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**A fair energy
transition model**



Fair energy transition and decarbonization

SASB RR-ST 160a.2

Human activities are increasingly impacting the Earth's climate and temperature. One example of this is the burning of fossil fuels like coal, oil and gas, which make up a large part of GHG emissions. According to the 2022 Global Energy Perspective report by McKinsey, the forecasted rise in the demand for fossil fuels is far from easing up; in fact, the demand for oil is predicted to reach its peak in the next five years.

One of the energy challenges faced by the government authorities is to move towards a low emission development that will improve the quality of life of people.

That is why actions and measures have been promoted to decarbonize the electricity matrix. As part of that goal, a fundamental role is played by closing coal-fired power plants and adding more clean energy.

In this setting, Grupo Cerro is helping by implementing a sustainable business model on a fair energy transition where electricity is supplied via 24/7 solar energy and 100% renewable hydroelectric energy. That is how we want to contribute to the nation's development and be a Renewable Energy benchmark in Latin America.

What is decarbonization?

According to the Intergovernmental Panel on Climate Change (IPCC), which is a U.N. scientific body that monitors and evaluates all the global signs of climate change. Decarbonization means the process whereby countries, individuals and other entities aim to eliminate the use of fossil fuels.

What is the fair energy transition?

This consists of expanding the supply of environmentally sustainable sources, encouraging conditions to gradually stop producing energy with fossil fuels. Simultaneously, people working in the industry that will be impacted by the changes must receive reskilling and move toward a sustainable economy based on renewable energy.

⁴ The IPCC provides scientific information to all levels of government that they can use to design climate policies. The IPCC reports are also a key element in international climate change negotiations.

⁵ https://www.ipcc.ch/site/assets/uploads/2019/03/AR5_SYR_Glossary_es.pdf

⁶ As defined by the International Labour Organization, www.ilo.org.

The challenges of renewable energy and how often they appear

The diverse crises that the world is experiencing in connection with climate, energy and the environment, among others, and the huge inequalities that create them can be overcome if we are able to rethink the systems in which we live and then propose energy transition towards a sustainable horizon.

We know that the energy transition goes hand in hand with great benefits to the wellbeing and health of people, yet it also poses challenges and opportunities, which includes changes to types of jobs, the need for training, the development of new technologies, changes and diversification of the production matrix of territories, and challenges to the competitiveness of regions, to name a few.

The Grupo Cerro model: continuous energy and contribution to decarbonization

Grupo Cerro is working with a model on 24/7 power generation and supply, based solely on natural, renewable sources like the sun and water. This is key to supplying energy continuously and forging a balanced, sustainable path to the energy transition where contaminating sources are left aside.

That is how we are contributing specifically to attaining the goal of becoming carbon neutral by the year 2050 and decarbonizing our country's energy matrix.



