REPORT 2016

SUSTAINABILITY REPORT

e) entel

Contenido

CEO's Letter

I invite you to read our seventh sustainability report, the second annual one and a document in which we will present our sustainability performance for 2016.

Dear friends,

For all of those who are, and have been, part of Entel, sustainable management is an integral part of the values and principles that guide our business, in addition to our permanent mission to contribute responsibly to social transformation.

To do this, we have an ongoing relationship with all the parties in our social environment, seeking to strengthen links and contribute to the economic, social and environmental development of the countries in which we operate, Chile and Peru.

The first element of our vision of sustainability concerns our own employees. Their development is paramount for the success of the company. This is why in 2016 we kept up our training initiatives, internal promotions and development of specific

careers, focusing on technical and project issues and developing professional growth plans in line with individual skills and profiles, preparing ourselves for the challenges and changes that we constantly face.

In order to continue fostering equitable professional development, this year we began to formally draw up a Diversity and Inclusion Policy, gathering the opinions of all our employees, as well as those of external stakeholders.

It should be mentioned that at Entel we endeavor that our employees should have the possibility of collaborating beyond their daily work. This is why for more than 10 years it has been Entel has been committed to enriching corporate

volunteering and is always looking for options that will allow employees to strengthen the link with the community and the development of social initiatives. This 2016 diversity and inclusion was one of the important themes of the voluntary work.

Meanwhile connectivity and "good connectivity", the sort that improves people's quality of life, are central pillars in our vision and mission to have a sustainable business. This year we continued to make progress in terms of connectivity through the "Conectando Chile" project, completing the second, deployment phase of the 700 MHz band, complementing the 2,600 MHz network. This project has made it possible to connect thousands of people throughout the country, from 708 isolated localities.

The popularization of telecommunications services and digital inclusion are pillars of social development, which is why we have undertaken initiatives here, including the training of more than 1,000 social leaders in technology, so as to enhance their social role. The year also saw the training of more than 100 female entrepreneurs in the Metropolitan Region, with the help of the National Women's Service, in information technology so that they can sell and improve their entrepreneurship, supporting their insertion in the marketplace.

Another area of inclusion has been the signing of an agreement with the Association of the Deaf of Chile (ASOCH), and the training of our employees in sign language in order to provide deaf customers with personalized customer care.

We also continued to promote reading through digital devices in Spanish and in the language of our native people through the "Yo Leo" project in the region of La Araucanía, and this year also in Easter Island, promoting the Rapa Nui culture its language. Along the same lines we have made progress in enabling access to reading amongst the neighbors of the commune of Independencia, launching the first Physical Digital Library, a pioneer project for Latin America.

In environmental matters we are committed to the care of, and responsibility for, our environment. To this end, in order to improve the recycling of electronic waste we made alliances this year with institutions, companies and foundations, allowing us to recycle more than 350 tons of waste through the recycling of telephones and network components.

Finally, in 2016, Entel became the first Chilean telecommunications company to join the Dow Jones Sustainability Index Chile (DJSI), and one of just 18 companies in the industry worldwide to feature on Dow Jones indices. For our company this is a path of no return and we will continue to work rigorously so that in parallel to improving the management of economic, social and environmental issues, we are part of the most recognized sustainability indexes worldwide.

I invite you to read the seventh Entel Sustainability Report. This is the second year we have reported annually. In this report you will find the results of our economic, social and environmental performance, their impact and the commitment of everyone at Entel to open the way to connectivity, contribute to social transformation and improve people's quality of life.

Kind regards,
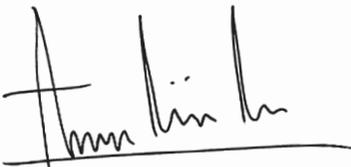
Antonio Büchi Buc
Chief Executive Officer

Our Vision of Sustainability

Entel's Sustainability Policy focuses on addressing, understanding and meeting the expectations and interests of stakeholders, and in doing so contributing to the technological, social, economic and environmental development of Chile and Peru.

Sustainability is a fundamental part of the company's business and is clearly reflected in the pillars of its mission and vision, through which the company seeks to provide access to telecommunications, eradicate the digital divide and make a constant contribution to improving the quality of people's lives. These aims have positioned Entel as a leader in the industry, with a vision of the future sustained over time.

Sustainability Policy

Entel is a telecommunications company that seeks to play a part in social development and welfare, both in Chile and in Peru, and is strongly committed to building a more integral, harmonious and inclusive society.

The key focuses of sustainability management are:

> Integrating sustainability as an essential part of operations.
> Contributing to the welfare of society through the popularization of connectivity and its services.
> Supporting policies that improve the social and economic conditions of the communities where we develop our projects.
> Implementing initiatives that create shared value between stakeholders and the company.
> Fostering innovation and social entrepreneurship.

8,653
EMPLOYEES

40%
WOMEN
In the workforce

11,669
CONTRACTORS

MORE THAN
350
TONS
recycled electronic waste (telephones, network components and containers in Chile)

199,953
STAFF HOURS OF TRAINING
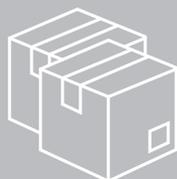
57%
SME SUPPLIERS

First
telecommunications company to join the Dow Jones Sustainability Index Chile (DJSI Chile).
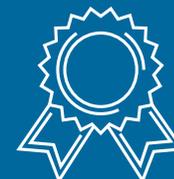
14 years
running, first place in the ProCalidad National Customer Satisfaction Awards in the mobile telephone services category.

ECONOMIC FIGURES

MORE THAN
555
MILLION
distributed amongst stakeholders in 2016.

COMMUNITY

MORE THAN
1000
SOCIAL LEADERS
took part in Entel training workshops.

MORE THAN
89%
OF CONTRACTORS
that install telecommunications infrastructure are trained in community relations.

CHILEANS CONNECTED

730
LOCALITIES

130 thousand
CHILEANS CONNECTED

DIGITAL INCLUSION

95%
OF NETWORK ROLLOUT
in isolated areas of Chile.

MUJERES ON

78%
PARTICIPANTS
use the Internet as a sales channel.

CLIC COURSES

18,188
REGISTERED
entrepreneurs trained in access to technology.

4G+

ENTEL LAUNCHES + 4G
becoming the operator with the most modern network in Latin America.

Entel's Commitment to the 10 Principles of the United Nations Global Compact

An essential principle of Entel is to support, respect and protect the fundamental rights of all people, which is clearly established in the company's Code of Ethics [1]. Its commitment to this principle is reflected in its active participation in the United Nations Global Compact Network - Chile.

The United Nations Global Compact aims to build a more inclusive and equitable global market through the fulfillment of 10 fundamental principles, grouped into four general categories: Human Rights, Labor Standards, Environment and Anti-Corruption.

Entel has been a member of the United Nations Global Compact Network - Chile since 2008, committing itself to this global agreement along with other companies. It is also part of the Board of Directors of the Executive Committee of Chile, through the participation of the Regulatory and Corporate Affairs Executive. This Committee meets once a month. In 2016 attendance of the companies was recorded, with Entel participating actively in all the sessions.

It also participated and collaborated in different initiatives of the Global Compact - Chile:

Global Compact Initiatives - Chile

Participation in the integration system for the principles of the compact (SIPP)	> The performance of companies participating in the Global Compact was assessed regarding the integration of the 10 Principles into their strategies. > Entel's "Support for Risk Management" practice was chosen as one of the five best in the Anti-Corruption area.
Active participation in working group	Active participation in 16 meetings, in different working groups: > Environment: Climate Change was addressed, specifically water- and carbon footprints. > Labor relations: Matters of gender equity and the implementation of the Principles for the Empowerment of Women were tackled and analyzed. > Transparency: Responsible Investment was addressed, especially the incorporation of environmental, social and governmental factors in the investment criteria.
Participation in Thematic Meetings	Participation in different Thematic Meetings (seminars), relating to 4 Principles: > Human Rights: "Productivity and Gender Equity" > Labor Relations: "Beyond Labor Reform" > Environment: "Climate change: how does it affect the country and the company?" > Anticorruption: "Transparency, a matter pending in Chile"

[1]For more information on Empresas Entel policies, please see the Entel code of ethics [http://www.entel.cl/corporativo/pdf/codigo-etica.pdf]

BOARD OF DIRECTORS → REGULATORY AND CORPORATE AFFAIRS DIVISION → DEPARTMENT OF SUSTAINABILITY AND COMMUNITIES

G4-24
G4-25
G4-26
G4-27
G4-47
G4-48
G4-49

Stakeholders

As part of the Regulatory and Corporate Affairs Department, the Sustainability and Communities Department is responsible for ensuring the implementation and fulfillment of the objectives of Entel's Sustainability Policy and maintaining relations with stakeholders, continuously reviewing and improving the connection these groups and generating permanent channels of dialogue and communication.

Being familiar with stakeholder priority issues and the impact of Entel on each of them allows links to be strengthened and value added to the management of the business.

The company's key stakeholders are the communities with which it is involved, customers and users, employees, suppliers and contractors, shareholders and investors, the media, the state (authorities and regulators) and civil society.

The Regulatory and Corporate Affairs Department reports to the Board annually and must provide information on the company's progress in matters of sustainability and its relationship with stakeholders.

In order to achieve ongoing, cross-cutting coordination and communication on sustainability management, regular meetings are held within the Department and with other areas of the company:

> Regulatory and Corporate Affairs Department internal meetings:
  • Meetings are held monthly with the Regulatory and Corporate Affairs staff and include the Regulatory, Public Affairs, Corporate Communications, Regulatory Studies and Sustainability Departments.
  • Coordination meetings are held weekly with the Public Affairs, Corporate Communications and Sustainability Departments.

> Internal meetings with other departments:
  • Bimonthly coordination between the marketing department of Entel's Consumer, Enterprises and Corporations segments, Corporate Communications, Internal Communications, Public Affairs and Sustainability.
  • Fortnightly coordination between the Innovation and Sustainability area.
  • Fortnightly coordination between the Internal Communication and Sustainability Departments.
  • Monthly coordination meetings with the Infrastructure Department.
  • Bimonthly coordination meetings with the Logistics Department.

In 2016 Entel's Sustainability and Communities Department focused its efforts on:

> Reducing the digital divide and facilitating access to technologies.
> Forging links with communities who are part of the environment in which Entel develops its business and deploys infrastructure that supports service.
> Strengthening links with the social organizations the company is involved with.
> Involving Entel employees more with issues of sustainability. Through corporate volunteer programs they become ambassadors and representatives of the company, creating a closer relationship with the community while gaining a sense that they are part of the social role played by the company.

Stakeholder relationship-building

Entel seeks to foster an ongoing relationship with stakeholders and create mutual, efficient communication mechanisms. This makes it possible to learn about the concerns they have regarding the management of the company in terms of economic, social and environmental issues, allowing the company to communicate efficiently and effectively on these matters.

With the aim of listening to and addressing the concerns of different stakeholders, Entel has established a formal relations mechanism with each of them as well as a methodology for learning about their concerns and following up on initiatives resulting from joint activities.

Stakeholder relationship-building model

MISSION AND VISION

COMMUNITIES

CUSTOMERS

SHAREHOLDERS AND INVESTORS

EMPLOYEES

MEDIA

SUPPLIERS AND CONTRACTORS

STATE AND REGULATORS

CIVIL SOCIETY

Identification channel for matters of interest

Bringing up priority matters

Relationship-building activities

Co-creation of initiatives generated through dialogue
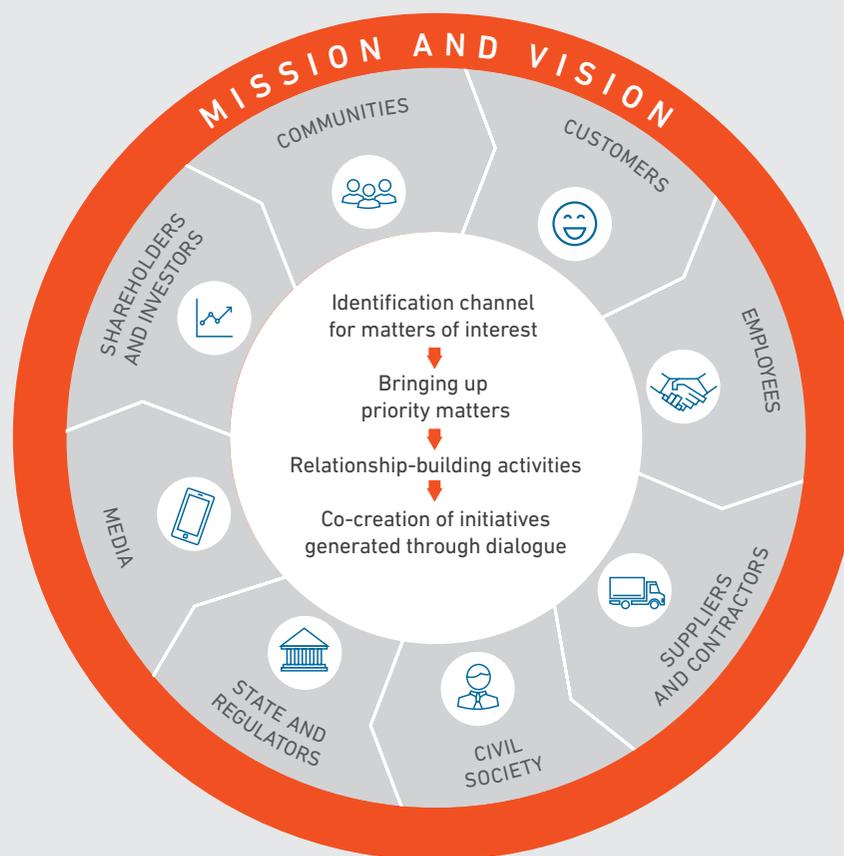
Ruby Huenchuñir, Community Leader, Contreras.
Commune of Traiguén, Araucanía Region.
Conectando Chile Project.

Implementation of Stakeholder Relationship-Building Model in 2016

	Identification Channel for areas of interest	Definition of priority issues	Relationship-building activities	Co-creation of initiatives generated through dialogue
Communities	› Relationships on-site/through authorities. › Monitoring relationship-building opportunities with communities.	› Electromagnetic radiation caused by setting up telecommunications infrastructure. › Electronic waste recycling. › Consumer rights. › Digital inclusion. › Electronic waste recycling.	› On-site meetings. › Roundtables.	› Uniendo Personas program. › Mujeres On. › Agreement with the Chile's Association for the Deaf for customer service and services. › Inauguration of locations for Conectando Chile project. › Corporate volunteering. › Social Leaders Workshop. › Digital Independence Public Library. › Yo leo. › Recycling of cellphones and accessories.
Customers	› Customer Satisfaction Survey. › Reporting channels. › Market studies.	› Service Quality. › Aftersales. › Prices. › Transparency. › Technical Support. › Coverage. › Responsibility to the environment.	› Loyalty events. › Launches. › Customer journey analysis.	› Entel Digital Transformation Project (TDE) › Launching new plans. › 4G+ Launch. › Launch second phase of Conectando Chile program.
Employees	› Great Place to Work Survey. › Relations with Unions.	› Life/work balance. › Professional development. › Health and safety at work. › Benefits › Organizational environment › Diversity and inclusion.	› Internal communications › Performance evaluation. › Regular meetings between area heads and CEO. › Collective bargaining.	› Devising Diversity and Inclusion Policy. › Collective agreements. › Corporate volunteering. › Benefits for employees including measures to combat stress, family integration, health programs, sports centers, etc.
Suppliers y Contractors	› Assessment of suppliers.	› Clear information on accreditation.	› Generating information to carry out improvements in procedures. › On-going relationship to better understand their role in the business and our needs.	› Training courses on Occupational Safety and Health. › Training courses on community relationship-building

Identification Channel for areas of interest	Definition of priority issues	Relationship-building activities	Co-creation of initiatives generated through dialogue

Shareholders and Investors

› Financial Sector conferences, both local and international.	› Progress in expansion plans for Peru › Competitive areas in Chile and new regulatory developments, business risks and Corporate Governance	› Investor Day with direct access to management. › Individual meetings with investors. › Quarterly meetings with local investors to review results.	› Follow-up plan with investors.

Media

› Industry management and analysis. › Relationship-building meetings with investors. › Requests for questions for press releases.	› Have information kit of high journalistic value.	› Management and coordination of the Sustainable Journalism Award (PESU). › Annual meeting of journalists.	› Telecommunications training for new journalists. › "Conéctate con la Sustentabilidad" initiative, showing activities linked to sustainability.

State

Authorities: › Opening communication channels with public authorities seeking to contribute to the management of the business. › Response to information requirements on different projects and initiatives. Regulators: › Working meetings with the authority on the concerns and focus of Government regarding the administration.	Authorities: › Importance of the growth of telecommunications for the social and economic development of the country. › Rollout of infrastructure in communes and territories. Regulators: › More information and transparency for users of telecommunication services on the rollout of infrastructure.	Authorities: › Invitation to the authorities to participate in all the "Conectando Chile" project launches. Regulators: › Formal working meetings to prepare an agenda on issues of interest to the authority and Entel. › Seminars, lunches and talks with the industry and requests for meetings on issues that concern Entel regarding the development of telecommunications services.	Authorities: › Establish the IMEI industry database. › Inaugurate all 4G+ and Conectando Chile launches with the authority. › Workshops with regional authorities to train social leaders in use of technological tools. Regulators: › Roundtable was set up to monitor the 700 MHz project. › The discussion with ATELMO on the bills currently in the pipeline in Congress.

Civil Society

› Ongoing dialogue and contact.	› Responds to the concerns of the people represented, such as: respect for rights, access to information, transparency and quality in services and customer care.	› ORCUS agreement to develop activities throughout Chile concerning consumer rights and duties. › ASOCH agreement on more personalized service and customer care for deaf people. › Roundtables with social organizations.	› Validate management of complaints in stores and other channels. › Initiation of a Diversity and Inclusion Policy at Entel. › National promotion of responsible recycling of electronic waste. › Train providers of infrastructure in relationship building with social leaders. › Train the community nationwide on consumer rights (with ODECU). › Social Leaders Workshop supplying technological tools for performing their functions. › Yo Leo Mapudungún. › Yo Leo Rapa Nui.

Partnerships and Memberships

The company subscribes to joint efforts between institutions as a way to achieve objectives that improve the quality of life and the experience of people, which is why it is part of national and international sectoral associations, through which it can share its vision and knowledge. In also provides support to foundations that share the mission of transforming society.

Sectoral Organisations 2016

> 5G AMERICAS
> Asociación Chilena de Empresas de Tecnología de Información A.G. (ACTI)
> Asociación de Telefonía Móvil (ATELMO)
> GSMA
> GSMA Latin America
> Chilean American Chamber of Commerce (AMCHAM)
> National Chamber of Commerce
> Centro de Estudios del Desarrollo (CED)
> Centro de Estudios Públicos (CEP)
> Corporación de Estudios para Latinoamérica (CIEPLAN)
> Libertad y Desarrollo
> Sociedad de Fomento Fabril (SOFOFA) y SOFOFA- INNOVA
> Unión Social de Empresarios Cristianos (USEC)
> Santiago Chamber of Commerce

Foundations 2016

> País Digital Foundation
> RAD Foundation
> Paz Ciudadana Foundation
> Easter Island Municipal Corporation
> ProHumana Foundation
> Enseña Chile Foundation
> Junto al Barrio Foundation
> OPTE Foundation
> Recyclapolis Foundation
> Teletón Foundation
> WWF
> Proyecto Propio Foundation
> Corporation for the blind

Scope of Report

This is the seventh Entel Sustainability Report and the second annual one. In this report Entel will show its economic, social and environmental performance, in accordance with the criteria and requirements set out in the Global Reporting Initiative (GRI).

The report covers the period between January 1 and December 31, 2016. Information from previous years was included in order to complement and give context to current work and as a background to identify long-term trends. The content of the Report focuses particularly on the management of Entel Chile. However, certain chapters provide material and relevant information regarding the incorporation of Entel Peru and the Entel Call Center. The chapter on Economic Performance gives consolidated figures for both countries.

The 2016 Report was prepared by the Regulatory and Corporate Affairs Department, with the external support of a global consultants Corporate Citizenship. The content of this report was based on information provided by the organization's different departments, providing a strategic and future vision of the issues addressed.

Corporate Contact

This document has relevant information for stakeholders on the management of Entel in 2016. Stakeholders can also make direct contact with:

Manuel Araya Arroyo
Regulatory and Corporate Affairs Executive
maaraya@entel.cl

Katherine Martorell Awad
Director of Sustainability and Communities
kmartorell@entel.cl

Manuel Peña Caballero
Sustainability and Communities Consultant
mcpena@entel.cl

Identification

> Identification of the relevant material impacts (economic, social and environmental) of Entel's value chain.

> Press analysis: 176 press releases published between January 1 and August 31, 2015 were reviewed.

> Stakeholder opinions: online interviews were carried out with workers' representatives (78), opinion leaders (7) and investors (23).

Prioritising

> A methodology to prioritize aspects was used with scoring from 1 to 5; 5 being "very relevant" and 1 "not relevant".

> From this assessment a materiality matrix was developed, which crossed relevance scores from the perspective of the company with those assigned by stakeholders.

Validation

> The materiality process results were validated by the Regulatory and Corporate Affairs Department in terms of the scope of each of the indicators and the structure and depth of the issues looked at in this report.

Aspects relevant to stakeholders

This Report is structured and oriented according to the material aspects identified for its stakeholders. Although it was not externally verified, the content was oriented and adjusted to GRI criteria and requirements in its G4 version, with the essential compliance option. This involves reporting against 47 indicators on general standard disclosures, and 42 performance indicators linked to 17 material aspects. It should be noted that in 2016, more indicators were reported against than in 2015, which shows the continuous effort to inform stakeholders on the company's sustainability management.

Material issues are those aspects that reflect the company's impact in economic, social and environmental matters, as well as those that are important for stakeholder decision-making.

Given Entel's constant concern for its stakeholders, and in order to have a clear vision of the material issues that most concern them, in 2015 a materiality study was carried out which identified the most relevant issues. These were prioritized according to their level of importance and the results were validated by the Regulatory and Corporate Affairs Department.

The methodology used for the materiality analysis of the economic, social and environmental aspects of Entel's operations was as follows:

Relevant issues for Entel operations

As a result of the materiality process, the following material aspects were identified, information on which will be provided in this report along with their scope.

