

Enel Chile

ISIN CODE: CL0002266774

Overall score 43/100

Sector: Electric & Gas Utilities
Emerging Market

Information rate: 82% (Sector average: 61%)
Company cooperation level: Not responsive *

General information

Enel Chile is an electricity utility company involved in the generation, transmission, and distribution of electricity in Chile. The Company owns and operates electricity generation units and produces electricity through hydro, gas, coal, oil and wind power plants. Enel Chile, through Gas-Atacama, also exports electricity to Argentina. The Company was formerly known as Enersis Chile and changed its name to Enel Chile S.A. in November 2016. The mother company (Enel) is also assessed by Vigeo Eiris.

Main Economic Segment**	Turnover 2016
Generation	55.8 %
Distribution	44.2 %

CORPORATE GOVERNANCE		
	2017	2018
Score		43
Allegations		No
Rating		+
Risk management		Limited

Key issues

Sound corporate governance is required to oversee a company's strategic direction, including the CSR strategy. Vigeo Eiris' framework has been adapted to capture the level of integration of CSR topics at Board-level, supplementing traditional signals on efficient governance practices. Directors are notably evaluated on their level of diversity and experience with operational, financial, and CSR topics. The audit and internal controls system is examined regarding the efficiency and reach of its risk management. Shareholders are expected to have fair voting rights and access to all relevant information on emerging ESG risks. Executive remuneration is assessed for transparency and alignment with balanced stakeholder interests.

Company performance

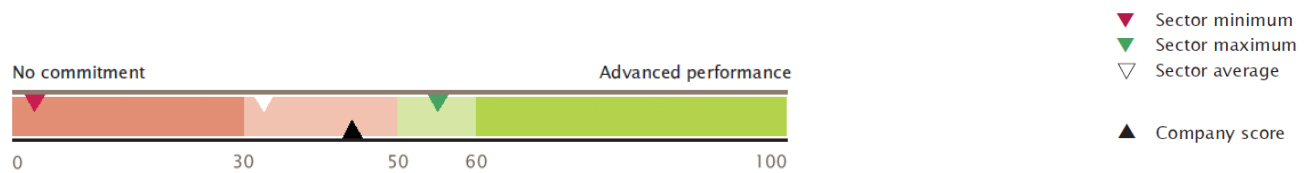
- The Company's Corporate Governance performance is limited in absolute terms
- CSR issues seem to be integrated in the internal control system, but the Audit Committee seems to play a limited role. No major voting rights restrictions have been identified though executive remuneration does not seem to be voted upon at AGM. Besides, although 57% of Board members are considered independent, there are no specific committees in charge of director nomination or executive remuneration. Finally, limited transparency is displayed with regard to executive remuneration.

Corporate Governance

Score : 43

CGV1.1 Board of Directors

(score: 44, weight: 3)



[LISTED COMPANIES] Existence and independence of Nomination Committee

No specific committee is in charge of director nomination, which might raise concerns.

Independence of the Board Chairman

The roles of Chairman and CEO are separated, and the Chairman is considered independent.

Responsibility allocated over CSR issues

Information on the responsibilities allocated over CSR issues is insufficient.

Share of independent shareholder-elected Board members

In accordance with standards advocated by Vigeo, the Board is more than 50% independent. Four members of the seven-member Board are considered independent.

Diversity of the skills and backgrounds of the Board

The Board of Directors diversity appears to be partial:

- At least 30% of directors are women
- At least 40% of directors are women
- Employee representative(s) sitting on the Board
- Board members with demonstrated professional experience in the company's sector of activities
- Board members with demonstrated expertise on CSR issues
 - *Giulio Fazio, Salvatore Bernabei and Vincenzo Ranieri have professional experience in the electricity generation and distribution segment.*
 - *A Board member worked as head of Safety and Environment for Iberia for Enel Green Power in Spain as well as officer of European Health, Safety and Environment at Enel Green Power in Spain. Besides, another Board member has led delegations to Conventions, Conferences and International Treaties on matters that include the Environment, Antarctica, Disarmament, Non-Proliferation, Ocean Rights and Security.*

Training and expertise provided to board members

Training is provided upon joining the board and through regular updates, including training on CSR issues.

Sustainability risks, settlement of conflict of interests in addition to inclusion, diversity and sustainability policies are addressed within the framework of information and induction activities of new board directors. During induction period, new board members are provided with the company Human Rights Policy; Code of Ethics; Zero Tolerance Corruption Plan, last sustainability report and free competition laws and regulations.

The Board of Directors of the Company approves annually a programme and a schedule of ongoing training and continuous improvement, also taking into consideration any suggestions proposed by the General Manager and the Managers of the areas that may be affected. The subjects for which the Directors will receive training include sustainability risks; main developments that have occurred in the last year in matters of inclusion, diversity and sustainability reports; conflicts of interest and ways in which they can be avoided or resolved in the best social interest. The training may include (a) visits to the main plants of its subsidiaries to enable the Directors to deepen their technical knowledge of the business and (b) external training.