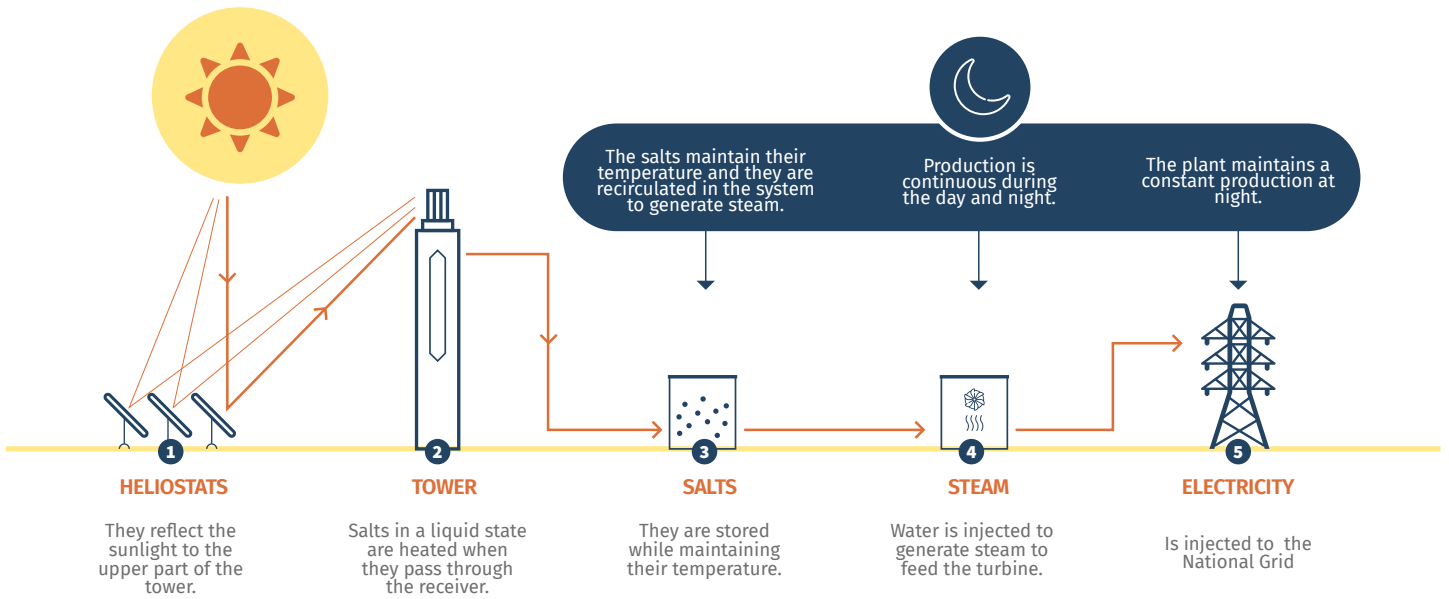
Concentrated Solar Power

In the daytime

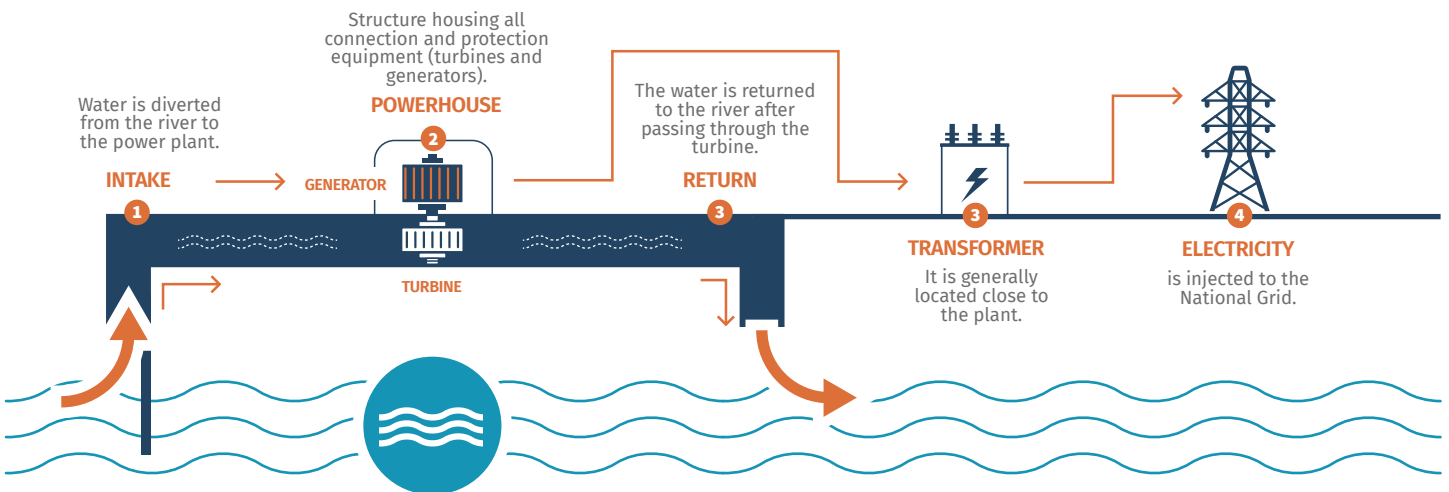
Sunlight is reflected by the field of heliostats (mirrors) to a receiving tower that heats salts in a liquid state until they reach a temperature of 565°C.