MATERIAL ASPECTS	IMPACT WITHIN THE ORGANIZATION	IMPACT OUTSIDE THE ORGANIZATION	SYMBOL IN MATERIAL ASPECTS MATRIX	
ECONOMIC CATEGORY				
1. **Economic performance** (Economic value generated and distributed)	√	√		Direct economic impact
2. **Indirect economic consequences** (Impact of investment in infrastructure and other types of services)		√		Inirect economic impact
3. **Procurement practices** (Impact of investment in infrastructure and other types of services)		√		Procurement practices
SOCIAL PERFORMANCE/PRODUCT RESPONSIBILITY CATEGORY				
4. **Labeling of products and services** (Customer satisfaction)		√		Service satisfaction
5. **Products and services** (Policies, systems, procedures to ensure quality and safety of products and services)		√		Quality and safety of products and services
6. **Customer Privacy** (Safeguarding of customer data)		√		Customer data privacy
7. **Marketing communications** (Advertising, information given to customers about products and services)		√		Marketing and advertising
8. **Regulatory Compliance** (Fines for breaches of regulations regarding customers)	√	√		Regulatory compliance customers/products
SOCIAL/SOCIETAL PERFORMANCE CATEGORY				
9. **Local communities** (Reducing digital divide and other impacts on the community)		√		Local communities
10. **Corruption**	√	√		Prevention of corruption
11. **Regulatory compliance** (Breaches of regulations relating to preventing corruption, relationship with communities)	√	√		Regulatory compliance customers/communities
SOCIAL PERFORMANCE/LABOR PRACTICES AND DIGNIFIED EMPLOYMENT CATEGORY				
12. **Training and education** (hours training, performance appraisals, leadership programs)	√			Training and development
13. **Employment** (Workforce turnover and benefits)	√			Employment generated
14. **Health and safety at work** (accident and loss rates, joint committees)	√			Health and safety
15. **Relationship between workers and management** (Freedom of association and collective bargaining)	√			Labor relations
ENVIRONMENT CATEGORY				
16. **Energy**		√		Energy
17. **Environmental impact of products and services** (Mitigation of the environmental impact of products and services)		√	CO_2	CO_2/GHG emissions

Material Aspects

Prioritization of the most relevant issues for Entel can be seen in the following materiality matrix.

Level of influence on stakeholder evaluations and decisions.

VERY HIGH
- Employment generated
- Direct economic impact
- Local communities

HIGH
- Regulatory compliance customers/products
- Energy
- Service satisfaction
- Relationship with unions
- Indirect economic impact
- Prevention of corruption

MEDIUM
- Public policy
- Health and safety
- Regulatory compliance customers/community
- Marketing and advertising
- Training and development
- Customer data privacy

LOW
- Solid waste
- Quality and safety of products and services
- Environmental impact products and services
- Procurement practices
- CO₂ CO²/GHG emissions

LOW   MEDIUM   HIGH   VERY HIGH

Level of importance of economic, environmental and social impacts. Company vision.

● Social   ● Economic   ● Work related   ● Environmental

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

Chapter I
We are Entel

G4-3
G4-4
G4-5
G4-6
G4-8

Entel is one of the leading telecommunications providers in Chile and Peru. It has the most modern network in Latin America and delivers a distinctive experience to its customers through world-class service in the markets in which it operates: individuals, companies, corporations and wholesalers.

The company provides services in the areas of mobile communications, fixed networks, information technology services, network leasing and wholesale traffic businesses. It also provides call center services.

Entel has a modern telecommunications infrastructure	• Mobile Telephone Services • Fixed Network • IT outsourcing • Network leasing and wholesale traffic business • Call center services	Distinctive quality experience for customers

Helping people to live better connected

Mission

To ensure we all live better connected, making a responsible contribution to transform society.

Vision

A world-class service company providing its customers with a unique experience. A place for people to reach their full potential. A company continuously reinventing itself to strengthen its leadership.

G4-7

I n its Mission and Vision, Entel has shaped the goal of playing a part in social transformation through connectivity and innovation, helping improve people's quality of life.

Entel was created in 1964, shortly after the earthquake in Valdivia, the biggest ever in the country and indeed in the world. After the catastrophe the company started operating with the aim of connecting Chileans, committing from the outset to work for the country's development, increasing connectivity and bridging the digital divide. Since then, Entel has established itself as the leader of the telecommunications industry in Chile.

In 2001, the company began operations in Peru, where it operates through its subsidiaries Entel Peru, Americatel Perú and Entel Call Center SA.

Ownership structure

Entel Chile SA is a close corporation. As at December 31, 2016, ownership was distributed amongst 1942 shareholders. With 54.86% ownership, Inversiones ALTEL Ltda., a subsidiary of Almendral SA, is the controlling shareholder. It is an investment company in which six business groups participate jointly.

Business Strategy

Entel 2025

Entel is aware that the world is experiencing a fourth industrial revolution, affecting all economic sectors. This revolution is based on people's increasing use of technological solutions, giving impetus to changes in the business models.

Against this backdrop Entel 2025 was born, an initiative that led the company to reflect on its strategic vision through a cross-cutting, collaborative process that brought together technological trends and the needs and expectations of individuals and organizations.

In 2016, in the framework of Entel's 2017 - 2019 plan, Entel 2025 applied this reflective process to its strategic vision, updating its thinking on how the new trends - Big Data Analytics, Internet of Things, Information Security, Cloud, etc. - would define the strategic capabilities and approaches the company needs to deploy in order to project its leadership into the next decade.
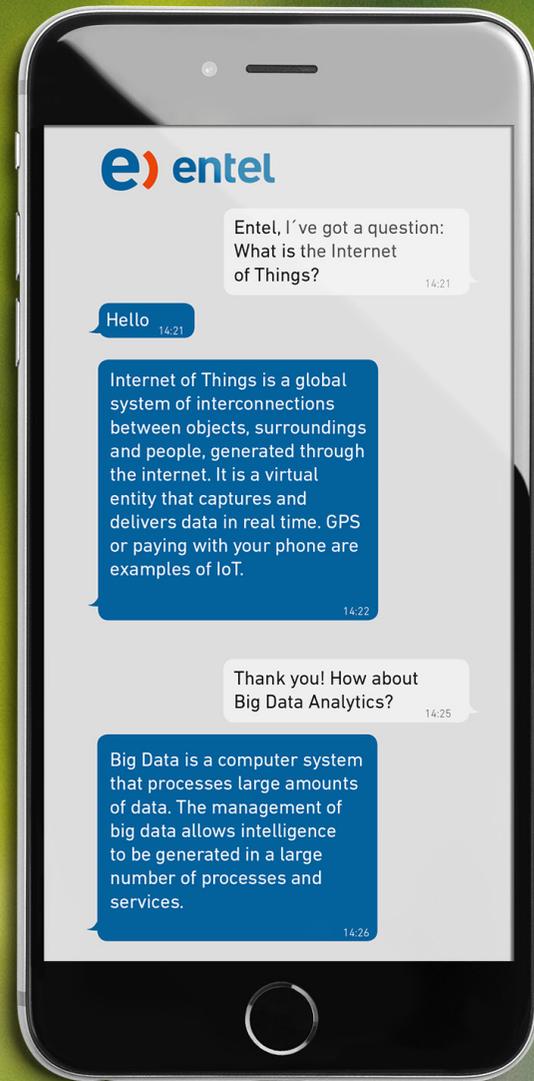
Superior experience	Offer best-in-class Services and Solutions	Develop the Most Advanced and Efficient Technology
> Provide the best experience (distinctive and recognized by the market).	**TRANSFORMATIONAL** > Advance in the development of transformative trends such as, IoT, Big Data, Digital Home, Cloud, etc. **EVOLUTIONARY** > Evolve our range of products and services in order to remain leaders.	> Evolution of the Telecommunications Network > Evolution of business support platforms.

G4-EC7

DIGITAL TRANSFORMATION

"Given this scenario we agreed on a roadmap, with the aim of adapting successfully to this new challenge by transforming into a digital company ... we are on the way to becoming a one click company."

Carlos Palito
Head of Entel
Digital Transformation Project

Entel Digital Transformation Project

One of the strategic enablers that will help meet the objectives of the Entel 2017-2019 Plan and face the challenges of the next decade, is to ensure the company's digital transformation.

In this context, Entel is currently in a restructuring process that aims to make it 100% digital. As part of the "Entel Digital Transformation" project, new technologies are being adopted to make the customer journey fast, efficient and interactive.

First contact with Entel	INTERACTION	Purchase and use of services and products	INTERACTION	Service and products after-sales
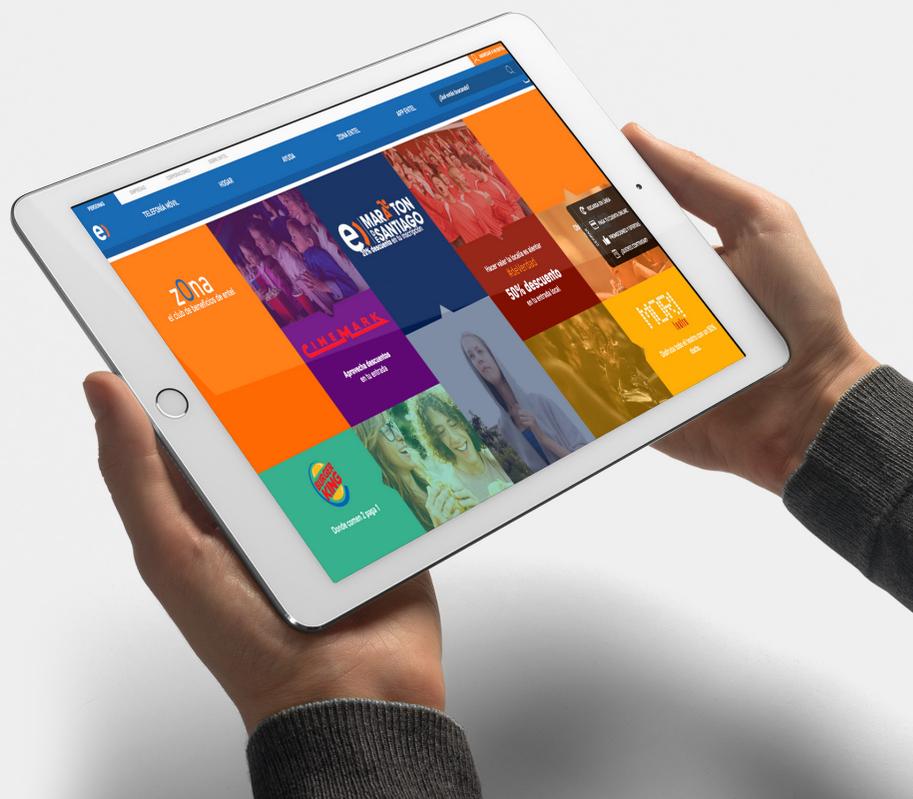
CUSTOMER JOURNEY: DISTINCTIVE EXPERIENCE

LOOKING FOR SIMPLICITY, TRUST AND PERSONALIZATION

In order to carry out the restructuring, Ericsson was chosen as strategic partner. Both companies are working on redefining and simplifying products and services to streamline business in Chile and Peru. This will enable Entel to become fully digital, with a simple, lightweight, transparent structure, operating with customers in real time.

What is the customer journey?

Conceptually, the customer journey refers to the customer's integral experience with the company. All points of interaction between customers and the company are mapped - from the first contact, the subsequent purchase and the use of contracted services and products, through to after-sales, with the aim of transforming dissatisfaction with the experience, into opportunity, using innovation methodologies.

The company's Digital Transformation will not only bring changes in the customer journey, it is also a global approach that will turn around the way things are done internally. Collaboration and transversality are part of the DNA of this program, where markets, systems, networks, operations, staff and channels are focused on working towards a common goal - Entel's Digital Transformation.

There are two major challenges to this transformational and innovative process, namely the technical system itself for adopting and implementing new standard industry processes, systems, tools and technology; and secondly the ability of company staff to adapt to working in a cross-cutting and collaborative way.

As such we will provide an integrated, consistent and streamlined experience across all channels, expediting the delivery of new services and reducing costs in the process, positioning ourselves as leaders in the region.

The path to Belén, 3,240 meters.
Commune of Putre, Arica and Parinacota Region
Conectando Chile Project.

Entel Value Chain

1 INBOUND LOGISTICS

2 OPERATION

SOURCING Professional Services Contractors		
SOURCING Suppliers input/equipment		
RESEARCH & DEVELOPMENT (R&D)		
HUMAN RESOURCES MANAGEMENT		
HANDSETS		
INFRASTRUCTURE AND TECHNOLOGY		

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

3 OUTBOUND LOGISTICS

4 MARKETING AND SALES

5 AFTER-SALES SERVICE

Social Labour Impacts

- Employment and Employment Quality
- Occupational Health and Safety
- Labour Relations
- Training and Development

Economic Impact

- Economic Performance
- Indirect Economic Consequences
- Procurement Practices

Environmental Impact

- Input, raw materials
- Waste
- Energy
- CO_2 emissions
- Products and Services
- Transport

Social Impact, Community

- Local Communities
- Fight against Corruption
- Public Policy
- Unfair Competition Practices
- Regulatory Compliance

Customer/Service Social Impact

- Health and Safety Concerns of Customer/Consumer
- Customer Satisfaction
- Marketing and Advertising Practices
- Customer Information Privacy
- Regulatory Compliance
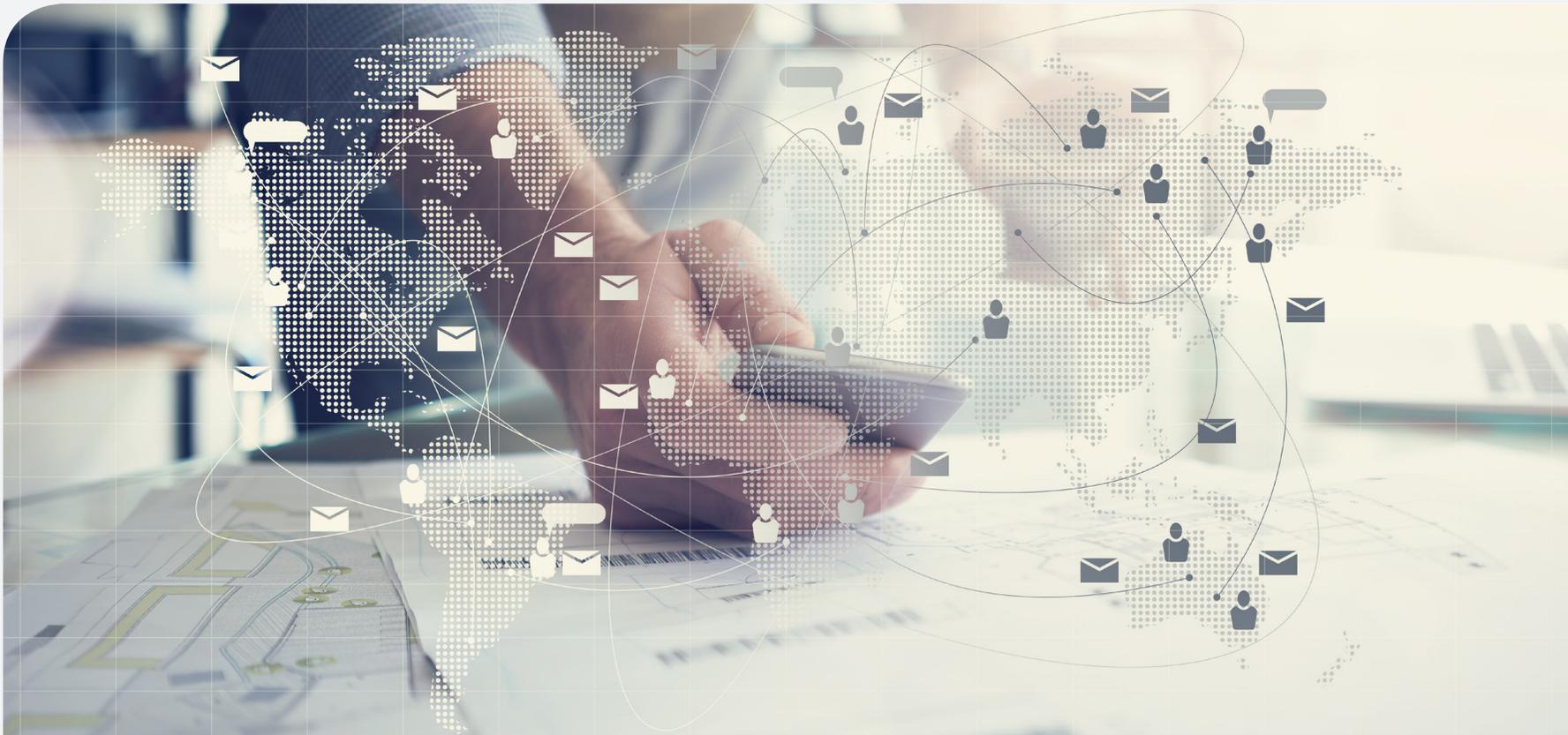
"Digital people are changing industries, driven by new ways of seeing and relating to the world, through the intensive use of new technologies ..."

Carlos Rodríguez,
Head of Innovation Manager at Entel Entel Summit 2016

Innovation and Transformation to Digital

Innovation as the driving force at Entel

Being an innovative company contributes to the strategic objectives and requires an organizational culture that involves all the employees. Innovation has been the mainspring for much of the progress and developments being implemented at Entel.

With innovation is constantly evolving around the world, Entel has generated different alliances both nationally and internationally that allow it to keep up-to-date with new trends and improve management, based on the dynamism of the ideas being promoted, and adapting its management.

Focal points for Innovation 2016

Promote Frontier Innovation Projects

Analyze trends, detecting medium- and long-term threats and opportunities and proposing action to capture these opportunities.

Support each department's base innovation projects.

Support the challenges of the different departments by transferring innovation methodologies to overcome these challenges.

Support the development of Innovation Value

Help develop an permanent culture of innovation that will become part of our DNA.

Expand our Innovation Capabilities

Provide Entel with alliances that foster effective innovation processes through the transfer of methodologies and best practices.

E)makers challenge

The e) makers challenge program is about Entel employees working together to generate ideas to solve the challenges facing the company. The initiative invites all employees to offer proposals for advancing innovation. In 2016, 154 employees participated in the challenge with their proposals. 2016 saw a new initiative in the form of "Desafío Tengo una Idea".[2]This a volunteer project that is about enabling employees to generate social projects that deliver benefits and added value to communities.

Innovation Day

These are informative talks that aim to inspire Entel employees on matters of innovation, helping to achieve the transformation that the company seeks. In 2016, five informative talks were given to 1,300 attendees. Participants included Juan Verde, the international co-director of Barack Obama's electoral campaign, and Rafael Yuste, creator of the "Brain" that seeks to map the human brain.

Science Night

The year also saw the first "Science Night" sessions which seek to bring Entel employees into contact with the development of science in Chile. The talks were free and open to the whole company. The first sessions were on Astronomy, Biotechnology, Robotics and Artificial Intelligence and were attended by scientists of the highest level.

---

[2]For more details on the volunteer program "Tengo una idea", please see Chapter 7, "Communities and Social Investment", on page 101.

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

Highlights 2016

4G +

Entel is the first company in Chile to deploy the 4G+ network, the most modern in Latin America, making it the first telecommunications company in the country to provide customers with a 4G network on the 700 MHz band. In addition to the Metropolitan Region, at year end the company had already deployed 4G+ network in the regions of Biobio, Valparaiso, Tarapaca, Antofagasta and O'Higgins, delivering the technology to more than 70% of the country's population.

Dow Jones Sustainability Index Chile

In 2016, Entel became the first Chilean telecommunications company to join the Dow Jones Sustainability Index Chile (DJSI), and one of just 18 companies in the industry worldwide to feature on Dow Jones indices. These are the most globally reputable indices for sustainability and are very important to investors and other stakeholders due to the rigorous way they analyze companies on economic, social and environmental issues.

Conectando Chile

Entel delivered telephone and mobile internet services to more than 280 of the 549 isolated locations it committed to throughout the country, ahead of the deadlines committed to with the authorities, as part of the second phase of its "Conectando Chile" program. The initiative involves an investment of about US$ 170 million and will benefit over 85,000 Chileans.

Mobile services

Entel launched new plans that include an additional GB quota exclusively for the music and video applications Spotify, Apple Music, YouTube and Netflix. With the 4G+ network the company tripled the data quota of existing plans and incorporated a multi-device offering which lets users share their traffic quota with up to five additional devices (browsing on their mobile, tablet, computer or other).

Huawei

Huawei Device and Entel signed a cooperation agreement for handsets which includes incorporating the portfolio of wearables and the development of 4G+ compatible handsets.

e) entel

MEMBER OF
Dow Jones
Sustainability Indices
In Collaboration with RobecoSAM

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

AWARDS AND RECOGNITION[3]

ENTEL CHILE

» **6th place**
Merco corporate reputation ranking.

» **Most**
innovative telecoms company in Chile.

» **First**
in customer experience - IZO.

» **1st place**
Customer Satisfaction - ProCalidad.

» **International Prize**
for the Enterprise Segment's "Cursos Clic" - Amauta.

» **Golden Effie**
mother's day ad.

ENTEL PERU

» **Best**
reputation in Telecommunications sector - Peru.

» **Recognized**
for entrepreneurial creativity.

» **Best**
telecoms customer satisfaction experience - IZO.

» **Four Effies**
for Entel Peru: two Gold and two Silver.

» **Entel Peru:**
Best Place to Work.
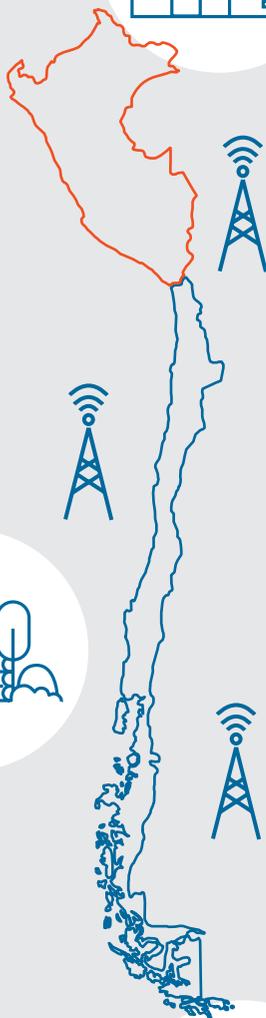
[3] For more details on awards received by Entel in 2016, please see the Annual Report 2016.

