneous global comparison. The calculation of TTCR in Paying Taxes is influenced by the limitation of the case study. The case study considers a medium-sized local company in its 2nd year of operation, domestically owned, not involved in foreign trade and with no domestic or foreign subsidiaries.

Therefore, due to the limitation of the case study, certain tax measures such as commercial patents or, mining concessions are not reflected in the TTCR according to the Payment of Taxes study.

In addition, in Chile employers are required by law to withhold at least 7% based on each individual's monthly salary for social security. The employee has the option of allocating this 7% to a private fund called ISAPRE or to a public fund called FONASA. For TTCR purposes, only FONASA social security withholdings are treated as a mandatory social security contribution and, therefore, in the calculation of such rate under the Paying Taxes methodology.



Despite determining an operating loss of 36.864 million pesos during 2020, Enel Chile paid a total of 36.864 million pesos in taxes.

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[3] Earnings before taxes borne is not a traditional figure that can be found in the company's financial statements. Because many of the taxes borne are deductible for calculating earnings before taxes, they must be aggregated back to arrive at earnings before all business taxes borne in order to determine the denominator in the calculation.

Source: <https://www.pwc.com/gx/en/paying-taxes/pdf/pwc-paying-taxes-2020.pdf>

# TTC of Enel Chile in 2020

## TTC indicators

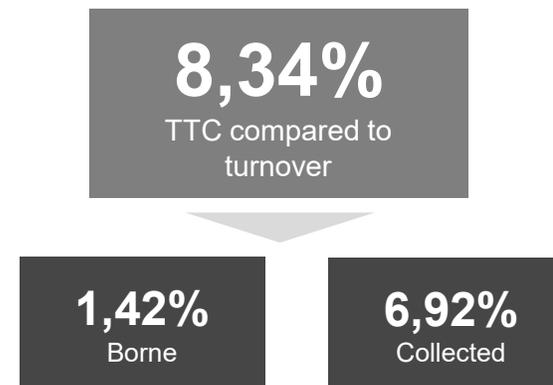
### CTT compared to turnover



Enel Chile pays 8,34 pesos in taxes for each 100 pesos of turnover, of which 1,42 pesos represents a direct cost for the Group.

TTC compared to turnover [4], is an indicator that shows the amount of the contribution made by the Company in relation to the size of its business.

For Enel Chile, the average ratio of the TTC to revenues is 8,34% in 2020. In other words, for every 100 pesos of the Company's turnover, 8,34 pesos are allocated to the payment of taxes, of which 1,42 pesos are taxes borne and 6,92 pesos are taxes collected.



# TTC of Enel Chile in 2020

## TTC indicators

### Distributed value to society



In 2019, 58,75% of the value generated by Enel Chile was allocated to the payment of taxes borne and collected.

According to the CTT methodology, the distributed value of a company consists of the sum of the following elements:

- Net interest
- Wages and salaries (net of withholding on earned income)
- Taxes (borne and collected)
- Shareholder value (i.e. dividends, reserves, etc.)