Regular election of Board members

Board members are elected at least every three years and these elections are not staggered. Board members are eligible for re-election following three-year terms.

Evaluation of Board's functioning and performance

Information obtained from the company and public sources regarding the evaluation of board functioning and performance is insufficient.

Review of CSR issues at Board meeting

Information obtained from the company and public sources regarding the review of CSR issues at board meetings is insufficient.

- Health & safety
- Climate change
- Pollution prevention
- Anti-competitive practices
- Corruption
- Community relations

Regularity of and attendance at Board meetings

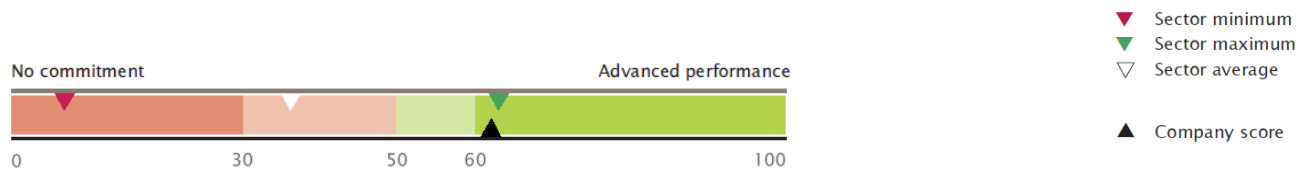
Regular meetings are held, but no attendance rates are disclosed.

The Board of Directors should meet at least once every month and whenever the company's business so requires. There should be ordinary and extraordinary meetings.

Name of Board member	Role	Executive	Non executive	Employee representative	Nomination	Audit	Remuneration	Former executive	> 9 years on Board	Stock options	Paid > 1/2 executive salary	Represent > 3% company's shares	Other	Independence
Hernan Chadwick	Chairman		X											X
Giulio Fazio			X									X		
Salvatore Bernabei			X									X		
Pablo Cabrera			X			X								X
Vincenzo Ranieri			X									X		
Gerardo Jofre			X			X								X
Fernan Gazmuri	AC chairman		X			X								X

CGV2.1 Audit & Internal Controls

(score: 62, weight: 2)



[LISTED COMPANIES] Existence and independence of Audit Committee

All members are independent non-executive directors.
All the three members of the Directors Committee are considered independent.

Skills and backgrounds of Audit Committee members

Members appear to have financial and/or audit experience AND relevant operational experience. In addition, at least a member has CSR skills and experience.
One member of the Committee has led delegations to Conventions, Conferences and International Treaties on matters that include the Environment, Antarctica, Disarmament, Non-Proliferation, Ocean Rights and Security.

Operational and CSR risks covered by the company's internal controls system

The internal control system covers the standard issues related to financial, operational, and legal risks. In addition, the system covers some of the CSR risks inherent to the company's business operations.

- Health & safety
- Climate change
- Pollution prevention
- Anti-competitive practices
- Corruption
- Community relations
 - *Climate change: The company considers risks associated with the physical impact of climate change on its operations.*
 - *Community relations: The company considers the risk of its power plants facing significant opposition from different groups that may delay their development, increase costs, and tarnish or potentially damage its reputation and image in the eyes of stakeholders.*

Role of the Audit Committee in overseeing internal and external controls

The Directors Committee has a limited role that includes:
 - Oversee internal audit and internal controls
 - Nominate the statutory auditor
 - Oversee the work of the external auditor
 - Approve the type of audit and non-audit services provided and fees paid to the external auditor.

There is a confidential reporting system in place for accounting issues. The company has an Ethical Channel that allows all its members to confidentially report irregular or inappropriate conduct related to accounting, audit & internal control and other corporate aspects.

Management of the CSR risks

Limited processes dedicated to management of CSR risks appear to be in place:

- Balanced scorecard
- Risk-related training
- Monitoring of key risk indicators
- Reporting system to the Board
- Risk mapping/materiality assessment
- A Board Risk Committee with no executive part of it

The company has identified climate change risk and community relations risk to be material for its operations.

Independence of the firm's external auditors

The audit firm receives non-audit fees, but these represent 50% or less of total fees (although more than 25%).

Non-audit fees represented 47.4% of total fees paid to the independent registered accounting firm in 2016.

Inclusion of CSR issues in the company's reporting

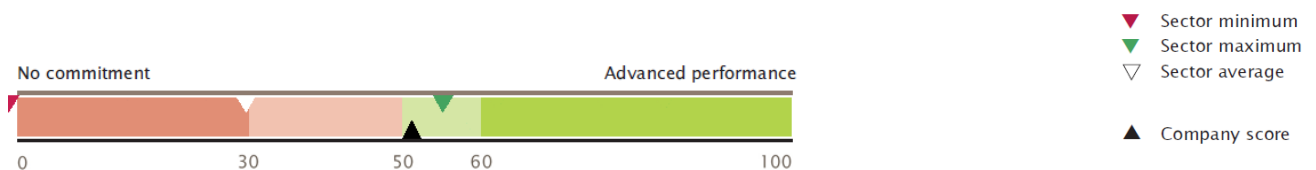
The company publishes significant CSR reporting on key material issues, with an independent third party assessment of the reliability of key performance indicators, with limited/moderate level of the assurance.