Chapter II

Economic Performance

G4-DMA
G4-EC1

GENERATED VALUE

Generated value	2015 (CLP million)	2016 (CLP million)
Revenue from ordinary activities	1,784,612,664	1,867,697,070
Other revenue and earnings	8,251,303	19,604,728
Subtotal revenue	1,792,863,967	1,887,301,798
Net indirect taxes	111,324,848	92,638,745
Total Revenue	1,904,188,815	1,979,940,543
Direct costs (goods and services)	–1,070,978,533	–1,102,954,443
Total Generated	833,210,282	876,986,100

DISTRIBUTED VALUE

Distributed Value	2015 (CLP million)	2016 (CLP million)
Employees	247,055,145	245,667,093
State	206,585,981	201,668,631
Community and environment	2,255,042	2,408,492
Shareholders	8,041,806	0
Financial	92,213,912	105,712,255
Retained economic value	277,058,396	321,529,629
Total distributed	833,210,282	876,986,100

Value distributed to stakeholders in 2016.	556,151,886	555,456,471

Economic Value Generated and Distributed

I n this period the economic value generated by Entel was CLP 876,986,100 million, an increase of 5% on 2015. More than 63% of this amount was distributed to stakeholders, including employees, government, local communities, suppliers of goods and services, contractors, shareholders and financial creditors. The remainder stayed within the business as reinvestment.

DISTRIBUTED VALUE 2015 (CLP million)

44%
EMPLOYEES

37%
STATE

1%
SHAREHOLDERS

1%
COMMUNITIES

17%
FINANCIERS

DISTRIBUTED VALUE 2016 (CLP million)
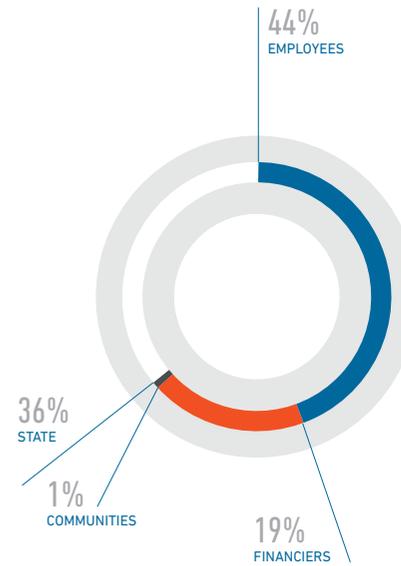
44%
EMPLOYEES

36%
STATE

1%
COMMUNITIES

19%
FINANCIERS

REVENUE

	2015 (CLP million)	2016 (CLP million)
Revenue from ordinary activities	1,784,612,664	1,867,697,070
Other revenue and earnings	8,251,303	19,604,728
Sub-total Revenue	1,792,863,967	1,887,301,798
Net indirect taxes	111,324,848	92,638,745
Total revenue	1,904,188,815	1,979,940,543

landscape sales were boosted by the "SIM-only" model.

In the telecommunications industry in Peru there was slight growth of 1%. However at the end of 2016, total revenue for Entel Peru increased by 46% compared to 2015. This was driven by

In 2016 revenues totaled CLP 1.887,301,798 billion, an increase of 5% over 2015, primarily due to increased revenue from Entel Peru (+ 46%) stemming from solid growth in the customer base (+ 54%). Also contributing to growth were fixed services in Chile, offered in the in the enterprises and corporations segment (+11%) and Entel Home (+24%).

In the telecommunications industry in Chile, revenue was up 3%. However revenues from Entel Chile were down a little (-1%) due to a reduction in mobile services. In spite of the downturn here, the company's postpaid segment, representing 37% of all customers, saw growth of 2%. In this

COSTS

	2015 (CLP million)	2016 (CLP million)
Advertising, Sales Commissions and Expenses	550,944,502	549,026,844
Access charges and payments to correspondents	171,632,992	195,926,152
Leasing	126,840,455	134,035,276
Provision for bad debt	51,680,056	48,100,143
Outsourcing and Materials	81,794,146	86,409,544
Other	88,086,382	89,456,484
Total costs	1,070,978,533	1,102,954,443

higher service revenue (+ 53%), in line with 54% growth in the customer base. The company's main costs in 2016 were advertising, commissions and sales expenses.

Overall these were up 3% over the previous year, due mainly to increased activity in Entel Peru arising from the expanding customer base, impacting the access charge cost. In addition leasing costs were higher - mainly in Entel Peru - due to the expansion of the mobile network.

Distribution of Value

63% of the value generated by Entel's commercial activities was distributed among its main stakeholders in 2016 There was a significant change in terms of the distribution of generated value compared to 2015, an accounting period in which 67% of value generated was distributed amongst stakeholders. This was impacted by a further increase in the value retained by the company and the non payment of dividends over the year.

EMPLOYEES

	2015 (CLP million)	2016 (CLP million)
Salaries	175843659	179,758,885
Short term benefits for employees	17,368,078	15,601,250
Severance and post-employment benefits	21,961,592	17,266,888
Other staff costs	31,881,816	33,040,070
Total staff	(247,055,145)	(245,667,093)

Entel's workforce in 2016 was 8,653 people, down 2% compared to 2015. In Entel Chile the workforce decreased by 7% compared to 2015, due to changes in the direct customer service channels.
This was partially offset by higher Call Center expenses in Chile and Entel Peru.

STATE

	2015 (CLP million)	2016 (million $)
Income tax expense	77,538,637	86,929,865
Other taxes	17,722,496	22,100,021
Net indirect taxes	111,324,848	92,638,745
Total State	206,585,981	201,668,631

In 2016 contributions to the state were down (-2%) as a result of lower net indirect taxes in Chile due to the net decrease in revenue and higher tax credits associated with investment activities, partly offset by higher income taxes due to the rise in the corporate tax rate from 22.5% in 2015 to 24.0% in 2016. This increase has a bearing on increases in the rate associated with monthly provisional payments applied to monthly revenue in Chile.

COMMUNITY

Community	2015 (CLP million)	2016 (CLP million)
Total community and environment	2,255,042	2,408,492

The value distributed to the community and environment increased by 7% in 2016 compared to 2015. The distributed value comes from contributions Entel makes through various programs linked to its sustainability and communities policy.

SHAREHOLDERS

Shareholders	2015 (CLP million)	2016 (CLP million)
Payments to capital providers	8,041,806	0

While there was no distribution of dividends to shareholders in 2016, an increase in capital of CLP 353.703 billion was finalized, equivalent to 65,493,418 shares, in order to finance investments in Peru and Chile.

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

FINANCIAL

Financial	2015 (CLP million)	2016 (million $)
Financial revenue	–12,183,865	–5,952,920
Financial costs	68,466,066	79,678,961
Exchange difference	12,945,839	16,051,379
Income from units of account	22,985,872	15,934,835
Total Financial	92,213,912	105,712,255

Financial contributions were up 15% in 2016 compared to 2015, mainly due to higher net financial expenses, adjustments and other, explained primarily by lower interest earned due to a decrease in invested cash and negative adjustments of market value affecting derivative instruments through changes in the discount rates of these instruments.

RETAINED BY THE COMPANY

Retained by the company	2015 (CLP million)	2016 (million $)
Income/loss for the period	–1,101,996	34,158,100
Income tax and tax credits	–90,319,013	–114,947,901
Depreciation and amortization	273,625,473	299,584,314
Maintenance	100,779,717	91,934,017
Impairment	2,116,021	10,801,099
Dividends	–8,041,806	0
Total retained by company	277,058,396	321,529,629

The company's retained value increased by 16% compared to 2015, primarily due to better outturn for the year, increased depreciation, amortization and impairment of fixed assets in line with the investment made in previous years, and the fact the company made no dividend payments to shareholders. This was in part offset by an increase in taxes and lower maintenance costs due to the improvements and efficiencies plan.

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

3
Chapter III
Corporate Governance

Board of Directors Structure and Management

The Board of Directors[4] is the body that adminsters Entel's Corporate Governance. It is made up of nine members who do not hold executive positions in the company. Members stand for two years and can be reelected. The current directors were elected at the ordinary shareholders meeting of April 2017 and will serve until the 2017 shareholders meeting.

The functions of the board include representing shareholders and managing the company to ensure it meets its financial, social and environmental objectives. It oversees the company's executive management [5] and deals with the developing good relationships with stakeholders, thus generating long-term value.

The Board is also responsible for appointing the company's Chief Executive Officer, who leads an executive group. In accordance with law 18.046 on corporations, the position of CEO is incompatible with the roles of company chairman, director, auditor and accountant. Entel's Chief Executive Officer and his executive group report monthly to the Board on the results of their management, allowing the company's strategic economic, social and environmental indicators to be monitored and necessary measures taken to comply with annual goals.

The main documents that define the functions and guide the work of Entel's Corporate Governance are the Corporate Governance Manual [6], the Entel Code of Ethics and Conduct and Code of Ethics Implementation Manual.

Collaborative work between directors and executives is a principle that is backed by the Corporate Governance Manual and is essential for good practices within the company. In turn Entel has 16 management committees which are divided into three categories:

> Strategy
> Execution
> Coordination

---

[4] Details of Board members and their roles can be found in the Annual Report 2016, in the Corporate Information section, pages 34 and 35.
[5] The organizational chart for the management can be found in the Annual Report 2016, in the Corporate Information section, page 37.
[6] The Corporate Governance Manual can be found on the website at http://www.entel.cl/libros/manual-gobierno-corporativo/files/assets/common/downloads/Manual_Gobierno_Corporativo_Entel.pdf*]

The company also set up Risk Management Governance, composed of the Strategic Committee on Integral Risk Management, and Operational Risk Management Committees which are intended to contain crises and mitigate their impact.

Induction and training for directors

Entel has a formal policy on induction and training for new directors. The policy is detailed in the Corporate Governance Manual.

Regarding the induction of new directors, article 19 of Entel's Corporate Governance Manual [7] states that all relevant, qualitative and quantitative, oral and written information regarding the functioning of the Board and the major operational, financial and institutional aspects of the company shall be provided to them. They are also provided with relevant information on major company stakeholders. Iinduction activities are coordinated by the Chairman of the Board whose operational function is delegated to the Chief Executive Officer.

Article 20 of the Corporate Governance Manual [8] also includes a formal policy on the training of directors. In addition, expert advice and annual presentations on different topics for the proper exercise of their function may be provided. Meanwhile article 38 of the Manual states that directors should be trained on the company's risk policy and on established mitigation mechanisms. [9]

Code of Ethics

The Code of Ethics is another of key document governing the work of Entel's Corporate Governance. It aims to provide guidelines for the actions of all employees, setting high standards of conduct that reflect the ethical principles of the organization.

The Code of Ethics sets out basic standards of behavior and is complemented by an Implementation Manual [10] that clarifies how to apply the Code's values and policies on a daily basis.

Both the Code of Ethics and the Application Manual should be adhered to by employees, contractors, suppliers and customers.

Entel has different channels to disseminate the Code of Ethics. These include the intranet portal, which allows employees to raise and resolve doubts. There are also three channels for anonymous and confidential reporting, namely online, by email address, via p.o. box. Complaints are investigated and sent to the Ethics Committee which is responsible for resolving them. The Ethics Committee is made up of six company executives appointed by the general manager.

[7] Entel Corporate Governance Manual, Article 19: Induction of new Entel directors, page 8. [http://www.entel.cl/libros/manual-gobierno-corporativo/files/assets/common/downloads/Manual_Gobierno_Corporativo_Entel.pdf]

[8] Entel Corporate Governance Manual, Article 20: Recruitment to the Board of advisors specializing in accounting, financial, legal, and other, page 8. [Http://www.entel.cl/libros/manual-gobierno-corporativo/files/assets/common/downloads/Manual_Gobierno_Corporativo_Entel.pdf]

[9] Entel Corporate Governance Manual, Article 38: Risk Policy, page 21. [http://www.entel.cl/libros/manual-gobierno-corporativo/files/assets/common/downloads]

[10] To see Entel's Code of Ethics Application Manual, please go to [http://www.entel.cl/corporativo/pdf/Or-Manual_de_Etica.pdf]

Dissemination channels for Entel's Code of Ethics:

> Corporate website.
> Intranet
> Company inductions
> Code of Ethics appendix in contracts
> Regional workshops.
> E-learning.
> Supplier registration.

The Code of Ethics clearly establishes guidelines for directors and employees for avoiding conflicts of interest, as well as the use of influence or resources for personal gain. In line with these principles, in 2016 Entel implemented an intranet portal that establishes a "Crime Prevention Model". This complies with Law 20.393 on the Criminal Responsibility of Legal Persons [11]. Through the portal Entel's employees can take E-Learning courses on crime and how to prevent it. In addition, information on declaring potential conflicts of interest was updated and shared with more than 950 people from the first tier up to the heads of the departments.

Entel's good corporate governance practices - its process procedures and regulations and guidelines documents - comply with the implementation of Rule 385 of the Securities and Insurance Supervisor [12], which regulates the diffusion of information regarding corporate governance practices. Regulation 385 overrides regulation 341 of 2012.

Cornerstones of the Code of Ethics

- Excellence, Quality and Delivery.
- Passion and Perseverance
- Ethical, transparent, fulfilled people
- Cross-cutting and collaborative teamwork.
- Innovation and adaptation
- Customer centred
- Entrepreneurial spirit

G4-57
G4-58

[11] Law No. 20.393 on the criminal responsibility of legal entities, refers to sanctions for crimes such as money laundering, bribery of public officials, receipt of stolen goods etc.
[12] General Regulation No. 385, "To all open corporations" [http://www.svs.cl/norma-tiva/ncg_ 385 _ 2015.pdf]

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

Fostering a Risk Management Culture

Risk Management Policy

Entel has a Comprehensive Risk Control and Management Policy which establishes the basic principles and the general framework for the proper identification, control and management of risks that could affect the plans, business, operation and running of Entel, and includes the periodic monitoring of risks and their mitigation, in order to contain risk at a known and controlled level.

In 2016 Entel's Comprehensive Risk Control and Management Policy was designed and presented to Senior Management and the Board for approval. Once approved it was given to all the senior executives from the company's risk management governance and to management throughout the country's regions. The policy will be disseminated in 2017 throughout the organization.

Entel Risk Management Governance

Entel's Risk Management Governance is based on principles set out in the Comprehensive Risk Control and Management Policy which serves to help oversee and respond to risk in an organized and effective manner together with providing the necessary information to make decisions, in order to contain and mitigate possible risks.

Entel's risk management governance is a cross-cutting organizational structure made up of the Board of Directors, as management's highest body; top administration, organizational units, primarily responsible for the identification, evaluation, oversight and mitigation of risks; Risk Management Department, responsible for coordinating and supporting the organizational units, for recording, monitoring and providing risk management information to top management and the Board; and the Internal Audit Division, responsible for evaluating the effectiveness of the implementation of the Risk Management and Control Policy. This governance structure allows the company to comprehensively manage risk, achieving a tactical and strategic cross-cutting view to help anticipate and mitigate risk in a timely manner, allocating resources and designing strategies to turn risks into opportunities for Entel.

Risk Management Governance in action

In 2016 Entel was affected by the flooding of the Titanium Park Building due to intense rains and failures in the surrounding infrastructure. To cope with the situation the Entel Crisis Committee was implemented and all the established procedures of the company's Business Continuity Plan were set in motion. As a result more than 1,200 employees were moved to other facilities and the company continued normal operations.

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

To ensure the protection of customer data, in 2016 Entel updated the quality of its ISO 27.001-2013 certification.

Macro risks and emerging risks

Every organization can face risks, and action plans need to be in place to mitigate these risks and allow business to follow its normal course. In order to deal with potential risks, Entel identifies the most significant ones and analyzes them according to their level of impact and likelihood of occurrence, as well as identifying mitigation controls. There are specific managerial functions and positions that carry out financial, operational, health and occupational safety and environmental risk analysis.

The risks a company faces, meanwhile, can evolve, change or mutate over time. As new trends emerge it is necessary to keep abreast of innovations and new security measures to update business continuity plans.

That is why in 2016 Entel, together with consultants Deloitte, updated the company's macro risks and the level of impact of each of them. A list with various identified risks was made, prioritizing those that were most significant and relevant to Entel. The task included the participation of Entel's management and identified gaps and opportunities for improvements that will be part of Risk Management 2017 and the Internal Audit Plan. The updated macro risks were presented to the Board of Directors.

These initiatives enabled Entel to focus management on the risks considered most relevant to the company.

Emerging Risk

NOT ADAPTING THE BUSINESS MODEL TO NEW TECHNOLOGIES AND CUSTOMER NEEDS.

▶ **Impact:** Staying out of new businesses in the industry.

▶ **Mitigation:** Since 2014 Entel has been involved in a process of Digital Transformation encompassing technology, human resources, processes and business strategies to face the new challenges of the future market.

NOT DEVLEOPING A TIMELY CYBERSECURITY STRATEGY.

▶ **Impact:** Increases the risk of threats and leaks, endangering one of the company's biggest assets - data.

▶ **Mitigation:** Cybersecurity project supported by IBM.

Information Security and Data Protection

One of the principles enshrined in the Code of Ethics is the protection of customer information and background. In 2016, as in every other year, Entel updated and improved the quality of its ISO 27001-2013 certification, strengthening its commitment to data protection. Through these controls the company ensured the leadership and active participation of the whole executive tier in the management and oversight of risks associated with the processing and storage of clients' private information.

Also, to address the protection of identity and access to sensitive information, in 2016 managing access, roles and profiles for all users was automated by implementing Identity Access Management (IAM) software so that users can only access the information they need for their daily activities.

Given Entel's ongoing concern for data security and data protection issues, in 2016 they consulted with IBM on cybersecurity in order to find holes in the current operation, implement cross-cutting best practices and carry out preventive initiatives. It was concluded that it is necessary to establish a Tactical Cybersecurity Committee at the highest level to follow up on possible incidents and take preventive action against possible hacking, mallware, denial of services etc.

All processes and systems are audited periodically, both internally and externally, to check for potential vulnerabilities. In relation to the timely and effective attention to potential violations of private customer data, Entel has the complaints channel on its website. In 2016 there were no complaints in this regard.

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

José Rivera, Fisherman, La Pesca.
Commune of Licantén, Maule Region.
Conectando Chile Project.

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment
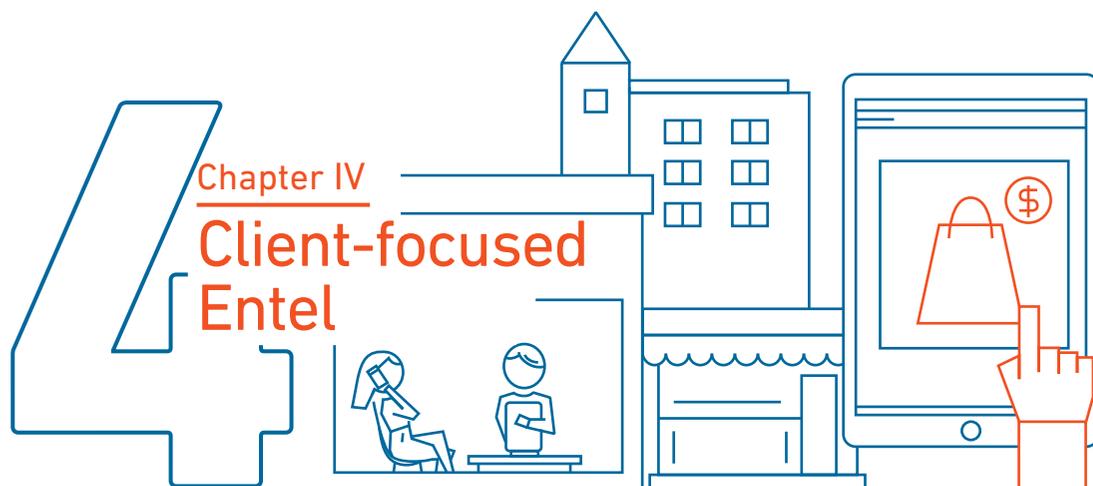
Chapter IV
Client-focused Entel

G4-DMA
G4-EC7

Entel's relationship with its Customers

For Entel customers are at the center of decisions. The company is committed to providing the best cross-cutting service experience in Chile and Peru.

The relationship with the customer is focused on making interaction with the company a distinctive experience. To ensure this objective is achieved, Entel has a Customer Committee that deals with all areas influencing the user experience and journey.

MODERN INFRASTRUCTURE

ONLINE STRATEGY

DISTINCTIVE CUSTOMER EXPERIENCE

DISTINCTIVE QUALITY SERVICES

EXPERIENCE AND SATISFACTION
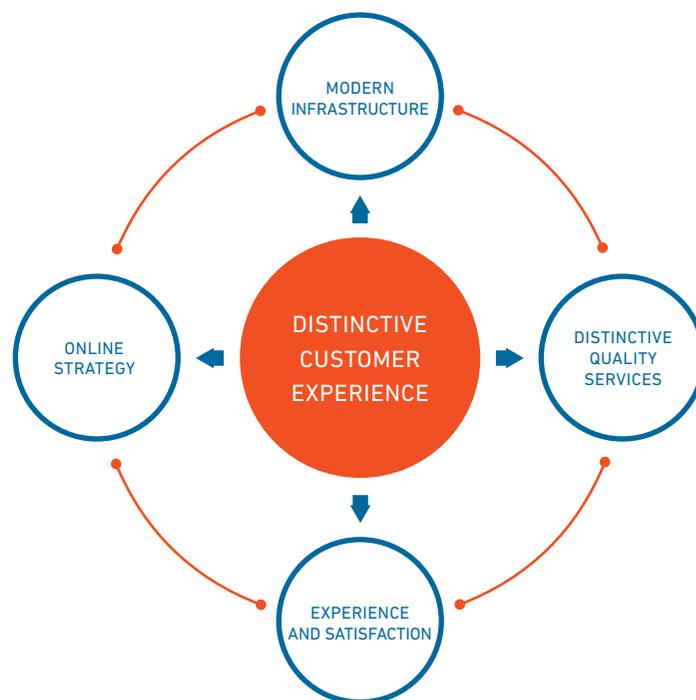
Programs to ensure a distinctive customer experience

Entel recognizes the importance of ensuring customer loyalty in each process, whether through digital channels or face-to-face interaction. To do this, it has different programs:

1. **Loyalty Program:**This seeks to provide the leaders of each channel with the necessary tools to improve the management of customer care, with the aim of involving the customers in the processes and products created especially for them.
2. **Management on the Frontline:** This is about delivering solutions from the first contact with customers, through the optimization of processes, changes in customer care models and training for executives who have a direct relationship with customers.
3. Core Channel: This aims to increase and encourage customer participation in digital channels, through the digital transformation that the company is implementing to provide a distinctive journey experience.
4. **Optimus:**This is an incentive scheme for employees who are in contact with customers, rewarding top executives, leaders and stores. These incentives are experiential and are granted when satisfaction and sales benchmarks are met.
5. **Bigdata:** Implementation of projects to deepen the understanding of customer needs through data, in order to satisfy those needs in the best and most timely manner.