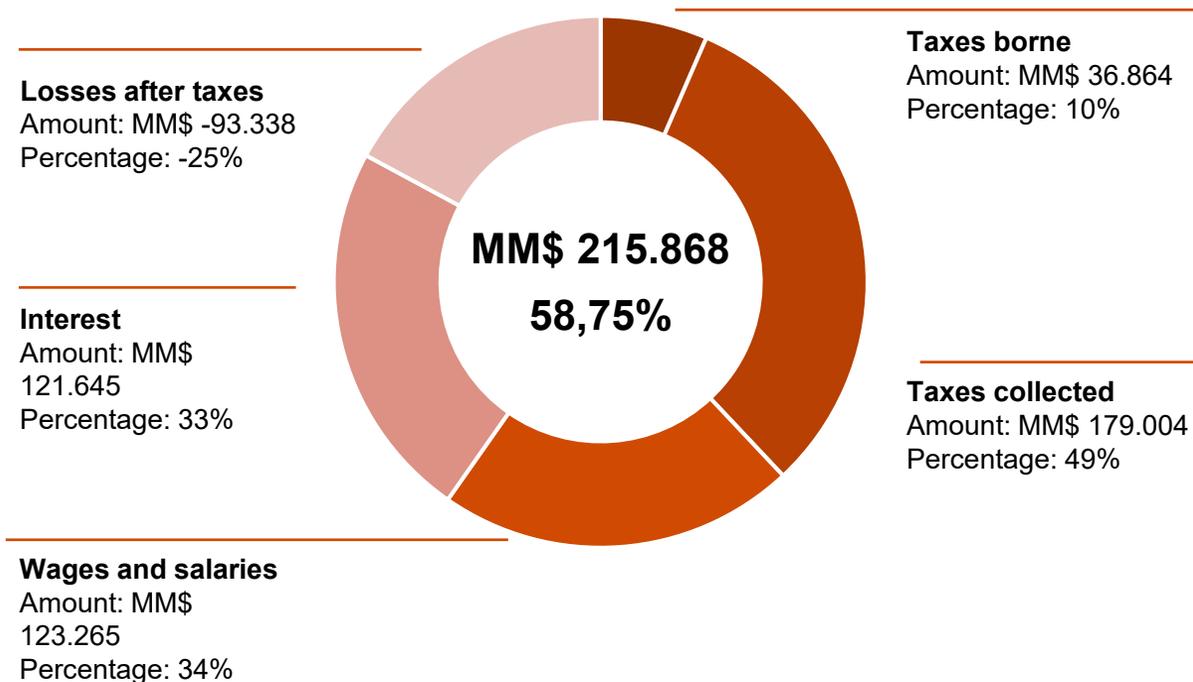
The **distributed tax value ratio** shows the percentage of the total value generated by Enel Chile that is destined to the payment of borne and collected taxes to Public Administrations.

In essence, the distribution tax value reflects the way in which Enel Chile contributes the economic value it generates to society.

In 2020, the total distributed value amounted to **367.440** million pesos, of which **215.868** million pesos were paid to the various public administrations as borne and collected taxes.

In this sense, as shown in the chart, 58,75% of the value generated by Enel Chile is attributed to society through the payment of taxes borne and collected in the different territories in which it operates.

If we do not include the loss after taxes, Enel would pay 46.84% to the Chilean Treasury through taxes borne and collected.



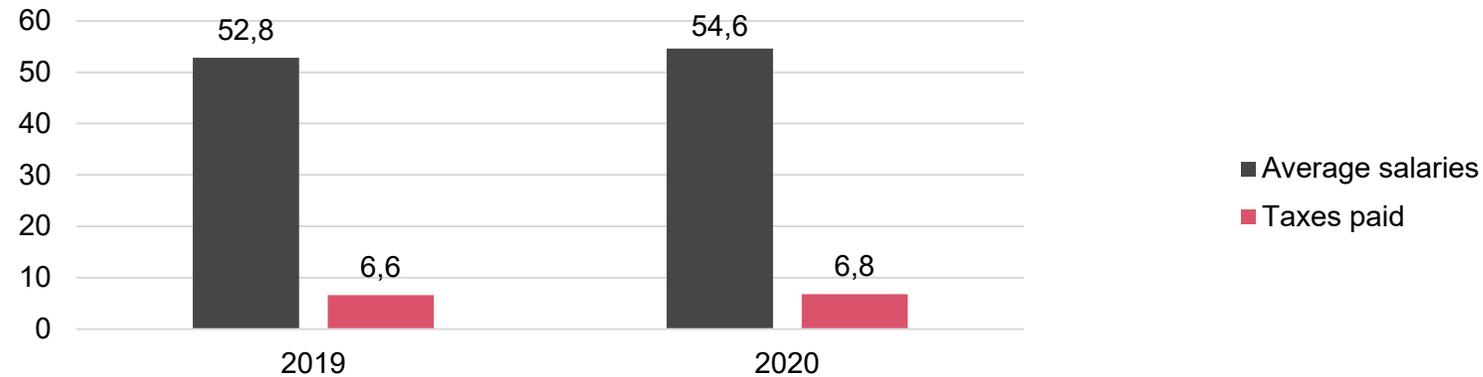
# TTC of Enel Chile in 2020

## TTC indicators

### Taxes paid on wages and salaries per employee

Taxes paid on **wages and salaries per employee** is an indicator that allows to relate the level of employment to the associated taxes. This indicator is calculated by dividing the total taxes (borne and collected) related to employment by the number of employees.