During the night

The salts are kept hot and pass through a parallel circuit to return to the system to generate the steam necessary for the power generator.



Run-of-the-river hydroelectric power



24/7 revolution: our sustainability strategy

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Our business purpose is to supply electricity to the grid stably and be able to handle all periods of energy demand. Our capacity to innovate has also made us pioneers in renewable energy in Chile, which signifies a permanent contribution to the country's sustainable development, 24 hours a day and 7 days a week.

So, through our Sustainability Strategy, which includes specific environmental actions, especially regarding climate change, social considerations and human rights, we are endeavoring to ensure that all activities we undertake to attain that goal consider the potential impact of our

operations and the contribution that we can make to our neighboring communities, the environment, industry and society as a whole.

This strategy was presented in 2020, so 2021 was a period dedicated to ensuring that its components were a true reflection of our business purpose and of our commitment to helping to create value for society. In this report we discuss the progress in each of the goals proposed to meet the strategy objectives, which is structured into five hubs: Impact, Raise, Facilitate, Propel and Renovate.



These are the commitments and what we have done in respect of each:

IMPACT

the fight against climate change positively during construction and operation.

- a. In 2021 we measured our 2020 Carbon Footprint for the first time and we are currently quantifying the footprint for 2021 and 2022.
- b. We surveyed climate risks of the CSP plant in 2021 and of the hydroelectric plants in 2022 following the TCFD method.
- c. Initiatives on the efficient use of water at the CSP plant. Reuse of potable water.
- d. We are working on attracting green financing.

RAISE

the standard of relationships with people, society and communities.

- a. We have proposed the goal of 75% of labor in future projects being sourced nationally.
- b. We want to create opportunities in the communities where we operate. For that reason, more than 60% of our suppliers are either local or national.
- c. Internal equity. This year we were able to reduce the gender pay gap in the organization to 9% and we have set up a Gender Equity Executive Committee.

FACILITATE

everyone enjoying the potentials of 24/7 solar energy.

- a. The Desert Flower Outlook was officially handed over to the Municipality of María Elena to take full advantage of the potential that this observation point has for tourism, culture, education and scientific disclosure.

PROPEL

a solar economy in Chile.

- a. In 2022, we worked in laboratories on the feasibility of implementing a pilot plant with Nano2 Chile, the winner of the Antofa Innova 2021 innovation challenge with its project on how to reduce osmotized water consumption in heliostat cleaning. We expect that Nano2 Chile will work on one heliostat in the solar field in the first quarter of 2023.
- b. In 2021, we were awarded financing in a contest to conduct studies on the implementation of green hydrogen projects, which ended in 2022.

RENOVATE

the energy market in Chile.

- a. We are working on increasing the number of unregulated customers and on informing market actors of our renewable attributes.



Progress and meeting our ESG sustainable commitments

The progress in our ESG (Environment, Social and Governance) commitments is monitored by the Grupo Cerro Sustainability Committee. That committee is comprised of managers and professionals from different areas who meet quarterly to propose actions and to supervise the progress in the Sustainability Strategy.

The goals that we propose internally and to our stakeholders are incorporated in this thrust. It gives us a roadmap to guarantee a true contribution to society, especially in becoming carbon neutral and contributing permanently to the country’s sustainable development by supplying renewable energy 24 hours a day, 7 days a week.