LOYALTY

BIGDATA

Distinctive Customer Experience

MANAGEMENT ON THE FRONTLINE:

OPTIMUS

CORE CHANNEL:

Infrastructure

4G-LTE: 700 MHz Network Rollout

In 2016 Entel deployed its 4G LTE-Advanced Carrier Aggregation (4G+) technology. In 2015 the 2,600 MHz band was deployed, providing greater capacity and coverage in open spaces. This was complemented by the rollout of the 700 MHz band, the ideal spectrum segment for transmitting wireless data which at low frequency allows greater signal penetration. By combining the 2,600 MHz and 700 MHz bands, the customer experience is optimized, improving services and data usage by extending the coverage and connection speed.

ENTEL LAUNCHES

4G+

in Chile, becoming the first operator with this technology in six regions at the end of 2016, with the most modern network in Latin America.

---

[13] For more information, see Chapter 7 "Communities and Social Investment".

Conectando Chile[13]

Significant progress was made in the country's connectivity with the deployment of the 700 MHz band in 2016, contributing to the development of isolated areas with no previous access to new technologies, and improving people's quality of life.

The public-private initiative "Todo Chile Comunicado", in which the company participated, benefited more than three million people in isolated locations. Now, Entel's "Conectando Chile" project is benefitting 730 localities and 130,548 people.

In 2015, with the deployment of the 2,600 MHz network, Entel completed the first phase of "Conectando Chile", connecting 181 isolated locations and 44,831 people benefitting. In 2017 meanwhile, the company will be completing the second stage with the deployment of the 700 MHz Network, connecting another 549 isolated locations and benefiting 85,717 people.

G4-EC7

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

53

Entel Stores

Entel is constantly adapting and improving its face-to-face stores, taking into account the new technological challenges of the industry and the importance of innovation for the company, delivering distinctive experiences to customers through face-to-face channels.

In 2016 one of our most important remodelings was the one made at the Manquehue store in Santiago de Chile, which was equipped to provide customers with a complete and interactive technological experience. To do this, a Device Wall was installed, which is a technological and interactive screen that allows the customer to access information about a product without the need of a sales executive. This shop also has a Smart Point which provides advice to customers on how to get the best from handsets. There is also an interactive screen, or Play Wall, for playing games while waiting to be served.

The franchised shop at Costanera Center was also remodeled, increasing the number of service modules to reduce waiting times and improve the customer experience. Entel also opened two new stores in Santiago, one in the Parque Arauco Mall and the other in Ahumada.

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

In 2016 Entel updated the range of services at the different points of contact, allowing customers to access the services they require from any store in the country.

Entel Peru meanwhile has coverage across all the country's regions and an owned or franchised store in the most important cities of each region.

Entel Call Center

Entel Call Center delivers quality customer service through different channels, including phone calls, social networks, email contact and back office platforms. In addition it has an infrastructure and applications [14] that boost efficiency and effectiveness in terms of processes, services and products.

The digital transformation in the Entel Call Center market takes the form a change in customer care whereby calls received are transformed into interactions with different channels. As such the service range has expanded with the addition of self-service systems such as Interactive Voice Response (IVR), service queries through applications, bots [14] and channels such as Whatsapp, Twitter and Facebook. The optimization of the customer care platforms improves the resolution of problems at the first interaction with customers, increasing service satisfaction and reducing complaints.

The company has continued to implement the First Line Management Model in its efforts to solve the main needs of our clients in an effective way. To this end changes have been made to protocol, unifying platforms and training executives to address these new requirements.

Entel's Vicuña Mackenna Call Center, an example of modernity and efficiency

In 2016 the offices in Vicuña Mackenna in Santiago were remodelled, joining two operation centers in a single space. The remodeling saw a 10% saving in electricity due to the installation of LED lights and generated operational improvements in the management of services. It also meant less movement and improved effectiveness in inter-area communication.

[14] Bots are digital assistants that help analyze words and sentences from texts obtained from digital media such as Whatsapp, Twitter or Facebook.

CONSUMER SEGMENT

MOBILE TELEPHONE SERVICES

MOBILE BROADBAND

RESIDENTIAL

› Fixed Phone Service
› Fixed Wireless Broadband
› Television
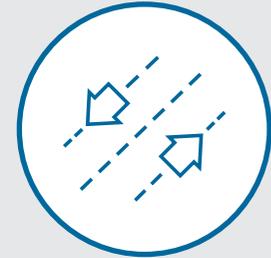
LONG DISTANCE CARRIER

To guarantee quality customer care, in 2016 the Entel Call Center created a Customer Satisfaction department which ensures the provision of quality service from the accounts executives. Also, at the end of 2016 Speech Analytics software started to be used to analyze the interactions of executives and clients and detect opportunities for improvement.

Progress in this area is reflected in the level of satisfaction of customers and users. According to Praxis [15], in 2016 the level of satisfaction had increased by 10 percentage points compared to 2015.

Datacenter
Entel's Datacenters are world class with an advanced, modern infrastructure providing clients with a distinctive experience. They have received the following certifications from the Uptime Institute - Tier III Design Documents, Tier III Constructed Facility and Tier III Gold-Concurrently Maintainable. They provide users

with solutions aimed at the operational continuity of processing and transactions platforms, by providing hosting, monitoring, administration and platform development.

This infrastructure supports various IT services such as housing services and cloud computing platforms, providing customers with a commonly used application such as e-mail or collaboration tools and delivery of comprehensive IT outsourcing, along with other technological services.

---

[15] Survey conducted by a private company.

Consumer Segment

Entel offers different solutions to customers through the Consumer Segment, delivering a distinctive service in all its service channels.

Mobile telephone services, innovating for customers

In mobile telephony solutions, Entel is innovating its commercial offering in order to deliver a quality service that meets the new technological challenges. One of the big challenges is the significant increase in data usage. To meet this need, Smart Fun plans were launched which include a free diversified data quota for music and video.

Entel also launched plans without handsets, allowing access to lower fixed charges for the same and even better features.

Residential solutions, expanding connectivity

One of the main lines of growth for Entel Chile is its residential segment. The services offered are fixed telephone, wireless broadband and satellite TV.

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

Customer Experience in the Consumer Segment

The customer experience and its monitoring are based on three aspects - the brand, products and services, and contact points. These dimensions are structured around a management model that allows for follow-up and analysis of their impact on the business, placing the customer at the center of the decisions The model allows different benchmarks - service, quality and business - to be managed from the perspective of the customer journey.

For Entel it is important to measure how satisfied customers are with their experience. This is why constant monitoring of the management is carried out, through quantitative indicators and surveys which evaluate and report on areas where there is room for improvement.

Customer satisfaction is measured strategically and tactically.

The strategic level includes the results of the Adimark survey [16], which focuses on the key indicators for company services and products, with a monthly survey of 2,600 customers, both postpaid and prepaid.

In 2016, overall customer satisfaction remained stable at 58 points out of a total of 100.

TABLE 1: OVERALL CUSTOMER SATISFACTION SCORE (NET SATISFACTION SCORE)

Category	2015	2016
Overall Customer Satisfaction	58pts	58pts
Coverage of measurement	95% reliability	95% reliability

Tactical satisfaction is measured through a post customer service survey [17] across all customer service channels.

To improve the experience management, these indicators are communicated transversally and internally throughout the company, by means of publications on the website, mass mailings to employees and the Client Committee of the onsumer Segment Vice-Presidency.

All these advances are reflected in awards and recognition[18]. In 2016, for the 14th year running ProCalidad recognized Entel as the mobile phone company with the best customer satisfaction. Also, for the 6th year running BCX declared Entel the telecommunications company offering the best customer experience in Chile, and for the 5th consecutive year, the telecommunications company with the best customer experience in Latin America.

These awards were announced to clients through mass media: newspapers, magazines and social networks.

[16] The Adimark Survey is performed monthly on more than 2,600 customers in Chile to measure their level of satisfaction with different services.
[17] The EPA Survey is performed monthly on more than 40,000 customers in Chile to measure their level of satisfaction with different Entel service channels.
[18] For more information on awards and recognition, please see the Annual Report, pages 24 and 25.

Best Experience

in Latin America five years running Best Customer Experience BCX.

Customer Satisfaction

in Chile 14 years running ProCalidad.

Best Experience

in Chile 6 years running Best Customer Experience BCX.

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

Management of Entel Perú in Consumer Segment
There have also been major advances in the Consumer Segment in Peru, especially the increase in the prepaid and postpaid customer base.

At the end of 2016 Entel Peru had 1,852,515 postpaid customers, up 33% in this segment compared to 2015. Meanwhile the 2,956,240 prepaid customers represent a 70.3% increase in this segment.

Regarding the satisfaction levels of prepaid and postpaid users, Entel Peru continues to be the leader with 71% satisfaction in 2016, bearing out its commitment to deliver a quality service to customers and improve their experience.
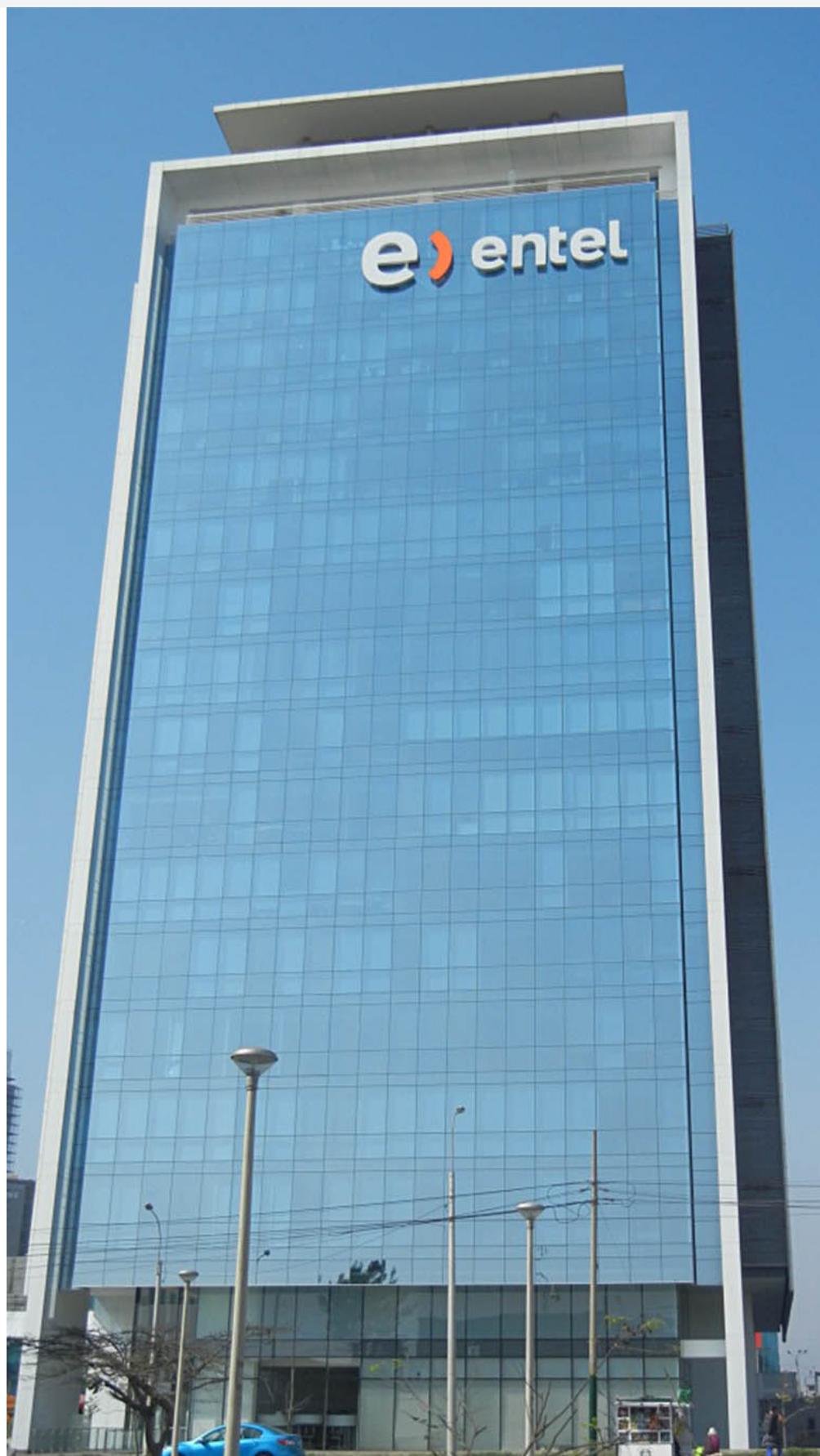
ENTERPRISE SEGMENT

MOBILE SOLUTIONS

› Multimedia Enterprise Plans
› Mobile Broadband
› Roaming

IT SOLUTIONS

› MDM
› Office 365
› GPS
› FacturaNet

FIXED SOLUTIONS

› Pack Negocio
› NGN
› Digital streams
› Telephone lines

Enterprise Segment

Business customers are a fundamental line for the company, which is why it seeks to deliver a distinctive journey through mobile, fixed and information technology solutions. The use of Cloud platforms has been significant. These integral solutions - mobile, fixed phones and IT - enable Entel to be a leading provider, delivering a personalized response to business customers whilst always taking their needs into account.

Another key focus for Entel is acting as a facilitator for small and medium-sized entrepreneurs in the management of their company. To this end the company has been holding CLIC Courses since 2014. These consist of effective training that delivers knowledge, case studies and specific tools applicable to the management of participants' businesses. They are free and open to all members of the public, Entel customers or not. The courses are held online and in person to achieve greater coverage throughout Chile.

The content of the Clic Courses, the direct and familiar communication style and the relevant experience were essential elements in achieving a high numbers of participants nationwide and a strong level of commitment and interest. To that end, effective training was essential, adapted to participants' timetables and customized to their reality in a way that supported the appropriate management of their businesses."

Gustavo Larraín,
Marketing and Product
Manager Entel Enterprise Segment

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

During 2016, 6 courses were held in which different topics were addressed with the aim of enhancing the skills of small and medium entrepreneurs. The figures are shown below:

Clic Courses

18,188
ENROLLED

of which 81% took part in the courses online and 19% in the classroom.

69%
ENROLLED

are Entel Empresa customers.

This Entel initiative focused on small and medium entrepreneurs and was recognized internationally in the Amauta Awards, organized by the Federation of Latin American Direct and Interactive Marketing Associations (ALMADI), with the awarding of the highest distinction, gold category, for loyalty and relationship-building initiatives.

Management of Entel Perú in the Enterprise Segment

Entel Peru has also made significant progress and achievements in the Enterprise Segment. With respect to customer satisfaction, users have experienced greater overall satisfaction compared to other telecommunications companies. With small and medium entrepreneurs, Entel Peru also leads in terms of customer satisfaction.

CORPORATE SEGMENT

MOBILE SOLUTIONS

› Mobile and internet services
  › Blackberry Service
  › Mobile business apps.

IT SOLUTIONS

› Housing and Hosting
  › Cloud computing
  › IoT and Bigdata
› Administration of SAP
  applications
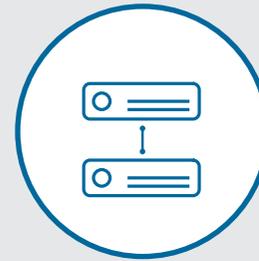
FIXED SOLUTIONS

› Data Networks
› Corporate Internet
› Datacenter Interconnection

Corporate Segment

The focus of Entel Corporaciones is to assist and accompany the country's large companies in the transformation of their businesses, delivering customized solutions tailored to each user, with an offering based on excellent infrastructure, experience and an understanding of customers' business challenges.

Regarding mobile telephony solutions, and against a backdrop of aggressive tariffs, Entel Corporaciones focused on improving the browsing experience, access to information and account management channels and user self-management. Plans were introduced with unlimited data usage for business applications, and applications that allow customers to work digitally with the company were developed.

In the Fixed Telecommunications and Information Technology businesses, the focus was on improving profitability with intensive investment and eliminating unnecessary cost increases.

In 2016 Entel Corporaciones launched the Cybersecurity Strategy, a key component in safeguarding the information and business sustainability of organizations moving towards digital transformation. With a comprehensive portfolio of solutions - Entel Cyber Secure - that responds to and protects companies, corporations and government institutions from the risks of doing business in a digital world. In addition, the Cyber Intelligence Center was inaugurated with world-class experts in cybersecurity and technology.

One of the strategic objectives of the Entel 2017-2019 Plan is to generate new related businesses that are relevant in the medium term. An example of progress is what Entel Corporaciones has done for telemedicine.

In 2016 the management of Entel's Corporate Segment, together with the health unit of Chile's investigation police, the PDI, developed a joint project in tele-ophthalmology to attend to PDI officials from a distance. This service is unique

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

because it provides complete care including the examination, sending the prescription, orders for examinations, or referral to another specialist, received in real time by the patient. The program started as a pilot project in July in the city of Puerto Montt and attended 166 patients. The plan is to scale up the system in 2017 to include more specialties and more regions of the country. With these advances Entel is providing integral and modern solutions to its customers, while at the same time generating technological advances in the area of health and contributing to Chile's development.

The Corporate Segment also continued to implement the "Optimus" strategy to boost customer satisfaction levels and operational efficiency through redesigning the customer journey, providing a distinctive experience.

Entel Corporaciones manages to generate a distinctive experience for its customers, constantly monitoring satisfaction levels. To do this a joint methodology has been developed with the customer, in which they themselves evaluate and propose new initiatives, taking an active role in validating prototypes and benefitting from a service that sets the company apart.

This information is complemented by field visits, qualitative surveys and a "heatmap" which analyzes in detail the satisfaction of each client. In addition, internationally validated measurements have been incorporated, achieving a deeper knowledge of the client's behavior and preferences.

In 2016, the level of satisfaction with the fixed segment was 63%, up seven percentage points on 2015. In the mobile segment, the level of user satisfaction increased by 4% over the previous year, hitting 71.5%.

TABLE 5: NET SATISFACTION IN CORPORATE SEGMENT

Category	2015	2016
Fixed Segment Satisfaction	56%	63%
Mobile Segment Satisfaction	67.1%	71.5%

These indicators are disclosed, analyzed and discussed formally and periodically with the different stakeholders, with an emphasis on understanding and identifying where the greatest successes and gaps are in relation to customers' expectations for continuous improvement.

WHOLESALE SEGMENT

INTERNATIONAL ROAMING	NATIONAL ROAMING AND VMO SERVICES	DATA NETWORKS	LONG-DISTANCE INTERNATIONAL TRAFFIC SERVICES

› Mobile and Internet Services
  › Blackberry Service
  › Mobile business apps.

› VMO comprises a set of features necessary for virtual mobile operators

Wholesale Segment

Entel created this business unit to meet the needs of national and international telecommunications operators, offering rental of mobile network services in areas where these operators need to complement their coverage or where they do not have their own coverage.

The Wholesale Division provides network infrastructure and services to over 46 national and 95 international telecom operators. Among the national operators are Grupo Claro, Grupo Movistar, Grupo GTD, Falabella Móvil and WOM. International operator customers include AT & T, Sprint, Vodafone, BT.

The Wholesale Segment's range of services includes: International Roaming Services, VMO Service (Virtual Mobile Operators), National Roaming, and Data Networks.

Online Strategy and Presence

The progress and development of new technologies has influenced the structural and organizational change Entel is working on with its Digital Transformation project. This transformation process requires a strategy for online presence which is based on three fundamental pillars:

1. **Migrating customer care to digital channels:** Customers will be able to carry out their daily activities through a self-service channel which will allow them to pay their account and check their balance and data consumption.
2. **Profitability of the channel:** the main activities are mobile sales, residential sales and recharges.
3. **Improving the customer journey and experience:** delivering a service based on a simple, fast and decisive system.

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment
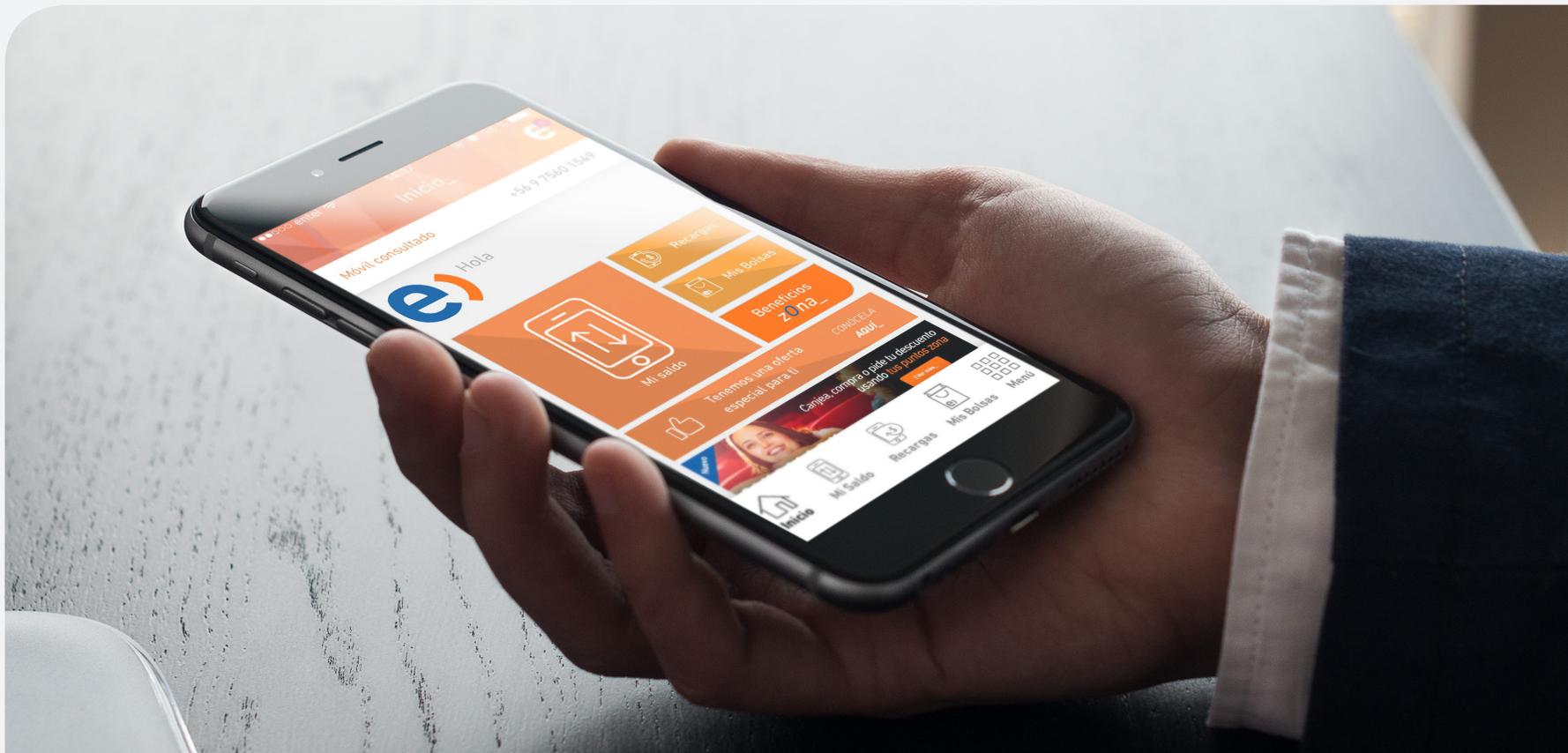
Online Platforms

Entel's online platforms include public, private and app portals.