Development of the average salary and Taxes associated with average employment at Enel



In 2020, Enel Chile paid 6,80 million pesos per employee in employment taxes. The total amount corresponds to taxes collected on behalf of the employee.

In relation to the average salary paid by Enel Chile, it increased to 54,6 million pesos, mainly because during 2020 there were higher bonus payments to employees.



Average employment taxes remain constant over the period, in line with the magnitudes of wages and salaries and number of employees.

## 5. Comparative indicators



# Comparative indicators

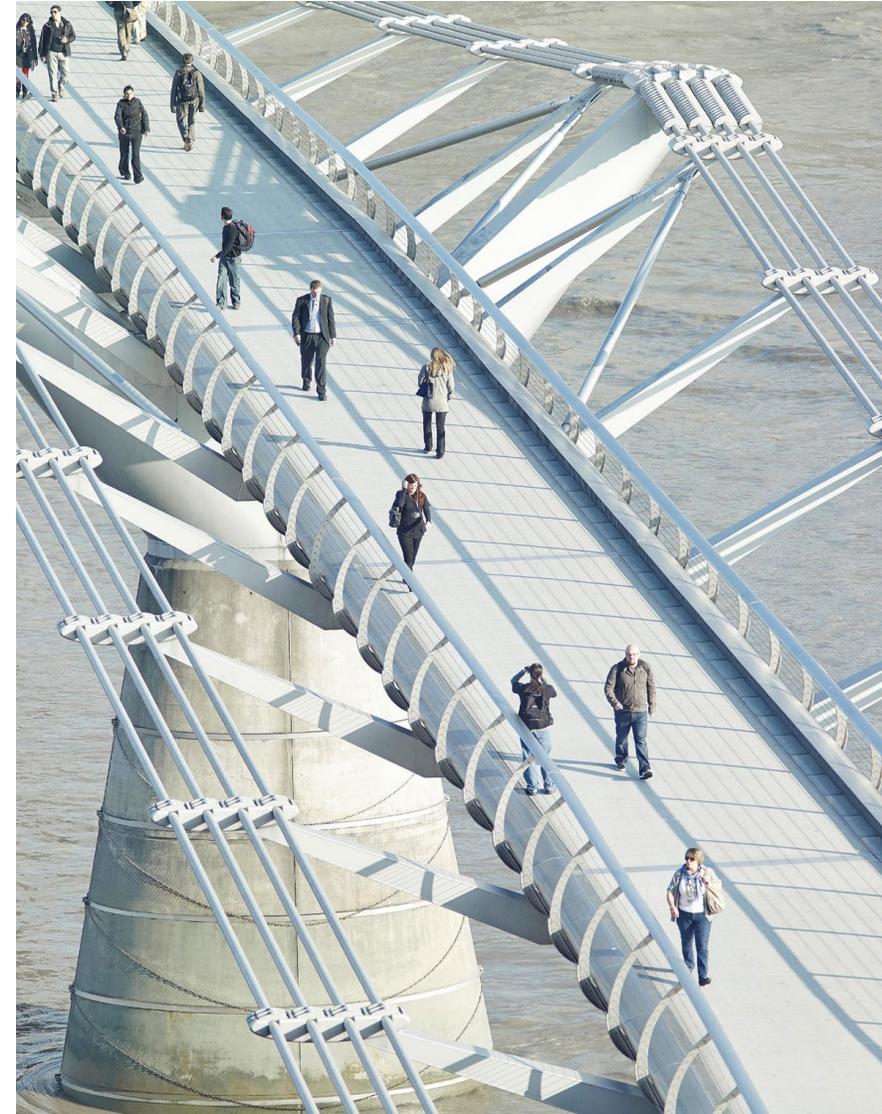
## Effective corporate income tax rate

We will now show a comparative chart of the effective corporate income tax contribution rate for a group of companies in the electricity sector at a national level, during the years, 2017, 2018, 2019 and 2020.