Stakeholders' feedback

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral

CGV3.1 Shareholders

(score: 51, weight: 2)



Nonexistence of voting rights restrictions

The company respects the "one share - one vote" principle.

Safeguards on transactions with major shareholder(s)

More than half of the board is independent, and in addition, there are additional safeguards in place to monitor transactions between the company and its major shareholder(s).

57% of Board members are considered independent. Moreover, on March 23, 2016, the company's Board of Directors approved a related-party transaction policy which is available in its website. The Chilean law provides that in some cases Board approval would suffice for related party transactions, pursuant to certain related-party transaction thresholds and when such transactions are conducted in compliance with the related party policies defined by the company's Board.

Ability to add items to the agenda of the AGM and to convene an EGM

An EGM can be convened when requested by shareholders representing at least 10% of the issued shares with voting rights. In addition, a 10% share ownership by shareholders is required to add items to the AGM agenda.

Access to voting at General Meetings

There are no major restrictions on shareholders' ability to vote, however there is no possibility of voting through online services.

Ability to vote on relevant issues in separate resolutions at AGM

Not all major items are put to a shareholder vote.
The following items are not put to a vote at the 2016 AGM:
- Executive remuneration.

Presentation of CSR strategy to shareholders and investors

The company has presented to shareholders and investors its CSR strategy but this covers a limited part of the most relevant CSR issues.

- Climate change
- Pollution prevention
- Corruption
- Health & safety
- Community relations
- Anti-competitive practices

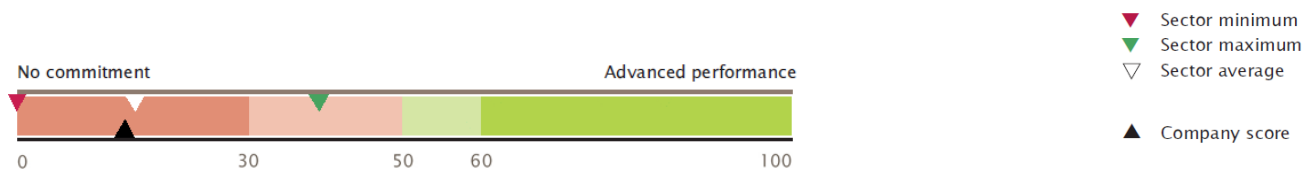
- Climate change: The company presented to investors its efforts in terms of development of renewable capacity and investment in environmental improvements in existing thermal plants.
- Community relations: The company presented to investors its efforts in terms of engaging the local communities.

Stakeholders' feedback

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral

CGV4.1 Executive Remuneration

(score: 14, weight: 2)



[LISTED COMPANIES] Existence and independence of Remuneration Committee

No specific committee is in charge of executive remuneration, which might raise concerns.

Disclosure of senior executives' individual remuneration

Executive remuneration is disclosed, but on a collective rather than on an individual basis.

Link between Short Term Incentive Plans and the performance of the company

Bonuses are said to be linked to predetermined economic and/or operational performance indicators, but these are not disclosed.
Enel Chile has an annual bonus plan for its executives based on achieving objectives and the level of individual contribution to the company's results. This plan defines a bonus range for each management or hierarchical level. Executive bonuses are expressed as a specific number of monthly gross salaries.

Link between the main Long Term Incentive Plan and the performance of the company

Information on the rules and performance conditions guiding the allocation of long-term incentives to senior executives is insufficient.

Link between variable remuneration and CSR performance of the company

There is no disclosure on the links between variable remuneration of executive and the CSR performance of the company.

- Health & Safety
- Climate Change
- Pollution Prevention
- Customer Satisfaction
- Other

Severance pay for senior executives

Severance pay represents 1 year's base salary or less, in accordance with standards advocated by Vigeo Eiris, although the company does not seek to mitigate these costs. According to Chilean Law, employees holding contracts of indefinite duration are entitled to a basic payment of one-month's salary for each year (or a six month portion thereof) worked, subject to a limit of a total payment of a maximum of 11 months' pay for employees hired after August 14, 1981.

Evolution of CEO-to-employee compensation ratio

Information obtained from the company and public sources regarding the compensation of CEO and the average employee salary is insufficient.
Employee average wages and salaries increased between 2014 and 2016 by 13% from CLP 44,601 to CLP 50,218. On the other hand, the CEO compensation is not disclosed.

Stakeholders' feedback

A review of stakeholder sources did not reveal any allegations against the company during the period under review: stakeholders' feedback is neutral

Contacts

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