	2030 GOAL	PROGRESS IN 2021	PROGRESS IN 2022
IMPACT	Reduce the consumption of resources and GHG emissions each year.	First Carbon Footprint measurement.	We established a GHG reduction goal.
	Implement at least three programs that make an environmental contribution.		
	All projects will be built according to environmental standards (offices and camps).		Encourage alliances with other technologies.
	20% of contractor vehicles must be either electric or hybrid.		
	Annual report according to the TCFD method.	Preparation of a Climate Risk Matrix.	
	80% of our financing is green.		Work on green financing.

	2030 GOAL	PROGRESS IN 2021	PROGRESS IN 2022
RAISE	100% of our projects include room for dialog and early consultation.	The socialization of the Likana project is under way.	Early dialog with communities for the Likana project, which is a concentrated solar power project in our portfolio.
	75% of our workforce is national, construction and operations combined.	At the close of 2021, 73% of the employees hired for O&M at our plants were from the Region.	
	60% of our suppliers are local or national.	76% are national or local. 87% of direct employees are Chilean or residents of the municipality of Maria Elena.	Encourage alliances with other technologies.
	50 people receive technical training each year that relates to our business.	55 people underwent training through our Competitiveness Training Program and 31 began to work for Cerro Dominador.	
	An accident rate of 1 in new projects.	0 accidents.	An accident rate no higher than 1.
	Pay gap by position of 0 and a female presence of at least 40% in the organization.	It is 0.72 for executive positions and 0.66 for other employees. Women make up 41% of staff.	
	Receive a score of 80 in the 2022 GPTW survey.	Score of 78.	Maintain our Great Place to Work recognition.

	2030 GOAL	PROGRESS IN 2021	PROGRESS IN 2022
FACILITATE	Create, at a technical and tourism level, a production capacity based on 24/7 solar energy to combat energy poverty.		In process.
	Contribute to public infrastructure through 24/7 solar energy.		In process.

	2030 GOAL	PROGRESS IN 2021	PROGRESS IN 2022
PROPEL	Two 24/7 solar energy projects a year developed in conjunction with entrepreneurs.	Pilot project of Antofa Innova.	
	Yearly informational talks about concentrated solar power to at least 10 schools in the Antofagasta Region.	Arranged for school field trips to the Lookout.	Delivery of the Lookout to the Community.
	One project a year with university innovation centers.	CTCI Node Project with 5 universities, support to the dust analysis project of the Geophysics Department of the University of Chile.	
	One alliance with another technology.	Funding awarded to conduct GH2 (green hydrogen) studies.	Green Hydrogen Project.