On the one hand, we will analyze the Effective Tax Rate "ETR" and on the other hand, the reasons that generate the differences between their nominal rate.

Our methodology is based on the public information available, since the tax expense data is information that companies must share in their annual consolidated accounts, which allow us to perform comparative studies such as the one included in this section.

Please refer to Methodology in Annex III



# Comparative indicators

## Comparison of Enel Chile's ETR with other companies in Chile

In relation to the effective tax rate (ETR), it is calculated as the ratio between **the corporate income tax expenses and earnings before taxes**. The chart below shows a comparison of Enel Chile's effective tax rate compared to other equivalent companies, regardless of whether they are in a profit or loss position.

Please note that for purposes of this report, Enel Chile has determined an effective rate based on earnings before taxes, which does not include dividends perceived by companies incorporated outside Chilean territory, since these profits are included in the CTT of the other countries.

### Comparison of Enel Chile's ETR to other Chilean Companies from the electricity sector

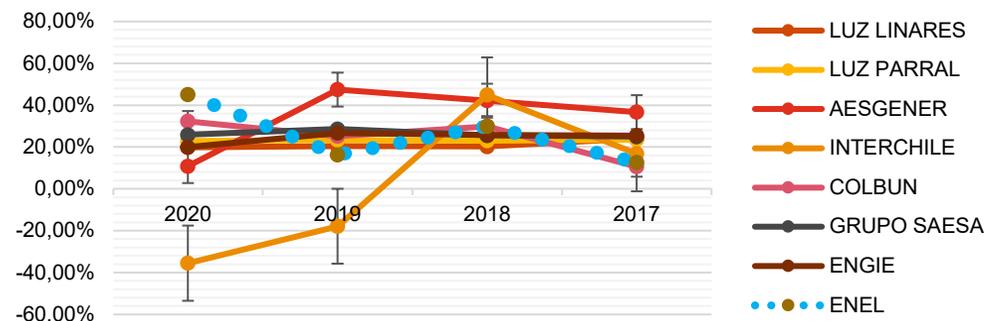


Table N°1

Effective tax rate of Enel Chile	2020	2019
Nominal tax rate	27,0%	27,0%
Consolidated effective rate	45,1%	16,20%
Income or (loss) of the year in MM\$	(170.012)	333.135

Table N°2

Table 1 shows that the average effective rate for 2019 for electric companies in Chile amounts to 21,27%, approximately 5,07% higher than Enel Chile's ETR for the period, which amounted to 16,20%.

Enel Chile in 2020, with respect to 2019, shows an increase in its effective rate of 28,90%, placing the effective rate in 2020 at 45,10%. In 2020 there is a tax profit, which was increased mainly due to i) a tax benefit resulting from corporate reorganizations, and ii) a benefit from the effect of monetary correction.

The average ETR for the 2020 for electric companies in Chile amounts to 17,67%, which is below Enel Chile's ETR by 27,43%.