The online channel supports the face-to-face channels, easing high user traffic. There has been a sustained increase in the use of the online channel for the more routine and recurrent issues. Indeed, Entel's app gets more than 6 million transactions per month.

In 2016, the online channel grew 8 percentage points in the services customer care mix. This translates into a better experience for the customer who can save time by carrying out procedures online.

TABLE 6: ONLINE STRATEGY

Category	2016
Percentage of customers using the online platform for services and solutions	10.3%
Percentage of sales associated with online services	4.4%

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

Chapter V
Employees

Highlights 2016

1
New service model for Human Resources Management adapted to ongoing technological challenges

The digital transformation Entel is undergoing brings with it a change in the way of doing things. A flatter, cross-cutting, more agile and diverse structure is needed.

2
Focus on the needs and specific characteristics of employees

Specialized and focused plans for each world:
› Management_Leadership
› Operation_Adherence
› Operation_Specialization

3
Diversity and Inclusion

It began with the design of an Entel Diversity and Inclusion Policy

4
Cross-cutting and Collaborative Teamwork

In 2016, the 360° Performance Review was carried out for the first time, in which coworkers provide feedback on each other's performance.

5
Working environment

"Great Place to Work" 2016 83% of employees considered Entel a great place to work.

Cultural Cornerstones

ENTREPRENEURIAL
SPIRIT

CROSS-CUTTING
AND COLLABORATIVE
TEAMWORK

FULFILLED,
ETHICAL AND
TRANSPARENT
PEOPLE

EXCELLENCE,
QUALITY AND
COMPLIANCE

CLIENT
CENTERED

PASSION AND
PERSEVERANCE

INNOVATION AND
ADAPTATION
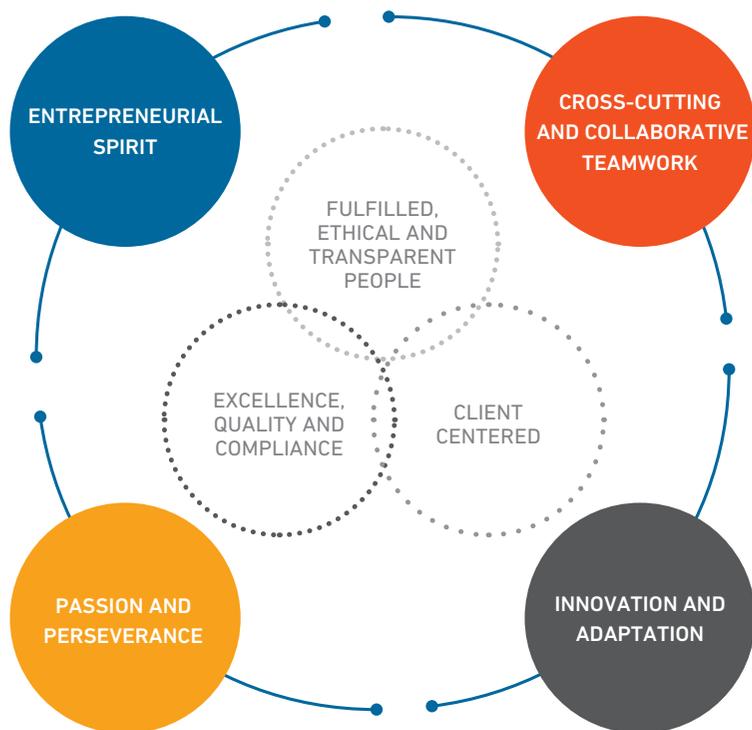
Our Approach

To make our cultural pillars a reality, activities are undertaken to develop people's professional growth whilst maintaining a proper balance between work and personal life. These activities include measuring and managing the work climate, training and various organizational development activities such as workshops on leadership and teamwork. The purpose is to give all employees challenging assignments aligned to the business, in a stimulating atmosphere that increases engagement, in which everyone can find a space of personal fulfillment in the roles they perform.

Over the past two years, Entel's Human Resources Management has worked to align human capital management with business strategy. In 2015 Entel adopted a new organizational structure that sought to bring managers closer to their teams and, in turn, to the customers and their needs. This model is more horizontal, with fewer intermediate levels, and prioritized interdisciplinary work.

In 2016, the biggest challenge was to strengthen this structure, matching all initiatives to it. Meanwhile in order to become a 100% digital company and to make the customer experience more efficient, agile and interactive, the company began a process to integrate new technologies, presenting employees with challenges:

The technical one of adopting and implementing new systems, tools and technology.

> The challenge of adapting, which implies working in a cross-cutting and collaborative way to be able to respond in real time to customer demands.

New People Management Model

Against this backdrop the management model incorporates a human resources department service strategy which can be more efficiently integrated with the business divisions. To this end in 2016 the existence of three major worlds within the company were formalized:

> Management World_Leadership: focused on boosting the organization's leadership.
> Operation World_Adherence: focused on training skills that facilitate management in operational areas, specifically those that impact the business, customer satisfaction and sales.
> Operation World_Specialization: focused on enhancing specific skills and techniques, generating viable paths for the development of expert employees in different fields.

The model also deals with joint projects between Business Partners, Centers of Excellence and Human Resources Committees in each market segment and division (twelve in total) seeking to define and implement personnel management strategies appropriate to each business. They meet monthly to review key "tracks", or development paths, and provide feedback on strategic focuses. In addition there is a bi-annual committee in which the Chief Executive Officer meets with those who report to him directly.
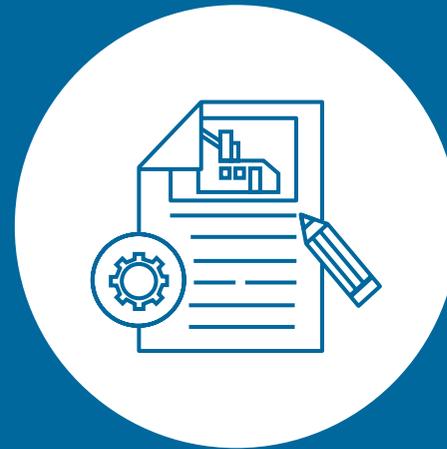
Loyalty Program

This focuses on training skills and methodologies that facilitate management in operational areas, particularly those that impact the business, such as customer contact areas. To this end, on-the-ground support is given along with workstation modeling, as well as a series of classroom training activities and workshops.

This program cuts across the three worlds as it involves training employees in operational skills (Specialized Operations World) as well as training the leaders of each area (Management World) in the systematic use of concrete tools that facilitate management.

In 2016 progress was made in the continuity and deployment of the pilot programs implemented in 2015. Projects were also initiated in new areas such as the sales channels of Large Companies and SMEs and the Data Center division of SERTI. In this way the program managed to impact more than 1,800 employees, reducing gaps in the execution of procedures and bringing about improvements in business indicators such as customer satisfaction and sales.

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

Employment and Diversity Indicators

In terms of the numbers of employees, the three largest business units are: Entel Chile, Entel Peru and Entel Call Center. In 2016, direct workforce plus contractors totaled 20,322.

Entel's workforce in 2016 was 8,653 people, down 2% compared to 2015. In Entel Chile the workforce was down 7% on 2015, due to the commercial strategy of transferring part of the operation to franchised stores. The severance procedures were planned by a special team from Human Resources and the Consumer Segment Vice Presidency, respecting the fundamental rights of those leaving the company.

To facilitate reincorporation into the labor market for those employees who were let go, the company put them in contact with potential employers operating the franchises. Those not taken on by these companies were supported through an outplacement process.

Entel Peru meanwhile increased its workforce by 5.6% compared to 2015 due to the expansion and growth of this business. In the Call Center subsidiary the workforce increased by 1.4% over 2015.

Diversity and Inclusion at Entel

An fundamental principle of Entel is to support, respect and protect the human rights of all people, which is clearly established in the company's Code of Ethics and Application Manual [19]. Entel values the person in their entirety and does not arbitrarily discriminate on the basis of gender, race, marital status, religion, political-, trade union- or other ideology. Each person is given fair treatment based on respect for the human condition, regardless of their position in the organization, and the company undertakes to provide a safe environment, tending to security, hygiene and the welfare of all.

To ensure compliance with this principle, Entel has an Ethics Committee [20], whose functions include investigating and coordinating activities and responding to anonymous complaints made via the various complaint channels, ruling in a timely manner on complaints received, respecting the rights of employees, especially the right to

8,653
OWN EMPLOYEES IN 2016

4,731
ENTEL CHILE

1,514
CALL CENTER

2,408
ENTEL PERU

TABLE 1: ENTEL WORKFORCE 2016

Type of contract	Entel Chile		Entel Call Center		Entel Peru		Entel Consolidated	
	2015	2016	2015	2016	2015	2016	2015	2016
Fixed term (%)	1%	1%	15%	12%	7%	9%	5%	5%
Permanent (%)	99%	99%	85%	88%	93%	91%	95%	95%
Total	100%	100%	100%	100%	100%	100%	100%	100%
Own staff	5,060	4,731	1,493	1,514	2,281	2,408	8,834	8,653
Contractors	11,608	10,995	754	649	44	25	12,406	11,669
Total	16,668	15,726	2,247	2,163	2,325	2,433	21,240	20,322

* Entel Chile is made up of subsidiaries Entel SA, Entel PCS and Entel Phone.

[19] For more information on the policies of Empresas Entel regarding employees, please see the Application Manual for Entel's Code of Ethics, Section 3.3, page 18 [http://www.entel.cl/corporativo/pdf/Or-Manual_de_Etica.pdf]

[20] For more information on the Ethics Committee, please see the Application Manual for Entel's Code of Ethics, Section 3.12, page 43 [http://www.entel.cl/corporativo/pdf/Or-Manual_de_Etica.pdf]

be heard, to defend oneself adequately, and that the decision arrived at is well founded.

Entel's commitment to respect, support and protect the human rights of its employees can be seen in its active participation in the United Nations Global Compact network and in its commitment to collaborate as a company in advancing the 2030 Sustainable Development Agenda and its 17 goals (SDGs) [21]. In 2016 Entel participated in working groups and thematic meetings on productivity and gender equity.

With the conviction that diversity enriches the organization's thinking, in 2016 preparation for a Diversity and Inclusion Policy began. This work was organized in stages with the first stage involving gathering information, in-house, through conversation groups with employees from different departments with different functions, in addition to external stakeholders considered benchmarks in this area.

Balance is a fundamental pillar and as such the company fosters equitable professional development, recognizing the value of diversity for managing the business and in turn promoting the development of female leadership roles in the company.

While income at Entel is determined in accordance with the market and in line with experience, training and performance, in 2016 new hirings and promotions brought about a change in the make-up of each segment and the income scale. This impacted the gender pay gap across the different categories in 2016, seeing 10.2% in the management segment, 10.7% in the professional segment and 7.8% in the administrative and technical segment.

TABLE : WORKFORCE BREAKDOWN BY GENDER

Gender	Entel		Entel Call Center		Entel Peru		Entel Consolidated	
	2015	2016	2015	2016	2015	2016	2015	2016
Men (%)	63	66	45	53	60	54	59	60
Women (%	37	34	55	47	40	46	41	40

TABLE : FEMALE WORKFORCE BY JOB CATEGORY.

Job category	Entel Consolidated	
	2015	2016
Managerial	19	26
Executive/Professional	1147	1139
Clerical/Technical	2439	2110

[21] For more information on Entel's participation in the United Nations Global Compact network, please see the Chapter "Our Vision of Sustainability", page 8.

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

199,953 Hours of training consolidated[22]

MANAGEMENT
11,173 HOURS

PROFESSIONALS AND TECHNICIANS
60,032 HOURS

CLERICAL
128,748 HOURS

Human Capital Development

Training

To ensure teams posses the necessary tools to carry out their work to world-class standards, Entel's training department develops programs and activities that allow knowledge to be managed within the organization in the most favorable way.

At consolidated company level, during 2016 199,953 hours of training were conducted through programs oriented to different jobs. On average Entel provided 23 hours of training per employee.

In 2016, at Entel Chile training focused on the design of training and development plans in accordance with the company's strategic objectives: Management_Leadership, Operation_Adherence and Operation_Specialization. For this, two types of training were carried out:

> Cross-cutting training (common to all employees) Example: Induction, Leadership, In-house Instructors and Behavioral Adherence.

> Technical training (specific knowledge and skills according to the needs of the Specialized Operations World) Example: Project Management Development Program

Type of Training	Total hours	No. Participants
Technical	48,072	3,669
Cross-cutting	20,485	1,757
Total	68,557	5,426

The total investment in SENCE training was CLP 83,139,416, an increase of 51% over 2015.

---

[22] Entel Chile, Entel Peru and Entel Call Center consolidated.

Cross-cutting traning

Up Grade Program

Objective: To develop the skills and competencies defined in the current Competency Model. Each course addresses one of the corporate competencies.

Coverage 2016: 1,065 people attended, with a total of 8,520 hours of training.

Certification In-house Instructors

Objective: This is about sharing the technical expertise of employees to enhance internal knowledge, giving them the necessary tools to design and implement training in the organization.

Coverage 2016: 38 employees were certified as Entel in-house instructors.

"Welcome" corporate induction program #Yocreocultura

Objective: This workshop is part of the "welcome" to Entel's corporate culture. Here, the vision, mission and cultural pillars of the company are explored.

Coverage 2016: More than 170 people, benefiting from a total of 1,444 hours of training, including 90% of employees in the regions.

Technical training

Development of Competences in Project Management

Objective: This is aimed at developing the critical competencies of project managers through a personnel management model that seeks, based on an integral vision of the business, to impact the efficiency of Entel's key projects.

Coverage 2016: 250 people attended, with a total of 564 hours training.

The focus of training for the Entel Call Center was improving their customer care while optimizing time taken. In this way employees will be better prepared for the types of calls received in customer care. In 2016 113,134 training hours were undertaken.

Given the internationalization of the business, Entel Peru focused on the promotion of corporate culture and leadership management. In Total 18,262 training hours were undertaken.

	Entel Chile	Entel Call Center	Entel Peru	Entel Consolidated
Men	53,026	62,825	10,285	126,137
Women	15,531	50,309	7,977	73,817
Total	68,557	113,134	18,262	199,953

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

G4-LA6
G4-LA10

83%

said that Entel Chile is a great place to work (+4 percentage points compared to 2015)

86%

said that Entel Peru is a great place to work (same as in 2015)

99% of Entel Chile employees were evaluated as part of performance management.

Boosting career development

Defining "worlds" within the company (management, operation and specialized operation) made it possible to refine the search for candidate profiles and to recruit people, establishing differentiated strategies according to tracks (career development) and the specific needs of each market within the company.

Entel has a Competence Development Program in Project Management (Specialized Operations World, Project Track) which tests specific knowledge, mapping skills and identifying weaknesses. With this information the company works to boost employees' strengths and stem their weaknesses, facilitating the development of critical competences of key project managers.

In 2016 a Talent Attraction Program was developed comprising students with academic excellence from the best universities in Chile.

Talent attraction and retention
Performance Management

The company implemented a Corporate Competencies Management model, which, aligned with the cultural pillars, contributes to fulfilling Entel's strategic challenges. It is a 180° process in which the performance of the year is evaluated and individual work plans are agreed, based on cross-cutting and specific competences (according to levels). The scheme establishes formal spaces for feedback between management and employees, fostering transparent communication within the teams.

In 2016 in the first stage of the process, from April to May, 4,176 people were evaluated in Entel Chile, 99% of the people subject to assessment.

In addition, a 360° Performance Evaluation was performed for the first time, assessing 100% of departmental managers.

ENTEL CHILE

78%

LEVEL OF SATISFACTION

COVERAGE 2016:
93%

ENTEL CALL CENTER

58%

LEVEL OF SATISFACTION

COVERAGE 2016:
51%

ENTEL PERU

83%

LEVEL OF SATISFACTION

COVERAGE 2016:
96%

"GREAT PLACE TO WORK" 2016

75%

SATISFACTION CONSOLIDATED

Working Environment

The transparency fostered in performance evaluation processes, the clarity of development plans and growth areas, a work culture based on teamwork and a system of benefits and agreements focused on concern for people's well-being, all in line with the needs of employees, have contributed to the excellent working climate in the company.

Entel measures the work environment by analyzing the results of the "Great Place to Work" survey which assesses five dimensions: credibility, impartiality, respect, pride and camaraderie. These give a level of satisfaction that is expressed as a percentage. This survey is applied once a year and is validated globally. It has become an indicator for the development of work climate plans for Entel.

In 2016, employees of Entel Chile and Entel Peru expressed a high level of satisfaction, designating the company a great place to work. The survey results showed no significant gender differences.

Building a good working climate

At Entel, the "Great Place to Work" Survey is a measurement tool that provides key indicators for the development of work climate plans for the following year. These results help identify the necessity for support in areas requiring improvements in work climate through a mentoring program.

> Teams with good results: these are identified by managers who are invited to mentor their employees.
> Teams with intermediate results: these are assigned a mentor who received good results and who will share good work practices associated with personnel management.
> Teams with poor results: these are assigned an external mentor and are given a more focused assessment. The most significant weaknesses affecting the climate of the teams are then worked on.

In this way collaborative, cross-cutting work and a constant feedback process are also fostered.

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

Staff Turnover

The consolidated turnover rate at Entel was 1.91% for 2016, down 0.15% on 2015. Voluntary turnover was 0.84%.

Analyzing the data according to gender, the turnover rate of men was 2.1%, and women, 1.3%.

TABLE : TOTAL AND VOLUNTARY TURNOVER

Gender	Entel		Entel Call Center		Entel Peru		Entel Consolidated	
	2015	2016	2015	2016	2015	2016	2015	2016
Total staff turnover	1.43%	1.6%	5.15%	3.56%	1.44%	1.46%	2.06%	1.91%
Total voluntary turnover	0.4%	0.4%	2.32%	2.09%	0.94%	0.93%	0.86%	0.84%

TABLE : WORKFORCE TURNOVER BY GENDER

Gender	Entel		Entel Call Center		Entel Peru		Entel Consolidated	
	2015	2016	2015	2016	2015	2016	2015	2016
Men (%)	1.59%	2.60%	2.93%	1.73%	1.35%	1.43%	1.75%	2.12%
Women (%)	1.33%	1.09%	2.22%	1.83%	1.56%	1.50%	1.54%	1.33%
Total	1.43%	1.61%	5.15%	3.56%	1.44%	1.46%	2.06%	1.91%

New opportunities within Entel

Entel always offers professional development opportunities in different areas of the company. In accordance with the needs of the business, available positions are published openly along with the position profile, requirements and competencies. Internal mobility at Entel can be horizontal or vertical.

In 2016, 476 vacancies were filled, corresponding to 10% of Entel's workforce. 72% of the moves in the company were vertical, and 28% horizontal.

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

EMPLOYEES

518
COURSES

2,523
PARTICIPANTS

8,691
HOURS OF TRAINING

CONTRACTORS AND SUPPLIERS

78
COURSES

1,750
PARTICIPANTS

1,187
HOURS OF TRAINING

G4-LA4

Health and Safety at Work

It is a priority for the company to control the professional risks associated with the business by respecting current legislation, optimizing the operation and contributing to the quality of life of employees, suppliers and contractors.

These principles are stated in the Entel Code of Ethics [23]. To ensure they are understood and implemented, a Preventive Management System for Occupational Health and Safety was put in place, which includes a technical standard for safe working procedures to carry out tasks with greater risk potential, which are constantly monitored through on-site audits and inspections. As such, all employees live Entel's Preventive Management Culture, which is promoted and diffused through mass communication channels, meetings and other personal communication channels.

In 2016 the Protocol for the Development of Critical Tasks was implemented, which included providing satellite phones to employees working in areas with difficult access and low network connectivity.

The National Meeting of Joint Committees was held in October 2016, where 130 participants met to establish working methodologies.

In Entel Chile, accident and loss rates were down compared to 2015. In 2016 the loss rate and the severity index were both down by 30%. At the Entel Call Center, the loss rate decreased by 60% and the severity index by 64% compared to the previous year.

As in 2015, fatalities of employees for the year were zero.

---

[23] For more information on the policies of Empresas Entel regarding employees, please see Entel's Code of Ethics, Section 3.3, page 10
[http://www.entel.cl/corporativo/pdf/codigo-etica.pdf]

Entel Chile				
Category	Entel		Entel Call Center	
	2015	2016	2015	2016
Accident rate	1.00	0.58	0.87	0.82
Loss rate	23	19	7.99	3.23
Severity Index	92	75	185.97	66.57
Frequency index	3.99	2.28	30.99	29.37
Total days lost	1,223	920	96	34
Days lost due to occupational sicknesses	216	589	0	0
Number of fatalities	0	0	0	0

The indicator for total days lost in 2015 includes the real data for the year. However for 2016 there are four pending cases with the Chilean Security Association.