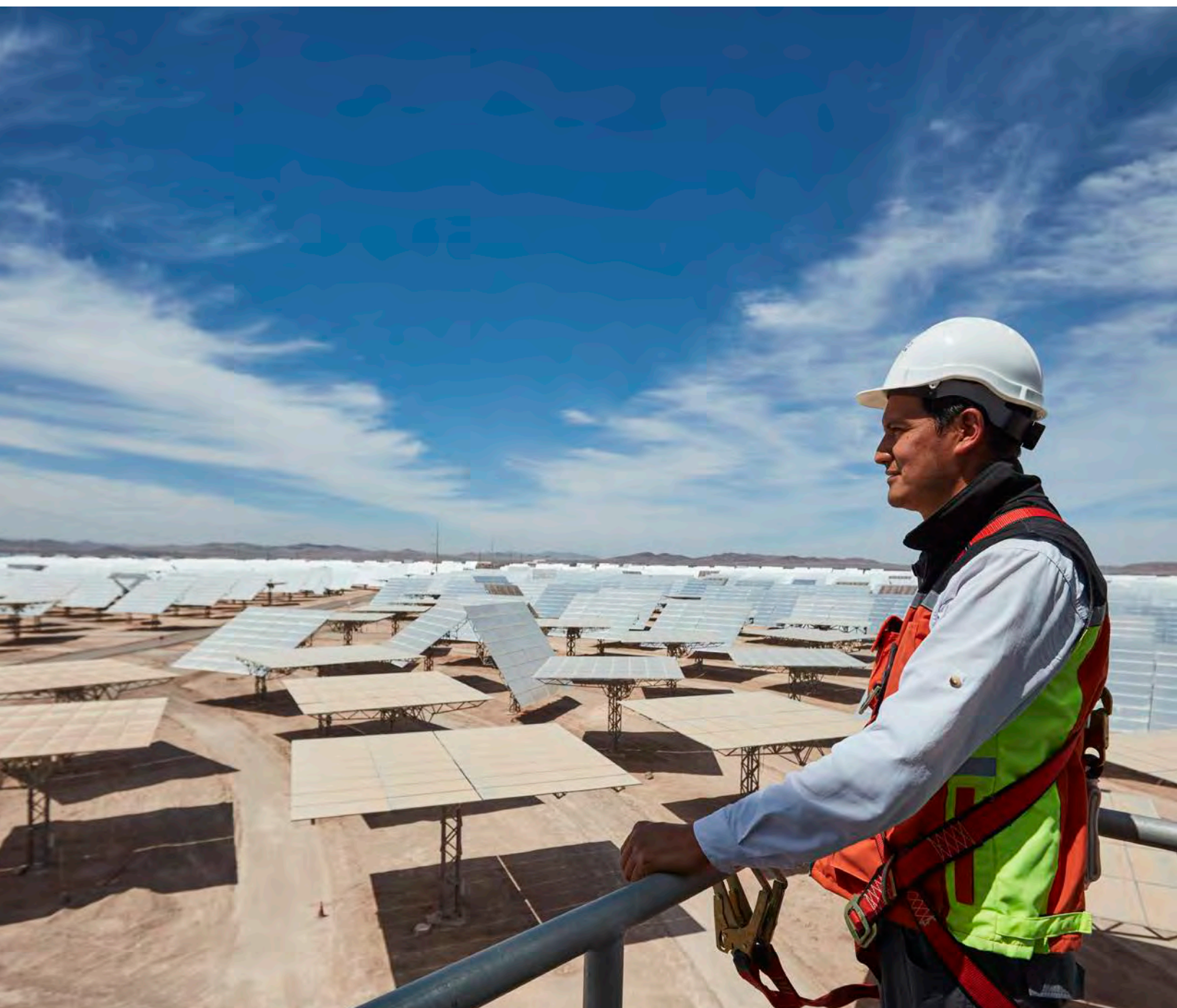
	2030 GOAL	PROGRESS IN 2021	PROGRESS IN 2022
RENOVATE	One project a year to electrify the operations of a large-scale customer.	Supply to Copec electric charging stations and a power purchase agreement with PF Alimentos.	Add new projects to our portfolio that adopt high environmental and social standards, like when we purchased the run-of-river hydroelectric power plants and grew 33%.
	Lobby for the Energy Portability Law and promote incentives for the penetration of CSP technology in the national matrix.	An initiative addressed through the ASCP and other energy trade associations after becoming a 24/7 actor in 2020.	

About the Sustainability Committee

The governance of our Company is the responsibility of an Executive Committee, comprised of the CEO and managers of each area. This is to ensure organization-wide participation in achieving the goals and implementing the actions agreed for the different subjects. For Sustainability, an ESG Committee was created, that meets quarterly and reports directly on the actions taken to the CEO. The decisions adopted form a part of the sustainable development of Grupo Cerro's operations.

Contribution to the United Nations sustainable development goals

In 2015, the United Nations Organization (U.N.) approved the 2030 sustainable development agenda that contains 17 Sustainable Development Goals (SDG) addressing matters that range from eliminating poverty to combating climate change, to education and gender equality. Grupo Cerro has adopted this important initiative by means of its 24/7 Revolution strategy by which it intends to contribute directly to 6 of those goals.



Grupo Cerro actions to contribute to each SDG

- Participation in the “Together We Can” program, a gender equity commitment and conviction. We are developing our Mirrors Program with a local focus in the context of this initiative.
- Female presence of at least 40% in the organization. The challenge is to maintain that percentage.
- We are members of the U.N. Women’s Win-win program.
- We ratified our commitment to the Energy + Women Program of the Ministry of Energy.
- Social innovation with a gender focus.