# Comparative indicators

## Comparison between Enel Chile's nominal and effective tax rate

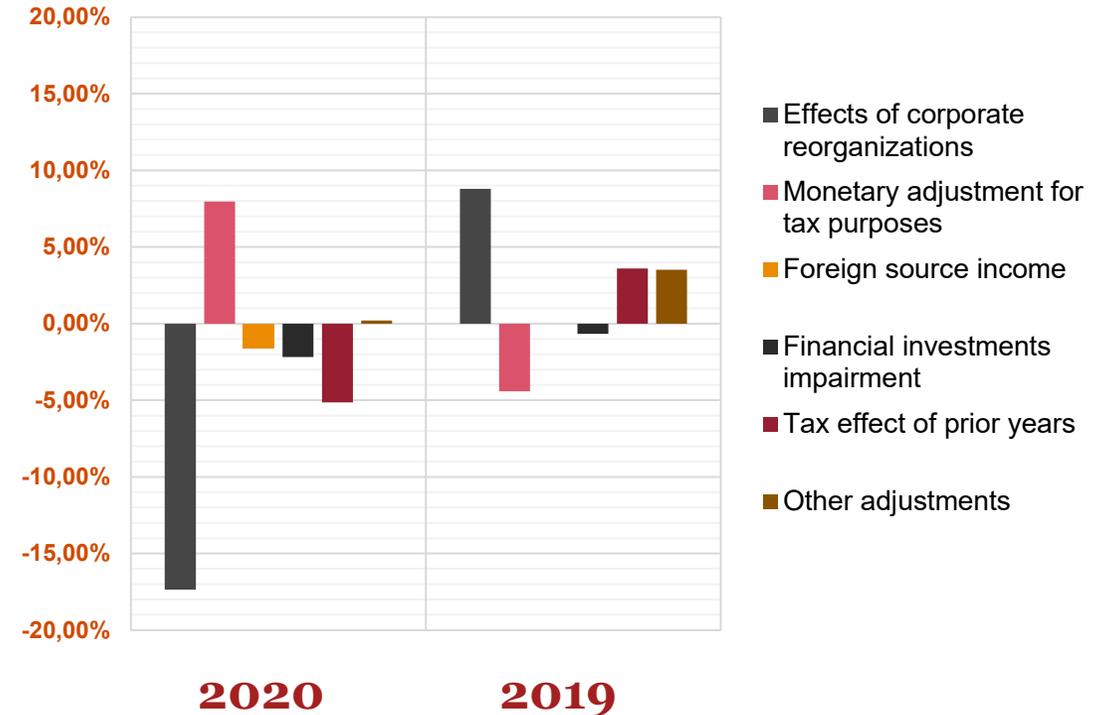
In relation to the difference between the nominal rate in 2019 (27%) and the effective rate (45,1%), below are the elements that have an impact on the ETR.

In million pesos

	2020	2019
<b>Effective rate reconciliation</b>		
Income tax accounted	-76.675	53.954
Effective income tax	-45.903	89.945
<b>Difference</b>	<b>-30.772</b>	<b>-35.992</b>
<b>Permanent adjustments</b>		
Effects of corporate reorganizations	29.497	29.269
Monetary adjustment for tax purposes	8.746	11.959
Foreign source income	-13.558	-14.683
Financial investments impairment	2.741	0
Tax effect of prior years	3.695	-2.251
Other adjustments	-349	11.698
<b>Total</b>	<b>30.771</b>	<b>35.992</b>

This chart shows the factors that favorably affect a decrease in the nominal rate (those with a negative impact below 0%), as well as those that affect it unfavorably (positive impact, above 0%)

## Elements that have an impact on the ETR



Source: PwC

# Comparative indicators

## Enel Chile's Tax Contribution in economic and social terms

In order to understand the magnitude of Enel's social contribution in 2020, we compared the amount of the Company's tax contribution with some social variables and macroeconomic data.

**The Total Tax Contribution of Enel in 2020 amounted to 215.868 million pesos, which is equivalent to:[5]**

... 3% of Chilean budget for the Ministry of Health



Source: [www.dipres.cl](http://www.dipres.cl)

... 2% of the Chilean budget for the ministry of education in 2020



Source: Fuente: [www.dipres.cl](http://www.dipres.cl)

... 10% of the budget of the Ministry of Public Works



Source: PwC

... The payment of 591 million pesos per day in taxes borne and collected in 2020



Source: [www.dipres.cl](http://www.dipres.cl)

... 8% of the total of the Ministry of Housing and Urban Development



Source: : [www.dipres.cl](http://www.dipres.cl)

