



**EXPLANATIONS OF THE MATTERS SUBMITTED FOR VOTE AT THE ORDINARY  
SHAREHOLDERS' MEETING OF EMPRESA NACIONAL DE ELECTRICIDAD S.A.  
TO BE HELD ON APRIL 22, 2014**

**1. Distribution of the fiscal year net income and dividend payments:**

It was agreed to propose a total final dividend equal to 50% (fifty percent) of the 2013 liquid net income at Endesa Chile's Ordinary Shareholders' Meeting. This is a distribution equivalent to \$ 176,963,389,500, minus the \$ 31,804,129,800 interim dividend which was already paid. This difference of these amounts divided by the number of Endesa Chile's shares yields a net dividend of \$ 17.6986 per share, which has been reduced by the interim dividend that has already been paid.

**2. Appointment of External Auditing Company governed by Title XXVIII of Law 18,045:**

Circular N° 718 issued by the Superintendency of Securities and Insurance on February 10, 2012, complemented by the Circular N° 764 from the same Superintendency on December 21, 2012, states among other matters that, with respect to the proposal of external auditors, "the Board of Directors should provide shareholders with its justifications of the various options to be proposed to the shareholders' meeting, so that they have all the required information to engage the auditing firm to examine the financial statements. Such justification should contain, in detail, the Board's reasons for proposing each firm, taking into account aspects like the hours and resources that they will devote to the review process, the experience of the auditing firm, the knowledge and experience of the team that will be in charge of such review, taking into account the industry, sector, size and other characteristics of the Company to be reviewed, and any other aspect considered relevant. The above should be accompanied by the corresponding order of preference of the different options to be proposed."

The shareholders will therefore be informed of the different options of the external auditing firms that were considered, and with which the Board proceeded to determine their order of preference for its proposal to the Ordinary Shareholders Meeting. Proposals were requested from the firms Ernst & Young, KPMG, JM+A, and PKF.

On March 27, 2014, after analyzing the proposals received in terms of their qualitative and quantitative features, the Company's Board of Directors, through the resolution N° 1476-10, agreed to propose to the Ordinary Shareholders' Meeting of Endesa Chile to engage as the external auditors of Endesa Chile for the year 2014 one of the following firms prioritizing as stated below:

- 1° KPMG
- 2° JM+A
- 3° PKF
- 4° Ernst & Young

The arguments considered relevant for proposing KPMG in first place as the external auditor of Endesa Chile are the following: (i) KPMG submitted the most competitive proposal according to the technical and economic

evaluations; (ii) it presented a high standard with regards to the quality of available resources for performing its audit, and has a broad experience in the electricity sector; (iii) it is one of the four largest auditing firms internationally and nationally, (iv) Ernst & Young was 4th because Enersis' Board of Directors, Endesa Chile's parent company, will propose that Ernst & Young be its external auditor at its Ordinary Shareholders' Meeting. This prevents Endesa Chile from having the same auditor as its parent, due to the ruling of the Antimonopoly Commission which affects our Company.

KPMG has been the external auditor of Endesa Chile since 2008, that is, for the last six years.

### **3. Appointment of private Credit Rating Agencies:**

On February 28, 2014, through the resolution N° 1475-3, the Company's Board of Directors agreed unanimously, by those in attendance, to propose to designate Feller Rate Clasificadora de Riesgo Limitada and Fitch Chile Clasificadora de Riesgo Limitada as private Credit Rating Agencies for local rating, and to designate Fitch Ratings, Moody's Investors Services, and Standard & Poor's International Ratings Services as private Credit Rating Agencies for Endesa Chile's international rating at Endesa Chile's Ordinary Shareholders' Meeting for the year 2014.

The aforementioned companies have been the private Credit Rating Agencies of the company in recent years.

### **4. Approval of Investment and Financing Policy:**

On February 28, 2014, through the resolution N° 1475-7, the Company's Board of Directors approved the following:

#### **2014 INVESTMENT AND FINANCING POLICY**

##### **2014 Financing Policy**

During 2014, the Company will invest as established in its bylaws, in the following investment areas; in each case, the maximum limit is disclosed:

##### **1. Electricity Generation**

The maximum limit shall be considered as the investment needed by the Company to meet its main objective (production, transmission, distribution and electricity supply) with a limit equal to 15% of the shareholders' equity of Endesa Chile's consolidated statements of financial position as of December 31, 2013.