5 GENDER EQUALITY



- Development of clean energy projects that help care for the planet.
- We quantified the first corporate carbon footprint of Cerro Dominador.

7 AFFORDABLE AND CLEAN ENERGY



8 DECENT WORK AND ECONOMIC GROWTH

- Health and Safety Commitment.
- GPTW certification for the second consecutive year.
- Payment of 50% of supplemental health insurance and of life insurance.
- Payment of salary during medical leave.
- Training, on standby in 2022, and talent development.
- Amipass.
- Continuation of COVID-19 preventive measures.
- Complaint policy, based on the Code of Ethics, for situations of risk to employees.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

- “24/7 Solar Revolution”.
- Impact the fight against climate change positively during construction and operation.
- Scientific Tourism Observation Center in the municipality of María Elena.
- Green Hydrogen studies.

13 CLIMATE ACTION

- TCFD Guidelines.
- Carbon Footprint Measurement.
- Water shortage.
- Climate Risk Matrix. Sustainability talks focused on communities.
- Education and training so that people understand the use of renewable energy.

Climate commitment (TCFD)

We abide by the standard and recommendations of the Task Force for Climate Disclosure (TCFD) that were prepared by the Financial Stability Board (FSB) to consistently inform stakeholders of the financial impact of climate change. This tool has helped us bring to light the way in which climate change is addressed in the organization's governance, define its strategy and risk management, which means that the results of impact measurements and their objectives can be disclosed.

Our part of our 24/7 Revolution sustainability strategy, in 2022 we made progress in the above reporting in line with the TCFD's 2021 recommendations and incorporated best practices to be able to measure and show our high-standard climate change management.



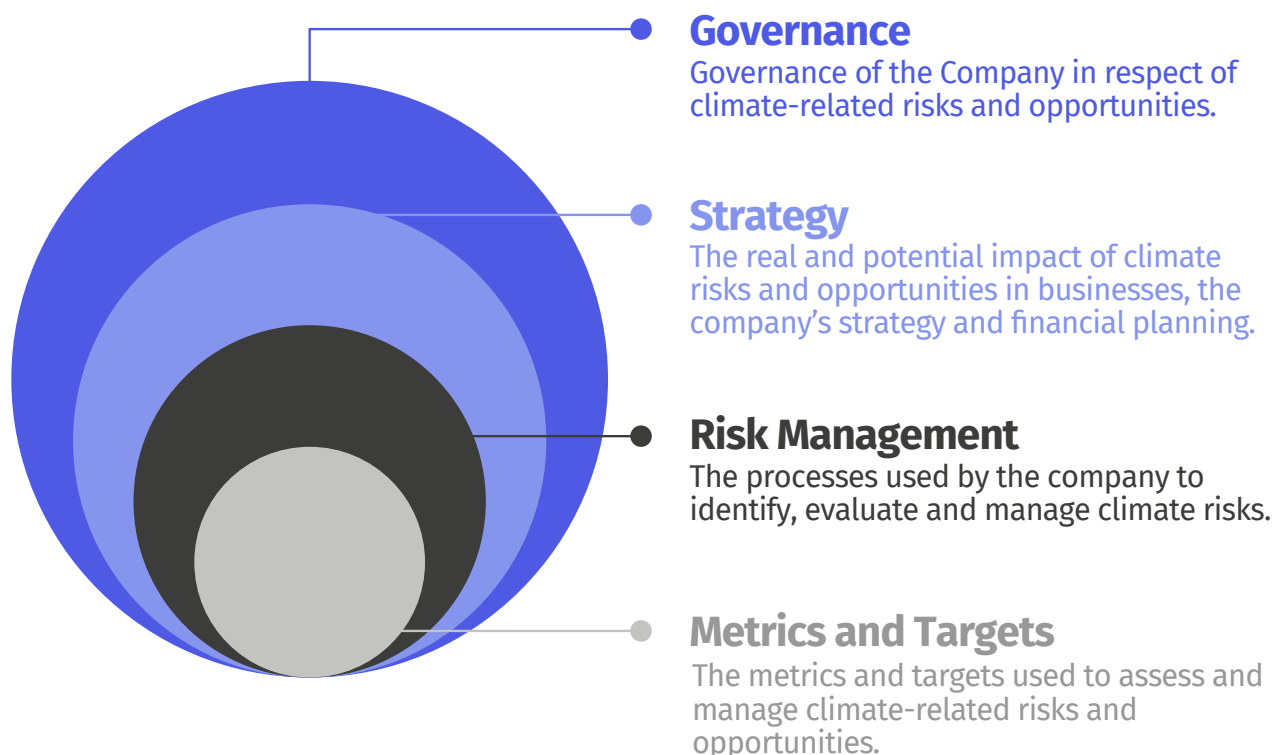
What is TCFD and what are its pillars?