Source: PwC

6. Other payments  
made to the public  
administration



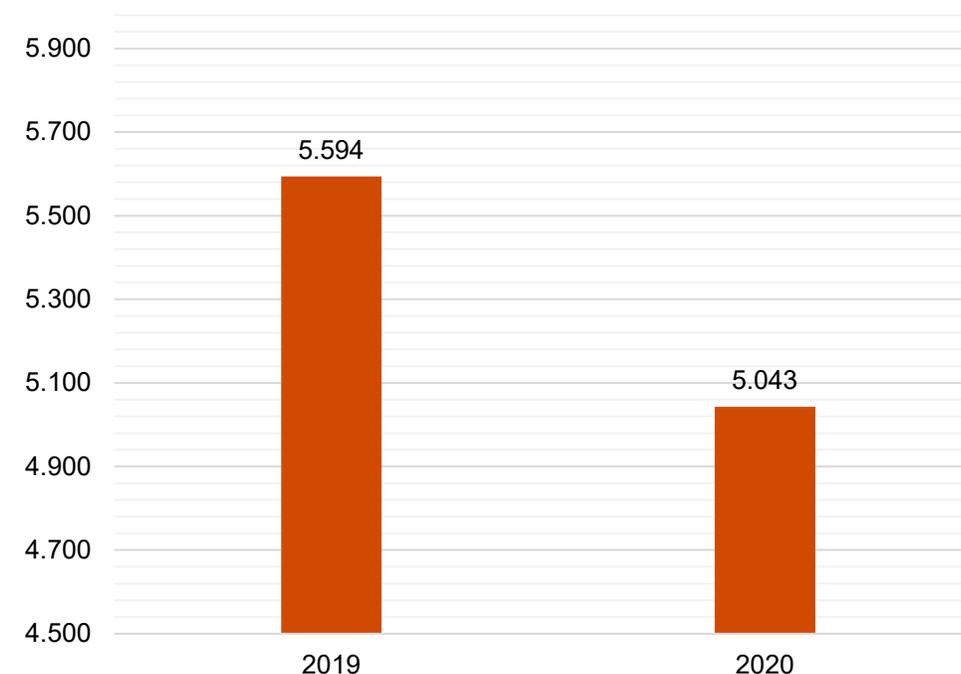
# Other payments made to the public administration

## Other payments made to Public Administrations

In addition to the TTC, it should be noted that Enel Chile makes other contributions to the public authorities in the places where it operates. These include maritime concessions, the non-water use patents and commercial licenses, among others.

In 2020, Enel's payment to all public authorities amounted to 5.043 million pesos, which represent a decrease of 9,84% with respect to the previous year, as detailed below:

- (i) **Commercial licenses:** represent 64% of the total amounts paid to the public administration. The amount for commercial licenses has decreased 17,49% with respect to 2019, mainly because: 1) in 2019 patent were paid retroactively; 2) decreases in the tax basis for determine the payment of these patents (tax equity); and 3) in 2020 no patents were due for companies that were merged during 2019.
- (ii) **Non-water use patents:** represent 26% of the total amounts paid to the public administration. This patent is a tax benefit that must be paid by the owner of a water right that has not been used in whole or in part, or otherwise, when the works for the collection or restitution of water have not been carried out, as required by the Law.
- (iii) **Maritime and Mining Concessions:** : represent les tan 10% of the total payments made to public administrations.



## 7. Annexes



# Annex I

## TTC of Enel Chile in 2019

Financial Data	2019 MM\$
Turnover	2.771.717
Wages and salaries	115.883
Number of employees	2.194
Interest	146.465
Earnings before taxes	333.135
Earnings before taxes borne	357.007
Income Tax	-53.954
Earnings after taxes	279.180
Total taxes borne	113.131
Total taxes Collected	152.284
<b>Total tax Contribution</b>	<b>265.415</b>

Taxes borne	2019 MM\$	Taxes collected	2019 MM\$
Profit taxes	89.259	Profit taxes	17.306
Property taxes	2.067	Property taxes	0
Employment taxes	0	Employment taxes	14.429
Taxes on products and services	4.929	Taxes on products and services	120.550
Environmental taxes	16.877	Environmental taxes	0
<b>TOTAL</b>	<b>113.131</b>	<b>TOTAL</b>	<b>152.284</b>

