



**METRO**  
DE SANTIAGO



## 2. Corporate Governance





## 2.1 Metro, a company for all Chilean

[G4-DMA] Metro is a state-owned company belonging to the System of State-Owned Companies (SEP), an institution created by the Corporación de Fomento de la Producción (CORFO) and subordinate to the Ministry of Economy, Development and Tourism. Twenty-two companies from the transportation, port and services sector are part of the SEP, which is controlled or owned by one shareholder, i.e., the Chilean State. The SEP represents the interests of the Chilean State in these companies and acts as a technical advisory body to them in matters concerning administrative oversight and corporate governance. Moreover, we are subject to the laws governing public limited companies, oversight by the Office of the Superintendent of Securities and Insurance (SVS), and regulations set forth under common law applicable to all public corporations.

### Main Purpose and Attributions of the SEP

Appoint board members, and control and assess the strategic administration of the companies under its purview, with the aim of maximizing the companies' economic value for the benefit of Chile.

### Sustainability of State-Owned Companies

The System of State-Owned Companies (SEP) abides by a Corporate Governance Code that consists of a series of bodies and institutional practices applicable to the decision-making process undertaken by the companies to create sustainable value—within a context of transparency, ethics, and corporate social responsibility—, while aligning interests and fostering respect for the rights of all shareholders and stakeholders who are directly or indirectly involved in the companies.

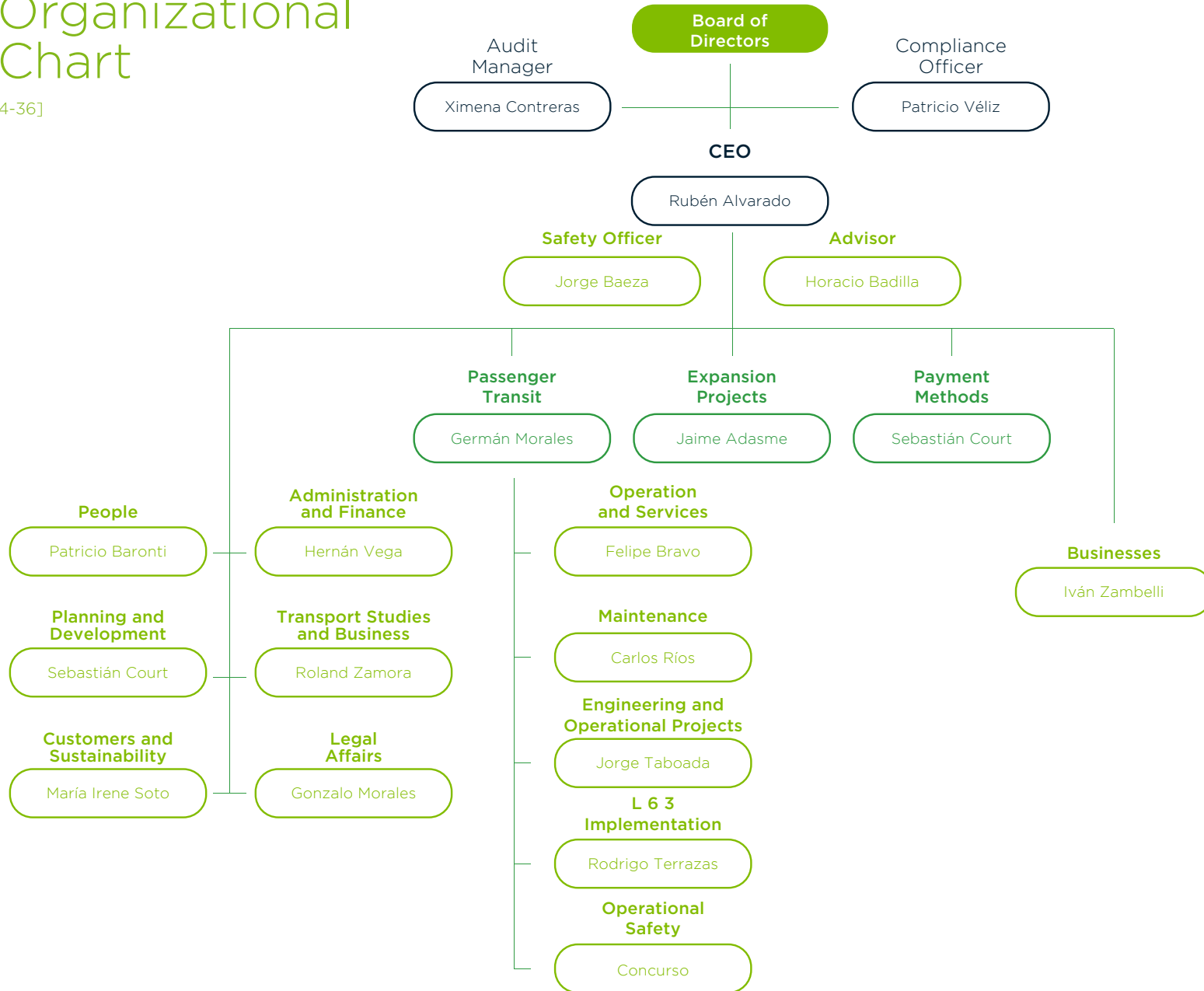
In this context, the SEP has published a collection of 14 guides addressing specific topics that the companies follow in order align themselves with the SEP's general directives. The guides are as follows: Board of Directors and Chairman, Responsibilities of Board Members, Conflicts of Interest, Audit Committee, External Audit, Internal Audit, Integral Risk Management, Fraud Risk, Information Security, Prudent Accounting Criteria, Code of Conduct, Corporate Social Responsibility and Shared Value, People Management, and Transparency.