The climate recommendations of the **TCFD** are a framework for climate change that is intended to help participants in financial markets understand the risks and the opportunities associated with the climate change that is affecting the entire planet.

The TCFD is structured around four benchmark areas for the business management of organizations: **Governance, Strategy, Risk Management and Metrics and Targets.**

Adopting TCFD recommendations is voluntary in most countries. However, several national regulators and global investors publicly support the recommendations adopted in this report.

This year, the TCFD is used by more than 2,600 companies in more than 80 countries. The recommendations target all sectors, but provide specific orientation for certain sectors where risks are greater, like banks, insurance companies, energy, transportation, agriculture, food and forest products.



Main TCFD progress in 2022

Governance

- A self-assessment was made of the status of climate-risk governance.
- Different levels of management were introduced to measurement of the carbon footprint and the related physical and transition climate-change risk assessment.

Strategy

- The physical and transition risks of Cerro Dominador were surveyed together with employees from different areas of the company.
- Opportunities were found that Cerro Dominador could capture in relation to the low carbon transition.
- A task force was set up to identify the physical and transition risks of run-of-river hydroelectric power plants. A risk matrix was then designed for this area of the business.

Risk management

- The stages were defined for a climate risk assessment in line with the method of the Intergovernmental Panel on Climate Change (IPCC).
- It was determined how climate risks would be integrated to the company's taxonomy.

Metrics and Targets

- The first corporate carbon footprint of Cerro Dominador was measured. This is an exhaustive measurement that covers scopes 1, 2 and 3.

** Please see the environment section [HERE](#) for further information on our climate change strategy*

Promoting and sensitizing important actors

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Visits to the plant by authorities, schools, communities and other individuals

Grupo Cerro is convinced of the importance of promoting and socializing our continuous renewable energy generation model both nationally and locally because it contributes directly to both increasing the interest in this subject and to a cultural move towards a fair energy transition. So, we developed a sensitization model intended to awaken interest among our stakeholders.





Visit to our facilities by the President of the Republic of Chile and by the High Representative of the European Union.

Gabriel Boric, President of the Republic, visited the Cerro Dominador plant of Grupo Cerro for the first time during a tour through the northern macro-zone. Carolina Tohá, Minister of the Interior, Diego Pardow, Minister of Energy, and José Maza, Professor of Astronomy were members of this group. During the visit, the President discussed issues central to achieving a sustainable energy transition, considering not only innovation and new technologies but also female talent in collaboration among the private sector, academia, territories and the government.

On April 30th, Josep Borrell, High Representative of the European Union, and the Minister of Energy of Chile visited the Cerro Dominador plant. The European diplomat spoke highly of the concentrated solar power project because it received 15 million euros in financing under the European Union's LAIF Program, in addition to a loan from KfW Bank in Germany through Corfo.