The National Meeting of Joint Committees was held in October 2016, where 130 participants met to establish working methodologies. It should be noted that the consolidated figures for Entel show that 55% of workers are represented in Joint Committees, and in Entel Chile and Entel Call Center the figure is over 80%.

Category	Entel		Entel Call Center		Entel Peru		Entel Consolidated	
	2015	2016	2015	2016	2015	2016	2015	2016
Percentage of workers represented	80%	80%	100%	100%	50%	50%	59%	55%
No. of joint committees	22	18	4	3	1	1	27	22

Promoting a healthy lifestyle in Entel

CROSS-CUTTING BENEFITS
› Membership of the Entel Country Club, card for snacks and coffee, clothing for Store Executives, Executive Assistants, Secretaries and Administrators.
› Celebrations (national holidays and corporate party).

SPORTS AND RECREATION
› Corporate Country Club (Peñalolén): soccer fields, tennis, swimming pool, and BBQ area.
› Leisure activities with shared financing: sports, choir, theater, yoga, radio amateurs.
› Agreements with gyms.

ADEQUATE WORKING CONDITIONS
› Facilities are provided in accordance with the nature of the work, bearing in mind temperature, lighting, furniture, etc.

FAMILY INTEGRATION
› Gifts for the family: trousseaus for newborns, Christmas gifts for the family, Christmas gifts for children (under 12s), children's day gifts (under 12s).
› Education: school kit for children (under 17s); kindergarten benefit (nursery and children from 2 to 5 years); scholarships and study funding.

HEALTH
Collective health plans (Isapre Consalud and Colmena):
› Health, Dental, Catastrophic and Life Insurance.
› Supportive health fund: where employees can obtain additional financial aid (administered by Entel and its unions).
› Preventive health program for employees over 40.
› Free vaccination campaign for influenza.

FLEXI-TIME
› Flexibility to make time for personal business, holidays, marriages, births, birthdays, serious illnesses and death of a relative.

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

G4-11
G4-LA4

Labor Relations

For the company overall, in 2016 48% of workers were unionized and 65% covered by collective bargaining agreements. This is because Entel Peru as an incoming company does not yet have trade union organizations, but the Code of Ethics and Internal Labor Regulations recognize the right to freedom of association, which is known about and promoted to all workers.

Regarding the Entel Call Center, in 2016 negotiations were carried out with one of the company's unions where it was not possible to reach an agreement, causing, for the first time, a legal three-day strike. However, the company's contingency plans meant that services and customers were not affected.

In 2016, 73.93% of Entel Chile workers were unionized and 100% covered by collective instruments. Good relations between the company and the different union organizations enabled three collective negotiations, all of them anticipated.

TABLE: UNIONIZATION RATE

Category	Entel Chile		Entel Call Center	
	2015	2016	2015	2016
Unionized workers	76.75%	73.93%	34.45%	44%
Workers covered by collective agreement	100%	100%	34.45%	60%

*Entel Peru has no union

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

Chapter VI

Suppliers and Contractors

G4-10

Entel seeks to deliver quality products and services to its customers, throughout the entire value chain. To do this, suppliers and contractors are a key pillar.

The organization has a relationship with different types of suppliers and contractors, segmented according to the following criteria:

Contractors and Suppliers

Entel has a great responsibility as a client given that the contractors represent the image of the company and have a role in maintaining operational continuity. For this reason it is necessary to constantly monitor compliance with contractors' labor obligations, to train workers to perform their function in the best working conditions and reduce the possibility of suppliers not having financial backing to make their activities viable.

Segmentation of Contractors and Suppliers

> **Type of service:** suppliers of goods, services or contractors.

> **Origin:** national and international.

> **Size:** large or small and medium enterprises (SMEs)

SUPPLIERS AND CONTRACTORS BY SEGMENT – ENTEL CHILE	2015	2016
Total number of companies	2,219	2,029
Total number of contractors and partners	461	442
Number of local businesses	2,069	1,891
Number of international businesses	150	138
Number of SMEs	1,448	1,152
Indirect employment generated	11,609	10,995
% of total expenditure on suppliers and local contractors	80.6%	78%
% of expenditure on suppliers, contractors and partners	55%	61%

During 2016 we worked with 2,029 supplier and contractor companies, down by 9% compared to 2015. This was due to reorganization in the supplier base for some categories of goods and services, allowing us to centralize services and reduce costs. Of all the suppliers, 442 are contractors, generating indirect employment for 10,995 people over the year.

Total spending on suppliers, meanwhile, was CLP 783,082.737 billion, 7% less than in 2015. Of the total expenditure, 78% corresponds to local suppliers, which demonstrates Entel's close ties with the country's suppliers. Likewise, 61% of purchasing expenses corresponded to the contractors and "partners".

Contractor and Supplier Management Model

> RE - EVALUATION
> ACTION PLANS
> EVALUATION
> QUALIFICATION AND SELECTION
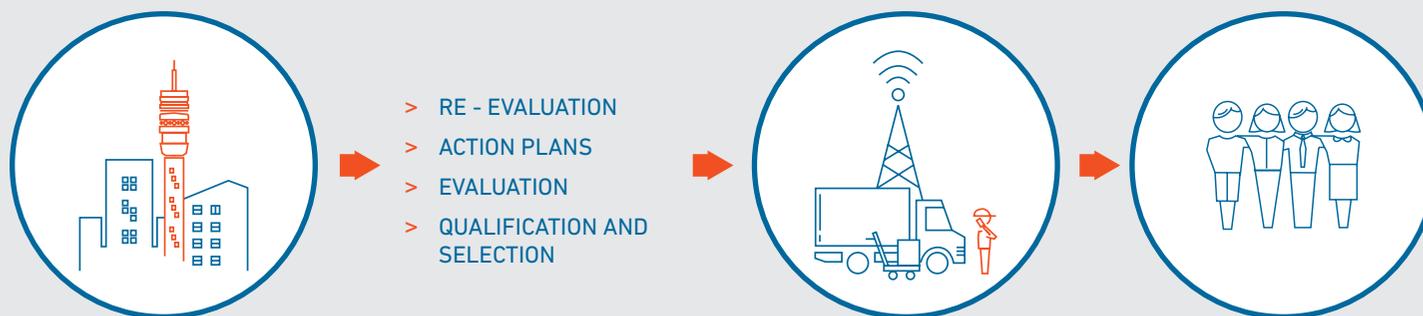
Working together for a quality service

The company is careful that suppliers are of high quality and meet the standards that customers expect. Relationships with suppliers are detailed in the Code of Ethics[24] and are governed by the principles of transparency, integrity, honesty and mutual convenience. Choosing a supplier depends on their merit and ability and the quality, taking into account the cost of the product or service. In addition, all potential suppliers have the same access to information to develop their proposals.

The Code of Ethics [25], in accordance with Law 20.393, expressly prohibits conduct that may give rise to the criminal imputation of the company, whether for acts or omissions committed by any employee or outside party directly or indirectly representing Entel. Through the Crime Prevention Model the risks of jeopardizing the values and principles of Entel are diminished.

Meanwhile Entel requires the companies it contracts comply with existing labor legislation, recognizing and respecting the rights of workers. Contractors and suppliers represent Entel through the services and products they deliver to customers, which is why the organization makes sure to provide them with the tools necessary to properly carry out their activities.

---

[24] These principles are outlined in No. 3.2.1 of the Entel Code of Ethics, page 8. Also, the application of these principles can be found in in the No. 3.2, of the Entel Code of Ethics Application Manual, page 13.
[25] For more information, please see the Entel Code of Conduct Application Manual, page 42. [Http://www.entel.cl/corporativo/pdf/Or-Manual_de_Etica.pdf]

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

The Contractor and Supplier Management Model includes specific stages with rigorous procedures that seek to ensure a quality service for the customers.

When an internal customer needs to work with a supplier, companies that comply with identified technical standards are sought. The next step is the Qualification and Selection process, which considers whether the companies meet the requirements established in the Entel Suppliers and Contractors Policy.

In addition, the Supplier Evaluation System is implemented, allowing the performance of these services to be measured in a way that is holistic and cross-cutting with regards to the company, in order to improve processes and mitigate possible risks.

For the evaluation, performance information is collected through surveys completed by different departments within the organization and by suppliers and contractors.

The answers of the surveys are weighted and a result is arrived at for each supplier. This can be good, fair or poor, depending on the percentage obtained in the evaluation.

The evaluation criteria are as follows:

POOR
(0-70%)

FAIR
(71-85%)

GOOD
(86-100%)

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

The evaluation mechanism makes it possible to identify good practices and areas in which management should be improved. It also enables action plans to be developed based on the results. In accordance with these plans, a reevaluation is carried out, looking at the aspects that needed improving.

The Supplier Evaluation can be found in Ariba, the SAP and WorldClass cloud platform which was migrated in late 2016 and gives the procedure greater transparency.

The Supplier and Contractor Evaluation System also identifies the risks associated with each provider. In order to manage them, Entel carries out analyzes and audits to make sure economic, social, labor and environmental requirements are met. Also, the company's Ethics Committee hears and resolves cases arising from anonymous complaints about suppliers regarding activities relating to the business that might present risks or affect the outcome of the prescribed activity and the rights of suppliers and contractors.

In 2016, 39% of spending on purchases was from suppliers with contracts containing sustainability clauses, with the supplier having to meet minimum requirements on economic, social, labor and environmental matters.

Meanwhile, 15% of suppliers and contractors underwent a risk analysis on sustainability issues, identifying those with high levels in this area. At the same time the sustainability management of 39 contractors was evaluated and monitored.

Out of the contractors and partners, 5% presented high levels of economic risk with none of them posing high levels of environmental risk.

Information	2015	2016
% of suppliers with sustainability risk analysis.	7%	15%
% of contractors and partners with high levels of economic risk.	2%	5%
% of contractors and partners with high levels of environmental risk.	0%	0%
% of total spending on purchases from suppliers with contracts containing sustainability clauses.	10%	39%
Number of suppliers whose sustainability management was evaluated and monitored in 2016.	35	39

100%
of contractors and partners pose high environmental risk.

"The success of Entel's contractors and suppliers is also Entel's success. For this reason the company strives to provide them with tools and capabilities to develop their activities in line with our values."

Adolfo Olivares
Deputy Manager for Supply Chain Operations and Development.

Figures for 2016 are up substantially on 2015. The percentage subjected to sustainability risk analysis grew by more than 100%. Meanwhile the percentage of suppliers with contracts containing sustainability clauses increased threefold.

In relation to contractors in 2016, continued progress was made in delivering a quality service to customers, through strict monitoring and evaluation of the risks that can be presented by service providers. In 2016, 295 audits were performed on contractors and partners.

89% of contractors [26]

who installed telecommunications infrastructure participated in community relations training.

3% of contractors and partners

presented high levels of risk in labor matters. This corresponds to cases in which the service provider showed significant financial problems that could affect its operations and the delivery of services to the company.

14 complaints were received

relating to labor practices. These were addressed by Entel and resolved through the formal channel for anonymous complaints, as established in the Code of Ethics.

[26] See training for contractors in community relationship-building. Chapter 7 "Communities and Social Investment".

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

G4-EN32
G4-LA14
G4-LA15
G4-LA16
G4-SO9
G4-SO10

Risks identified based on management and oversight measures:

Information	2015	2016
% of contractors and partners (critical and non-critical) where high levels of labor-related risk was identified.	1%	3%
% of contractors and partners (critical and non-critical) where high levels of social risk was identified.	3%	8%
Number of audits performed on contractors and partners	-	295
% of audits (in relation to total audits) performed on contractors identified as high risk	5%	6%
Number of complaints about labor practices that have been presented, addressed and resolved through formal complaint mechanisms.	-	14

Training for Contractors and Suppliers

Entel also strives to provide training to suppliers and contractors on health and organizational safety issues in order to avoid workplace accidents and promote safety at work, as well as training them in community relations issues when installing telecommunications infrastructure [27].

Despite efforts by Entel to impart safety measures to its suppliers and contractors, in 2016 there were unfortunately two fatal accidents involving contractors installing telecommunications infrastructure. In view of this, Entel took all necessary measures to strengthen its security policy towards third parties.

Commitment to small and medium-sized enterprises
Entel is certified with the ProPyme seal, granted by Chile's Ministry of Economy, Development and Tourism to companies that comply with the payment of their SME suppliers (small and medium enterprises) within a maximum period of 30 calendar days. In this way the company demonstrates its commitment to the development of national entrepreneurship.

---

[27] For more information, see Chapter 7 "Communities and Social Investment".

Ensuring the commercialization and distribution of services and products

Entel has three types of distributors who sell at least 30% of the products and services: Agent, Franchise and Express Channels.

To ensure the quality of services and products provided by distributors, two EPA survey indicators and perceptual telephone monitoring were used to see if the customer care protocol was being correctly managed. In addition, work conventions were used to align and follow up on commitments and business indicators.

With regard to the outsourcing to franchises carried out in 2016, the focus was on ensuring the quality of the products' chain of distribution.

The adherence project seeks to provide channel mangers with the necessary tools for better customer care and has brought about a significant impact on quality management.

Work methodologies were provided for those in contact with customers, who commit to systematically carry out the policies, procedures and protocols set out in the operating model for franchises.

TABLE 3: DISTRIBUTION CHAIN

Category	2015	2016
Percentage of distributors who received an update of the standards on the management of Distribution Chain quality	100%	100%
Percentage of distributors who participated in the Distribution Chain Quality workshops	100%	100%
Percentage of formal training on Distribution Chain Quality		100%

TABLE 4: PERCENTAGE OF SUPPLIERS REACHED

Category	2015	2016
Percentage of internal audits	100%	100%
Percentage of external audits	100%	100%
Percentage of external audits based on ISO9000	100%	100%

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

89

7

Chapter VII
Community and Social Investment

Entel and its Relationship with the Social Environment

Entel is in a social environment marked by the advances of information technology. For this reason the company seeks to promote social development by reducing the digital divide and improving accessibility and the inclusion of people. In its effort to achieve a more inclusive and equitable society, the company has focused efforts on increasing access to telecommunications so that everyone has the same opportunities in this digital age, taking advantage of technology and contributing to the development of country.

To maximize the positive impact it makes on people, Entel has involved not only its employees - who help communities develop through volunteer progams - but also its customers and suppliers, and has made alliances with public institutions.

In its relationship with the community, the company seeks to be close and transparent, maintaining an open dialogue and establishing human connections in the places where it operates.

Cornerstones that Guide Community Relations:

CONTACT — DIALOGUE — CO-CREATION — LINKING

Entel's focus for its relationship with the community in 2016 was framed by efforts to collaborate with the implementation of the United Nations 2030 Sustainable Development Agenda and achieve the 17 Sustainable Development Goals (SDGs), adopted in 2015 with Chile firmly adhering to their compliance. The goal of the SDGs is for countries, citizens and comapnies to increase efforts to end poverty in all its forms, to reduce inequality and combat climate change over the next 15 years.

In 2016, Entel carried out a process of prioritization for the Sustainable Development Goals (SDGs) [28], focusing on those which the company make the greatest impact on:

QUALITY EDUCATION	DECENT WORK AND ECONOMIC GROWTH	INDUSTRY INNOVATION AND INFRASTRUCTURE	SUSTAINABLE CITIES AND COMMUNITIES	RESPONSIBLE PRODUCTION AND CONSUMPTION	PEACE AND JUSTICE

Monitoring relationship-building opportunities with communities.
To ensure connectivity and access to telecommunications, installing infrastructure is fundamental. For this reason Entel seeks to maintain a permanent link with the communities where it operates through dialogue and co-creation.

In 2016, a Predictive Opportunities Model for relationship-building with communities was developed, which classified risks associated with installing telecommunications infrastructure and focused on communes where greater dialogue and a closer relationship with the community is necessary, in order to generate opportunities for working together, adding value to the company and its surroundings. This model has strengthened Entel's links as it forges open and dialogue-based relationships, taking into account the needs and expectations of the community.

Community Relations Initiatives

Workshop for Social Leaders
In 2016, the territorial and community contact strategy was continued through workshops for social leaders in different regions of the country.

Based on the agreement signed between Entel and the Organization for Consumers and Users (ODECU) to enhance the education of telecommunications users, training workshops on user rights and duties were continued.

---

[28] For more information on the United Nations Sustainable Development Agenda and the United Nations Sustainable Development Goals, please go to the following website: [http://www.un.org/sustainabledevelopment/es/la-agenda-de-desarrollo-sostenible/]

Attendance 2016 Social Leaders Workshop

> More than 1,000 social leaders from the communes of Antofagasta, Biobío, Araucanía, Magallanes and Aysén participated in the workshops.

Topics
> Deployment of infrastructure
> Rights and Duties of Consumers (Agreement with ODECU)
> Social Networks for the role of Social Leader

Key results
> Strengthening the role of Social Leaders in their communities and expanding their contact networks.
> Enhancing the role of Entel

The workshops also provided technological tools and information on the country's connectivity network, seeking to enhance the role and actions of social leaders through the use of technology.

Training for contractors in community relations

Establishing relationships of trust with the community and maintaining open dialogue is also the responsibility of the contractors who install telecommunications infrastructure and as such represent Entel.

Entel continued to hold training workshops for contractors with the aim of improving relationships with communities, providing tools and knowledge on how to act in complex situations so as to avoid conflicts. To do this, community relationship protocols are presented and experiences with communities where services have been carried out are looked at.

In 2016, 89% of the contracting companies that install telecommunications infrastructure participated in community relations training.

89%

of the contracting companies that install telecommunications infrastructure participated in community relations training.

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

Lines of Action in Community Investment

Entel's investment in its communities is divided into two categories: Contributions to NGOs and community investment, through various projects and initiatives.

Category	Total 2015	Total 2016
Contributions to NGOs	37.8%	17.3%
Community Investment	62.2%	82.7%

Entel's community investment can be split between the investment made on programs or initiatives to reduce the digital divide, and initiatives that promote social development and improve the quality of life of people with links to the environment in which it operates.

In 2016, community investment was allocated to initiatives such as Mujeres ON, Yo Leo, Agreement with the Chilean Association of the Deaf (ASOCH), Physical Digital Library in the commune of Independencia and Jóvenes ON, with the aim of helping eradicate the digital divide. Community investment was also allocated to initiatives such as Uniendo Personas, Rapa Nui School of Music and Arts, and miscellaneous voluntary work.

	Initiatives
Programs aimed at bridging the digital divide	› Mujeres On › Yo LEO › ASOCH › Digital Public Library. › Mujeres On
Community investment for social development	› Uniendo Personas › Rapa Nui Music & Arts Program › Voluntary work (Tengo una idea).

Breaking down the Digital Divide through Social Inclusion and Innovation

Through various initiatives the company seeks to improve people's quality of life and eradicate the digital divide.

I. Development of infrastructure and services, connecting people

Conectando Chile

In addition to the initiative "Todo Chile Comunicado" [29]- a public-private collaboration between Entel and the Government of Chile which put together one of the most important and ambitious connectivity projects in isolated and rural areas of the country, [30] - this year Entel continued to ensure that all Chileans live better connected through their project "Conectando Chile", having been awarded by the Department of Telecommunications the tender to deploy the most important segment of the 700 MHz network, taking on the challenge and responsibility for greater connectivity in isolated areas.

Entel started its "Connecting Chile" project in 2014, the first stage of the program consisted of the deployment of the 2,600 MHz network, which benefited 181 localities by 2015.

In 2016, progress was made in the second stage with the deployment of the 700 MHz Band, which will eventually connect 549 even more isolated localities and 85,717 people. In addition, 212 isolated schools and 373 kilometers of road will be connected.

In total the project will connect 730 localities, benefiting 130,548 people by 2017.

Connecting all Chile through Entel Mobile Broadband.

Opportunity for many Chileans to develop their productive and human potential.

Special rates for locations that do not have access to other telecommunications services.

More than 90% of Chile's rural population now has an internet package.
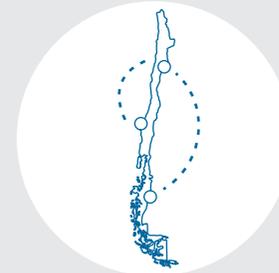
Conectando Chile

2,600 MHz band
> 181 locations connected
> 44,831 beneficiaries
> Investment: US$48 million

700MHz band
> 549 locations connected
> 85,717 beneficiaries
> 212 schools
> 373 kilometers of road
> Investment: US$ 170 million.

Total Conectando Chile
> 730 locations connected
> 130,548 beneficiaries

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

Entel Residential

In its residential segment Entel has developed services that generate economic benefit for the company and at the same time take care of a social need. Traditionally there were no fixed phone services in peripheral, rural or low density areas. To meet this social need, Entel developed "Entel Hogar" products, which, being wireless, provide access to telephony, internet and television in places where other companies have no service. or a low-speed service, as is the case in peripheral and/or rural areas.

With these products Entel has made progress in reducing the connectivity and digital divides for Chileans, especially for those families in the most vulnerable socio-economic groupss. This has not only improved the customer experience by delivering a quality service at a suitable price, it has also made a social impact on families who, thanks to these products have been able to access information technology and live better connected.

II. Digital Literacy and Diversity Mujeres ON:

In a public-private collaboration between Entel and the National Service for Women and Gender Equality (SERNAMEG), the project consists of training and empowering female entrepreneurs to be able to sell and improve their products, using new technology and digital tools. This initiative is part of the SERNAMEG program, "Mujeres Jefas de Hogar".

The cross-cutting focus of this project is to promote digital literacy amongst entrepreneurial female heads of household. The cornerstones of the project are:

> Selling
> Community
> Design
> Training

The first version of the "Mujeres On" project was carried out between June and September 2016, training 108 women in innovation, design, business management, social media management and digital literacy. This was complemented by improvements to the design of products and logos, field trips, formalization workshops, legal advice and business contacts for entrepreneurs. The program has a website - www.mujereson.cl - where they can sell their products, reaching thousands of people.

This project advanced efforts to break down the digital divide in two relevant areas:

> Use of the internet as a sales channel.
> Having a smartphone, allowing better business management.