At Metro we take these directives to heart, and make them our own through our mission, values, principles, and internal regulations and codes. Moreover, we have developed corporate policies for each subject matter. These are implemented by way of specific plans and programs set out under our business strategy.



## 2.2 Organizational Chart

[G4-35] [G4-36]



Explanatory Note: The Audit Manager took office on February 13, 2017.



## 2.3 Description and Structure of the Board of Directors

Metro de Santiago’s administration is managed by a Board of Directors comprised of a chairman, vice-chairman and five board members. Its functions, responsibilities and purview are governed by regulations established under Law No. 18,046 and the company’s corporate statute.

[G4-39] In 2016, the Board of Directors also presided over the CEO, the Internal Comptroller and the Head of Crime Prevention Model in keeping with Law 20.393. It is worth noting that Chairman of the Board is a position that does not perform an executive role in the company

## 2.4 Board of Directors

[G4-40] In 2016, the Board’s structure remained unchanged. For more information, see [Metro de Santiago’s Finacial Report](#).

- Chairman of the Board Rodrigo Azócar Hidalgo
- Vice-Chair Paulina Soriano Fuenzalida
- Board Member Karen Poniachik Pollak
- Board Member Carlos Mladinic Alonso
- Board Member Juan Carlos Muñoz Abogabir
- Board Member Claudio Soto Gamboa
- Board Member Vicente Pardo Díaz

### Board Committees

[G4-38] [G4-45] In 2016 board members took part in four different committees, namely:

- Project Management Committee: reviews the status of new expansion and line projects, in addition to reviewing operationally-relevant projects
- Operations Committee: addresses the company’s strategic and managerial aspects pertaining to business development, encompassing areas primarily under the purview of Operations and Services and Maintenance Managements.
- Audit, Finance and Risk Committee: looks out for the company’s financial resources, ensuring they are managed efficiently and in compliance with established procedures. It supervises internal auditing and issues opinions regarding the independent auditing of the company’s financial statements. In addition, this committee is in charge of reviewing the risk matrix and risk management plans.
- Technical Committee: in charge of analyzing complicated technical matters arising in connection with projects under way.

[G4-36] Our Board defines the strategic guidelines and oversees the company’s administration and management. To this end, it delegates economic, social and environmental aspects to the CEO who has the authority to define the responsibilities of each corporate management office and division.

[G4-48] Regarding sustainability management, the Board also validates the company’s most relevant sustainability documents, such as the Sustainability Report and policy. In 2016, the Board appointed Karen Poniachik as point person for sustainability matters and shared value.

[G4-37] [G4-43] [G4-49] All managers report directly to the Board on the company’s most important administration-related matters, such as, among others, investment proposals, expense- and consulting-related issues, risk follow-ups, and issues pertaining to operations, social, environmental, health and safety concerns, customers, suppliers and contractors.

## Board Compensation

[G4-51] [G4-52] The board member compensation structure consists of a fixed and a variable component, the latter of which is dependent on attendance of regular and special board meetings. The Regular Shareholders' Meeting determines the upper limit placed on board member compensation. The Chairman of the Board, however, does receive a set monthly compensation.

[See Annual Financial Report for more information.](#)

## Diversity on the Board

[G4-DMA] [G4-LA12] Our company's Board of Directors is comprised of both men and women, all Chilean nationals, whose ages range from 40 to 70, each of whom has been a board member for more than three years.