List of taxes	Category	Taxes borne or collected	2019 MM\$
Corporate income taxes	Profit taxes	Borne	89.259
Withholdings on payments to non-residents	Profit taxes	Collected	17.306
Taxes on real property	Property taxes	Borne	2.067
Withholding on earned income	Employment taxes	Collected	14.311
Employee social security contribution	Employment taxes	Collected	117
Non-recoverable VAT	Taxes on product and services	Borne	2.145
Custom duties	Taxes on product and services	Borne	514
Stamp tax	Taxes on product and services	Borne	2.270
VAT (Net position)	Taxes on product and services	Collected	120.297
Withholding taxes on fees	Taxes on product and services	Collected	253
Taxes on polluting emissions	Environmental taxes	Borne	1.329
Taxes on hydrocarbons	Environmental taxes	Borne	15.548
<b>TOTAL</b>			<b>265.415</b>

Other payments made to the public administration	2019
Mining and maritime concessions	12
Non-water use patents	1.677
Commercial licenses	3.905

TTC indicators	Percentage
	<b>2019</b>
Total Tax Contribution rate	31,69%
TTC in relation to turnover	9,58%
Taxes borne in relation to turnover	4,08%
Taxes collected in relation to turnover	5,49%
Distributed value to society	32,89%
	<b>MM\$</b>
Wages and salaries per employee	52,8
Taxes paid per employee	6,6

# Annex II

## List of taxes

Taxes	STATE TAXES	REGIONAL TAXES	LOCAL TAXES	TAXES BORNE	TAXES COLLECTED	SCOPE
<b>PROFIT TAXES</b>						
INCOME TAX	✓	■	■	✓	■	✓
ADVANCE PAYMENT OF INCOME TAX	✓	■	■	✓	■	✓
WITHHOLDING TAX(SERVICES AND FINANCIAL INTEREST)	✓	■	■	✓	✓	✓
WITHHOLDING TAX ON SERVICES	✓	■	■	■	✓	✓
WITHHOLDING TAX ON DIVIDENDS PAID TO FOREIGN SHAREHOLDERS	✓	■	■	■	✓	✓
<b>PROPERTY TAXES</b>						
TAX ON REAL PROPERTY	✓	■	■	✓	■	✓
SURTAX	✓■	■	■	✓■	■	✓
<b>EMPLOYMENT TAXES</b>						
EMPLOYEES SOLE TAX	✓	■	■	■	■	✓
EMPLOYEES IN FONASA	■	■	■	■	✓	✓
<b>TAXES ON PRODUCTS AND SERVICES</b>						
VALUE-ADDED TAX	✓	■	■	■	✓	✓
WITHHOLDING TAXES ON FEES	✓	■	■	■	✓	✓
NON-RECOVERABLE VAT	■	■	■	✓	■	✓
STAMP TAX	✓	■	■	✓	■	✓
AD-VALOREM	✓	■	■	✓	■	✓
<b>ENVIRONMENTAL TAXES</b>						
TAXES ON POLLUTING EMISSIONS (PAID AS OF 2018)	✓	■	■	✓	■	✓
SPECIFIC TAX ON OIL	■	■	■	✓■	■	✓
<b>OTHER PAYMENTS MADE TO THE PUBLIC ADMINISTRATION</b>						
COMMERCIAL LICENSES	■	■	■	■	■	✓
NON-WATER USE PATENT	■	■	■	■	■	✓
MINING AND MARITIME CONCESSIONS	■	■	■	■	■	✓

# Annex III

## Annex III: Methodology for the comparative analysis of the effective tax rate in corporate income tax

The analysis has been carried out on the basis of public information, no direct contact has been made with any of the companies.

For these purposes, the effective tax rate (ETR) was calculated as the ratio of the corporate income tax expense divided by the earnings before taxes, both numbers being taken from the consolidated income statement of the year.

In this regard, the average of the last two years available (2019 and 2020) as well as the upper and lower quartiles have been used to illustrate the results:

### ***Narrow arithmetic average***

Our conclusions regarding the individual analysis of companies are based on a statistical analysis of the ETR. In this type of analysis, there are usually elements that distort the mean, such as non-recurring operations or exceptional elements, which must be eliminated in order to draw reasonable conclusions about the studied sample.

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