Key Impacts

DIGITAL LITERACY

94% Improvement in smartphone use in the business

SELLING

52% Generated long-term business links, including in the labor market

COMMUNITY

585 People linked by the Mujeres ON community

DESIGN

103 Contributions to the design of ventures

Digital Divide

BACKGROUND

RESULTS OF MUJERES ON

19%
Used the internet as a sales channel.

➡ **78%**
Use the internet as a sales channel.

86%
Had a smartphone

➡ **100%**
have a smartphone

Success Story

"I managed to lose my fear of technology."

Elsa Poblete, a business woman participating in the project, did not have Whatsapp, Facebook, or even email. At the end of the program she was sending Pinterest boards by Whatsapp, catalogs by category and using e-commerce.

mujeres on

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

Jóvenes ON

A public-private collaboration between Entel, Everis Chile and CORFO which brought about the project "Program Week - Jóvenes ON", with the aim of promoting programming, robotics and entrepreneurship in young people from primary and secondary schools using digital tools and technology as key elements in the transformation of society.

300 students from the schools network Fundación Belén Educa were given training, 70% of whom were female - a breakthrough given that only 5% of the professionals and technicians working in this sector are women. It is hoped this type of initiative can turn the situation around.

Highlights were the presentations of distinguished speakers such as biochemist Eduardo Castro (awarded by the magazine MIT Technology Review), and doctor in Health Informatics and Research Carol Hullin from the World Bank, Carol Hullin.

This was aimed at motivating attendees to follow careers linked to computer science, a growth area that will be fundamental for the future.

Yo Leo Mapudungún y Rapa Nui

The "Yo Leo" project encourages reading in Spanish and in the native language of children from Kindergarten through to the third grade, through the use of digital devices. The program contributes to breaking down the digital divide and enhancing the education of children, while preserving the culture and identity of Chile´s indigenous peoples.

In 2016, the "Yo Leo Araucanía" project from 2015 was continued, which promotes reading in Spanish and the native Mapudungún by children from Kindergarten through to the second grade, through the use of digital devices. This project benefited more than 400 children, providing 126 tablets across different communes of the Araucanía region.

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

Digital Public Library

12,000
books available

859
library users in 6 months

Along the same lines, in the second half of 2016 the project "Yo Leo Rapa Nui" was implemented, aiming to promote reading in Spanish and Rapa Nui for children from 1st to 3rd grades on Easter Island, through digital devices. The project "Yo Leo Rapa Nui" benefits all students attending the three schools on Easter Island, and provided them with 122 tablets.

With these educational initiatives the company contributes to reducing the digital divide and fosters the cultural heritage of the native peoples.

Digital Public Library "Pablo Neruda", Independencia commune

Entel entered into a public-private collaboration with the Directorate of Libraries, Archives and Museums and the Municipality of Independencia to fill the gaps in this community in terms of access to reading. Thanks to this agreement the Pablo Neruda Digital Public Library was inaugurated, the first physical digital library, a pioneer of its kind in Latin America.

This innovative project offers the same services of a traditional library, drawing on the advantages of digital resources. The Digital Public Library can be accessed through the website www.bpdigital.cl. Visitors can download and "borrow" materials, read online and download up to four books simultaneously for up to 14 days.

In addition, the Physical Digital Library provides tablets with access to the application that allows access to more than 12,000 titles. Other innovative activities on offer include participating in storytelling via videoconference or in reading clubs through social networks.

> In the 21st century, only leading companies will be committed to respecting the fundamental rights of **all** human beings.
>
> **Gustavo Vergara**
> President of ASOCH
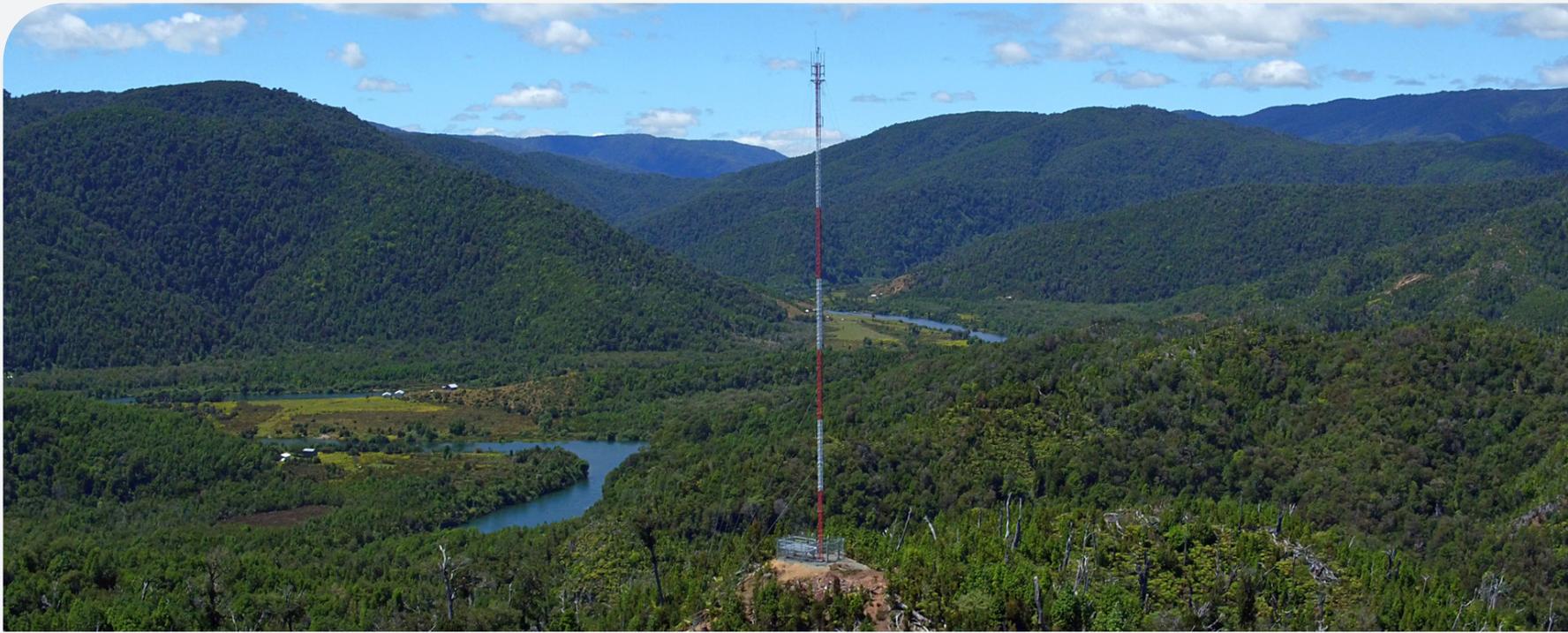
Agreement with the Chile's Association for the Deaf.

In its commitment to respect and support diversity and move towards a more inclusive society, Entel and the Chile´s Association of the Deaf (ASOCH) signed an agreement in August 2016 with the aim of democratizing access to telecommunications, seeking to improve Services and establish differentiated offers aimed at people with hearing disabilities.

Under this agreement, the company committed to finance 10 annual quotas for its employees to be trained in Chilean sign language, to provide personalized care for customers with hearing impairments. ASOCH meanwhile will guide and support Entel in all matters relating to equal opportunities access for deaf people and the recognition and promotion of their rights and cultural and linguistic identity. In addition, it will support Entel in the development of its Diversity and Inclusion Policy.

In 2016, the company started implementing special plans for the deaf who have text messaging and internet bags. At the same time a sign language office was opened at the Entel Tower in Santiago.

Fostering Social Development

Uniting People

In order to contribute to improving people's quality of life, in 2016 the company refocused its "Barrio Feliz" project, becoming "Uniendo Personas" and promoting technological and human connectivity. The aim is to contribute to the development of the community through the intervention, recovery and improvement of public spaces and rundown infrastructure in a number of isolated and vulnerable areas of Chile. The initiative seeks to transform these spaces into meeting and entertainment areas for the community with access to connectivity.

The project is funded by Entel with the collaboration of customers who contribute through paying bills by email and recycling cellphones.

Local leaders and neighbors work actively with Entel to define what building work is most necessary and apt for the real improvement of communities and their quality of life.

In 2016 work was carried out in the following communes:

> Traiguén
> Calama
> Purén
> La Reina
> Ñuñoa

Since its inception the Uniendo Personas project has been implemented in 16 communes and overhauled an area totaling some 16,000 m², benefiting around 6,000 families.

Work with the rural community "Reducción Contreras" of Traiguén (La Araucanía)

> Improvements in internal roads.
> Improvements in the "Rehue" ceremonial center.
> Electrical supply solution.

Entel Peru is also implementing this initiative, which has involved more than 3,600 people. The following projects have been carried out - sports facilities, recreational modules for children, computing areas, cultural murals - in the following communes:

> Huaraz
> Juliaca

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

Continuing the "Uniendo Personas" project.

An Entel employee presented an initiative to the neighborhood committee of La Pintana. Together they created a cyber center to boost community development and break down the digital divide

Rapa Nui School of Music and Arts

In 2016 the first sustainably built school in Latin America was inaugurated in Rapa Nui. The School of Music and the Arts worked across different parts of the Island, giving free piano, violin, cello and ukulele classes to 70 children and young people. The inauguration of this sustainable building will allow more students to attend classes and learn disciplines such as dance, language, painting and sculpture, preserving the Rapa Nui culture.

Rapa Nui School of Music and Arts was built with a combination of basic materials such as cement and old tyres, plastic bottles, glass, cartons and aluminum cans etc.

This initiative from the NGO Toki Rapa Nui was born in 2014 and was supported by Entel, Desafío Levantemos Chile and the Municipality of Easter Island. The project was designed by sustainable building architect Michael Reynolds, who has been building works of this type for over 40 years around the world.

Sumaq Llaqta Peru Program

The Sumaq Llaqta program is about the implementation of school and health campaigns directed at the inhabitants of different regions of the country where the company operates, benefiting more than 1,350 people. In addition, campaigns and special festivities have been held in which the whole community participates, such as anniversaries, inaugurations, sports events etc. in the communes of:

> Lima
> Piura
> Junin
> Huaraz

Volunteering

Entel employees help the company with its mission of contributing to the country's social development through various volunteer programs.

Volunteer scheme Tengo una Idea.

This initiative aims at company employees creating sustainable projects, thereby contributing to the welfare of the community.

The scheme is for employees to develop proposals and ideas to solve different problems in the community. Once the winning projects are selected, Entel provides the funds to execute the initiatives.

In 2016, employees put forward 60 projects. More than 400 employees participated, an increase of 17% over 2015. Of the projects registered, 37 were selected. The winning ideas will touched on different areas, such as:

> Diversity and social inclusion
> Bridging the digital divide
> Continuing the project "Uniendo Personas".

Teach Chile and Teach Peru

Entel and Teach Chile came together to improve education in the country. Entel's support in this project consists of training teachers in different regions of the country, as well as helping in the selection processes for teachers who will be part of the network of professionals of excellence making up Teach Chile.

In 2016 two pilot projects were developed that will be replicated in 2017:

> Voluntary mentoring by Entel employees of students in their first year at university, coming from schools with Teach Chile operating.

> Entel Techno Tour: workshops were given to 3rd grade students from schools with a specialty in Telecommunications. The operation of the company was explained and experiences shared of organizational cultures, innovation and sustainability. The day also included a visit to Entel facilities.

Entel Peru meanwhile signed an agreement with Teach Peru in 2014, engaging employees to teach classes to children belonging to the network. The vision of Teach Peru is that by 2032, eight out of 10 children and young people will receive an excellent education.

Tengo una Idea voluntary scheme achieved coverage in 10 regions of the country with more than 147,000 people benefiting.

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

In 2016, more than 200 Entel Perú employees volunteered for this initiative and more than 400 children from five schools benefited.

Yo Salto Por (Entel Perú)

This initiative is to invite celebrities to make paragliding jumps. In exchange for taking up the challenge, Entel Perú delivers internet to a school in the Teach Peru network to improve the quality of children's education.

Connecting everyone through Sport and Culture

Entel Santiago Marathon

It is the most important marathon in Chile. In 2016, the tenth Entel Santiago Marathon was held, with 3,000 people participating from different countries. The runners could choose between a 42, 21 or 10 kilometer race that took place in Santiago. Of note were runners over the age of 70 - 47 men and nine women - reflecting a healthy lifestyle amongst all age groups.

Entel "Prende la Ciudad" with family cycling events

In 2016, under the slogan "Entel turns on the city", the company held two nocturnal cycling events in the regions of Coquimbo and O'Higgins, involving 5,000 people. The activity seeks to unite and connect people through sports and outdoor life.

Entel Hecho en Casa Festival:

In November 2016, the fourth urban art festival "Hecho en Casa Entel" was held, featuring five large-scale urban interventions in different parts of Santiago, projects by renowned international artists. The aim of this initiative was to involve and connect the inhabitants of Santiago with art and the city.

One example of these artistic interventions was "eggs from the sky" by the Dutch artist Henk Hofstra, which consisted of ten giant fried plastic eggs staged in Plaza Italia, an example of urban surrealism in Santiago de Chile.

This festival - free and open to all - is Entel's invitation to live more connected with the public spaces of the city.

Entel 10 Lima

In 2016 Entel Perú held the third "Entel10, the race that lasts 10 years". The goal is to promote running through a long-term commitment to this activity, helping improve people's quality of life.

Those who run in each of the 10-kilometer races over ten years can win prizes of up to US$ 25,000.

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

Chapter VIII
Environment

Management of Environmental Impacts

Caring for the environment is part of Entel's vision and mission and is realized through through the company's Sustainability Policy, which has been implemented progressively and in a cross-cutting manner throughout its operations.

Environmental work undertaken by the Sustainability Division centers around respecting the places where Entel operates, permanently searching for new technologies and good practices that foster efficiency in the use of resources, and responsibly managing the life cycle of materials and products. These practices respond directly to the environmental impacts Entel has identified as resulting from its operations.

Installation of antennas

Respect for the environment
> This year 469 new antennas were installed with the consent of 100% of the communities.

Energy consumption and greenhouse gas emissions

Climate change and energy efficiency
> The Carbon Footprint was measured for 100% of Entel's operations in Chile.
> This year the development of energy efficiency initiatives continued, achieving a decrease of 3.3% in the Power Usage Effectiveness (PUE) of the Data Center.

Waste management

Order management
> In 2016, in Chile and Peru, there were more initiatives relating to the recycling of telephones, accessories and batteries. In Chile, 13,114 kg of electronic waste were collected, and 361 kg in Peru.

G4-DMA
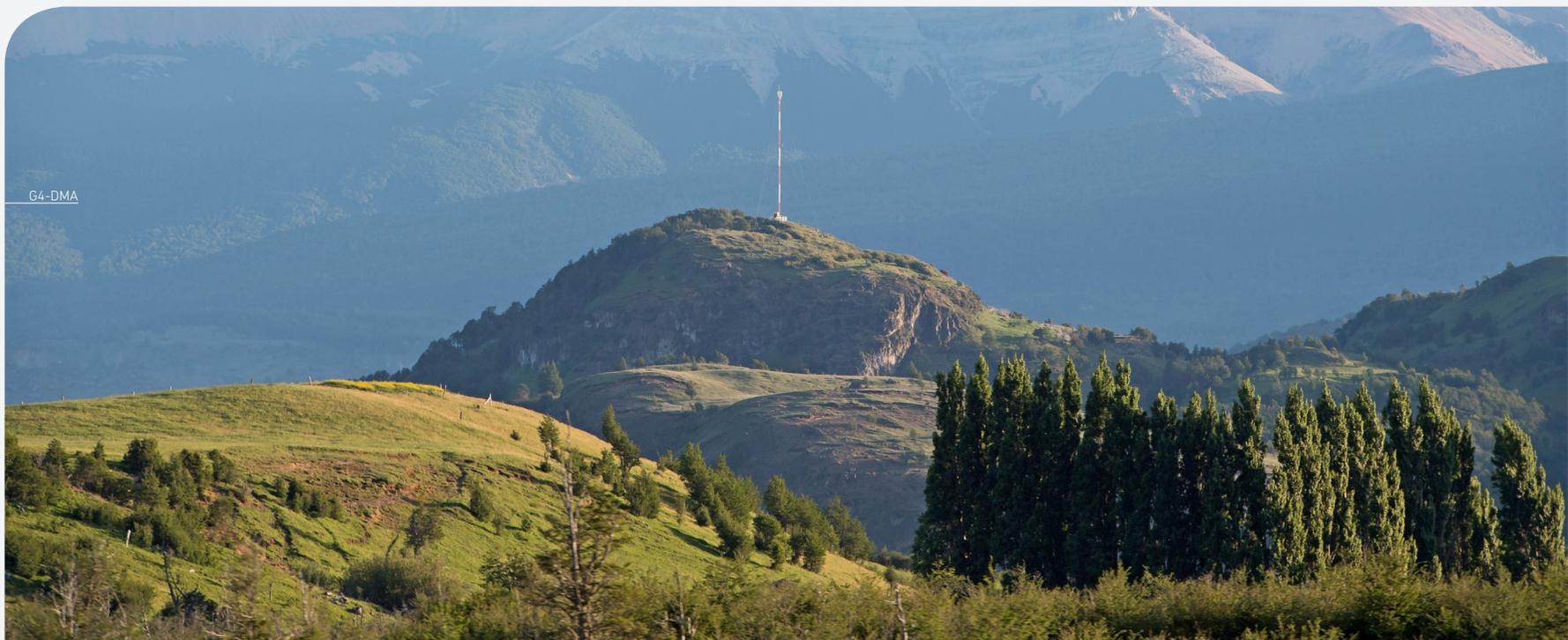
Respect for the environment

In Chile, Law 20.599, which regulates the installation of telecommunications transmitting antennas, imposes obligations for the deployment, operation, expansion and modernization of mobile telecommunication service networks, which is why Entel meets the high standards for:

> Safety regarding the emission of electromagnetic radiation. The Chilean standard is one of the most restrictive in the world in relation to maximum radiation emission limits, in that it establishes that the power density limit must be equal to or less than the simple average of the five most rigorous standards in the countries that make up the Organization for Economic Co-operation and Development. (OECD). In addition, Resolution No. 3103/2012 of the Department of Telecommunications establishes power limits relating to this standard and measurement protocols for its compliance.

> Participation of citizens and authorities in the infrastructure placement process. This facilitated the installation of 469 new telecommunications infrastructures and relationship-building with local communities and local authorities, generating spaces for dialogue and helping conflict resolution. This helped strengthen the network and access to connectivity.
> Compliance with rules on distances between supporting towers of radiant systems and sensitive areas [31].
> The information given to citizens, social leaders, collaborators and contractors regarding the impacts of the installation of antennas in urban and rural areas, through training and workshops.

[31] A sensitive area is one with schools, nurseries, nursery schools, clinics, nursing homes and other, as defined by SUBTEL and established by law, which in turn have been identified by the municipalities for their respective communes.

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

SCOPE 1
Direct Emissions

1.7%
3,177 TCO2e

0.7%	0.9%	0.1%
Stationary Sources	Mobile Sources	Fugitive Emissions
1,392.1 TCO2e	1,679.8 TCO2e	105.1 TCO2e

SCOPE 2
Indirect Emissions

80.3%
145,431.2 TCO2e

80.3%
Electricity

145,431.2 TCO2e

SCOPE 3
Other Indirect Emissions

18%
32,510.1 TCO2e

17.1%	0.8%	0.1%
Importing and distribution of equipment and devices	Air travel	Use of paper
30,905.3 TCO2e	1,532.5 TCO2e	72.3 TCO2e

G4-EN15
G4-EN16
G4-EN17

> Enhancing normative compliance regarding towers harmoniously fitting into with the environment where they are located. In this respect it is worth noting that 70% of Entel's urban structures are in harmony with the environment.

For Entel, it is very important to establish long-term relationships with the communities where it operates and with society in general. As such, the provision of information and access to it is a factor that facilitates transparent communication and strengthens relationships of trust between both parties. This is why in 2016, communities continued to be informed about existing studies in electromagnetic fields through meetings of the Sustainability and Communities Department and workshops held for more than 1,000 social leaders in three regions of Chile.

The study "international benchmark on the regulation of installation of mobile telecommunications antennas" was sponsored through the Mobile Telephony Association and carried out by the Faculty of Civil Engineering in Telecommunications of the University of Concepción.

Additionally, in 2016 99% of the antennas installed in Chile were part of the "Conectando Chile" project, reinforcing Entel's commitment to the inclusion and digital development of the country.

Climate Change

In 2016, one of the areas where Entel developed its sustainable management was in measuring its contribution to climate change.

In this context the compny's carbon footprint for 2016 was measured, that is the emissions of greenhouse gases generated by Entel at corporate level as a result of its operations, both directly (scope 1) and indirectly (scopes 2 and 3).

The measurement included all business units in Chile, corresponding to 80% of the company's total revenues.

The figure shows that Entel's greenhouse gas emissions are 181,118.3 tons of CO_2e[32], of which only 1.7% (3,177 tons of CO_2e) correspond to emissions generated directly by operations, while 18% (32,510.1 tons of CO_2e) are generated in the areas measured in the value chain - importing and distribution of equipment, air travel and paper use.

The greatest amount of emissions (145,431.2 tons of CO_2e) are produced indirectly by the generation and distribution of electricity (Scope 2), corresponding to 80.3% of Entel's total greenhouse gas emissions. This amount is due to two factors - the composition of the energy matrix in Chile (in terms of the percentage of energy from fossil fuels), and consumption from Entel networks, shops, offices and Data Centers.

The results of this initial measurement will serve as a baseline for identifying how Entel can, through its management, work to reduce its carbon footprint, as well as estimating how its products and services contribute to or mitigate the emission of greenhouse gases, and identifying the risks and opportunities for the business deriving from the issue of climate change.

It is hoped that by doing all the above the company can contribute to the efforts being made at national and international level to mitigate the effects of climate change.

Energy efficiency

In line with the measurement of the carbon footprint, one of the aspects that Entel manages, which has great potential to reduce emissions of greenhouse gases, is energy consumption.

Intensive energy consumption in the business is mainly found in the networks and in the operation of the Data Center. This is why, in keeping with the development of clean and cost-efficient processes, Entel's networks and data center divisions have been working over the past years on various energy efficiency measures.

Ericsson is the 100% technical provider for the networks in Chile division and is one of the company's most important strategic partners. It also contributes to improving the energy efficiency of networks through the implementation of special, low consumption products, providing industry-leading performance.