### i. Gender Breakdown of Board Members

MEN	WOMEN
5	2

### ii. Nationality of Board Members

CHILEANS	FOREIGNERS
7	0

### iii. Board Members by Age

<30	[30, 40]	]40, 50]	]50, 60]	]60,70]	>70
0	0	3	1	3	0

### iv. Board Members by Seniority

< 3 years	[3, 6]	]6, 9[	]9,12]	> 12 years
7	0	0	0	0

# 2.5 Description and Breakdown of Administration

## Diversity at the Managerial Level

Regarding the ratio of men to women holding senior executive positions, the majority of these are held by men. In terms of managers' nationality, all senior executives are Chilean and aged 40 and older. Regarding seniority, there is a bit more diversity here since although most of Metro's senior executives have held their positions for less than three years, some managers have been with the organization for over 12.

The following is a detailed illustration of the above:

### i. By Gender

MEN	WOMEN
14	1

### ii. By Nationality

CHILEANS	FOREIGNERS
15	0

### iii. By Age Group

<30	[30, 40]	]40, 50]	]50, 60]	]60,70]	>70
0	2	3	5	5	0

### iv. By Seniority

< 3 years	[3, 6]	]6, 9[	]9,12]	> 12 years
7	3	1	0	4





## 2.6 Ethics and Good Practices

[G4-DMA] [SO3] In 2016 we worked on revising and fine-tuning our risk matrix with a view to avoiding and preventing crime and fraud. The latter has provided us with the opportunity to define risk prevention and mitigation measures; and subsequently subject them to a process of review and continuous improvement.

### Crime Prevention Model

[G4-58] In accordance with the Law 20.393, Metro have implemented a Crime Prevention Model that provides criminal sanctions for all individuals in cases of asset laundering, terrorism financing, bribery of national and foreign public officials, and receiving and handling stolen goods.

[G4-57] In 2016, we focused on expanding our scope of crime and poor practices prevention efforts. To this end, our Board created the position of Compliance Officer, as a direct report to the Board. The role of Compliance Officer entails the specific tasks defined for the Head of Crime Prevention Model created under Law 20,393, as well as more general responsibilities related to creating a company culture of correct behavior. To this end, Metro has implemented several actions aimed at reinforcing ethical conduct and good practices in Metro's businesses and operation activities.

In keeping with this premise, in 2016 the Board replaced the former Code of Ethics with a Code of Conduct, in order to bring these guidelines closer to and in more direct contact with employees, and thereby better support the process for resolving potential ethical gaps in conduct.





### Training on Crime Prevention Model

[G4-SO4] In 2016 we provided training to our employees on the Crime Prevention Model (Criminal Responsibility Act for Individuals) and overall good business practices. Face-to-face training sessions were held with nearly 300 workers, including employees who had traveled on technical missions and business abroad.

Furthermore, we held two e-Learning training courses on fighting corruption; one focused on preventing bribery and the other on detecting asset laundering operations. All of Metro's board members, managers, assistant managers, supervisors, and professionals successfully passed the program, for a total of 700 individuals trained.

Finally, the company opted for adding regulations to its work contracts regarding the prevention of poor practices and compliance with the norms provided by Law 20,393.

## Whistleblower Channel

[G4-58] The whistleblower channel is one of the measures that Metro has implemented to ensure compliance with Law 20,393 and the Metro Code of Conduct. This internal channel was created by Metro but is managed by an outside audit firm. It provides our workers with an outlet to confidentially report on violations of internal or external regulations.

Individuals using this channel do so in complete independence and entire anonymity. Complaints may be filed either via the web platform, e-mail or snailmail. We promote this channel primarily through digital media and posters inside the company.





[G4-SO5] Thanks to this channel, in 2016 we learned that some workers were inappropriately using the Wellbeing Fund. Following an investigation conducted by the Comptroller and Compliance areas to review and verify the information, the individuals involved were let go and a report was filed with the National Prosecutor's Office. At year-end 2016 the case was still open.

## 2.7 Risk Management Model

[G4-DMA] [G4-SO3] E In keeping with its Risk Policy, Metro has a Risk Management System which serves as a support tool for complying with our mission, vision and strategic objectives. In addition to being designed to reduce the impact of operations-related difficulties, it is also in place to prevent risks from occurring.

The purpose of our Risk Management area is to define all activities required for implementing and operating our Comprehensive Risk Management Model in order to add value to our processes, while also complying with the following external requirements provided by the State-owned Companies System (SEP), and the Governmental Internal Audit Council (CAIGG).

Note that risks are an inherent part of our business, in every stage along the way. Accordingly, we have identified risks entailed in each process and subprocess carried out by our various divisions, such as: Operations and Services, Maintenance, People, Expansion Projects, Compliance, etc. Some of the risks identified and assessed refer to operational and financial matters, information security and fraud, among others. Results as of December are as follows:

-  57 processes surveyed
-  182 subprocesses identified
-  880 risks identified
-  73 critical risks identified