##### **2. Capital Contributions to Subsidiaries and Related Companies**

Contributions will be made to subsidiaries and related companies in Chile and abroad, in order to make the necessary investments that will allow such companies to carry out their projects and take part in activities needed to accomplish their respective corporate purposes.

The global maximum investment limit in all subsidiaries and related companies in Chile and abroad for 2014 shall be the equivalent to 15% of shareholders' equity of Endesa Chile's consolidated statements of financial position as of December 31, 2013.

### 3. Other Investments

3.1 Financial assets, titles, rights, securities, real estate, investments in companies, and formation of subsidiaries and related companies as set out in the bylaws, in order to carry out investments in the electricity sector. The maximum investment limit for these investments shall be the amount needed to take advantage of business opportunities, with a maximum of 15% of shareholders' equity of Endesa Chile's consolidated statements of financial position as of December 31, 2013.

3.2. Financial assets, titles, rights, securities, real estate, investments in companies and constitution of subsidiaries and related companies as set out in the bylaws, to develop projects and operations or activities related to industrial processes in order to obtain energy sources, and in those where electricity is an essential and determinant element and is intensively used in the process. The maximum investment limit shall not exceed 5% of the shareholders' equity of Endesa Chile's consolidated statements of financial position as of December 31, 2013.

### 4. Investments in Financial Instruments

Endesa Chile will invest in Financial Instruments in accordance with the portfolio selection and diversification criteria set out by the Company's management, in order to optimize the return on its cash surpluses.

Within the framework approved by the shareholders' meeting, the Board should define the specific investments in works and studies to be carried out by the Company, its amounts and financing methods, and will adopt the measures for controlling such investments.

### **2014 Financing Policy**

The Company's financing policy considers that the level of debt, defined as the ratio of total liabilities to shareholders' equity in the consolidated statements of financial position, should not exceed 2.20 times. Funding will come from the following sources:

- Own resources.
- Supplier credits.
- Loans from banks and financial institutions.
- Issuance of securities in the domestic and international markets.
- Proceeds from asset sales and/or services provided by Endesa Chile.

### Other Matters

In order to carry out the investment and financing policy, the Company's management shall have sufficient authority to sign and amend contracts for the purchase, sale or rental of goods and services necessary for the development of the Company's own businesses, within the applicable legal framework, following the market conditions prevailing in each case with goods and services of a similar kind, quality and characteristics. Accordingly, management shall also be authorized to cancel obligations that arise from these contracts, according to the law, when convenient for the corporate interest.

Under the provisions of article 120 of Decree Law N° 3,500, the disposal of assets or rights that are declared in these policies as "essential" for the Company's functioning, and the granting of guarantees over them, are



matters to be submitted to an Extraordinary Shareholders' Meeting. In compliance with article 119 of that law, the following assets are declared as "essential" for the normal operation of the Company:

- The generation plants and emergency and reserve units with a capacity exceeding 50,000 kW, in operation or under construction, owned by the parent and its subsidiaries.
- The shares of Empresa Eléctrica Pehuenche S.A., Endesa Argentina S.A., Celta S.A., and Generandes Perú S.A, owned by Endesa Chile. This involves holding at least 50.1% of the subscribed and paid shares of the aforementioned companies.

An Extraordinary Shareholders' Meeting should also approve the granting of guarantees to cover third-party obligations, except when such obligations are assumed by subsidiaries, in which case the approval of the Board of Directors shall be sufficient.

#### **5. Other Matters Subject To Vote**

Regarding any additional for voting consideration by the Ordinary Shareholders' Meeting, we have not received any matters submitted by shareholders to date, and the Board of Directors has not agreed on any proposal either.

#### **VOTING SYSTEM AT THE MEETING**

In accordance with articles 62 and 64, both of the Corporations Law 18,046 and General Rule N° 273 of January 13, 2010 of the Superintendency of Securities and Insurance, it will be proposed to the shareholders attending the Ordinary Shareholders Meeting of Endesa Chile to proceed by acclamation.