In 2017, Entel will work with Ericsson on an equipment upgrade plan, expected to advance energy efficiency and at the same time reduce greenhouse gas emissions.

With regard to infrastructure and operation, Entel's Data Center has taken the lead in terms of energy efficiency. Decisions made some years ago in this area have allowed the Data Center to expand its capacity and grow its infrastructure without the need of higher energy consumption.

For the existing facilities, most of the major energy efficiency initiatives were developed in 2015 or earlier. However, in 2016 programs to improve the PUE for the Data Centers were continued. These include:

[32] CO_2e: Carbon dioxide equivalent. CO_2e is a unit to describe different greenhouse in terms of the amount of CO^2 which would have the equivalent global warming impact.

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

Entel Tower

> Aisle containment
> Switching off AHUs
> Modification of chiller injection

Amunátegu iData Center

> Aisle containment
> Measurements of air flow for optimization of operation levels
> Switching off AHUs
> Conduiting hot air discharge chiller

Ciudad de los Valles Data Center

> Partial PUE metering by rooms
> New project in Ciudad de los Valles 3 developed with indirect air exchange equipment. Includes 12 Air Conditioning Units with pioneering technology in Latin America.
> Installation of 9 air confinement systems.

In all data centers

Ciudad de los Valles, Ñuñoa, Pedro de Valdivia, Amunátegui, and Torre Entel
> PUE measurement is performed at all sites: Continuous improvement is sought to make measurement automatic for all sites
> Staff training at Data Center Energy Efficiency workshops
> Renewal of equipment with new technology based on Freecooling
> Control and monitoring of energy consumption for connections and IT loads.

Additionally, in 2016 energy contracts were renegotiated with suppliers, leading to savings of around US$ 2.8 million over a 4-year contract period.

At corporate level, including 100% of its business units in Chile, corresponding to 80% of its total revenues, Entel consumed 355.38 MWh of electricity.

For Entel it is important to value all efforts made concerning efficiency, environmentally, and to make advances in the sustainable and eco-efficient development of its operations.

This year the Data Centers managed to reduce the average PUE percentage by 3.3% in 100% of its facilities.

The energy savings at the Data Center this year was 2,796,000 kWh. This is equivalent to the approximate average consumption of 13,980 homes in Chile.

e) entel

Entel, I have a question ... What is PUE?
11:03

Hello 11:03

The Power Usage Effectiveness (PUE) is a Data Center measure of efficiency which compares the total energy consumed in the entire Data Center with the amount of energy that actually reaches the technology equipment. This keeps Entel on track as to the amount of energy lost in other equipment that consumes a lot of energy in the Data Center, such as refrigeration equipment to keep appliances at optimum the temperature.
11:05

Thanks! 14:25
11:08

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

G4-DMA
G4-EN23

Reusable Bags:

The Reusable Bag project is a public-private initiative between different municipalities and Entel, aiming to make a contribution in terms of the environment and promote a more sustainable way of life in the country, through the free distribution of thousands of reusable bags.

The initiative aims to reduce plastic bags usage and raise awareness about the effect of their use on the environment. The project is part of the company's sustainability strategy, in particular that part relating to environmental care. In 2016 more than 100,000 reusable bags were distributed through alliances signed with the municipalities of Iquique, Coquimbo, La Serena, Rancagua, Villarrica, Temuco, Valdivia and Puerto Montt.

Reuse of PVC fabrics:

As a company committed to sustainability, in 2016 the marketing and sustainability departments implemented a pilot plan to recycle and measure the traceability of advertising made from materials that can affect the environment. The medium-term goal is to establish a policy for the responsible management of PVC and mesh waste generated by advertising campaigns along public highways. Through this pilot plan, the company recovered 1,104 m2 of PVC fabric, weighing 485.8.

Waste Management

Responsible waste management is a major issue for Entel, due to the type of waste generated through its value chain. The management of waste from operations and the recycling of cell phones and customer accessories is carried out by the Logistics Department and the Sustainability and Communities Department.

Waste from the operation in Chile

Type of waste	Treatment	Amount [kg] 2015	Amount [kg] 2016
Electronic waste (cell phones, accessories, batteries, etc.)	Recycling programs.	4,350	13,114
Waste from the deployment and operation of the network (1)	Agreement with Ericsson which includes a sustainable waste management procedure.	257,926	347,358
Plastics in general	Recycling and waste operator	799	37,878
Paper	Treatment plant	1,354	13,977
Cardboard	Recycling	58,544	229,496
Hazardous waste (batteries, cells, battery banks)	Treatment plant	28,685	39,220
Non-hazardous solid industrial waste	Landfill	18,980	13,830

The table above shows that in 2016 waste from the deployment and operation of the network increased. This was because the network's equipment was changed this year. However, an agreement was also signed with Ericsson for sustainable waste management.

On the other hand the amount of plastics, papers and cardboards used and recycled increased. This is because in 2016 environmental clauses were included in the logistics operator's contract, establishing that it should dispose of the waste from the operation. Thanks to this, today Entel to has a more complete record of the waste it generates.

Finally, one of the main milestones in Entel's environmental management was the increased activity in recycling phones, accessories and batteries, which can be reflected in the considerable increase in recycled electronic waste.

Recycling program for disused equipment

Electronic waste generated in the world is problematic in terms of the logistics for its final disposal. In most cases, cell phones, accessories and batteries end up being disposed of by end users in places that are not set up for this, without giving consideration to the fact that they contain gold, silver, platinum, palladium, copper, tin and zinc, which can be reused in different industries.

It is important that Entel makes itself responsible, as much as it can, for the final destination of the products it markets, making sure they are dealt with appropriately or reused. It is in this spirit with that Entel has actively participated in Ministry of the Environment roundtables on the Law of Extended Producer Responsibility and has also promoted, together with the Organization of Consumers and Users of Chile, consumer rights, duties and responsibilities, emphasizing responsibility for disposing of the electronic waste derived from using products marketed by Entel.

In this context, in 2014 Entel launched its used equipment recycling program, and since then it has implemented an extensive network of collection points in several regions of Chile. Currently, the company has 600 collection points throughout the country. In 2016, 300 new collection points were set up in 3 regions of Chile, making Entel the telecommunications operator with the largest and only project of this kind in the country.

The handsets collected are processed by the specialized companies Midas Chile and Recycla, which recover materials such as copper, aluminum and plastic.

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

Recycling Process.

1	2	3	4	5	7
COLLECTION	TRANSPORT	DISMANTLING	DECONTAMINATION	REUSING AND FINAL DISPOSAL	DISPOSAL IN SECURITY LANDFILL
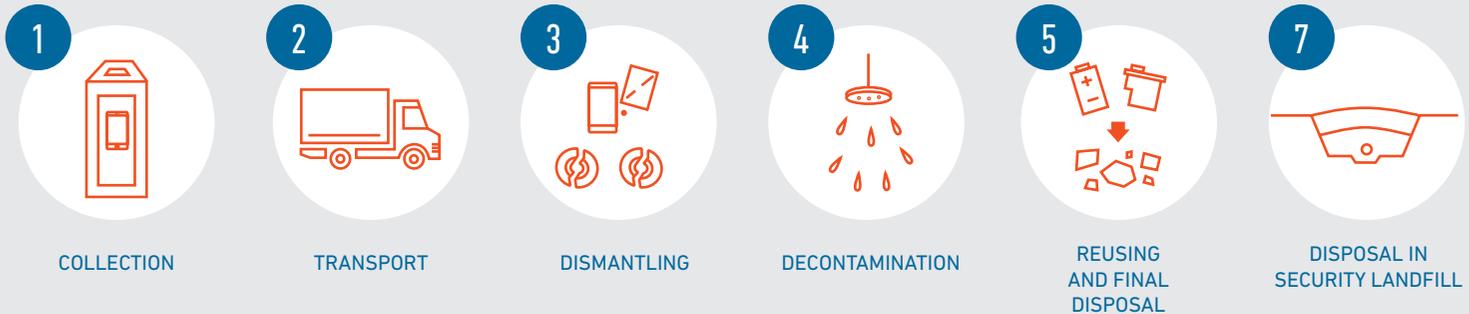
Entel Peru also set up 50 collection points in all district capitals, making it the first operator with an electronic waste management plan approved by the Peruvian state.

The Recycling Program takes into account the logistic cost of the collection and recycling process for cellular equipment, headphones, batteries and chargers.

Contenedores para Chile Program

In order to disseminate its recycling programs, in 2016 Entel sponsored, along with other companies, the installation of new recycling points for cartridges and toners, CDs and DVDs, cell phones and accessories (headphones, cables, chargers, mouses, remote controls, etc.) as part of the Contenedores para Chile program, in partnership with Fundación Recyclápolis. The aims of the program are:

> To make citizens aware of the problem of electronic waste, of its negative impact on the environment and the solutions that exist to reduce its consequences.

> To make a social contribution by aetting up recycling bins for electronic waste in schools for each community, strengthening the awareness of future generations.

> To provide corporate visibility, installing recycling bins in publicly accessible locations such as government institutions, museums, municipalities, etc.

This year, the program focused on the implementation and management of electronic waste recycling bins in the Metropolitan Region. A second and third stage will see this repeated for Valparaíso and Concepción.

Entel recycling program
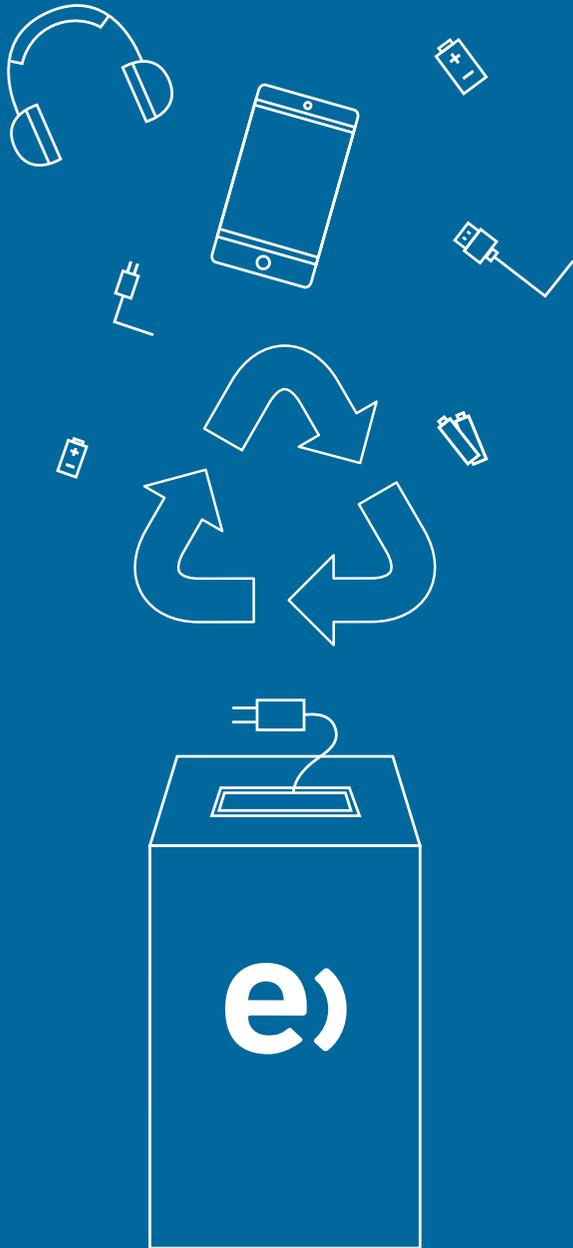
TOTAL CHILE   13,114kg

USED CELLPHONE PROGRAM

1,668kg
CELLPHONES

1,664kg
ACCESSORIES

470kg
BATTERY PACKS

7.381kg
BATTERY CELLS

1.931kg
CATRIDGES AND CDs

TOTAL PERU   361kg

RECYCLING PROGRAM

135kg
CELLPHONES

130kg
ACCESSORIES

88kg
BATTERY PACKS

8kg
BATTERY CELLS

2016
13.4
TONS
of electronic waste

BINS CHILE

ENTEL STORES AND COLLECTION POINTS

299
BINS

CONTENEDOR PARA CHILE

304
BINS

BINS PERU

50
BINS

TOTAL CONTACT POINTS

653
BINS

We are Entel

Economic Performance

Corporate Governance

Client-focused Entel

Employees

Suppliers and Contractors

Community and Social Investment

Environment

Villa Renoval, Puerto Natales.
Magallanes and Antártica Chilena Region.
Conectando Chile Project.

GRI G4 Indicators Global Compact
General Basic Content

GRI G4 Indicator	Indicator Description	Chapter	Page	Omissions and Comments	Global Compact Principle
STRATEGY AND ANALYSIS					
G4-1	Declaration by person with principal responsibility for the organisation's decisions about the relevance of sustainability to the organization and the strategy for addressing the issue.	Letter	2		
G4-2	Description of the main impact, risks and opportunities	Vision	18		
PROFILE OF THE ORGANISATION					
G4-3	Name of the organization.	We are Entel	21		
G4-4	Brands, products and important services.	We are Entel	21		
G4-5	Location of organization's headquarters.	We are Entel	21		
G4-6	Countries in which the organization operates.	We are Entel	21		
G4-7	Form of ownership and its legal status	We are Entel	23		
G4-8	Markets served.	We are Entel / Customers	21		
G4-9	Scale of the organization	Employees	70		
G4-10	Breakdown of employees of the organization.	Employees	70 -71-81		Principle 6
G4-11	Percentage of employees covered by collective agreements.	Employees	79		Principle 3
G4-12	Description of the organization's supply chain.	We are Entel	30		
G4-13	Significant changes during the period under review regarding size, structure, share ownership or supply chain of the organization.	Employees	69		
G4-14	Description of how the organization approaches, if applicable, the precautionary principle.	Corporate Governance	44		
G4-15	Principles or other external initiatives of economic, environmental or social nature to which the organization subscribes or has adopted.	Sustainability Vision / Communities	8 -89		
G4-16	Associations and national or international advocacy organizations to which the organization belongs.	Sustainability Vision	16		
MATERIAL ASPECTS AND COVERAGE					
G4-17	List of all entities included in the organization's consolidated financial statements.	Sustainability Vision	17		
G4-18	Process for defining the report content and coverage for each aspect.	Sustainability Vision / We are Entel	18-30		
G4-19	List of the material aspects identified in the process of defining report content.	Sustainability Vision / We are Entel	19-20-30		
G4-20	Coverage within the organization of each material aspect.	Sustainability Vision / We are Entel	19-30		
G4-21	Coverage outside the organization of each material aspect.	Sustainability Vision / We are Entel	19-30		
G4-22	Description of the effect of any restatements of information provided in previous reports and the reasons for such restatements.	Sustainability Vision	18		
G4-23	Significant changes from previous reports in scope and coverage.	Sustainability Vision	18		
PARTICIPATION OF STAKEHOLDERS					
G4-24	Stakeholders associated with the organization.	Sustainability Vision	9		
G4-25	Basis for choosing stakeholders with which the organization works.	Sustainability Vision	9-18		
G4-26	Description of the organization's approach to stakeholder engagement.	Sustainability Vision	9		
G4-27	Key issues and problems arising as a result of stakeholder engagement and the organization's assessment.	Sustainability Vision	9-18		

GRI G4 Indicator	Indicator Description	Chapter	Page	Omissions and Comments	Global Compact Principle
REPORT PROFILE					
G4-28	Time period covered by report	Sustainability Vision	17		
G4-29	Date of last report	Sustainability Vision	17		
G4-30	Submission cycle of reports	Sustainability Vision	17		
G4-31	Contact point for questions regarding the report or its contents.	Sustainability Vision	17		
G4-32	GRI indicators and guidance option chosen.	Sustainability Vision	18		
G4-33	The organization's policy and current practice with regard to seeking external assurance for the report.	Sustainability Vision	18		
GOVERNMENT					
G4-34	Governance structure of the organization and committees responsible for decision-making on economic, environmental and social questions.	Corporate Governance	41		
G4-35	"Description of the process by which the highest governance body delegates its authority to senior management and certain employees on matters of an economic, environmental and social nature."	Corporate Governance	41		
G4-38	The composition of the highest governance body and its committees.	Corporate Governance	41		
G4-39	Report whether the Chair of the highest governance body is also an executive officer.	Corporate Governance	41		
G4-41	Processes for the highest governance body to ensure possible conflicts of interest are avoided and managed.	Corporate Governance	42		
G4-43	Measures taken to develop and improve the collective knowledge of the highest governance body in relation to economic, environmental and social issues.	Corporate Governance	42		
G4-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities.	Corporate Governance	41-44-45-46		
G4-46	Role of the highest governance body in analyzing the effectiveness of the organization's risk management processes in economic, environmental and social matters.	Corporate Governance	44-45-46		
G4-47	Frequency with which the highest governance body analyses economic, environmental and social impacts, risks and opportunities.	Corporate Governance / Sustainability Vision	9-44-45-46		
G4-48	Highest committee or manager that formally reviews and approves the organization's sustainability report.	Sustainability Vision	9		
G4-49	Process to convey major concerns to the highest governance body.	Sustainability Vision	9		
ETHICS AND INTEGRITY					
G4-56	Values, principles, standards and norms of the organization such as behaviour and ethics codes.	Corporate Governance / Sustainability Vision	6 - 42		Principle 10
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior and matters relating to the organization's integrity.	Corporate Governance	42-43		
G4-58	"Internal and external mechanisms for reporting unethical or unlawful conduct and for Corporate Governance matters relating to the integrity of the organization."	Corporate Governance	42-43		

GRI G4 Indicators and Global Compact

Specific Basic Content

Material Aspects	Indicator Description	Chapter	Page	Omissions and Comments	Global Compact Principle
ECONOMY					
ECONOMIC PERFORMANCE					
G4-DMA	Management approach	Economic Performance	37		
G4-EC1	direct economic value generated and distributed.	Economic Performance	37		
G4-EC4	Financial assistance from government entities.	Employees (Sence)	72		
INDIRECT ECONOMIC CONSEQUENCES					
G4-EC7	Development and impact of investment in infrastructure and types of services.	We are Entel/Customers/Communities	25-51-93		
G4-EC8	Significant indirect economic impacts and their scope.	Suppliers	82		
PROCUREMENT PRACTICES					
G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	Suppliers	82		
ENVIRONMENT					
MATERIALS					
G4-DMA	Management approach	Environment	103-104-106-108-109		Principles 7 and 8
ENERGY					
G4-EN3	Internal power consumption	Environment	106-108		Principles 7 and 8
G4-EN6	Reduction in energy consumption.	Environment	106-108		Principles 7 and 8
EMISSIONS					
G4-EN15	Direct greenhouse gas emissions (scope 1)	Environment	105		Principles 7 and 8
G4-EN16	Indirect greenhouse gas emissions from energy generation (scope 2)	Environment	105		Principles 7 and 8
G4-EN17	Other indirect greenhouse gas emissions (scope 3)	Environment	105		Principles 7 and 8
EFFLUENTS AND WASTE					
G4-EN23	Total weight of waste by type and disposal method.	Environment	109-110		Principles 7 and 8
PRODUCTS AND SERVICES					
G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	Environment	103		Principles 7 and 8
ENVIRONMENTAL EVALUATION OF SUPPLIERS					
G4-EN32	Percentage of new suppliers screened using labor practices criteria.	Suppliers	87		Principles 7 and 8
SOCIAL PERFORMANCE					
LABOR PRACTICES AND DECENT EMPLOYMENT					
EMPLOYMENT					
G4-DMA	Management approach	Employees	68		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region.	Employees	70-76		Principle 6
G4-LA2	Social benefits for full-time employees	Employees	78		
RELATIONSHIPS BETWEEN WORKERS AND MANAGEMENT					
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.	Employees	79		Principle 3
HEALTH AND SAFETY AT WORK					
G4-LA5	Percentage of workers represented on formal health and safety committees	Employees	78		
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities.	Employees	78		
TRAINING AND EDUCATION					
G4-LA6	Average hours of training per year per employee by gender and job category.	Employees	72-73		Principle 6
G4-LA10	Skills management and continuing education program	Employees	72-73		
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	Employees	74		

Material Aspects	Indicator Description	Chapter	Page	Omissions and Comments	Global Compact Principle
DIVERSITY AND EQUAL OPPORTUNITIES					
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group and other indicators of diversity.	Employees	71		Principle 6
EQUALITY OF REMUNERATION BETWEEN WOMEN AND MEN					
G4-LA13	Relationship between male base salary and female base salary	Employees	71		Principle 6
SUPPLIER ASSESSMENT FOR LABOR PRACTICES					
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria.	Suppliers	87		
G4-LA15	Significant negative impacts on labor practices in the supply chain.	Suppliers	87		
MECHANISM FOR COMPLAINTS ABOUT LABOR PRACTICES					
G4-LA16	Number of claims on labor practices	Suppliers	87		
SOCIETY					
G4-DMA	Management approach	Communities	89		
LOCAL COMMUNITIES					
G4-SO1	Percentage of centers where development programs, impact assessments and participation in local communities have been implemented.	Communities	93		Principle 1
G4-SO2	Operational centers have had or may have significant negative effects on local communities.	Communities	90		Principle 1
FIGHTING CORRUPTION					
G4-SO3	"Number and percentage of operations assessed for risks relating to corruption and the significant risks identified	Corporate Governance	42		Principle 10
G4-SO4	Policies and procedures of the organization to fight corruption.	Corporate Governance	42		Principle 10
REGULATORY COMPLIANCE					
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.			See footnote 32 in Financial Statements, pages 123–131 of the Financial Report 2016.	
SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY					
G4-SO9	Percentage of new providers screened on the basis of criteria relating to social impact.	Suppliers	87		
G4-SO10	Significant negative impacts on society in the supply chain.	Suppliers	87		
PRODUCT RESPONSIBILITY					
G4-DMA	Management approach	Customers	51		
LABELING OF PRODUCTS AND SERVICES					
G4-PR5	Results of surveys to measure customer satisfaction.	Customers	56-58-60-62-64		
MARKETING COMMUNICATIONS					
G4-PR7	Number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications such as advertising, promotion, and sponsorship.			See footnote 32 in Financial Statements, pages 123–131 of the Financial Report 2016.	
CUSTOMER PRIVACY					
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Corporate Governance	47		
REGULATORY COMPLIANCE					
G4-PR9	Significant fines for non-compliance with regulations or legislation relating to the supply and use of products and services.			See footnote 32 in Financial Statements, pages 123–131 of the Financial Report 2016.	

e)