Continuing innovation and digitalization

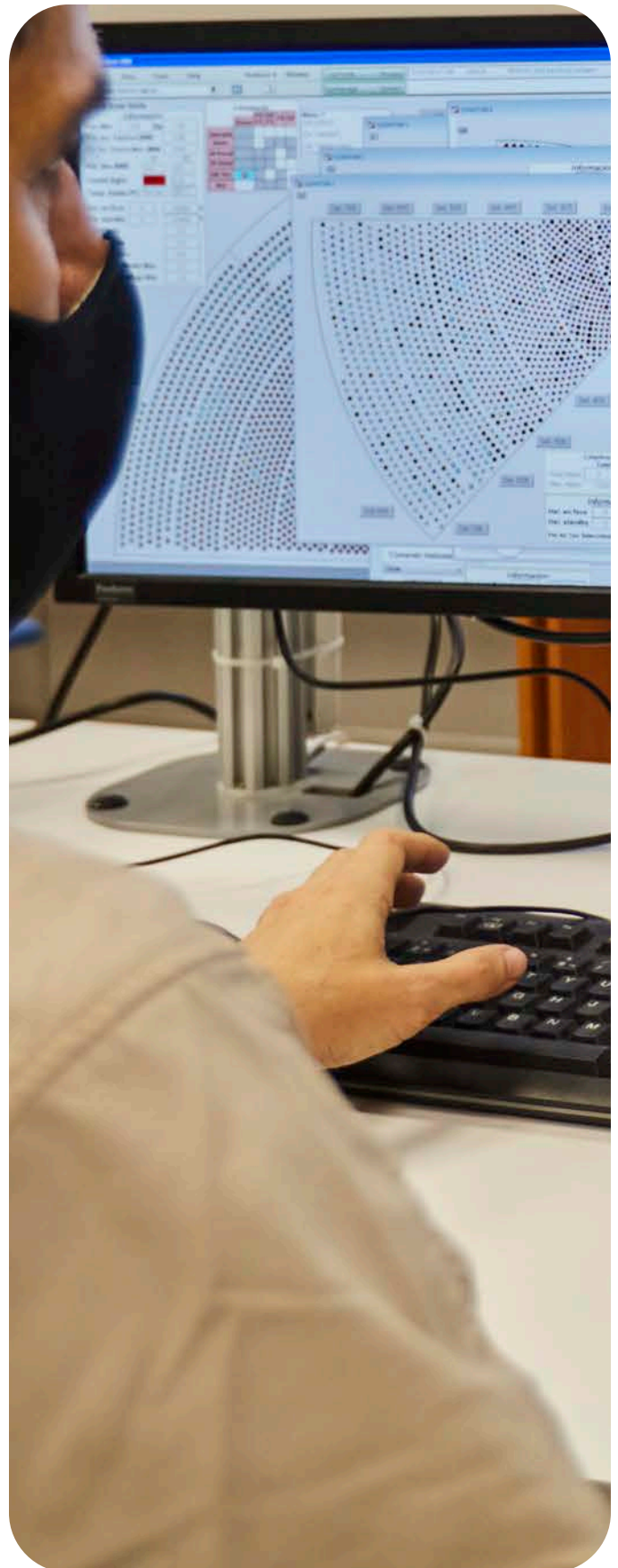
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A very important part of the growth of our company comes from continuing innovation. Thanks to that, we have made major changes through process digitalization. The goal of that digitalization is to achieve greater efficiency, improve the analysis of information and accelerate our results. For this reason, we have implemented policies with defined goals to virtualize a large part of physical and/or obsolete services so that we have a 100% digital ecosystem.

The collaborative work in different task force meetings among the IT area, Digitalization Area and Cybersecurity Area of Grupo Cerro is intended to understand what the main issues are and then offer solutions from a technological standpoint.

Technological renewable energy generation innovations

- Automatic generation disconnection plan.
- Available capacity of the photovoltaic plant.
- CSP data extraction.



Main digitalization projects in 2022

